



TYOLOGY

Suspected Terrorist Financing

December 2021

Typology Report

Suspected Terrorist Financing
Financial Intelligence Agency (FIA) - Bermuda

CONFIDENTIAL

December 2021

Statistical Disclaimer:

The report's statistics are based on SARs and STRs submitted to the FIA between January 1st, 2019 and September 30th, 2021. These reports reflect suspicions from reporting entities and do not confirm the existence of criminal activity. The data is intended for analysis and may change as new information or investigations arise. While reasonable steps are taken to ensure accuracy, the FIA relies in part on information provided by reporting entities and other third parties and cannot independently verify all underlying data.

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Introduction

In January 2020, Bermuda received a glowing report from the Caribbean Action Task Force (CFATF) and the Financial Action Task Force (FATF) due to the robustness and effectiveness of its AML/CFT regime and legal framework in accordance with the international standards promoted by the FATF's 40 Recommendations and associated Methodology.

As a result, Bermuda endeavours to continue promoting AML/CFT awareness and training, as well as conducting ongoing reviews and revisions of Bermuda's AML/CFT framework in order to more effectively detect and deter opportunities that criminals seek to launder the proceeds of crime.

Likewise, it is paramount that local reporting entities, reporting persons and stakeholders remain aware of emerging and persistent patterns and trends to best address incidents of money laundering and terrorist financing within the Bermuda economy.

To meet these objectives, the FIA has produced a typology to discuss indicators highlighted in Suspicious Activity Reports (SAR), Suspicious Transaction Reports, Incoming Requests for Information (IRIs) and other intelligence reports (UTRs) filed by local reporting entities, local competent authorities and Egmont Financial Intelligence Units (FIUs). This typology covers reports filed between January 1, 2019 and September 30, 2021.

This typology focuses on suspected terrorist financing, its suspicious indicators, statistics and the actions taken by the filers in response to the red flags presented. These elements have been included in this report to provide clarity, insight and suggestions when dealing with cases of this nature.

Indicators and Red Flags

Report indicators can provide insight into various patterns and trends that are taking place locally and internationally when chosen within SAR/STR/UTR filings. When reporting entities select relevant indicators, this enables FIA analysts to conduct analysis more effectively, widening the scope during the information/intelligence gathering, collation and synthesis processes of the intelligence cycle. Ultimately, this information enables the FIA to readily produce more case studies and typologies to share locally and internationally.

Typology Objectives

The following objectives are intended to be achieved through the dissemination of FIA Typologies:

- To identify potential and actual illegal activity associated with money laundering, terrorist financing and other predicate offences.
- To educate reporting entities, reporting persons, local and overseas competent authorities, financial intelligence units (FIUs) and the public about the various methods and techniques that criminals may use to launder the proceeds of crime.
- To identify areas that need added attention and that assist in the detection, prevention, investigation and prosecution of higher-risk opportunities that require regular or ongoing monitoring; and
- To establish emerging and persistent threats through analysis of patterns and trends.

Overview

Bermuda's National Risk Assessment (NRA) of Terrorist Financing, completed in 2020, assessed the jurisdiction's overall exposure to terrorist financing (TF) risk as low, while recognising the potential for external threats and indirect exposure arising from Bermuda's position as an international financial centre. The assessment highlighted that, although there is limited evidence of domestic terrorist activity or organised terrorist networks operating within Bermuda, vulnerabilities may arise through cross-border financial flows, misuse of legal persons and arrangements, and exposure to higher-risk jurisdictions.

The 2020 NRA further identified that Bermuda's financial sector—particularly institutions offering international products and services—may be susceptible to unwitting involvement in terrorist financing schemes, including the movement of funds linked to overseas terrorist organisations, abuse of non-profit or charitable structures, and the exploitation of financial intermediaries. As such, the importance of robust customer due diligence (CDD), ongoing monitoring, and effective suspicious activity reporting was emphasised as key mitigating controls.

From an operational perspective, the NRA noted that terrorist financing activity in Bermuda is more likely to be detected through intelligence sharing, international cooperation, and suspicious activity reporting, rather than through direct domestic investigations. This reinforces the critical role of the Financial Intelligence Agency (FIA) and reporting entities in identifying and escalating potential TF indicators, particularly those involving cross-border elements or links to designated individuals, entities, or jurisdictions.

What is terrorist financing?

For the purposes of this report, terrorist financing is defined in accordance with international standards set by the Financial Action Task Force (FATF) as:

“the financing of terrorist acts, and of terrorists and terrorist organisations.”

– FATF, International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF Recommendations)

This definition encompasses both the provision and collection of funds, whether from legitimate or illicit sources, with the intention or knowledge that such funds will be used to support terrorist activity, organisations, or individuals. Notably, unlike money laundering, terrorist financing may involve legitimate funds and often focuses on relatively smaller transaction values, making detection inherently more challenging.

In this context, even low volumes of suspected terrorist financing activity, as reflected in Bermuda's reporting statistics, warrant heightened scrutiny due to the significant national security and reputational risks associated with such activity.”¹

Statistical Overview

Of the fourteen (14) SARs, STRs, IRIs and UTRs reported to the FIA during the Reporting Period that involved suspected terrorist financing, only six (6) were specific to Bermuda. The FIA regularly receives intelligence and requests from overseas Financial Intelligence Units involving suspicious activity, some of which may or may not be linked to Bermuda; however, this intelligence is shared for intelligence purposes only for future reference. A breakdown of these

¹ FATF, International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF

Recommendations). <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>

Bermuda specific filings per year and per Reporting Sector is shown in Figures 10 and 11.

