



Gibraltar Financial Intelligence Unit
HM Government of Gibraltar

ANNUAL REPORT 2021

& Strategic Analysis

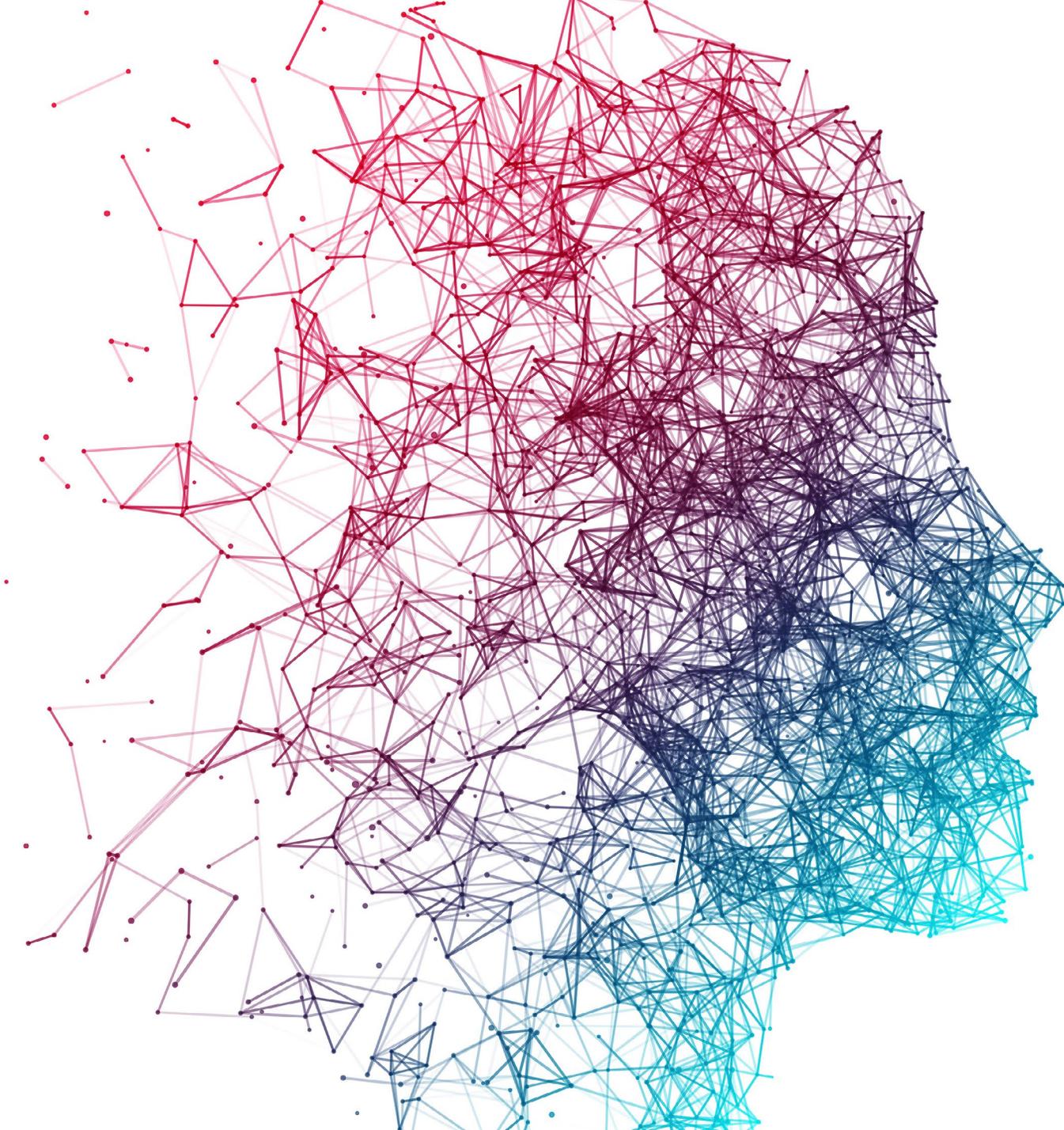


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Strategic Analysis
Report 2021



Edgar Lopez
Director, GFIU

I am delighted to introduce the 2021 Annual Report, which includes a Strategic Analysis Report. It sets out the GFIU's achievements over the past year developing on the outcomes of 2020. It also provides valuable strategic information that will help drive Gibraltar's finance centre in focusing on specific areas of economic crime.

2021 has also been a challenging year. The GFIU has risen to these challenges, particularly the increased demand on our human resources. I am very proud of our team who have delivered so much, demonstrating great work ethics, flexibility and remarkable dedication to get the job done.

We have built on the successes of 2020 and driven forward decisively with new developments that will be transformational. Our success wouldn't have been possible without the support of our partners and this has encouraged a closer working relationship with the public and private sector. It demonstrates how the unit has steered its efforts to become a trusted and valuable partner.

I remain firmly focused on developing our people and this year there have been significant achievements in our specialist training. I am very pleased with progress in this area and this highlights our determination to achieve our strategic key outcomes. It is enlightening to see so many achievements during our 25th Anniversary.

The digital transformation of the GFIU continues. This year we have benefitted from HM Government of Gibraltar's financial support for better analytical software tools that will help strengthen our capacity to fight economic crime. As part of our Strategic Plan to prevent and identify economic crime through innovation and technology, a huge effort has been made during the last year. Our staff have engaged with a number of software developers, bringing in their expertise to enhance our analytical systems. These new projects will create a modern digital ecosystem within the GFIU, harnessing the many strands of information we receive into one.

The COVID-19 pandemic continues to affect us all and last year we implemented our Business Resilience & Continuity Plan, working remotely when required. The pandemic has naturally restricted our in-person outreach and engagement program but we have stepped up to the challenge and used it as an opportunity to engage through the use of technology.



Critical to the work that we do is outreach. Our engagement program, Project Nexus, has evolved into a well-structured and sustainable program that raises awareness on economic crime and predicate offences, fosters a relationship between the GFU and the private sector, and establishes a forum where both sectors come together to share knowledge. There have been a number of online virtual sessions and our e-learning platform now has over 400 users who have access to Gibraltar centric workshops. To ensure the sustainability of our engagement, we published a Corporate Communication Strategy and re-launched our website. The clean, slick, modern design and improved site navigation assists users find the information they require.

As Project Nexus develops, we have launched an engagement clinic program that provides one-to-one support to reporting entities or sectors in a particular area that requires specific attention. We have conducted several of these clinics and I am delighted to receive excellent feedback on its effectiveness. We have also published comprehensive guidance notes on Counter Terrorist Financing and Online Child Sexual Abuse and Exploitation, complemented by online e-learning workshops.

During 2021, the GFU has also provided training internationally. We were delighted to be invited by the United Nations Office of Drugs and Crime (UNODC) to deliver training to Morocco's financial institutions sharing Gibraltar's experience in improving engagement with the private sector to detect illicit financial activity to end human trafficking. We also delivered training to INTERPOL's Project Proteger, an initiative designed to enhance capacity in Latin America and the Caribbean countries to target the proceeds of smuggling persons or trafficking in human beings.

In 2021, we have seen a significant increase in demand. With almost 4,000 Suspicious Activity Reports received, our Financial Intelligence Officers have read and analysed every single one of these reports. Although most of these reports, submitted by the gaming sector, have been dual disclosed to other FIUs, they nonetheless require analysis and risk assessment.

During the latter part of the year, we have continued our research in establishing a public-private partnership, working with our counterparts in the Crown Dependencies and the UK's Joint Money Laundering Intelligence Task Force (JMLIT). We have engaged with the Gibraltar Bankers' Association and now look forward to ensure we have a model that enables us to share financial information to identify financial crime risks. Creating the Financial Liaison and Intelligence Network (FLINT), will now take our fight against economic crime to another level. FLINT will become an essential tool for law enforcement and increase the reputation of banks who will be working closer with us to identify criminal activity.

We have specialised in many areas, but there has been a particular focus on proliferation financing. The establishment of the Joint Coordinating Intelligence Group to Counter Proliferation Financing has been a significant step in how we become more effective as a jurisdiction to ensure that we mitigate the threat to global security by those intent in facilitating the development of weapons of mass destruction. In June 2021, I was invited as a panelist by a leading think tank, Royal United Services Institute, to discuss best practices in Counter Proliferation Financing. These events are highly encouraging and provide us with a platform where we can share our work on this developing area.

Finally, I am very pleased to note the results of the Moneyval evaluation follow-up report which was published in December 2021. This demonstrates our jurisdictional commitment to address all the recommendations made by Moneyval. Our journey to achieve the best possible results has made us stronger and more professional to ensure that we now apply our strong legislative and regulatory framework to better prevent and detect criminal behaviour in our financial system.

I believe 2022 will continue to present challenges but I am confident that we will face them in a professional way with the supportive team that I lead.





OUR ORGANISATION



The Gibraltar Financial Intelligence Unit (GFIU) was established in January 1996 to gather, store, analyse and disseminate intelligence related to criminal conduct, (including but not limited to money laundering, the financing of terrorism and the proliferation of weapons of mass destruction), transacted or attempted to be transacted through relevant financial businesses in accordance with the Proceeds of Crime Act 2015, the Terrorism Act 2018, and the Drug Trafficking Act 1995.

The GFIU plays a critical role in the fight against economic crime but it also uses financial intelligence to tackle other criminal conduct. It maintains a secure database of all the disclosures and other financial intelligence arising out of any enquiries conducted into them. The disclosures are then analysed and further information is processed which enhances the intelligence picture. These intelligence reports are then disseminated securely to law enforcement agencies such as HM Customs Gibraltar, the Royal Gibraltar Police or supervisory authorities for further action.

As a key partner in the fight against economic crime, the GFIU chairs and participates in a number of working groups, such as the Joint Financial Intelligence Tasking Group and the Joint Coordinating Intelligence Group to Counter Proliferation Financing.

The GFIU also provides feedback to financial institutions and through its outreach programme Project Nexus it aims to enhance awareness on money laundering, terrorist financing, human trafficking and proliferation of weapons of mass destruction. It also produces guidance on a number of areas which assists reporting entities in improving the quality of the suspicious activity reports.

In 2021, we completed our restructure and now comprises a Domestic, International and Analysis Desk. The unit is led by a Director, who oversees a permanent core of Financial Intelligence Officers, and Financial Crime Analysts, with specialist officers on secondment from the Royal Gibraltar Police, HM Customs and the Gambling Division. The operational activities of the GFIU is managed by a Head of Operations who also provides internal legal support. The GFIU functions in accordance with the Financial Action

Task Force (FATF) Recommendations and Standards and is evaluated by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

As a member of the Egmont Group of Financial Intelligence Units, and an associate member of the International Anti-Corruption Coordinating Centre (IACCC), it makes a significant contribution in its global efforts to combat financial crime.

The GFIU is a member of the Quad Island Forum of Financial Intelligence Units together with the Financial Intelligence Units from Guernsey, Isle of Man and Jersey. In December 2021, the Forum met in Gibraltar House, London, where matters of common interest between all participating jurisdictions were discussed. It has now created subgroups to share experiences in other specialist areas such as Strategic Analysis and Terrorist Financing. The forum is invaluable for the development of similarly sized FIUs.





OUR PEOPLE





Our Director

In March 2020, the Attorney General appointed Edgar Lopez as the Head of the GFIU. Edgar has had a distinguished career serving as a police officer in the Royal Gibraltar Police for 21 years. Although he has been a uniformed officer in a number of departments, most of his career was spent in specialist departments within the Crime and Protective Services Division. He was the Head of Special Branch before becoming the Head of Interpol Gibraltar Sub-Bureau, gaining experience in criminal and counter-terrorism intelligence.

With experience in the MONEYVAL process Edgar brings in a wealth of knowledge in the Financial Action Task Force Recommendations and Standards. He remains focused on tackling proceeds of crime specifically on victim-based crime such as Human Trafficking and Online Child Sexual Abuse and Exploitation. He is keen to exploit all opportunities to enhance information sharing between the public and private sector. To further his academic studies Edgar is now starting a Master's Degree on International Affairs with King's College London. He is also the Chair for the Royal Gibraltar Police's Ethics Committee.



Head of Operations

In December 2021 Carl Ramagge joined GFIU as Head of Operations (Legal). Carl was called to the Bar of England and Wales (and Gibraltar) in 2007 and brings with him almost 15 years of Criminal Justice experience. Having spent most of his time defending his clients, in 2013 he was appointed Crown Counsel for HM Government of Gibraltar and he has spent the past 8 years at the Office of Criminal Prosecutions and Litigation (OCP&L).

At OCP&L he worked on some of Gibraltar's most important trials for offences such as Murder, Rape, Serious sexual assaults and offences against children. He had also undertaken specialist training in Rape and Serious Sexual Offences with the Crown Prosecution Service in the UK. He has also prosecuted financial crime including fraud and false accounting and some have resulted in the crown confiscating the proceeds of crime. Outside of the Courtroom Carl is a qualified Level 3 Field Hockey coach and spends much of his time coaching people from all walks of life. His whole ethos is centred around creating a cohesive team so that each individual can fulfil his maximum potential and therefore maximise the team's performance.



Our team

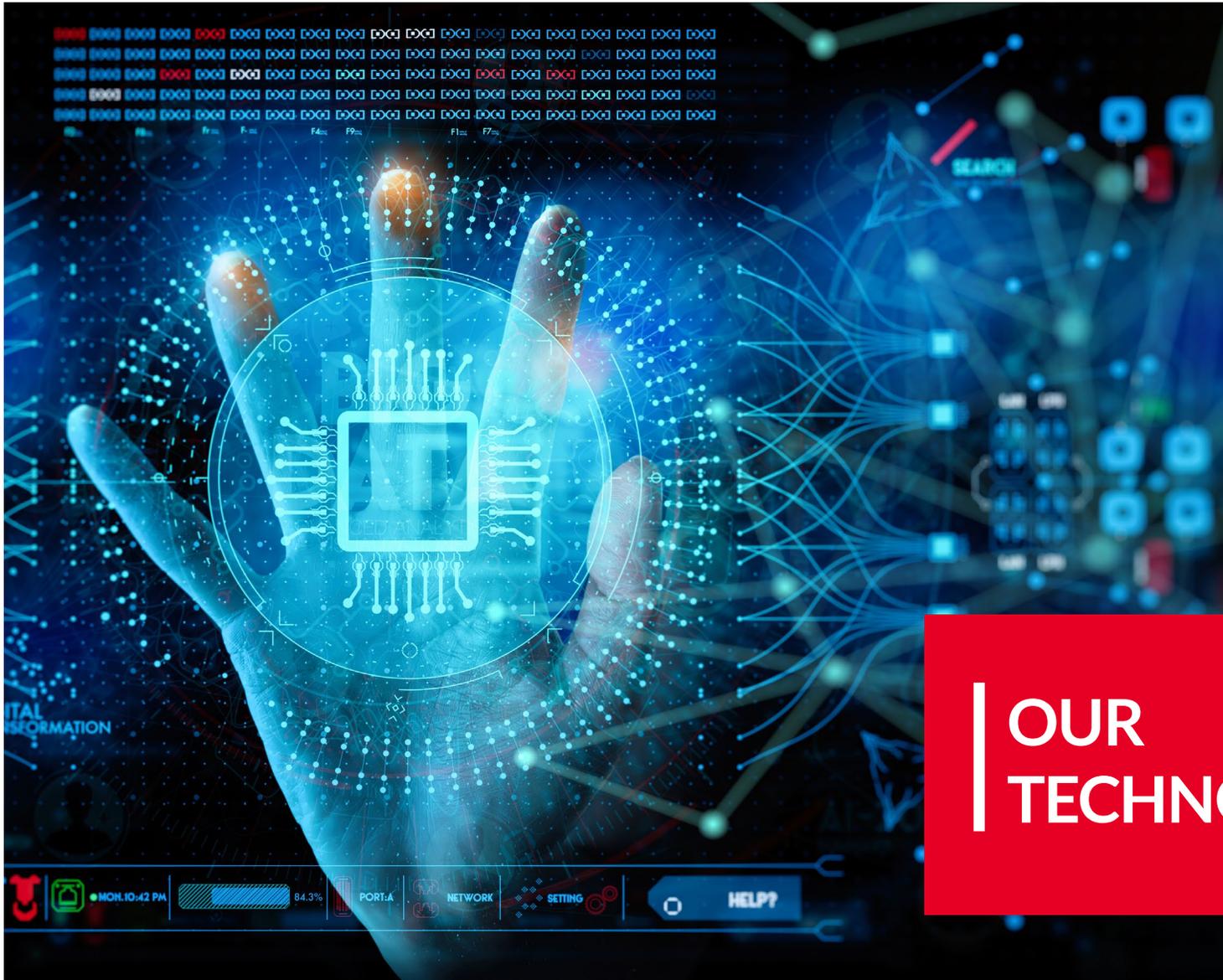
A further internal reorganisation of resources has been made last year and the GFIU now has three main areas of specialisation; an International Desk, a Domestic Desk, and an Analysis Desk. This operating model now creates a more flexible, dynamic and agile process with the Analysis Desk providing critical support to the rest of the team.

Our Financial Intelligence Officers (FIOs) will now work with our Financial Crime Analysts (FCAs), overseen by our Head of Operations and supported by our Intelligence Support Officer. Their skills will compliment a modern working environment that will supercharge the strategic objectives of the GFIU.

We are an inclusive and diverse workplace that will enable staff members to realise their potential and contribute to the GFIU's performance. Bringing a wide range of skills, knowledge and experiences will improve productivity, decision making and problem solving. All our FIOs and FCAs conduct an in-house training and mentoring program followed by a FIO course with the UK's Proceeds of Crimes Centre (the body that accredits and monitors the performance of all financial investigators in England, Wales and Northern Ireland). Training is a regular feature within the GFIU to ensure that the core skills are maintained. In-house training and e-learning courses with various providers including the Egmont's ECOFEL system are useful ways to keep updated. Following our associate membership to the International Anti-Corruption Coordinating Centre (IACCC) two of our officers attained a Distinction in the Anti-Corruption Specialist Course. Darknet investigations, cryptocurrency, strategic analysis and introduction to forensic accounting are the types of courses that build our capacity across all areas of economic crime.

We have created a culture that values difference and diversity. It supports a positive and healthy working environment that empowers individuals to make choices which in turn encourages innovation and productivity. This approach is supported by effective leadership and management and is aligned to our Strategic Plan.





OUR TECHNOLOGY





THEMIS - Online Reporting System

In January 2019, the GFIU launched THEMIS for the secure submission of Suspicious Activity Reports (SARs). The launch was a culmination of a two-year project with software developers, foreign FIUs, Money Laundering Reporting Officers (MLROs), HMGoG's Information Technology & Logistics Department (ITLD), and Law Enforcement Agencies (LEAs). THEMIS has become the GFIU's main database and case management system.

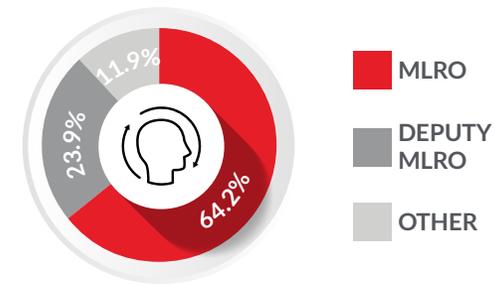
THEMIS consists of two separate parts – an online 'portal' for use by MLROs and a system visible only to the GFIU, with restricted access to LEAs and the Government Law Offices with respect to Mutual Legal Assistance (MLA) requests. The portal allows MLROs to create a SAR and can save a draft version and continue to work on it for as long as is necessary until it is ready to be saved as the final version before it is submitted to GFIU. The portal allows a great deal of detail to be entered, but only a subset of the information is mandatory to encourage MLROs to include as much detail as possible but still allow them to report suspicions even if they have limited information.

We then carry out the processing of the SAR in the internal system and can send letters and requests for additional information to the reporting entity, which will appear in the MLRO portal. Letters and notices (for example requests for information about persons of interest, or general information such as changes to legislation) can also be securely distributed to all registered MLROs via the portal. The system has a workflow process, which is entirely configurable by the GFIU, and works by creating tasks, which must be completed before the SAR can be closed.

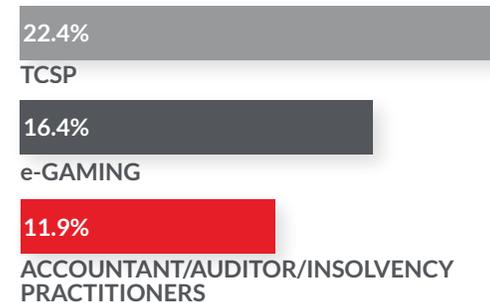
This allows the GFIU to ensure that all necessary work is completed without constraining the user to a fixed method of working. THEMIS is very configurable and has dropdown selection lists, which have been configured in consultation with the industry users. All users of the internal system have access only to functionality to which they have been specifically granted access, so it is possible to create a variety of user types, allowing access only to features appropriate to the individual's role.

THEMIS has not only further enhanced our capabilities to combat money laundering and terrorist financing but also enhanced the security of the data shared with the GFIU. New developments and functionalities have been identified and this has improved the capability of the system. The database has become the central repository for all financial intelligence and includes all international requests and spontaneous intelligence received via the Egmont Secure Web. The database also includes MLA requests, LEA notifications of current investigations, all data requests, cash declarations and other intelligence functions, making it a versatile solution.

USER DEMOGRAPHICS



TOP 3 RESPONSES BY SECTOR



32.8%

USE THE ONLINE REPORTING SYSTEM EVERY WEEK



The continuous development of THEMIS now provides reporters with an almost instant feedback facility based on the quality of their disclosure. This feature improves engagement and provides a personal service with the aim of increasing the quality of the content of the suspicious activity reports.

