

The seal of the Financial Intelligence Agency, Bermuda, is a circular emblem. It features a blue outer ring with the text "FINANCIAL INTELLIGENCE AGENCY" at the top and "BERMUDA" at the bottom. Inside the ring is a yellow field containing a blue silhouette of the island of Bermuda. The text "SELECT FINANCIAL INTELLIGENCE AGENCY CASE STUDIES" is centered over the seal in a bold, black, serif font.

**SELECT
FINANCIAL INTELLIGENCE
AGENCY
CASE STUDIES**

**2nd Quarter
2019**

INTRODUCTION

The Financial Intelligence Agency (FIA) is Bermuda's Financial Intelligence Unit (FIU) and was established, in part, to meet recommendations of the Financial Action Task Force, including FATF Recommendation 29 whereby:

“Countries should establish a financial intelligence unit (FIU) that serves as a national centre for the receipt and analysis of: (a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis. The FIU should be able to obtain additional information from reporting entities, and should have access on a timely basis to the financial, administrative and law enforcement information that it requires to undertake its functions properly. ”

In carrying out its functions, the FIA collects Suspicious Activity Reports (SAR) from regulated entities and others related to money laundering and terrorist financing as required under Bermuda's Proceeds of Crime Act (POCA).

As part of its FIU functions, the FIA then analyzes the data provided via SARs to uncover activities and patterns that may indicate money laundering, terrorism financing or other related criminal activities. This information is then disseminated as intelligence to local law enforcement and regulators as well as certain international partners.

CASE STUDIES AND INDICATORS

The FIA analyzes hundreds of SARs each year and based upon this information produces dozens of intelligence disclosures each quarter to its local and international partners. The case studies contained in this report are sanitized and representative examples of intelligence cases disclosed by the FIA. As part of the FIA's commitment to the fight against money laundering, terrorist financing and related crimes, the FIA produced this report of case studies to assist reporting entities in identifying and reporting suspicious activity to the FIA.

In general terms, case studies are an analysis of persons, groups, and events which are studied to find underlying principles. The FIA selected the following from reports recently provided to the FIA and analyzed for the 2nd quarter of 2019

The FIA has also identified indicators of money laundering / terrorist financing within the case studies. These indicators are generalized underlying principles that have been found by the FIA and our international partners. A list of common identifiers have been compiled and coded into goAML and when filing a SAR, reporting entities are now able to choose from a list of over 100+ indicators.

In the context of individual case studies, such as those presented in this document, an indicator can be considered a “Red Flag”. Such a Red Flag could then be used by a reporting entity as a basis for suspicion by a reporting entity.

CASE STUDIES

The following case studies illustrate suspicious activity reported to the FIA in the 2nd quarter of 2019

2019 SECOND QUARTER

Case Study 1

1. *STR filed by a local insurance company uncovers the misuse of a pension plan*

A STR was filed by a local insurance company on the suspect comportment of Mr. G. Also, Mr. G has a criminal history that involves the same modus operandi (MO) that was noted in this incident. In November 2018, Mr. G opened a group pension plan; however, he never made the appropriate level of contributions. Instead, Mr. G made voluntary contributions only to himself within a short space of time and was now seeking to withdraw all of those funds entirely. Based on Mr. G's conduct, it was evident that he had not used this product for its intended use. The insurance company requested consent to return the BMD \$4,300.00 and terminate its relationship with Mr. G.

Report Indicators:

- Adverse media
- Criminal history
- Consent Request
- Electronic Transfers
- Fraud
- Inconsistent Account Activity
- Misrepresentation
- Previous filings on Subject/Entity
- Use of Insurance Products

FOLLOW-UP

A disclosure was made to local law enforcement as Mr. G has a criminal history of fraudulent behavior and as there was an opportunity for local law enforcement to restrain and confiscate the funds in question.

Here is an update from the EU Pensions watchdog about COVID-19-related scams:

<https://www.law360.com/articles/1265238/eu-pensions-watchdog-sounds-pandemic-fraud-alert>

Case Study 2

- 2. STR filed by a local trust service provider details suspected money laundering activity of protected European businessman*

A STR was filed by a local trust service provider and was subsequently disclosed to the respective overseas FIU for its immediate attention for intelligence purposes only. The STR narrative detailed the suspected fraudulent activity of an Asian national/European citizen, Mrs. Y, who also had political refugee status in a European country and displayed high money laundering indicators.

