

FINANCIAL INTELLIGENCE AGENCY BERMUDA



2010-2011

ANNUAL REPORT





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November 2012


Senator the Hon. Kim Wilson, JP
Attorney-General & Minister of Justice
Attorney General's Chambers
4th Floor, Global House
43 Church Street
Hamilton HM 12

Dear Minister,

It is with pleasure to submit the Annual Report reviewing the work of the Financial Intelligence Agency for the 1 April, 2010 to 31 March, 2011.

The Annual Report is submitted pursuant to Section 12 of the Financial Intelligence Agency Act, 2007.

Sincerely,



Sinclair White
Director

FINANCIAL INTELLIGENCE AGENCY

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Director's Report 2010–2011

It is my pleasure to present the Financial Intelligence Agency's (FIA) Annual Report for 2010–2011. Throughout the year, the FIA underwent many changes, yet the staff members of the FIA continued to convey impressive results. It is on their behalf that I highlight our achievements and preview upcoming events and opportunities.

The FIA Board saw two resignations and the appointment of two new Directors during the reporting period. The Board continues to be actively engaged with the FIA team to ensure that its administrative and resourcing requirements are appropriately and efficiently addressed so that it can continue with its statutory functions in an efficient and effective manner. The board continues to support the FIA staff members in their endeavor. Overall, there were four Board meetings during the reporting period. The FIA is appreciative of the Board's unselfish and invaluable advice, counsel and direction that it has given throughout the year.

Nationally, FIA Bermuda signed MOUs with the Bermuda Police Service and H.M. Customs. As a result, the FIA now has liaison officers from the two respective Government departments to assist in its analytical functions. This further allows for a seamless exchange of information in accordance with the FIA's role in addressing Money Laundering and Terrorist Financing and the proceeds of criminal conduct.

The FIA continues to receive excellent support from the Ministry of Justice and the Ministry team and would like to take this opportunity to acknowledge their hard work and commitment in the fight against money laundering and terrorist financing. The FIA is thankful for the continued assistance that the Minister of Justice has demonstrated to the Board of Directors and the FIA during the reporting year.

The FIA continues to work very closely with the United Nations Office on Drugs and Crime Information Technology Sections (UNODC ITS). This report will articulate that goAML has been upgraded to afford the FIA the ability to make better use of the information contained therein and to be shared with our reporting entities and partners. This will allow the analysts to add more value to the FIA's analytical products.

“FIA Bermuda continues to lend its support to the Training Working Group and the Legal Working Group.”

During 2010–2011, meetings were held with the Ministry of Justice, NAMLC and our various partners to discuss and address mutual concerns. The FIA continues to host and be involved in meetings with NAMLC, the BMA, The BPS, H.M. Customs and the Bermuda Banker’s Association. This also included our foreign Egmont FIUs and the reporting entities with respect to the sharing of information and money laundering trends.

Internationally, The Egmont Group, in its 2010 annual report, recognized FIA Bermuda for its commitment and work within the Egmont organization. FIA Bermuda continues to lend its support to the Training Working Group and the Legal Working Group. In furtherance to our work within the Egmont Group, FIA Bermuda provided a trainer to assist the World Bank in the delivery of a tactical analysis course in Dakar, Senegal. The Egmont Group, in conjunction with the World Bank, is conducting a study on the Power of FIUs to Postpone a Suspicious Transaction. FIA Bermuda is a member of the Project Team that is conducting the study as the Egmont Group representative. It is anticipated that the results of this study will be published in the second half of 2012.

FIA Bermuda was also involved and assisted with the compilation of the joint ATF/CFATF Report on the corporate service providers project, which was subsequently approved and published by the FATF. FIA Bermuda was also appointed as a member of the Working Group on Reflection and Improvement in CFATF. FIA Bermuda is also involved with the CFATF heads of FIU and sits on the accreditation and training committee for FIUs addressing financial investigations and analytical training.

As we reflect on the FIA’s great accomplishments and successes in 2010, the FIA cannot but recognize the concerted efforts of its local and global (partners) communities in the fight against money laundering and terrorist financing. Through regular training, frequent exchange of information and scheduled technological advancements, the FIA strives to continue making valuable contributions in the fight to protect the integrity of Bermuda’s economy and financial framework.



Sinclair White
Director

LIST OF ABBREVIATIONS

ABBREVIATION	DESCRIPTION
AML/ATF REGIME	Anti-Money Laundering/Anti-Terrorist Financing Regime
ACAMS	Association of Certified Anti-Money Laundering Specialists
BAR ACT	Bermuda Bar Act 1974
BMA	Bermuda Monetary Authority
BMD	Bermuda Dollar
BPS	Bermuda Police Service
CAMS	Certified Anti-Money Laundering Specialist
CFATF	Caribbean Financial Action Task Force
CSP	Corporate Service Provider
CUSTOMS	H.M. Customs
DNFBPs	Designated Non-Financial Businesses and Professions
EGMONT	The Egmont Group of Financial Intelligence Units
ECFIAT	Eastern Caribbean Financial Investigations Advisory Team
EFT	Electronic Funds Transfer
FATF	Financial Action Task Force
FIA	Financial Intelligence Agency
FIU	Financial Intelligence Unit
ICAB ACT	Institute of Chartered Accountants of Bermuda Act 1973
IMF	International Monetary Fund
IRI	Incoming Requests for Information
ISACA	Information Systems Audit and Control Association
KYC	Know Your Customer
MER	Mutual Evaluation Report
MOU	Memorandum of Understanding
MSB	Money Service Businesses/Bureau
NAMLC	National Anti-Money Laundering Committee
POCA	Proceeds of Crime Act 1997
RFI	Request for Information
RNFBPs	Regulated Non-Financial Businesses and Professions
SAR	Suspicious Activity Report
SEA	Proceeds of Crime Regulations (Supervision & Enforcement) Act 2008
TATC	Tactical Analyst Training Course
TCSP	Trust and Company Service Providers
UNODC	United Nations Office on Drugs and Crimes
USA	United States of America
USD	U.S.A. Dollar