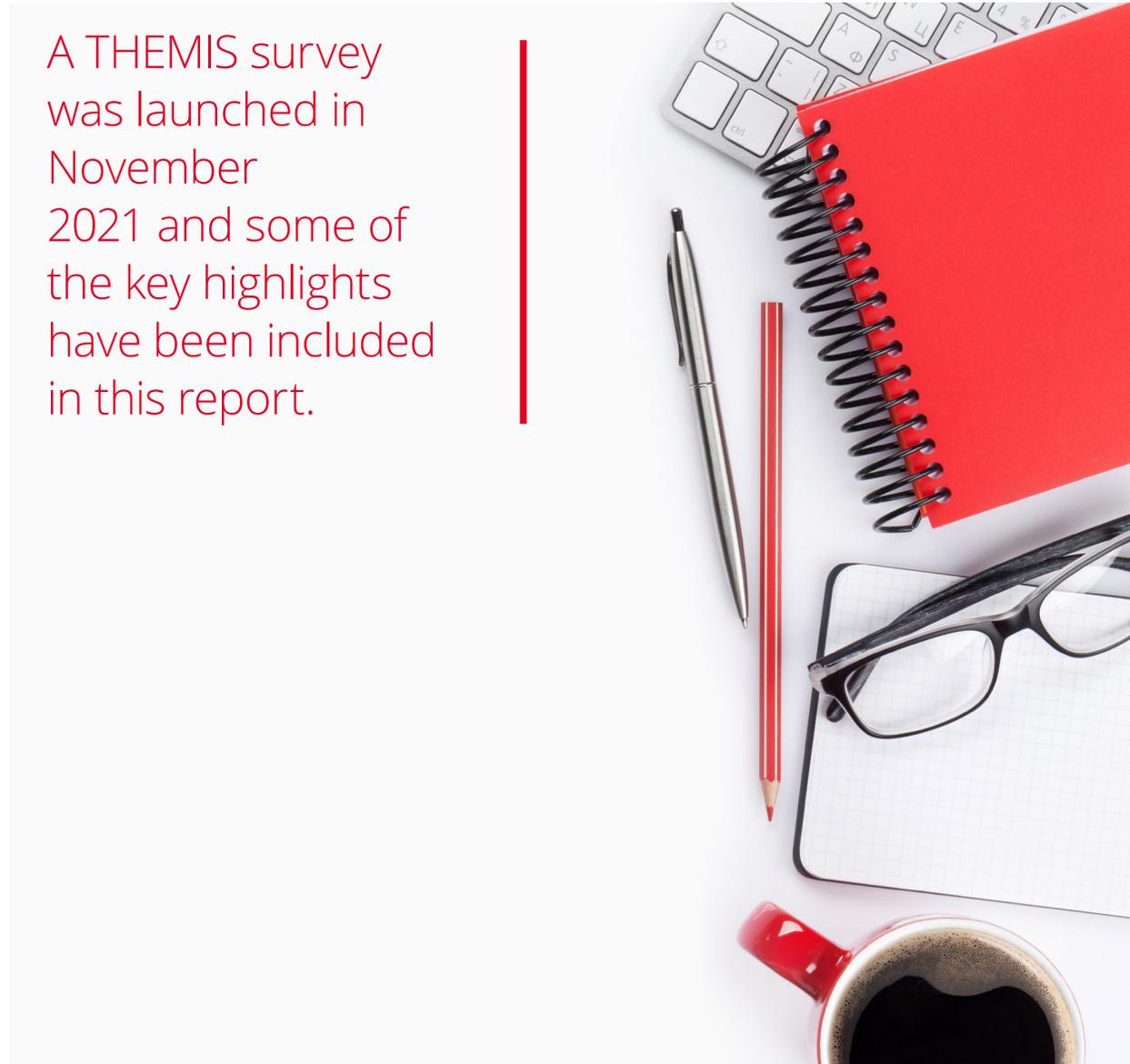
In 2021 a new module was introduced that allowed reporters to securely send information, which falls outside the Suspicious Activity Report (SAR) regime or in response to request from the GFIU. This module is likely to increase the value of financial intelligence for other criminal conduct and will be a welcome addition to Law Enforcement Agencies.

A new sanctions monitoring module has been developed and is at testing stage. This module will check sanctioned individuals against the THEMIS database and create a workflow trigger for any potential matches. In addition, reporting entities registered for THEMIS will receive a notice of new entries in the Sanctions list.

Two Crown Dependencies, Guernsey and Isle of Man, currently use THEMIS and a new THEMIS Working Group has been created between the three jurisdictions with the software developer to jointly enhance its capabilities.

The introduction of new technology that is capable of identifying and monitoring transactions associated with Virtual Assets has provided the GFIU with broader capabilities to analyse criminal activity involving cryptocurrencies. The intelligence obtained is key to trace digital proceeds of crime and our officers continue to undergo specialist training in the use of these state of the art software systems.

A THEMIS survey was launched in November 2021 and some of the key highlights have been included in this report.





OUR
STRATEGY

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Strategic Plan 2020-23



Strategic Plan

In 2020, the GFIU published a three-year Strategic Plan, which is based on six priorities. These priorities are informed by the findings of our Mutual Evaluation Report published by Moneyval (Council of Europe) and also in line with the FATF's Standards. It emphasises the areas where the GFIU wants greater focus and is centred on capacity building and enhancing partnerships. Our Director is committed to ensuring that the plan can achieve the desired outcomes by making the best use of resources.

It plans to optimise our infrastructure, innovate where possible to disrupt criminal activity, and find ways and solutions to address new threats. Removing barriers to information sharing will be one of the our targets and we will do this by promoting better sharing methods with the appropriate measures in place to securely transmit and protect sensitive data.

The delivery of the GFIU's Strategic Plan 2020-23 can only be achieved by working together collaboratively with our partners and the private sector. Progress will be measured against the priority goals of the plan through a combination of quantitative statistics, case studies, and other data available to GFIU, which will demonstrate the changes and improvements that have taken place.

Since the publication of the Strategic Plan, we have made significant progress in most of its priorities. It is reassuring to see the support received from both the public and private sector that ensures its success.

The GFIU also published a three-year Corporate Communication Strategy that lays the foundation for a strategic approach to effective communications and how we intend to implement it. The Strategy will help us deliver improved communication interaction. New digital services such as social media and online communication services provide us with a significant opportunity to share the work that we do. Digital platforms will be at the core of our drive to all of our communication activity..





OUR COMMITMENTS



The GFIU is committed to its role as a contributor to global AML/CFT programmes, policy discussions and information exchange networks. During 2021, the GFIU has focused on some of these key areas:



Trafficking in Human Beings

The GFIU continues its commitment to provide assistance to tackle trafficking in human beings and smuggling of migrants, and we will engage with financial institutions who have a critical role to play in fighting it.

During 2021, the GFIU shared its experience in improving engagement and outreach with the private sector to detect illicit finances related to this crime. This was done as part of the United Nations Office on Drugs and Crime (UNODC) virtual workshops with Morocco's financial institutions. The GFIU were also invited to deliver training virtually during a two-day session to over 35 countries in Latin America and the Caribbean, as part of INTERPOL's Project Proteger.



Illegal Wildlife Trade

Illegal Wildlife Trade (IWT) is one of the most lucrative types of transnational organised crimes, worth up to £17 billion a year globally. Most of these vast profits are laundered through global financial systems using well-developed trade infrastructures with strong integration into the global economy. IWT is now included as a standalone vulnerability in the 2020 National Risk Assessment (NRA) and demonstrates that Gibraltar considers this a serious threat, and is ready to collaborate with the international community to track the global illicit financial flows associated with IWT.

The FATF released a report titled, 'Money Laundering and the Illegal Wildlife Trade', in June 2020. The report provides guidance on measures that can be taken by countries to adopt good practices to combat the proceeds of crime derived from the IWT. We continue to raise awareness on this subject through the use of our social media platforms.



Proliferation Financing

New changes across a number of legislative Acts, coupled with the inclusion of proliferation financing risks in Gibraltar's National Risk Assessment (NRA) will strengthen our framework to tackle and better understand the proliferation financing threats, risks and vulnerabilities.

Last year, we delivered training virtually to over 300 participants through the Gibraltar Association of Compliance Officers. Proliferation Financing is now firmly secured in our outreach program for 2022. As the lead agency for Proliferation Financing, the GFIU coordinates intelligence through the Joint Coordinating Intelligence Group (JCIG-CPF).

The GFIU has also shared its experiences in working on Gibraltar's NRA in events organised by the Royal United Services Institute. Our work is also featured as a reference material in the latest FATF's Guidance on Proliferation Financing Risk Assessment and Mitigation.





OUR
OUTREACH





Outreach & Engagement

Project Nexus is an initiative designed to outreach to reporting entities that are required by law to submit Suspicious Activity Reports (SARs). GFIU has sought the support from key partners and other stakeholders to ensure that the role of financial intelligence and the contribution it makes is clearly understood in protecting Gibraltar's finance centre from Money Laundering, Terrorist Financing and Proliferation Financing risks. The outreach enhances awareness, improves working practices, increases communication fluidity and creates a forum in order to keep abreast with current legislation, dynamic financial obligations and the evolving methods used by criminals and terrorists to launder funds.



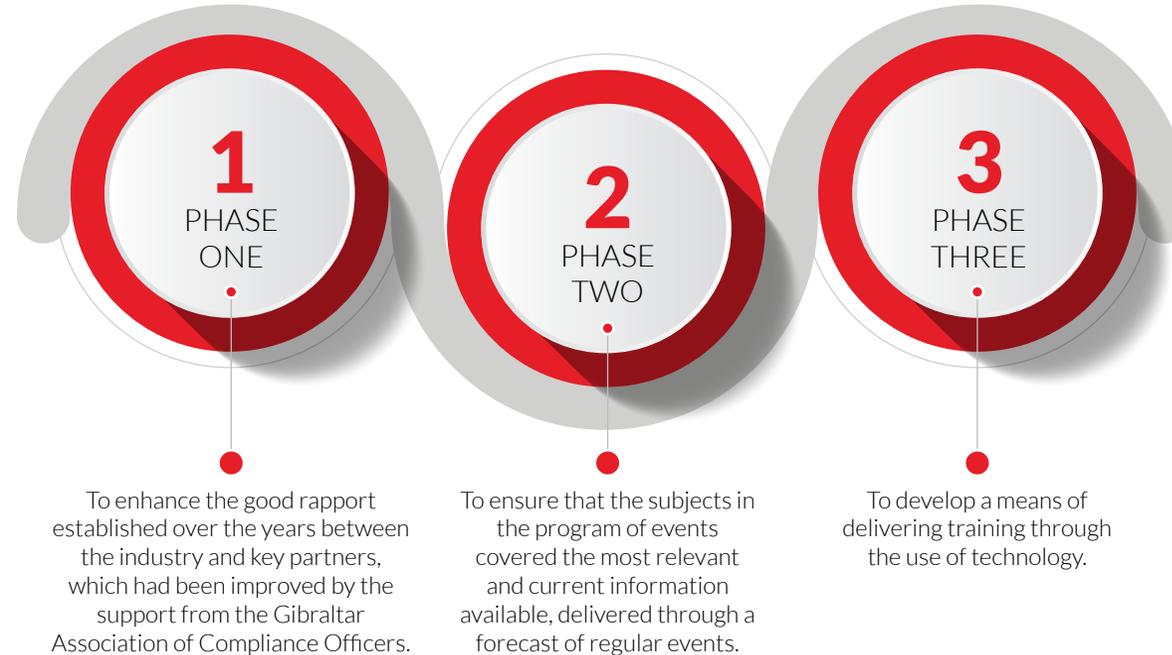


PROJECT NEXUS

Nexus was chosen as a project name because it gave it a unique brand and means ‘**a connection or series of connections linking two or more things together**’. This is exactly what the outreach program is designed to do; connect the public sector with the private sector to raise awareness in the fight against economic crime.

Our work is also supported by the feedback we receive through the integrated questionnaires in both our e-Nexus series and when conducting in-person training. This feedback is very useful to assist us in looking at areas of improvement and we make sure that all the comments are reviewed and addressed where possible.

The project followed a three-phase approach:



Phase Three of the project introduced an e-learning system which contains workshops on specific subjects related to Money Laundering, Terrorist Financing and Proliferation Financing. It ensures that there is continuity of the outreach program using technology. This is an essential tool for all. Further innovations have ensured that we optimise our engagement and provide more support for reporting entities and individuals. In 2021, we introduced Engagement Clinics. These are face-to-face meetings that provide an opportunity for reporters to speak to our team, allowing them to ask questions or make suggestions to the GFIU.





Project Nexus was relaunched in October 2020 with a new logo and brand that can be easily identified bringing positive experiences. The logo depicting an X (taken from the word Nexus) is a graphic element that represents connecting people who meet at a point with a common aim.

The e-Nexus Series is an excellent way to ensure resilience whilst physical engagement is restricted. e-Nexus is designed to be innovative, creative and engaging.

Overall, participation has been positive and the Gaming, Trust and Corporate Services Providers consistently engage the most with the available training sessions to date. Anonymity surveys were issued at the end of each online course and respondents shared their views on a number of key areas. Statistics collected have been aggregated and displayed below:



The word cloud below highlights some of the anonymous feedback received from the private sector:

FOUNDATION **INFORMATIVE** **EASY TO UNDERSTAND**
EXCELLENT **INTERESTING**
INTERACTIVE
WELL DELIVERED
COURSE **JUST GREAT**
TICK ALL THE BOXES
EDUCATIONAL **PERFECT**

Our 3-year Corporate Communication Strategy complements the aims of our outreach and engagement project and provides reporters with the various means in which the GFIU can interact with the private sector.

The work that we have done in outreach has been recognised internationally and shows that through innovative approaches we have seen improvements in the reports received by the GFIU. We will continue to work on our successes in 2022 with a sustainable and effective program.





OUR INTERNATIONAL WORK



The GFIU plays an important role in international AML/CFT initiatives through its contribution to global AML/CFT programmes, international fora, engagement with other FIUs and information exchange networks.



Egmont Group of Financial Intelligence Units



Established in 1995, the Egmont Group is an international forum comprising of 167 Financial Intelligence Units (FIUs). It provides a platform for the secure exchange of expertise and financial intelligence to combat Money Laundering and Terrorist Financing using a secure communication system called the 'Egmont Secure Web' (ESW).

The GFIU is an Egmont Group member, since 2004, and it exchanges information regularly with its foreign counterparts. It makes a significant contribution in the global fight against Money Laundering, Terrorist Financing and Proliferation Financing. Through the Egmont Group, the GFIU is able to engage in effective cooperation and although it does not legally require a Memorandum of Understanding (MoU), it has signed a number of them with key partners to ensure that they provide a framework for information exchange. As part of information exchange processes, the GFIU also cooperates with non-counterpart authorities within the framework of diagonal cooperation.

In January 2021, together with over 500 participants, the GFIU joined the Egmont Group's Information Exchange Working Group (IEWG) which held a series of virtual meetings. The working group, discussed the following projects; asset recovery, laundromats, FIU-FinTech cooperation, information exchange and extreme right wing terrorism.

The pandemic continued to affect travel restrictions and the Egmont Group's Head of FIUs meetings took place virtually in July 2021. These meetings are vital to further international cooperation and provide new opportunities to combat money laundering and terrorist financing.

The GFIU is working in implementing an enhanced system that will integrate foreign FIU requests into its database. We envisage that this will increase productivity and reduce time responses even further.





International Anti-Corruption Coordination Centre (IACCC)



On 30th July 2020 the IACCC, hosted by the NCA, launched a new Associate Membership Scheme. This allows law enforcement agencies from smaller financial centres to join the IACCC as Associate Members having signed an MOU. Associate Members are able to rapidly exchange intelligence with the IACCC to assist with the development of the intelligence picture on grand corruption cases. The IACCC are able to provide further support to partners across the world with grand corruption investigations, including the facilitation of Mutual Legal Assistance (MLA) requests between their jurisdictions.

As an associate member, we now have a dedicated liaison officer to assist when required in the processing of intelligence related to grand corruption. The corrosive impact grand corruption has on communities, states and global economy can be devastating. Those who seek to hide and disguise their illicit funds may think that Gibraltar, as a small finance centre, is an attractive option to them. However, our comprehensive legal framework provides all that is necessary to detect, restrain and confiscate the proceeds of crime. Furthermore, Gibraltar has a strong commitment to ensure that it denies criminals' access to their assets and through collaborative work; make it harder for criminals.

The IACCC Associate Members are:

- The Cayman Islands Anti-Corruption Commission
- The Gibraltar Financial Intelligence Unit
- The Guernsey Financial Intelligence Unit
- The Isle of Man Financial Intelligence Unit
- The Jersey Financial Intelligence Unit
- The Mauritius Independent Commission Against Corruption
- The Seychelles Anti-Corruption Commission
- The Turks and Caicos Islands Integrity Commission.

These agencies join the existing core IACCC Members, consisting of law enforcement agencies from six countries and Interpol. It is the intention that additional law enforcement agencies will join the IACCC as Associate Members on a regular basis.

The Associate Membership Scheme further strengthens the IACCC as the only international initiative to provide specific operational support to external law enforcement agencies with their domestic corruption cases. It is hoped that the introduction of the Associate Membership Scheme will build upon the successes achieved since the IACCC became operational in July 2017.





Quad Island Forum of Financial Intelligence Units



The FIUs from the Crown Dependencies (Guernsey, Isle of Man and Jersey), and Gibraltar have worked collaboratively for a number of years by sharing intelligence, operational and tactical objectives in the international fight against economic crime. Through the establishment of the Quad Island Forum of Financial Intelligence Units, we are able to share experiences and work collectively to achieve our objectives.

The Forum recognises the importance of international cooperation in the fight against Money Laundering and Financing of Terrorism, and the necessity for collaboration with other FIUs within similar international finance centres.

This partnership is a key vehicle through which similar criminal activity can be effectively tackled. We share the same values, similar challenges and are similarly sized FIUs, and therefore, it makes sense that we work closely on issues of common importance.

In 2021, the Forum continued to meet through virtual systems and in October met in Gibraltar House in London, where key individuals were invited to discuss matters of interest such as Terrorist Financing and the establishment of Private Public Partnerships. The Quad Island Forum of FIUs has also established subgroups such as the Strategic Analysis Forum and the Small Islands Terrorist Financing Forum, which will further enhance our relationship and bring in other agencies to the table.





OUR PARTNERSHIPS



The complexity of economic crime and the increasingly transnational nature of illicit activity places a higher demand on resources. Interagency collaboration is essential for an effective approach in small jurisdictions like Gibraltar. The Inter Agency Working Group ensures that we can address new challenges with the GFIU as a key stakeholder supporting both law enforcements and supervisory bodies.

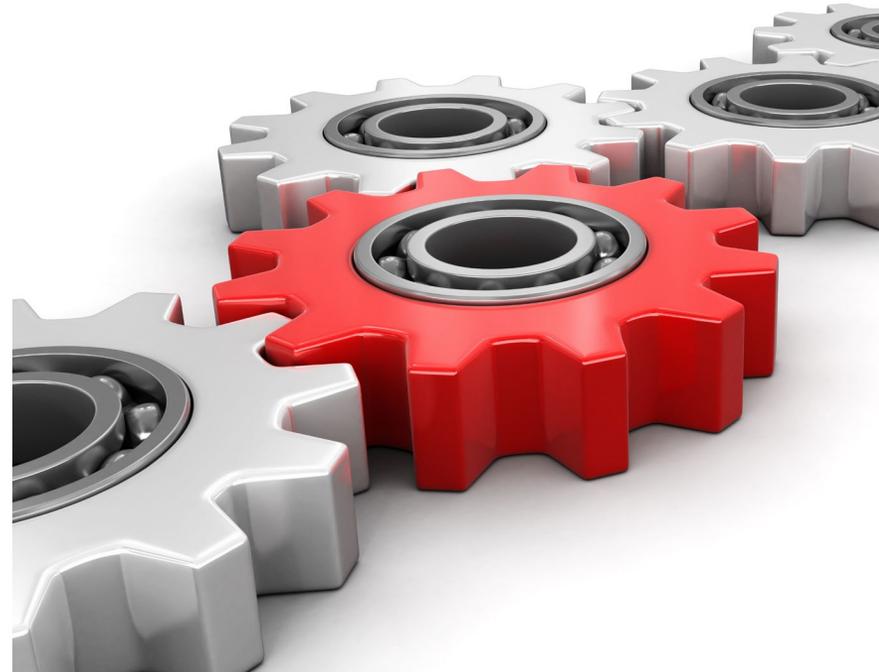
The GFIU has the independence and autonomy to engage with individual partners and formalises this through Memorandums of Understanding (MoUs). MoUs provide a formal framework for cooperation, for this reason the GFIU has signed agreements with some of our key partners:

- Gibraltar Financial Services Commission
- Office of Fair Trading
- Gambling Division
- Income Tax Office
- Department of the Environment and Climate Change
- Registrar of Friendly Societies

In addition to the above, we also have Service Level Agreements with the Royal Gibraltar Police and HM Customs. The Legal Services Regulatory Authority is finalising its MoU with the GFIU.

The private sector is valued as a pillar of an effective partnership, which aims to disrupt and detect criminal conduct. Through the Gibraltar Association of Compliance Officers (GACO), it is able to tap into the private sector with a wider reach and their support of the last few years is commendable.

In May 2021, the GFIU addressed the Gibraltar Finance Centre Council to inform its members of the progress that we were making and to look at ways in which to focus on outreach. As a result of this meeting, we engaged with a number of bodies that represent each reporting sector and begun providing training on a number of areas to improve the quality of suspicious activity reports. This work will continue into 2022.





OUR ANALYSIS FLOW



The GFIU acts as the central authority for the receipt of all disclosures made by reporting entities, and public authorities. Information is also received from various other sources such as foreign FIUs via the Egmont Secure Web. All financial data and information received goes through a process of analysis and evaluation.

To do this, each Suspicious Activity Report (SAR) is analysed and subjected to a preliminary assessment. It is then graded accordingly and if it does not meet the standard, additional information may be requested via special powers granted under the Proceeds of Crime Act 2015.

The process of analysing SARs is achieved by using three priority levels (low, medium and high). This is facilitated by THEMIS, the online reporting system. For high priority cases (e.g. terrorist financing), the analytical process is undertaken immediately, assessing the need for additional information from the reporting entities, and whether the case may be disseminated that day to the LEA and kept under review after the submission is made.

SARs that require further work will undergo a process of checks through open source intelligence and by accessing dedicated databases held by public bodies. These can include the motor vehicle database, UBO register, ID cards, land property register, etc. In cases where there are links with other jurisdictions, intelligence is sought from other FIUs. The information obtained may then be used to enhance the intelligence picture and provide a more detailed intelligence report. This intelligence report is then disseminated through secure means to law enforcement. In some cases, regulatory issues may be identified and information is then shared with supervisory bodies. The process for each SAR whether criminal or regulatory remains the same.

In some cases, where there is a link with another jurisdiction and there is valuable intelligence, a spontaneous report is sent to the relevant FIU. Once a preliminary assessment of a SAR's content is made, if any transactions are within Gibraltar alone, searches against any relevant person are conducted through the GFIU database and through other databases to which the GFIU has direct access or access upon request.

The quality of each SAR is looked at and an assessment is then made on the value and quality of the information contained. A new scoring system has been introduced that will ensure that the quality of the SAR can be determined. This will ensure that the required standards are observed but will also provide the basis of the feedback to the MLRO. Feedback is extremely useful, not only does it provide an indication to the MLRO, as to the type of reporting that we want to receive, but it also serves as a guidance for reporting entities to further improve the quality of the SAR.

The introduction of the National Decision Model (NDM), (a decision-making model used for policing) assists our staff to manage their response in a reasonable and proportionate way. The NDM is a scalable model that can be applied before, during and after a situation or report made to the GFIU. Its flexibility means that, whilst it is designed for policing, it is a functional model that can be used by GFIU because it provides a framework for recording decisions and the rationale behind them. Adopting the NDM for the GFIU is part of a concerted drive to ensure a greater focus on delivering the functions of the GFIU, acting in accordance with legislation, reducing risk and supporting the appropriate allocation of limited resources as the demand increases.





