

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 white map 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**

4th Quarter 2018

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 4th quarter of 2018

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 70 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 4th quarter of 2018

2018 FOURTH QUARTER

Case Study 1

The Subject is a well-known person in her country, who set up a universal life insurance policy with a local long term insurer. The Subject's niece was noted as the ultimate beneficial owner (UBO) and the policy was insured in the amount of USD\$1.5 million. A routine due diligence check conducted 12 years later by the local insurer revealed that the Subject had been arrested and criminally charged in her country with criminal conspiracy, and misappropriation of funds. The adverse media linked the Subject to corruption and deemed the Subject and the UBO to be Politically Exposed Persons (PEPs). As a result, a Suspicious Activity Report (SAR) was filed with the FIA.

A subsequent SAR was filed by the same local insurer stating that the Subject had issued a policy ownership request in order for the niece to assume ownership of the policy.

A third SAR was then filed by the same local insurer stating that a surrender request had been received from the Subject, requesting that the funds be sent to the Subject's overseas bank account.

As a result, a letter of Non-Consent was given to the local insurer and disclosures were made to the respective Overseas Financial Intelligence Units (FIUs) to corroborate the information provided also to see if there was any interest in the funds held in Bermuda as well as the Subject and the UBO (subject 2).

Bermuda is now in the process of seizing these funds along with the assistance of Overseas Judicial and Law Enforcement Agencies.

Indicators:

- Adverse media
- Company
- Corruption
- Fraud
- Investment Related
- PEP Foreign
- Beneficial Ownership
- Misuse Accounts – business taking in personal account(s)
- Consent Request
- Previous filings on Subject/Entity
- Watch Lists
- Early Redemption

Case Study 2

A Request for Information from a local law enforcement agency and a Suspicious Activity Report filed by a local financial institution were filed with regards to the suspect activity of a Bermuda National and a deceased elderly person. The Subject had been noted as attending local financial institutions with a Power Attorney (POA) letter that had been authorized by the deceased. The problem was that the Power of Attorney became invalid upon the recent death of the elderly person.

Some of the red flags noted by the local financial institution were the Subject's agitated disposition and refusal to comply with the institution's KYC requirements. Thus, it was suspected by the FIA, the local law enforcement agency and the local financial institution that the Subject had attempted to fraudulently gain access to the account. Thanks to the enhanced due diligence conducted by the local financial institution, the Subject was not able to gain access to the deceased's accounts. Further checks conducted by the FIA noted that the Subject was unsuccessful in obtaining ownership of any more accounts held by the deceased at other financial institutions.

Indicators:

- Elder Abuse
- Fraud
- Inadequate/Evasive Explanation
- Legal Arrangements
- Misrepresentation
- Morality Related
- Power of Attorney
- Refusal to comply with KYC requirements

Case Study 3

As an up and coming role model in Bermuda and owner of a local charity that caters to youth, the filing of two Suspicious Activity Reports (SARs) on Master J's behavior warranted further analysis.

After receiving a charity license in 2016, Master J opened a bank account for his charity to manage its funds. On the weekends, Master J would mentor young adults, a promising vision that had been laid out in a Collective Agreement between Master J and a sports arena. This agreement was for a 4 year period.

Concerns were raised when a compliance alert flagged unexpected activity on the account during the third quarter of 2018. Eight (8) cash exchanges, totaling approximately USD \$30,000.00 were noted; however, no travel activity was noted after any of the exchanges. Aside from these cash deposits, the account began to receive less significant credits and the activity in the account began to liken that of a personal account. Based on this review, the charity account appeared to be operating outside of the scope and was suspected of money laundering and/or possibly assisting others in money laundering.

A second STR filed by the bank on Master J due to ongoing monitoring of the account identified that the personal account had no account activity during the fourth quarter of 2018; contrarily, three more cash exchanges, totaling USD \$9,000.00 that were noted. Since the onboarding of this account, Master J exchanged a total of BMD \$39,000.00 BMD for USD. Since the first STR, this account continued to operate outside of the scope of the charity account and be suspected of money laundering and/or possibly assisting others in money laundering.

A check of the FIA DATABASE revealed that Master J was not known therein. Financial checks revealed that Master J held bank accounts at another local bank. A check of this bank account revealed a low account balance but nothing suspect. A disclosure was then made to local law enforcement of the FIA's findings. An update from local law enforcement revealed that Master J was not known.

Red Flags of Suspected Money Laundering:

- The charity may have no longer been operational as banking activity had minimized after the suspect USD cash exchanges were conducted.
- The Subject conducted USD cash exchanges despite low account activity and infrequent travel movements.
- The charity was operating outside of its scope and contrary to its purpose.
- The business bank account in question was being operated as a personal account as living expenses were also noted.
- The source of funds for the suspect cash deposits was unknown.
- The purpose of the USD exchanges was unknown.

Here is some guidance from the UK Government about COVID-19 and the increased risk of fraud and cyber-crime against charities:

<https://www.gov.uk/government/news/coronavirus-covid-19-increased-risk-of-fraud-and-cybercrime-against-charities>