LEGISLATIVE AMENDMENTS

FIA to Oversee Certain Classes of DNFBPs for AML/ATF Compliance

The **Proceeds of Crime Regulations (Supervision and Enforcement) Amendment Act 2010** (Amendment Act) came into operation on 25 August 2010. The ultimate aim of this Amendment Act is to allow Bermuda to achieve greater compliance with the FATF 40+9 Recommendations, particularly in relation to Designated Non-Financial Businesses and Professions (DNFBPs).

The legislation affected by this Amendment Act includes:

- the Proceeds of Crime Regulations (Supervision and Enforcement) Act 2008 (SEA);
- the Bermuda Bar Act 1974 (Bar Act);
- the Institute of Chartered Accountants of Bermuda Act 1973 (ICAB Act); and
- the Financial Intelligence Act 2007.

It should be noted that the title of SEA was also amended to reflect the fact that the provisions address the requirements of the entire statutory AML/ATF regime in Bermuda and not merely the requirements set out in the 2008 Regulations. The newly amended title is **Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008** (the SEA 2010).

Key Changes Under the Act

FIA

The SEA 2010 expands the role of the FIA, establishing it as an AML/ATF ‘supervisory authority’ for a new class of entities, which are required to register with the FIA. This new class of entities is known as ‘Regulated Non-Financial Businesses and Professions’ (RNFBP) and will be those entities that will not be supervised by either the BMA or a designated professional body.

By Order of the Minister of Justice, Schedule 2 of the SEA 2010 will list the persons or entities to be supervised by the FIA. Furthermore, at the time of registration and on an ongoing basis, the FIA will also be required to apply fit and proper requirements to the directors, controllers, senior executives and reporting officers of those RNFBPs that Schedule 2 indicates are subject to the fit and proper requirements. It is expected that such requirements will only be imposed on persons/entities that act as financial intermediaries to assist their clients in the management of their financial affairs.

There are currently no persons or entities included in Schedule 2 and it is expected that Orders will be tabled by the Minister to bring specified RNFBPs under the supervision of the FIA.

Pursuant to Section 5 of the SEA 2010, the supervisory duties of the FIA will include the effective monitoring of RNFBPs to ensure compliance with the requirements of the AML/ATF legislation, the issuing of guidance on AML/ATF legislation, and the provision of an annual report of its activities to the Minister.

Once entities are included in Schedule 2, the FIA will be a competent authority under the SEA 2010 and as such will have the same investigative and enforcement powers in relation to RNFBPs as the BMA has in relation to AML/ATF regulated financial institutions. The significant difference in the respective powers of the FIA and BMA relates to the maximum value of civil penalties that can be issued by each competent authority. However, the other difference under the SEA 2010 is that the FIA also has the power to issue directives to the persons and entities to be supervised by it in respect of any breach of the AML/ATF Regulations as well as for failure to satisfy the fit and proper requirements where they are applicable. This latter power enables the FIA to have greater capabilities under the SEA 2010, similar to those already available to the BMA under the Regulatory Acts.

Once a determination is made by the Minister as to which classes of DNFBPs will be specified as RNFBPs under Schedule 2, the FIA will be in a position to address, with the relevant industry sectors, the operational matters related to the development of an effective supervisory regime. Furthermore, once the Orders by the Minister are made in relation to the Schedule 2 list of persons and entities, the appropriate sectors will then be brought into scope under the AML/ATF requirements.

Barristers and Accountants AML/ATF Board

This new Board is established under the Bar and ICAB Acts to supervise a new class of entities, known as 'regulated professional firms', for compliance with the AML/ATF regulations and laws. Regulated Professional Firms will be comprised of accountants, who are members of ICAB, and also lawyers. Once the Board is established, it will be designated by the Minister, pursuant to Section 4 of the SEA 2010, as a supervisory authority with the functions as set out in Section 5 and the powers and responsibilities as set out in a new Part 4A of the SEA 2010. Under Part 4A, designated professional bodies are given the same range of powers as other supervisory authorities except these powers are appropriately modified to take into account that the designated professional bodies are self regulating organisations.

The successful passage of the Amendment Act is another positive step forward in the strengthening of Bermuda's AML/ATF Supervisory regime.



*Left: Presenting a gift to the Director of Serbia FIU.
Inset: Signing an MOU with the Director of Serbia FIU.*



REVIEW OF FATF RECOMMENDATIONS

The inter-governmental body responsible for the global standards for combating money laundering and terrorist financing known as the Financial Action Task Force (FATF) has been reviewing its requirements as set out in the FATF Forty Recommendations and the Nine Special Recommendations on Terrorist Financing (FATF 40+9). Bermuda's anti-money laundering and anti-terrorist financing (AML/ATF) legislation gives effect to these international standards.