OUR CHALLENGES

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The number of SARs received for 2021 increased by 67% when compared to 2020. Together with an increasingly diverse set of sources, it placed new demands on the GFIU, which in turn had an impact on the prioritisation of work. This required an internal assessment to address the demand and allocation of our resources. For this reason, the GFIU looked outside traditional methods and considered innovative ways to address this by investing substantially in the use of technology.

The Distributed Ledger Technology (DLT) sector in Gibraltar continues to grow and has resulted in a corresponding increase in allocation of GFIU resources to the DLT sector. This is evidenced by the increase in the number of SARs submitted by the sector. In 2018, 11 SARs were received. In 2021, the number increased substantially to 426.

In addition, there are a number of Gibraltar LEAs investigations with a DLT nexus that have resulted in outgoing Egmont requests. There has also been an increase in the number of incoming Egmont requests and spontaneous intelligence received with a DLT nexus. DLT products and services are evolving constantly at a rapid rate and the GFIU needs to adapt rapidly to new and emerging risks. The wider adoption of DLT is likely to provide an alternative market for criminal exploitation and movement of criminal funds.

FIU's and reporting entities face a challenge in keeping up to date with the complexities of new technologies, and the risks and vulnerabilities they may present. The GFIU have had to ensure that specialist training is provided to its staff to increase our capacity building and development.

It is important for GFIU, the Gibraltar Financial Services Commission and the DLT sector to cooperate closely to identify and respond to mitigate threats, as the financial intelligence received from the DLT reporting sector becomes more complex and sophisticated.

To effectively analyse the intelligence received the GFIU needs to understand the services offered by the DLT sector to be able to interpret the data within the SARs. By way of example, a number of SARs received did not include any analysis done by the reporting entities and were rated as being 'below standard'. The submissions were based solely on alerts by the analytical and monitoring software used by the reporting entities with no analysis or suspicion.

Although the GFIU published guidance on Targeted Financial Sanctions, our analysis has shown that further outreach and engagement is required in respect of the Sanctions Act 2019. This is evidenced by the submission of SARs in respect of sanctions which are not applicable in Gibraltar. SARs were received relating to both direct and indirect exposure to a sanctioned country as identified by the analytical and monitoring software used. An internal

analysis by the reporting entity would have negated the suspicion as those sanctions were not applicable in Gibraltar or the subject of the SAR not being a designated person. Other SARs reported alerts for historical transactions before the designated person or address became sanctioned when there was no criminal activity suspected.

The GFIU is addressing these issues through Project Nexus, which has already resulted in a noticeable improvement in the quality of these SARs.

2022 will see the establishment of a new Public-Private Partnership through the creation of the Financial Liaison and Intelligence Network (FLINT). The concept of this partnership's mechanism to exchange financial information is likely to be transformative for our jurisdiction in how we tackle economic crime, but will no doubt present new challenges, particularly for the GFIU and law enforcement. After 2021, the GFIU is now in a stronger position and better set up to tackle future challenges.





OUR ACHIEVEMENTS

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During 2021, the GFIU has made the following achievements.





OUR OUTLOOK



The performance of the GFIU is measured against our strategic outcomes set out in our six priorities through our three-year Strategic Plan.

Many of the outcomes were achieved in 2020 but significant progress has been made in 2021 despite the challenges the year has presented. We are focused on becoming an innovative and inspiring financial intelligence unit.

The COVID-19 pandemic continues to impact our lives and 2022 will certainly bring new challenges. We continue to look ahead and prepare for the challenges and demands of the future. To do this we will improve on our strategic analysis to be able to anticipate emerging threats and be able to come up with innovative solutions to optimise our effectiveness.

Once established, the Financial Liaison and Intelligence Network (FLINT), will serve as a hub of information sharing and an essential tool in the fight against economic crime. Bringing the banks in Gibraltar together with law enforcement agencies and the regulators will likely improve our capacity to tackle emerging and residual threats. FLINT will create a microenvironment where sensitive information within the parameters of our legislative framework can be shared. Providing detailed typologies and suspects of money launderers will allow banks to focus their attention on specific individuals. We envisage that the public-private partnership will be successful in having a more targeted approach linking illicit financial activities that may have not otherwise been detected.

The GFIU understands how powerful a collaborative international approach is to tackling serious and organized crime is. We have a strong commitment to deliver to our global partners through our membership of the Egmont Group of Financial Intelligence Units. We have streamlined our workflows to improve response times to foreign requests and through our Mutual Legal Assistance Working Group we are able to harness the potential of information exchanges to explore further investigative avenues. Through the International Anti-Corruption Coordinating Centre we will look at opportunities to ensure that we deny those involved in grand corruption to make use of our finance centre. Part of the GFIU's IT development will incorporate features that will improve how we deal with foreign requests.

Cryptocurrencies continue to present us with challenges as we seek to enhance our capacity building through learning and training. We continue to engage with industry specialists in the DLT sector using our cutting edge analytical software to trace cryptocurrency financial

flows. Our training will focus on analysis not only at a tactical level but also strategically to ensure we can provide specific red flags and indicators to the private sector. As a result we seek to improve the quality of the Suspicious Activity Reports to create actionable intelligence that will assist investigators.

In early 2022, our efforts will also focus on applying new technology to merge our systems to form a digital ecosystem that will enhance data sharing within the GFIU. Our online reporting system will see further modifications with new features and functionality that will improve productivity and user experience. We aim to work with the sector representatives of the THEMIS Improvement and Development Working Group, our partners in the Quad Island Forum of FIUs and the software developers.

Project Nexus will continue with a sustainable outreach program that will include in person training and at the same time broaden our new Engagement Clinics across all reporting sectors. Raising awareness on economic crime is one of our priorities and we will again concentrate our efforts in predicate offences that generate proceeds of crime from victims. Terrorism, Human Trafficking and online Child Sexual Abuse and Exploitation remain a high priority on our risk matrix. Disrupting criminal financial infrastructures will affect terrorists and organised crime groups.

Work will also continue on understanding the complexities of proliferation financing and how we can develop capabilities through the Joint Coordination Intelligence Group to Counter Proliferation Financing. Collaborative work with agencies such as the Gibraltar Port Authority and the Gibraltar Borders and Coastguard Agency will make Gibraltar a harder place to be targeted by proliferators. Collaboration with HM Customs will also reinforce export control information and financial intelligence thus creating an enhanced picture of Proliferation Financing as we continue to provide training and raising awareness on how proliferating networks operate.





STRATEGIC ANALYSIS REPORT 2021



1. Strategic analysis overview

OVERVIEW

The GFIU has undertaken detailed strategic analysis of the SAR data reported over the years 2019 to 2021. The information aims to provide a detailed overview of the Money Laundering, Terrorist Financing and Proliferation Financing related trends and patterns relevant to Gibraltar. This report aims to provide the GFIU and its stakeholders with further information on how best Gibraltar should strategically prevent money laundering, the financing of terrorism and proliferation financing, and leverages the following:

- The collation of annual data for patterns and similar concepts;
- Collecting, evaluating and collating further information as required from other competent authorities to enhance the findings; and
- Identifying connections or links between pieces of information

The strategic analysis, which follows, focuses and highlights the main money laundering threats and vulnerabilities as reported by Gibraltar based entities

There was a 67% increase in the number of SARs received for 2021 compared to the number received for 2020. This increase has had an impact on the prioritisation of work at the GFIU and required an internal assessment to address the demand on our resources.

The Gaming Sector now represent 83% of SARs received in 2021. Although this represents a doubling in the percentage of SARs received, the number of SARs has more than tripled compared to 2020. One Gaming entity submitted more SARs in 2021 than the total number of SARs received in 2020.

The E-Money sector has seen a substantial decrease in the number of SARs received for 2021. The number of SARs for 2021 is less than 1% of the number for 2020. These can mostly be attributed to the main E-Money entity submitting SARs in 2020 no longer being in Gibraltar and to a lesser extent one reporting institution which previously reported as an E-Money firm now reporting as a Bank.

The large increase in the number of SARs from the Gaming sector, has to an extent distorted the figures when comparing SARs submitted for the years under review. This has resulted in reporting sectors who have submitted similar or higher number of SARs for 2021 when compared to 2020, showing a substantially lower percentage of the overall SARs received. In order to give a more accurate and representative view of the jurisdiction, additional analysis of some data excluding the Gaming sector has also been included.

Interestingly, in 2020 the insurance sector had been the fifth reporting sector but only one SAR was received in 2021.

SECTORS IN SCOPE

The GFIU has identified the following relevant regulated sectors that have been scoped into this exercise and for each, a typologies report has been prepared and are as follows:

- Accountants, Auditors and Insolvency Practitioners;
- Banking;
- Trust and Corporate Services Providers (“TCSPs”);
- Distributed Ledger Technology (“DLT”);
- E-Money;
- Gaming;
- High Value Dealers (“HVD”) and High Risk Dealers (“HRD”).
- Insurance;
- Legal Professionals and Notaries;
- Money Service Businesses (“MSB”) and Money Value Transfer Services (“MVTS”);
- Real Estate Agency (“REA”); and
- Securities/ Investment/Fund Manager

SUMMARY OUTCOMES



2. Suspicious Activity Reports outcomes

REPORTING ENTITIES

SARs were reported from various financial and non-financial reporting entities in Gibraltar during the years 2019 to 2021. This report will focus on the specific sectors in scope.

The statistics for 2020 in the following pages are in respect of numbers up to 15 December 2020. A reporting entity that was originally classified as an E-Money entity was reclassified as a Bank.

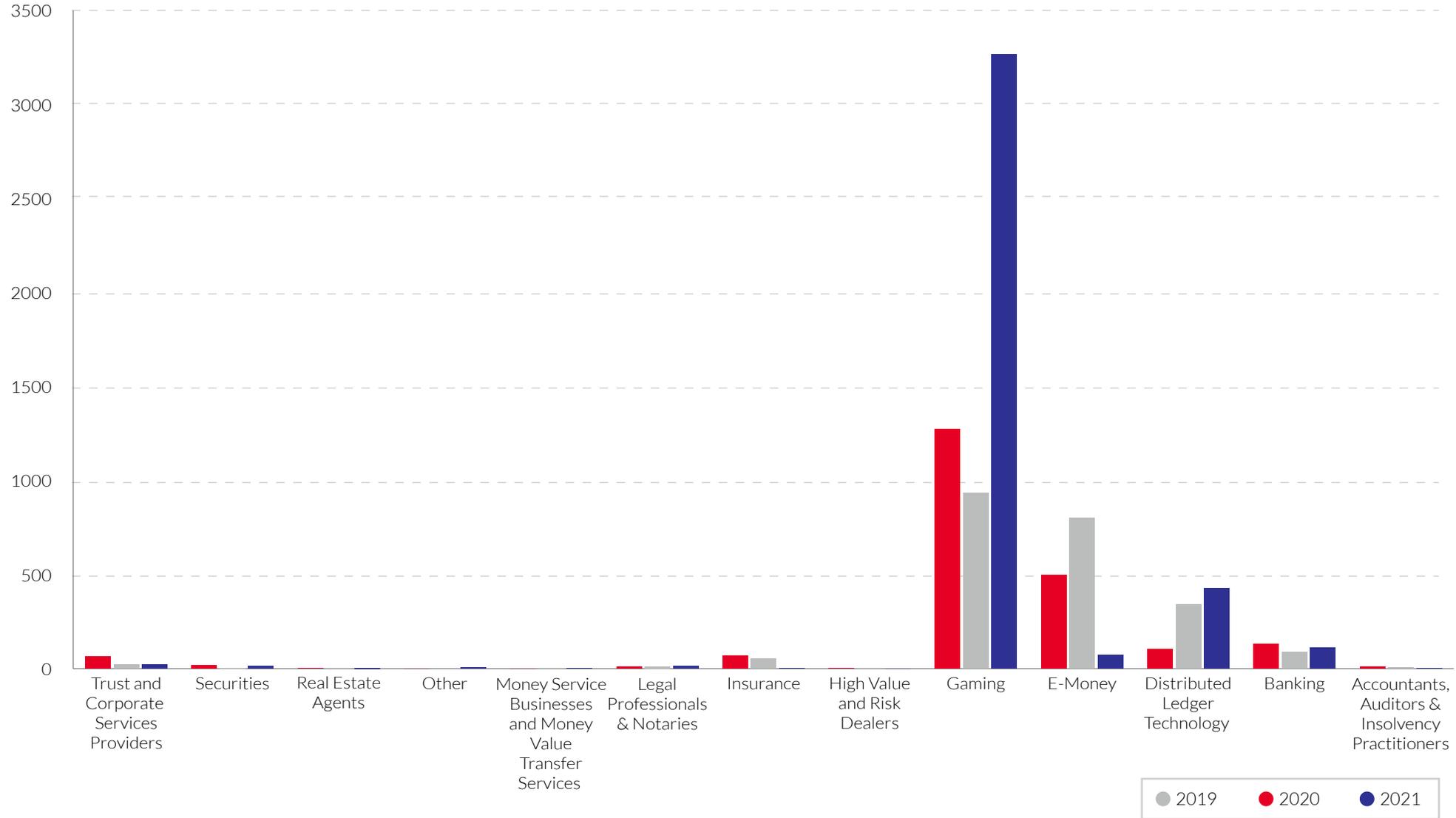
The SARs for this entity are shown under the Banking sector in this report.

SUMMARY OF REPORTING SECTORS

Sector	2019		2020		2021	
	SARs	% of SARs	SARs	% of SARs	SARs	% of SARs
Accountants, Auditors & Insolvency Practitioners	11	0.50%	6	0.26%	3	0.08%
Banking	131	6.01%	87	3.84%	113	2.87%
Distributed Ledger Technology	105	4.82%	343	15.12%	426	10.81%
E-Money	497	22.81%	800	35.27%	71	1.80%
Gaming	1273	58.42%	936	41.27%	3267	82.88%
High Value and Risk Dealers	2	0.09%	1	0.04%	0	0.00%
Insurance	69	3.17%	52	2.29%	1	0.03%
Legal Professionals & Notaries	9	0.41%	12	0.53%	14	0.36%
Money Service Businesses and Money Value Transfer Services	0	0.00%	2	0.09%	1	0.03%
Other	0	0.00%	0	0.00%	5	0.13%
Real Estate Agents	1	0.05%	3	0.13%	4	0.10%
Securities	18	0.83%	4	0.18%	15	0.38%
Trust and Corporate Services Providers	63	2.89%	22	0.97%	22	0.56%
Total	2179	100.00%	2268	100.00%	3942	100.00%

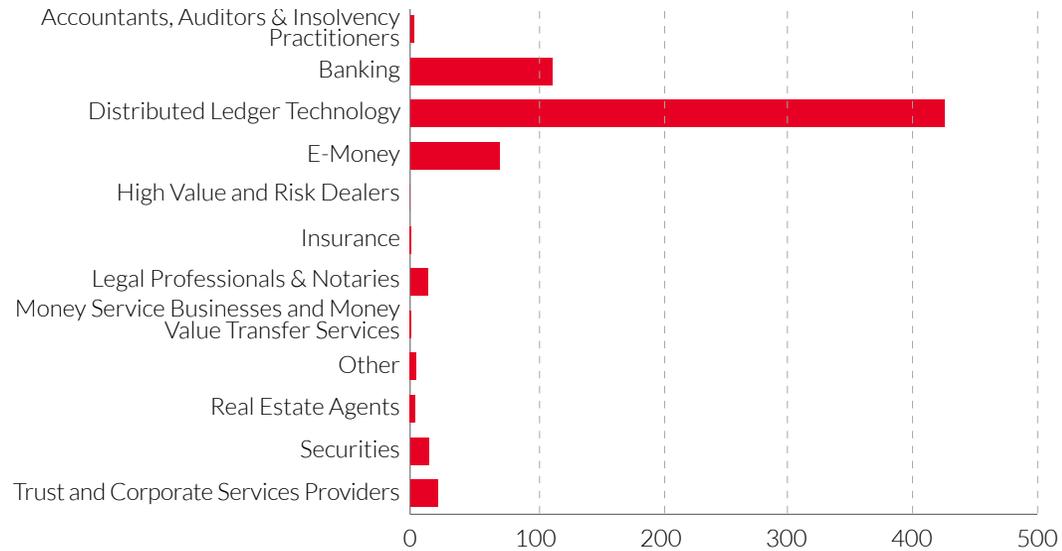


SARs reported by sector



SUMMARY OF REPORTING SECTORS FOR 2021 EXCLUDING THE GAMING SECTOR

Sector	SARs	% of SARs
Accountants, Auditors & Insolvency Practitioners	3	0.44%
Banking	113	16.74%
Distributed Ledger Technology	426	63.11%
E-Money	71	10.52%
High Value and Risk Dealers	0	0.00%
Insurance	1	0.15%
Legal Professionals & Notaries	14	2.07%
Money Service Businesses and Money Value Transfer Services	1	0.15%
Other	5	0.74%
Real Estate Agents	4	0.59%
Securities	15	2.22%
Trust and Corporate Services Providers	22	3.26%
Total	675	100.00%

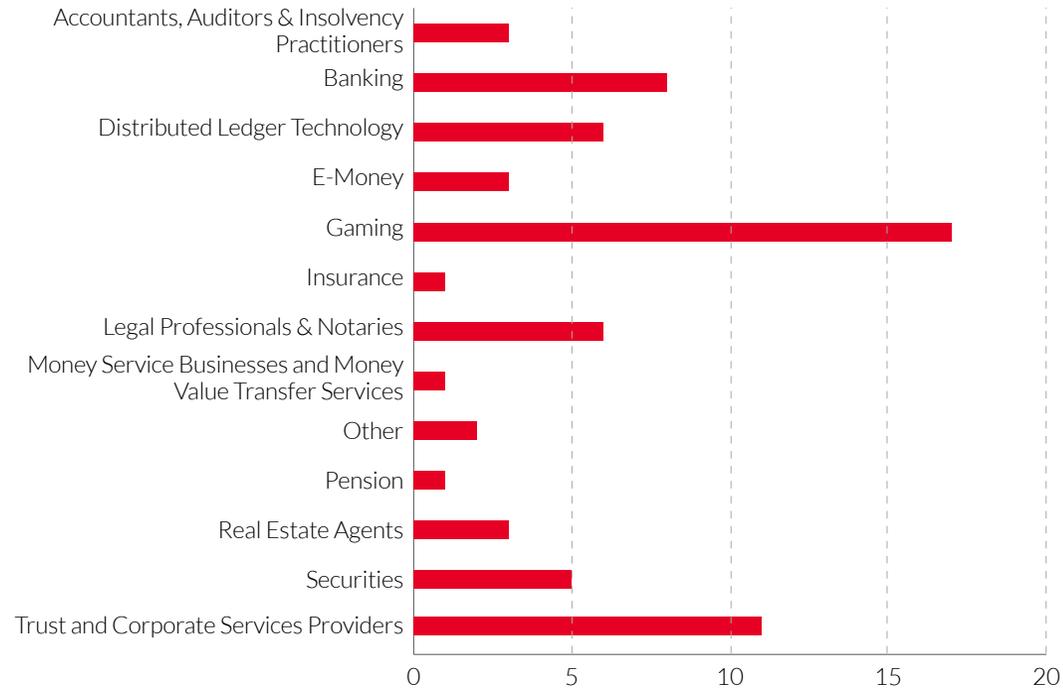


SUMMARY OF REPORTING ENTITIES

A more representative view of the reporting sectors is given by an analysis of the number of reporting entities within the sectors that submitted a SAR.

The following table and graph show the number of reporting entities in each sector which submitted a SAR in 2021.

Sector	No. of Reporting Entities	No. of SARs
Accountants, Auditors & Insolvency Practitioners	3	3
Banking	8	113
Distributed Ledger Technology	6	426
E-Money	3	71
Gaming	17	3267
Insurance	1	1
Legal Professionals & Notaries	6	14
Money Service Businesses and Money Value Transfer Services	1	1
Other	2	4
Pension	1	1
Real Estate Agents	3	4
Securities	5	15
Trust and Corporate Services Providers	11	22
Total	67	3942



The top 10 reporting entities in 2021 are listed below. The top reporting entity accounted for 66.31% of all SARs received in 2021.

The top ten reporting entities accounted for 91.76% of SARs received in 2021.

Entity	No. of SARs	% of SARs
Gaming Entity 1	2614	66.31%
Gaming Entity 2	224	5.68%
Gaming Entity 3	172	4.36%
DLT Entity 1	169	4.29%
DLT Entity 2	134	3.40%
DLT Entity 3	92	2.33%
Gaming Entity 4	79	2.00%
E-Money Entity 1	66	1.67%
Bank Entity 1	34	0.86%
Gaming Entity 5	33	0.84%
Total	3617	91.76%



SUSPECTED CRIMINALITY

During 2021 an exercise was conducted to review the suspected criminality of the SARs submitted in 2021. The GFIU's SAR online reporting system (THEMIS) has a dropdown option to select the main suspected criminality. The review identified that for a substantial number of SARs the suspected criminality selected in the dropdown option did not correlate with the suspected criminality which gave rise to the for suspicion.

The grounds for suspicion for 69% of 2021 SARs related to adverse open source or inadequate/failure to provide due diligence.

An example is a gaming entity that submitted a SAR with a suspected criminality of 'Murder/Grievous Bodily Injury'. Adverse open source identified that the subject had a historical conviction for assault. The gaming entity had requested source of funds which had not been provided. The account with the gaming entity had been opened in 2021 and £200 had been deposited. There was no suspicion that the gaming account use was related to 'Murder/Grievous Bodily Injury', but rather that source of funds had not been provided. In this case, the suspected criminality was changed to Money Laundering.

As a result of both the exercise and the routine assessment of SARs, the suspected criminality of a substantial number of SARs were corrected, primarily to Money Laundering. The reporting entities were advised of the change and the rationale behind this.



A detailed overview of the suspected criminalities reported per sector in 2021 is included below for comparative purposes and to provide information as to the dominant suspected criminalities reported.

