

FINANCIAL INTELLIGENCE AGENCY BERMUDA



Annual Report 2021-2022

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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	The Customs Department
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 Business/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

Statement of the Chairman

As Chairman of the Board of Directors (the “Board”) of the Financial Intelligence Agency (FIA), I have great pleasure in presenting the 2021-2022 Annual Report for the Financial Intelligence Agency (FIA). Since 2010, the FIA team has prepared these reports to provide an account of its activities over the past year.

This being the fourteenth (14th) Annual report published by the FIA since its transition from a Law Enforcement Financial Investigative Unit of the Bermuda Police Service (the ‘FIU’) to an administrative Financial Intelligence Agency (the ‘FIA’). The FIA, which was established by the Financial Intelligence Agency Act 2007, is operationally independent and has the authority and capacity to carry out its functions freely, including the autonomous authority to analyse, request, and disseminate information in accordance with the provisions as set out in the FIA Act. The FIA Act became operable on 15 November, 2008, pursuant to the relevant Official Gazette Notices.

The FIA team has had a busy year along with the challenges that have arisen from the COVID pandemic. Throughout, the FIA team continues to enhance its working relationships with all partners both domestic and international and is committed to the task of combating money laundering, terrorist financing and proliferation financing in Bermuda and internationally.

The FIA team has been actively involved with various National Anti-Money Laundering Sub-Committees such as the Operational Working Group, the Policy and Legal Working Group, the Sanctions Working Group, and the Supervisory Working Group. These important Groups continue to work closely, discussing and implementing changes/matters related to the Key Findings emanating from the following report: Bermuda’s 2020 Mutual Evaluation Report. The FIA team has continued to play an integral part in this important endeavor.

The FIA Board remain steadfast and supportive of the FIA as the FIA team proactively combats financial crime, terrorist financing and proliferation financing alongside its domestic and global partners.

As the FIA team continues to make these strides, the FIA Board and the FIA team are committed to ensuring that their diligence continues to fortify the FIA’s operations tactically and strategically to prevent and identify the proliferation and use of proceeds of crime. The FIA Board also continue to look forward with a mission to equip the FIA team with necessary resources to address the challenges arising daily from the ever-changing landscape and to ensure a safe and secure place to conduct business in Bermuda.

Greg Wojciechowski

Chairman of the FIA Board of Directors

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 Constitutional Reform 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 four distinct functional areas, each having its own responsibilities. These sections are tasked with: 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:

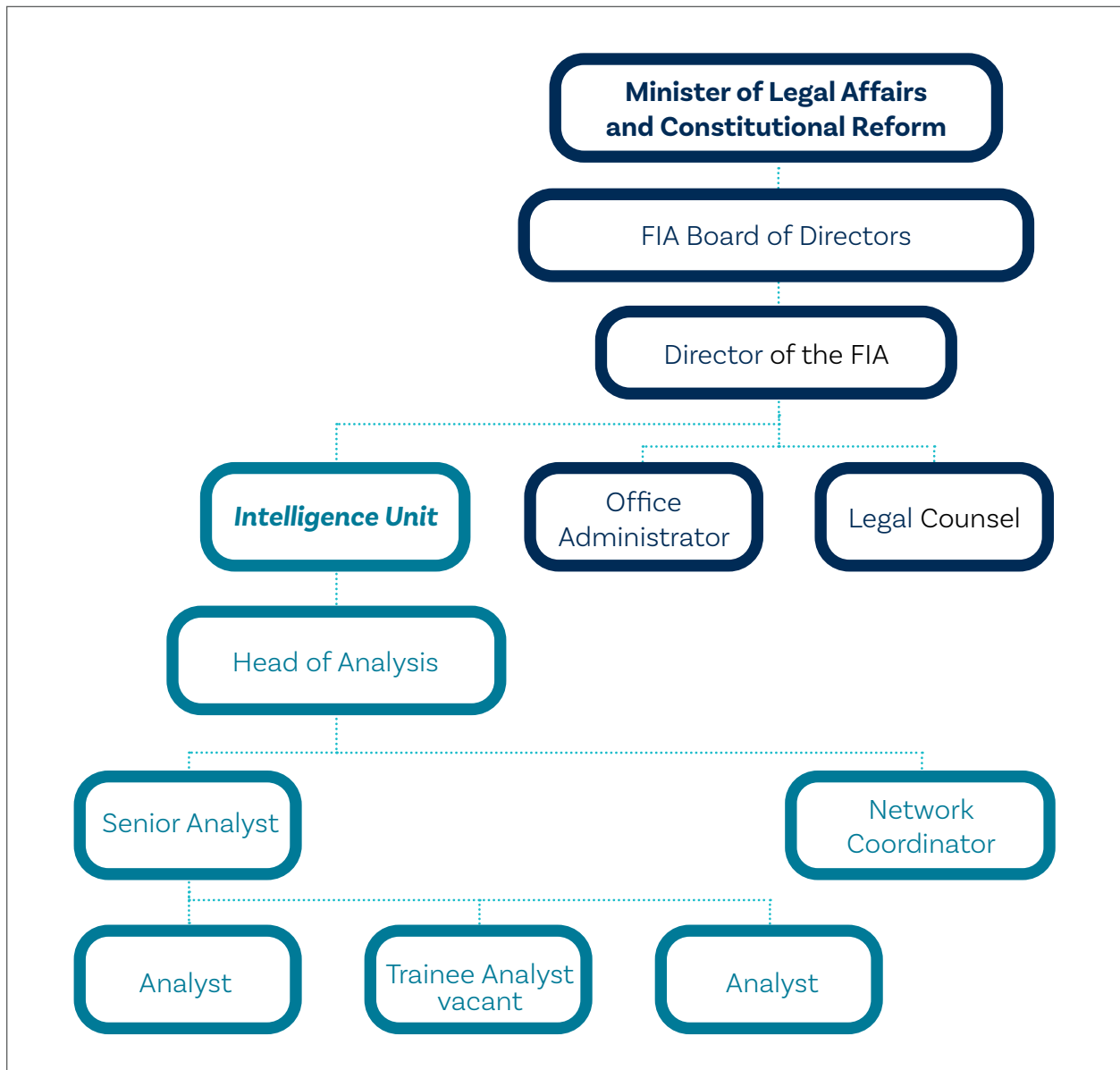
- 1. Receiving, gathering, storing, analysing and disseminating information** relating to suspected proceeds of criminal conduct, potential money laundering offences and potential terrorist financing offences;
- 2. Receiving, gathering, storing, analysing and disseminating information** relating to currency 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. 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.

The FIA Board of Directors

The Minister of Legal Affairs and Constitutional Reform 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 competent authorities and to foreign financial intelligence units.

The Legal Affairs section advises the FIA on all matters, 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 2021 – 31st March 2022

During the 2021-2022 Reporting Period, the FIA received a total of **519 SARs/STRs (153 SARs and 366 STRs)**. This number of filings is equivalent to a **11.85 %** increase in the number of SARs and STRs received during the 2020-2021 Reporting Period, which totaled **464 SARs/STRs**. The increase in reporting is specifically attributed to an increase in filings by the Long Term Insurer, Banking and Investment Service Provider sectors.

*Of note, the increase in the number of SARs and STRs filed by Investment Service Providers during the 2021-2022 Reporting Period 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.

SARs and STRs filed by Reporting Sector (2018 – 2022)

Reporting Sectors (2018-2022)	REPORTING PERIOD							
	Total Filings (2018-2019)		Total Filings (2019-2020)		Total Filings (2020-2021)		Total Filings (2021-2022)	
	SARs	STRs	SARs	STRs	SARs	STRs	SARs	STRs
Accounting Firms	0	0	0	0	0	0	1	0
Asset Recovery/Insolvency	0	0	0	0	0	0	0	0
Banks	47	225	26	129	35	131	37	206
Bermuda Government Departments	1	0	0	0	0	1	0	0
Credit Union	0	1	0	0	0	2	0	0
Corporate Service Providers	35	1	20	5	11	1	7	2
Dealer in Precious Metal & Stones	1	1	3	0	0	0	0	0
Digital Asset Businesses	-	-	1	0	2	0	16	0
Financial Lenders	0	0	1	0	0	0	0	0
Fund Administrators	6	5	13	3	5	0	7	1
High Value Dealers	0	0	0	0	0	0	0	0
Insurance Broker	0	0	1	0	0	0	0	0