The FATF Consultation

In October 2010, the FATF concluded the first year of its two-year review of the standards, and issued its consultation paper, *The Review of Standards — Preparation for the 4th Round of Mutual Evaluations* (www.fatf-gafi.org). The purpose of this paper was to outline the proposed changes to the FATF 40+9 standards and request public comment on the proposals. The proposals, once adopted, will become part of the globally accepted AML/ATF standards. This consultation exercise gave industry an important opportunity to provide input into matters that can significantly impact its operations.

It should be highlighted that the FATF review of these global standards is significant for Bermuda because the FATF's positions and decisions will continue to strongly influence the AML/ATF regime in Bermuda. Further, it is important to note that the anticipated review of the FIA's compliance with the global AML/ATF standards, which Bermuda is expected to undergo in 2012/13, will be based on the updated FATF requirements and methodology.

The FATF Proposed Changes

In preparation for the 4th Round of Mutual Evaluations, the FATF is reviewing the standards, interpretative notes, guidance notes, and the methodology, with a focus on countries' effective implementation of the AML/CFT requirements. The proposed changes aim to find the balance between maintaining stability within the FATF framework, whilst addressing new and emerging threats as well as the obvious deficiencies and challenges within the existing framework.

The FATF proposals being considered that will affect the FIA relate to the following:

Rec. 26:

The current standard relating to FIUs (Recommendation 26 and its interpretative note) did not adequately describe the role and functions that an FIU should have. Accordingly, discussions have centred on updating the Recommendation and interpretative note to clarify the current standard. It is expected that the proposed changes will take account of the standards of the Egmont Group of FIUs and focus therefore on the core functions of such units.

Rec. 40:

FATF has been reviewing the exchange of information between competent authorities, and in particular, how Recommendation 40 can be revised in order to ensure more effective cooperation between competent authorities. This work has included clarifying the general principles applicable to all cooperation between competent authorities in general, and reviewing the specific modalities for cooperation with their counterparts by FIUs, law enforcement authorities, and supervisors.

The FIA, through its active involvement with the Egmont Group along with its membership in the National Anti-Money Laundering Committee, has been able to keep abreast of and contribute to the discussions that have taken place at FATF concerning the proposed changes to the standard.

It is presently expected that the complete package of proposed changes will be presented for approval by the FATF Plenary in October 2011.

INFORMATION TECHNOLOGY

goAML Major Software Update

The FIA Bermuda's database and analysis software, goAML, experienced a major upgrade in January 2011. Some of the new and improved features include the following:



Journals: Now, whenever a selected person or case or any of the details of a selected person or case appear anywhere in the goAML application, their associated Journal will also be shown with all the entries that were made previously.

Multi-layouts for Windows per user: Users can now save multiple layouts for each goAML report. This includes sorting, grouping and filtering constraints.

Business Processes: There is a new Business Process hierarchy; Operations and Projects were added. An Operation is a group of Cases, while a Project is a collection of Operations.

Matching: Attributes such as name or date of birth can be defined as criteria for matching. After defining the match criteria, matches can be scheduled to run daily, weekly, monthly or yearly as required.

New Management Menu Items were Added

Templates: Templates are available now for every kind of object in goAML.

Message Board: This new module provides a means of two-way communication between a Financial Intelligence Unit (FIU) and an Institution outside an FIU.

New Diagramming Features: This feature provides support for all data elements stored in goAML

goAML Dissemination Service: goAML Dissemination is a custom-built service that disseminates cases from goAML based upon custom defined work-flow rules.

These new features will improve the analytical capabilities of the FIA and enable the FIA to more effectively carry out its mandated responsibilities.

SAR ANALYSIS – TRENDS

1 April 2010 – 31 March 2011 – The Reporting Period

This report represents the second full year of reporting for the FIA. During the 2010–2011 Reporting Period, the FIA received 249 SARs which can be broken down as follows:

STATISTICS	TOTAL	PERCENTAGE
Banks (includes a Credit Union)	138	55%
Investment Providers	13	5%
Money Service Businesses (MSB)	87	35%
Corporate Service Providers (CSP)	1	1%
Trust Companies	2	1%
Long Term Insurers	8	3%

SAR reporting figures show a significant drop from the previous reporting year, as the FIA received 249 SARs in 2010–2011 compared to 565 SARs in 2009–2010.

Reviewing the SAR submission numbers shows that one sector had the greatest impact on the SAR filing drop. This was the Money Service Business (MSB) sector, which had a reporting drop from 359 SARs to 87 SARs. Whilst the FIA is not in a position to collect information surrounding the circumstances that lead to a decline in a reporting entity's SAR filing, it is aware of the closure of one of Bermuda's two MSBs in 2010.

The FIA, which became operational in 2008, does not have years of historical SAR filings to compare the 2009–2010 and 2010–2011 Reporting Periods. Excluding the MSB sector, the two Reporting Periods otherwise have relatively close numbers of SARs being reported, with Banks reporting 170 SARs in 2009–2010 and 138 SARs in 2010–2011.