Table 1: Number of Filings Involving Suspected Terrorist Financing

Year	No. of Local SARs Filed	No. of Local STRs Filed	No. of International IRIs Filed	No. of Local UTRs Filed	TOTAL
2019	4	0	0	0	4
2020	0	0	0	1	1
2021 (Jan - Sep)	1	0	0	0	1
TOTAL	5	0	0	1	6

Source: FIA (2021)

Table 2: - Suspected Elder Financial Abuse Fraud Filings by Reporting Sector

Reporting Sector	# of Filings
1. Insurance Companies	3
2. Corporate Service Providers	1
3. Local Law Enforcement Agencies	1
4. Banks	1

Source: FIA (2021)

Report Indicators

Indicators of suspicious activity selected by reporting entities when filing SARs/STRs, IRIs and UTRs by year, that involved terrorist financing, are shown below.

Table 3: Reporting indicators selected by entities

2019	2020	2021
Consent Request Foreigner(s) Fraud High Risk Country Media Money Laundering Terrorism Related Terrorist Financing Use of Corporate Vehicles Use of Insurance Products	Adverse Media Terrorism Related	Adverse Media Corruption High Risk Country High Risk Recipient No Source of Wealth Terrorism Related Terrorist Financing

Source: FIA (2021)

SAR/STR Reviews

In order to illustrate the content and context of reports filed with the FIA that involve terrorist

financing, below are three (3) reports filed by the corporate service provider (CSP), insurance and banking sectors. Through these SAR/STR reviews, we hope to identify red flags to help with the prevention, detection and investigation of suspected terrorist financing within the Bermuda economy.

STR Review 1- Suspected Terrorist Financing

Reporting Sector: Corporate Service Provider

Reason for Suspicion: The CSP provided secretary, director and registered office services to two local insurance companies. As part of remediation, screening on one of the beneficial owners of the entities, an overseas charity, returned adverse information. The information related to one of the managers of the charity, who appeared to be funnelling the charities funds in Gaza to support the terrorist activities of Hamas.

SAR Review 2- Elder Financial Abuse Fraud

Reporting Sector: Insurance Company

A withdrawal request triggered a review of the policyholder's file. Further information related to the subject's source of wealth was requested. Subsequent screening and an open-source search were performed. The checks revealed that the policyholder's company was linked to terrorist related activity and was designated a Special Interest Entity (SIE) in an African jurisdiction. The open-source search also identified that the policyholder's company was linked to a Federal financial crime investigation in the same jurisdiction.

STR Review 3- Suspected Terrorist Financing

Reporting Sector: Banks

Reason for Suspicion: An elderly bank customer was the victim of a scam involving money mule activity. The individual was tricked into giving

banking credentials via a phishing email, allowing fraudsters to transfer money from their account to various accounts both locally and internationally. It was also noted that all transactions showed an IP address in the USA and a device ID which was unfamiliar to the customer.

During the review of the customer's bank account, it was found that over a four-day period in 2019, approximately BMD30,000.00 was transferred to local bank accounts held by various unwitting individuals who held connection to the customer. Upon receiving the funds, the recipients withdrew cash or made local purchases.

The money mule activity was initiated when the above individuals received the funds from the compromised account of the customer who appeared to have previously been contacted by an organized crime gang. These unwitting individuals were tricked into thinking that they could earn money by participating in reviewing the services of various businesses in Bermuda and told that they would keep 10% of the stolen funds received as payment for their work, and to withdraw the remainder of the funds in cash to wire out of the country via a local money service business.

Some of the individuals were told to buy game cards from a local store. The cards were being used by an international fraud network to launder the proceeds of crime.

The reporting entity also held concerns and suspicions over some of the destinations of the phishing/fraud/money mule activity identified. In one incident which occurred after this series of events, the entity saw BMD1,000.00 being sent to a local money service business in Turkey. At the time, Turkey was considered a high-risk jurisdiction for terrorist financing. Whilst this did not conclude that the activity was connected to terrorism, an attempted transfer of USD10,000.00 to a weapons manufacturer

involved in the sale of tanks, small arms ammunition and a wide range of military hardware was noted.

Considering that these current cyber enabled phishing/fraud/money mule attacks were international in nature and their locations unknown, as well as transfers to Turkey and the attempted transfer to the military hardware provider, the reporting entity was suspicious that these funds may have been stolen to fund terrorist related activity

Red flags

Red flags noted in some of the filings involving suspected terrorist financing that were Bermuda specific were as follows:

- In August 2020, two Bermudian-born men were cleared of terrorism charges after a trial in Britain. The two were arrested in June 2018 after police raided their apartment in Whitefield, Bury, Greater Manchester and it was alleged that the sting operation recovered equipment for terrorist attacks.
- In on-going monitoring checks of a client's account activity, the entity received a hit when the client stated that he had non-conviction terror status. Additionally, there was an on-going prosecution involving the client that involved concerns of funding terror organisations.

Actions taken by Reporting Entities

- Previous SAR was filed on this matter.
- Client relationship terminated as part of remediation and this report is being filed.
- Acknowledgement only
- Policyholder continues to press to action a withdrawal.
- The bank has blocked all internal accounts involved.

END