

FINANCIAL INTELLIGENCE AGENCY BERMUDA



Annual Report 2022-2023

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Design and pre-press production: Department of Communications - November 2023

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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

Director's Message

I am honored and pleased to present the Financial Intelligence Agency (FIA) 2022–2023 Annual Report.

This past year has been a very sad one for the FIA team. We lost a good friend and monumental stature of a man, Sinclair White, the former Director of the FIA. His charisma, determination and stewardship have been invaluable as he had made it his mission to develop the FIA from its infancy to a competent FIU able to work reliably alongside our partners both locally and overseas. The FIA continue to strive for this aim of building upon what Sinclair White had begun to continue his legacy. At this time, we would like to officially thank our local and overseas partners and counterparts for their numerous condolences and kind words.



This reporting period had been marked by some positive outcomes as we, the FIA Team, worked tirelessly with our local competent authorities and overseas counterparts to combat the proliferation of financial crime globally and to protect Bermuda's financial system. The FIA team have also been making advances to address some of the identified threats as they escalate within Bermuda and internationally. One of these advances is the FIA's purchase of a Blockchain analysis tool to assist the team in dealing with the complexity of virtual assets and cryptocurrency transactions.

It would be remiss of me to not applaud the dedicated efforts of the local reporting entities that continued to file reports amidst the health guidelines and regulations in place due to Covid-19. Due to their diligence, the FIA can report the receipt of a total of 969 SARs/STRs, which is an 86% increase in report filings from the previous reporting period, primarily due to filings by the Digital Assets Business sector. Other reporting sectors which notably increased their reporting included the Banks and Long-Term Insurers.

As it relates to disseminations made by the FIA, a total of 197 disclosures were made to both local and foreign authorities. Of this total, 88% of these disclosures were sent to local competent authorities i.e., law enforcement agencies. Moreover, 86% of the 197 disclosures were spontaneous disclosures prepared from reports received and analysis conducted by the FIA Team. Overall, a total of six hundred and twenty-two (622) reports were utilized in the total disclosures shared to both local competent authorities and foreign FIU's. As a reminder, the use of every SAR, STR and UTR (intelligence report) within disclosures is not specific to a quarter; reports are used within disclosures as more lines of inquiry are made through the receipt of further supporting information/intelligence and the identification of patterns and trends.

To maintain our contact with our international counterparts, FIA Bermuda continue to participate in Heads of FIU meetings and other working groups at both the Egmont and CFATF Plenaries. In 2022, the FIA chaired two Heads of FIU meetings within CFATF, one virtual and the second being in person. We recognize the importance and value of these esteemed organizations and other international bodies and seek to build on these relationships to collaborate in the fight against money laundering, terrorist financing and other predicate offences.

Despite all the challenges presented this year, we are grateful to have prevailed. Both the FIA Board and FIA Team continue to persevere in our goal to effectively ensure that Bermuda is a safe and secure place to do business.

In conclusion, I wish to extend my thanks to the FIA Team for the commitment and unwavering tenacity. My sincere gratitude is also extended to the Minister of Legal Affairs and Constitutional Reform and the Attorney General, The Hon Kathy I. Simmons JP., for the support she has provided throughout this reporting period. Finally, I would like to thank the Chairman and FIA Board of Directors for their dedication and support in managing the affairs and business of the FIA.

A handwritten signature in black ink, appearing to read 'Calton Hollis', written over a white background.

Calton Hollis

A/Director – Financial Intelligence Agency Bermuda

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: 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:

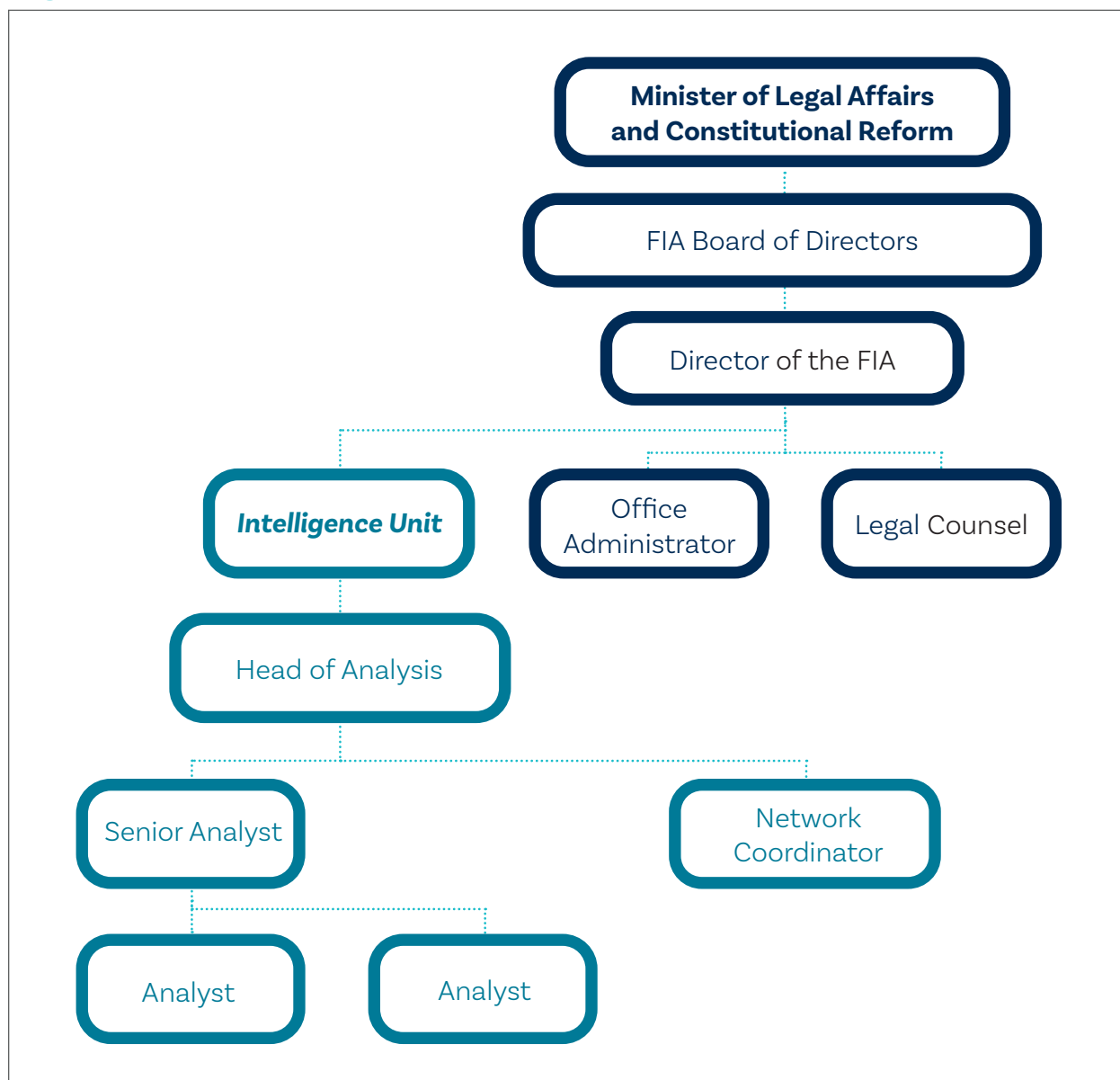
- 1. Receiving, gathering, storing, analysing and disseminating information** relating to suspected proceeds of criminal conduct, potential money laundering offences and potential terrorist financing offences;
- 2. Receiving, gathering, storing, analysing and disseminating information** relating to currency 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 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 2022 – 31st March 2023

During the 2022-2023 Reporting Period, the FIA received a total of **969 SARs/STRs (514 SARs and 455 STRs)**. This number of filings is equivalent to a **86.70%** increase in the number of SARs and STRs received during the 2022-2023 Reporting Period, which totaled **519 SARs/STRs**. The increase in reporting is specifically attributed to an increase in filings by the Digital Asset Business sectors.

