



HM Government  
of Gibraltar

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# 2018 National Risk Assessment

PROJECT  
**NE)(US**  
Gibraltar Financial Intelligence Unit Outreach Program

## Outline

- ⦿ Recap of NRA process
- ⦿ The EU SNRA and 4MLD
- ⦿ 2016 NRA
- ⦿ Development of the 2018 NRA
- ⦿ Key Findings

## 2016 NRA

### Public Sector

Attorney General's Chambers

EUID/LSU

Finance Centre Director

Financial Services Commission

Gaming Commissioner

Gibraltar Criminal Intelligence Department

Gibraltar Financial Intelligence Unit

Gibraltar Regulatory Authority

HM Customs

Royal Gibraltar Police

### Private Sector

Association of Trust and Company Managers

Gibraltar Association of Compliance Officers

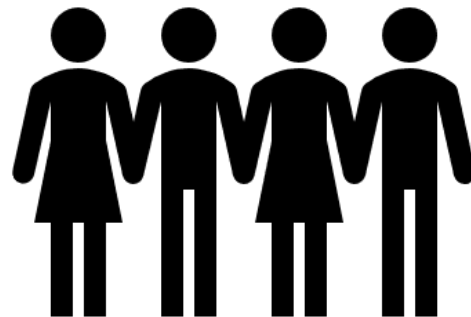
Gibraltar Banker's Association

Gibraltar Betting and Gaming Association

Gibraltar Chamber of Commerce

Gibraltar Federation of Small Businesses

Gibraltar Society of Accountants



Minister for Justice  
The Hon. G. Licudi

Minister with Responsibility  
for Financial Services  
The Hon. A. Isola

### National Risk Assessment

Threats, Vulnerabilities and Risks facing Gibraltar in a  
Money Laundering and Terrorist Financing Context  
November 2015

## 2016 NRA

- ◉ 16 Risks Identified
- ◉ None High Risk

		IMPACT				
		Negligible £10,000	Minor £50,000	Moderate £250,000	Major £750,000	Severe
LIKELIHOOD	Almost Certain Daily	<ul style="list-style-type: none"> <li>Prepaid debit/credit card</li> <li>Money Transmission/Currency Exchange</li> </ul>				
	Likely Weekly	<ul style="list-style-type: none"> <li>ID Theft</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Vehicles</li> <li>Prepaid phone card</li> </ul>			
	Possible Monthly			<ul style="list-style-type: none"> <li>Legal Profession</li> </ul>	<ul style="list-style-type: none"> <li>Tax Planning &amp; Structures</li> </ul>	<ul style="list-style-type: none"> <li>Real Estate</li> </ul>
	Unlikely Quarterly		<ul style="list-style-type: none"> <li>High Value Goods</li> </ul>	<ul style="list-style-type: none"> <li>Resourcing of GFIU &amp; GCID</li> </ul>		
	Unlikely Annually		<ul style="list-style-type: none"> <li>Bribery &amp; Corruption</li> </ul>			<ul style="list-style-type: none"> <li>Securities &amp; Funds Sector</li> </ul>
	Rare < Than Annually		<ul style="list-style-type: none"> <li>Organised Crime</li> <li>Closed Society</li> </ul>		<ul style="list-style-type: none"> <li>Remote Gaming Sector</li> <li>Tobacco</li> </ul>	<ul style="list-style-type: none"> <li>Sanctions</li> </ul>



