



Jersey Financial
Services Commission

Legal sector

Money laundering and terrorist
financing risk data analysis

December 2024

www.jerseyfsc.org

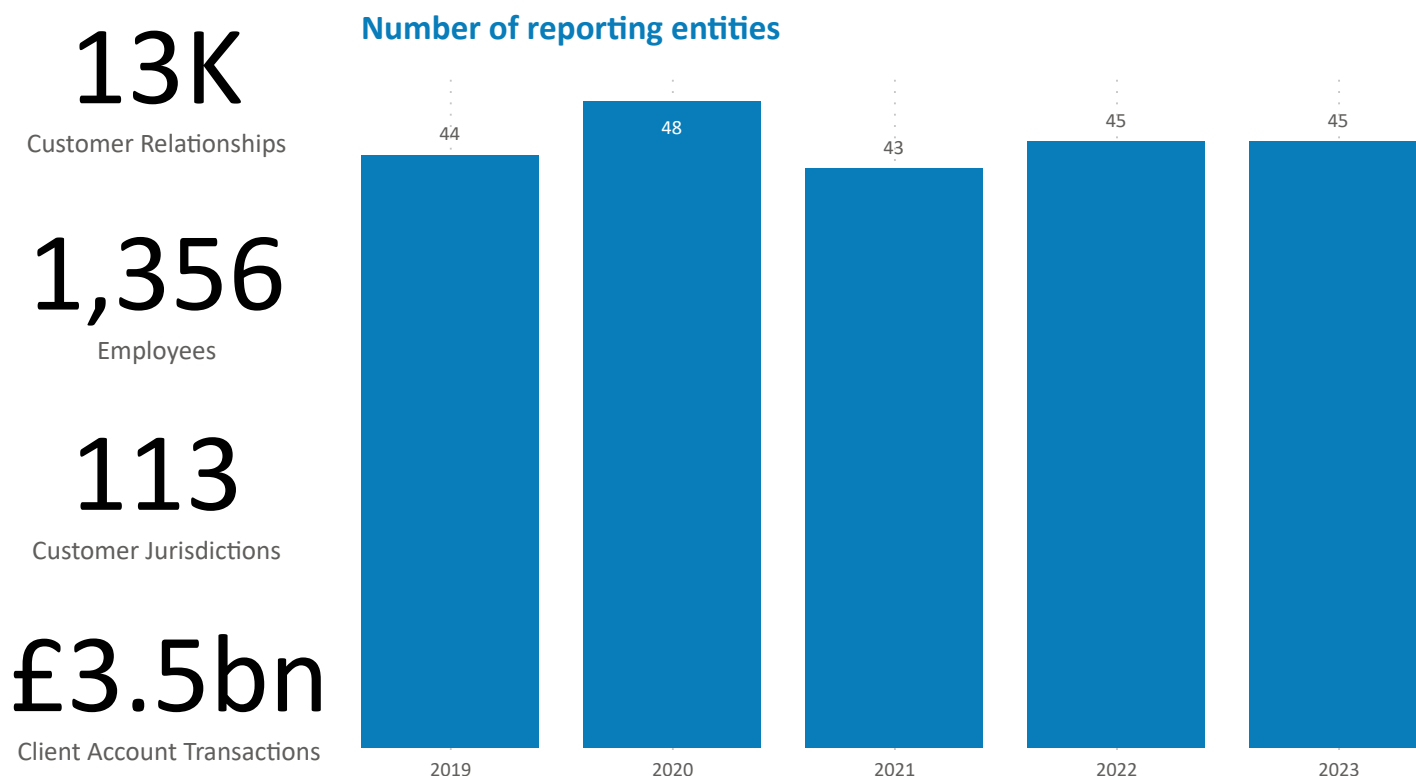
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This report forms part of a series which is being published to improve the understanding of money laundering across different sectors and activities. Key risk indicators are included for each sector to provide useful benchmarking for supervised persons looking to assess their own money laundering and terrorist financing risks.

These reports are not risk assessments. Each report contains some explanation to support the aggregated data which is presented through a combination of graphs and tables. Whilst some data quality and integrity checks are performed on receipt of the data, we rely on the accuracy and completeness of data provided by industry.

Sector overview



The JFSC is the AML/CFT/CPF regulator for lawyers, notaries and other independent legal professionals carrying on certain activities as a business in or from within Jersey (law firms) - Paragraph 21 of Schedule 2 to the Proceeds of Crime (Jersey) Law 1999. The focus of activity is on the provision of legal or notarial services to third parties when participating in financial, or immovable property, transactions. As a result there remain Jersey-based lawyers that are not within the regulatory scope although all local lawyers practicing as Advocates and Solicitors of the Royal Court of Jersey are regulated for conduct purposes by the Law Society of Jersey.

The size of the law firms, and the nature of activity they undertake, is very varied. Some law firms are involved in large multi-national transactions, where they often play a discrete role, and others have a customer base which is predominately domestic.

Data analysed in this report is based on annual supervisory risk data submissions from law firms for the period 2019 to 2023. Whilst some data quality and integrity checks are performed on receipt of data, the JFSC is reliant on law firms for the accuracy and completeness of data provided. The data collected includes a range of factors which can inform our view of risk at a national, sectoral and entity level. This includes the residence of the law firms' customers, exposure to higher risk customers and politically exposed persons (PEPs).

In aggregated form the reference to customers must be understood as customer relationships, the data does not identify the number of unique customers that utilise the services of the law firms. Given the nature of legal services (many customers engage with the law firms on a one-off transactional basis rather than building a business relationship) year on year trends can be less stable and in some cases less informative.