Insurance Company	27	4	19	8	6	2	19	6
Insurance Manager	2	4	0	2	5	0	3	0
Investment Funds	-	-	-	-	0	1	0	0
Investment Service Providers	8	19	4	12	21	49	28	39
Law Firms	7	4	6	0	6	4	5	2
Local Regulators & Supervisors	5	3	4	3	7	0	4	0
Long Term Insurers	20	55	13	47	6	90	15	74
Money Service Bureaus (MSBs)	16	75	9	68	5	57	8	33
Real Estate Agencies	1	0	1	1	2	2	2	1
Registered Charity Organizations	2	0	0	0	0	0	0	0
Trust Companies	12	1	5	2	1	2	1	2

Of the **twenty-three (23)** Reporting Sectors that filed SARs and STRs from 2018-2021, 14 Reporting Sectors filed SARs and STRs during the 2021-2022 Reporting Period. Three important observations made when analyzing the filings noted in the table above are as follows:

- The following Reporting Sectors have not filed a SAR or STR since 2017:
 - High Value Dealers
 - Asset Recovery/Insolvency
- The following Reporting Sectors are reportedly low filers:
 - Accounting Firms
 - Bermuda Government Departments
 - The Credit Union
 - Dealers in Precious Metals and Stones
 - Financial Lenders
 - Insurance Brokers
 - Investment Funds
 - Real Estate Agencies
 - Registered Charity Organizations
 - Trust Companies
- Banks, Long-Term Insurers and Investment Service Providers were the most frequent SAR and STR filers during the 2021-2022 Reporting Period. Filings by MSBs decreased as there was only one licensed MSB at the time.

Quality of SARs & STRs Filed

The majority of SARs and STRs filed with the FIA during the 2021-2022 Reporting Period continued to be of a quality standard with the necessary SAR/STR narrative and supporting documentation being provided to assist with intelligence analysis conducted by the FIA analysts. Only 1 STR and 2 SARs were rejected as the incorrect report type was filed and an amendment to the SAR narrative was requested of the reporting entity.

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 and the use of our reporting database, GoAML.

Disposition of SARs and STRs during the 2021-2022 Reporting Period

All SARs and STRs filed with the FIA are collated and subject to an initial review. Then, they are either filed as intelligence or assigned to an FIA analyst, attached to a case for analysis and potentially disclosed to the FIA's local and overseas partner agencies.

During the 2021-2022 Reporting Period, the FIA made **179** response and spontaneous disclosures, **158** of which were local disclosures primarily to the Bermuda Police Service and Customs Department and **21** of which were overseas disclosures to foreign Financial Intelligence Units (FIUs). These disclosures consisted of information received by the FIA from **447** 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 analysts in an effort to provide useful intelligence and investigative leads to the FIA's local and foreign partners.

Gathering Powers

As it relates to the FIA using its gathering powers under Section 16 of the FIA Act, a total of **219** "Notice to Provide Information" requests letters were sent to **18** separate Reporting Entities via goAML during this Reporting Period. The ten (10) Reporting Sectors that received a Notice to Provide Information are as follows:

1. Banks
2. Bermuda Government Department
3. Corporate Service Providers
4. Credit Union
5. Fund Administrators
6. Insurance Company
7. Investment Service Providers
8. Local Regulator
9. Long-Term Insurer
10. Money Service Bureaus

Of note, the Notice to Provide Information Requests are only used when the FIA has escalated a SAR to a case, requiring further analysis.

Classifications/Suspected Predicate Offences

Upon receipt and approval of SARs and STRs, the FIA classifies the reports with a principal suspected predicate offence as goAML, at the moment, only allows for us to choose one option. As a result, classifications/suspected predicate offences along with Report Indicators selected by Reporting Entities provide the FIA analysts with a better understanding of the matter at hand, enhancing analysis and quickening dissemination to the relevant authority.