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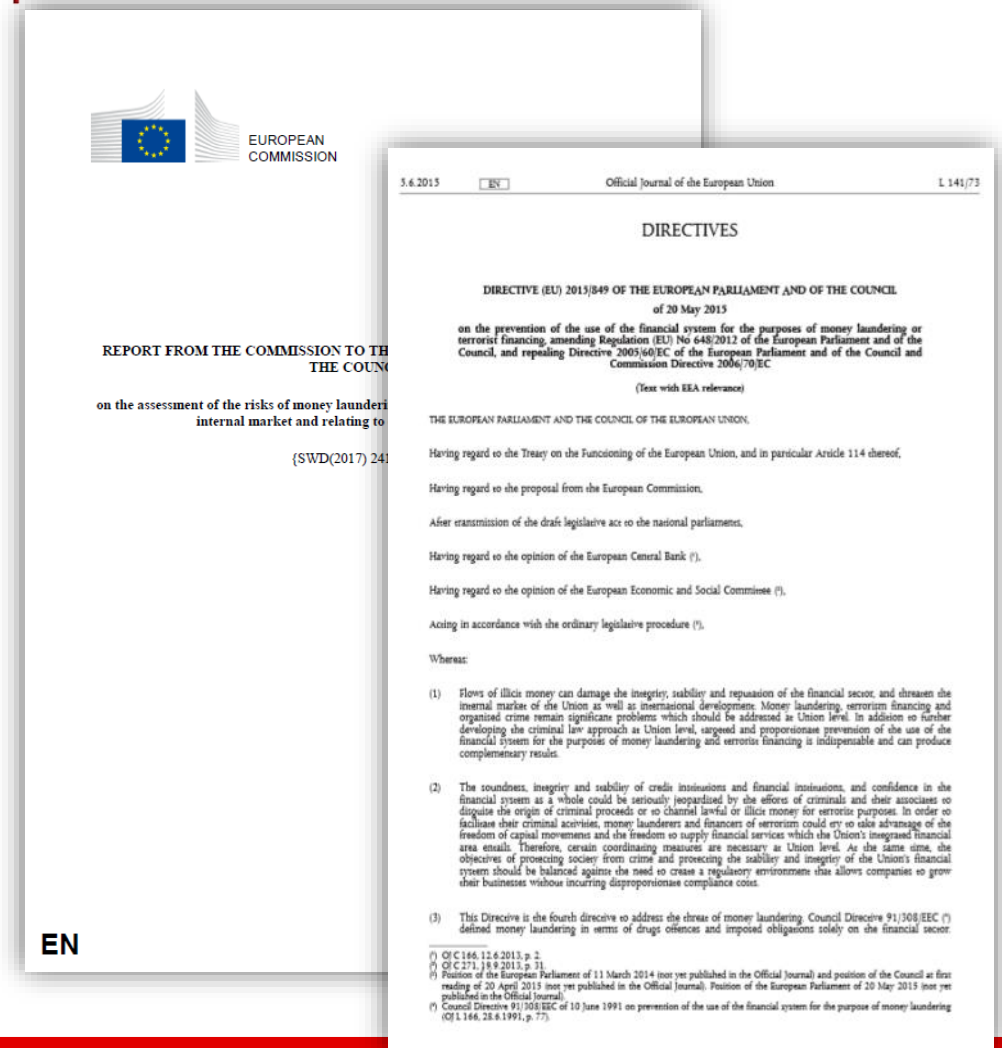
# EU Supra National Risk Assessment and 4MLD

## Article 7(1) of 4MLD

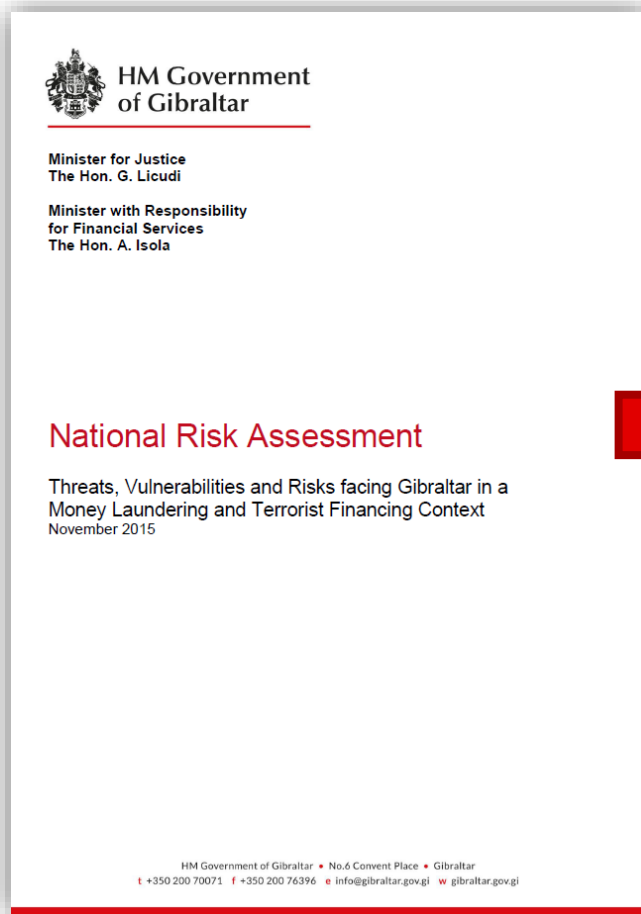
Each Member State shall take appropriate steps to identify, assess, understand and mitigate the risks of money laundering and terrorist financing affecting it, as well as any data protection concerns in that regard. It shall keep that risk assessment up to date.