Customer residency

4.1 Top 10 jurisdictions - residence of customers or beneficial owners (2023)

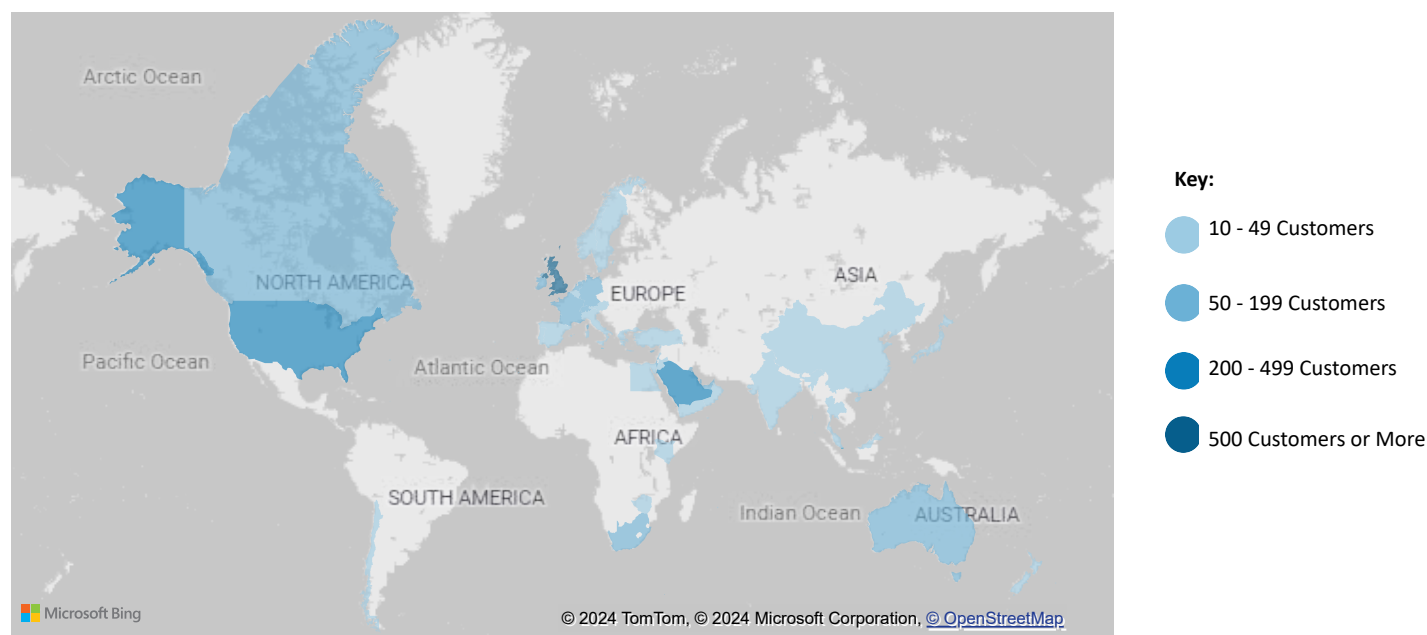
Jurisdiction	Total Customers or Beneficial Owners	%
Jersey	6,540	50.4%
United Kingdom	2,887	22.2%
United States of America	430	3.3%
Saudi Arabia	248	1.9%
United Arab Emirates	197	1.5%
Switzerland	195	1.5%
Ireland	187	1.4%
South Africa	173	1.3%
Kuwait	162	1.2%
Guernsey	132	1.0%

Key

Jurisdictions Listed in Appendix D2

Other Jurisdictions

4.2 Residence of customers or beneficial owners (2023)



Country data is collected in respect of the residency of the law firm's customers and the beneficial owners of customers which are not an individual. The data demonstrates the international nature of the sector with customer relationships in 2023 reported as being from 113 different jurisdictions; and 50% of the customer relationships being with persons resident outside Jersey, of which 22% are reported as UK resident.

The top 10 customer jurisdictions are consistent with the reported locations of customers and beneficial owners of other financial services sectors. In particular, the top 10 jurisdictions in the legal sector are very consistent with the data collected in relation to funds with 8 of the top 10 jurisdictions in the legal sector appearing in the equivalent lists for the investors in Public or Jersey Private Funds.



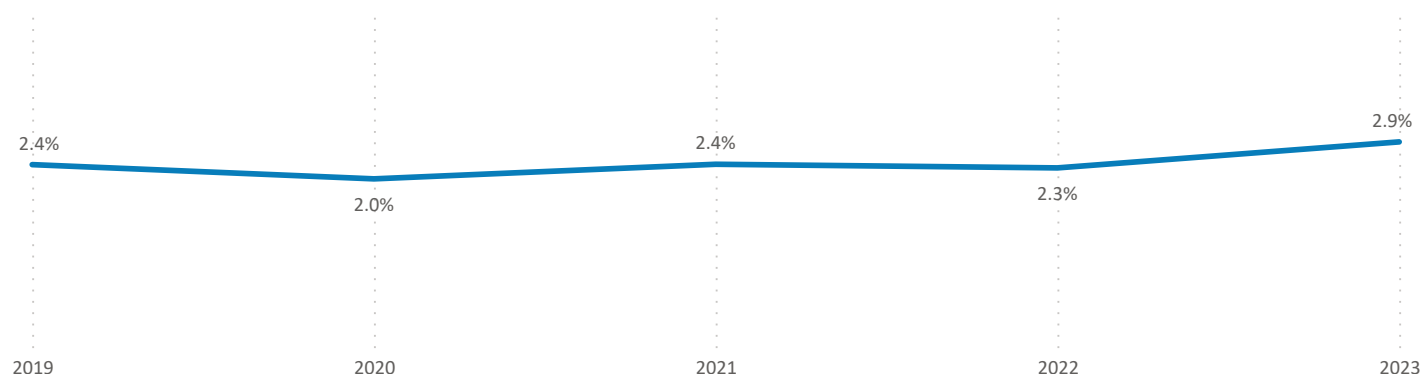
Higher risk jurisdictions

Jurisdictions on the FATF black/grey list or 3 or more sources in appendix D2

5.1. Individual customers or beneficial owners who are resident in higher risk jurisdictions

Year	2019		2020		2021		2022		2023	
Jurisdiction	Customers	% of Total	Customers	% of Total	Customers	% of Total	Customers	% of Total	Customers	% of Total
South Africa	151	1.0%	64	0.5%	121	0.8%	166	1.0%	173	1.3%
Monaco	43	0.3%	48	0.3%	86	0.6%	61	0.4%	50	0.4%
Lebanon	19	0.1%	32	0.2%	47	0.3%	46	0.3%	48	0.4%
Kenya	37	0.2%	23	0.2%	29	0.2%	27	0.2%	32	0.2%
Zimbabwe	14	0.1%	10	0.1%	7	0.0%	6	0.0%	16	0.1%

5.2. Percentage of all individual customers or beneficial owners who are resident in higher risk jurisdictions



[Appendix D2 – Countries and territories identified as presenting higher risks — Jersey Financial Services Commission \(jerseyfsc.org\) \(Live Link\)](#)

Appendix D2 of the AML/CFT/CPF Handbook provides details of countries, territories and areas that have been identified by reliable and independent sources as presenting a higher risk of money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction. The analysis above is based on the jurisdictions listed in Appendix D2 at July 2024. For the purpose of this analysis, higher risk jurisdictions have been defined as those listed on the FATF black or grey list (Source 1 and Source 2 of Appendix D2) or Jurisdictions listed in 3 or more of the remaining Appendix D2 sources. Of the 70 jurisdictions which meet this criteria, there were no connections to 49 jurisdictions and minimal connections (less than 0.05% of all customers) to another 12 jurisdictions. In 2023, the number of reported customer relationships from these jurisdictions is low at 2.9% of which almost half relate to South Africa (1.3%) and another 0.4% to Monaco.

