

FINANCIAL INTELLIGENCE AGENCY BERMUDA



ANNUAL REPORT
2020/2021

FINANCIAL INTELLIGENCE AGENCY BERMUDA

ANNUAL REPORT **2020/2021**

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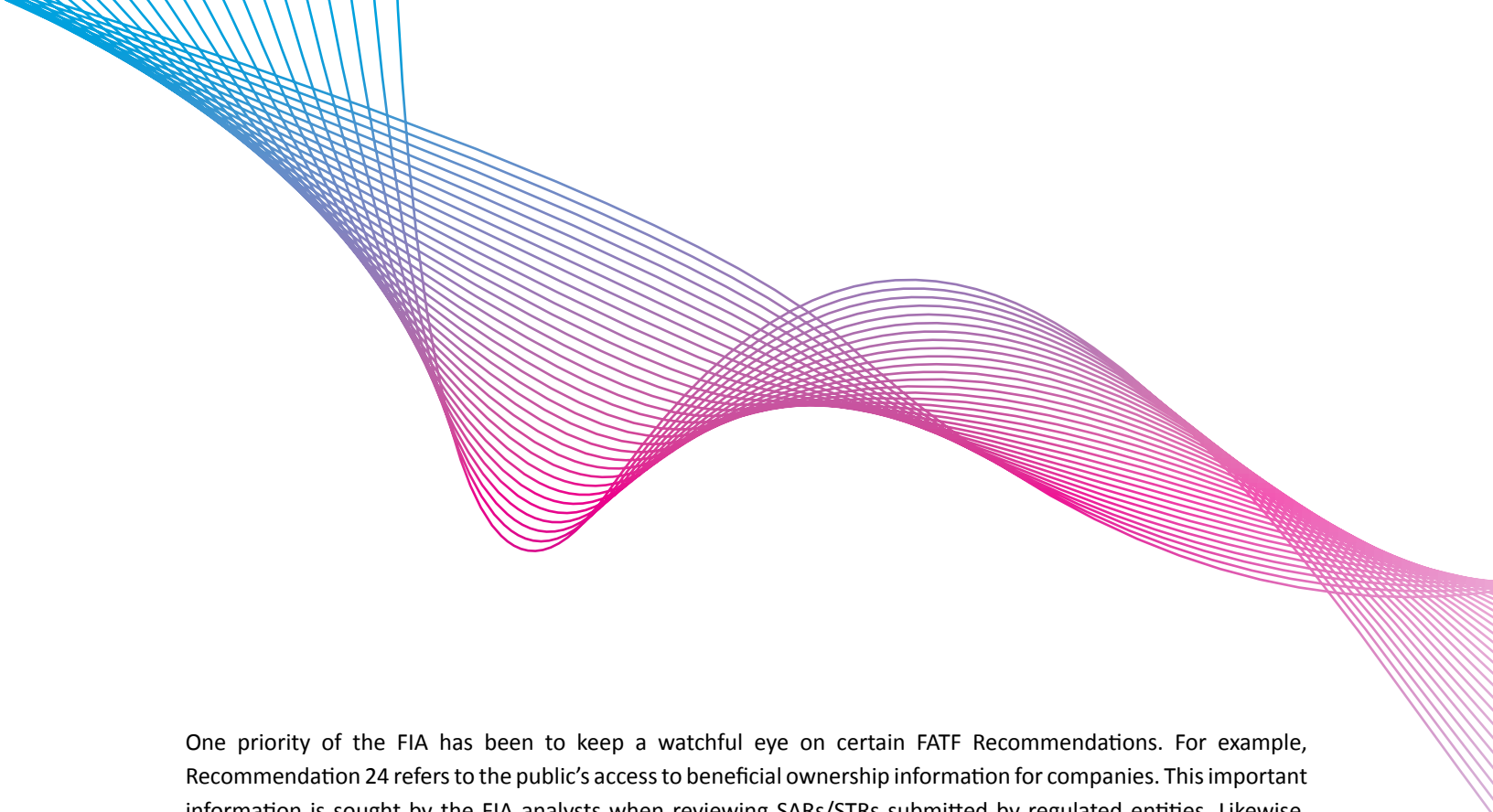
DIRECTOR'S MESSAGE



Sinclair White
Director

The COVID-19 pandemic has brought new challenges to the Financial Intelligence Agency (FIA) Bermuda. As a result, the FIA have had to quickly adapt by reviewing and amending policies and procedures, implementing a contingency plan, and following the Egmont Group's COVID-19 paper (March 2021) and the Bermuda Government's health guidelines and regulations. By being proactive, the FIA showed resilience and resolve by modifying our operations to meet our mandated functions.

The FIA have been actively involved with various National Anti-Money Laundering Sub-Committees such as the Operational Working Group, the Legislative Working Group, the Sanctions Working Group, and the Supervisory Working Group. These important Groups have been hard at work discussing and implementing changes/matters related to the Key Findings emanating from the following reports: Bermuda's Mutual Evaluation Report, NAMLC ML 2020 Risk Assessment, NAMLC TF 2020 Risk Assessment and Bermuda's National AML/CFT Policy. The FIA have continued to play an integral part in the preparation and updating of our countries' National Risk Assessments (NRAs) by providing valuable qualitative and quantitative information derived from SARs, STRs, and tactical and strategic analysis products.



One priority of the FIA has been to keep a watchful eye on certain FATF Recommendations. For example, Recommendation 24 refers to the public's access to beneficial ownership information for companies. This important information is sought by the FIA analysts when reviewing SARs/STRs submitted by regulated entities. Likewise, Recommendation 15 refers to new technologies and the FIA is now seeing SARs/STRs being submitted relative to new and developing technologies involving virtual assets (VAs) and virtual asset service providers (VASPs). FATF has advised jurisdictions to identify, assess and understand the risks, apply appropriate measures and take effective action associated with money laundering and terrorist financing emerging from such activities. Consequently, the FIA continue to monitor legislative changes germane to this subject matter that will have an impact on the FIA's functions and resources.