## Regulation 7(2) of the National Coordinator for Anti-Money Laundering and Combatting Terrorist Financing Regulations 2016

In carrying out the review and report he must take account of the risk assessment produced by the European Commission, under Article 6(1) of the Directive, dealing with the risks of money laundering and terrorist financing affecting the internal market of the European Union and relating to cross-border activities, once such risk assessment is available.



# Development of the 2018 NRA



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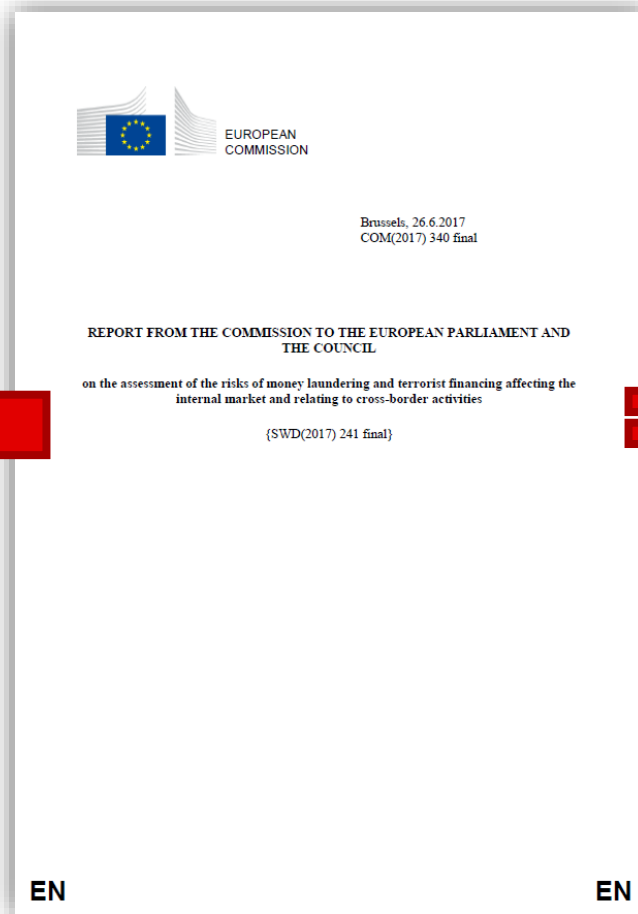
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EUROPEAN  
COMMISSION

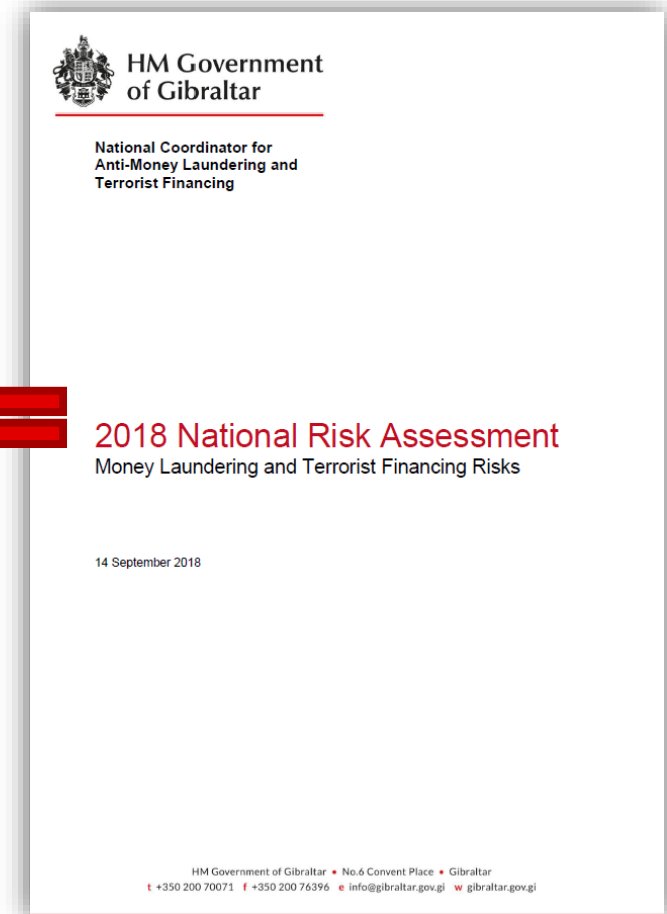
Brussels, 26.6.2017  
COM(2017) 340 final

### REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the assessment of the risks of money laundering and terrorist financing affecting the  
internal market and relating to cross-border activities

{SWD(2017) 241 final}

EN



HM Government  
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National Coordinator for  
Anti-Money Laundering and  
Terrorist Financing

## 2018 National Risk Assessment

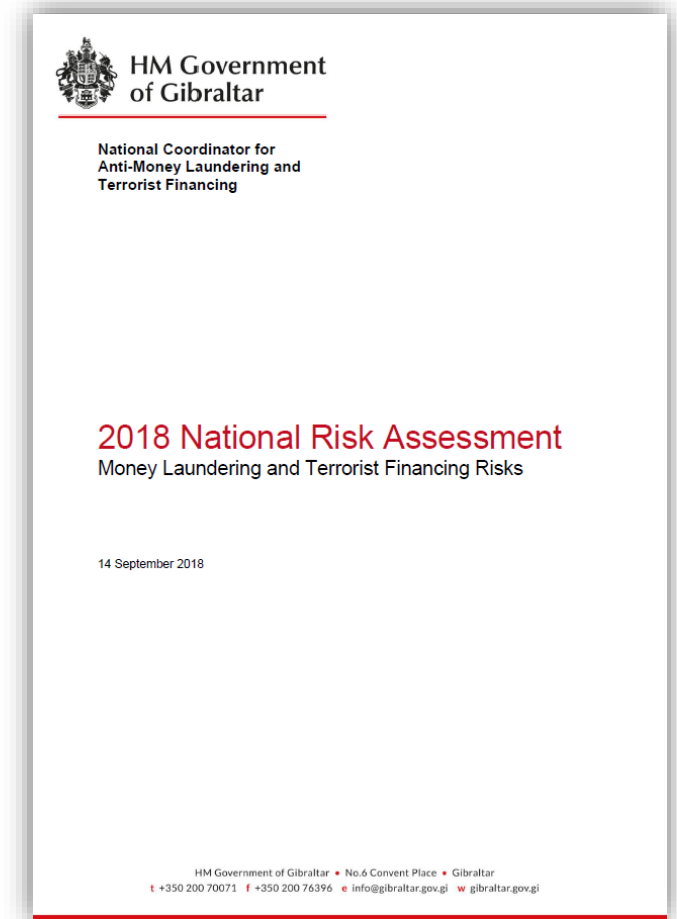
Money Laundering and Terrorist Financing Risks

14 September 2018

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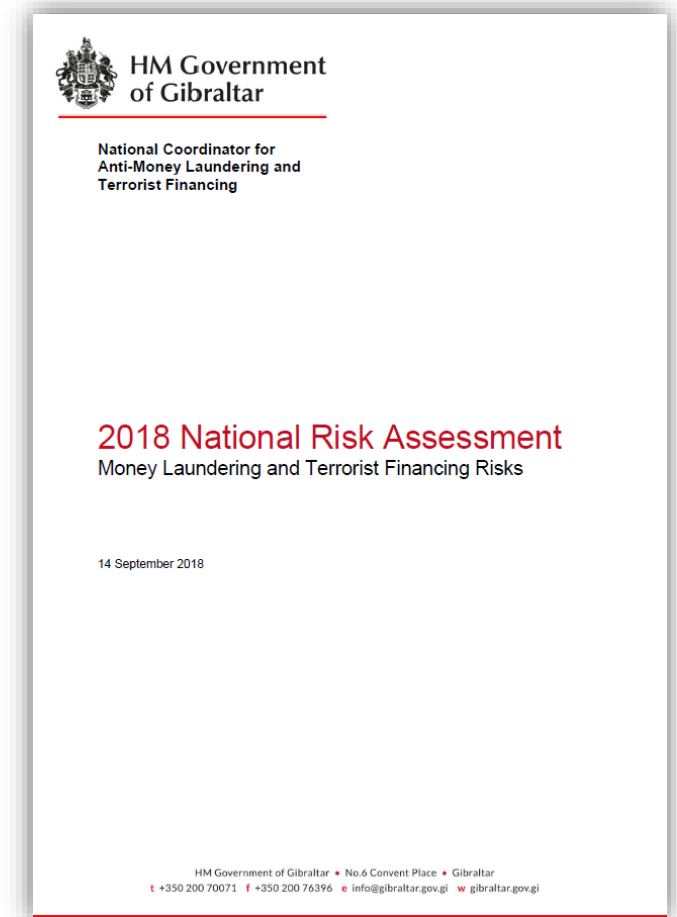
## Private Sector Involvement