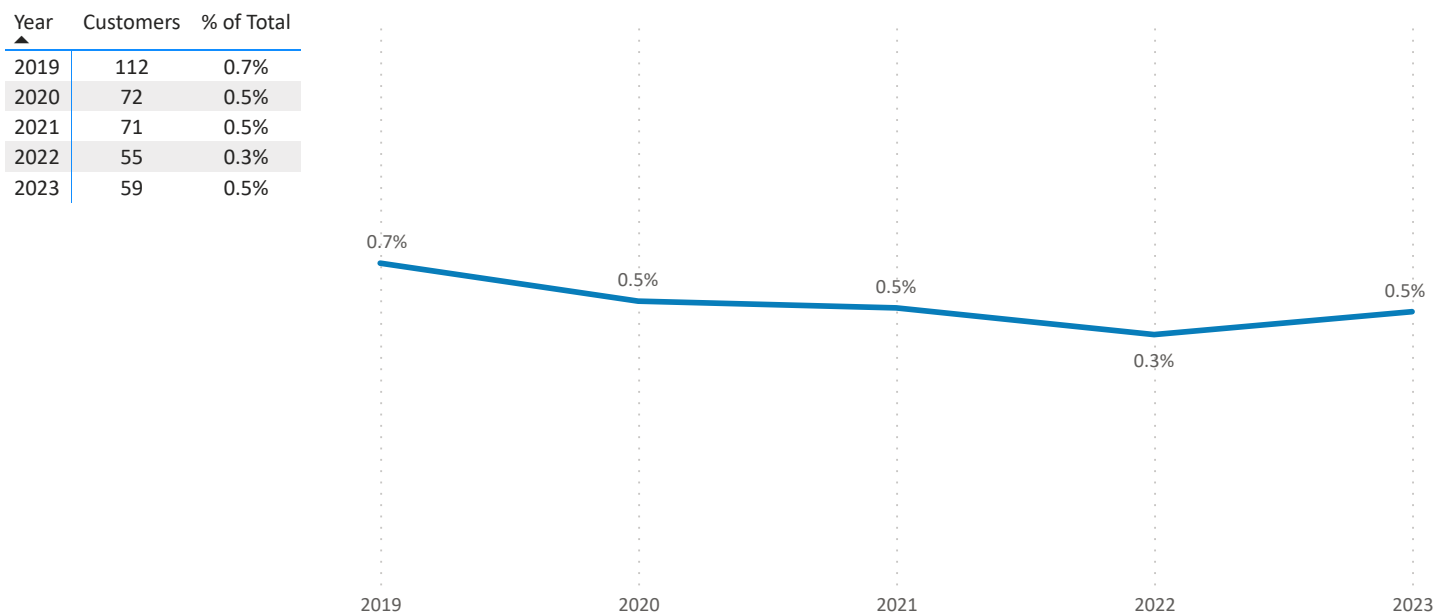
It is important to note that both South Africa and Monaco are included in the higher risk jurisdiction list solely as they currently appear on the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring ("Grey List"). South Africa was added in February 2023 and Monaco June 2024. The proportion of customers from higher risk jurisdictions has been broadly stable between 2019 and 2023 with between 2.0% and 2.9% of clients from higher risk jurisdictions each year.



Higher risk jurisdictions

Jurisdictions that may present a higher risk of facilitating terrorist financing

6.1 Higher risk jurisdictions - Government of Jersey, higher risk jurisdictions for terrorist financing



[Guidance on countries with higher risk of facilitating terrorist financing \(gov.je\)](#) (Live Link)

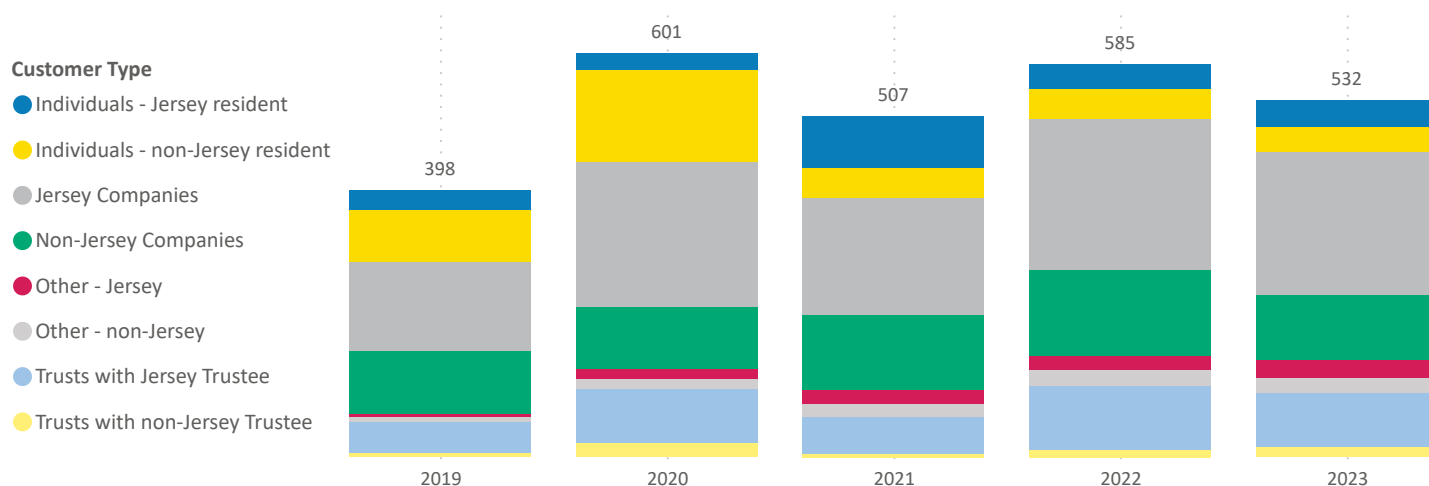
As part of the Government of Jersey's programme of combatting financial crime, guidance has been produced on specific countries that may present a higher risk of facilitating terrorist financing (TF).

The analysis above is based on the jurisdictions listed as at July 2024. In 2023, 0.5% of legal sector clients were from these jurisdictions - a position which has remained relatively stable since 2020 albeit the mix of jurisdictions changes slightly year on year. Of the 14 jurisdictions listed as higher risk for terrorist financing, there are no reported residential connections to 9 jurisdictions and minimal connections to 2 jurisdictions (less than 0.05% of all customers).