The FIA have faced a number of obstacles in functioning in what is now called "The New Normal" of doing business. I would therefore like to take this opportunity to thank the FIA staff members for giving unselfishly of their time in keeping the FIA afloat. Gratitude must also be expressed to the Minister of Legal Affairs and Constitutional Reform and the Attorney General, The Hon. Kathy I. Simmons JP., for her unwavering support given to the FIA during this reporting period. Finally, I would also like to thank the Chairman and Board Directors of the FIA Board for their sterling dedication to managing the affairs and business of the FIA. May we all continue to persevere in spite of it all!

Sincerely,



Sinclair H White
Director

THE FINANCIAL INTELLIGENCE AGENCY

Establishment & Composition of the FIA

In 2007, Bermuda transitioned from a law enforcement Financial Investigation Unit of the Bermuda Police Service (the 'FIU') to an administrative Financial Intelligence Agency (the 'FIA') in accordance with the provisions of the Financial Intelligence Agency Act 2007 (the 'FIA Act'). The FIA is now a government quango within the Ministry of Legal Affairs and is governed by the policy established by the Board of Directors, appointed in terms of the FIA Act. Heading the day-to-day operations of the FIA is the Director, who is responsible for executing the policy established by the Board of Directors.

The FIA includes five distinct functional areas, each having its own responsibilities. These sections are tasked with: Supervision and Enforcement; Intelligence Analysis; Legal Affairs; Technology and Information Security; and Human Resources.

Functions of the FIA

The functions of the FIA are set out under section 14 of the FIA Act. The FIA's three primary functions are:

1. (a) **Receiving, gathering, storing, analysing and disseminating information** relating to suspected proceeds of criminal conduct, potential money laundering offences and potential terrorist financing offences;
2. (aa) **Receiving, gathering, storing, analysing and disseminating information** relating to currency transaction reports filed with them pursuant to section 9 of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 and section 132A of the Casino Gaming Act 2014
3. (aaa) **Maintaining secure and restricted access to its facilities and to the information referred to in paragraph (a)**, including its information technology systems; and (b) conferred on it by section 6A of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement).

The FIA may also disseminate the aforementioned information to the Bermuda Police Service and a foreign financial intelligence authority.

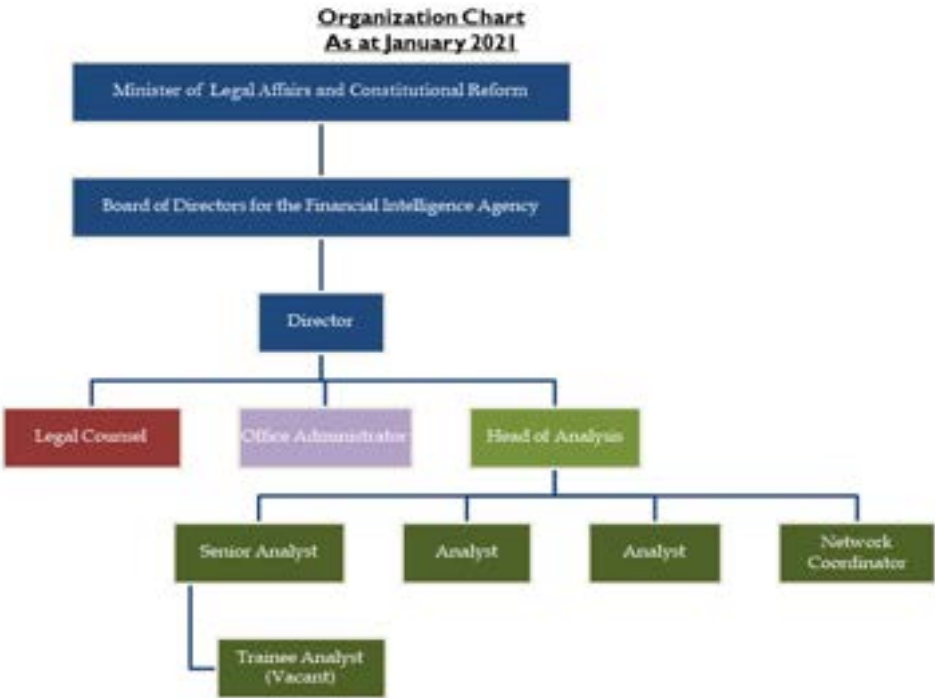
Other Areas of Responsibility

In addition to the key functions outlined above, the FIA is also the designated Supervisor of the Dealers in High Value Goods (DiHVG). The FIA is responsible for effectively monitoring DiHVG on a risk sensitive basis and take necessary measures for the purpose of securing compliance by Registered DiHVGs with relevant AML/ATF Regulations. Policing the perimeter activities are equally important to ensure that unregistered DiHVGs are not advertently or inadvertently breaching Bermuda's AML/ATF regime.

The FIA Board of Directors

The Minister of Legal Affairs may from time to time, by notice in the Gazette, give to The FIA Board such general policy directions as appear to the Minister to be necessary in the public interest and the Board shall act in accordance with such directions. The Board is then responsible for the policy to be adopted by the FIA and to be executed and pursued by the Director, and to ensure that the Director carries out that policy accordingly. (FIA Act Section 4A (1))

Organizational Structure of the FIA



The FIA’s governance responsibilities are split between the Board of Directors and the Director. The Board is tasked with setting the FIA’s policy and the Director, who heads the FIA’s operations, is responsible for executing that policy.

The Intelligence Center is composed of intelligence analysts who are responsible for the receiving, gathering, storing, and analyzing of information provided in SARs and STRs, and the disseminating of analytical reports and other financial intelligence to the Bermuda Police Service and other local and foreign competent authorities.

The Supervision and Enforcement section is responsible for effectively monitoring Dealers in High Value Goods (DiHVG).