SAR and STR classifications that were selected during this Reporting Period included:

- Fraud (involving scams, elder financial abuse, fraudulent documents, identity theft)
- Corruption (involving local and overseas incidents)
- Market Abuse (involving Market Manipulation, Insider Trading)
- Money Laundering (involving Cash Exchanges)
- Sanctions-Related
- Tax Offences
- Narcotics
- Terrorist Financing

Report Indicators

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

Two Reporting Indicators of interest that were selected by various Reporting Sectors in some of the SARs and STRs filed during the 2021-2022 Reporting Period are featured below.

1. Beneficial Ownership

The Reporting Sectors that selected beneficial ownership as a red flag of suspect activity are shown below.

- Accounting Firm
- Banking
- Corporate Service Provider
- Insurance Manager
- Investment Service Provider
- Law Firm
- Local Regulatory Agency
- Long-Term Insurer
- Real Estate

2. Source of Wealth/Source of Funds

The Reporting Sectors that selected questionable or no source of wealth or source of funds are shown below.

- Banking
- Money Service Bureau
- Investment Service Provider
- Real Estate Sector
- Corporate Service Provider
- Digital Asset Business
- Insurance Company

*The filing received by the Insurance Company also involved suspected terrorist financing. A withdrawal request triggered a review of the policyholder's file. Further Source of Wealth information was requested, and screening and an open-source search was performed. The screening and open-source search resulted in a hit on the policyholder's company, which is linked to terror and listed as a Special Interest Entity (SIE) - Financial Crime in another jurisdiction.

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 2021-2022 Reporting Period, a total of **81** consent requests were reported to the FIA, totaling **BMD 97,676,439.04**. A breakdown of the total number of requests and the total amounts per reporting sector is shown below.

Reporting Sector	Number of Requests	Total Amount
Banks	8	\$6,153,072.02
Insurance Companies	1	\$42,000.00
Investment Service Providers	19	\$57,678,690.27
Law Firms	1	No monetary value
Long Term Insurers	51	\$33,793,176.75
Trust Companies	1	\$9,500.00
TOTAL	81	\$97,676,439.04

Filing of Cash Transaction Reports (CTR)

Following the 2016 and 2018 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), A DiHVG who intends to accept such cash payments must register with the Supervisor of this sector, the Office of the Registrar of Companies, 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 **3** CTRs were filed during this Reporting Period.

Interaction with Local Stakeholders

Spontaneous Intelligence Reports (UTRs)

During the Reporting Period, a total of **118** spontaneous intelligence reports were received from Bermuda Customs Department and Bermuda Police Service, sharing intelligence related to the following topics:

- Cash Declaration
- Cash Exchanges
- Usual Cash Payment
- Cash Seizure
- Narcotics seizure
- Declaration of Art Work
- Declaration of Monetary Instruments
- Declaration of High Value Goods
- Declaration of Gold Bar/Coins
- Travel Movements
- Vessel Movements
- Adverse Media
- Non-Declaration of a Monetary Instrument e.g. cheque,
- Suspect Travel Activity e.g., false identity cards, money courier

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

Local Incoming and Outgoing Requests for Information

During the 2021-2022 Reporting Period, requests for information were received from and sent to local law enforcement and local regulatory agencies in order to assist with local and overseas cases/investigations. There was a total of **69 Incoming Requests for Information (IRI)** to the FIA that were escalated to create **57** 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 **8 Outgoing Requests for Information (ORI)** to local law enforcement that were escalated to create **8** FIA cases. The classifications/suspected predicate offences linked to the ORIs were as follows:

- Fraud
- Corruption
- Money Laundering
- Narcotics
- Money Laundering/Cash Exchanges

Response Disclosures

A total of **41** response disclosures, containing **71** SARs and STRs, were made to Customs Department and the Bermuda Police Service in response to Requests for Information. **Four (4)** of the 41 response disclosures were addendum disclosures as further intelligence was provided about **three (3)** cases that had already been disclosed during this and previous Reporting Periods.

Spontaneous Disclosures

A total of **111** spontaneous disclosures, containing **336** SARs and STRs, were made to Customs Department, the Ministry of Legal Affairs, Bermuda Monetary Authority, Bermuda Casino and Gaming Commission, and the Bermuda Police Service in response to Requests for Information. **Eleven (11)** of the 111 spontaneous disclosures were addendum disclosures as further intelligence was provided about **ten (10)** cases that had already been disclosed during this and previous Reporting Periods.

