Jersey Financial Services Commission

Public Statement

HSBC Bank plc, Jersey Branch
Issued: 18 November 2026

1 Action

1.1 On 15 October 2026, the JFSC imposed a civil financial penalty of £2,000,000 on HSBCJ under the Commission Law.

1.2 The JFSC determined it necessary and proportionate to impose a civil financial penalty having concluded that HSBCJ, to a significant and material extent, negligently contravened requirements of the MLO, Principle 3 of the Banking Code and the AML/CFT/CPF Code.

1.3 Between October 2019 and May 2023 (the **relevant period**), across 15 customer files reviewed by the JFSC, HSBCJ failed to consistently recognise, scrutinise, and escalate transactions that presented heightened risks of financial crime.

1.4 For certain customers, HSBCJ failed to either obtain sufficient information or effectively scrutinise the information obtained at onboarding, including source of funds, impacting the effectiveness of transaction monitoring measures during the course of these business relationships.

1.5 Furthermore, in instances where financial crime concerns were identified and reported from transaction monitoring, in some instances, HSBCJ did not implement enhanced measures to manage the ongoing financial crime risk.

1.6 HSBCJ over a sustained period, exposed both itself and Jersey to significant financial crime risk, posing an unacceptable threat to the reputation and integrity of Jersey's financial services industry.

1.7 HSBCJ agreed to settle at an early stage of the process and therefore qualified for a 50% (Stage One) discount under the JFSC's Regulatory Settlements Policy[1].

1.8 The JFSC issues this public statement under Article 48(2)(b) of the Banking Law and Article and 26(ba) of the Supervisory Bodies Law in support of the JFSC's guiding principles:

1.8.1 To protect and enhance the reputation and integrity of Jersey in commercial and financial matters

1.8.2 To counter financial crime

[1] Regulatory Settlements — Jersey Financial Services Commission (jerseyfsc.org)

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1.9 Definitions used in this public statement can be found in the glossary.

2 Background

2.1 HSBCJ is a branch of HSBC Bank plc, an entity forming part of HSBC Group, a global banking and financial institution. HSBCJ is regulated by the JFSC for various activities, including deposit taking business.

2.2 HSBCJ offers both Jersey and international personal customers a range of products and services as part of its deposit-taking business. HSBC Expat is a banking service offered by HSBCJ to international customers which allows them to open a bank account in an offshore jurisdiction.

2.3 Certain customers provided with Expat services may present increased financial crime risks due to factors including, the customer being non-Jersey resident, residency in higher risk jurisdictions and them not being physically present for identification measures.

2.4 In September 2023, an Enforcement investigation was commenced due to concerns over the adequacy of HSBCJ's ongoing monitoring system and controls in use during the relevant period relating to the scrutiny of customer transactions. The investigation included a review of 15 customer files, consisting of 13 customers that were provided Expat banking services and two Jersey retail customers.

3 Summary of findings

Scrutiny of transactions

3.1 Supervised persons are required to have systems and controls to mitigate the risk that they may be used to facilitate financial crime. Supervised persons must carry out ongoing monitoring of business relationships which includes scrutiny of transactions undertaken throughout the course of a relationship to ensure that the transactions are consistent with the supervised person's knowledge of the customer's business and risk profile.

3.2 Scrutiny involves monitoring all customer transactions to identify those that are notable. Notable transactions include those that are inconsistent with a supervised person's knowledge of the customer; are unusually large or complex; form part of an unusual pattern, and/or present a heightened risk of financial crime. Automated transaction monitoring systems may assist in recognising transactions or activity that fall outside of predetermined parameters based on thresholds that reflect a customer's business and risk profile.

3.3 During the relevant period, due to its large customer base and volume of transactions, in line with industry practice, HSBCJ used an automated transaction monitoring system to recognise and identify notable transactions. The system in place required alerts that were generated to be reviewed and escalated through different levels towards, ultimately the financial crime review team within HSBCJ. However, it was identified that for some of the 15 customers reviewed there were instances where the transaction monitoring system failed to generate

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alerts for notable transactions and were inconsistent with expected activity and the customers business and risk profile.

3.4 Scrutiny also involves ensuring notable transactions or activity, including their background and purpose, are examined by an appropriate person. Although its automated transaction monitoring system alerted correctly, in a number of instances, HSBCJ did not adequately scrutinise the notable transactions that were identified. In these instances, upon examination, HSBCJ failed to recognise that the transactions were not in accordance with CDD, resulting in the alerts being incorrectly closed without further action.

3.5 For certain customers where HSBCJ incorrectly and prematurely closed the transaction monitoring alerts for notable transactions, a robust review and reporting of a SAR occurred after queries were raised by other HSBC Group affiliates. It is recognised that intra group information sharing is an important feature of risk management, however, HSBCJ's reactive approach highlighted an over reliance on group resources to identify risk which inevitably delayed the detection and reporting of suspicious activity.