SARs & STRs filed by Reporting Sectors (2019 – 2023)

Reporting Sectors (2019-2023)	REPORTING PERIOD							
	Total Filings (2019-2020)		Total Filings (2020-2021)		Total Filings (2021-2022)		Total Filings (2022-2023)	
	SARs	STRs	SARs	STRs	SARs	STRs	SARs	STRs
Accounting Firms	0	0	0	0	1	0	0	0
Asset Recovery/Insolvency	0	0	0	0	0	0	0	0
Banks	26	129	35	131	37	206	49	214
Bermuda Government Departments	0	0	0	1	0	0	0	0
Credit Union	0	0	0	2	0	0	0	0
Corporate Service Providers	20	5	11	1	7	2	5	0
Consultancy Firm	-	-	-	-	-	-	-	1
Dealer in Precious Metal & Stones	3	0	0	0	0	0	2	1
Digital Asset Businesses	1	0	2	0	16	0	390	0
Financial Lenders	1	0	0	0	0	0	0	0
Fund Administrators	13	3	5	0	7	1	2	1
High Value Dealers	0	0	0	0	0	0	0	0
Insurance Broker	1	0	0	0	0	0	1	0
Insurance Company	19	8	6	2	19	6	0	0
Insurance Manager	0	2	5	0	3	0	3	1
Investment Funds	-	-	0	1	0	0	1	0

Investment Service Providers	4	12	21	49	28	39	15	40
Law Firms	6	0	6	4	5	2	1	4
Local Regulators & Supervisors	4	3	7	0	4	0	3	0
Long Term Insurers	13	47	6	90	15	74	23	155
Money Service Bureaus (MSBs)	9	68	5	57	8	33	17	38
Real Estate Agencies	1	1	2	2	2	1	1	0
Registered Charity Organizations	0	0	0	0	0	0	0	0
Trust Companies	5	2	1	2	1	2	1	0

Of the **twenty-three (23)** Reporting Sectors that filed SARs and STRs from 2019-2023, 15 Reporting Sectors filed SARs and STRs during the 2022-2023 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 2019
 - High Value Dealers
 - Asset Recovery/Insolvency
 - Registered Charities Organizations
- The following Reporting Sectors are reportedly low filers:
 - Accounting Firms
 - Bermuda Government Departments
 - Credit Union
 - Dealers in Precious Metals and Stones
 - Financial Lenders
 - High Value Dealers
 - Insurance Brokers
 - Investment Funds
 - Real Estate Agencies
 - Trust Companies
- Banks, Long-Term Insurers and Digital Asset Businesses were the most frequent SAR and STR filers during the 2022-2023 Reporting Period. Filings by MSBs continued to decrease 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 2022-2023 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. Nineteen reports were rejected as filed under the incorrect report type and one report was rejected due to missing supporting documentation. All were corrected and resubmitted.

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 & STRs during the 2022-2023 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 2022-2023 Reporting Period, the FIA made **197** response and spontaneous disclosures, **175** 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 **622** SARs and STRs filed; 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 147 "Notice to Provide Information" requests letters were sent to 14 Reporting Entities via goAML during this Reporting Period. The six (6) Reporting Sectors that received a Notice to Provide Information are as follows:

1. Banks
2. Corporate Service Provider
3. Credit Union
4. Local Government Department
5. Money Service Business
6. Trust

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:

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

Reporting Indicators of interest that were selected by various Reporting Sectors in some of the SARs and STRs filed during the 2022-2023 Reporting Period are featured below.

• Human Trafficking

This indicator was selected as it was the suspect financial activity was highlighted by a local bank and supported by a Reporting Individual. This activity is specific to Bermuda.

• Sexual Exploitation

This indicator was selected as a site that there was exposure by the client of a digital asset business to a site that is associated with child abuse material.

• Declined/refused business (due to suspected criminal activity or incomplete CDD)

This indicator was selected by the following Reporting Sectors:

- Banking
- Digital Asset Business
- Insurance Company
- Insurance Manager
- Law Firm
- Long Term Insurer
- Money Service Bureau
- Precious Metal Dealer

• Terrorist Financing

There were two (2) SARs filed by Digital Asset Businesses (DABs) that involved suspected terrorist financing. Details of these reports are as follows:

1. The DAB identified exposure to a suspicious address attributed to TF. The customer's suspect historical pattern of activities includes a deposit from an address linked to Hamas Crypto Donations.
2. The customer is suspected of being named by the Turkish National Police for being a member of a terrorist organization. As a result, the account has been disabled with a balance of \$1,100.00 USD and the customer has been processed for offboarding.

NB: none of the above reports related to Terrorist Financing had relations to Bermuda.