Interaction with Foreign 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 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 as containing classified information. Of the **69** Incoming Request for Information (IRIs) received during the 2021-2022 Reporting Period, **15** Incoming Requests for Information (IRIs) were received from **twelve (12)** foreign FIUs. The countries associated with the 12 foreign FIUs are as follows:

1. Bahamas
2. Canada
3. El Salvador
4. Grenada
5. Italy
6. Kazakhstan
7. Luxembourg
8. Romania
9. Syria
10. United Kingdom
11. United Arab Emirates
12. USA

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

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

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 **64** ORIs made by the FIA during the 2021-2022 Reporting Period, **56** of the ORIs were made to **28** foreign FIUs associated with the following countries:

- | | |
|---------------------------|------------------------------|
| 1. Bahamas | 15. Liechtenstein |
| 2. Belgium | 16. Macao |
| 3. Brazil | 17. Mexico |
| 4. British Virgin Islands | 18. Monaco |
| 5. Canada | 19. Panama |
| 6. Cayman Islands | 20. Poland |
| 7. Costa Rica | 21. Russia |
| 8. Cyprus | 22. Singapore |
| 9. Grenada | 23. St. Kitts & Nevis |
| 10. Hong Kong | 24. Thailand |
| 11. India | 25. Turkey |
| 12. Indonesia | 26. United Arab Emirates |
| 13. Italy | 27. United Kingdom |
| 14. Jamaica | 28. United States of America |

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

- Fraud
- Corruption
- Tax Offences
- Money Laundering
- Sexual Exploitation
- Narcotics
- Sanctions

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 2021-2022 Reporting Period, a total of nine (**9**) Spontaneous (Intelligence) Disclosures, containing **31** SARs and STRs were sent to eight (**8**) FIUs in the following countries:

- | | |
|---------------------------------|-------------------|
| 1. USA | 5. Seychelles |
| 2. St. Vincent & the Grenadines | 6. Singapore |
| 3. Cayman Islands | 7. United Kingdom |
| 4. Hong Kong | 8. India |

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

- Money Laundering
- Fraud

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 2021-2022 Reporting Period, **fourteen (14)** spontaneous intelligence disclosures were received from foreign FIUs.

Response Disclosures to FIUs

During the 2021-2022 Reporting Period, **eleven (11)** Response Disclosures were made to the **nine (9)** FIUs listed below in response to Incoming Requests for Information from these FIUs received during this and previous Reporting Periods.

- | | |
|---------------|-----------------------------|
| 1. Canada | 6. Romania |
| 2. Grenada | 7. Syria |
| 3. Kazakhstan | 8. United Kingdom |
| 4. Luxembourg | 9. United States of America |
| 5. Peru | |

TYOLOGIES & CASE STUDIES

Patterns and trends that were identified during the 2021-2022 Reporting Period are shown below.

Identified Patterns & Trends

1. Foreign Currency Cash Exchanges: Banks

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

- Prior to this cash deposit and exchange, the account maintained a low value balance with no large cash activity noted
- Cash exchanges were conducted at multiple bank branches, sometimes on the same day
- The cash deposits are unusual and suspicious due to multiple large deposits and cash exchanges conducted either on the same day or within a day or two

- The client stated that she resides in the UK; however, a high volume of cash deposits and withdrawals are made in Bermuda.
- The client deposited enough funds to cover FCPT and CCY Shipment fees and would leave a small balance in his account following the cash exchange.
- After terminating the sole account of the customer for suspect activity, the customer then used a joint account to continue the exchanges.
- There was a sudden use of joint accounts and newly opened accounts to conduct cash exchanges.
- The customer used the bank where salary is not deposited to conduct suspect cash exchanges.
- The money smelled of mold and was dirty.
- Cash deposits were conducted under the reporting threshold of BMD \$10,000.00 to avoid filling out a Source of Funds (SoF) Declaration form and providing verification of source of funds.
- Some of the Subjects are on Government Financial Assistance.
- Some of the Subjects were not aware of their travel destination when conducting the cash exchanges.
- Some of the cash exchanges were conducted on the accounts of elderly persons.

