

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 STUDY" is centered over the seal in a bold, black, serif font.

**SELECT  
FINANCIAL INTELLIGENCE  
AGENCY  
CASE STUDY**

**3rd Quarter  
2020**

## **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 report recently provided to the FIA and analyzed during 2020

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 study illustrates suspicious activity reported to the FIA in the 3<sup>rd</sup> quarter of 2020.

### **2020 THIRD QUARTER**

#### **Case Study 1**

##### **1. Request for information from an overseas FIU identifies trade-based money laundering**

An incoming request for information was received from an overseas FIU in respect to suspected trade-based money laundering surrounding two international wholesale companies, Company A and Company B, which are incorporated in a high-risk jurisdiction. It was reported that there were multiple trigger alerts during the transactional monitoring process conducted by a correspondent bank in which Company A and Company B had remitted large USD electronic fund transfers to suspected local bank accounts. The foreign FIU advised that the transactions were for rounded amounts and consisted of receipt payments for the delivery of goods. There were, however, no details on the type of products and services rendered which would fit with Company A and Company B's consistent line of business

In conducting further due diligence, the correspondent bank requested further supporting payment details from each remitting bank. Company A and Company B were initially reluctant to provide supporting payment documentation. Copies of invoices were ultimately provided by Company A and Company B, in which there were significant discrepancies in the description, value, quality or quantity of goods purchased. There were also suspect electronic fund transfers identified remitted to Company A from a third party with no obvious connection to the actual transaction.

A check of the FIA database revealed that Company A and Company B were not known therein. Financial checks further revealed that Company A and Company B did not hold local bank accounts. The FIA provided a response to the overseas FIU regarding requests made, but the FIA was unable to substantiate the suspect activity identified by the overseas FIU to further this enquiry to local law enforcement for investigation. This matter has been filed until further information &/or intelligence surfaces.

#### **Red Flags of Suspected Trade Based Money Laundering**

- High risk jurisdiction linked to Trade Based Money Laundering was identified.
- Inconsistent account activity as per account opening documents.
- Reluctance or refusal on the part of the client to provide supporting payment information.
- Invoices with inconsistent product details that are not in line with the company's business profile.
- Use of corporate vehicles that are controlled by the same group.
- Creation of fictitious invoices with rounded amounts, which are invoices without pennies

- Products purchased/sold do not fit with the company's consistent line of business

To learn more about trade-based money laundering and how reporting entities and persons can increase their effectiveness in the detection of criminal proceeds derived from the trade of goods, please refer to the following link:

<https://www.acams.org/aml-white-paper-trade-based-money-laundering-analytics/>