The Legal Affairs section advises the FIA, provides training and guidance on legal matters, and manages the FIA’s international affairs.

The Technology and Information Security section manages all of the FIA’s IT matters.

OPERATIONS

Intelligence Analysis

The FIA’s analytical function is carried out by the Intelligence Center. This consists of receiving, collecting, analyzing and disseminating information/intelligence obtained from various sources via the use of goAML, the FIA’s online submission system and principal intelligence database.

Case studies and typologies compiled by the Intelligence Center can be found on the FIA’s website, identifying some of the trends and patterns noted by the FIA analysts.

STATISTICAL REPORTING

SARs & STRs Filed

Reporting Period: 1st April 2020 – 31st March 2021

During the 2020-2021 Reporting Period, the FIA received a total of **122 SARs and 342 STRs**, which is equivalent to a **11.82%** increase in the number of SARs and STRs received during the 2019-2020 Reporting Period. The increase in reporting is specifically attributed to a marked increase in filings by the Long-Term Insurer and Investment Service Provider sectors.

From the 122 SARs and 342 STRs filed during the 2020-2021 Reporting Period, **106** cases were created compared to the **283** cases that were created during the 2019-2020 Reporting Period. This decrease in the number of cases created during the 2020-2021 Reporting Period can be attributed to the increased need to use the FIA's Section 16 power in addition to information stored with the FIA database (goAML). This resulted in the obtaining of further intelligence on the Subjects/Entities of SARs/STRs filed prior to conducting analysis and making a dissemination to the relevant competent authority. As more pieces of the intelligence 'puzzle' were acquired in response to the Section 16 power, they provided the FIA analysts with a better understanding of the reasons for the filings and with whom to share the findings.

For an overview of SARs/STRs Filed and subsequent cases created with these reports from 2018 to 2021, refer to the bar chart shown in Figure 1.

Figure 1. SARs/STRs Filed and Cases Created (2018-2021)

For a breakdown of SARs and STRs filed by Reporting Sector from 2018 to 2021, refer to the table shown in Figure 2.

Figure 2. SARs and STRs Filed by Reporting Sector (2018-2021)

| REPORTING SECTORS (2018-2021) | REPORTING PERIOD | | | | | |
|-----------------------------------|------------------------------|------|------------------------------|------|------------------------------|------|
| | TOTAL FILINGS (2018-2019) | | TOTAL FILINGS (2019-2020) | | TOTAL FILINGS (2020-2021) | |
| | SARS | STRS | SARS | STRS | SARS | STRS |
| Accounting Firms | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset Recovery/Insolvency | 0 | 0 | 0 | 0 | 0 | 0 |
| Banks | 47 | 225 | 26 | 129 | 35 | 131 |
| Bermuda Government Department | 1 | 0 | 0 | 0 | 0 | 1 |
| Credit Union | 0 | 1 | 0 | 0 | 0 | 2 |
| Corporate Service Providers | 35 | 1 | 20 | 5 | 11 | 1 |
| Dealer in Precious Metal & Stones | 1 | 1 | 3 | 0 | 0 | 0 |
| Digital Asset Businesses | - | - | 1 | 0 | 2 | 0 |
| Financial Lenders | 0 | 0 | 1 | 0 | 0 | 0 |
| Fund Administrators | 6 | 5 | 13 | 3 | 5 | 0 |
| High Value Dealers | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance Broker | 0 | 0 | 1 | 0 | 0 | 0 |
| Insurance Company | 27 | 4 | 19 | 8 | 6 | 2 |
| Insurance Manager | 2 | 4 | 0 | 2 | 5 | 0 |
| Investment Funds | - | - | - | - | 0 | 1 |
| Investment Service Providers | 8 | 19 | 4 | 12 | 21 | 49 |
| Law Firms | 7 | 4 | 6 | 0 | 6 | 4 |
| Local Regulators & Supervisors | 5 | 3 | 4 | 3 | 7 | 0 |
| Long Term Insurers | 20 | 55 | 13 | 47 | 6 | 90 |
| Money Service Bureaus | 16 | 75 | 9 | 68 | 5 | 57 |
| Real Estate Agencies | 1 | 0 | 1 | 1 | 2 | 2 |
| Registered Charity Organizations | 2 | 0 | 0 | 0 | 0 | 0 |
| Trust Companies | 12 | 1 | 5 | 2 | 1 | 2 |

SAR/STR Filing Facts for the 2020-2021 Reporting Period

Of the **twenty-three (23)** Reporting Sectors that have filed SARs and STRs from 2018 to 2021, **15** Reporting Sectors filed SARs and STRs during the 2020-2021 Reporting Period. Four salient points that were observed when analyzing the filings noted in Figure 2 are as follows:

1. A new Reporting Sector called Investment Funds was created in 2020 and 1 STR was filed by this sector during the 2020-2021 Reporting Period.
2. The following Reporting Sectors have not filed a SAR or STR since 2017:
 - High Value Dealers
 - Accounting Firms
 - Asset Recovery/Insolvency
3. There were no Individual Reporting Persons who filed a SAR/STR during the 2018-2021 Reporting Periods.
4. Although there was a marked increase in STRs filed by Long Term insurers during the 2020-2021 Reporting Period, this increase is attributed to suspect activity that took place overseas and the reports were subsequently filed by the Bermuda regulated entity in two jurisdictions.
5. Although there was a marked increase in the number of SARs and STRs filed by Investment Service Providers during the 2020-2021 Reporting Period, this increase is attributed to suspect activity that took place overseas and the reports were filed by a Bermuda registered entity that is not regulated in Bermuda.

Banks, MSBs and Long-Term Insurers maintained their statuses as the most frequent SAR and STR filers during the 2020-2021 Reporting Period. The remaining Reporting Sectors continued to show decreases in the number of filings compared to the 2018-2019 and 2019-2020 Reporting Periods. It is suspected that these decreases are linked to the COVID-19 pandemic.