Suspected criminality	Accountants, Auditors & Insolvency Practitioners	Bank/Building Society	Distributed Ledger Technology	E-Money	Legal Professionals & Notaries	Life Assurance/ Insurance	Money Services Business	Online/e-Gaming	Pension	Real Estate Agency	Regulator	Securities	TCSP's	Total
Arms Trafficking	0	1	0	0	0	0	0	0	0	0	0	0	0	1
Corruption	0	2	3	0	0	0	0	0	0	0	0	0	3	8
Drugs Trafficking	0	0	44	1	0	0	0	1	0	0	0	0	0	46
Fraud	0	28	186	30	2	0	0	76	1	2	2	5	4	336
Insider trading and market manipulation	0	1	0	0		0	0	0	0	0	0	0	0	1
Money Laundering	1	66	149	37	12	0	0	3168	0	2	2	8	9	3454
Other	0	0	0	0	0	0	1	0	0	0	0	1	0	2
Robbery/ Theft	0	0	0	0	0	0	0	3	0	0	0	0	0	3
Sanctions	0	1	1	0	0	0	0	0	0	0	0	0	0	2
Sexual Exploitation	0	0	42	0	0	0	0	0	0	0	0	0	0	42
Tax Crimes	2	13	0	0	0	0	0	18	0	0	0	1	6	40
Terrorist Financing	0	1	1	0	0	1	0	1	0	0	0	0	0	4
Trafficking in Stolen goods	0	0	0	3	0	0	0	0	0	0	0	0	0	3
Total	3	113	426	71	14	1	1	3267	1	4	4	15	22	3942



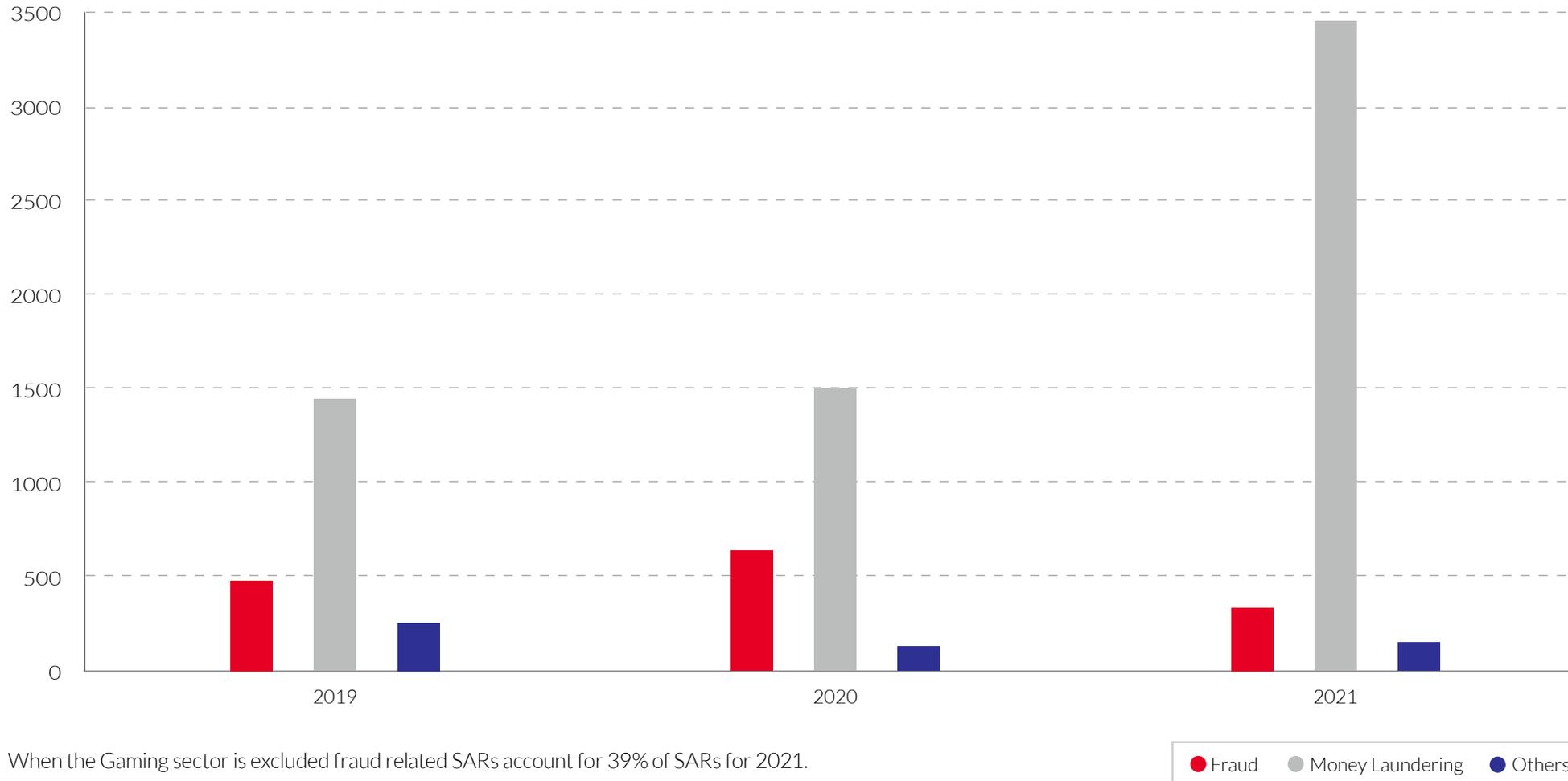
A detailed overview of the suspected criminalities reported in 2019 to 2021 is included below for comparative purposes and to provide information as to the prevailing suspected criminalities reported.

Suspected criminality	2019		2020		2021	
	Number of SARs	Percentage of total	Number of SARs	Percentage of total	Number of SARs	Percentage of total
Arms Trafficking	0	-	0	-	1	0.03%
Corruption/Bribery	8	0.37%	7	0.31%	8	0.20%
Currency Counterfeiting	3	0.14%	5	0.22%	0	-
Drug Trafficking	37	1.70%	31	1.37%	46	1.17%
False Accounting	10	0.46%	4	0.18%	0	-
Fraud	480	22.03%	638	28.13%	336	8.52%
Human Trafficking	7	0.32%	4	0.18%	0	-
Insider Trading	7	0.32%	2	0.09%	1	0.03%
Money Laundering	1444	66.27%	1499	66.09%	3454	87.62%
Murder/Grievous Bodily Injury	2	0.09%	2	0.09%	0	-
Organised Crime	10	0.46%	4	0.18%	0	-
Other	12	0.55%	5	0.22%	2	0.05%
Robbery/Theft	45	2.07%	8	0.35%	3	0.08%
Sanctions	15	0.69%	9	0.40%	2	0.05%
Sexual Exploitation	3	0.14%	6	0.26%	42	1.07%
Smuggling	1	0.05%	1	0.04%	0	-
Spontaneous Disclosure	8	0.37%	2	0.09%	0	-
Tax Crimes	74	3.40%	33	1.46%	40	1.01%
Terrorism	9	0.41%	3	0.13%	0	-
Terrorist Financing	4	0.18%	5	0.22%	4	0.10%
Trafficking in Stolen Goods	0	-	0	-	3	0.08%
Total	2179	100.00%	2268	100.00%	3942	100%



As in previous years Money Laundering and Fraud continue to be the two main suspected criminalities

Number of SARs reported by principal Suspected Criminality for Fraud, Money Laundering and Others.

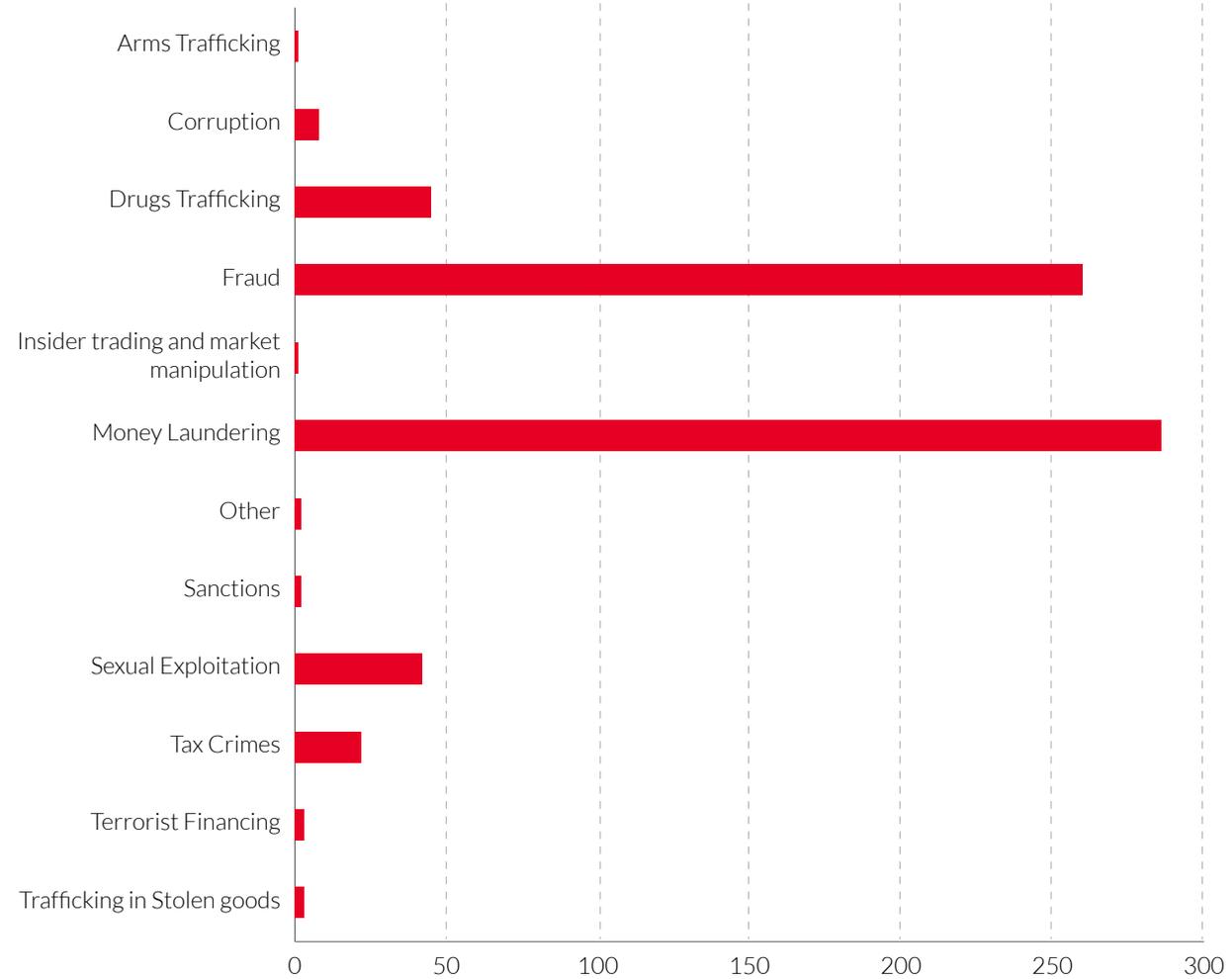


When the Gaming sector is excluded fraud related SARs account for 39% of SARs for 2021.



SUSPECTED CRIMINALITY FOR 2021 EXCLUDING THE GAMING SECTOR

Sector	Number of SARs	Percentage
Arms Trafficking	1	0.15%
Corruption	8	1.19%
Drugs Trafficking	45	6.67%
Fraud	260	38.52%
Insider trading and market manipulation	1	0.15%
Money Laundering	286	42.37%
Other	2	0.30%
Sanctions	2	0.30%
Sexual Exploitation	42	6.22%
Tax Crimes	22	3.26%
Terrorist Financing	3	0.44%
Trafficking in Stolen goods	3	0.44%
Grand Total	675	100.00%

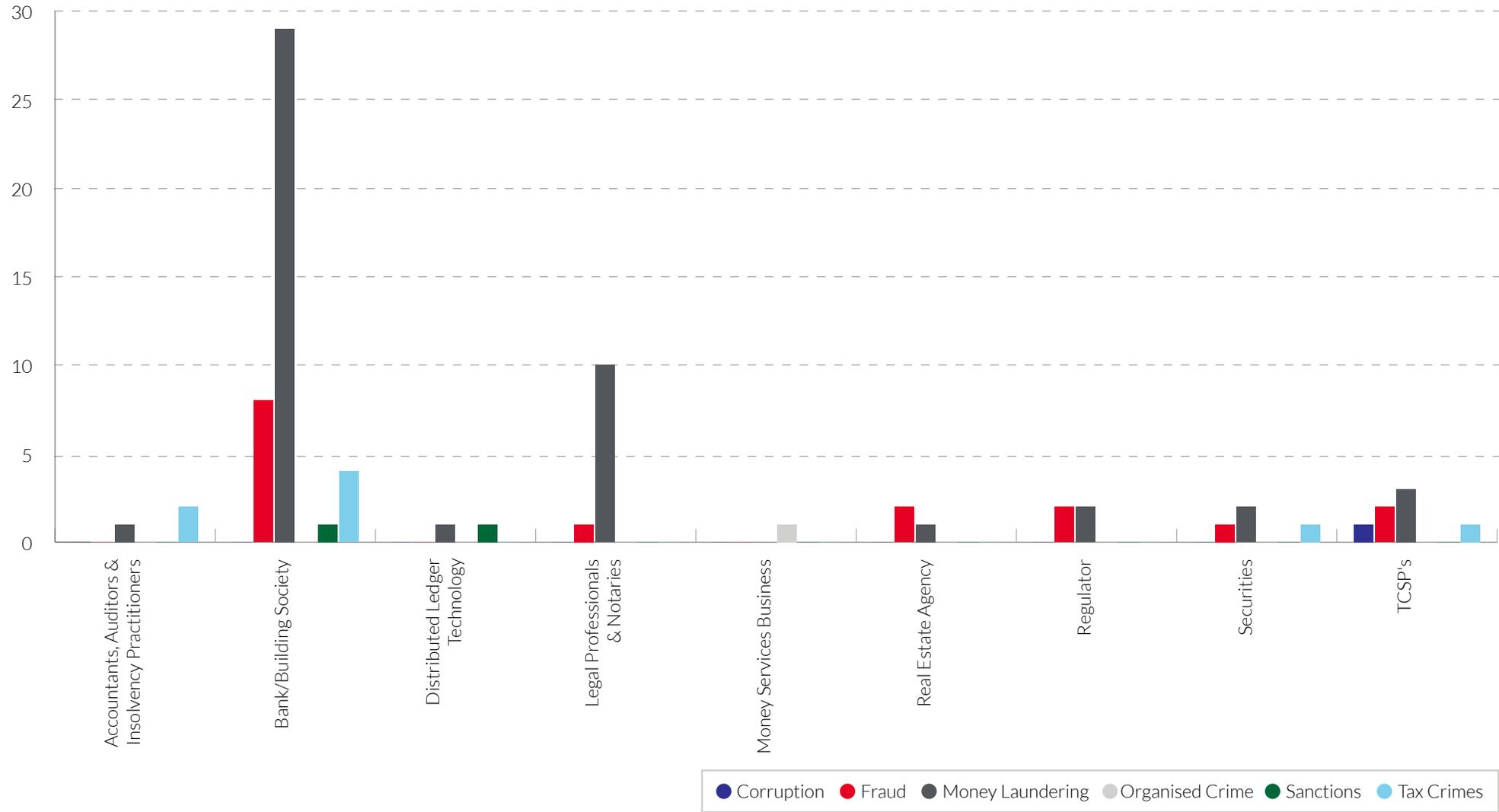


GIBRALTAR RELATED SARs

There were 77 SARs reported in 2021 where the suspected criminality occurred in Gibraltar. This is 2% of the total SARs. A detailed overview of the suspected criminalities per sector is included below for comparative purposes and to provide information as to the dominant sectors and suspected criminalities reported.

Sector	Corruption	Fraud	Money Laundering	Organised Crime	Sanctions	Tax Crimes	Total
Accountants, Auditors & Insolvency Practitioners	0	0	1	0	0	2	3
Bank/Building Society	0	8	29	0	1	4	42
Distributed Ledger Technology	0	0	1	0	1	0	2
Legal Professionals & Notaries	0	1	10	0	0	0	11
Money Services Business	0	0	0	1	0	0	1
Real Estate Agency	0	2	1	0	0	0	3
Regulator	0	2	2	0	0	0	4
Securities	0	1	2	0	0	1	4
TCSP's	1	2	3	0	0	1	7
Total	1	16	49	1	2	8	77



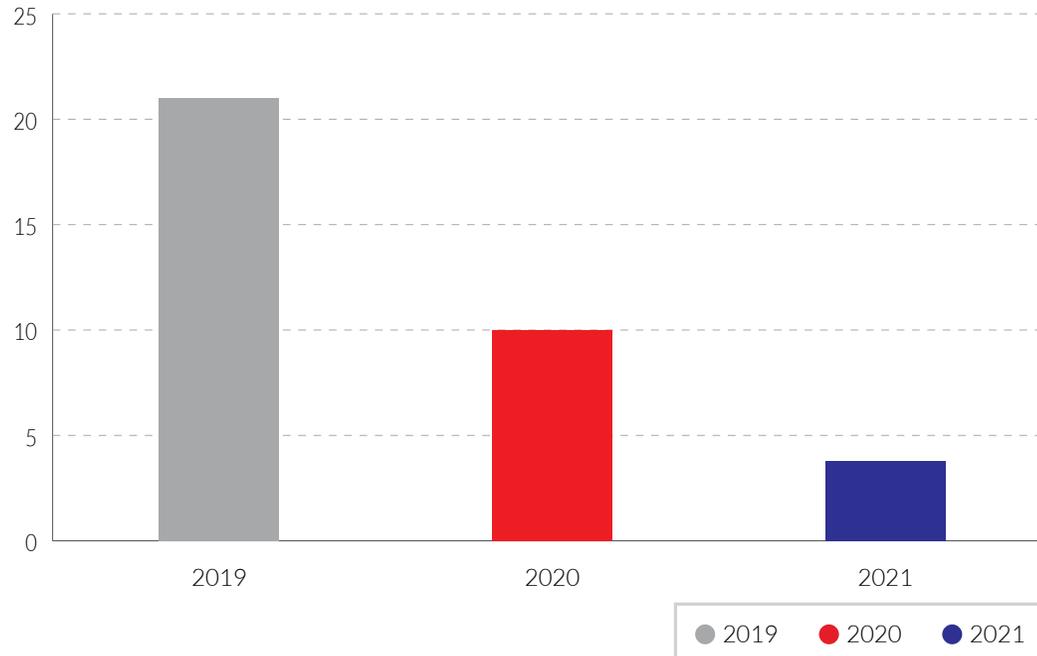


DEFENSIVE SARs

The data analysis undertaken aimed to assess whether there was a culture of defensive SARs being submitted to the GFIU. Generally, there is an increasing trend within other jurisdictions for defensive SARs. A defensive SAR arises where an activity or a transaction is deemed not suspicious upon further analysis by the GFIU. SARs are required to be filed when a transaction or an attempted transaction involve funds derived from any illegal activity, or when the transaction has no apparent lawful purpose.

Many entities are wary to be seen by both the GFIU and by their regulator as being complacent or soft on potential instances of Money Laundering. As regulatory and legal scrutiny has increased in this area, so has the risk of regulatory and reputational risk to these entities, and so the number of SARs deemed to have been filed in a defensive manner is likely to be explained by this. However, it is important to note that the sheer volume of additional workload created by these defensive SARs where no suspicious activity is identified have a negative impact on the GFIU, and may even lead to a dilution of the value of SAR reporting as a whole. The GFIU addressed this through a communication that was sent to all MLROs. This, together with the outreach program delivered by the GFIU appears to indicate that the number of defensive SARs has been reduced by 50% in 2020, with only 3.8% of SARs classified as defensive by GFIU in 2021.

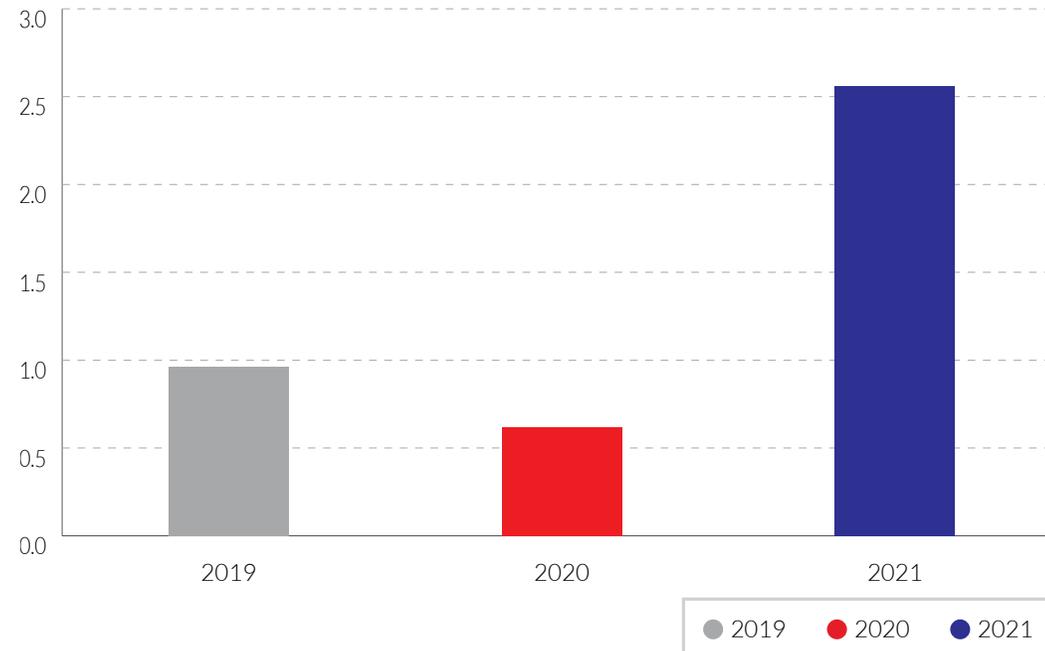
Percentage of Defensive SARs



POLITICALLY EXPOSED PERSONS

Links or identification to Politically Exposed Persons (PEPs) is reported by the MLROs when raising a SAR. The graph on the right shows the percentage of SARs related to PEPs that have been submitted to the GFIU.