BACKGROUND

Mrs. Y and her family have been living in Europe with her family since 2010 and before relocating, Mrs. Y was in the shipping industry. Her principal holding company is Corporación Marina Azul, a Central American incorporated company.

In 2010, an Asian state owned company called Regais commenced legal proceedings in a European High Court, claiming that Mrs. Y and her associates perpetrated numerous frauds against it.

ACTIVITIES

Mrs. Y was retired and made her fortune through business activities in the shipping industry from 1995 until 2009 when she ceased her business activity in order to focus on legal proceedings and clearing her name.

The local trust service provider held on file a forensic evidence report prepared by a forensic accountancy firm to the European High Court experts during the litigation case with Regais.

Mrs. Y's net-worth fluctuated with broad bond and equity markets. Her most prominent assets include:

- USD 5M – family mansion in Europe
- USD 11M – family mansion in Asia
- USD 214M – cash and marketable investments held with various financial institutions.

ORIGIN OF WEALTH

In the early 1990s, Mrs. Y and her brother opened their first shipping business in Asia and began to make a fortune. Items shipped included oil, automobiles, agriculture and lumber.

In 2006, Mrs. Y set up a company called Corporación Marina Azul, which was a holding company for subsidiaries handling her shipping business. A corporate banker at a well known European bank, which is now defunct, handled her corporate accounts and a European private banker handled her personal accounts.

In 2011, Mrs. Y sold her last two ships.

SERVICES REQUIRED

Mrs. Y was a client of the local TSP in Europe where she opened personal accounts for herself in 2017. In 2018, Mrs. Y was deemed a domiciled individual in Europe and following a tax advisers' recommendation, Mrs. Y desired to restructure her assets held in a corporate vehicle into personal names. As a result, it was suggested that Mrs. Y open a personal account with the Bermuda trust company where she could transfer part of the assets, namely USD \$15 million, currently held with Corporación Marina Azul. Although all of the supporting documentation was provided to the local TSP, the proposed arrangement was deemed suspect due to the following red flags:

- Adverse media was found that there were legal proceedings held in a European High Court in 2010, claiming that Mrs. Y and her associates perpetrated numerous frauds against it.
- Mrs. Y may have wanted to open up a trust account to conceal funds linked to fraudulent activity.
- Mrs. Y wanted to restructure her assets held in a corporate vehicle into personal names, possibly allowing for Mrs. Y to distance herself from the assets.

Report Indicators:

- Adverse Media
- Corruption
- First Time Customer
- Fraud
- High Risk Country

- Immigration Related
- PEP Foreign
- Use of Trusts

The FIA have forwarded information relative to the subject her assets to the overseas FIU in the named jurisdiction and local law enforcement. The court proceedings are still ongoing.

What is a political refugee? For what reasons do persons become refugees?

Refer to the following articles for answers:

<https://www.globalcitizen.org/en/content/reasons-why-people-become-refugees/>
<https://www.legalmatch.com/law-library/article/what-is-a-political-refugee.html>

Case Study 3

3. STR filed by a local bank identifies suspected elder financial abuse fraud

The suspect fraudulent activity of a Bermudian national, Mr. A, was featured in two STRs filed with the FIA by two local banks, B and C. In the first STR, the local bank B noted in March that Mr. A, who is not a client, was suspected of being linked to elder financial exploitation and fraud involving a Bermudian national, Mrs. P.

At the end of March in the same year, a transaction trigger alert was raised on a suspect domestic wire transfer from Mr. A's bank account at local bank C in the amount of BMD \$37,000.00, the ultimate beneficiary being Mrs. P. The following day, a wire transfer in the amount of USD \$37,000.00 was then remitted to a US company with the notation, 'school fees'. Open source searches and a review of Ms. P's client file identified that Mrs. P had no previous association to this beneficiary.

Due to Mr. A's suspect comportment, the Bank B noted numerous wire payments which were conducted through Ms. P's internet banking account with little or no disclosed connection as to the purpose of the transactions or beneficiaries listed in the payments. In April, Mr. A entered the branch to deposit BMD\$5,000.00 on Ms. P's account. When pressed to provide further details as to the source of funds, Mr. A advised the funds were derived from his salary. Mr. A further disclosed that the purpose of the deposit was to assist his close friend, Ms. P, who was in need of financial assistance and was also attempting to receive a grant from the US Government to support her granddaughter's school fees.