Quality of SARs & STRs Filed

The majority of SARs and STRs filed during the 2020-2021 Reporting Period continued to be of a quality standard as they contained the necessary SAR narrative and supporting documentation required to assist with intelligence analysis conducted by the FIA analysts. There were, however, submissions that required the FIA to continuously contact the Reporting Entity as supporting documentation was not provided or errors in reporting information needed to be addressed. Of note, of the 454 SARs and STRs filed during the 2020-2021 Reporting Period, 2 SARs (less than 1%) were rejected due to an incorrect reporting person signature that was inserted at the end of the report and also due to omitted supporting documentation.

SAR/STR Training Provided by the FIA

The FIA offers complementary training and presentations that are sector specific, allowing for discussion and examples that are aligned to that specific entity. Presentations are also geared towards SAR and STR reporting which can assist in improved SAR filings. In addition to Reporting Entities, the FIA has training sessions with Supervisors and Stakeholders; these sessions have been instrumental in furthering their knowledge of the AML/CFT, the relevant indicators to look for according to their line of business and the reasons for filing SARs and STRs. Although the FIA was not able to offer many complementary trainings during the 2020-2021 Reporting Period due to the pandemic and other restraints, we hope to recommence our training initiative during the proximate Reporting Period via an online platform.

Disposition of SARs and STRs during the 2020-2021 Reporting Period

SARs and STRs filed with the FIA are collated and subject to an initial review, after which they are either filed for intelligence or assigned to an FIA analyst and then to a case for analysis and potential disclosure to the FIA's partner agencies.

During the 2020-2021 Reporting Period, the FIA made **161** response and spontaneous disclosures, **135** of which were local disclosures primarily to the Bermuda Police Service and **26** of which were overseas disclosures to fellow Financial Intelligence Units (FIUs). These disclosures consisted of information received by the FIA from **350** SARs and STRs, checks of goAML information/intelligence obtained by the FIA further to its information gathering powers under Section 16 of the FIA Act, and Open-Source Information. Most importantly, all of these disclosures contained analysis conducted by the FIA's analysts in an effort to provide useful intelligence to the FIA's local and foreign partners. Some of the SARs and STRs utilized were from current and previous year submissions, emphasizing the usefulness of information/intelligence provided in spite of the time of the filing.

The bar chart shown in Figure 3 illustrates the total number of local and foreign disclosures made by the FIA since 2009.

Figure 3. Total Response and Spontaneous Disclosures Made by the FIA (2009-2021)

Gathering Powers

As it relates to the FIA using its gathering powers under Section 16 of the FIA Act, a total of **200** "Notice to Provide Information" requests letters were sent to **16** separate Reporting Entities via goAML during this Reporting Period.

Of note, the Notice to Provide Information Requests can only be used when the FIA has received a SAR, an STR or an Incoming Request for Information (from a local or overseas authority), which require further analysis.

Classifications /Suspected Predicate Offences

Upon receipt and approval of SARs and STRs, the FIA classify the reports with a principal suspected predicate offence as goAML, at the moment, only allows for us to choose one option. Hence, classifications/suspected predicate offences along with Report Indicators selected by Reporting Entities enhance analysis and guide the FIA analysts in the gathering and sharing of further information/intelligence.

Of interest, the most prevalent classification continues to be money laundering, with **234** instances reported. Subsequent classifications that were also prevalent once again included fraud, money laundering involving cash exchanges, tax offenses (international), and corruption. Collectively, this top classification comprised of 95% of all classifications/suspected predicate offences reported in SAR and STR submissions during the 2020-2021 Reporting Period. This percentage has greatly increased from 55.22%, which was reported during the 2019-2020 Reporting Period.

Report Indicators

A plethora of Report Indicators are available when filing a SAR/STR. The purpose of this list is to assist the FIA in the categorization of the report filed according to the activity noted. These vital details help the FIA analysts to notice patterns and trends that can then be shared with all sectors, local stakeholders and supervisors, as well as overseas competent authorities.

Filings across the different sectors with the use of these Report Indicators are welcomed as the awareness and identification of suspected criminal activity linked to prospective and current clients can assist the investigations of the Supervisors, overseas FIUs and local law enforcement. These filings also encourage the dissemination of useful bulletins and typologies by the FIA about this activity.

Three Reporting Indicators of interest that were selected in some of the SARs and STRs filed during the 2020-2021 Reporting Period are featured below and over page according to the respective Reporting Sectors and accompanying Report Indicators.

1. Sanctions List

The FIA received **two (2) SARs and one (1) STR** during this Reporting Period from the following three (3) different sectors that selected the above indicator:

- Corporate Service Provider (CSPs)
- Investment Service Providers (ISPs)
- Long Term Insurers

The following red flags/report indicators were also identified within the aforementioned 3 STRs/SARs:

CSP Report Indicators

- Adverse Media
- Corruption
- For Informational Only
- High Risk Country
- Money Laundering
- Panama Papers
- Use of Corporate Vehicles
- Use of Trusts
- Wires

ISP Report Indicators

- Fraud
- Credit Cards
- Identification Fraud

Long Term Insurer Report Indicators

- Beneficial Ownership
- Blocked Sender(s)/Recipient(s)
- Cash Deposit – unable to identify third part
- Consent Request
- Cryptocurrency/Bitcoin

2. Tax Offences/Tax Evasion

The FIA received ten (10) SARs and seven (7) STRs from the following **seven (7)** Reporting Sectors that selected the above indicator:

1. Banks
2. Corporate Service Provider (CSP)
3. Insurance Manager
4. Investment Service Provider (ISP)
5. Law Firm
6. Long Term Insurer
7. Trust Companies

Within the above mentioned STRs/SARs, the below mentioned Report Indicators were also identified. Of note, a common way noted during the 2020-20201 Reporting Period to commit tax offences/tax evasion was via the use of trusts.

