



Typology:

Cryptocurrency Enabled Money Laundering linked to Colombia operating through Bermuda regulated DABs

Typology Report

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operating through Bermuda regulated DABs

Financial Intelligence Agency (FIA) - Bermuda
CONFIDENTIAL

March 2nd, 2026

Statistical Disclaimer:

The report's statistics are based on SARs and STRs submitted to the FIA between March 1, 2025 - October 15, 2025. 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.

Disclosure-2520-26 (PROJ0013-2026)

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Introduction

In 2026 and 2027, Bermuda will undergo its next mutual evaluation by the Caribbean Financial Action Task Force (CFATF). Building on its previous success in its last evaluation, conducted in 2020, Bermuda remains committed to the continuous advancement of AML/CFT awareness, education, and training. This commitment includes the regular review and refinement of its framework to identify, deter, and disrupt attempts by criminals to launder the proceeds of crime, finance terrorism and proliferation activities. Central to this ongoing effort is ensuring that local reporting entities, competent authorities, and other stakeholders remain well-informed of emerging typologies, patterns, and trends that could impact Bermuda’s financial landscape.

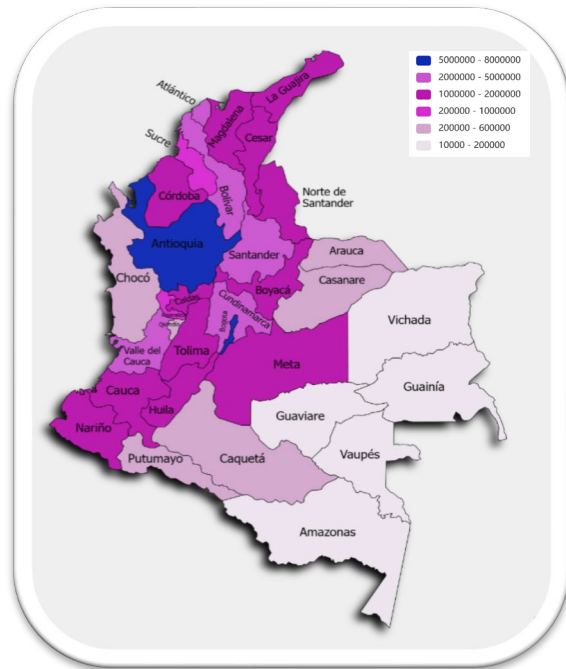
To support Bermuda’s objectives, the Financial Intelligence Agency (FIA) has developed this typology, which examines key report indicators highlighted in Suspicious Activity Reports (SARs) and Suspicious Transaction Reports (STRs) received from local Digital Asset Businesses (DABs) between March 1st, 2025, and October 15th, 2025.

Through the dissemination of this report, the FIA aims to support Bermuda’s effectiveness under FATF Immediate Outcomes 4 and 6 by enhancing the understanding of emerging money laundering methods involving virtual assets and strengthening the quality and use of financial intelligence.

Background

This report focuses on a suspected cryptocurrency enabled money laundering scheme involving Colombian nationals operating through a Bermuda-regulated Digital Asset Business (DAB). It includes relevant case studies, statistical data, red flag indicators, and a review of the actions taken by reporting entities in response to the suspicious activity identified.

Figure 1 Larger Regions of Colombia



Source: [Paint Maps](#)

For clarity, the transactional activity referenced in this typology occurred primarily between May 2024 and April 2025. The associated SARs and STRs were submitted to the FIA between March 1, 2025 and October 15, 2025 and form the analytical basis of this report.

Bermuda Regulated DAB supervision

As of 2025, 22 DABs are fully licensed and supervised by the Bermuda Monetary Authority under Bermuda’s Digital Asset Business Act. These entities are authorised to conduct regulated digital asset activities in or from Bermuda, including the issuance, sale or redemption of virtual coins, tokens or stablecoins; the operation of digital asset exchanges; digital asset custody and wallet services; and the provision of payment, transfer, or settlement services involving digital assets. As licensed financial institutions, DABs are subject to comprehensive AML/CFT/CPF obligations, including customer due diligence, transaction monitoring, suspicious activity reporting, and ongoing supervisory oversight, thereby reinforcing Bermuda’s position as a well-regulated jurisdiction for digital asset activity

while mitigating associated money laundering, terrorist financing, and proliferation financing risk.

