

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 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 4th 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 4th quarter of 2019

2019 FOURTH QUARTER

Case Study 1

1. A STR filed by a local insurer identifies a client suspected of being linked to terrorist financing

In December 2019, a Suspicious Transaction Report was filed by a local insurance company regarding suspected terrorist financing. While conducting ongoing monitoring checks, the insurer noticed that its client, Mr. Y, a businessman from South America, had a non-conviction terror status for his involvement in funding paramilitary death squads. As a result, the local insurance company marked the policy as non-compliant, meaning that all movement on the account had to be reported to Compliance and no funds were allowed to be transferred in or out without approval. Prior to the block placed on Mr. Y's account, four surrender requests totaling USD \$65,345.00 were approved; however, the latest surrender request of USD \$14,500.00 was pending. Total investment into this policy at this point after four partial withdrawals was USD \$565,775.00. To date, Mr. Y had paid four deposits into his policy.

Results of an Enhanced Due Diligence (EDD) check conducted by the insurer revealed the following as sources of funds and wealth:

- Mr. Y provided evidence that he has a retirement plan worth approximately USD \$900,000.00.
- Mr. Y also provided salary payment slips dated prior to his retirement.
- Mr. Y provided his bank account statement, showing his monthly salary deposits that he had received from his former place of employment. This was the same personal bank account from which deposits were made to his policy and to where policy surrender requests were returned.

CONCLUSION

The insurer was satisfied with the EDD documentation provided by Mr. Y; however, since there was an ongoing prosecution involving Mr. Y that concerned funding of terror organizations, the insurer requested consent from the FIA to return the funds in question before proceeding with Mr. Y's withdrawal request.

ACTION

Consent was then requested from the FIA to return the funds in question.

REPORT INDICATORS

- Adverse Media
- Terrorism Related
- Terrorist Financing
- Use of Insurance Products
- Use of Corporate Vehicles

FOLLOW-UP

A letter of non-consent was sent to the local long term insurer. Then, a spontaneous disclosure was made to local law enforcement and to the respective overseas FIUs to identify if the Subject and/or the funds were of interest. No interest was shown by the respective overseas FIUs prior to and/or after the lapse of the 45 day moratorium period.

Want to know more about paramilitary death squads?

Here is a news article on their prevalence in Colombia:
<https://www.nytimes.com/2018/07/08/world/americas/colombia-uribe-death-squad.html>

Case Study 2

2. [STR filed by a local bank identifies several electronic fund transfers linked to a registered pedophile](#)

Two STRs were filed by a local bank in 2019 about the fraudulent activity associated with money laundering that was flagged on the bank account of a Bermudian company, Paradise Ltd. and its underlying beneficial owners, Mr. R and Mrs. R.

SUSPECT ACTIVITY & ASSOCIATES OF PARADISE LTD.

The following characteristics were noted within the first STR filed in October 2019, regarding the spike in inconsistent account activity flagged on the bank account of Paradise Ltd.:

- Paradise Ltd. was incorporated in 2007 under the underlying beneficial ownership and directorship of Bermudian nationals, Mr. R and Mrs. R. The primary nature of business is the sale of secondhand products.
- In line with the bank's due diligence requirements, an analysis of the transactional account activity was completed that triggered the further review of seven electronic fund transfers being remitted in August 2019 and September 2019 to a new beneficiary residing in Europe. The electronic fund transfers consisted of amounts ranging from BMD \$2,500.00 to BMD \$18,750.00.
- The bank was not able to identify a connection between Paradise Ltd. and the European national, Mr. N. Open source analysis, however, revealed that Mr. N was a European pedophile convicted of abusing underage children in 2014 and had been jailed in 2015. Now, Mr. N was linked to an orphanage in another European country according to open source information. Under a fraud precautionary warning, the Bank contacted Mr. R and Mrs. R to ascertain the purpose of the wire transfer payments and the nature of their relationship with Mr. N. Mr. R and Mrs. R confirmed that they did make those transactions to an orphanage where Mr. N was employed in Europe. Mr. R and Mrs. R also stated that they were not aware of Mr. N's criminal background prior to sending the transactions.