Bank Report Indicators

- Adverse Media
- Cash Deposit – multiple/large single transaction
- Dormant/Inactive Account reactivated
- Electronic Transfers
- Foreigner
- High Risk Country
- Inadequate/Evasive Explanation
- Inconsistent Account Activity
- Inconsistent Account Activity
- Money Transfer
- Ongoing Monitoring
- On-Line/Internet Banking
- Previous filings on Subject/Entity
- Previous filings on Subject/Entity
- Real Estate
- Refusal to comply with KYC requirements
- Use of Corporate Vehicles
- Wires

CSP Report Indicators

- Company
- Legal Arrangements
- Use of Trusts

ISP Report Indicators

- Consent Request
- No Source of Funds
- Declined/Refused business – incomplete CDD

Law Firm Report Indicators

- Consent Request
- Money Laundering
- Use of Trusts

Long Term Insurer Report Indicators

- Adverse Media
- Consent Request
- Inadequate/Evasive Explanation
- Real Estate
- Source of Wealth
- Use of Corporate Vehicles

Trust Company Report Indicators

- Adverse Media
- Criminal History
- Electronic Transfers
- Investment Related
- Lending/Loan Related
- No Source of Funds
- Real Estate
- Structuring
- Use of Insurance Products
- Use of Trusts
- Wires

3. PEPs (Local/Foreign)

The FIA received **four (4) SARs and two (2) STRs** during this Reporting Period from the following **four (4)** different sectors that selected the above indicator:

1. Banks
2. Corporate Service Providers (CSPs)
3. Investment Service Providers (ISPs)
4. Real Estate Sector

The following red flags/report indicators were also identified within the before mentioned 6 STRs/SARs:

Bank Report Indicators

- Adverse Media
- For Information Only
- Foreigner(s)
- Fraud
- Lending/Loan Related
- Misrepresentation
- Real Estate
- Wires

CSP Report Indicators

- Adverse Media
- Beneficial Ownership
- Blocked Sender(s)/Recipient(s)
- Cancelled Transaction
- Foreigner (s)
- High Risk Country
- High Risk Recipient
- Money Laundering
- Politician(s)

ISP Report Indicators

- Adverse Media
- Corruption
- Declined/Refused business – suspected criminal activity
- Embezzlement
- Fraud
- Money Laundering

Real Estate Report Indicators

- Scams – Investment related
- Adverse Media
- Criminal History

Consent Requests

According to the Proceeds of Crime Act (POCA) 1997, Section 43, consent is to be sought by the Reporting Entity from the FIA when filing a Suspicious Transaction Report (STR) in order to avoid liability for the concealment or transfer of criminal property. During the 2020-2021 Reporting Period, a total of **116** consent requests, totaling **BMD 13,764,722.20**, were filed. A breakdown of the total number of requests and the total amounts per Reporting Sector is shown in Figure 4.

Figure 4. Consent Requests per Reporting Sector

| REPORTING SECTOR | NUMBER OF REQUESTS | Total Amount |
|------------------------------|--------------------|------------------------|
| Banks | 10 | \$2,631,471.00 |
| Insurance Companies | 2 | \$2,432,373.00 |
| Investment Service Providers | 48 | \$165,628.00 |
| Law Firms | 3 | \$270,799.60 |
| Long Term Insurers | 49 | \$8,233,648.60 |
| Money Service Bureaus | 3 | \$21,302.00 |
| Trust Companies | 1 | \$9,500.00 |
| TOTAL | 104 | \$13,764,722.20 |

Filing of Cash Transaction Reports (CTR)

Following the 2016 amendments to the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervisions and Enforcement) Act 2008 (SEA) in relation to dealers in High Value Goods (DIHVG), **0** businesses registered with the FIA during the Reporting Period which enabled them to accept a total cash payment of BMD \$7,500 or more in a single transaction or series of linked transactions. A DIHVG who intends to accept such cash payments must register with the FIA before accepting these cash payments.

To be caught by the requirements of the AML/ATF legislation, a ‘total cash payment’ includes the total cash derived from a series of linked transactions. Linked transactions separated by an interval of three months or more need not be treated as linked, provided there is no evidence of a link and the transactions do not otherwise give rise to a business relationship.

Whenever cash equal to or over the BMD \$7,500 threshold is accepted by a DiHVG that is registered with the FIA, that business must file a cash transaction report (CTR) with the FIA pursuant to the provisions of Section 9(3) of SEA.

The FIA can report that a total of **0** CTRs were filed during this Reporting Period.

INTERACTION WITH LOCAL STAKEHOLDERS

Spontaneous Intelligence Reports (UTRs)

During the Reporting Period, a total of **140** spontaneous intelligence reports were received from local law enforcement, primarily Bermuda Customs Department, sharing intelligence related to the following topics:

- Arraignment/Plea Court Intelligence
- Undeclared Cash/Cheques
- Precious Metal Declarations
- Cash Seizures
- Narcotics
- Fraud
- Travel Movements
- Money Laundering
- Warrants
- Overseas Arrests
- Deportations
- Adverse media
- International Terrorism Alerts

With the information/intelligence received via these Spontaneous Intelligence Reports, the FIA can identify patterns and trends and other personal/corporate intelligence that potentially correspond with current and future SAR and STR filings.