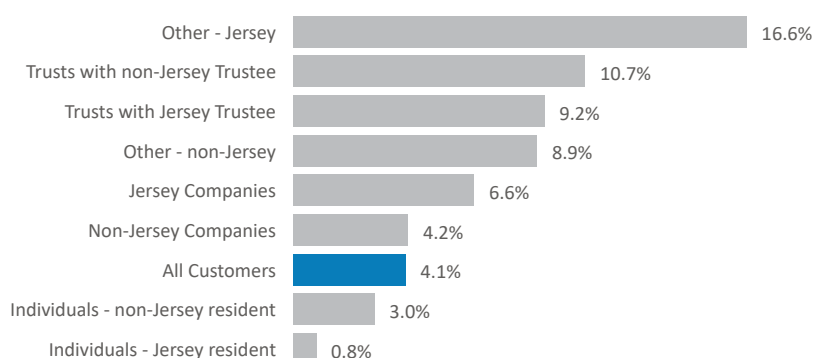
Of the remaining jurisdictions presenting a higher risk of facilitating terrorist financing, customers from Kenya and Nigeria have the greatest number of connections to Law firms in Jersey.

Politically exposed persons

7.1. PEP connections by customer type



7.2. Percentage of customers who are, or are connected to, a PEP (2023)



7.3. Non-Jersey PEP connections, by region (2023)

Region	PEP Connections
Middle East	52.9%
UK and Crown Dependencies	15.7%
Asia & Pacific	12.8%
Europe	8.6%
North America	4.4%
Africa	3.4%
South/Latin America	2.3%

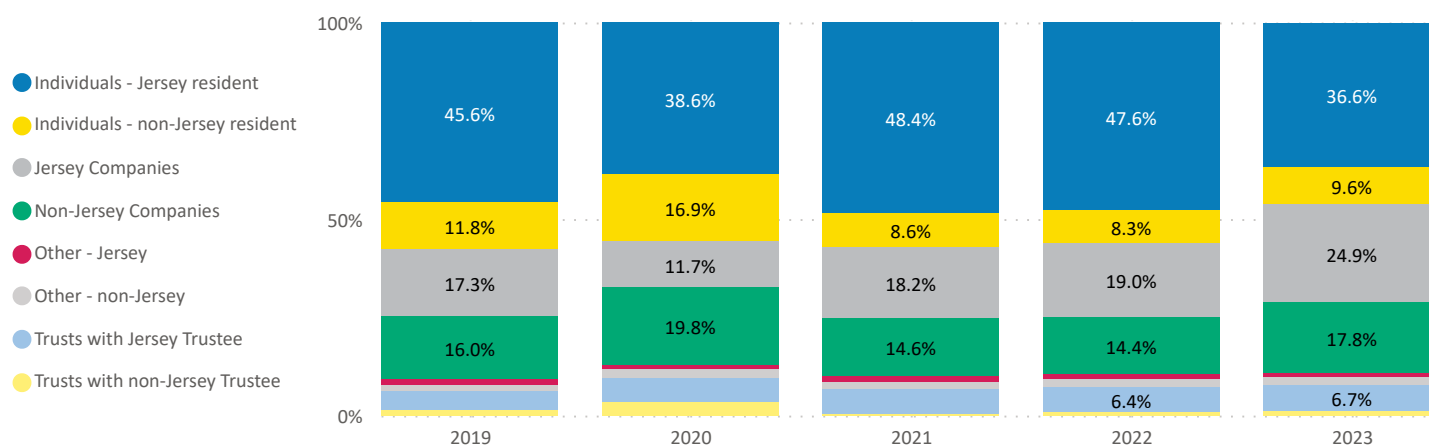
The short term nature of some customer relationships leads to volatility in the number of total PEP connections. Based on data from 2023, 4.1% of the law firm's customer relationships include a PEP connection. This is highest for other Jersey vehicles such as limited partnerships (16.6%) followed by trusts with a non-Jersey trustee (10.7%) and trusts with a Jersey trustee (9.2%).

In September 2023, the Jersey Money Laundering Order 2008 (MLO) was updated to allow for the declassification of PEPs but prior to this any individual which had been classified as a PEP would always remain a PEP. As such, it is likely that the total reported PEP connections could over-estimate the current exposure to PEPs within the sector. Given the complexities involved in de-classifying a PEP it is likely to take some time before this has a material impact on the reported data. The data collected also demonstrates that of all the PEP connections in the legal sector, only 12% involved business relationships or one off transactions where property of the PEP was handled.

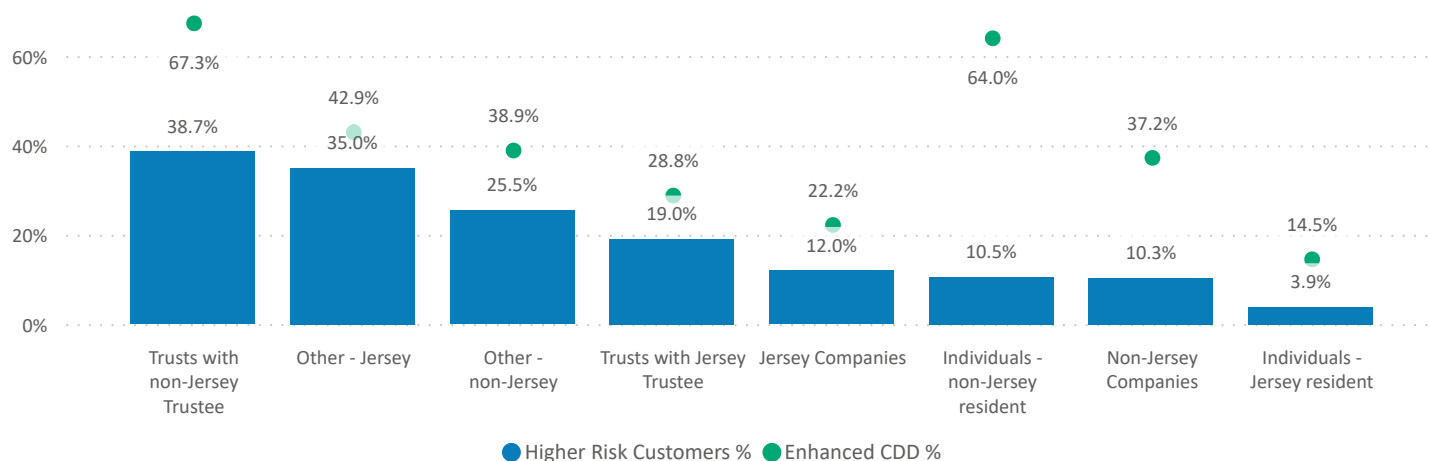
Of the PEP connections in the Legal sector, a high proportion are connected with Middle Eastern jurisdictions (52.9%). Source 7 of Appendix D2 utilises the Transparency International Corruption Perception Index and provides a list of jurisdictions which may present a higher risk of corruption. Consideration of PEP data against this source highlighted only minimal connections to PEPs from these jurisdictions.

