

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

**SELECT  
FINANCIAL INTELLIGENCE  
AGENCY  
CASE STUDY**

**4<sup>th</sup> 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 4<sup>th</sup> quarter of 2020.

### **2020 FOURTH QUARTER**

#### **Case Study 1**

1. Request for information from an overseas FIU identifies fraud involving a Chairman and Director of a Bermuda registered company

Mr. X, who is a global commodity trader that attempted to build his business on borrowed cash, is the subject of an overseas request for information received from an overseas FIU. Mr. X had controlling interests in Company Y, a Bermuda registered commodity trading company. Mr. X was brought to the attention of an international financial institution as an open-source search revealed that Company Y was named as a defendant in a domestic lawsuit. Allegations centered on a proposed shareholding restructuring plan for Company Y, in which questionable accounting practices approved by the Board, were under scrutiny.

It is alleged that in order for the shareholders to approve the restructuring plan, the Board inflated Company Y's net profit, cut hundreds of jobs and sold millions of dollars of assets. In addition, the overseas FIU reported that Company Y's restructuring plan was thrown into uncertainty when it was being investigated for breaches by several overseas regulatory authorities. The breaches were focused on Company Y filing false and misleading information in relation to the proposed share restructuring plan, which in turn led to Company Y's shares being suspended from trading on an international stock exchange.

A check of the FIA database revealed that Mr. X and Company Y were not known therein. Local checks with law enforcement revealed that no reports have been made on Mr. X and Company Y in order to establish if a predicate offence had taken place in Bermuda. Further, there were no current or potential criminal investigations linked to Mr. X and Company Y. The FIA provided a response to the overseas FIU regarding the request made and this matter has been filed until further information &/or intelligence surfaces.

#### **Red Flags of Suspected Investment Fraud**

- Any investment that consistently goes up or that provides remarkably steady returns regardless of market conditions, especially during turbulent times.
- Investment holdings do not appear on the company's account statements that you receive.
- The account statements otherwise look irregular.
- The account statements show frequent transactions that you don't understand, or don't add up.
- Abrupt dismissal of an auditor or accounting firm that has noted discrepancies in the company's accounting practices.

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- Key institutional and executive shareholders dump their shares ahead of a bankruptcy filing or around the time when negative company news is released.
- Large increases in cash flow as the company might have sold a big asset, thus inflating their cash position to try to cover losses.
- Investor account statements cease to be sent.
- The broker is suddenly hard to reach.
- Your advisor discourages you from discussing your investments with anyone else at the brokerage company.

To gain insight into how fraud can affect a company's bottom line, please refer to the following article:  
<https://www.bloomberg.com/news/articles/2020-02-27/singapore-commodities-firm-agritrade-accused-of-fraud-by-banks>