Local Incoming and Outgoing Requests for Information

During the 2019-2020 Reporting Period, requests for information were received from and sent to local law enforcement (Bermuda Police Service and Bermuda Customs Department) in order to assist with local and overseas cases/investigations. There was a total of **38 Incoming Requests for Information (IRI)** to the FIA that were escalated to create **34** FIA cases. The classifications/suspected predicate offences linked to the IRIs were as follows:

- Corruption
- Fraud
- Money Laundering
- Narcotics
- Human Trafficking

Likewise, there was a total of **16 Outgoing Requests for Information (ORIs)** to local law enforcement that were escalated to create **16 FIA cases**. As stated above, due to the ten plus years of information/intelligence stored in goAML, the FIA is now able to comply with requests without having to seek information/intelligence outside of its reach. The classifications/suspected predicate offences linked to the ORIs were as follows:

- Fraud
- Money Laundering
- Tax Offences

Interaction with Foreign Financial Intelligence Units (FIUs)

Sections 14 and Section 18 of FIA Act establishes the lawful basis for the FIA to provide international co-operation to foreign FIUs as well as foreign non-counterparts. The FIA has autonomous authority to determine how to exercise its functions. The FIA adheres to the Egmont Group of Financial Intelligence Units' Charter and Principles of Information Exchange between FIUs which directs the efficient use of cooperation. Section 19 of the FIA Act states that the FIA may, in connection with the exercise of its functions under this Act, enter into arrangements of cooperation with bodies or persons (in Bermuda or elsewhere) which it considers appropriate.

Currently, the FIA has signed 43 MOUs with foreign FIUs since its establishment in November 2008. The FIA has also received confirmation from a further 14 FIUs that an MOU is not required by their FIUs to facilitate international co-operation. The FIA has also signed 8 domestic MOUs with the relevant competent authorities since inception.

Incoming Requests for Information from FIUs

In keeping with Egmont FIU agreements, the FIA considers all IRIs from foreign FIUs contain classified information. Of the **55 Incoming Request for Information (IRIs)** received during the 2020-2021 Reporting Period, **14 Incoming Requests for Information (IRIs)** were received from **ten (10)** foreign FIUs. The countries associated with the 12 foreign FIUs are as follows:

- | | |
|----------------|-----------------------------|
| 1. Argentina | 6. Jersey |
| 2. Bangladesh | 7. Peru |
| 3. El Salvador | 8. Romania |
| 4. France | 9. United States of America |
| 5. Hong Kong | 10. The Vatican |

The classifications/suspected predicate offences associated with the above mentioned IRIs are as follows:

- Corruption
- Fraud
- Money Laundering
- Narcotics
- Tax Offences

In response to the **14 IRIs** received from Foreign FIUs during the current Report Period, **11** response disclosures were made to the respective Foreign FIUs.

Outgoing Requests for Information

In addition to responses to IRIs made by other entities to the FIA, the FIA also made a number of Outgoing Requests for Information (ORIs) to foreign FIUs. Of the **51** ORIs made by the FIA during the 2020-2021 Reporting Period, **29** of the disclosures were made to **18** foreign FIUs associated with the following countries:

- | | | |
|--------------|------------------|------------------------------|
| 1. Brazil | 7. Jamaica | 13. Taiwan |
| 2. Cameroon | 8. Japan | 14. Thailand |
| 3. Canada | 9. Jersey | 15. United Arab Emirates |
| 4. France | 10. Romania | 16. United Kingdom |
| 5. Hong Kong | 11. Singapore | 17. United States of America |
| 6. Indonesia | 12. South Africa | 18. The Vatican |

The classifications/suspected predicate offences associated with the abovementioned ORIs are as follows:

- Fraud
- Corruption
- Tax Offences
- Money Laundering

SPONTANEOUS (INTELLIGENCE) DISCLOSURES TO FIUS

Spontaneous (Intelligence) Disclosures contain intelligence stemming from local law enforcement as well as STRs and SARs pertinent to the country in which the FIU is located. During the 2020-2021 Reporting Period, a total of ten (**10**) Spontaneous (Intelligence) Disclosures, containing **42** SARs and STRs were sent to seven (**7**) FIUs in the following countries:

1. Barbados
2. Canada
3. Honduras
4. Hong Kong
5. Turkey
6. United Kingdom
7. United States of America

The classifications/suspected predicate offences that were identified in the above mentioned Spontaneous (Intelligence) Disclosures are as follows:

- Money Laundering
- Money
- Laundering/Cash Exchanges
- Corruption/Bribery

Spontaneous (Intelligence) Disclosures have also been received from foreign FIUs regarding the suspect activity of Bermuda-related persons and entities. These disclosures are classified as UTRs in goAML. During the 2020-2021 Reporting Period, eleven (11) spontaneous intelligence disclosures were received from foreign FIUs.

Response Disclosures

Of the 41 response disclosures made to local and international competent authorities, 30 were made to local agencies, namely:

- Bermuda Police Service
- Customs Department
- Bermuda Monetary Authority
- Registry General

TYOLOGIES & CASE STUDIES

Typologies

Emerging patterns and trends that were identified during the 2020-2021 Reporting Period are shown below.

1. BMD/USD Cash Exchanges

Suspected money laundering involving foreign cash exchanges has continued to be an AML/ATF concern reported within SARs and STRs filed by banks. Some of the red flags noted were:

- An inadequate/evasive explanation was provided for the reason for the purchase of foreign currency.
- Questionable employment status of the depositors/account holders was noted.
- Frequency/lack of travel after the exchanges according to account activity, particularly during the COVID pandemic was identified.
- No source of funds was evidenced.
- The transactions in question appeared to be well above the expected sources of regular credits observed on the account and outside of usual account activity.
- Younger females were being exploited to 'smurf' increments of BMD 5,000.00.
- Subject was constantly on the phone during the cash exchange.
- Concerns were raised that the funds being exchanged were sourced from further illicit activity based on the Subject's criminal history.
- Cash was deposited in a bank account and on the same day, it was withdrawn as a cash exchange from BMD to USD.
- The bank account was solely used for cash exchanges and there was no evidence of payroll deposits.
- Prior to the cash exchange, there was minimal activity on the bank account of the Subject.
- Cash exchanges were requested although the LF Wade International Airport (Bermuda) was closed due to the pandemic. Thus, the need for the cash exchanges was unfounded.

