

Guernsey must do more to stop money laundering

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I missed this on Monday [in the Telegraph](#) when too busy to notice whilst in Jersey:

In what was otherwise positive feedback from a 2010 International Monetary Fund inspection, the report cited a "disconnect" between the number of money laundering cases investigated and the number of prosecutions and resulting convictions.

The report said: "The law enforcement authorities are adequately resourced and trained and have a sufficient legal arsenal at their disposal to effectively conduct a money laundering investigation, but still the results are modest."

The IMF warned that that this approach could lead to Guernsey becoming over reliant on foreign enforcement bodies to investigate cases within its own borders.

The IMF also believed Guernsey could do more to identify what it called "high risk customers", who should be subject to greater due diligence checks. Reliance on introducers such as UK lawyers and accountants to vet such customers was not enough, the report said.

According to the IMF, financial institutions should also be subject to potentially greater fines from the local regulator, the GFSC. The current top level cap of £200,000 was not "dissuasive or proportionate" in terms of financial companies breaking local rules.

Let me add the bit I'll otherwise be criticised for omitting before commenting:

Nevertheless, it said Guernsey's legal framework provided a sound basis for an effective anti-money laundering and financial crime regime, with the majority of its problems being "technical in nature."

And now let's say what this really means.

First it means that, as I said in Jersey on Monday, the IMF is saying Guernsey has put all the right bits of paper in place, but has little inclination to use them.

Second, it means those bits of paper are no real deterrent.

Third, it means that the risk of money laundering remains real.

Fourth, if the risk of money laundering is real the risk of tax evasion is even higher.

Fifth, if insufficient checks on exposed people are not being done the risk of being involved in illicit flows from corrupt officials in developing countries is high - and as we know, those flows result in the deaths of children in those countries who are denied access to basic facilities as a result of them.

Sixth, it means that all the claims to be well regulated are utterly hollow. The leopards have not changed their spots. They've just put on a nice overcoat to hide them. The reality is that the risks remain as real as ever - and the deliberate veil of secrecy that Guernsey and similar locations create ensures that we have no real idea what is happening in these places - but the IMF is saying whatever it is, the associated risks are high because there remains a willingness to turn a blind eye.

What else can they mean?