Based on the above noted findings, the Bank decided to conduct ongoing monitoring on Mr. R and Mrs. R's bank accounts to identify if there was the possibility that their accounts were being used to fund and/or aid Mr. N in child abuse.

A supplementary SAR was filed by the Bank in December 2019 as the accounts for Paradise Ltd. were escalated for further transactional activity during a due diligence review. Additional

electronic fund transfers executed during October 2019 and November 2019 were flagged as being suspicious account activity. The five electronic fund transfers consisted of amounts ranging from GBP 500.00 to GBP 4,200.00. The beneficiary of the flagged suspect electronic fund transfers noted the recipient as European national, Miss N.

Further analysis through open source information checks revealed that Miss N is the cousin of Mr. N. The Bank further disclosed that open source information from 2015 noted that Mrs. N created a crowdfunding account to fund her family's move to the same European country linked to Mr. N in order to setup an orphanage. Miss N had been encouraging potential donors to support this worthy endeavor to be run by loving individuals.

Despite the Bank's revelation to Mr. R and Mrs. R about Mr. N's criminal background, the Bank was now of the opinion that Mr. R and Mrs. R had been intentionally using Miss N as a conduit to remit funds on behalf of her cousin, Mr. N, in order to secure possible funding and aid for child abuse.

REPORT INDICATORS

- Adverse Media
- Inadequate/Evasive Explanation
- Inconsistent Account Activity
- Money Laundering
- Morality Related
- Use of Corporate Vehicles
- Wires
- Foreigners
- High Risk Country

FOLLOW-UP

Checks of the FIA database identified that neither the Subjects nor Paradise Ltd. were previously known therein. A spontaneous disclosure was then made to local law enforcement and to the respective overseas Financial Intelligence Agency's (FIUs). No interest was shown by the respective overseas FIUs prior and/or after the lapse of the 45 day moratorium period.

Does Bermuda have a Sex Offender Register?

Yes, we do! Please refer to this website: <https://www.gov.bm/sex-offender-fact-sheet>

Case Study 3

STRs filed by a local real estate agency about a suspect attempted purchase of a local residence by Bermudians

OVERVIEW

A Suspicious Activity Report was filed in November 2019 by a local real estate agency on the suspect activity of several Bermudians. The Subjects attempted to purchase a local home at BMD \$1,200,000.00, \$200,000.00 over its market value.

One of the agents received a full price offer on this listing, which had been on the market for a long period of time. The potential purchasers had no money but they intended to be financed privately through a friend.

In July 2019, the real estate agent received a full price offer from a Bermudian family for this listing for BMD \$1,200,000 and a further BMD \$31,000 for the furniture, both above its market value. Despite the fact that the property had been on the market for a lengthy period of time, the Bermudian purchasers made no attempt to negotiate. The agent was further informed that the purchasers did not have any money of their own but were being financed by a friend, who, in fact, signed the offer form. Background checks of the financer indicated that based on his occupation and salary, he would probably not have the resources for such a large loan. When questioned by the agent as to the source of the funds, the financer said from an inheritance. This purchase of this residence did not get past the draft contract stage as the purchasers backed out before providing the real estate agency with their attorney information.

REPORT INDICATORS

- Cash Deposit – multiple/large single transaction
- Inadequate/Evasive Explanation
- Lending/Loan Related
- Money Laundering
- No Source of Funds
- No Source of Wealth
- Real Estate

FOLLOW-UP

Checks of the FIA database revealed that none of the Subjects were previously known therein; however, the following Red Flags of money laundering were noted:

- The place of employment of the Subjects has been associated with suspected drug trafficking and money laundering.
- Although the financier stated that he held BMD \$1,500,000.00 in inheritance money at a local bank, he clearly stated on the Customer Details form that he was not the beneficial owner. To date, the relationship between the financier and the purchasers remains unknown to the FIA and the real estate agency.
- Open source information checks revealed that the property was being sold by another real estate agency for BMD \$950,000.00 as at January 2020. It is uncertain why the financier would want to pay full price for this property at a price that was above its market value.

A spontaneous disclosure was then made to local law enforcement.

Did you know that Ponzi schemes can involve real estate?

3. Here is an example of a woman who preyed on her friends and neighbors to perpetrate this type of fraud