



## **CASE STUDY**

KYC Non-Compliance and Adverse Media  
Involving a Central American Corporation

Q1 2023

## 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.

## Case Study: KYC Non-Compliance and Adverse Media Involving a Central American Corporation

### STR Details

The FIA received an STR filed by a long-term insurer with reference to a full withdrawal request for a life insurance policy submitted by a broker acting on behalf of a large Central American family-owned manufacturing corporation. Despite numerous attempts, the broker refused to provide the required corporate documents to verify beneficial ownership. The insurer conducted research using a foreign registry and identified individuals attached to the policy with significant financial crime implications, including accusations of illicit political campaign financing, forced disappearance, murder, crimes against humanity, and illegal exploitation of natural resources.

### FIA Analysis

The FIA conducted checks on all entities and directors. One director was identified as a foreign Politically Exposed Person (PEP). The corporation's policies, funded from 2006 with annual premiums paid until 2019, had a combined value of approximately USD193,797.00. Given that the source of wealth and suspected crimes coincided with the policy inception period, it was possible that proceeds of crime were used to fund the policies. Consent was implied, and the funds were returned to a US-based bank account. The FIA recommended dissemination to local authorities and to Egmont FIUs in multiple jurisdictions.

### Red Flags of High-Risk Jurisdiction

- Refusal to provide corporate documents to verify beneficial ownership.
- Adverse media reports on directors including accusations of corruption, illicit campaign financing, and violent crimes.
- Individuals attached to the policy identified with significant financial crime implications.
- Questionable source of wealth given suspected criminal activity during the policy funding period.
- Use of insurance products to potentially launder proceeds of crime.
- Foreign PEP involvement adding to the risk profile.