Major Trends in SAR Reporting (1 April 2010 to 31 March 2011)

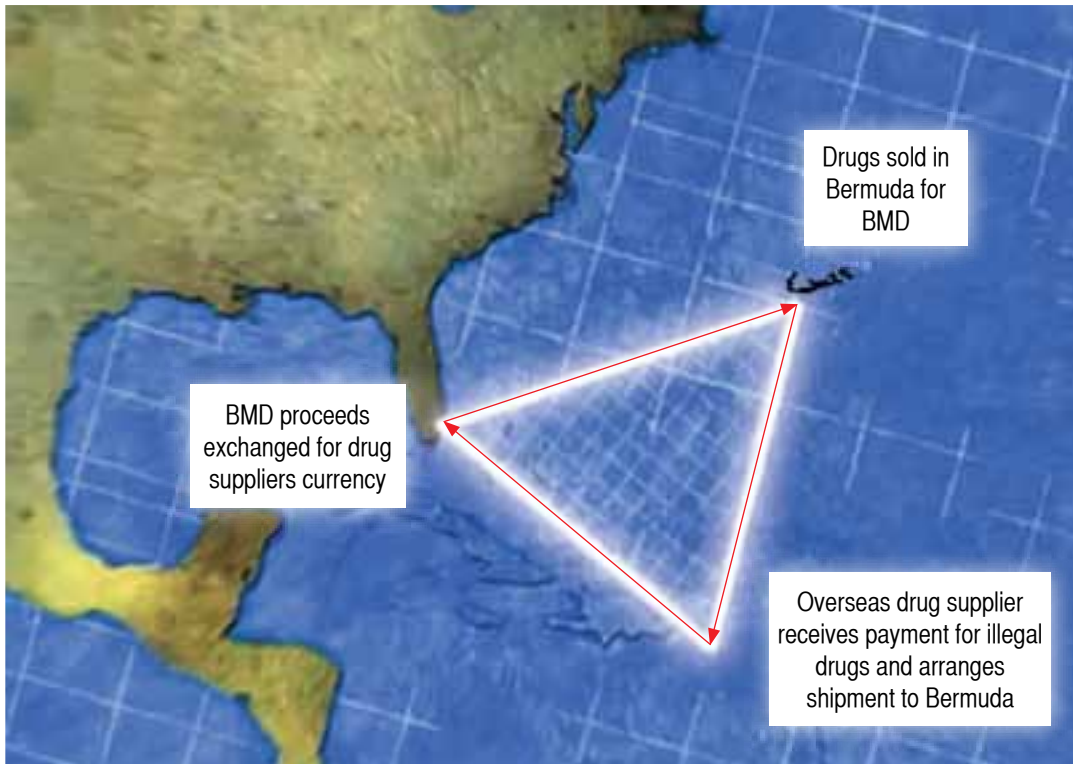
The SAR reporting trend of Bermuda dollars being exchanged for foreign currency continued into this Reporting Period. This trend involved transactions worth **BMD\$2,188,149.10** being reported to the FIA as suspicious. This practice represents the largest single trend of transactions seen by the FIA.

Whilst this trend most often involves conversion into US dollars, the FIA also received five SARs concerning conversions into GBP (pounds sterling) and Euros (which represent a combined total of BMD\$21,500) and one SAR involving an exchange for Canadian dollars (BMD\$3,000 in total).

The Bermudian dollar is the official currency of Bermuda and further to the Bermudian Dollar Parity Order 1981, a rate of exchange parity was established between the US dollar and the Bermudian dollar. Bermuda is a small country with a population of about 65,000, and there is no foreign market for Bermuda Dollars (BMD). There is a nominal exchange rate, usually about 1.0043, and Bermuda has a currency purchase tax of 1%. The MSBs and banks also charge for the wiring of monies overseas and the indirect exchange to a foreign currency. As a result, the exchange of currency is not without cost.

As stated in the FIA's 2009–2010 report, neither firearms/ammunition nor illicit drugs are manufactured in Bermuda on a sufficient scale to supply the local demand. The majority of these illicit items are therefore imported into Bermuda. Accordingly, the Bermudian importer must use the foreign currency of choice (often USD) to purchase the illegal goods. The exchange of Bermuda dollars for a foreign currency is absolutely essential to the trade in illicit drugs and firearms/ammunition. This process creates an exchange triangle of purchasing illegal goods with foreign currency (almost always USD), selling the illegal goods for BMD in Bermuda, and exchanging the BMD proceeds for the foreign currency to purchase more product. Refer to the illustration of the Bermuda Drug Triangle below.

THE BERMUDA DRUG TRIANGLE



The FIA analyzed the SARs filed during the Reporting Period and calculated that 78.7% of all SARs received represent foreign currency exchange, compared to 84.7% of the SARs received during the previous Reporting Period.

According to the data available to the FIA, the conversion process of Bermuda dollars to a foreign currency is most often accomplished in one of two ways:

- i) the direct exchange through a bank or MSB or
- ii) the wiring of monies overseas via an MSB.

As US currency is accepted at all local retail outlets, the FIA is also aware of traditional means of currency exchanges through sectors of the economy that have direct contact with overseas tourists. These traditional means are through gas stations, persons directly employed in the tourism industry and retail outlets, although we have no actual data information on this practice.

I) Direct Cash Exchanges

A further analysis of the SARs filed in the Bank and Credit Union sector has shown that 78.7% of SARs submitted during the Reporting Period represent the direct exchange of BMD cash for USD cash.

Practically speaking, in Bermuda, cash exchanges can only take place at banks if the person has an account with the bank. In order to effect this transaction with cash the person must deposit the cash into an account and then withdraw it as a foreign currency.

The FIA received 111 SARs during the period involving direct exchange of BMD for a foreign currency (almost exclusively USD). The total amount involved in the cash exchange was BMD\$1,891,723.06 in 461 transactions, for an average of BMD\$4,103.52 per transaction. Of this total; BMD\$1,878,138.00 occurred at banks (reported in 109 SARs) and BMD\$13,585.00 occurred at MSBs (reported in 2 SARs).