Customer risk

8.1. Customer type trends



8.2. Percentage of customers rated as higher risk and percentage of customers to which enhanced CDD was applied (2023)



Data collected from law firms includes the risk ratings they apply to each customer and the number of customers for which enhanced CDD was applied.

In 2023, 9.9% of a law firm's customers are rated as higher risk. Risk ratings are highest for Trusts with a non-Jersey trustee (38.7%) followed by Other – Jersey (35.0%). Individuals - Jersey resident are considered to be lowest risk with less than 4% of these customer relationships rated as higher risk. When considering the make-up of the law firm's customer base item 8.1 highlights the impact of the one-off transactional nature of the law firm's activity. In 2023, this demonstrated a reduction in the proportion of customers who are individual Jersey residents with an increase in Jersey Companies and non-Jersey companies.

Enhanced CDD was applied to 28% of all law firms customers in 2023, which is considerably above than the 9.9% rated as higher risk. When considered by customer type, the data demonstrates a strong correlation between the risk ratings and the application of enhanced CDD. The exception being individual - non-Jersey resident and non-Jersey companies where enhanced CDD is applied more frequently, in part because a greater proportion of non-Jersey customers are not met face to face.

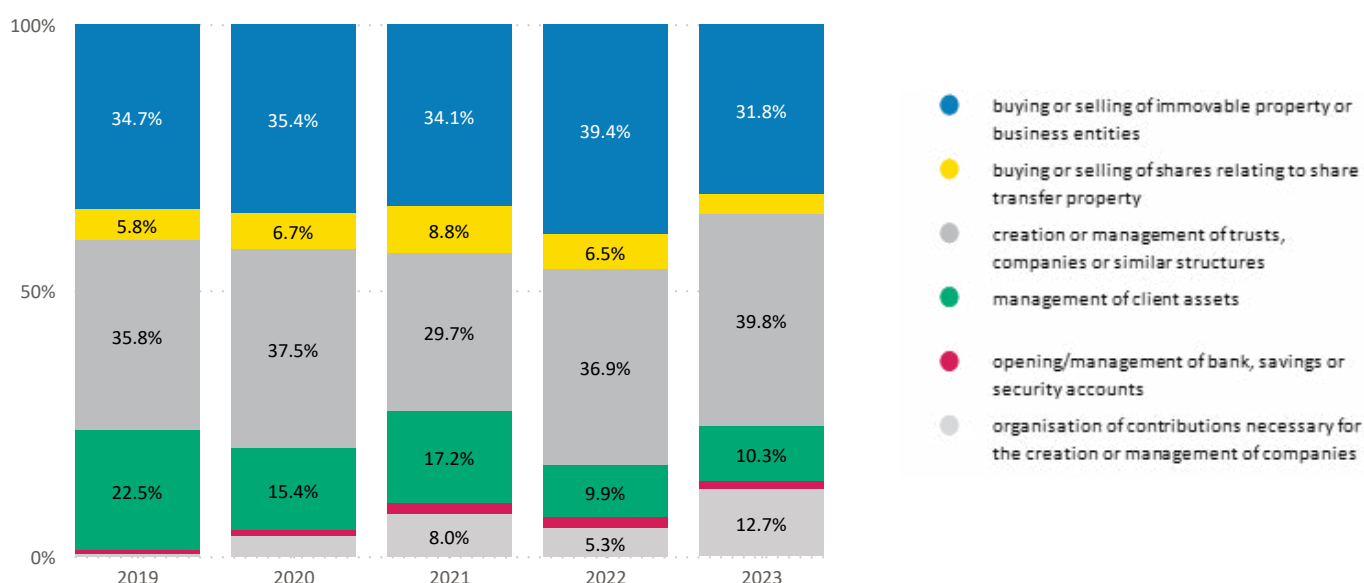


Services provided

9.1. Matters opened (2023)

	Total Customers or Beneficial Owners
Matters Relating to the creation or management of trusts, companies or similar structures	4,966
Matters Relating to the buying or selling of immovable property or business entities	3,970
Matters Relating to the organization of contributions necessary for the creation or management of companies	1,589
Matters Relating to management of client assets	1,288
Matters Relating to the buying or selling of shares relating to share transfer property	470
Matters Relating to opening/management of bank, savings or securities accounts	185

9.2. Matters opened 2019 - 2023



The JFSC collects data relating to the regulated activities undertaken by the law firms, as some activities can span more than one year the data reported refers to the “matters” (transaction) started in any given year. Unlike in some other jurisdictions the law firms are not allowed to provide trust and company services unless they are also registered for trust company business.

During the period, the two most commonly reported activities relate to legal or notarial services to third parties regarding the (i) creation, operation or management of trusts, companies or similar structures, and (ii) buying and selling of immovable property or business entities. The 2023 data shows a reduction in the number of matters relating to the buying and selling of immovable property/business entities which is consistent with housing data published by Statistics Jersey which demonstrates a significant reduction in Jersey property sales in 2023.

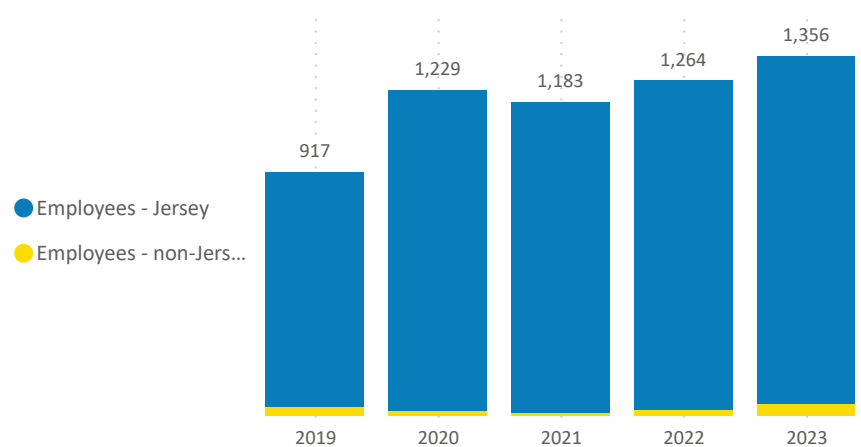


Legal sector employees

10.1. Employee trend

Year	Employees - Jersey	Employees - non-Jersey
2019	884	33
2020	1,209	20
2021	1,171	12
2022	1,242	22
2023	1,311	45

