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News

Hansard Limited, Andrew Neil Parr, Alan Peter Northmore, Philip Clive Blows, David Samuel Lloyd, Lynn Giovinazzi

22nd December 2021

[General](#), [Public Statements](#), [Fiduciary](#), [Financial Crime](#)

The Financial Services Business (Enforcement Powers) (Bailiwick of Guernsey) Law, 2020 (“the Enforcement Powers Law”)

The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2020 (the “Fiduciaries Law”)

The Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007 (“the Regulations”)

The Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (“the Handbook”)

Hansard Limited, (the “Licensee” or the “Firm”)

Mr Andrew Neil Parr (“Mr Parr”)

Mr Alan Peter Northmore (“Mr Northmore”)

Mr Philip Clive Blows (“Mr Blows”)

Mr David Samuel Lloyd (“Mr Lloyd”)

Ms Lynn Giovinazzi (“Ms Giovinazzi”)

(together “the Directors”)

On 20 December 2021 the Guernsey Financial Services Commission (“the Commission”) decided:

- To impose a financial penalty of £140,000 under section 39 of the Enforcement Powers Law on the Licensee;
- To impose a financial penalty of £56,700 under section 39 of the Enforcement Powers Law on Mr Parr;
- To impose a financial penalty of £56,700 under section 39 of the Enforcement Powers Law on Mr Northmore;
- To impose a financial penalty of £56,700 under section 39 of the Enforcement Powers Law on Mr Blows;
- To impose a financial penalty of £44,100 under section 39 of the Enforcement Powers Law on Mr Lloyd;
- To impose a financial penalty of £44,100 under section 39 of the Enforcement Powers Law on Ms Giovinazzi; and
- To make this public statement under section 38 of the Enforcement Powers Law.

The Commission considered it reasonable and necessary to make these decisions having concluded that the Licensee and the Directors had failed to ensure compliance with the regulatory requirements, and the minimum criteria for licensing set out in Schedule 1 of the Fiduciaries Law¹.

The findings in this case were serious and spanned a significant period, including after 13 November 2017 when The Financial Services Commission (Bailiwick of Guernsey) (Amendment) Law, 2016 (“the FSC Amendment Law”) came into force, which increased the maximum level of financial penalties. These are the first financial penalties imposed under the FSC Amendment Law, as a result, no direct comparisons can be made to previous cases with similar findings.

BACKGROUND

The Licensee was established in Guernsey in August 1988 and undertakes fiduciary activities under a full fiduciary licence.

The Firm provides trust services, including formation and administration of trusts, advice on formation and administration of trusts and the provision of trustees. The Firm also provides company administration services, including company and/or corporate administration, company formation, provision of directors and secretaries, nominee services, registered office and registered agent services and administration of

formation, provision of directors and secretaries, nominee services, registered office and registered agent services and administration of pension schemes.

Mr Parr has been a director of the Licensee since March 2006 and Managing Director since January 2015.

Mr Northmore has been a director of the Licensee since January 2009.

Mr Blows has been a director of the Licensee since June 1992 and was the Managing Director until December 2014. Mr Blows is also the Licensee's largest ultimate beneficial owner having an interest in over 60% of the shares in the Licensee.

Mr Lloyd has been the Money Laundering Reporting Officer ("MLRO") for the Licensee since April 2010 and a director since March 2013.

Ms Giovinazzi was the Compliance Officer for the Licensee between October 2010 and May 2018 and a director between January 2014 and May 2018.

The Licensee's own business risk assessment noted that it had a high-risk appetite and that the Licensee provided services to clients in a wide range of jurisdictions, including jurisdictions which are regarded as posing a higher risk of money laundering, terrorist financing and/or bribery and corruption. The business risk assessment also noted that the clients of the Licensee are involved in a wide range of activities, some of which pose an enhanced risk of money laundering, terrorist financing and/or bribery and corruption.

The Commission's investigation into the Licensee commenced in 2019 following an on-site visit to the Licensee in May 2019. This was its first visit by the Commission since 2008. At the time of the on-site visit, the Licensee had rated 75% of its clients as high-risk.

FINDINGS

The Commission's investigation found that the Licensee had failed to monitor and manage the financial crime risks associated with its customers as required by the Regulations and the rules within the Handbook ("the Rules"). This was particularly concerning due to the Licensee's stated high-risk appetite and the large proportion of high-risk clients.

