Press Release - 1 March 2004

ABACHA INVESTIGATION

The Jersey Financial Services Commission today announced the conclusion of its investigations into the involvement of financial institutions in the Island with the former President of Nigeria, General Sani Abacha and other Nigerian residents in positions of power.

Further to the Commission’s press releases of 20 December 2000 and 8 March 2001, the Commission has concluded that none of the assets located in Jersey were held in the name of General Abacha but nine of the Island’s financial institutions did hold assets belonging to others in privileged positions in Nigeria including senior politicians who fall within the description of a politically exposed person (“PEP”).

The Commission has, during its enquiries, exercised regulatory powers under the Banking Business (Jersey) Law 1991 and the Collective Investment Funds (Jersey) Law 1988 to investigate these matters further and to determine what action could be taken to strengthen controls at the financial institutions concerned. Reports prepared by leading firms of accountants appointed under the Banking and Funds Laws on nine of the Island’s financial institutions that accepted funds from General Abacha’s associates and other PEPs in Nigeria have been completed. These reports have been used with other available information to assess whether there had been shortfalls in the required standards on “know your customer” (“KYC”) and the quality of anti-money laundering controls generally at the time that Nigerian PEP business was accepted and subsequently. This assessment was based upon all accounts that were identified by the accountants as having Nigerian PEP connections. Almost all of the assets held in Jersey for the Nigerian PEPs have now been repatriated directly or indirectly as a result of fraud investigations carried out by the Attorney General.

The reports have shown three institutions had complied with their obligations and their controls were adequate. In the case of the other six institutions, various shortcomings in controls were identified, including instances where the systems of controls in place were not consistently enforced or were overridden. In such cases, the reports identified improvements that should be made. The Institutions have since implemented these improvements and these are in the process of being verified by the Commission. Provided that these improvements are sustained, which is being monitored through additional compliance visits and liaison with other regulatory bodies and information from the local Joint Financial Crime Unit, the Commission does not contemplate further regulatory action against the institutions concerned.

The main lesson from this investigation is the need for financial institutions to have a proper concern for PEPs and reputational risk generally in line with the Basel Committee’s Customer Due Diligence paper and revised FATF recommendations, and in particular to keep KYC information up to date and to monitor transactions against those expected for the client and against the sensitive activities policy published by the Commission.

The Commission has worked closely with other regulatory bodies, including the Financial Services Authority in the UK and the Swiss Federal Banking Commission, in conducting and sharing the results of its investigations. It has also been in close liaison with the Jersey Attorney General and the Joint Financial Crime Unit.

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Notes to editors.

In September 2001 the Jersey Financial Services Commission published Issue 3 of the Anti-Money Laundering Guidance Update on Politically Exposed Persons. This contained a definition of such persons.