

Public Statement

Belasko Jersey Limited

Issued: 11 October 2024

1 Action

- 1.1 On 20 September 2024, the JFSC imposed a civil financial penalty of £19,211.73 on Belasko under the Commission Law.
- 1.2 The JFSC determined it necessary and proportionate to impose the civil financial penalty having concluded that Belasko, to a significant and material extent, negligently contravened certain of the requirements of Principles 2 and 3 of the TCB Code and the AML/CFT Code as outlined below in respect of one customer relationship, Customer A, between 1 November 2019 and 21 March 2022 (the **relevant period**).
- 1.3 Belasko failed to ensure that increased financial crime risks present for Customer A were adequately understood, considered and mitigated. Belasko's failures left it vulnerable to significant financial crime risks in respect of Customer A, posing an unacceptable risk to the integrity, reputation and stability of Jersey's financial services industry.
- 1.4 Specifically, in respect of Customer A, Belasko failed to:
 - 1.4.1 Maintain systems and controls that were adequate and operating effectively and being monitored by the Belasko Board of Directors (**3.1.1.5 and 3.2.1.1.1 of the TCB Code**).
 - 1.4.2 Demonstrate the existence of adequate and effective systems and controls following the conclusions of its Business Risk Assessment (**2.3[15] of the AML/CFT Code**).
 - 1.4.3 Obtain adequate information to understand the purpose and intended nature of the business relationship (**3.3[32] of the AML/CFT Code**).
 - 1.4.4 Obtain adequate due diligence on a Power of Attorney (**2.6.5 of the TCB Code**).
 - 1.4.5 Conduct enhanced ongoing monitoring to scrutinise transactions (**6.2[35] of the AML/CFT Code**).
 - 1.4.6 Hold adequate, orderly and up-to-date records (**3.7.1 of the TCB Code**).
 - 1.4.7 Hold the required details for transactions (**3.7.1 and 3.7.7.2 of the TCB Code and 10.3[20] and 10.3[21] of the AML/CFT Code**).
 - 1.4.8 Demonstrate full compliance with all AML/CFT legislation (**3.2.1.4 of the TCB Code**).
- 1.5 Belasko entered into settlement discussions at an early stage of the process and therefore qualified for a 50% (Stage One) discount under the JFSC's settlement procedure¹.
- 1.6 The JFSC issues this public statement under Article 25(ba) of the FS(J)L and Article and 26(ba) of the Supervisory Bodies Law and does so to support its guiding principles:
 - 1.6.1 To protect and enhance the reputation and integrity of Jersey in commercial and financial matters; and

¹ [Regulatory Settlements — Jersey Financial Services Commission \(jerseyfsc.org\)](https://www.jerseyfsc.org/regulatory-settlements)

1.6.2 To counter financial crime.

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

2 Background

- 2.1 Belasko and its participating members are regulated by the JFSC in the conduct of fund services and trust company business. Belasko offers customers a range of fund, corporate and private wealth related fiduciary and administration services and has been operating in Jersey since 2017. Belasko recently changed ownership and has materially restructured its leadership team, as well as its governance and control framework.
- 2.2 During the relevant period, Belasko on boarded and provided full administration services to Customer A. This included registered office, company secretary and corporate director services.
- 2.3 Customer A was a high-risk customer due to its beneficial owner being classified as a PEP from a high-risk jurisdiction and source of wealth and source of funds being derived from the oil and gas sector, plus the beneficial owner indirectly having shares in an entity subject to OFAC sanctions over certain activities.
- 2.4 In March 2022, the JFSC had serious concerns over the adequacy of Belasko's AML/CFT governance, systems and controls for Customer A. As a result, an Enforcement investigation was commenced.

3 Summary of findings

- 3.1 The Regulatory Framework requires, amongst other things, supervised persons to implement effective systems and controls, including policies and procedures, to prevent and detect financial crime. Supervised persons are also required to have a proportionate, risk-based approach to CDD measures and on-going monitoring.
- 3.2 Throughout the relevant period, Belasko failed to apply effective systems and controls with regard to Customer A. CDD was collated but it was not comprehensive, and the on-going monitoring measures that Belasko applied were not commensurate to the heightened financial crime risks associated with Customer A. Belasko breached several of its internal policies and procedures, leading to significant and material contraventions of the Regulatory Framework.
- 3.3 Despite its beneficial owner being a PEP, Belasko's senior management failed to document its formal approval of Customer A as a new relationship and follow internal new business procedures in this regard. Although it failed to formally approve the new business relationship, Belasko proceeded with the incorporation of Customer A.
- 3.4 Belasko did not obtain sufficient information to assess adequately the financial crime risks posed by Customer A. In particular, it failed to establish and verify the activity generating Customer A's source of funds, including the risk of a flow of funds from an OFAC sanctioned entity. This was due, in part, to Belasko failing to understand Customer A's purpose and intended nature.
- 3.5 Throughout its relationship with Customer A, Belasko failed to complete risk assessments in a timely manner. Although Belasko had informally assessed Customer A as high-risk and commissioned an EDD report, a risk assessment of Customer A was not conducted prior to on boarding. A risk assessment was conducted shortly after Customer A was incorporated but it failed to record all relevant risks, including Customer A's potential exposure to sanctions (albeit Belasko had already identified this). As a result, Belasko did not adequately tailor its controls to mitigate all financial crime risks.