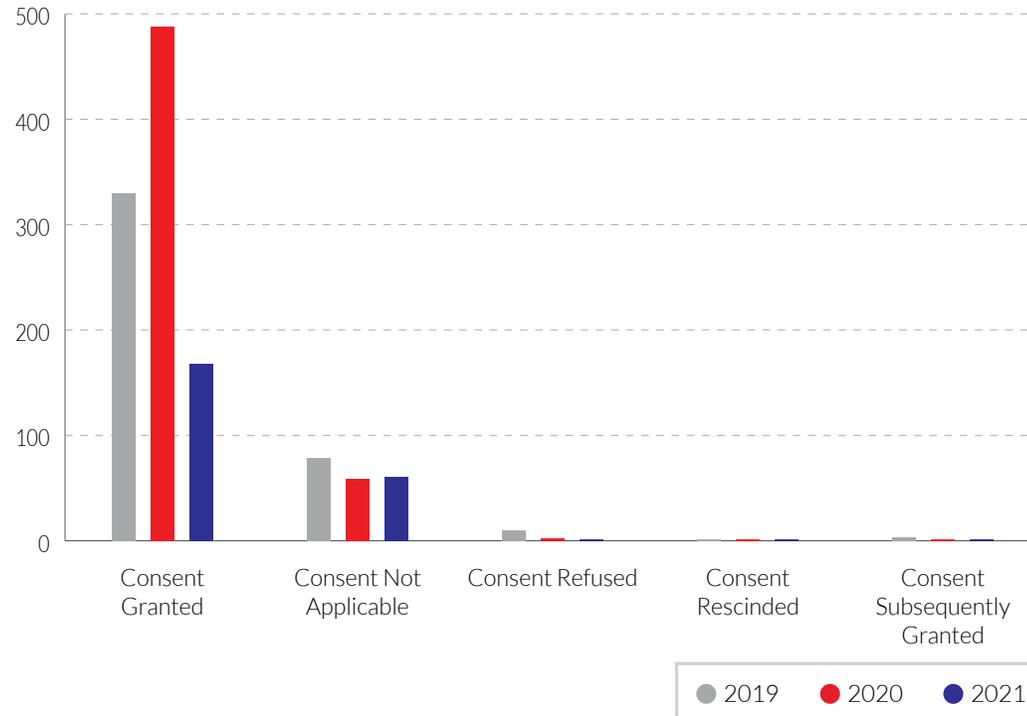
Percentage of SARs related to PEPs



CONSENT SARs

A SAR can be submitted where a firm holds a suspicion that processing a financial transaction may result in the entity dealing with criminal proceeds. At this point, a SAR is submitted to the GFIU to request consent to undertake further steps in respect of the transaction, which could have potentially constituted a Money Laundering offence if the consent had not been sought or granted by the GFIU as required by legislation. The GFIU analysts will review the SAR submitted and, depending on the nature of the request, may be required to liaise with law enforcement or another FIU in order to decide whether to provide or refuse consent. As the graph demonstrates, the number of consent requests submitted to the GFIU has seen a 60% reduction for 2021 compared to 2020. GFIU analysts process and consider the consent request within a 14 working day period. If consent is not refused within the 14-day period, entities can proceed with the transaction. In addition, the number of SARs in 2021 raised with requests for consent, which were later deemed not applicable by the GFIU, “Consent not applicable” remain along the same number as 2020. Considering the significant increase in SARs for 2021, this is a positive trend, which further reflects the impact of the GFIU’s outreach programme focusing particularly on the three elements of a consent request. It may also be attributed to the adoption of new terminology to help explain the legal term ‘consent’ by using ‘Defence Against Money Laundering’.

Consent SARs status after GFIU review



OUTCOMES

The outcome records what action if any the GFIU has undertaken in respect of a SAR. A large proportion of SARs were dual disclosed both to the GFIU and a foreign FIU. 89% of Gaming SARs were dual disclosed to a foreign FIU.

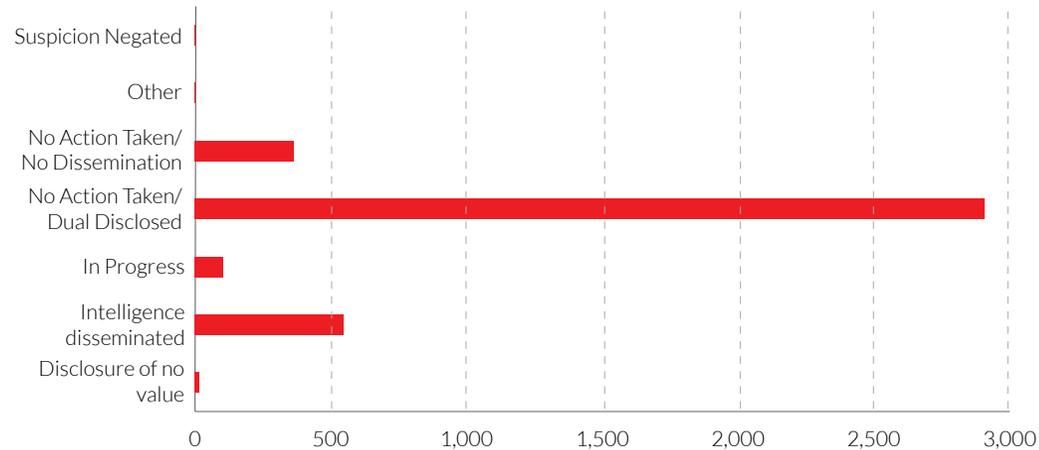
Although most of these SARs do not require any further action by the GFIU, the processing and analysis of each disclosure requires a balance of resources and prioritisation that allows for the effectiveness and efficiency of demand on the GFIU.

At the time of publishing this report, a number of SARs were being processed. These included a number for which further information had been requested.

Outcome of SARs received in 2021

Outcome	No. of SARs
Disclosure of no value	16
Intelligence disseminated	547
In Progress	104
No Action Taken / Dual Disclosed	2908
No Action Taken / No Dissemination	364
Other	2
Suspicion Negated	1
Total	3942

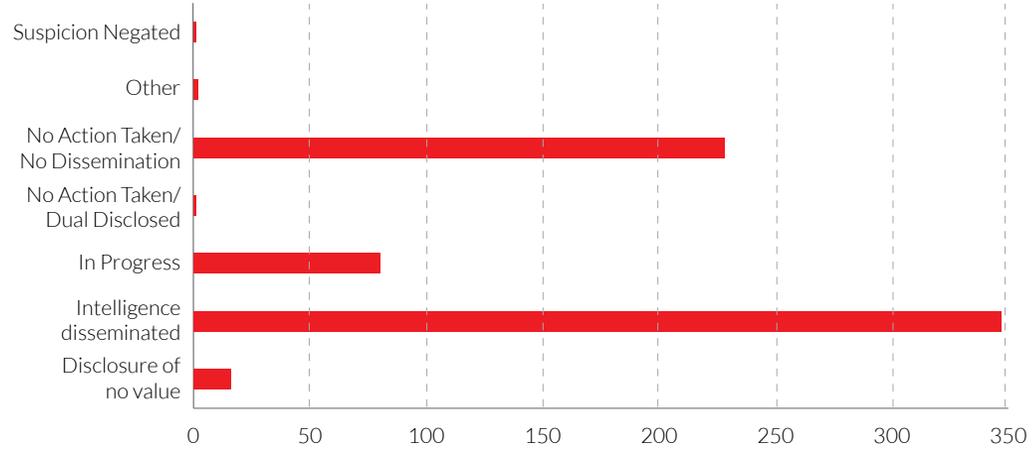
No. of SARs



OUTCOMES OF SARs EXCLUDING THE GAMING SECTOR RECEIVED IN 2021

Outcome	No. of SARs
Disclosure of no value	16
Intelligence disseminated	347
In Progress	80
No Action Taken / Dual Disclosed	1
No Action Taken / No Dissemination	228
Other	2
Suspicion Negated	1
Total	675

No. of SARs



FINDINGS OF THE FEEDBACK PROVIDED TO THE REPORTER

Quality feedback provided to the Reporter [Money Laundering Reporting Officer/ Nominated Officer] comprises ratings given for the following four criteria. Supporting documentation necessary for the GFIU must be submitted with the SAR for the effective analysis of the information disclosed.

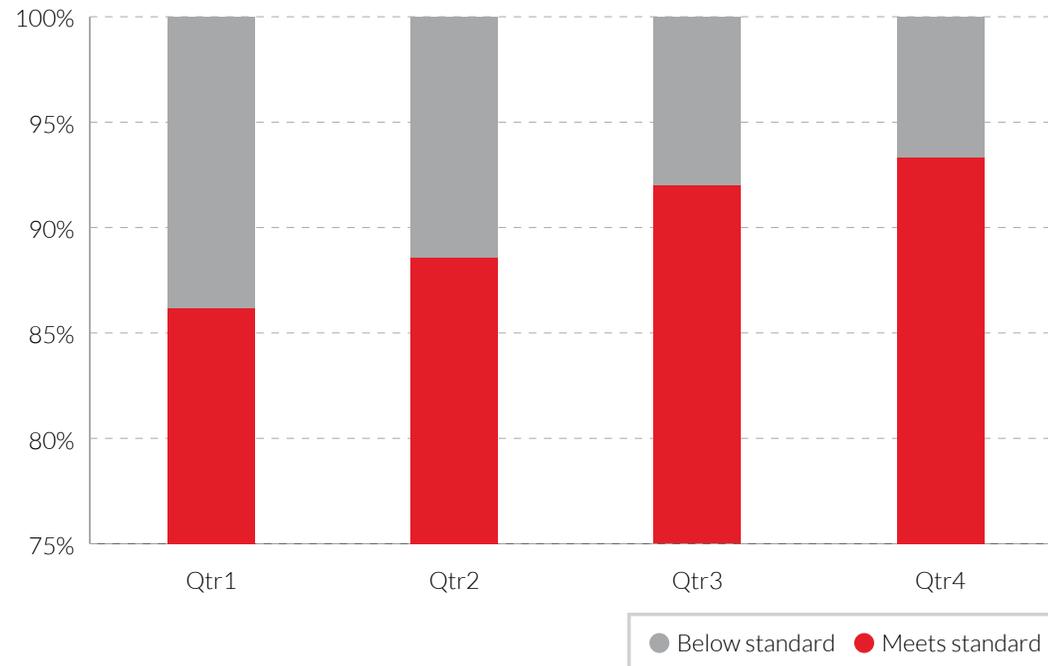
- Supporting documentation necessary for the GFIU must be submitted with the SAR for the effective analysis of the information disclosed.
- There must be a suspicion of a predicate offence, money laundering or terrorist financing within the information disclosed to GFIU.
- All background information contained in the SAR on the relationship with the reported subject must be described in sufficient detail.
- The content of the information must be clear and complete.

The GFIU has introduced a new scoring system supported by an internal policy that will ensure consistency in the feedback provided by GFIU. It is focused on the quality of the content of the SAR.

The percentage of SARs deemed to meet standard has increased during each of the quarters of 2021. This positive trend reflects the impact of the GFIU's outreach programme in improving the quality of SARs.

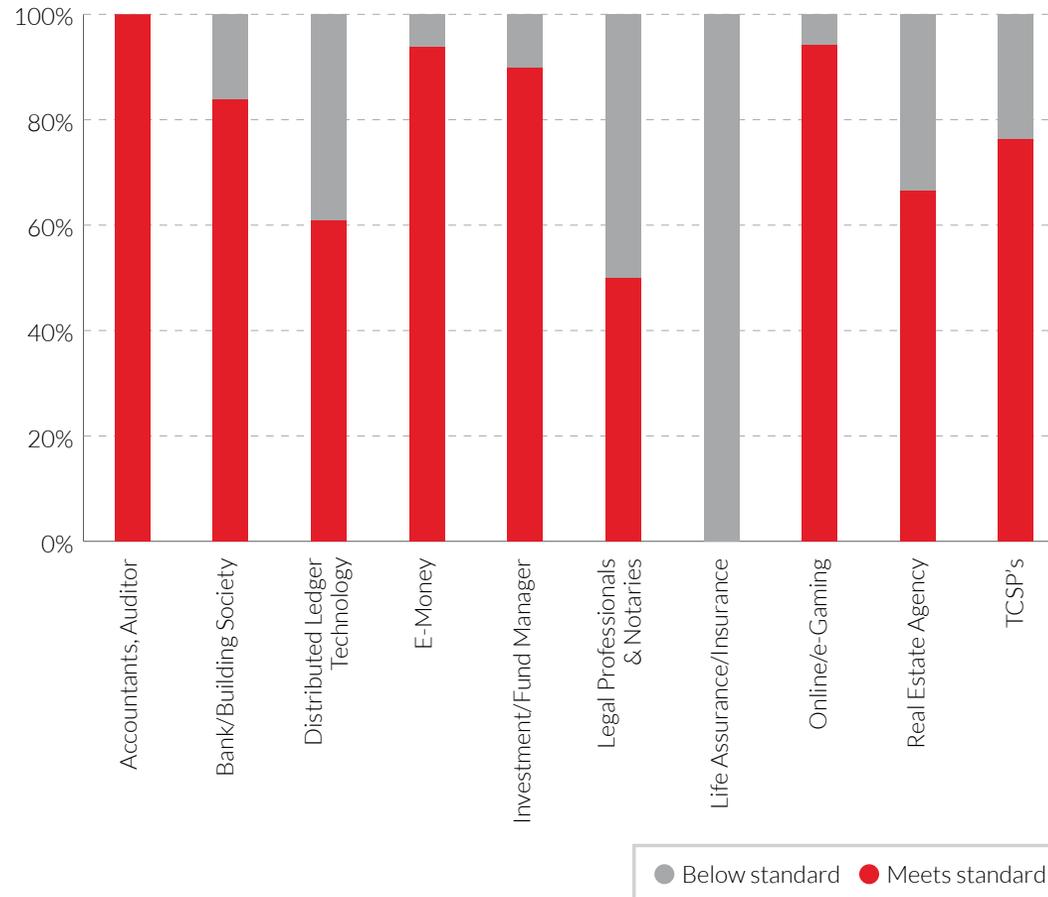
From the main reporting sectors, the DLT sector had 39% of its SARs scored as below standards. The GFIU continues to engage with this sector to improve the quality of SARs. Some of the reporting sectors which submitted low numbers of SARs had a significant percentage of SARs scored as below standard. However, due to the low number of SARs for these sectors, no meaningful analysis can be made.

Outcome	Meets standard		Below standard	
	No. of SARs	% of SARs	No. of SARs	% of SARs
Qtr1	556	86.20%	89	13.80%
Qtr2	902	88.61%	116	11.39%
Qtr3	901	92.03%	78	7.97%
Qtr4	1080	93.34%	77	6.66%
Total	3439	90.52%	360	9.48%



The table provides the number of SARs per sector and whether they met or were below standard for 2021.

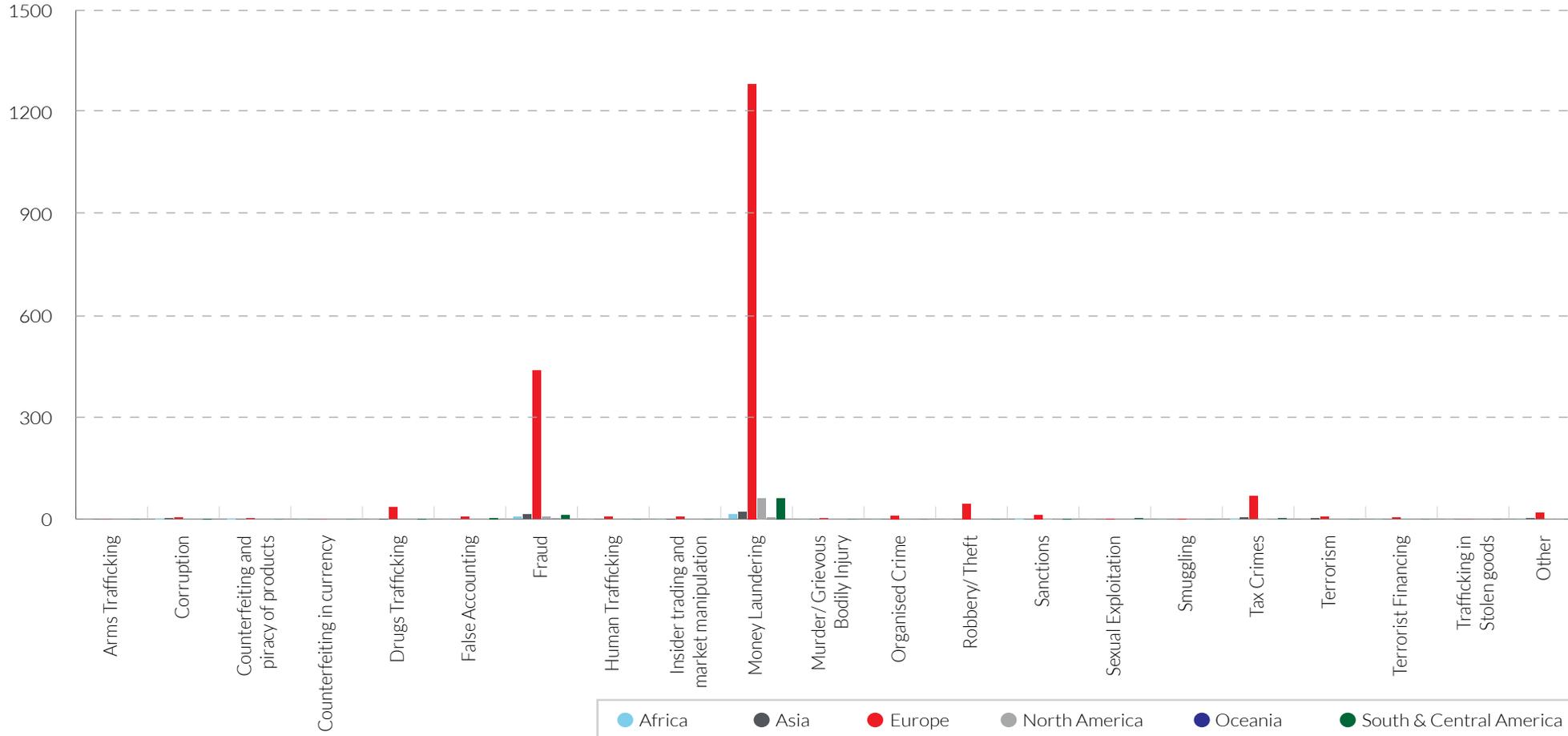
Outcome	Meets standard		Below standard	
	No. of SARs	% of SARs	No. of SARs	% of SARs
Accountant/Auditor and Insolvency Practitioners	2	100.00%	0	0.00%
Bank/Building Society	78	83.87%	15	16.13%
Distributed Ledger Technology	227	61.02%	145	38.98%
E-Money	62	93.94%	4	6.06%
Investment/Fund Manager	9	90.00%	1	10.00%
Legal Professionals & Notaries	4	50.00%	4	50.00%
Life Assurance/Insurance	0	0.00%	1	100.00%
Online/e-Gaming	3038	94.26%	185	5.74%
Real Estate Agency	2	66.67%	1	33.33%
TCSP's	13	76.47%	4	23.53%
Total	3435	90.51%	360	9.49%



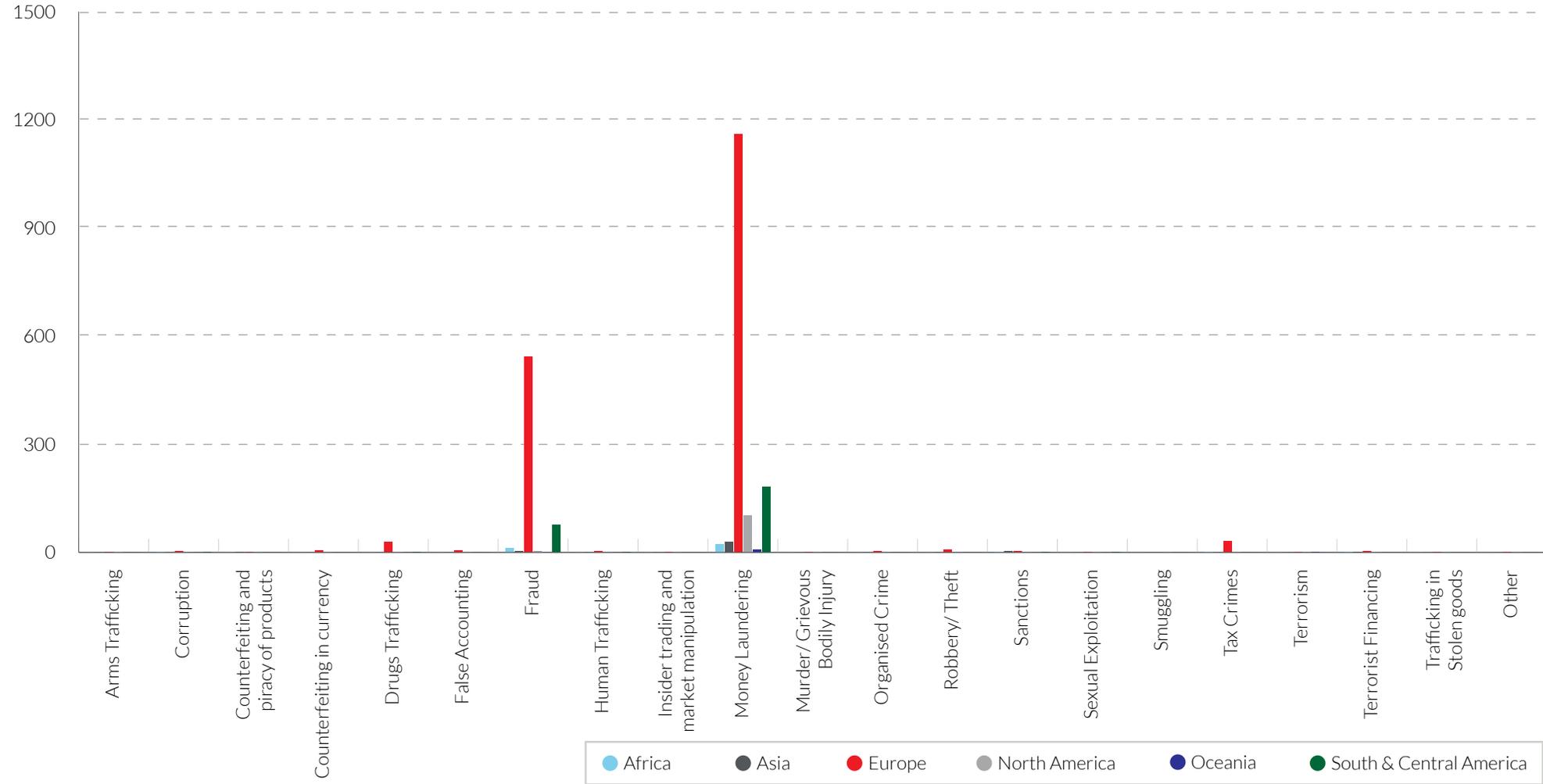
SARs REPORTED BROKEN DOWN BY GEOGRAPHIC REGION

During the years 2019 -2021, the suspected criminality of SARs disclosed was recorded alongside the country where the crime was deemed to have occurred. The following graphs demonstrate that the majority of SARs reported relate to suspected criminality deemed to have occurred in Europe.