- ◉ Early consultation with GFCC Associations and members as to
  - possible additional risks and Gib Specific mitigation measures
  - 1<sup>st</sup> Draft consultation on Gib version of NRA
  - 2<sup>nd</sup> Draft consultation
  - 3<sup>rd</sup> Consultation prior to release



## Key changes – TF and well as ML Risks

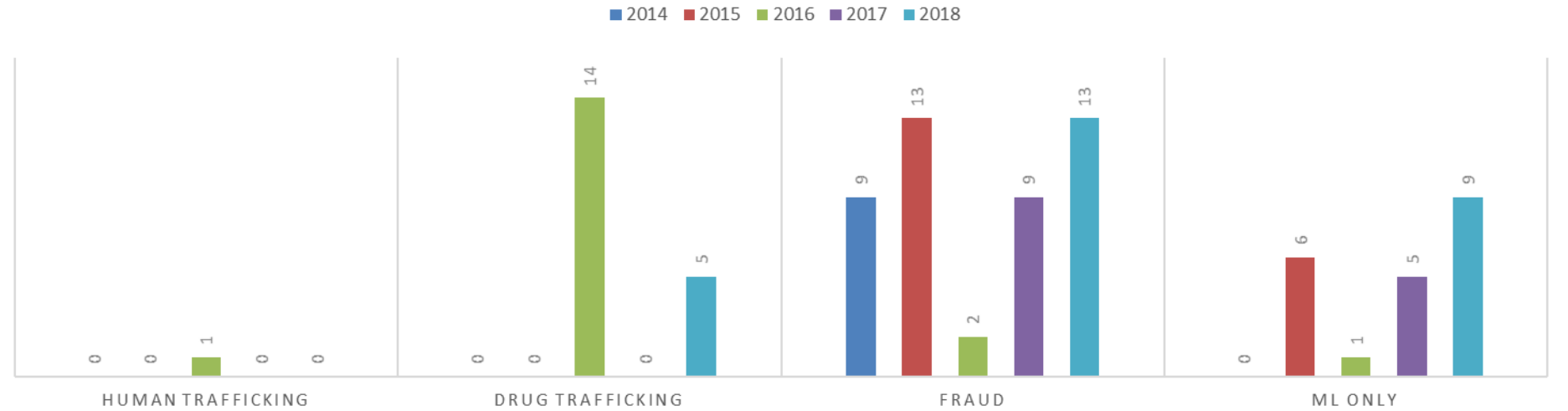
- ◉ 2016 NRA only covered ML risks
  - Separate confidential TF assessments existed for
    - Jurisdiction
    - NPO Sector
- ◉ 2018 NRA
  - TF and ML threat & vulnerability scored separately and combined
  - 55 Different risks
  - Combined 2016 NRA Risks, EUSNRA Risks and new Risks