- 3.6 Belasko also did not reconsider Customer A's risks following trigger events. Therefore, for an extended period, Belasko operated a customer relationship that was outside its risk appetite and should have resulted in an automatic rejection of the relationship.
- 3.7 Belasko met Customer A's beneficial owner prior to on boarding but was subsequently instructed to maintain contact with the beneficial owner via an intermediary. It granted the intermediary a Power of Attorney to act on behalf of Customer A as instructed but failed to obtain adequate CDD for the intermediary until 18 months after on boarding.
- 3.8 Belasko did not maintain a customer profile so that it could identify whether transactions and activity were in line with Customer A's business and risk profile. It also failed to operate robust periodic review and transaction monitoring processes that were appropriate to Customer A's heightened financial crime risks.
- 3.9 Belasko's first review of Customer A occurred due to trigger events and simultaneously with its routine periodic review cycle. Belasko failed to review Customer A following previous trigger events and therefore failed to identify that Customer A had not been utilised in line with its purpose and intended nature, leaving it unable to manage associated financial crime risks.
- 3.10 The review undertaken by Belasko also identified matters giving rise to non-compliance with the Regulatory Framework, however, Belasko failed to notify the JFSC or implement enhanced measures to mitigate further risk.
- 3.11 Although outside its risk appetite, Belasko granted Customer A's beneficial owner sole signatory rights on the bank account and, despite providing director services, had limited oversight and control of Customer A's transactions and activity. Consequently, it was left unsighted on a deposit and withdrawal of \$100 million with the risk it may have derived from an OFAC sanctioned entity, thereby exposing itself and Jersey to significant financial crime risks.
- 3.12 Belasko's recordkeeping for Customer A was inadequate. For example, it failed to adequately formally record decision-making at on boarding, record exceptions to policies and procedures in a timely manner, maintain appropriate transaction and CDD records, and complete necessary internal checklists. However, following the review of Customer A, Belasko was able to demonstrate that its consideration of risk was formally documented.

4 Conclusion

- 4.1 The JFSC has concluded that Belasko contravened certain of the requirements of Principles 2 and 3 of the TCB Code and the AML/CFT Code in respect of its relationship with Customer A, and its conduct in this regard was negligent. Belasko's contraventions are considered significant and material because its deficient AML/CFT governance, systems and controls for Customer A left it exposed to an increased risk of financial crime occurring for an extended period of time.
- 4.2 A failure to adequately mitigate the higher risks of financial crime present in a customer relationship is of serious concern to the JFSC and can undermine the integrity and stability of Jersey's financial services industry.

5 Aggravating factors

- 5.1 Belasko's failure to comply with internal policies and procedures in relation to Customer A which went unidentified by compliance monitoring processes.
- 5.2 The JFSC has published guidance on the steps supervised persons can take to reduce their financial crime risk, including the AML/CFT Handbook, guidance notes, examination feedback papers and public statements. Despite having access to this documentation, Belasko failed to

comply with elements of the AML/CFT Code (as identified in paragraph 1.4 above), increasing its financial crime risk.

- 5.3 Belasko's failure to notify the JFSC of matters giving rise to non-compliance with the Regulatory Framework relating to Customer A when the failure was identified by Belasko following a review.

6 Mitigating factors

- 6.1 Belasko cooperated fully with the JFSC throughout the Enforcement investigation.
- 6.2 No customers suffered losses from the matters identified.
- 6.3 In February 2021, upon becoming aware of the issue, Belasko instigated a review of Customer A and terminated the relationship in October 2022.
- 6.4 Belasko has strengthened its Compliance Function by recruiting a new Head of Compliance and appointing a new Money Laundering Reporting Officer.

7 Sanction

- 7.1 On 20 September 2024, the JFSC imposed a civil financial penalty of £19,211.73 on Belasko under the Commission Law.
- 7.2 Belasko agreed to settle at an early stage of the process and therefore qualified for a 50% discount under the JFSC's settlement procedures.

Glossary

AML/CFT Code	the AML/CFT 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 1 November 2019 until 21 March 2022. To assist industry, the AML/CFT Code referenced in the public statement aligns with current Code numbering.
AML/CFT	Anti-money laundering/countering financing of terrorism
Belasko	Belasko Jersey Limited
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.
FS(J)L	Financial Services (Jersey) Law 1998
JFSC	Jersey Financial Services Commission
OFAC	United States Office of Foreign Assets Control
Regulatory Framework	Collectively, FS(J)L, Code of Practice for Trust Company Business, Proceeds of Crime (Jersey) Law 1999, Money Laundering (Jersey) Order 2008, Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008, and AML/CFT Code.
Supervisory Bodies Law	Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008
TCB Code	Code of Practice for Trust Company Business, effective between 1 November 2019 and 21 March 2022. To assist industry, the TCB Code referenced in the public statement aligns with current Code numbering.