



CASE STUDY

Securities Company Filing Involving a High-Risk Jurisdiction

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.

STR Details

An STR was filed by a securities company regarding a foreign national client whose accounts were being closed as part of the company's decision to terminate all relationships with residents of a high-risk jurisdiction. Enhanced due diligence conducted during the account closure exercise identified suspicious activities. The client had deposited funds described as cash savings at a local bank, with additional deposits from a bank account in another country. Multiple deposits over a short period ranging from GBP 3,000 to GBP 4,000 indicated possible structuring.

FIA Analysis

The subject was unknown to the FIA and Dow Jones databases. A spontaneous disclosure was made to Bermuda Police Service to provide information on suspect activities affiliated with Bermuda-regulated companies.

Red Flags of High-Risk Jurisdiction

- Unverifiable source of funds described as cash savings, with delayed provision of supporting documentation.
- Cross-border deposits from banks in different countries.
- Multiple deposits in a short period suggesting possible structuring.
- Client residing in a high-risk country subject to an enhanced sanctions regime.