



CASE STUDY

Tax Evasion: Walk-in Enquiry Seeking
Anonymous Offshore Structures

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Introduction

The Financial Intelligence Agency (FIA) is Bermuda's Financial Intelligence Unit (FIU), established in part to meet the recommendations of the Financial Action Task Force (FATF), including FATF Recommendation 29, which calls for countries to establish an FIU that serves as a national centre for the receipt and analysis of suspicious transaction reports and other information relevant to money laundering, associated predicate offences, and terrorist financing, and for the dissemination of the results of that analysis.

In carrying out its functions, the FIA collects Suspicious Activity Reports (SARs) and Suspicious Transaction Reports (STRs) from regulated entities and others, as required under Bermuda's Proceeds of Crime Act (POCA). The FIA then analyses the data provided to uncover activities and patterns that may indicate money laundering, terrorism financing, or other related criminal activities. This intelligence is disseminated to local law enforcement, regulators, and certain international partners.

About Case Studies

Case studies published by the FIA are sanitised, representative examples of intelligence cases disclosed by the FIA during the reporting period. As part of the FIA's commitment to the fight against money laundering, terrorist financing, and related crimes, case studies are produced to assist reporting entities in identifying and reporting suspicious activity.

Indicators and Red Flags

The FIA has identified indicators of money laundering and terrorist financing within its case studies. These indicators are generalised underlying principles identified by the FIA and its international partners. A list of common identifiers has been compiled and coded into the FIA database. When filing a SAR, reporting entities are able to choose from a list of over 100 indicators. In the context of individual case studies, an indicator can be considered a "Red Flag" which could serve as a basis for suspicion by a reporting entity.

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STR Details

The FIA received a SAR from a trust service provider (TSP) detailing a walk-in visit from a US citizen who enquired about avoiding US taxes. The individual was advised that Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) rules make it impossible for a US citizen to avoid paying taxes or disclosing assets on which US taxes are legally due. The individual mentioned he was advised to set up a Bermuda company owned by a trust ensuring his name did not appear on either. He estimated funds between USD \$220 million and \$1 billion and described involvement with an overseas syndicate providing loans and commissions on insurance and reinsurance policies. A separate SAR was filed by a local bank where the same individual sought to establish a banking relationship to facilitate business loans while avoiding US taxes on USD \$50 million. He claimed connections to high-net-worth individuals through oil money.

FIA Analysis

The individual was unknown to the FIA database and open-source searches revealed no adverse media. Travel records showed the individual arrived via commercial flight despite claiming to have arrived by private jet and stayed at a modest guest house inconsistent with the typical behaviour of a high-net-worth business owner. His line of questioning regarding concealment of beneficial ownership and avoiding reporting requirements, along with inconsistent information provided to the two institutions, amplified the suspicion. Both the TSP and the bank declined to approve the individual as a client. The FIA recommended dissemination to multiple local authorities and Egmont FIUs.

Red Flags

- Enquiry about avoiding US taxes, which is unlawful under FATCA and CRS rules.
- Seeking to set up corporate structures to conceal beneficial ownership.
- Estimated fund transfers between USD \$220 million and \$1 billion.
- Unusual approach without prior tax advice, atypical for someone with substantial funds.
- Inconsistent information provided to different institutions regarding travel and business connections.
- Both institutions declined to onboard the individual due to red flags.