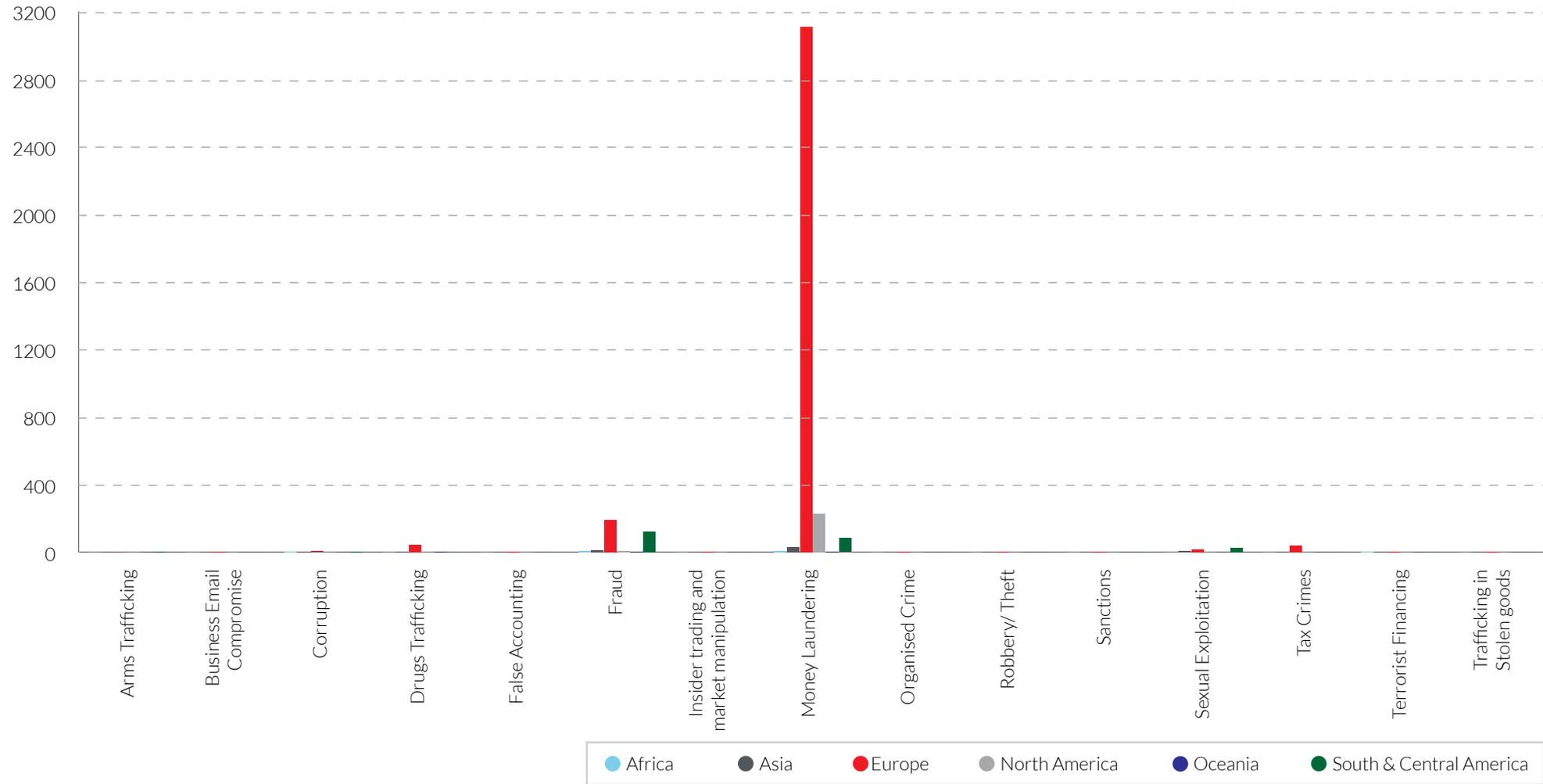
Suspected Criminality of SARs disclosed by Geographic Region - 2019



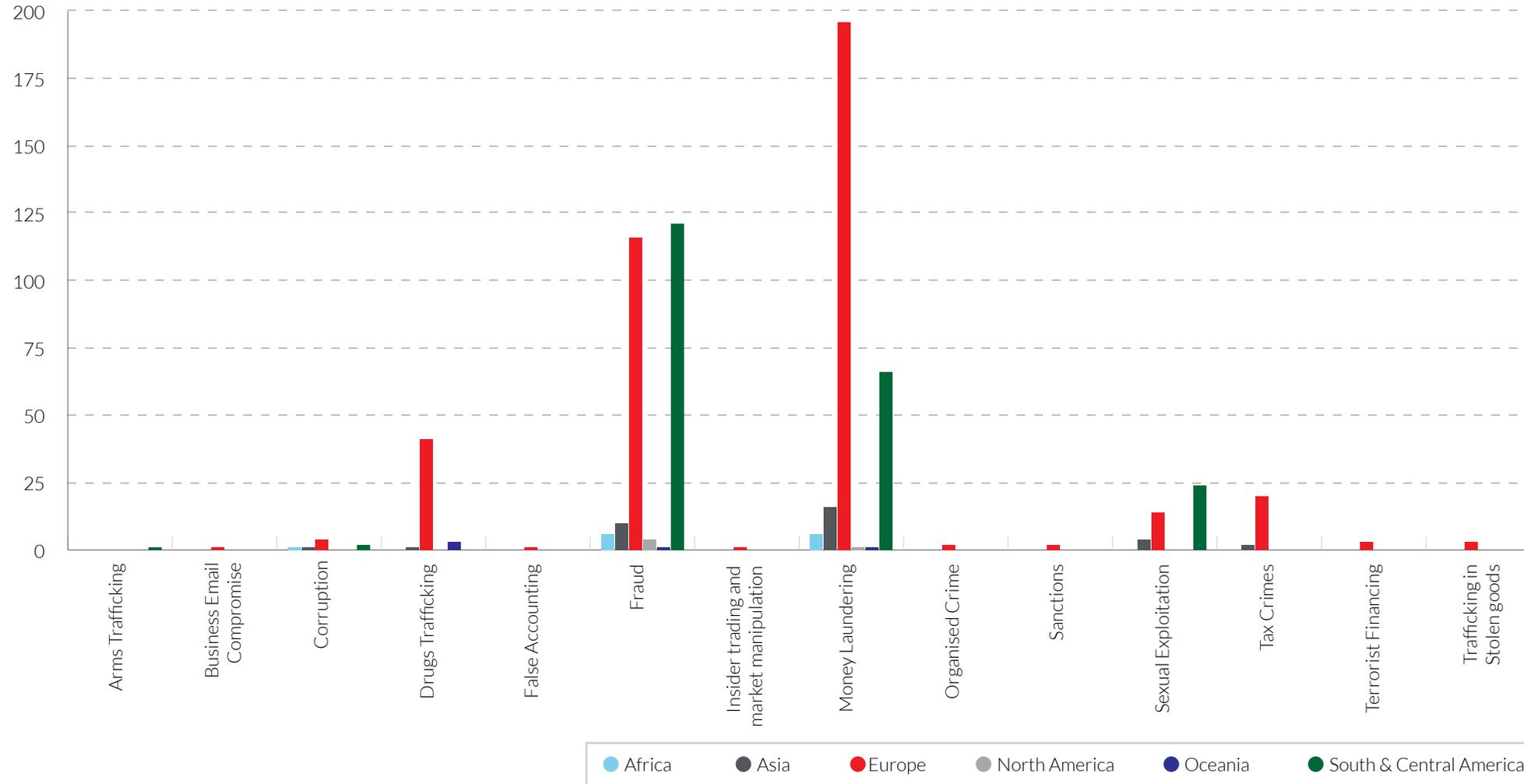
Suspected Criminality of SARs disclosed by Geographic Region - 2020



Suspected Criminality of SARs disclosed by Geographic Region - 2021



Suspected Criminality of SARs disclosed by Geographic Region excluding the Gaming sector - 2021



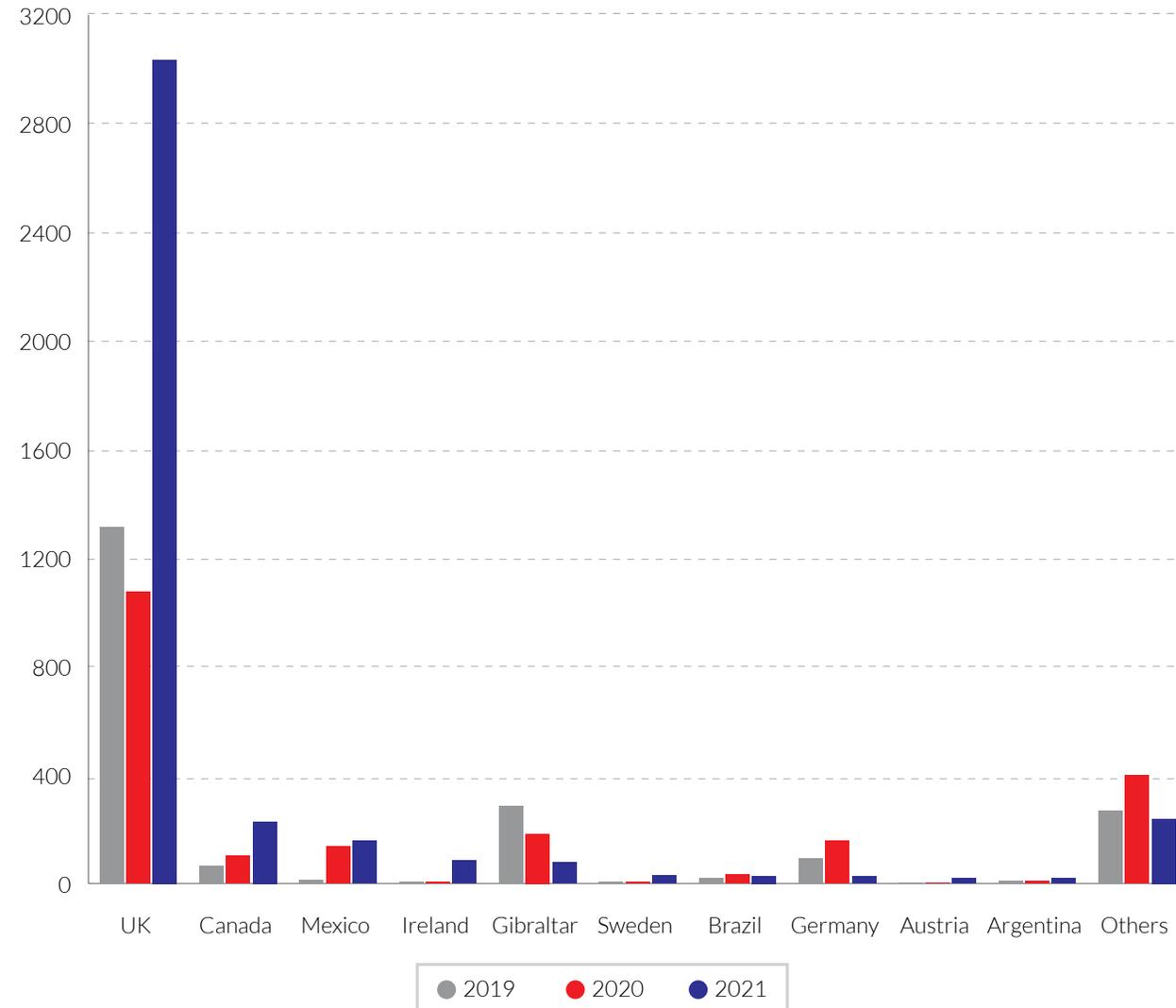
The top ten countries and others where suspected criminality occurred in terms of SARs reported for 2021. The comparative for 2019 and 2020 is also included.

77% of 2021 SARs had suspected criminality which occurred in the United Kingdom. The majority of these related to the Gaming sector and were also dual disclosed to the United Kingdom FIU.

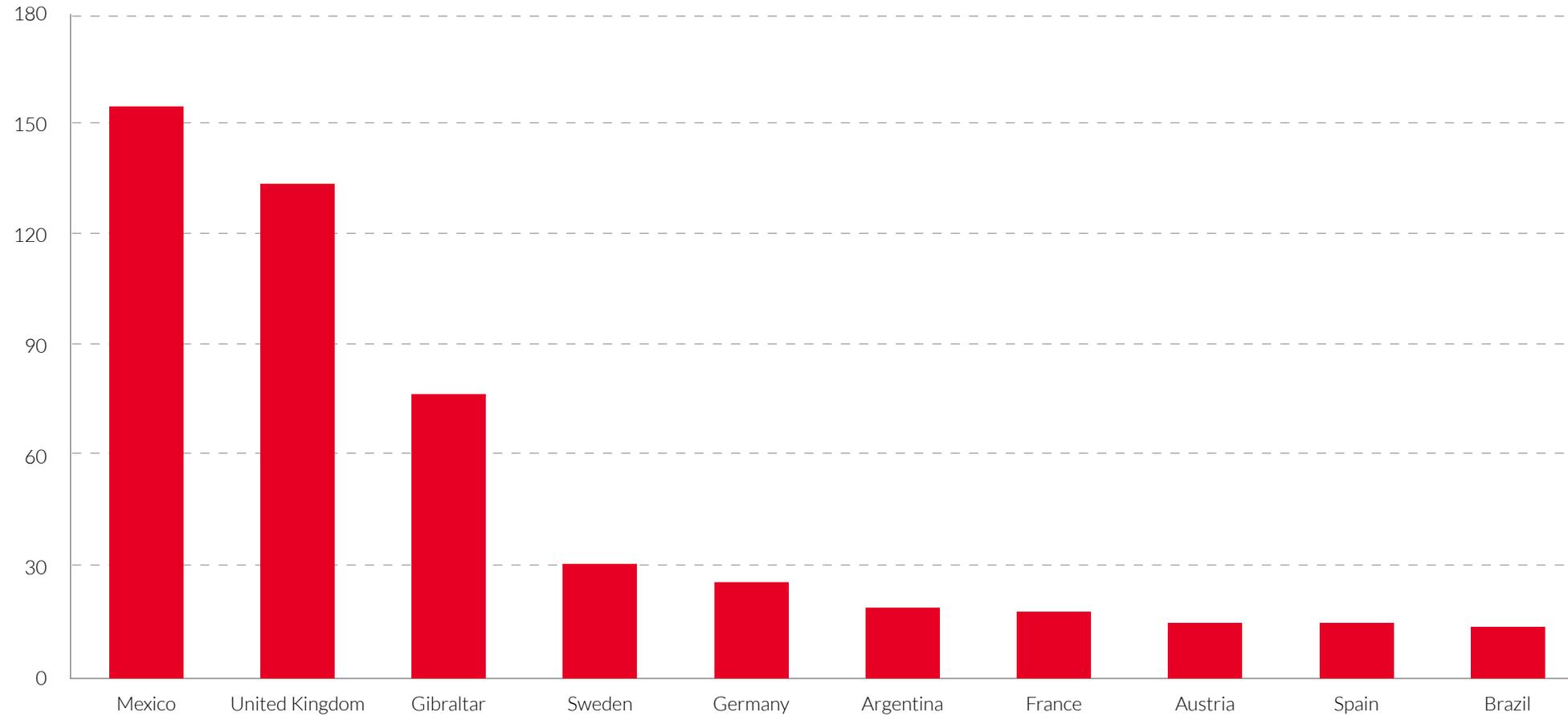
Over the last three years there has been a steady increase in the number of SARs with suspected criminality which occurred in Canada. The majority of these also related to the Gaming sector.

SARs with suspected criminality which occurred in Mexico have experienced a slight increase in 2021 when compared to 2020. The majority of these related to the DLT sector

SARs reported by country where suspected criminality occurred



SARs reported by country where suspected criminality occurred excluding the Gaming sector - 2021



HIGH RISK AND INCREASED MONITORING RATED JURISDICTIONS

The Financial Action Task Force (“FATF”) identify jurisdictions with weak measures to combat Money Laundering and Terrorist Financing and issue these in public documents. The aim behind this process is to publicly list countries with weak AML/CFT regimes, with the aim to encourage the listed countries to make necessary reforms to their AML/CFT systems and redress weaknesses. These lists also provide useful information to stakeholders when risk assessing clients and transactions. Overall, there were few SARs disclosed with links to FATF high risk or increased monitoring rated jurisdictions. Note that this list is accurate at the time of publication of this report. Other countries are on the list but are not mentioned in reports received by the GFIU, therefore they have been excluded from the report.

FATF high risk and increased monitoring rated jurisdictions	2019	2020	2021
Burkina Faso	1	0	0
Cayman Islands	0	1	2
Democratic People’s Republic of Korea	1	0	0
Haiti	0	0	0
Malta	3	2	2
Morocco	4	5	0
Myanmar	0	0	0
Nicaragua	1	0	0
Pakistan	1	5	0
Panama	1	0	0
Philippines	3	0	0
Syria	0	1	0
Turkey	5	2	2
Uganda	0	1	0
Yemen	0	0	1
Zimbabwe	1	0	0
Number of SARs with a link to a FATF high risk or increased monitoring rated jurisdiction	21	17	7
Total Number of SARs	2,179	2,268	3,942
% of SARs reported with link to a FATF high risk or increased monitoring rated jurisdiction	0.96%	0.75%	0.18%

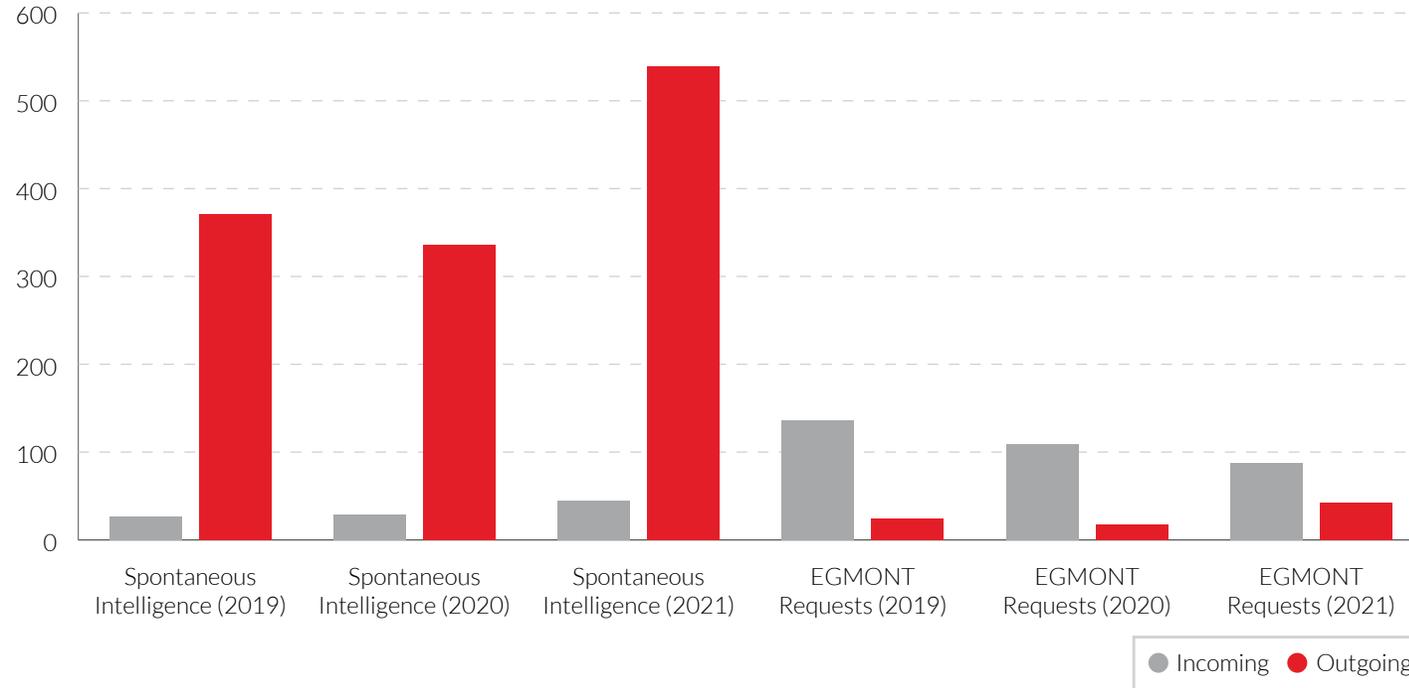


EGMONT REQUESTS AND SPONTANEOUS INTELLIGENCE

Egmont requests are requests from foreign FIUs for intelligence held by the GFIU, external databases and third parties. These exchanges of information are conducted via the Egmont Secure Web. All requests are recorded in Themis, which allows linking of subjects either contained in GFIU data or Mutual Legal Assistance requests. A comparison between 2020 and 2021 figures shows a reduction in Egmont request received but an increase in Egmont request sent. There has been a significant increase when comparing 2020 and 2021 figures in both the numbers of spontaneous Intelligence received and sent.

Significantly, Money Laundering was the most reported suspected criminality in both years, which aligns with the most highly reported suspected criminality by Gibraltar businesses. The majority of suspected crimes reported via the Egmont requests and spontaneous intelligence received related to suspected crimes with links to European countries for the three years.