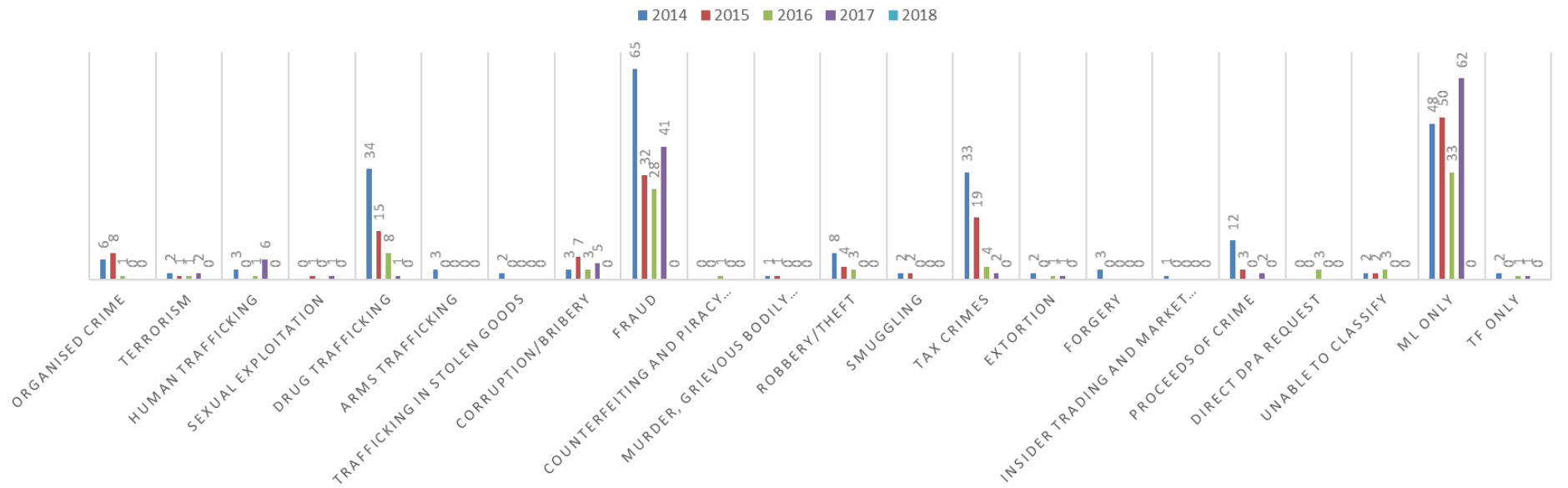




## NO. OF INCOMING REQUESTS RECEIVED FROM FOREIGN LEAS



## NO. OF INCOMING REQUESTS RECEIVED FROM FOREIGN FIUS



## Top Risks

1. E-money
2. Conversion of funds
3. Creation of legal entities and legal arrangements
4. Retail financial sector- Deposits on accounts
5. Virtual currencies
6. Transfers of funds
7. Cash intensive business
8. Investment real estate
9. Payment services
10. Private banking-Deposits on accounts
11. Proximity to Organised Crime
12. Legal service from notaries and other independent legal professionals
13. Sanctions



### 2018 National Risk Assessment Money Laundering and Terrorist Financing Risks

14 September 2018

Total Risk Score **16**

Risk ID **16**

Risk Name **E-money**

**Description**

Perpetrators use characteristics and features of some of new payment methods "directly" using truly anonymous products (i.e. without any customer identification) or "indirectly" by abusing non-anonymous products (i.e. circumvention of verification measures by using fake or stolen identities, or using straw men or nominees etc.) Perpetrators can load multiple cards under the anonymous prepaid card model. This multiple reloading could lead to substantial values which can then be carried out abroad with limited traceability.

**Gibraltar Assessment**

Pre-paid debit and or credit cards are a form of e-money. There are five e-money/card issuers operating from Gibraltar at present and these are seen as presenting growth opportunities for the finance sector. Part of the attractiveness of e-money products is to facilitate access to the financial market to those excluded from mainstream banking services, those of low income, children and those who want to make use of on-line services who might otherwise not have an established bank account etc. It also has the advantage of reducing cash handling costs and the holding of cash in a society.

Cards may typically be acquired at retail outlets and could be bought for a cash equivalent in exchange for a "load" or e-money value of the same amount. However, anonymous 'cash loading' is extremely restricted by EU law that also applies in Gibraltar.

Some of these lower value cards can be bought anonymously or without the production of any due diligence and id verification requirements that would normally be found in the opening of a bank account, for example.

**Terrorist Financing Risk Assessment**

**Threat**

The assessment of the TF threat related to e-money shows that the use of e-money can be particularly attractive for terrorist groups, as it allows funds to be moved easily and anonymously (in particular with prepaid cards instead of bulk of cash). In practice, e-money is rather easy to access and does not require specific expertise or planning. This is even more the case for non-account based e-money products. As far as the use for TF purposes is concerned, LEAs have gathered evidence that e-money loaded onto prepaid cards has been used to finance terrorist activities, in particular to assist the terrorists in committing their actions (hotel or car rentals). However, the level of TF threat presented by e-money shall be assessed proportionally to the level of threat represented by cash which constitutes a more competitive and more attractive tool because it is easier to access than e-money. In that sense, cash is still the preferred option to finance travels to war zones. At the same time, e-money loaded onto prepaid cards may be seen by terrorist groups as more secure as it allows more discrete payments than cash. They may also see this option as more attractive when cash transactions are not an available option (e.g. online transactions, online purchases).