In particular, the Commission found:

The Licensee failed to properly conduct and document relationship risk assessments prior to the establishment of a business relationship

The Regulations and the Rules require that in order for a financial services business to consider the extent of its potential exposure to the risk of money laundering and terrorist financing it must assess the risk of any proposed business relationship prior to the establishment of that relationship and there must be clear, documented evidence as to the basis on which the assessment is made.

There was no evidence of initial risk assessments on some of the files examined by the Commission.

Example 1

Trust 1 was established in 2010 by Mr A, a high net worth individual from Country X, a high-risk country, with a joint licensee of the Firm as trustee. However, the first risk assessment for Trust 1 in the file provided to the Commission was dated over a year after the trust was settled.

During the course of the business relationship the Licensee identified that Mr A's father was a minister in the Government of Country X and that Mr A's father was reportedly corrupt and allegedly had links to Iran and the Iranian Revolutionary Guard.

Regulation 7 requires that customer due diligence and EDD be carried out before or during the course of establishing a business relationship.

Example 2

Prior to identifying Mr A as a PEP, notwithstanding that the relationship was rated as high risk due to the jurisdictional risk, the Licensee had limited information on file regarding Mr A's source of wealth. Following the identification of Mr A as a PEP, the Licensee wrote to Mr A's representatives asking for their understanding of Mr A's source of wealth. By requesting Mr A's representatives for their understanding of Mr A's source of wealth two years after the establishment of Trust 1 and a year after it had rated Mr A as high risk, it is apparent that reasonable measures to establish source of wealth before or during the establishment of the business relationship had not been undertaken.

Example 3

Company 2 was incorporated in April 2017 and owned by Mrs B and Ms C, nationals of Country Y, a high-risk country, and residing in the United Kingdom. Mrs B and Ms C are mother and daughter respectively. Company 2 was set up to own two London properties. The Licensee obtained information on Mrs B and Ms C's source of wealth, which was corroborated by documents provided. The Licensee was initially informed that the source of funds would be via finance being arranged by Mrs B and Ms C with further details to be provided.

Joint licensees of the Firm, as the corporate directors of Company 2, agreed in April 2017 to proceed with the purchase of the properties.

However, the Licensee had not yet fully established the source of funds for the purchase. On enquiry with the lawyers acting in relation to the purchase, after the purchase had been completed, the Licensee discovered that the funding actually was provided by Mr D, the husband and father of Mrs B and Ms C respectively, allegedly via a gift from him funded by the sale of a property in Country Y. The Licensee also identified internet articles linking Mr D to alleged fraud and corruption.

There were a large number of red flags in the information received by the Licensee in relation to Mr D's source of funds that it failed to fully address, including:

- The possibility that Mr D did not own the property in Country Y that was said to be his source of funds. The sale agreement provided to the Licensee showed that Mr D was acting under a power of attorney for another national from Country Y in selling the property;
- The funding provided to the lawyers acting for the purchase came from a number of different sources, not just direct from Mr D;
- One source of funding was via a series of small payments to an alleged broker, which the Commission discovered had only existed for 18

A by the lawyers acting in the sale rather than to Trust 1.

This significant distribution and the sale of an underlying asset of Trust 1 is not mentioned in the monitoring and oversight meetings for the periods including October 2015 or December 2016.

Example 5

Limited Partnership 3 was ultimately owned by Mr E and his wife who are nationals of Country X. The Licensee had identified potentially adverse media regarding Mr E.

In February 2019, the General Partner agreed to Limited Partnership 3 redeeming its sole asset early. There was no explanation in the minutes explaining the rationale for redeeming early.

The monitoring and oversight meeting held in June 2019 covering the period from November 2018 summarised the activity of Limited Partnership 3 as investing in the asset that had been sold in February 2019. There is no mention of the early redemption of Limited Partnership 3's sole asset.

Ms Giovinazzi had no involvement in this set of events following her retirement in May 2018.

The Licensee failed to adequately document the decision to exit a client

For example, Mr Parr:

- Failed to identify Mr A as a PEP when signing off the risk assessment for Trust 1;
- Failed to ensure the decision to exit the relationship with Mr A was adequately documented;