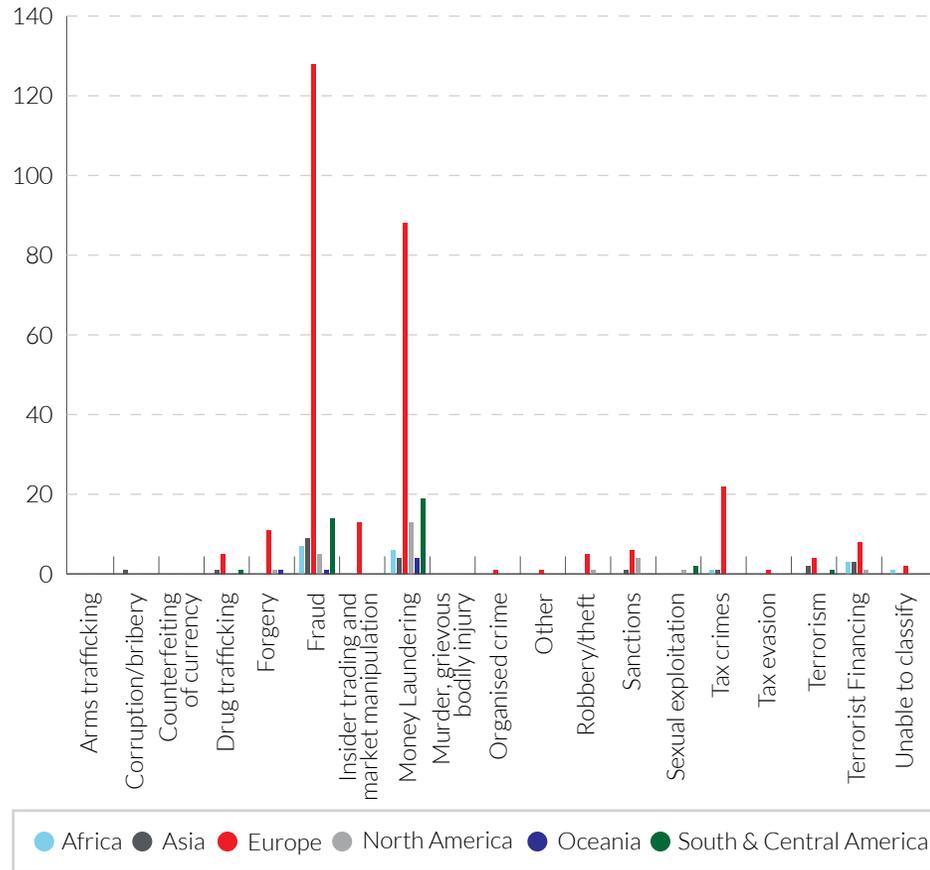
Analysis of EGMONT Requests and Spontaneous Intelligence - 2019 to 2021



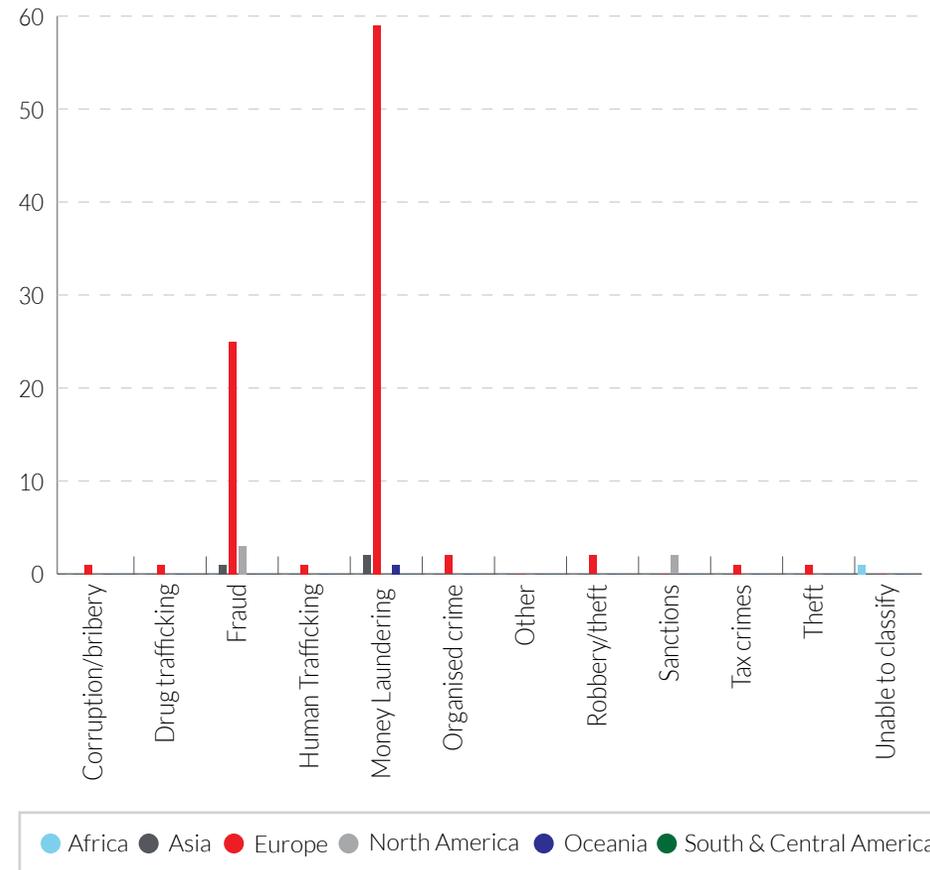
The graph above shows the number of exchanges made through the Egmont Secure Web between 2019 and 2021.



Breakdown of Criminality by Geographic Region - Spontaneous Intelligence - 2019



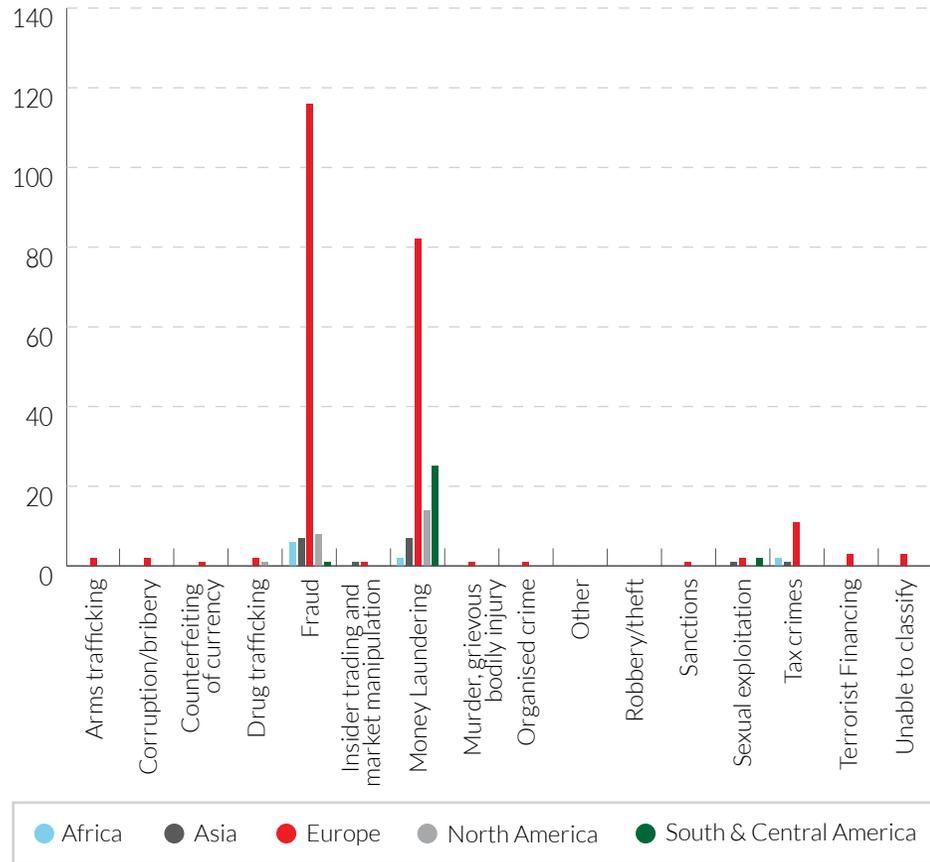
Breakdown of Criminality by Geographic Region - EGMONT Requests - 2019



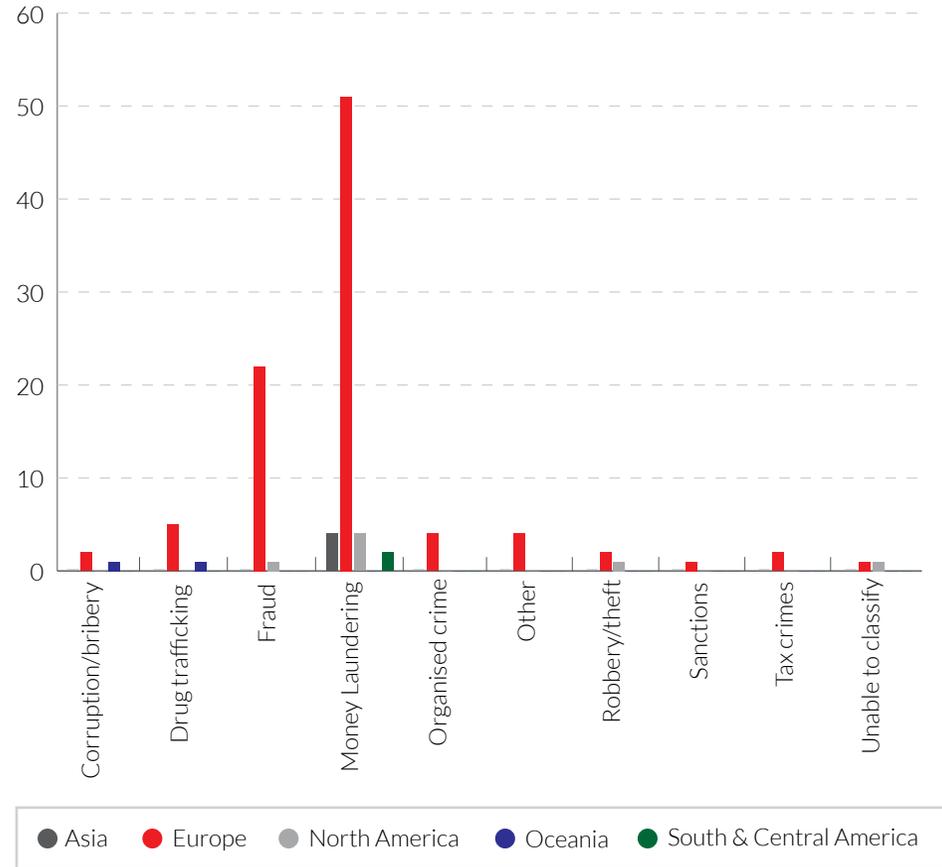
The graph on the left shows the combined number of Egmont outgoing and incoming spontaneous intelligence reports for 2019.



Breakdown of Criminality by Geographic Region - Spontaneous Intelligence - 2020



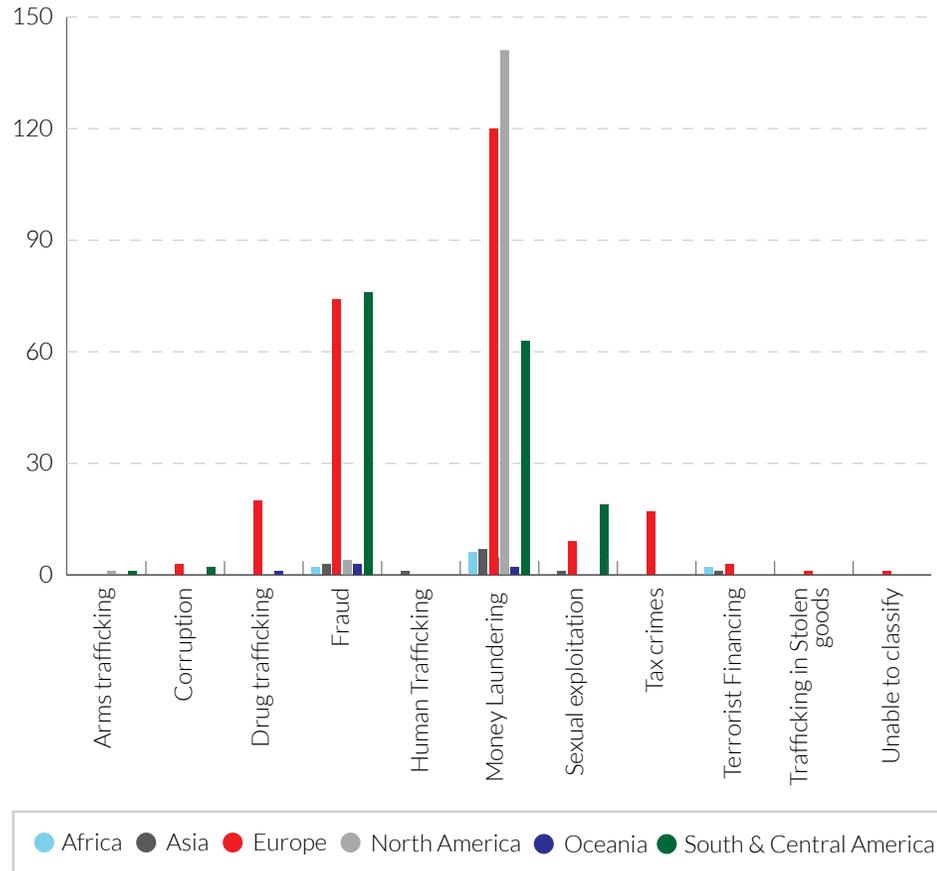
Breakdown of Criminality by Geographic Region - EGMONT Requests - 2020



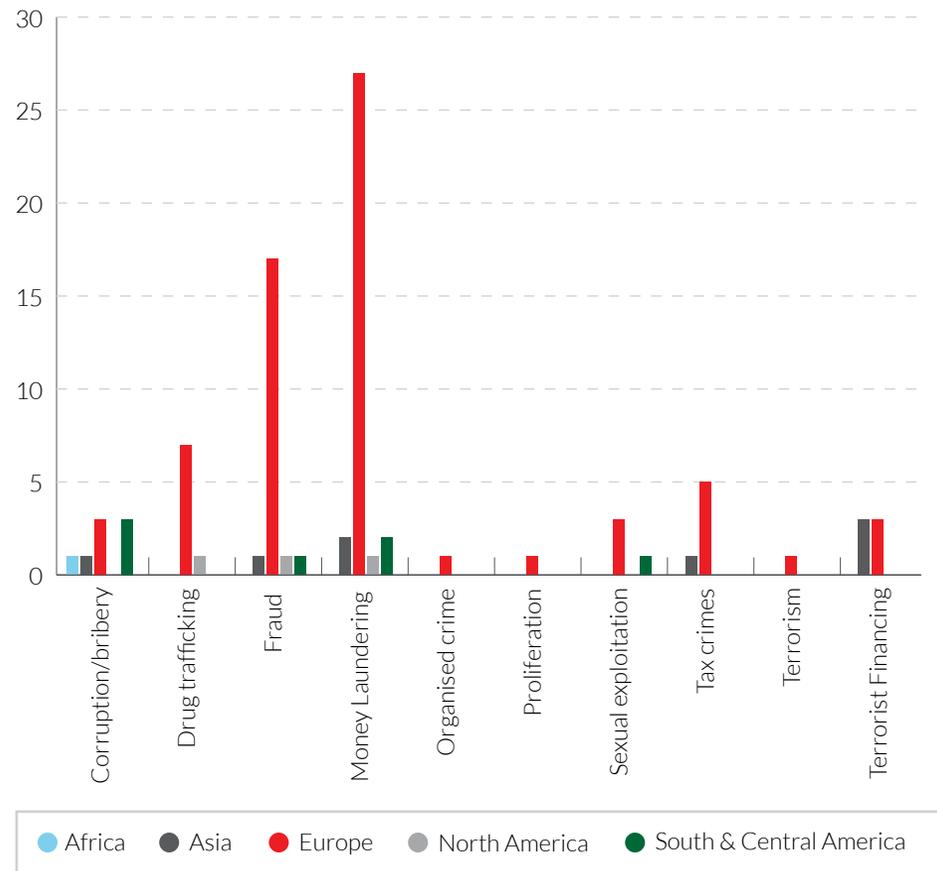
The graph on the left shows the combined number of Egmont outgoing and incoming spontaneous intelligence reports for 2020.



Breakdown of Criminality by Geographic Region - Spontaneous Intelligence - 2021



Breakdown of Criminality by Geographic Region - EGMONT Requests - 2021



The graph on the left shows the combined number of Egmont outgoing and incoming spontaneous intelligence reports for 2021.

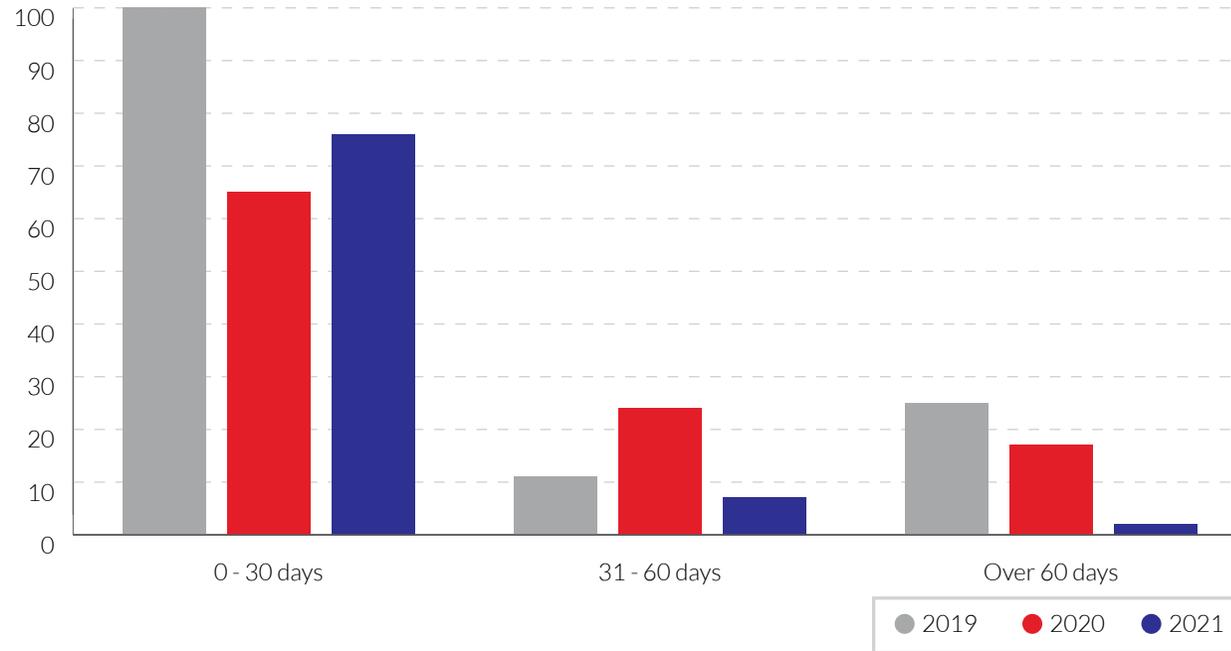
During 2019 to 2021, Fraud and Money Laundering were highly reported. Geographically, the majority of the criminality reported pertained to Europe of information shared and received by the GFIU



AVERAGE RESPONSE TIMES TO REQUESTS FROM THE EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

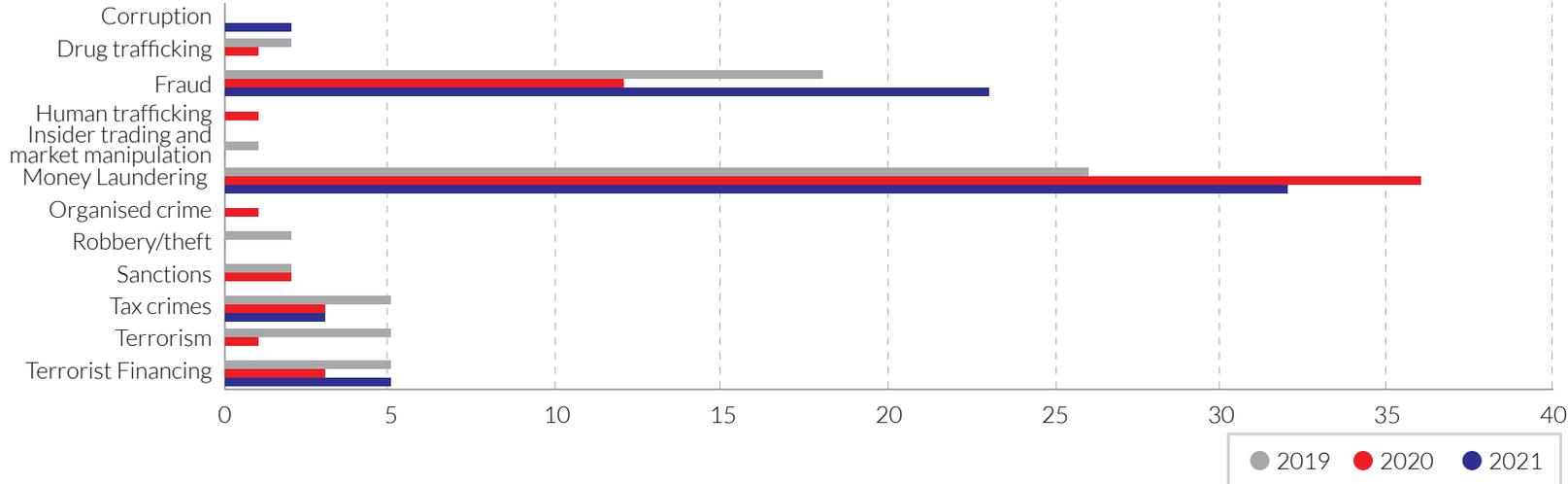
The Egmont Group of Financial Intelligence Units have suggested response times to requests received by FIUs, stating that requests should be answered as soon as possible, whether positively or negatively. Egmont acknowledges that the turnaround time for requests may differ, depending on the nature of said requests but typically suggests that responses should be received within one month, if possible. Additional time is considered reasonable if there is a need to query external databases or third parties. Despite requests received all requiring the GFIU to query external databases or third parties, the average response time to Egmont requests was 16 days which is largely within the 30-day timeframe suggested. A small number of Egmont requests resulted in response times over 60 days; however, these were few. Factors such as GFIU conducting in-depth analysis of request, that may require further action; requests warranting discussion with LEAs or other competent authorities; or seeking clarification from foreign FIUs on some requests, need to be taken into account.

Average Egmont Request response times

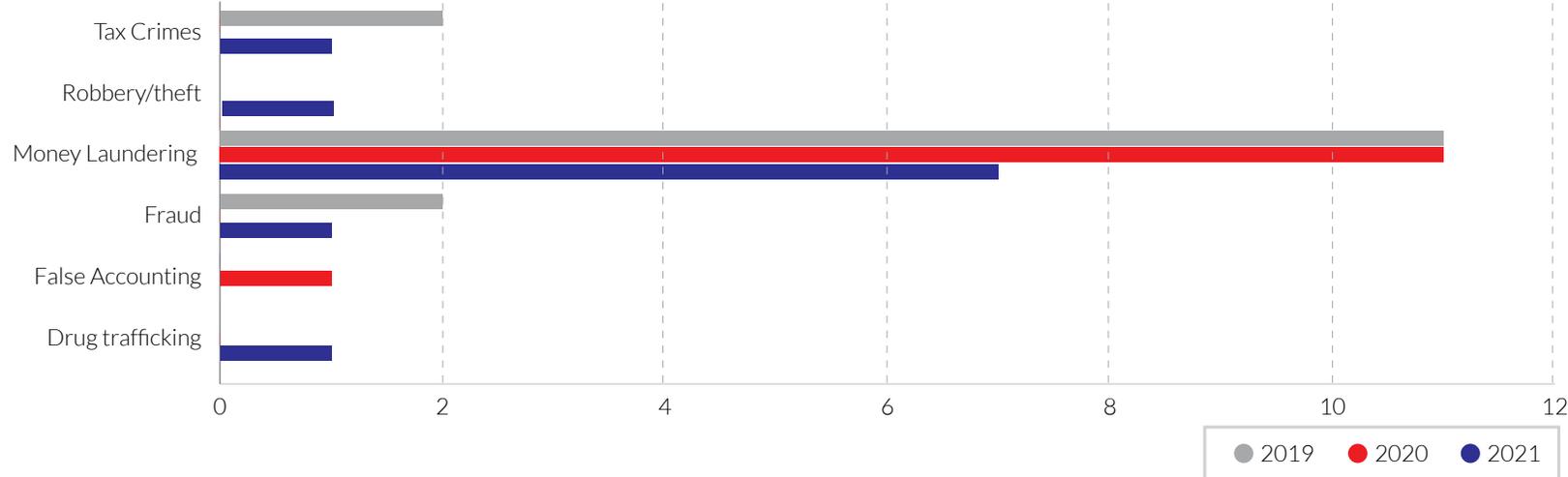


INTELLIGENCE REPORTS DISSEMINATED TO LOCAL LAW ENFORCEMENT AGENCIES

Intelligence Reports disseminated to Royal Gibraltar Police



Intelligence Reports disseminated to HM Customs



Intelligence Reports are disseminated to Law Enforcement Agencies when deemed relevant by the GFIU. 66 Intelligence Reports (2019), 60 Intelligence Reports (2020) and 65 Intelligence Reports (2021) were shared with the Royal Gibraltar Police. 10 Intelligence Reports (2019), 12 Intelligence Reports (2020) and 15 Intelligence Reports (2021) were shared with HM Customs.