3.6 Supervised persons must ensure that transactions are consistent with the customer's source of funds. For certain customers, HSBCJ also failed to obtain sufficient information regarding source of funds where transactions were not in accordance with CDD, exposing it to the risk that it facilitated transactions that had no legitimate economic purpose.

Trigger events

3.7 In addition to scrutinising transactions, ongoing monitoring must also include ensuring documents, data and information obtained under identification measures are kept up to date and relevant by reviews of records. This is particularly important in relation to higher-risk customers. Such reviews must be undertaken not only as part of routine monitoring but also where inconsistencies have been identified through transaction scrutiny, where other risk indicators are present, or when a customer has an event which changes its risk profile (each a trigger event).

3.8 In respect of certain customers, HSBCJ identified high risk factors during the review of notable transactions but failed to re-assess or adequately assess the customer risk. HSBCJ also did not consistently consider whether documents, data and/or information obtained under identification measures remained current and sufficient to mitigate the risks identified.

3.9 This included instances where new relevant connections to high-risk jurisdictions or activities emerged, or where financial crime was suspected. As a result, HSBCJ failed to demonstrate that it had appropriately managed the increased financial crime risk presented by the customers at trigger events.

Controls post disclosure

3.10 Where ongoing monitoring, including transaction monitoring, gives reasonable grounds to suspect financial crime, a SAR must be submitted. The submission of a SAR should be recognised as a clear indicator of heightened financial crime risk and enhanced monitoring and control measures must be considered and, where appropriate, implemented in a timely manner to ensure appropriate oversight of the customer relationship and associated activity.

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3.11 Account blocks may serve as a critical control to support enhanced monitoring. They help ensure that any further activity is subject to heightened oversight, thereby reducing the risk of continued or future misuse of a supervised person's services.

3.12 In certain cases, HSBCJ did not implement account blocks in a timely manner following the submission of a SAR. This delay allowed further transactions to occur through customer accounts, despite HSBCJ having identified suspected financial crime.

Customer examples

3.13 In one customer file reviewed, approximately one year after onboarding, a customer deposited in excess of £2 million over four months. The deposits were not in line with expected activity and source of funds, having an annual salary of under £40,000 at onboarding. Certain deposits alerted as notable transactions, leading HSBCJ to suspect financial crime, file a SAR and apply an account block. A CDD review was subsequently initiated, but that CDD review focused on inconsistent CDD rather than concerns arising from the transaction review.

3.14 HSBCJ sought clarification on the source of funds for the notable transactions but failed to obtain complete information, leaving approximately £500,000 unexplained. Despite this, the account block was lifted and within one month the customer withdrew nearly the entire balance. Further transaction monitoring alerts were triggered in relation to the withdrawals; however, these were closed, despite a lack of complete information and supporting documentation regarding source of funds.

3.15 In another instance, HSBCJ requested source of funds information from a high-risk customer following unusual transactions, totalling $580,000 that alerted. The customer explained the transactions related to the sale and purchase of goods. However, HSBCJ did not sufficiently scrutinise the explanation or obtain supporting documentation. Despite the transactions being disproportionate to the customer's source of funds and inconsistent with their business and risk profile, HSBCJ proceeded to close the alert without further escalation.

3.16 Subsequent transactions for the same customer triggered further alerts. During investigation, the customer provided source of funds information that significantly conflicted with information provided at onboarding. Despite these inconsistencies, HSBCJ did not identify any financial crime concerns but recommended a CDD/EDD refresh. While this review was pending, in response to a query raised by HSBCJ, another HSBC Group affiliate raised financial crime concerns about the same customer. At this point HSBCJ filed a SAR and determined that the risks associated with the customer could not be mitigated, nine months after the initial notable transactions had been flagged.

3.17 In a further file reviewed, a customer was initially assessed as medium risk at onboarding. Following a review, HSBCJ documented concerns relating to potential financial crime. These concerns remained unresolved; however, the customer was not re-assessed as posing a higher risk of financial crime. During a subsequent periodic review, the customer was reclassified low risk, with HSBCJ failing to consider the previously documented financial crime concerns. This demonstrated a failure to appropriately reassess customer risk in light of new and material information.

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Root causes

3.18 The JFSC has concluded that in certain customer files reviewed, HSBCJ failed to effectively scrutinise transaction monitoring alerts. Scrutiny of certain alerts was impacted by information obtained at onboarding. This included source of funds to accurately determine expected transactional activity and to identify or discount transactions that were potentially suspicious for the customers.

3.19 It is essential that sufficient information, including source of funds, is captured and assessed at onboarding to establish and maintain a clear understanding of the customer's business and risk profile. This understanding is critical to recognising and scrutinising notable transactions and activity throughout the customer relationship.

4 Conclusion

4.1 The JFSC has determined that HSBCJ contravened requirements of the MLO, Principle 3 of the Banking Code and AML/CFT/CPF Code, and such contraventions were committed negligently by HSBCJ.