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 proceeds. During the 2022-2023 Reporting Period, a total of **52** consent requests were reported to the FIA, totaling **BMD \$40,881,335.22**. A breakdown of the total number of requests and the total amounts per reporting sector is shown overpage.

Reporting Sector	Number of Requests	Total Amount
Banks	1	\$0.00
Insurance Companies	20	\$7,129,169.00
Investment Service Providers	13	\$3,431,686.00
Law Firms	3	\$4,388,200.00
Long Term Insurers	6	\$25,346,657.14
Digital Asset Businesses	9	\$585,623.08
TOTAL	52	\$40,881,335.22

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 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 **84** spontaneous intelligence reports were received from Bermuda Customs Department and Bermuda Police Service, sharing intelligence related to the following topics:

- Cash Declaration
- Cash Seizure
- Insider Trading
- Intelligence
- Money Laundering
- Money Laundering/Cash Exchanges
- Narcotics

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 2022-2023 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 **54 Incoming Requests for Information (IRI)** to the FIA that were escalated to create **49** FIA cases. The classifications/suspected predicate offences linked to the IRIs were as follows:

- Corruption
- Fraud
- Money Laundering
- Narcotics
- Sanctions List

Likewise, there was a total of **20 Outgoing Requests for Information (ORI)** to local law enforcement that were escalated to create **20** FIA cases. The classifications/suspected predicate offences linked to the ORIs were as follows:

- Fraud
- Money Laundering
- Narcotics
- Tax Offences

Response Disclosures

A total of **23** response disclosures, containing **24** SARs and STRs, were made to Customs Department, the Bermuda Monetary Authority and the Bermuda Police Service in response to Requests for Information. **Three (3)** 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 **150** spontaneous disclosures, containing **524** SARs and STRs, were made to Customs Department, and the Bermuda Police Service in response to Requests for Information received from overseas and local stakeholders. **One (1)** of the 150 spontaneous disclosures were addendum disclosures as further intelligence was provided about **one (1)** case that had already been disclosed during this Reporting Period.

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 44 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. The FIA expect for the local MOUs to increase as discussions are being held with other Government Agencies.

Incoming Requests for Information (IRIs)

In keeping with Egmont FIU agreements, the FIA considers all IRIs from foreign FIUs as containing classified information. Of the **54** Incoming Request for Information (IRIs) received during the 2022-2023 Reporting Period, **21** Incoming Requests for Information (IRIs) were received from **fifteen (15)** foreign FIUs. The countries associated with the **15** foreign FIUs are as follows:

- | | |
|------------------|-----------------------|
| 1. Bangladesh | 9. Mexico |
| 2. Guernsey | 10. Montenegro |
| 3. Guyana | 11. Paraguay |
| 4. Hungary | 12. Russia |
| 5. Jamaica | 13. Venezuela |
| 6. Japan | 14. Trinidad & Tobago |
| 7. Liechtenstein | 15. Ukraine |
| 8. Malta | |

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

- | | |
|--------------------|---|
| • Corruption | • Narcotics |
| • Fraud | • Sanctions (not predicate just a classification) |
| • Money Laundering | • Terrorist Financing |

Outgoing Requests for Information (ORIs)

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 **20** ORIs made by the FIA during the 2022-2023 Reporting Period, **19** of the ORIs were made to **14** foreign FIUs associated with the following countries:

- | | |
|---------------------------|------------------------------|
| 1. Bahamas | 8. Panama |
| 2. British Virgin Islands | 9. Singapore |
| 3. Cayman Islands | 10. Switzerland |
| 4. Colombia | 11. St. Kitts & Nevis |
| 5. Finland | 12. United Arab Emirates |
| 6. Gibraltar | 13. United Kingdom |
| 7. Mexico | 14. United States of America |

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

- Fraud
- Tax Offences
- Money Laundering
- Narcotics

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 2022-2023 Reporting Period, a total of **eleven (11)** Spontaneous (Intelligence) Disclosures, containing **66** SARs and STRs were sent to **nine (9)** FIUs in the following countries:

1. USA
2. Guernsey
3. Canada
4. Barbados
5. Jamaica
6. India
7. Singapore
8. Turks & Caicos
9. United Kingdom

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

- Money Laundering
- Fraud
- 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 2022-2023 Reporting Period, **eleven (11)** spontaneous intelligence disclosures were received from the following foreign FIUs.