- Although the Subject was getting income from a legitimate source, there was no evidence of travel and the transactions in question appear to be well above the expected sources of regular credits and outside of usual account activity

***Of note, USD currency continues to be the most reported foreign currency.**

2. Local Deposits ► International Withdrawals via ATM

Another trend identified by banks was local cash deposits made by unknown persons on local bank account. These funds are subsequently withdrawn from the same local accounts via ATM by Bermudians living/studying in the USA, Canada, Costa Rica, Jamaica and the United Kingdom (UK). Some of the red flags noted were:

- Cash deposited was considered to be excessive and raised suspicion that the accounts were being used to move illicit funds from Bermuda to the USA.
- Cash depositors were unknown.
- The source of funds was not known.
- The account holder allowed for her debit card to be used in Bermuda and the USA by a person who has been arrested for money laundering.
- Significant amounts of BMD cash were deposited on the Subject's local account by unknown persons and she then withdrew it in a high-risk country where she is currently residing.

3. Local Deposits ► Outgoing Wires

An emerging pattern identified by local banks is local cash deposits made by known and unknown persons on local bank accounts. The funds are then wired to overseas companies with suspect beneficial owners/directors and/or to persons with questionable backgrounds.

- Similar amounts and banking references were being used by young females (smurfs) to wire funds to the same Bermudian living in the UK, who has a criminal history
- Payments were made to a high-risk country associated with terrorist financing in order to purchase items for resale in Bermuda
- An outgoing wire was sent to a US company, whose owner is being charged with possession and drug trafficking
- Funds were sent to family and friends in order to support school, living costs etc. although the amounts sent were larger than expected.
- It is suspected that the companies receiving the outgoing wires are actually 'shell companies' that are linked to persons who have also featured as recipients and/or senders via local Money Service Bureaus.
- Some of the persons in receipt of the outgoing wires are local persons of interest and/or have a criminal history and are also previous recipients of funds via local Money Service Bureaus.
- As customers were blocked from sending funds via Money Service Bureaus, outgoing wires were used via the bank's accounts of 'smurfs' to launder the funds.

4. Tax Offences

Filings involving tax offences were done by multiple sectors such as banks, long term insurers, investments service providers, insurance managers, corporate service providers, trust companies and law firms. Here are some of the red flags noted by the respective Reporting Sectors:

- The client was not compliant with FATCA requirements.
- Funds to be invested in a Forex trading account purported to be from a loan were actually a gift.
- Client requested to split distributions from a trust and to close an investment account in order to remain under foreign reporting requirements.
- The client was reluctant to provide information about tax status and filings in a foreign jurisdiction.
- Client was possibly operating an informal and mutually beneficial currency exchange for family and friends in order to evade the payment of the Bermuda Government Currency Purchase Tax and the bank's foreign currency exchange fee.
- Client seemed overly concerned about how the Investment Service Provider reports CRS (Common Reporting Standard) and also was pressing the broker about splitting funds from account closure so that Canadian revenue reporting was not triggered.
- The red flags identified such as the shares transfer, dormancy of the account, and change in nature of business may indicate that the Subject is holding shares on behalf of another Subject due to his US citizenship. Also, the consultancy fees paid to them every year may be an arrangement to potentially evade tax reporting and assets held.
- Financial crime concerns still exist that the customer is using his Bermudian business to evade US taxation.

5. Cryptocurrency

Sectors that filed on suspect activity involving cryptocurrency included banks, digital asset businesses, corporate service providers, a local regulatory agency and a law firm. Some of the red flags identified are as follows:

- Individuals that own and operate a trading platform were operating an unregistered trading platform in violation of multiple CFTC regulations, including failing to implement required anti-money laundering procedures.
- The customer due diligence software of a digital asset business (DAB) flagged a prospective new customer as having known suspicious activity. This score affected the customer's risk and reputation scores, which exceeded the risk appetite of the DAB.
- The DAB considers transactions derived completely from a coin swap service, without a reasonable business purpose for the activity, to be suspicious given the nature of coin swap services to mask the source of the digital assets passing through it.
- The client had high value transactions and volume passing through the account which did not match the customer's profile. Adverse media was noted on the individual in relation to US charges against the client's company's cryptocurrency.

6. Suspected Terrorist Financing

There was only one (1) STR filed that involved suspected terrorist financing, and it was filed by a local Investment Service Provider (ISP). The customer attempted to open an account; however, his deposit was declined as he was placed on the AML UK sanctions list. No further action was required of the FIA as the funds were not accepted by the ISP.

Case Study

During the COVID-19 pandemic, several types of frauds were filed by various Reporting Sectors. These frauds included business email compromise fraud, advanced fee fraud/lottery fraud, imposter fraud, and fake cheque fraud. Likewise, the reporting sectors that filed on these frauds included money service businesses, banks, investment service providers, real estate and insurance.

Wire fraud is defined as fraud committed via the use of technology, for example, internet, telephone, text messages. Refer to Case Study 1, which features an attempted wire fraud that affected a local company.

Case Study 1. Attempted wire fraud

An incoming request for information was received from a local law enforcement agency in reference to an investigation involving attempted wire fraud. In March 2021, a local investment management firm was the target of a cyber-attack on their system network. The perpetrators created a spoof email message from a forged sender address which appeared to be legitimate.

An invoice for services rendered was attached to the email message with the logo and contact details of a vendor in Canada that the local investment management firm had conducted business with for several years. The perpetrators instructed that USD \$400,000.00 be remitted by electronic fund payment to a bank account purportedly held in the name of the vendor at a financial institution in the United States.

Prior to the electronic fund payment being executed, the local investment management firm did identify that a fraudulent email address was used and as such, the funds were not remitted.

The local investment management firm deemed the email electronic fund payment instruction in the amount of USD \$400,000.00 to be a legitimate request from a known vendor. The electronic fund payment routing however, raised further suspicion in that the funds were to be remitted to a new bank account in the United States, so that the transaction would appear legitimate once it was credited into the bank's financial system. Confirmation in verification as to the exact bank account and funds controlled by the perpetrators remained outstanding.