Actions taken by local banks in response to the aforementioned suspect activity is shown below.

- ▶ Client relationships have been recommended for exit and exited.
- ▶ Ongoing and/or enhanced monitoring has been put in place.
- ▶ Banks have reiterated within SAR and STR narratives that previous filings have been submitted to the FIA on the Subjects.

***Although USD currency exchanges continue to be the most reported foreign currency, CAD and GBP cash exchanges were also identified.**

2. Fraud

Subcategories of suspected fraud that were identified by the Banking, Corporate Service Provider, Insurance Company, Digital Asset Business, Insurance Manager Investment Service Provider, Law Firm, Long-Term Insurance, Fund Administrator, Insurance Company, Money Service Business and Real Estate sectors during this Reporting Period are shown below.

- Advanced Fee Fraud/Lottery
- Business email compromise scams
- Elder financial abuse fraud
- Employee fraud
- Identity fraud
- Identity theft
- Imposter scams
- Investment schemes
- Pshising scams
- Smishing attacks
- Document Fraud

3. Cybercrimes: Cryptocurrency

Some of the red flags of the suspect activity noted in SAR narratives filed by Digital Asset Businesses are as follows:

- The client had direct and indirect exposure to addresses that are associated with a mixing service, sanctioned websites, the darknet market, gambling sites, fraud shops and high risk Exchanges
- The client appeared to have illicitly obtained access to the reporting entity's user accounts to drain them through a series of manufactured trades. The API keys to control individual accounts were compromised.
- The client refused to provide information and documentation regarding source of funds for cryptocurrency trading. Client application was refused.
- The client was conducting deposits and withdrawals without any trades and there was no economic purpose for this activity. The rapid movement of funds via the exchange could indicate an attempt to obfuscate the flow of funds by commingling them with exchange assets so they cannot be traced on the public blockchain.

4. Money Laundering via the Money Service Businesses (MSBs)

Countries to which cancelled and successful MSB transactions were made to and from Bermuda during this Reporting Period are shown below.

- Aruba
- Barbados
- Benin
- Brazil
- Bulgaria
- China
- Colombia
- Dominican Republic
- Germany
- Jamaica
- Kenya
- Nigeria
- Pakistan
- Trinidad & Tobago
- Turkey
- Turks & Caicos
- United Kingdom
- USA

5. Declined/Refused Business/Terminated Business due to Suspect Activity

In addition to SAR/STR filings about suspect activity and transactions identified upon conducting compliance reviews, the FIA also receives filings about the suspect activity associated with declined, refused and terminated business. Reasons for declining, refusing and terminating business may include lack of KYC/CDD documentation, inadequate supporting documentation, agitated phone calls, adverse media etc. The rationale for these filings is to share this intelligence with local law enforcement, local regulatory authorities and the relevant sectors in an attempt to highlight, prevent and detect bad actors from successfully conducting money laundering, terrorist financing and related predicate offences within Bermuda's financial economy.

Below are some incidents of declined, refused and/or terminated business that were filed during the Reporting Quarter.

Classification: Money Laundering

Reporting Sector: Local Regulator

- The business application was declined due to concerns about the source of funds, adverse media and a potential criminal investigation.

Classification: Money Laundering

Reporting Sector: Fund Administrator

- The clients opened a new bank account without notifying or adding the fund administrator as a co-signatory. Several abnormal cash transactions were then observed from the new bank accounts for which the clients refused to provide supporting documents and rationale for the transactions.

Classification: Fraud

Reporting Sector: Insurance Company

- The underwriter requested and obtained a background investigation report from an independent third party regarding the insured and subject. Due to negative information contained in the report, which included an indictment for fraud for the proposed insured, the insurance company was suspicious of the source of funds that would be used to purchase this life insurance policy.

Classification: Corruption

Reporting Sector: Long Term Insurer

- During the underwriting process for the proposed new policy, it was discovered that the client was charged with corruption and participation in a criminal organization and sentenced to 21 years in prison.

Classification: Tax Evasion

Reporting Sector: Bank

- The rationale for bank's corporate client to remit funds to Africa from the trust account in Bermuda was because the corporate client's client was anxious about the funds going via a Canadian bank account. This activity is reportable under Common Reporting Standard (CRS) to him, as a resident of Canada". It is suspected that, the corporate client's client may be trying to evade paying taxes.