4.2 HSBCJ's contraventions are considered significant and material because its ineffective systems and controls for the 15 customers, particularly those relating to transaction monitoring, left both HSBCJ and Jersey exposed to significant financial crime risk over a prolonged period.

4.3 The threat of money laundering in the banking sector is high, particularly in relation to international retail customers who are not resident in Jersey. The banking sector remains a key entry point for criminals seeking to launder the proceeds of crime, with offshore accounts often perceived as attractive vehicles for concealment.

4.4 It is therefore imperative that banks, such as HSBCJ, maintain adequate systems and controls to detect and prevent financial crime. Failures in this regard are of serious concern to the JFSC and have the potential to undermine the reputation and integrity of Jersey's financial services industry.

4.5 Since the relevant period, the JFSC is aware that HSBCJ, with support and significant investment from the wider HSBC group, has taken a number of actions to enhance its transaction monitoring systems and controls, including the introduction of a new transaction monitoring system in 2022. It has also implemented process, procedure, resource and control environment enhancements.

5 Aggravating factors

5.1 The contraventions for the 15 customers reviewed were not self-reported by HSBCJ. The contraventions were identified from the Enforcement investigation.

5.2 In October 2021, HSBCJ initiated a remediation exercise to address a known issue concerning the scrutiny of customer transactions. HSBCJ did not report this issue to the JFSC

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until March 2022. The procedural error rate exceeded HSBCJ's internal tolerance levels until November 2022.

5.3 The JFSC has published guidance on the steps supervised persons can take to reduce their financial crime risks, including the AML/CFT/CPF Handbook, guidance notes, examination feedback papers and public statements, including a 2021 feedback paper on transaction monitoring and a 2021 feedback paper on financial crime examinations. Despite having access to this documentation, HSBCJ failed to comply with elements of the MLO and AML/CFT/CPF Code, increasing its exposure to financial crime risk.

5.4 In the relevant period, HSBCJ has been subject to two JFSC reviews, both leading to action plans (in each case, the action plans have been closed).

6 Mitigating factors

6.1 HSBCJ cooperated throughout the Enforcement investigation.

6.2 As part of the investigation, the JFSC did not identify any customer loss for the 15 customers reviewed.

6.3 HSBCJ has strengthened its governance by appointing new members to its senior leadership team.

7 Sanction

7.1 On 15 October 2026, the JFSC imposed a civil financial penalty on HSBCJ under the Commission Law.

7.2 In determining the amount of the penalty, the JFSC applied its published civil financial penalties methodology. After applying Steps 1-8, which take account of the seriousness of the contraventions, the turnover-based reference amount and other relevant factors, the JFSC arrived at a figure of £13,643,123.

7.3 As this exceeded the statutory maximum under the Financial Services Commission (Financial Penalties) (Jersey) Order 2015, the figure was reduced at Step 9 to £4,000,000.

7.4 HSBCJ agreed to settle the matter at an early stage of the process and therefore qualified for a 50% (Stage One) discount under the JFSC's Regulatory Settlement Policy.

7.5 The final civil financial penalty imposed was £2,000,000.

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Glossary

AML/CFT/CPF	Anti-money laundering/countering financing of terrorism/countering proliferation financing
AML/CFT/CPF Code	AML/CFT/CPF Code of Practice as set out in the Handbook for the Prevention and Detection of Money Laundering and the Financing of Terrorism for Regulated Financial Services Business, effective between October 2019 and May 2023
AML/CFT/CPF Handbook	Handbook for the prevention and detection of money laundering, the countering of terrorist financing, and the countering of proliferation financing
Banking Code	Code of Practice for Deposit-taking Business, effective between October 2019 and May 2023
Banking Law	Banking Business (Jersey) Law 1991
Commission Law	Financial Services Commission (Jersey) Law 1998
CDD	Customer Due Diligence
EDD	Enhanced Due Diligence
Financial crime	Financial crime includes money laundering, terrorist financing, proliferation financing and sanctions.
HSBCJ	HSBC Bank plc, Jersey Branch
JFSC	Jersey Financial Services Commission
MLO	Money Laundering (Jersey) Order 2008
Notable transaction or activity	Transactions or activity that: • Are inconsistent with the supervised person's knowledge of the customer (unusual transactions or activity; • Are complex or unusually large; • Form part of an unusual pattern; or • Present a higher risk of money laundering, the financing of terrorism, or the financing of proliferation.

Regulatory Framework	Collectively, the FS(J)L, Banking Business (Jersey) Law 1991, Banking Code, Proceeds of Crime (Jersey) Law 1999, Money Laundering (Jersey) Order 2008, Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008, and AML/CFT/CPF Code.
SAR	Suspicious Activity Report
Supervised Person	Defined in Article 1 of the Supervisory Bodies Law and covers all those persons that are required to comply with the MLO (referred to in the MLO as “relevant persons”).
Supervisory Bodies Law	Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008

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