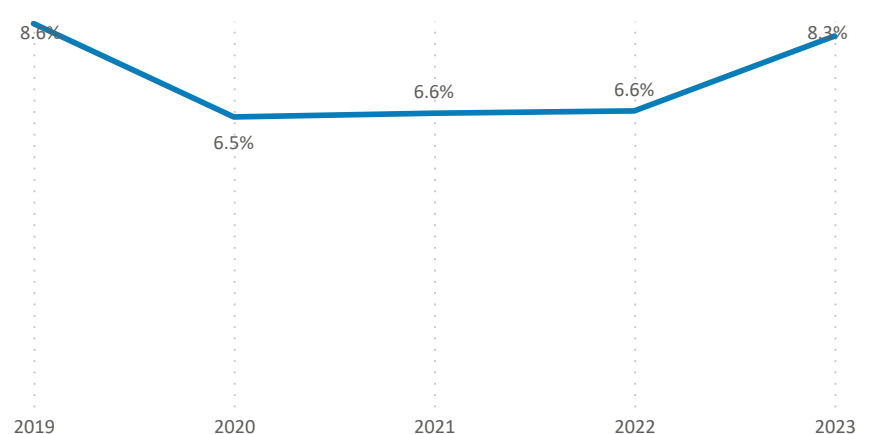
10.2. Jersey and non-Jersey employees



10.3. Compliance and risk employee trends

Year	Compliance and Risk Employees, Jersey	Compliance and Risk Employees, Non-Jersey	Compliance and Risk Vacancies
2019	67	12	0
2020	69	11	5
2021	66	12	4
2022	76	8	10
2023	96	17	9

10.4. Compliance and risk employees as a % of all employees

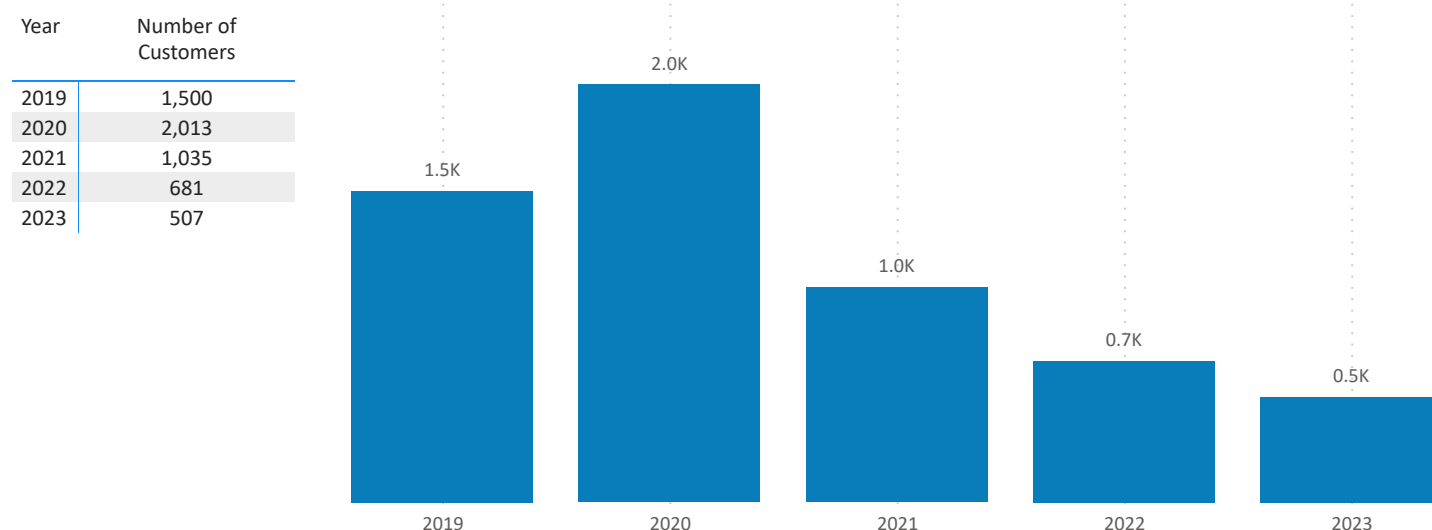


Data collected from the law firms demonstrates that at the end of 2023 there were over 1,300 employees working in the sector. The proportion of employees working predominately outside of Jersey remains very low throughout the period analysed with 3% of employees based outside of Jersey in 2023.

In 2023, 8.3% of employees are reported as working in a compliance or risk role – an increase from 6.5% on 2020. Compliance and Risk vacancies peaked in 2022 with 11% of all roles vacant at that point, however, the 2023 reporting showed that the vacancy level had dropped to 7% of all roles. This reduction in compliance and risk vacancies appears to be in part due to an increase in the number of employees based outside of Jersey.

Reliance on obliged persons (article 16 of the MLO) and MLO exemptions (article 17 and article 18)

11.1. Number of customers where reliance has been placed on obliged persons



11.2. Number of customers where article 17 or article 18 has been applied

	2019	2020	2021	2022	2023
Article 17	454	138	96	101	141
Article 18	3,065	4,160	3,042	2,953	2,618

The 2020 data highlights a spike in the use of both Articles 16 and 18 which may be attributable to this being the primary year impacted by the Covid-19 pandemic when it was widely reported that law firms, as well as others, initially struggled to complete CDD checks.

Reliance (Article 16 of the MLO): Use of reliance by the law firms is not widespread and decreased significantly across the period 2020 – 2023, particularly 2021 to 2022. The decrease continued in 2023 to a position where reliance is reported as being used for 3.9% of the reported customer relationships.

Exemption from applying 3rd party identification requirements (Article 17B-D of the MLO): Whilst the general trend is that use of the exemptions is falling and is used in limited circumstances (1% of reported customer relationships in 2023) the one-off nature of the transactions means the data is slightly volatile.

Specific CDD exemptions regarding identification measures (Article 18 of the MLO): there are five specific circumstances where the exemption can be utilised, of which the most widely used are where the relationship is with either a person that is regulated by the JFSC or carries on equivalent business in another jurisdiction or public authority or the company is listed on an IOSCO-compliant market or regulated market.