CASE STUDY

Consequences of AML Non-Compliance

Failure to comply with AML laws and regulations can have serious consequences; punitive fines, criminal proceedings, damaged reputations and sanctioning. For an insight into the anatomy of an AML failure and why many firms are incurring fines, please refer to this weblink and case study below: <https://blogs.lexisnexis.com/financial-crime-in-focus/aml-fines/>

Case Study 1: Violation of AML Controls by Overseas Investment Firm with Established Links to Bermuda

A Suspicious Transaction Report (STR) was filed by a local financial institution regarding the suspected activity associated with money laundering, involving a client who has entered into a local real estate rental agreement with a foreign national, Subject 1. The local financial institution disclosed that they filed the STR, as their client has an ongoing relationship with Subject 1, who has been charged with violating AML controls in operating an overseas investment firm, of which she is the underlying beneficial owner and controlling party.

Open Source Intelligence Pool

An open source intelligence pool conducted on Subject 1, identified her as being a central figure in an ongoing overseas investigation, related to an overseas investment firm, incorporated in a high risk jurisdiction, known for shell companies. Subject 1 has been charged with conspiracy in operating an unregistered investment trading platform, which failed to implement AML controls and procedures, in line with the regulatory requirements of the jurisdiction in which it was operating in. Further, it has been alleged, that Subject 1 facilitated transactions in known darknet markets, by accepting fraudulent KYC documentation from traders with known associations to criminal organizations. Whilst Subject 1 has pleaded not guilty to the charges brought against her, she has been released on \$15M bond and is permitted to travel to several jurisdictions, one being Bermuda.

Red Flags/Indicators Noted Within SAR Filed

- ▶ Adverse Media
- ▶ Money Laundering
- ▶ Misrepresentation
- ▶ Use of Trusts
- ▶ Foreigners
- ▶ Wires
- ▶ Real Estate

Conclusion

The following Red Flags of money laundering were noted in the STR filed by the local financial institution:

- It is plausible that Subject 1, has been using real estate transactions such as rental payments and a security deposit, to launder funds that she has amassed illegally, in order to provide an apparently legitimate income to cover unlawful activities.
- As the source of wealth disclosed by Subject 1 derives from a high risk jurisdiction, confirmation of the source of funding for the frequent real estate related payments into the local financial system, will provide assurance about the legality of the funds for the transactions involved.

Risk & Compliance Checks

A search conducted on a Risk & Compliance tool, yielded a positive hit on Subject 1, as being active on several Watchlists, namely Special Interest Person and Financial Crime, Other Official Lists.

Nexus to Bermuda/FIA Database Checks

Checks of the FIA Database identified that the suspect activity of the overseas investment firm Subject 1 is the underlying beneficial owner of, was the subject of six (6) Suspicious Transaction Reports (STRS) involving money laundering, filed by two (2) local financial institutions, a local law firm and a local corporate service provider. Further, four (4) Unusual Transaction Reports (UTRs) were filed on the travel movements of Subject 1 and her associates.

Subject 1 had intended to invest in a big real estate project in Bermuda through several locally incorporated entities. Adverse media that was identified during the uptake of such a large transaction and questions in the verification of the source of funding, ultimately stalled the completion of the real estate deal.

Action Taken

After conducting intelligence analysis on the six (6) STRs and four (4) UTRs filed, Spontaneous Disclosures were disseminated to local law enforcement agencies and to five (5) overseas intelligence units with suspected links to Subject 1 and affiliated entities.

Spontaneous Disclosures including the further suspect activity of Subject 1, as reported in the STR filed by the local financial institution, were made to local law enforcement agencies and to the overseas intelligence unit conducting the ongoing investigation.