1. Australia
2. Belgium
3. British Virgin Island
4. Cayman Islands
5. Gibraltar
6. Guernsey
7. Isle of Mann
8. Luxembourg
9. Malta
10. Syria
11. Ukraine

Response Disclosures to FIUs

During the 2022-2023 Reporting Period, **nine (9)** Response Disclosures were made to the **thirteen (13)** FIUs listed below in response to Incoming Requests for Information from these FIUs received during this and previous Reporting Periods.

1. Belgium
2. El Salvador
3. Grenada
4. Italy
5. Liechtenstein
6. Mexico
7. Ukraine
8. United Arab Emirates
9. Venezuela
10. Costa Rica
11. Turkey
12. Lebanon
13. Canada

TYOLOGIES & CASE STUDIES

Patterns and trends that were identified during the 2022-2023 Reporting Period are shown below.

Identified Patterns & Trends

1. Fraud via Banks

Suspected elder abuse and wire fraud have continued to be an AML/ATF concern reported within STRs filed by banks. Some of the red flags noted are shown below.

▶ Wire Fraud

- The Subjects fell victim to an online shopping scam via Instagram.
- Subject received a fictitious email from local bank and provided remote access to the suspect.
- The Subject's personal internet banking was compromised.
- Subject received a fictitious email from Interpol Police and payment was made to the instructed account. (Trusted source scam)
- Subject made a payment to release an item stuck in US customs from a shipping company as advised by an email received.

▶ Elder Financial Abuse Fraud

- Senior citizen was conducting cash exchanges with funds from an unknown source
- Subject may be part of a scam which uses a fraudulent money order from the "US Treasury gateway" (linked to Ethiopia) and may have been targeted due to his advance age.
- Subject explained that the joint party was added to her bank account in readiness for the Subject's death and now, the Subject is concerned that the balance on his account was lower than he expected.

2. Corruption/Bribery via Multiple Reporting Sectors

Some of the suspected corruptive activity that was identified in adverse media and then prompted the filing of SARs/STRs by several Reporting Sectors (e.g. Insurance Broker, Investment Service Provider, Digital Asset Business, Insurance Company and Long-Term Insurer) are as follows:

- The subject is involved in the illegal procurement of contracts.
- The subject is allegedly involved in a contracting scheme,
- The Customer has shares held in state owned entity that was designated by OFAC.
- A former board chairman and an executive director were arrested in connection with a bribery scheme.
- The customer was charged with offering an advantage to a public servant.
- The subject is on a watchlist regarding bribery and corruption in South America.
- The customer remains a subject in ongoing prosecution involving a complex network of shell companies and off book transactions and offshore bank accounts that paid millions in bribes to government officials in South America.
- The policyholder was one of other persons who paid a bribe to a political group via the use of his European exchange house.
- The policyowner was arrested in 2021 for corruption and alleged purchase of tear gas related to a South American government.

***Of note, none of this suspect activity took place in Bermuda.**

3. Money Laundering via the Money Service Businesses (MSBs): Popular Destinations

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

- | | |
|----------------------|---------------------|
| • Cote D'Ivoire | • Nigeria |
| • Dominican Republic | • Pakistan |
| • Ghana | • Philippines |
| • Iraq | • Senegal |
| • Jamaica | • Trinidad & Tobago |
| • Liberia | • Turkey |
| • Nicaragua | • USA |

4. Money Laundering via Precious Metal Dealers

Characteristics of filings by Precious Metal Dealers are as follows:

- All three (3) reports were filed by the same reporting entity.
- All three subjects had a criminal history of theft or burglary.
- The subjects were selling and/or attempted to sell gold coins and gold jewelry.
- Google searches identified the adverse media linked to the local subjects.
- The Bermuda Police Service was notified about the activity.

CASE STUDIES

Case Study #1

According to Verafin, funnel accounts are “Illegal accounts that funnel “dirty” money made from crimes, such as human trafficking, human smuggling, and drug trafficking, are on the rise. These accounts are called funnel accounts (also known as interstate funnel accounts), a method used to launder money that exploits branch networks of financial institutions.” (Refer to this webpage for more details: <https://verafin.com/resource/12-red-flags-for-funnel-accounts-used-to-launder-money/>) The case study below provides details of a suspected money laundering identified by a local investment service provider.