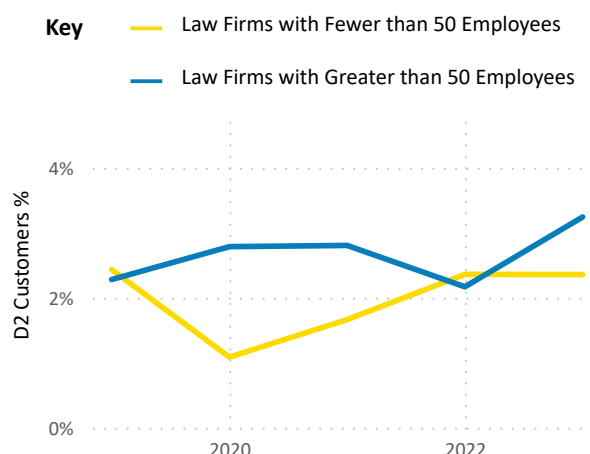


Key risk indicators

The data summarised below demonstrates key risk indicators which can inform our view of risk across the Legal sector. This includes inherent risk factors such as customers from higher risk jurisdictions and PEP connections as well as the application of enhanced CDD, and reliance on obliged persons. For the Legal sector, this analysis has been split between larger firms with 50 or more employees and smaller firms with fewer than 50 employees. Details of how these key risk indicators have been calculated are included in the glossary section to allow entities to benchmark their own data against sector averages.

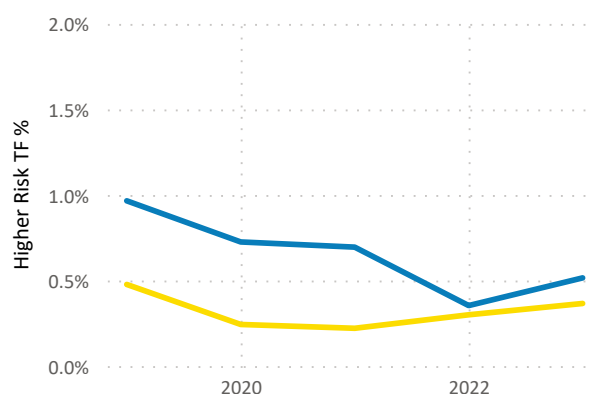
12.1 All law firms

Year	Customers from Higher Risk Jurisdictions (D2)	Customers from Higher Risk Jurisdictions (GoJ TF)	Higher Risk Customers %
2019	2.4%	0.7%	6.0%
2020	2.0%	0.5%	4.9%
2021	2.4%	0.5%	9.5%
2022	2.3%	0.3%	7.5%
2023	2.9%	0.5%	9.9%



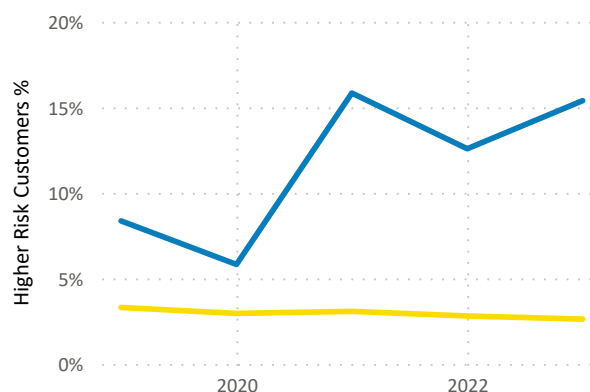
12.2 Law firms with 50 or more employees

Year	Customers from Higher Risk Jurisdictions (D2)	Customers from Higher Risk Jurisdictions (GoJ TF)	Higher Risk Customers %
2019	2.3%	1.0%	8.4%
2020	2.8%	0.7%	5.8%
2021	2.8%	0.7%	15.8%
2022	2.2%	0.4%	12.6%
2023	3.2%	0.5%	15.4%



12.3 Law firms with fewer than 50 employees

Year	Customers from Higher Risk Jurisdictions (D2)	Customers from Higher Risk Jurisdictions (GoJ TF)	Higher Risk Customers %
2019	2.4%	0.5%	3.3%
2021	1.7%	0.2%	3.1%
2020	1.1%	0.2%	3.0%
2022	2.4%	0.3%	2.8%
2023	2.4%	0.4%	2.6%

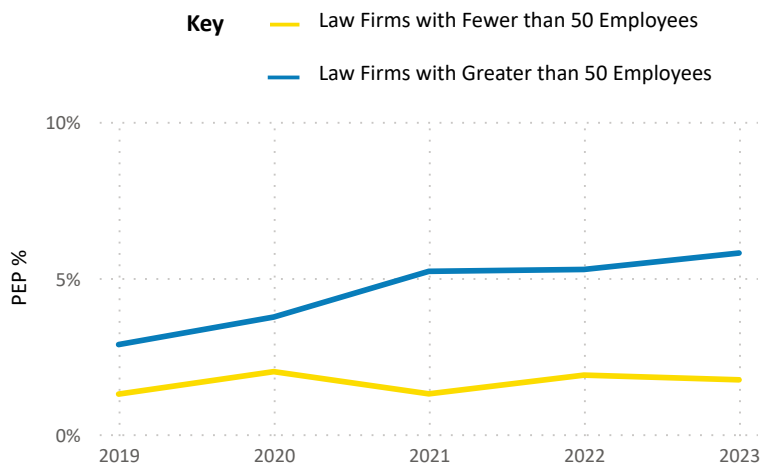




Key risk indicators

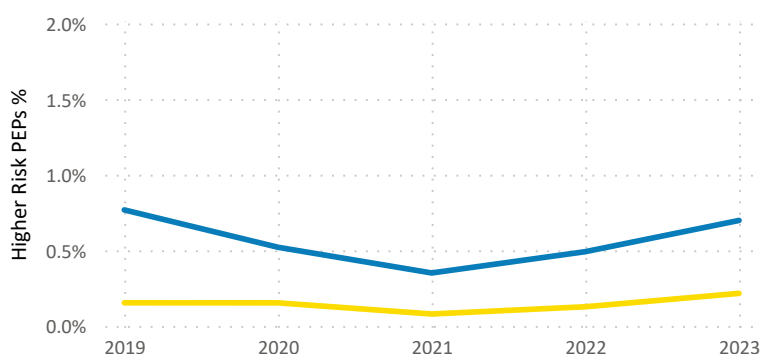
12.1 All law firms

Year	PEP %	Higher Risk PEPs %	Enhanced CDD %	Reliance %
2019	2.1%	0.5%	19%	8.1%
2020	3.2%	0.4%	19%	10.7%
2021	3.4%	0.2%	18%	6.9%
2022	3.5%	0.3%	19%	4.1%
2023	4.1%	0.5%	28%	3.9%