Some indicators of money laundering in these transactions are as follows:

- A subject's use of dormant accounts
- Cash exchange with no indication of foreign travel
- Exchange activity inconsistent with the client's regular business
- Frequent use of ATMs to deposit BMD and withdraw USD cash
- Client presents the bank teller with the exact amount needed for the exchange, including fees and currency tax to achieve a round number in USD.
- Exchanges of large amounts over a short period.
- Exchanges at different bank branches within a short time period, often on the same day.
- A deposit of cash in one branch and a withdrawal at another branch.

II) Electronic Funds Transfers (EFTs)

All the SARs filed by MSBs follow the money laundering/cash exchange trend. The majority of the transactions, 85 of the 87 MSB SARs filed, involved monies being sent overseas to numerous countries; some SARs involved sending funds to multiple countries and contained multiple transactions.

85 of the SARs filed by MSBs represent currency transfers, and two represent direct MSB cash exchanges. During the Reporting Period, BMD\$296,426.04 was sent overseas in 145 suspicious EFTs identified by the MSBs. The average reported transaction from MSBs was BMD\$2,044.00

In addition to the 145 EFTs reported on by MSBs, an additional 73 EFTs were also reported as suspicious by other reporting sectors. The following is a list of the countries which most frequently received suspicious EFTs from Bermuda during the Reporting Period and the total amount of monies sent to these countries.

RANK	COUNTRY/FIU	NUMBER OF EFTS	TOTAL AMOUNT (BMD)
1.	Jamaica	104	\$113,568.00
2.	USA	21	\$33,548.00
3.	United Kingdom	12	\$9,738.00
4.	Guyana	10	\$19,800.00
5.	Tanzania	6	\$12,000.00
6.	Dominican Republic	5	\$13,000.00
7.	Canada	3	\$3,918.00

The FIA has a close working relationship with the USA, UK and Canada, as they are members of the Egmont Group of FIUs.

Examples of Cash Exchanges/Smurfing

There is a large amount of smurfing in Bermuda wherein a number of persons exchange cash at the local banks or send EFTs overseas for third parties. These persons who exchange the money or send the EFTs are often referred to as smurfs, and they are not the end beneficiaries of the drug trade.

EXAMPLE 1:

Subject A was the subject of over nine SARs and a number of disclosures to the Bermuda Police Service. FIA analysis showed that Subject A exchanged over BMD\$50,000 for USD during a one-year period using accounts at all 3 local banks. Although Subject A was exchanging large amounts of currency and frequently travelling, the currency exchange was seen as suspicious due to its volume and as it was, in most cases, the only activity noted on Subject A's account. Subject A usually had small account balances and no other assets.

As a result of FIA disclosures, Subject A was flagged for increased scrutiny at the point of entry and subjected to a number of negative searches in Bermuda. Eventually, Subject A was stopped at the port of entry and a significant amount of monies seized. After this seizure, and during a separate incident, Subject A was arrested, charged and convicted of drug possession in Bermuda.

EXAMPLE 2:

A number of SARs involving cash exchanges were filed that led to a police investigation of Subject B. The police discovered that Subject B, over the course of five years, laundered approximately \$2.2 million from an illegal gambling ring. A search at Subject B's residence revealed hundreds of thousands of dollars. A search of a bank deposit box also yielded a large amount of cash.

The investigation revealed that Subject B used a network of approximately 33 people to launder money via foreign currency purchases; the use of bank drafts, MSB money transfers; and by physically carrying cash out of Bermuda.

Subject B was subject to a confiscation order in the amount of \$1.47 million and sentenced to five years in prison for money laundering.

Other SAR Filing Indicators

INVESTMENT SERVICE PROVIDERS AND LONG TERM INSURANCE PROVIDERS

The FIA received 21 SARs from investment service providers and long term insurance providers. There was no clear pattern or Bermuda-wide connection seen in these filings, although there were a small number of common indicators, which included the following:

- A recent conviction of a client was discovered through ongoing monitoring.
- Client was involved in suspicious trading activity.
- A prospective customer that was rejected due to unwillingness to provide KYC and explain his business.
- Client failed to provide ongoing compliance despite repeated attempts.
- Client was discovered to have been placed on an international sanctions list after the account was opened.
- Client was subsequently convicted of an offence and discovered through ongoing monitoring.
- Client operated his account in a way inconsistent with normal business operations.

FRAUD

The FIA received approximately 3 SARs reported to be related to Fraud and Attempted Fraud; one from the Banking Sector, one from the Trust Sector, and one from the Investment Service sector. Advanced fee fraud figured prominently in a number of SARs.

Advanced fee fraud, or a 419 scheme, named after the 419 West African area code, is a common scheme seen in Bermuda. The scheme begins when a person (victim) receives an e-mail or letter where the fraudster purports to be a government or bank official, or trusted friend/relative of a deceased official, who is willing to pay the victim a generous commission for assisting in the transfer of a large amount of money or valuable commodities (gold/oil, etc). Initially, the victim is asked to provide identification and bank information to facilitate the transfer of the goods. The victim soon finds out that he or she is required to pay various 'transaction fees' before the money can be released. The fraudster is usually very experienced in this scheme, and the victim can be strung along for months or years paying various fees and taxes.