Adoption of Cryptocurrency in Latin America

Research has indicated that Latin America has expanded its crypto footprint. According to Chainalysis, Latin America (LATAM) has recorded nearly \$1.5 trillion in cryptocurrency transaction volume during July 2022 and June 2025. Among the countries with persistent activity, Colombia ranks fourth with regards to the adoption of stablecoin ¹ and exchange activity as at early 2025, behind Brazil (1), Argentina (2) and Mexico (3) according to Chainalysis. ²

The scale of cryptocurrency adoption in Colombia, (as illustrated by population sizes in Figure 1), provides both **increased access to digital financial services and an expanded opportunity for misuse by organized criminal networks seeking to launder illicit proceeds.**

Crypto-enabled Money laundering: With LATAM's expansion into crypto economies, efforts to launder illicit proceeds through crypto activity are also persistent. According to the Cointelegraph, crypto laundering involves concealing illegally obtained funds by funnelling them through cryptocurrency transactions to obscure their origin. ³

FATF Concerns: In June 2025, the FATF highlighted persistent global risks associated with virtual asset activity, particularly where regulatory gaps exist.

FATF noted that stablecoins are increasingly used by illicit actors, including drug trafficking organizations, terrorist financiers, and state-sponsored actors. FATF further estimated that illicit crypto wallet addresses received

approximately USD 51 billion in 2024, underscoring the scale of the threat.

SAR/STR Reporting Analysis

Between March 2025 and October 2025, the FIA received 16 SARs and 2 AIFs (Additional Information Files) involving a total of 27 Colombian nationals/residents from a singular DAB. The activity involves an organized network of Colombian residents who, upon review, appear to receive, move, and withdraw third-party funds in an effort to conceal the true origin and beneficial ownership of the proceeds, primarily through placement and structuring techniques. A review of SARs/STRs submitted to the FIA illustrated the four-stage crypto-enabled money laundering process observed in Figure 1.

During **Stage 1 (Gathering of Funds)**, deposits of unverified funds, suspected to represent illicit proceeds, were structured in smurfing patterns and deposited into Colombian bank accounts in amounts below applicable reporting thresholds (typically under USD 9,000.00), often via popular cryptocurrency exchanges such as Binance.

In **Stage 2 (Movement into the Crypto Environment)**, funds were generally received through bank accounts, with at least one filing indicating that funds originated from an external cryptocurrency wallet owned by the customer.

Stage 3 (Conversion and Trading) involved the internal transfer of funds among other digital asset business (DAB) accountholders, followed by conversion into USDC and subsequent trading for stablecoin in preparation for withdrawal. Finally, in Stage 4 (Fiat Withdrawal), funds were withdrawn in fiat currency and credited to customers' savings accounts held in Colombia (See Figure 2).

¹ Stablecoins - A type of cryptocurrency pegged to fiat currencies.

² Latin America Emerges as a Crypto Powerhouse Amid Volatile Growth. Chainalysis Team, Oct 2, 2025. <https://www.chainalysis.com/blog/latin-america-crypto-adoption-2025>

³ Crypto and money laundering: What you need to know. Patairya, Dilip. March 18, 2025. <https://cointelegraph.com/explained/crypto-and-money-laundering-what-you-need-to-know>

Subject Profiling and Transactional Characteristics

Table 1 presents a consolidated profile of individuals linked to the reported and suspected crypto-enabled money laundering activity identified through STR/SAR analysis. It highlights key demographic, financial, and transactional characteristics observed across relevant filings during the review period. This profiling supports the identification of common risk indicators and patterns associated with the misuse of crypto-assets.

Reported Suspicious Activity

Transaction Behaviour

- Monthly deposits were received from external wallets originating from cryptocurrency exchanges, primarily Binance.
- Following receipt, funds were rapidly converted into stablecoin and withdrawn to customers' savings accounts held at Colombian banks.
- Crypto-assets were converted to fiat currency and withdrawn almost immediately after receipt of internal DAB transfers.
- Clients conducted monthly transactional activity that did not exceed USD 9,000.00 - a value consistently near the permitted monthly transactional limit, suggesting possible structuring.
- Internal or circular transfers were conducted between suspect accountholders within the DAB, potentially to hinder transaction traceability.
- Customers proceeded with immediate withdrawals of received assets, leaving minimal or no balances in their DAB accounts.
- Accounts were utilised over short periods, coinciding with recent onboarding and activation of originating wallets.