An Investment Service Provider (ISP) identified that its customer has shown suspicious transaction activity while failing to use his trading account for its intended purpose, which is spot forex trading. The customer deposited USD 150,000.00 into his trading account between November 2021 and June 2022 using cryptocurrency, and withdrew a total of USD 120,000.00 from the account during this time. Part of these funds were transferred to banks in South America, and part was transferred to a US based broker. Due to the account potentially being used as a funnel for the purpose of converting and transmitting cryptocurrency to banks in South America, the ISP suspects that the client may have used his trading account to deposit proceeds of crime.

The suspect activity was brought to the attention of the Financial Crime Compliance team in June 2022 as a result of an AML alert which was not found to present a concern. However, upon further review of the customer’s trading account, it was noted that the account was never used for trading but only to make transactions to and from the account. The pattern observed is that the customer has been depositing via cryptocurrency in amounts of approximately 9,000 - 10,000 USD, and then has been withdrawing the funds a few days later. Most recently, in May 2022, he withdrew 75,000 USD to an account of a US broker.

The customer’s reason for his activity was that he was engaged in multiple calls with the ISP with regards to the ISP’s promotion based on funding - 250 USD bonus for every 10,000 deposited. Upon review of transactions, he was only credited with this bonus one time on May 6, 2022. The customer then deposited a total of 80,000 USD into his trading account within the next two weeks.

Open-source information checks identified that the customer may be involved in a civil matter involving the liquidation of his assets.

CONCLUSION

There has been significant movement of funds from the customer's cryptocurrency wallets through the ISP to banks in South America, as well as a large transfer to a US broker, without any evidence that his trading account was used for its intended purpose. As such, the customer could have been using his ISP account as a funnel for the purpose of converting and transmitting cryptocurrency to banks in South America. The promise of sales bonuses by the ISP does not seem to justify the significant amount deposited and withdrawn from his account within a short space of time. The ISP would now like to seek consent to return the funds held with the ISP, totaling USD 18,000.00 to a South American bank account in the name of the customer.

ACTION

The customer's account has been restricted from transacting and trading, and will be terminated, blacklisted and banned from further dealings with the ISP.

Report Indicators

- Consent Request
- Cryptocurrency/Bitcoin
- Electronic Transfers
- High Risk Country
- Inadequate/Evasive Explanation
- Inconsistent Account Activity
- Investment-Related

FIA Checks

Checks of the FIA database identified that the Subject was not known therein.

Action Taken by the FIA

Spontaneous disclosures were made to the South American FIU. We await an update to see if the Subject and/or his funds are of interest.

Spontaneous disclosures were also made to local law enforcement agencies.

Case Study #2

“The Pandora Papers is a leak of almost 12 million documents that reveals hidden wealth, tax avoidance and, in some cases, money laundering by some of the world’s rich and powerful” according to BBC. (Refer to this webpage for more details: <https://www.bbc.com/news/world-58780561>). The STR below details an Request received from an overseas FIU that involves the Pandora Papers.

An Incoming Request for Information (IRI) was filed by an overseas Financial Intelligence Unit (FIU) about a Subject listed in the Pandora Papers. Pandora Papers is a leak of nearly 12 million documents revealing hidden wealth, tax offences and, in some cases, money laundering by some of the world’s richest and most powerful people. The use of offshore companies is particularly controversial in the case of political figures because these companies often allow political figures to hide unfavorable activities such as corruption.

Therefore, the aim of this request from the FIU was to determine if the Subject, who is a business owner, has involvement in money laundering, specifically, the diversion of resources of illicit origin. The overseas FIU had identified that there were outgoing wires to an offshore company’s bank account held in Bermuda possibly in the name of the Subject and/or the Subject’s business. Information requested by the overseas FIU is as follows:

1. Any STRs, CTRs, or any other relevant information within Bermuda FIU’s database that may be relevant.
2. Any information related to bank accounts in any bank in Bermuda, specifically the owners of the offshore company’s accounts as well as all of the relevant transactions. Please provide any information available that references the accounts and identifies the offshore company’s accountholders, signatories and beneficiaries, as well as the account balance to date.
3. Commercial information such as identifiers, business area and company status regarding the Subjects.
4. Any financial transactions, contracts, bank accounts or wire transfers made from/to Central America, where the listed Subjects might be involved.
5. Any information related to real estate owned by the legal and natural persons listed above and the date of purchase/sale of real estate, as well as the approximate acquisition price.
6. Information of any direct investigation or analysis made by FIA-Bermuda, or related with any other investigation as a third party that involves the Subjects. If yes, please provide a short explanation of the case and the actual status.
7. Any criminal or judicial records or police information

FIA Checks

FIA Section 16 Notices were sent to all four local banks and an Outgoing Request for Information was sent to local law enforcement

Checks conducted by the four local banks resulted in one bank identifying multiple incoming wire transfers from the Subject to the bank account of a locally regulated company.

Checks conducted by local law enforcement identified that the Subject and the entities were not known to their databases.

A check of the FIA database identified that the Subject and entities were not known therein.

Action Taken by the FIA

A response disclosure was sent by FIA-Bermuda to the overseas FIU in anticipation that this response will assist with the investigation of the involved Subject and the entities.

FIA Registrations – goAML

Within this Reporting Period, the FIA received **59** new registered entities into GoAML, allowing the entities to file SARs/STRs. The **13** Reporting Sectors that represent these new registrants are shown below.

1. Accounting Firm
2. Consultancy Firm
3. Corporate Service Provider
4. Digital Asset Business
5. Insurance Broker
6. Insurance Company
7. Insurance Manager
8. Investment Funds
9. Investment Service Provider
10. Law Firm
11. Reinsurance
12. Securities Dealer
13. Regulator/Supervisor

FIA ACTIVITIES 2022-2023

Highlights 2022 – 2023

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

- The FIA Chaired two CFATF Heads of FIU Forums, one virtual in May 2022 and the second forum was in person in November 2022.
- The FIA Legal Counsel is working with CFATF as a Legal Assessor for St. Vincent & the Grenadines Mutual Evaluation Report.
- The FIA participated in a forum hosted by the UK HM Treasury regarding Countering Financing of Terrorism
- The FIA had a meeting with FinCEN to discuss the Russian Sanctions and Cryptocurrency

- The FIA have acquired a Blockchain analysis tool to assist in our analysis and assist in preparing strategic reports to identify risks specific to Bermuda.
- The FIA are also participating in two projects alongside domestic and foreign partners relating to 1. Decriminalisation, Legislation or a Hybrid Decriminalisation Approach of Cannabis on AML/CFT and 2. Elder Abuse

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 Anti-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. During this 2022-2023 reporting 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.
3. This reporting period the FIA also attended in person workshops/courses below:
 - A two-day course hosted by the BPS on “Open-Source Investigation Training” (OSINT) – this was a virtual course.
 - In person, two-day training session on investigations pertinent to Casinos. This was hosted by the Bermuda Gaming Commission.
 - In Person two-day training sessions hosted by the Royal United Service Institute (RUSI) on Proliferation Financing and Sanctions Implementation

Attendance at International Flora

Due to Covid-19, all Plenaries and meetings scheduled for CFATF and Egmont continued to be held virtually in the beginning of 2022. In person Plenaries resumed with CFATF in November 2022 and with Egmont in January 2023.

National/Domestic Training & Meetings

The FIA have had meetings with a Digital Asset Businesses to discuss their SAR filings to the FIA. The purpose of the meeting was to ensure that the information being provided and construct of the SAR was of value and formatted in a manner for the FIA to review. They are currently working on XML reporting capabilities.

The FIA had meetings with Department of Financial Assistance and Department of Corrections to discuss how the departments can share information and draft an MOU with the FIA. These matters are being further discussed between involved parties.

The FIA continue to provide training and outreach to individual entities (FIs/DNFBPs) as and when requested. Outreach and Training in 2022 were delivered to the following sectors:

- Digital Asset Business
- Department of Financial Assistance
- The Auditor General
- Insurance Manager



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) which meet quarterly.

IMPLICATIONS OF COVID-19

In July 2022, all FIA staff had returned to the office and as needed are allowed to work remotely. The FIA have also commenced a few face-to-face meetings with small groups. With lessened restrictions the FIA still maintain some of our covid protocols.