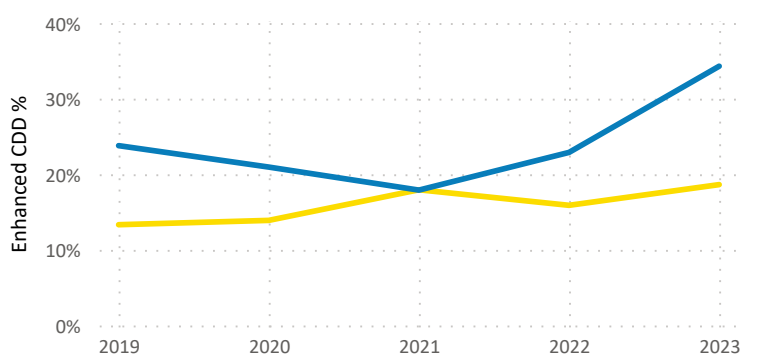
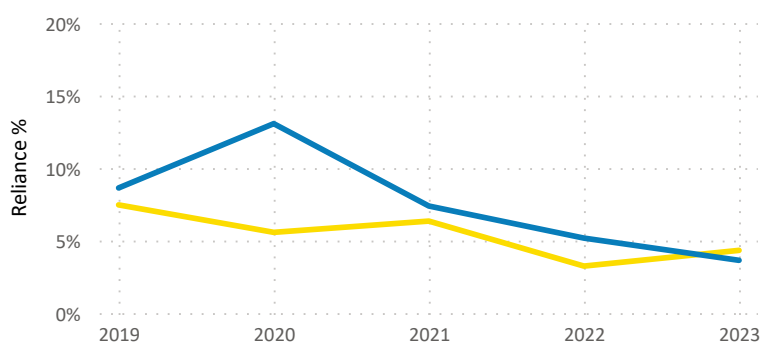
12.2 Law firms with 50 or more employees

Year	PEP %	Higher Risk PEPs %	Enhanced CDD %	Reliance %
2019	2.9%	0.8%	24%	8.6%
2020	3.8%	0.5%	21%	13.1%
2021	5.2%	0.4%	18%	7.4%
2022	5.3%	0.5%	23%	5.2%
2023	5.8%	0.7%	34%	3.6%



12.3 Law firms with fewer than 50 employees

Year	PEP %	Higher Risk PEPs %	Enhanced CDD %	Reliance %
2019	1.3%	0.2%	13%	7.5%
2020	2.0%	0.2%	14%	5.6%
2021	1.3%	0.1%	18%	6.3%
2022	1.9%	0.1%	16%	3.2%
2023	1.7%	0.2%	19%	4.3%



Appendix 1 - References

Supervisory risk data guidance

Section I (Footprint) Data

[Guidance to Section I of risk based supervision data 2023 — Jersey Financial Services Commission \(jerseyfsc.org\)](#)

Section II (Legal Sector) Data

[Guide to Section II of risk based supervision data: Lawyers 2023 — Jersey Financial Services Commission \(jerseyfsc.org\)](#)

Appendix D2

[Appendix D2 – Countries and territories identified as presenting higher risks — Jersey Financial Services Commission \(jerseyfsc.org\)](#)

Government of Jersey higher risk jurisdictions for terrorist financing

[Guidance on countries with higher risk of facilitating terrorist financing \(gov.je\)](#)

PEP data

The PEP data in this report is based on a combination of responses from the footprint data collection (section I) and the legal sector data (section II). Section I data captures the number of unique PEP connections reported by the jurisdiction that resulted in the persons PEP status i.e. not their country of residence. Section II data provides the number, and type, of customer relationships that involve one or more PEP. Whilst these values may differ, both data points are significant for assessing the level of PEP connections across the sector and the risks associated with these relationships.

Appendix 2 - Glossary

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Reference	Source	Calculation
4.1, 4.2	Legal Sector Data	Sum of question AC1, by jurisdiction. Top 10 jurisdictions by total volume.
5.1, 5.2	Legal Sector Data	Sum of question AC1, for jurisdictions listed on the FATF grey-list or on three or more sources in Appendix D2. Values are displayed as a % of the total across all jurisdictions.
6.1	Legal Sector Data	Sum of question AC1, for jurisdictions listed in GoJ list. Values are displayed as a % of the total across all jurisdictions.
7.1	Legal Sector Data	Sum of questions AB4(i) - AB4(viii)
7.2	Legal Sector Data	AB4(i) - AB4(viii) as a % of AB1(i) - AB1(viii)
7.3	Section I (Footprint) Data	Sum of questions A23(a) and A23(b), jurisdictions grouped by region.
8.1	Legal Sector Data	Number of customers - sum of AB1(i) - AB1(viii)
8.2	Legal Sector Data	Enhanced CDD % - AB2(i) - AB2(viii) as a % of AB1(i) - AB1(viii)
8.2	Legal Sector Data	Higher risk % - AB3(i) - AB3(viii) as a % of AB1(i) - AB1(viii)
9.1, 9.2	Legal Sector Data	Matters Opened - sum of AB14(a)(i) - AB14(f)(viii)

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Reference	Source	Calculation
10.1, 10.2	Section I (Footprint) Data	Employees - Jersey - Footprint Data, A18(i).
10.1, 10.2	Section I (Footprint) Data	Employees - non-Jersey - Footprint Data, A18(ii).
10.3	Section I (Footprint) Data	Compliance Employees - Jersey - A19(i).
10.3	Section I (Footprint) Data	Compliance Employees - non-Jersey - A19(ii).
10.3	Section I (Footprint) Data	Compliance Vacancies - A20.
10.4	Section I (Footprint) Data	Compliance Employees as a % of all employees - (A19(i) + A19(ii)) as a % of (A18(i) + A18(ii))
11.1	Legal Sector Data	Customers where reliance has been placed on obliged persons - AD3.
11.2	Legal Sector Data	Article 17 - AD9(a) - AD9(g).
11.2	Legal Sector Data	Article 18 - AD10(b) - AD10(f)



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Reference	Source ▲	Calculation
Customers from higher risk Jurisdictions (D2)	Legal Sector Data	Sum of AC1, for jurisdictions listed on the FATF grey-list or on three or more sources in Appendix D2, as a % of all jurisdictions.
Customers from higher risk Jurisdictions (GoJ TF)	Legal Sector Data	Sum of AC1, for jurisdictions listed as higher risk for terrorist financing on the GoJ list, as a % all jurisdictions.
Enhanced CDD %	Legal Sector Data	AB2(i) - AB2(viii) as a % of AB1(i) - AB1(viii)
Higher Risk Customer %	Legal Sector Data	AB3(i) - AB3(viii) as a % of AB1(i) - AB1(viii)
PEP %	Legal Sector Data	AB4(i) - AB4(viii) as a % of AB1(i) - AB1(viii)
Reliance %	Legal Sector Data	AD3 as a % of AB1(i) - AB1(viii)
Higher Risk PEP %	Section I (Footprint) Data and Legal Sector data	A23(a) + A23(b) for jurisdictions which are listed in source 7 of Appendix D2 divided by the sum of AB1