The FIA received one SAR related to a suspected \$1.6 million Ponzi scheme.

CORRUPTION/BRIBERY

The FIA received no corruption or bribery SARs during the Reporting Period.

TERRORIST FINANCING

The FIA received no terrorist financing SARs during the Reporting Period.

Dissemination of Information/Intelligence Received

The FIA is an independent agency with the ability to receive, gather, store, analyze and disseminate information/intelligence relating to suspected proceeds of criminal conduct, potential money laundering offences and potential terrorist financing offences. As an intelligence agency with no law enforcement or regulatory powers, the receipt of information/intelligence by the FIA must be followed by the dissemination of the same along with FIA added value to the relevant competent authorities in a timely and secure manner.

The primary operations of the FIA are detailed in Sections 14 and 18 of the FIA Act. These sections clearly show that the work of the FIA is focused on disclosures of information/intelligence to the relevant competent authorities, including the BPS, foreign FIUs, the Minister of Finance, the Minister of Justice and the BMA, so that they may discharge their own statutory functions. Most disclosures are made to the BPS, foreign FIUs and Customs (under the Ministry of Finance).

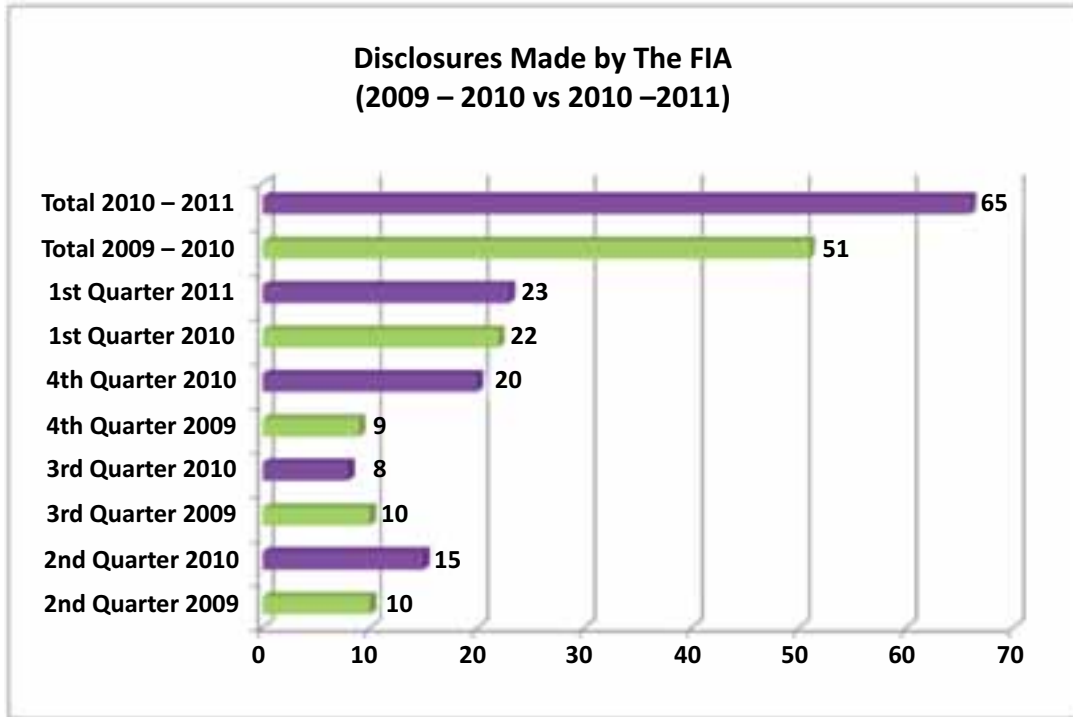
Substantive disseminations contain classified information that is regularly transmitted to the BPS, Customs and foreign FIUs and is recorded as 'a disclosure' in our quarterly and year end statistics. These disclosures, consisting of specific details on subjects as well as SAR information obtained from reporting entities, is considered classified information and is handled and marked as such.

Disclosure Statistics

During the Reporting Period, the FIA made 66 disclosures of classified information/intelligence to its local and foreign partners. These disclosures consisted of information/intelligence received by the FIA via SARs (109 SARs were disclosed) as well as information/intelligence obtained by the FIA further to its information gathering powers under Section 16 of the FIA Act. Most importantly, all of these disclosures contained analysis by the FIA's analysts in their efforts to provide beneficial intelligence to the FIA's local and foreign partners.

STATISTICS	2ND QUARTER 2010	3RD QUARTER 2010	4TH QUARTER 2010	1ST QUARTER 2011	TOTAL
Disclosures made by FIA	15	8	20	23	66

These 66 disclosures can be compared to the 51 disclosures made during the 2009–2010 Reporting Period.