An international request for information (ORI) was sent via the ESW (Egmont Secure Web) in confirmation if the perpetrators were known to the overseas FIU. In the response received from the overseas FIU, it was confirmed that the perpetrators had opened up a bank account with the US financial institution two months prior to sending the fraudulent email electronic fund payment instruction to the local investment management firm. As the perpetrators were not successful in obtaining the funds from the local investment management firm, they instructed for the bank account to be closed. This intelligence was passed on to the local enforcement agency for further action.

Red Flag Indicators

- Wire Fraud
- Business Email Compromise
- False Documents
- Misrepresentation
- Foreigners

FIA ACTIVITIES 2019-2020

Employee Education/Training

Below is a list of the various training courses attended by the FIA staff via virtual learning.

1. The FIA staff continues to participate in webinars and conduct online courses utilizing ACAMS, ICA, ACFE, ACFCS, ECOFEL and FIU Connect to enhance their development.
2. FIA technical staff participated in a 24hr virtual summit hosted by ACAMS. The Summit consisted of 24+ hour summit facilitating strategic discussions and actionable solutions by renowned public and private sector Anti-Financial Crime experts from around the globe.
3. An Anti-Money Laundering Conference hosted by Compliance Aid has been cancelled and all registered attendees are automatically registered for the 2021 conference.

Attendance at International Flora

Due to Covid-19, virtual discussions were held by CFATF and Egmont as it pertains to postponing plenaries scheduled for the year 2020. Subsequently all Plenaries and Meetings by the Egmont Group, FATF and CFATF have been canceled for the year. However, The Egmont Group did hold virtual meetings and webinars during the week of July 6th-9th with a focus on FinTech, Virtual Assets and Virtual Assets Service Providers.

National/Domestic Training & Meetings

Training and presentations given by the FIA to the Reporting Entities, Supervisors and Stakeholders tend to address KYC (Know Your Customer), Money laundering, terrorist financing, the use of the goAML online platform and risk management. Discussions are held about useful policies and procedures that can be introduced to assist the registrants' staff members in identifying and dealing with suspicious activity and transactions. We are pleased to see the positive results from this training as it has allowed for discussions that ultimately help trainees with the filing of useful SARs and provide the FIA with valuable feedback that can be used in subsequent presentations, training, and reports.

The FIA currently sits on all four NAMLC working groups (Operational, Supervisory, Legislative & Policy and Sanctions).

IMPLICATIONS OF COVID-19

The World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March, 2020, which covered all continents save for the Antarctica. Countries took action to curb the spread of this deadly virus by closing businesses, schools, implementing travel bans and shelter in place curfews to name a few. The resultant factors were that it had an immediate and dire impact on global economies.

Within our own global context, Bermuda was not immune to the virus. The Government of Bermuda took steps to introduce their strategies, policies and procedures which included the various stages of re-opening the island, its economy and beginning what is now termed the 'New Normal'. Through regular briefings and press releases, the relevant Government Ministries kept residents informed and prepared them for the adaptation to the new ways of doing business and practicing social/physical distancing.

FIA Bermuda recognized the important aspects of its operation and provided staff with guidance on how the organisation would proceed to continue to carry out its mandated obligations during these challenging and uncertain times. The Agency had the ability to allow staff to work remotely to meet requests from local and foreign Competent Authorities and FIUs respectively. FIA staff were resilient in performing their analytical functions and continue to demonstrate their initiatives in working through this new environment. The 'New Normal' has also had an impact on the Agency's annual budget (2020/2021). At the behest of the Bermuda Government, all government agencies/quangos reduced their current budgets by 10% to address COVID 19 expenses.

Virtual Meetings using online conference meeting platforms are now being held (local/foreign) in place of physical face-to face meetings. This medium has shown to be successful. They allow participants to be more focused on subject matters as each meeting held is time sensitive and will negate 'virtual fatigue'. The end product would be more timely decision making on important issues.

AMENDMENTS TO AML/ATF LEGISLATION AFFECTING FILINGS WITH THE FIA

On 1 November, 2020, The FIA was officially relieved of Supervisory function for the Designated Non-Financial Business and Professions (DNFBPs) and the Dealers in High Value Goods (DiHVGs) sector to the Office of the Registrar of Companies.

LIST OF ABBREVIATIONS

| | |
|------------------|---|
| AML/ATF | Anti-Money Laundering/Anti-Terrorist Financing |
| BMA | Bermuda Monetary Authority |
| BMD | Bermuda Dollar |
| BPS | Bermuda Police Service |
| CDD | Customer Due Diligence |
| CFATF | Caribbean Financial Action Task Force |
| CUSTOMS | H.M. Customs |
| DiHVG | Dealer in High Value Goods |
| DNFBP | Designated Non-Financial Business or Professional |
| EGMONT | The Egmont Group of Financial Intelligence Units |
| EFT | Electronic Funds Transfer |
| FATF | Financial Action Task Force |
| FI | Financial Institution |
| FIA | Financial Intelligence Agency |
| FIU | Financial Intelligence Unit |
| IRI | Incoming Requests for Information |
| KYC | Know Your Customer |
| MER | Mutual Evaluation Report |
| MLRO | Money Laundering Reporting Officer |
| MOU | Memorandum of Understanding |
| MSB | Money Service Businesses/Bureau |
| NAMLC | National Anti-Money Laundering Committee |
| NRA | 2017 Money Laundering National Risk Assessment |
| POCA | Proceeds of Crime Act 1997 |
| POCA Regs | Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 |
| RFI | Request for Information |
| SAR | Suspicious Activity Report |
| SEA | Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 |
| STR | Suspicious Transaction Report |
| UNODC | United Nations Office on Drugs and Crimes |
| UK | United Kingdom |
| USA | United States of America |
| USD | U.S.A. Dollar |
| UTR | Intelligence Report |

