



Jersey Financial Services Commission

Public Statement

STM Fiduciaire Corporate Limited and affiliated members, namely:
STM Fiduciaire Foundation Management Limited;
STM Fiduciaire Nominees Limited;
STM Fiduciaire Secretaries Limited;
STM Fiduciaire Services Limited;
STM Fiduciaire Trustees Limited;
Zenith Nominees Limited;
Zenith Trust Company Limited; and
Defiance Films Limited
(together, "STM Jersey")

Financial Services (Jersey) Law 1998, as amended (the "FS(J)L")

The Jersey Financial Services Commission (the "**Commission**") issues this public statement pursuant to Article 25 of the FS(J)L.

1. Introduction

- 1.1. STM Jersey is presently authorised by the Commission to conduct Trust Company Business as defined in the FS(J)L. Following concerns over compliance by STM Jersey, through the conduct of one of its principals, with applicable laws and the Codes of Practice for Trust Company Business (the "**Codes**"), the Commission commenced an investigation into STM Jersey (the "**Investigation**"). The Investigation focussed, albeit not solely, on STM Jersey's handling of internal suspicious activity reports ("**SARs**").
- 1.2. STM Jersey has co-operated fully with the Commission throughout the course of the Investigation. The Commission further recognises that STM Jersey has taken robust action in order to remediate its position as set out in Section 4 below.

2. Summary of Findings

The non-processing of internal SARs

- 2.1. Between October 2010 and March 2012, internal SARs relating to nineteen individuals or entities were filed by employees of STM Jersey with STM Jersey's MLRO. Of these only three were acknowledged by the MLRO as having been received, sixteen had no receipt issued. Some of the SARs were not properly considered by the MLRO while some were not even considered by the MLRO at all. None of the internal SARs were externalised to the States of Jersey, Joint Financial Crimes Unit.
- 2.2. The Investigation concludes that the MLRO deliberately misled STM Jersey's board on the matter of the filing of internal SARs by failing to inform the Board that the SARs had been made.



2.3. The corporate governance exercised at STM Jersey, with particular reference to the oversight of the MLRO and compliance function at STM Jersey, was deficient: there was no effective monitoring by the board of STM Jersey of the MLRO function or reporting of SARs filed internally or externally.

Key failings:

2.3.1. The MLRO, who was also a director, was allowed to take control of a number of areas of the business save business development, client services, company secretarial functions, internal accounting and staff matters;

2.3.2. The MLRO was trusted absolutely and unchallenged by fellow board members;

2.3.3. The MLRO was perceived by STM staff as unapproachable, which was to the detriment of that function;

2.3.4. Overseas directors which made up the board of STM were very remote to the compliance function/staff in Jersey;

2.3.5. The Board of STM met irregularly and infrequently and compliance matters were not considered in any depth at board meeting that did take place; and

2.3.6. There was a prioritisation of business development over compliance.

3. Breaches of the Codes

3.1. The lack of effective corporate governance was a significant factor in the failings identified, resulting in breaches of the Codes.

3.2. The Codes were first issued by the Commission on 27 November 2000 and have been subject to revision. The Codes establish 7 core principles for the conduct of Trust Company Business. Those identified by the Commission as having been breached in this case were as follows:-

3.2.1. Principle 3: A registered person must organise and control its affairs effectively for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.

3.2.2. This is with particular regard to:

3.2.2.1. Corporate Governance;

3.2.2.2. Internal Systems and controls;

3.2.2.3. Integrity and competence (of employees); and

3.2.2.4. The Compliance Officer, Money Laundering Reporting Officer and Money Laundering Compliance Officer.



4. Action taken by STM Jersey

4.1. As a result of the Investigation, and working with the Commission, STM Jersey have taken the following actions:-

- 4.1.1. The MLRO has been dismissed for gross misconduct;
- 4.1.2. The Managing Director has stood down and a new Managing Director has been appointed;
- 4.1.3. Two new local directors have been recruited and appointed to the board;
- 4.1.4. A new MLRO has been recruited and appointed;
- 4.1.5. A new MLCO has been recruited and appointed;
- 4.1.6. A new Compliance Officer has been recruited and appointed;
- 4.1.7. New processes and procedures have been put into place tightening up STM Jersey's compliance function and its interaction with the board of STM Jersey; and
- 4.1.8. A remediation programme has been put in place by STM Jersey to rectify the issues identified in the Investigation, which will be closely monitored by the Commission for implementation in accordance with specific timelines.

5. Conclusion

5.1. The Commission regards effective corporate governance as key for a regulated entity to be able to demonstrate compliance with applicable legislation and Codes of Practice.

Jersey Financial Services Commission

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