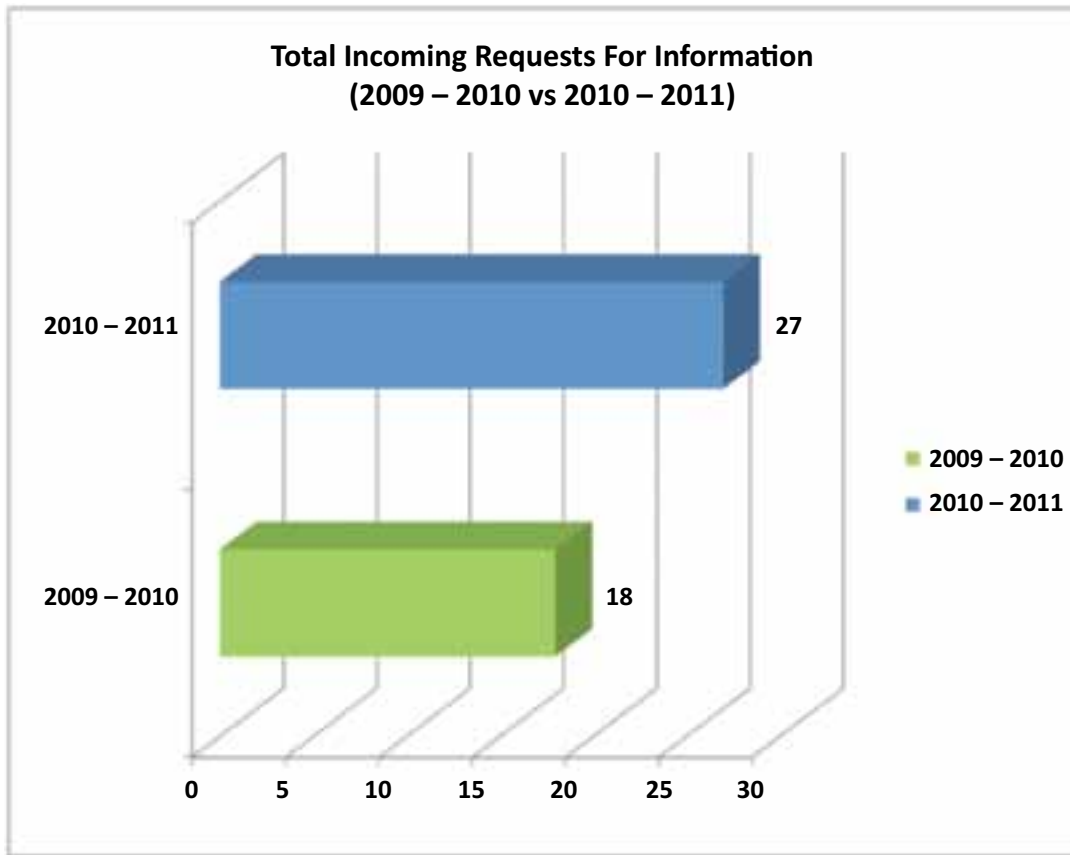


Interaction with Foreign FIUs

During the Reporting Period, the FIA received 27 Incoming Requests for Information (IRI) from foreign FIUs, 66% higher than the same reporting period last year as illustrated by the chart on the following page.



Presenting a gift to the Director of India FIU.



The 2010–2011 requests can be broken down by requesting country as follows:

COUNTRY/FIU	NUMBER OF INCOMING REQUESTS
USA	8
Croatia	4
Australia	1
Austria	1
Bahamas	1
Greece	1
Grenada	1
Indonesia	1
Isle of Man	1
Jersey	1
Malta	1
Montenegro	1
Philippines	1
Saudi Arabia	1
Slovak Republic	1
St Kitts and Nevis	1
United Arab Emirates	1

WORLD MAP SHOWING THE REQUESTS FOR INFORMATION



In addition to responses to requests, the FIA also made a number of spontaneous disclosures of information to its foreign partners. Of the 66 disclosures made by the FIA during the Reporting Period, 22 of the disclosures were made to the foreign FIUs listed below.

COUNTRY/FIU	NUMBER OF OUTGOING REQUESTS
USA	7
Canada	1
France	1
India	1
Jamaica	1
Hong Kong	1
Russia	1
San Marino	1
Spain	1
St Vincent and the Grenadines	2
Sweden	1
Switzerland	1
United Kingdom	3

Disclosures Vs. Releases of Statistical Information

The FIA provides quarterly statistics to the BPS, the BMA and NAMLC on SARs received, and reporting trends identified by the FIA. This information, which contains no actual details as to subjects or individual reporting entities, is considered unclassified. Although the release of this statistical information is often restricted, much of the information eventually ends up in public documents such as this annual report. Accordingly, the FIA does not consider the release of statistical information and trends to be a disclosure under the FIA Act.

Moving Forward

The FIA plans to continue analysis of the Bermuda Drug Triangle.

YEAR IN REVIEW

Attendance at Egmont Group/Caribbean Financial Action Task Force (CFATF) Meetings

Representatives of the FIA continued to actively participate in the various working group meetings and plenaries for both the Egmont Group and the CFATF.



FATF/CFATF Trust and Company Service Providers (TCSPs) Typologies Report

As previously reported the Director of the FIA was part of the project team of the joint FATF/CFATF working group typology report on money laundering using trusts and company service providers, which was approved by FATF in October 2010. This report was published in December, 2010 and is available at www.fatf-gafi.org.

The report sets out research done by the project team into the operation and supervision of TCSPs the challenges caused by the illegal use of TCSPs, and the ineffective implementation of the international AML/ATF requirements relating to TCSPs. The report also evaluated the effectiveness of the practical applications of the FATF 40+9 Recommendations as they relate to TCSPs.

Signing of Memoranda of Understanding with Other Jurisdictions



Signing an MOU with Aruba FIU.



Signing an MOU with India FIU.

Whilst the Financial Intelligence Agency Act 2007 enables the FIA to freely exchange information with foreign financial intelligence units without the need to enter into any form of agreement, the FIA does recognize that a number of its foreign counterparts do require some form of written arrangements to enable such information exchange.