**Threat Score** 4

**Vulnerability**

This sector is particularly appealing given the high level of cash transactions and the use of pre-paid and/or anonymous cards. The risk exposure within this area is heightened given the significant volumes of products and services which facilitate speedy or anonymous transactions and the significant volume of higher risk customers.

The industry, however, has a sound awareness of the risks posed and in general, implements adequate measures and procedures to manage/mitigate the risks posed.

**Vuln. Score** 4

**8**

**Money Laundering Risk Assessment**

**Threat**

There are five e-money/card issuers operating from Gibraltar at present and these are seen as presenting growth opportunities for the finance sector. Part of the attractiveness of e-money products is to facilitate access to the financial market to those excluded from mainstream banking services, those of low income, children and those who want to make use of on-line services who might otherwise not have an established bank account. It also has the advantage of reducing cash handling costs and the holding of cash in a society. Cards may typically be acquired at retail outlets and could be bought for a cash equivalent in exchange for a "load" or e-money value of the same amount. Some of these lower value cards can be bought anonymously or without the production of any due diligence and identity verification requirements that would normally be found in the opening of a bank account, for example. However, anonymous 'cash loading' is extremely restricted by EU law that also applies in Gibraltar.

Additionally, this is an area which is often exploited for unauthorised activity purposes which increases the ML risk further.

**Threat Score** 4

**Vulnerability**

In criminal activity it is not uncommon for payments to be effected across borders. Payment for these transactions used to entail the physical transportation of cash from one to the other but can also be carried out using these cards, in lieu of cash. Once the card has been loaded the holder is able to integrate these funds into the financial system through the use of the credit cards to purchase goods and services in a manner which does not identify him as the purchaser. However, the severe restrictions on anonymous cash loading do make significant amounts of activity highly cumbersome. Where prepaid cards do require CDD the sophistication of service providers technology allows for rapid responses to requests for evidence from other jurisdictions. This ability to rapidly assist LEA's make the use of this type of product less attractive than cash.

The E-money industry is attractive given the use of anonymous cards and potential opacity in tracing the origin of the funds loaded. However, in Gibraltar, there are restrictions on anonymous 'cash loading' which make significant amounts of activity highly cumbersome.

The industry, however, has a sound awareness of the risks posed and in general, implements adequate measures and procedures to manage/mitigate the risks posed.

**Vuln. Score** 4

**8**

Total Risk Score

Risk Name

ML Risk Assessment

Threat Description

TF Risk Assessment

## What you need to do with the published NRA

### **Risk assessment.**

POCA 25A.(1) Subject to subsection (4), a relevant financial business must take appropriate steps to identify and assess the risks of money laundering and terrorist financing, taking into account risk factors including those relating to their customers, countries or geographic areas, products, services, transactions or delivery channels, **and any information that is made available to the relevant financial business pursuant to the National Coordinator for Anti-Money Laundering and Combatting Terrorist Financing Regulations 2016.**