For a breakdown of the criminality of each report shared, please see the graphs on the left.



FEEDBACK ON QUALITY OF INTELLIGENCE REPORTS – GIBRALTAR LEAs

Feedback on the intelligence products produced by the GFIU are an important tool to measure the performance on the operational analysis conducted. Recipients of intelligence reports disseminated by the GFIU are requested to provide feedback on the use of the information disseminated, as well as the outcome of the analysis. The GFIU ensures that the comments and suggestions made by the financial investigators are taken on board and where necessary integrated into the analysis cycle. This has seen an improvement over that last two years in the contents of the analytical products.

The feedback process has been under review to ensure a more accurate account on the quality of the reports and a new feedback form is under consideration. The feedback received suggests that in 2020 and 2021, 69% of the intelligence reports disseminated to law enforcement agencies in Gibraltar has been graded as Good/Excellent. Interestingly, 54% of the intelligence reports submitted to law enforcement suggests that they initiated a new investigation or created a lead to an existing investigation.

The GFIU also receives feedback from the Supervisory Bodies on intelligence disseminated to them for regulatory matters.

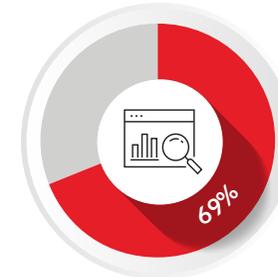
1N NOTIFICATIONS

Section 1N of the Proceeds of Crime States: if the Commissioner of Police, the Collector of Customs, the Commissioner for the Income Tax or a supervisory body listed in Part I of Schedule 2 in the performance of its functions has reasonable grounds to suspect that a relevant financial business, or any other person, has engaged in money laundering, terrorist financing or proliferation financing, it shall inform the GFIU promptly. This is done by completing an Investigation Notification Form, which is then submitted through Themis. Once received, the GFIU will conduct an analysis on the subject under investigation and provide additional intelligence that may be of value to financial investigators.

In 2020, the GFIU received a total of 24 1N notifications from the Royal Gibraltar Police (RGP) and HM Customs (HMC). 42% of financial investigations conducted by the RGP had been initiated due to the intelligence reports received from the GFIU as a result of Suspicious Activity Reports. 50% of the reports received from HMC are related to cash seizures.

In 2021, 12 1N notifications were received. 75% of the notifications submitted by the RGP have been due to Drug Arrests where parallel financial investigations are being conducted. Most of the notifications by HMC are related to cash seizures and intelligence generated by GFIU has led to a financial investigation.

INTELLIGENCE REPORTS



RATED GOOD/ EXCELLENT



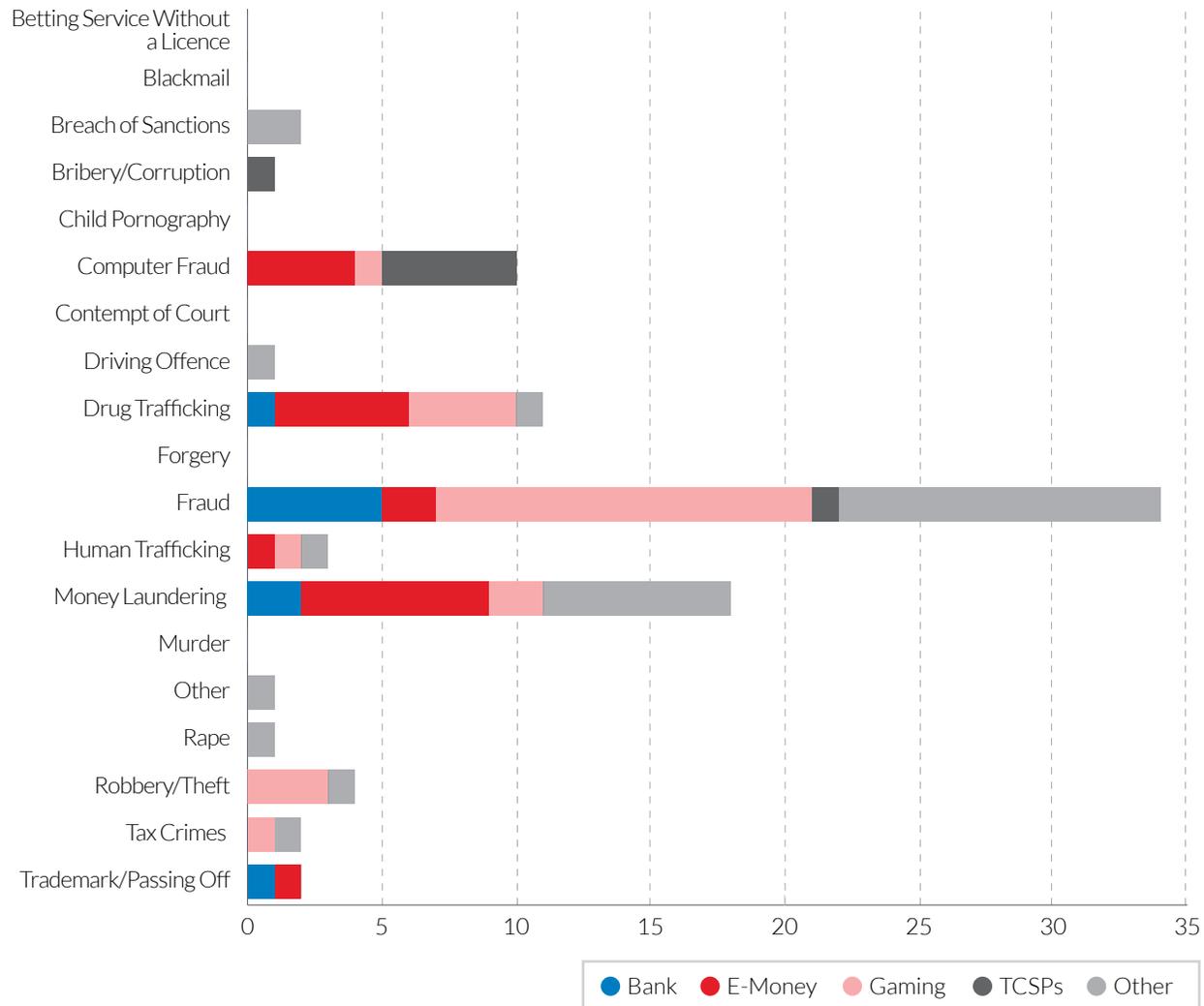
INITIATED A NEW INVESTIGATION/ CREATED A LEAD TO AN INVESTIGATION



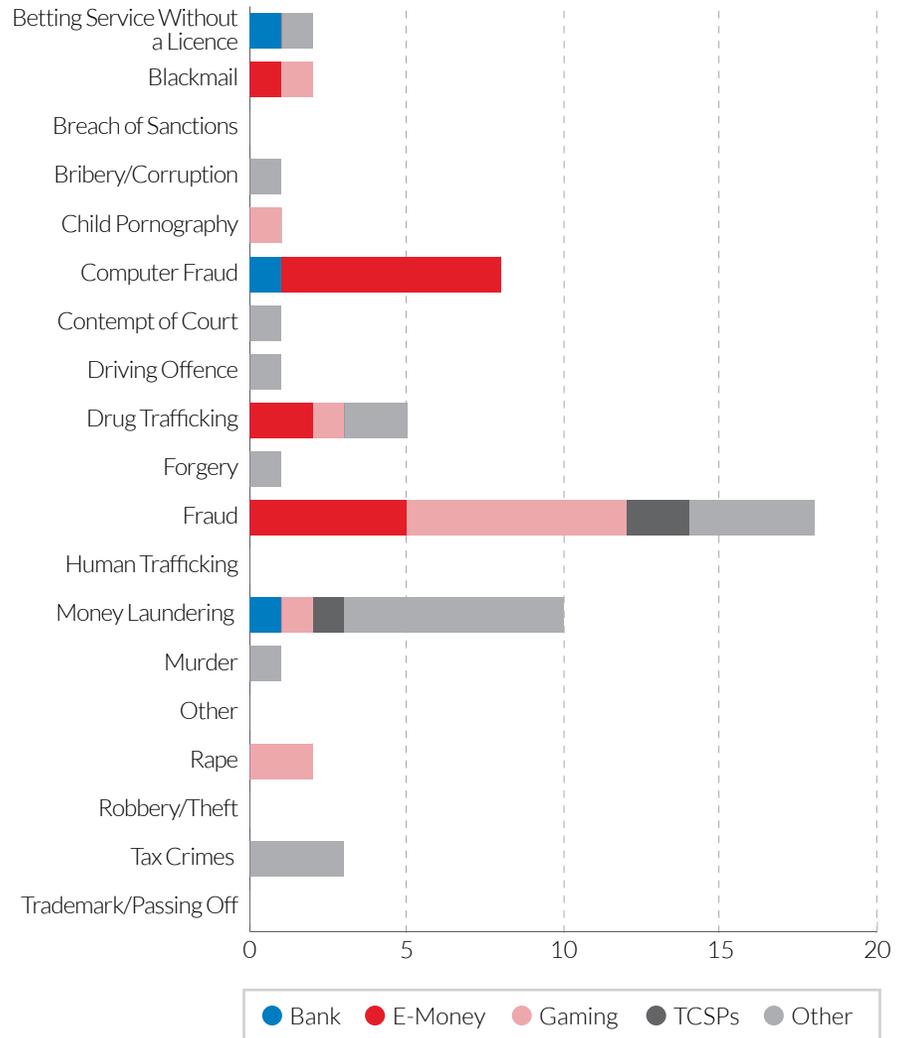
MUTUAL LEGAL ASSISTANCE REQUESTS

Mutual Legal Assistance (MLA) is a method of cooperation between states for obtaining assistance in the investigation or prosecution of criminal offences. MLA is generally used for obtaining material that cannot be obtained on a police cooperation basis, particularly enquiries that require coercive means. A formal International Letter of Request (LOR) is centrally received by the Gibraltar Law Offices and disseminated to the GFIU via the Themis reporting system. The data for 2019 to 2021 details the requesting regions, the suspected criminality and the sector from which further information has been requested. Whilst the information requested pertains to a specific entity with a sector, it is important to note that the entities themselves are data holders and not subjects within the investigation.

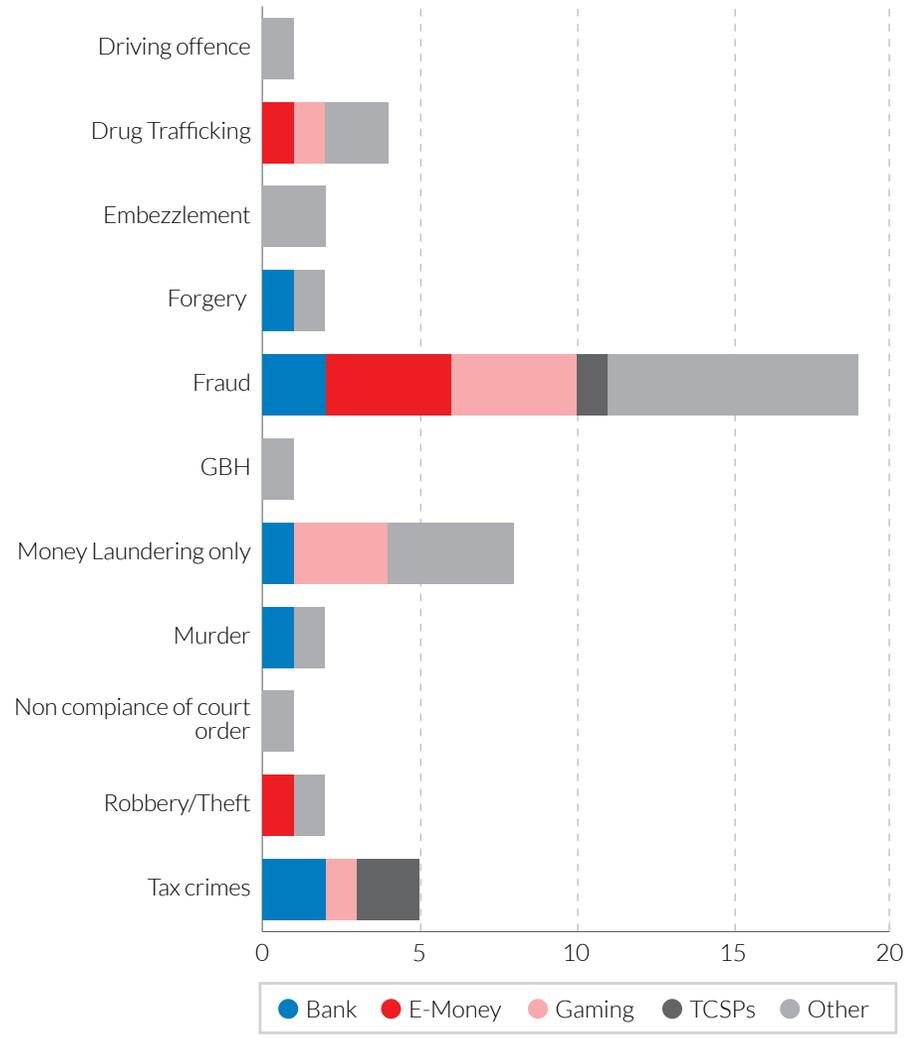
MLAs received by Sector and by Suspected Criminality - 2019



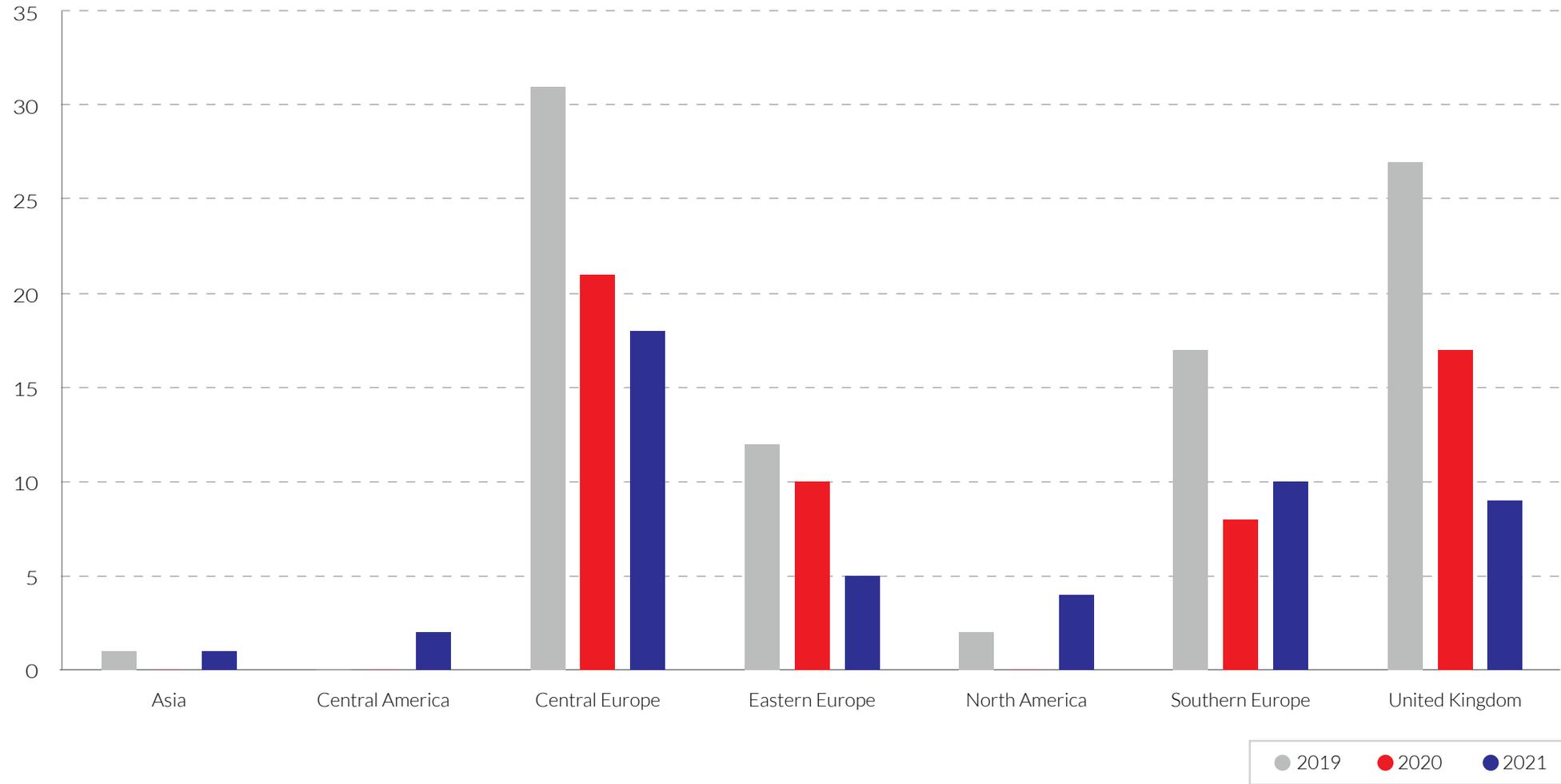
MLAs received by Sector and by Suspected Criminality – 2020



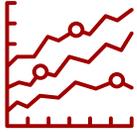
MLAs received by Sector and by Suspected Criminality – 2021



MLAs received by Geographic Region



3. Identified Trends



Criminals and those who seek to benefit from crime are constantly adapting and learning how to evade traditional Anti Money Laundering controls. FinTech (Financial Technology) innovations not only accelerate growth within the financial industry; they also provide new methods to exploit for Money Laundering and Terrorist Financing. As COVID-19 slowed economic activity, it had the opposite effect on e-commerce as the increase in online purchases consequently accelerated digital transformation. COVID-19 was a feature in last year's report but it continues to impact the global economy.

IDENTIFIED TRENDS

E-MONEY

The majority of the SARs reported by our top reporting e-money entity involve the use of pre-paid card accounts to receive payment for goods/services advertised but not delivered. Fraud is the second most reported suspected criminality to the GFIU. The financial losses and psychological effects this crime has on victims cannot be underestimated. Fraudulent activity through E-Money services is expected to continue as access to the internet increases and financial products become widely available.

CASE STUDY

A remitting bank contacted an E-Money entity to report that one of its clients had been a victim of fraud conducted by the account cardholder of the E-Money entity. The victim had made a payment of £2,000 to the cardholder as a deposit for construction work to a house. However, the cardholder did not provide the services that were paid for. The victim later realised it was a scam when they found online negative reviews from other people who had paid the cardholder for services that were not delivered.

DISTRIBUTED LEDGER TECHNOLOGY

The emergence of Blockchain technology and the introduced regulatory framework has led to the DLT Sector being one of the top reporting sectors in Gibraltar in 2021. This is expected to grow further as the cryptocurrency market expands. Virtual Assets have many potential benefits such as providing security in areas of economic uncertainty and high levels of inflation. They also provide alternative payment methods for those unable to access traditional financial products. In contrast, it is accompanied by a risk that without adequate regulation can quickly become a refuge for illicit activity. The FATF have highlighted the importance of introducing measures to ensure transparency of virtual asset transactions as they continue to monitor the sector whilst providing reports on Red Flag Indicators and guidance for a risk-based approach.

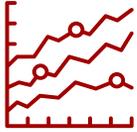
The GFIU has seen a substantial increase in SARs in this sector over the last few years mostly relating to fraud and payments to the Darknet Market.

CASE STUDY

An organised crime group was detected where 12 accounts were created using false identity documents and personal details with the aim of performing credit card deposits in fiat currency on a DLT Platform.

The false identity documents appeared to be issued in European countries with European names and surnames. IP addresses provided by the discloser confirm the accounts were registered online from different European jurisdictions. Identification photographs were provided during the KYC process which all belonged to the same individual. Deposits to the accounts were performed via cards issued by two banks in Asia. All accounts were blocked.





IDENTIFIED TRENDS

GAMING

Suspicion in a large number of SARs are founded on no more than the inconsistency between the customer's known profile and customer spend/loss. Most SARs are also dual reported and the information is often of little value to the GFIU, but the legal requirement for reporting to both FIUs is artificially inflating reporting numbers. There is also a real risk that genuine customers, who refuse to provide financial information at relatively low levels of spend and loss are wrongly being classified as suspect; simply because they are engaged in gambling activity.

There have been incidences of accounts being funded using higher risk payment methods, combined with low risk gambling strategies. The feature of such accounts are high levels of deposits and often equivalent withdrawals; with the net position meaning that accounts do not trigger normal risk thresholds. For this reason, such accounts receive insufficient focus. These cases may indicate that organised crime groups have identified weaknesses in operator controls such that accounts may be used for Money Laundering activity. GFIU and regulatory engagement has encouraged operators to be more vigilant in this area.

Responsible gambling requires gambling licensees to put into effect procedures for self-exclusion and take all reasonable steps to refuse service or to otherwise prevent an individual who has entered a self-exclusion agreement from participating in gambling. This process includes the return of any remaining funds to the customer and the prevention of any further communication with the customer in regards to their gambling account.

CASE STUDY

A new customer opens an account with an online betting company and, whilst being put through KYC, is not immediately required to provide detailed Source of Funds and Source of Wealth information, when depositing funds (until Enhanced Due Diligence thresholds are reached). The customer proceeds to deposit regularly and in increasing amounts. The customer employs a low risk betting strategy and also makes considerable withdrawals. This creates an account with minimal customer losses and minimal profit for the operator, but could be laundering activity. A due diligence team member within the company recognises the potential situation and immediately requests that the customer provide source of income information for that due diligence processes. The customer then attempts to cloud the issue by immediately requesting a self-exclusion. This creates tensions with regulatory obligations to return account monies to excluded customers and questions as to whether Consent/Defence Against Money Laundering is required before monies are returned. In any event, the SAR submitted to a relevant FIU will contain little to no due diligence or related documentation on the subject.

CASE STUDY

Subjects are suspected of being involved in a fraud which centres around the use of a digital wallet platform and online payment system. Digital wallets' customer payment information is not shared with the merchant they are transacting with which allows the customer to remain relatively anonymous.

The suspects are typically young students, often from less economically developed countries and almost all of which were using gmail.com, yahoo.com or ymail.com email domains. Their deposit activity is characterised by a single, low value deposit from a debit card, followed by numerous deposits via a digital wallet. Several subjects are linked to failed deposits and incidents of deposit stacking (numerous deposits with no betting activity in between) and some suspected false documents have been received. Due to the similarities in the subject's activities and in the documents they have provided it is suspected they may be connected.





Gibraltar Financial Intelligence Unit

HM Government of Gibraltar



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