Accordingly, as at 31 March 2011, the FIA has entered into 30 Memoranda of Understanding with the following Egmont Group members:

Australia	Netherland Antilles
Belgium	Ukraine
USA	Peru
Indonesia	South Africa
Korea	Aruba
Nigeria	Colombia
Philippines	San Marino
Romania	Taiwan
United Arab Emirates	Israel
United Kingdom	Albania
Canada	India
Armenia	Serbia
Montenegro	Barbados
Monaco	Mexico
St. Vincent & Grenadines	Mauritius

The FIA has received confirmation from the following 12 Egmont Group members that they do not require a Memorandum of Understanding as a prerequisite for the sharing of information:

Bahamas	Cayman
Germany	Netherlands
Hong Kong	Argentina
St Kitts & Nevis	France
Turks & Caicos	Italy
British Virgin Islands	Lebanon



Signing an MOU with San Marino FIU.



Signing an MOU with Taiwan FIU.

Establishing Police and Customs Liaison Posts within the FIA

The FIA, the BPS and Customs are committed to solidifying and strengthening their on-going operations. Accordingly, the FIA entered into Memoranda of Understanding with both the BPS and Customs, which detailed the terms of the ongoing operations between the FIA, BPS and Customs. These Memoranda saw the creation of both a Police Liaison Officer post and a Customs Liaison Officer post within the FIA. An officer from both the BPS and Customs have been assigned to the FIA on a permanent basis in these posts to facilitate direct communication and networking between the three groups.

Industry Training

SAR FILING

The FIA continued to meet with its high volume filers on a quarterly basis to provide feedback on their filings and to determine their on-going training needs.

The FIA met with a number of its industry partners to provide the necessary one-on-one training to enhance their AML/ATF compliance regimes, which will ultimately result in quality SARs being filed with the FIA.

ISACA 3RD LUNCH AND LEARN

In May 2010, the FIA hosted members from Information Systems Audit and Control Association (ISACA) for a discussion on SARs and goAML. The Lunch & Learn was attended by approximately 30 members of ISACA and was well received.

GOAML

The FIA will continue to work with reporting entities on a one-on-one basis in the use of the goAML web based online reporting. This training will be provided on an ad hoc basis. The FIA will continue to receive and install updates for goAML on an annual basis and will ensure that all of the reporting entities will be fully trained on such updates and enhancements as they are available.

EDUCATION AND PUBLIC AWARENESS

The FIA continues to make itself available for presentations on the role and functions of the FIA to Government departments and other private organizations.

Staff Training

MUTUAL EVALUATION TRAINING

In July 2010, the Director and Senior Legal Counsel travelled to San Salvador and participated in the CFATF-IMF Pre-Assessment Mutual Evaluation Workshop. Also participating were members from the BPS, Customs, Department of Public Prosecutions, the BMA and NAMLC. This workshop was designed to assist with the compiling of the Mutual Evaluation Questionnaire in preparation for Bermuda's next assessment.

INTER-AGENCY TRAINING

A number of Lunch & Learn sessions were sponsored by NAMLC, which looked at various pieces of legislation addressing money laundering and terrorist financing. The FIA was able to participate in these Lunch & Learn sessions.

INTERNATIONAL CRIME SYMPOSIUM

Two staff members attended the 28th Cambridge International Symposium on Economic Crime, held in Cambridge, United Kingdom, in September 2010. Speakers at the symposium focused on the threats confronting the international financial system.

TATC/STRATEGIC ANALYSIS TRAINING

Following the successful completion by the Head of Analysis, of both the Tactical Analysis Training Course (TATC) along with the Train the Trainer aspect of the TATC, this staff presented the TATC training to the other FIA staff members.

This staff member was also called upon by the Egmont Group to deliver the TATC at a joint Egmont Group and World Bank Training Session that took place in Senegal in March 2011.

GOAML

The FIA's database and analysis software, goAML, experienced a major upgrade in January 2011. Following this successful upgrade, FIA staff received training in Bermuda from UNODC representatives for a two-week period.

INFORMATION TECHNOLOGY SYSTEMS TRAINING

As the FIA continued to receive updates and enhancements to goAML, it secured training for its Network Coordinator, both locally and overseas, to ensure that the skill set of the FIA staff involved in information technology continues to evolve.

PRIVATE SECTOR SECONDMENT/WORK SHADOW

From February 2010 to April 2010, one staff member was seconded to the Advisory Section of KPMG, Bermuda. The objective of the secondment was to learn about the function and purpose of legal entities such as corporations, trusts and partnerships; to learn about the most common types of company structures in Bermuda; and to learn about shell companies and offshore structures.

THE MONEYLAUNDERING.COM 16TH ANNUAL INTERNATIONAL ANTI-MONEY LAUNDERING CONFERENCE

One member of staff attended the MoneyLaundering.com annual conference that took place from 21–23 March 2011 in Florida, USA. The conference addressed many international issues looking at the key threats to AML along with compliance challenges faced by both professionals and AML regulators and supervisors.

ASSOCIATION OF CERTIFIED MONEY LAUNDERING SPECIALISTS (ACAMS)

A staff member successfully completed the ACAMS course during this reporting period and now holds the CAMS certification.

EASTERN CARIBBEAN FINANCIAL INVESTIGATIONS ADVISORY TEAM (ECFIAT)

One staff member attended the ECFIAT Workshop in Antigua. The aim of ECFIAT is to promote best practices in the conducting of financial investigations.