## Section 25 of POCA

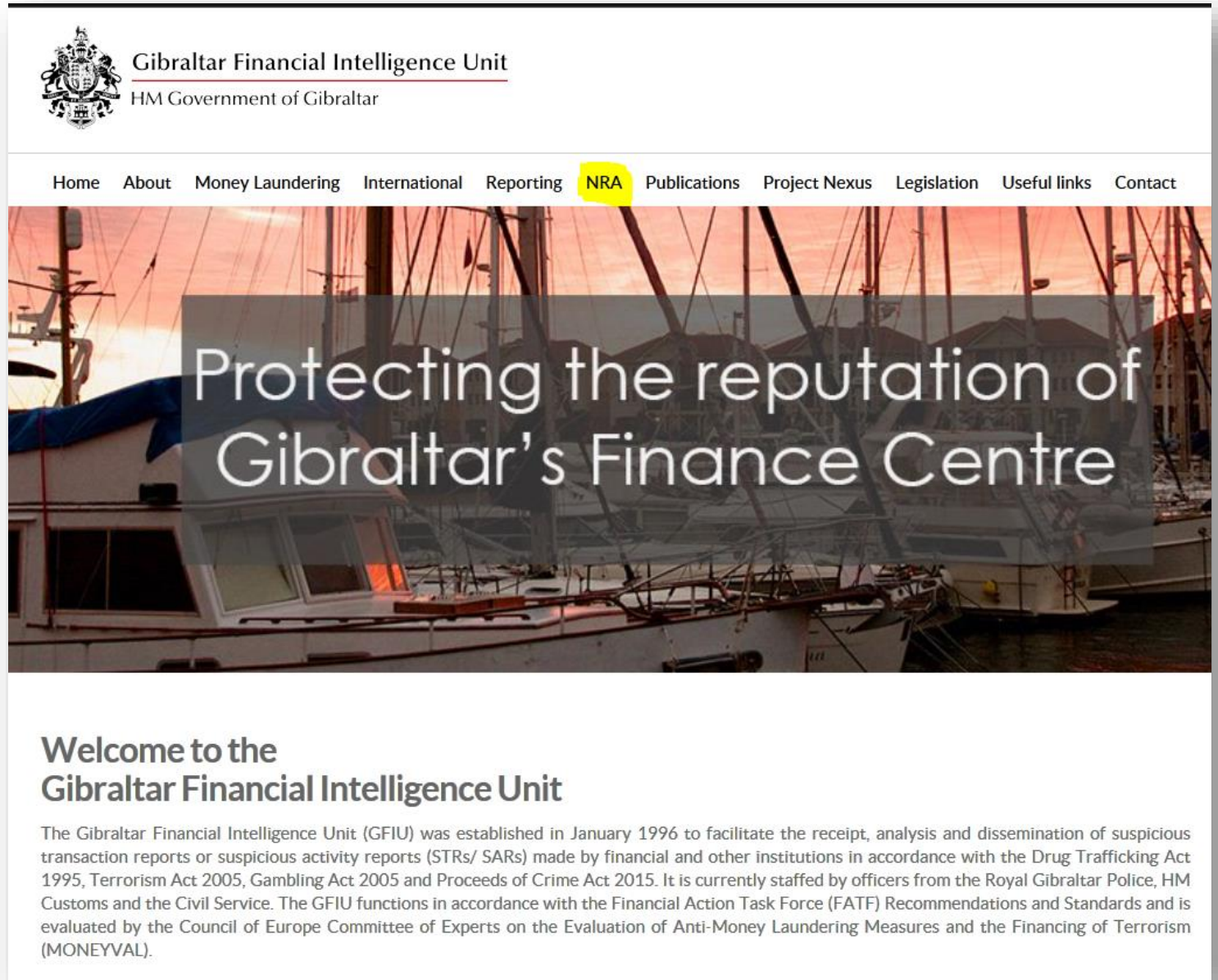
### **Policies and procedures.**

26.(1) A relevant financial business must establish and maintain appropriate and risk-sensitive policies, controls and procedures, proportionate to its nature and size, relating to–


...

(e) **risk assessment and management;**

<http://www.gfiu.gov.gi/>



The screenshot shows the homepage of the Gibraltar Financial Intelligence Unit. At the top left is the HM Government of Gibraltar logo. To its right, the text reads "Gibraltar Financial Intelligence Unit" and "HM Government of Gibraltar". Below this is a navigation menu with links: Home, About, Money Laundering, International, Reporting, NRA (highlighted in yellow), Publications, Project Nexus, Legislation, Useful links, and Contact. The main content area features a large image of sailboats in a harbor at sunset. Overlaid on this image is the text "Protecting the reputation of Gibraltar's Finance Centre". Below the image, the heading "Welcome to the Gibraltar Financial Intelligence Unit" is followed by a paragraph of text describing the unit's establishment in January 1996 and its functions in accordance with various acts and international standards.

 **Gibraltar Financial Intelligence Unit**  
HM Government of Gibraltar

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Protecting the reputation of  
Gibraltar's Finance Centre

## Welcome to the Gibraltar Financial Intelligence Unit

The Gibraltar Financial Intelligence Unit (GFIU) was established in January 1996 to facilitate the receipt, analysis and dissemination of suspicious transaction reports or suspicious activity reports (STRs/ SARs) made by financial and other institutions in accordance with the Drug Trafficking Act 1995, Terrorism Act 2005, Gambling Act 2005 and Proceeds of Crime Act 2015. It is currently staffed by officers from the Royal Gibraltar Police, HM Customs and the Civil Service. 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).



# HM Government of Gibraltar

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Questions