FIA Registrations - goAML

Within this Reporting Period, the FIA received **56** new registered entities into goAML, allowing the entities to file SARs/STRs. The **17** Reporting Sectors that represent these new registrants are:

1. Banking
2. Consultancy Firm
3. Corporate Service Provider
4. Digital Asset Business
5. Financial Lender
6. Foreign Exchange Dealer
7. Fund Administrator
8. Government Department
9. Insurance Broker
10. Insurance Company
11. Investment Funds
12. Investment Service Provider
13. Law Firm
14. Long Term Insurer
15. Local Regulator
16. Reinsurance
17. Supervisory Body

FIA ACTIVITIES 2021-2022

Highlights 2021 - 2022

During this reporting period there have been some highlights that warrant mentioning.

- The FIA have published its updated SAR Guidance notes
- The FIA are approved Chair of the CFATF Heads of FIU Forum for 2022
- The FIA Director was a reviewer for the St. Kitts & Nevis Mutual Evaluation Report
- The FIA Legal Counsel was invited to be the Legal Assessor for a follow up report for Trinidad & Tobago
- The FIA have published two Typologies on their website related to Suspected Market Abuse and Elder Financial Abuse Fraud
- The FIA have also participated with other British Overseas Territories to discuss the Russian Sanctions with the UK FIU.

Employee Education/Training

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

1. The FIA staff continue to participate in webinars and conduct online courses utilizing Association of Certified Ant-Money Laundering Specialist (ACAMS), International Compliance Association (ICA), Association of Certified Fraud Examiners (ACFE), Association of Certified Financial Crime Specialist (ACFCS), Egmont Group Centre of Excellence and Leadership (ECOFEL) and FIU Connect and other virtual platforms to enhance their development.

2. The Analysts at the FIA have completed their Financial Intelligence Specialists (FIS) certification, which involves an exam at the end of every course using FIU Connect. This was a twelve (12) module course relative to many topics that the analysts address every day.
3. During this 2021-2022 period, the FIA also participated in virtual webinars and training relative to Sanctions, Cryptocurrency, Proliferation Financing, Money laundering, and Terrorist Financing. Many of these training sessions were hosted and conducted by many of the named associations above.
4. Other virtual conferences attended by FIA staff this period are below :-
 - The Caribbean Conference on Corruption, Compliance and Cybercrime,
 - The Basel Institute Global Conference on Criminal Finances and Cryptocurrencies,
 - Financial Action Task Force (FATF) Counter Proliferation Financing Course
 - Caribbean Financial Action Task Force (CFATF) / United Nations Office on Drugs and Crime (UNODC) – Beneficial Ownership and Virtual Assets

Attendance at International Flora

Due to Covid-19, all Plenaries and meetings scheduled for CFATF and Egmont continued to be held virtually during this 2021-2022 reporting period.

National/Domestic Training & Meetings

1. In collaboration with the Superintendent of Real Estate, the FIA conducted an outreach session to over 100 brokers and agents to enhance their understanding of SAR/STR reporting, identify red flags, patterns, and trends, and when action is to be taken. This outreach session also addressed the quality of SARS provided thus far and their value, including a reminder to file anything they deem suspicious. This outreach session was received with positive feedback.
2. In collaboration with the Registrar of Companies, the FIA conducted an outreach session to the regulated entities that fall under the Dealers in High-Value Goods and Precious Metal and Stones sector. This outreach/training was delivered to enhance their understanding of SAR/STR reporting, identify red flags, patterns, and trends, and when action is to be taken. This outreach session also addressed the quality of SARS provided thus far and their value, including a reminder to file anything they deem suspicious.
3. In collaboration with the AML/CFT Board, the FIA conducted an outreach session to the regulated entities that fall under this sector. This outreach/training was delivered to enhance their understanding of SAR/STR reporting, identify red flags, patterns, and trends, and when action is to be taken. This outreach session also addressed the quality of SARS provided thus far and their value, including a reminder to file anything they deem suspicious. Emphasis was made to remind them of the importance of filing on matters relative to declined business.

4. The FIA provided training and outreach to individual entities (FIs/DNFBPs) as and when requested. Outreach and Training in 2021 were delivered to the following sectors, Money Service Business, Bermuda Casino Gaming Commission, the Judiciary, Real Estate, Accountants and Lawyers.

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

As Covid 19 continues to impact Bermuda, the FIA were able to adapt and, in 2021-2022 reporting period, were unaffected. We followed our internal policies and procedures and worked remotely or staggered when needed, but operations never stopped.