Several frequent payments with the reference "Hair supplies" that were sent to a beneficiary listed as Misty yielded no open source search results in respect to an affiliated hair supply business, a US government grant program and other investments to which that Mr. A had also declared he had remitted funds.

Overall, approximately USD \$98,000.00 in suspect payments were made to/from the account of Ms. P for ambiguous reasons.

Points Of Interest regarding the activity of Ms. P

Ms. P is known to the FIA database as noted below:

1. A STR filed by local bank B in 2018, in which the bank believed that Ms. P was being used as a money mule to wire funds to various jurisdictions that were not in line with her disclosed account activity.

Red Flags Noted:

- As elderly clients are known to experience difficulties with internet banking, this can lead them to be afraid of losing control of their finances which in turn, puts them at even greater risk by depending on others for help.
- Due to Ms. P's age and lack of dependents, the bank was concerned that she could be a victim of financial abuse as she was depending on Mr. A to conduct her affairs in the absence of a Power of Attorney.

Another STR was filed by local bank C in 2019, regarding Mr. A's suspected involvement as a money mule in an advanced fee fraud scheme.

A review of Mr. A's bank accounts during the period of 1st July 2018 to 1st July 2019 indicated a spike in outgoing electronic fund transfers, totaling over BMD \$120,000.00 within a three month period in 2019, that were not consistent with disclosed account activity. Of particular interest during a due diligence review was several outgoing electronic fund transfers with the beneficiary reference field listed as "Aiding a close elderly friend". When queried by Bank C as to the underlying relationship Mr. A has with Ms. P, Mr. A stated that he had a close female friend who was very old, had no dependents and kept in contact with him and others via the Internet. Mr. A also disclosed that this particular friend had been contacted by the US Government and other investment companies as she was due to receive a USD \$75,000.00 grant and other investment returns provided that firstly, she remitted funds to various jurisdictions for administration fees.

For one of the suspect outgoing payments, the recipient stated that he was expecting a credit to his US bank account in reference to a loan for USD \$20,000.00. The US bank froze the account but the intended beneficiary, Pinky, decided to contact local bank C to seek assistance for the release of the funds. Of note, this beneficiary was not aware that the funds were being remitted from Mr. A in Bermuda.

Another one of the suspect outgoing payments was linked to an Asian country and was identified as being a scam after open source information checks confirmed the scheme.

When Mr. A was contacted about this transaction, he disclosed that he was aware of the situation and concerned, but unable to discuss the matter further at that present time. The local bank further advised Mr. A to file a report with the Police.

Red flags noted are as follows:

- At the date of SAR filing, Mr. A continued to request that local bank C assist in liaising with the overseas bank to unblock Pinky's US account, even though Pinky claimed not to know Mr. A. This suspect comportment added further suspicion that Mr. A was involved in an advance fee fraud scheme.
- When Mr. A met with his Personal Banking Representative at local bank C to discuss the flagged transaction activity on his account, Mr. A stated that he was "part of a process that he became involved with, and to date, no one in official capacities has been able to confirm or establish impropriety or fraud, and he did not and will not get involved in any process deemed fraudulent or illegal."
- It was noted in the SARs filed by both local banks B and C that both Ms. P and Mr. A had remitted funds separately in March 2019 to the same beneficiary, Misty, so it would appear that there is an association between all parties involved. Local bank B was unable to establish a connection or reason for the electronic fund transfers as open search results did not list Misty as being linked to a hair supply company, or an investment firm as Mr. A had indicated.

Report Indicators

- Elder Abuse
- Cash Deposit- Multiple/Large Single Transaction
- On-Line/Internet Banking
- Scams- Investment Related
- Scams- Advanced Fee Fraud/Lottery
- Third Party (sending on behalf of another)
- Wires
- Lending/Loan Related
- Suspect Comportment
- Inconsistent Account Activity
- Adverse Media
- Power of Attorney
- Legal Arrangements
- Investment Related
- Fraud
- Inadequate/Evasive Explanation
- Morality Related

FOLLOW-UP

A disclosure was made immediately to local law enforcement to make officials aware of this suspected fraudulent activity before other individuals e.g. senior citizens and vulnerable person, become entangled in this web of deceit.

What is a power of attorney? What is a will?

Review these articles posted by lawyers at Bermuda law firms, which highlight the importance of power of attorney and wills:

<https://www.applebyglobal.com/publications/the-value-of-an-enduring-power-of-attorney/>
<https://bermudalawblog.bm/2013/05/powers-of-attorney-and-wills/>