Table 1- Profiling of individuals linked to crypto enabled money laundering

CHARACTERISTIC	TREND
Age Range	20 - 65
Gender	Males & Females
Nationalities	Colombian
Place of Residence	Colombia
Occupations	Self-Employed, Agriculturist, Capital Investor, Graphic Designer
Range of Declared Total Assets	USD 11,500.00 - USD37,500.00
Range of Declared Monthly Transactional Activity	USD 1,250.00 - USD 12,500.00
Range of Declared Monthly Income	USD 550.00 - 5,300.00
Average Length of Suspect Transactional Activity	3 - 7 months
Total Number of Deposits	396
Total Amount of Deposits	Approx. USD 945,000.00
Total Number of Withdrawals	137
Total Amount of Withdrawals	Approx. USD 791,000.00
Total Number of Internal DAB Transfers	131
Total Amount of Internal Transfers	Approx. USD 304,000.00
Transactional Activity Period in Question	May 2024 - April 2025
Types of Stablecoins Used	USDT, USDC, etc.
Other crypto assets used	ETH (Ethereum), SOL (Solana)
Origin of Deposits	Colombian bank accounts, Binance, OKX.com; crypto-assets loan
Geo-Location of the Involved Subjects based on IP Addresses	<ul style="list-style-type: none"> • Antioquia • Atlántico • Bogotá • Cauca • Huila • Magdalena • Meta • Nariño • Norte de Santander

Customer Behaviour

- Transaction volumes and patterns were inconsistent with the income and economic profiles declared by customers at onboarding.
- Customers appeared to be using their personal accounts to receive, convert, and withdraw third-party funds.
- It is suspected that several clients may have been acting as frontmen or smurfs to monetise funds on behalf of third parties.
- Customers failed to provide satisfactory explanations regarding the origin and intended destination of the funds involved.
- No evidence of outgoing transactions from certain external wallets was available, suggesting limited legitimate wallet activity.
- None of the clients had known criminal histories based on police checks, and no adverse media was identified.

Onboarding Patterns

- Multiple clients completed onboarding on the same day, within short time intervals, and from the same physical location, identified as a shopping centre.
- Common residential addresses were registered by different clients, particularly in the city of Cúcuta, a Colombian border city adjacent to Venezuela.
- Client accounts became active shortly after onboarding and were primarily used for transactional activity rather than long-term account holding.

Documentation Deficiencies

- Customers failed to provide adequate supporting documentation to justify the economic purpose and transactional activity flagged by the DAB.
- When documentation was requested, customers either did not respond or

provided explanations that were inconsistent or unsupported, including:

- *Claims of ownership of external wallets held at popular exchanges (e.g. Binance) without corroborating evidence.*
- *Letters from public accountants purporting to verify source of wealth or income without sufficient underlying documentation.*
- *Disclosure of failure to file income tax returns for the 2023 fiscal year.*
- *Assertions that funds originated from personal savings or Crypto-asset loans for arbitrage purposes, without verifiable loan or income records.*

Currencies Involved

USDC - Investopedia defines USDC as 'a stablecoin entirely backed by U.S. dollars and dollar-denominated assets, offering a price-stable digital currency alternative amid the high volatility of other cryptocurrencies like Bitcoin and Ethereum.'
<https://www.investopedia.com/usd-coin-5210435>

Ethereum (ETH) - Investopedia defines Ethereum as "a decentralized blockchain platform that enables smart contracts and decentralized applications (dApps) to be built and run without downtime, fraud, control, or interference from a third party," with Ether (ETH) serving as the native cryptocurrency used to pay transaction fees and execute smart contracts on the network.
<https://www.investopedia.com/terms/e/ethereum.asp>

Solana (SOL) - Investopedia describes Solana as "a high-performance blockchain designed to support decentralized applications and cryptocurrencies, known for its high throughput and low transaction costs," with SOL functioning as the native token used for transaction fees, staking, and network security.
<https://www.investopedia.com/solana-sol-definition-5209861>

Report Indicators Selected:

The following reporting indicators (red flags) were selected by reporting entities during the submission of the reports in question:

Crypto Related / Virtual Asset

- Rapid In/Out Crypto
- Cryptocurrency/Bitcoin

High Risk Related

- Transaction(s) Involving Foreign High-Risk Jurisdiction

ID/CDD/KYC

- Refusal or Avoidance to Supply KYC Documentation

Money Laundering

- Customer (s) Profile - unusual transaction pattern/activity
- suspicious use of third-party transactions (Strawman)
- Smurfing

General Suspicious Behaviour -

- Abnormal activity/transactions
- Inconsistent Account Activity
- No Source of funds
- No Source of wealth
- Similar address/jurisdictions
- Third party (sending on behalf of another)

Actions Taken by the DAB:

- The client was blocked.
- The account was closed.
- SAR/STR was filed with the FIA.
- The relationship was terminated.

FIU Actions

Spontaneous disclosures were disseminated in accordance with the FIA's statutory powers under the FIA Act and relevant international cooperation frameworks to **FFIUs, LEAs and Local Competent Authorities.**

FIU Analysis

Among the SARs/STRs reviewed, the subjects in question were not known to Colombian law enforcement, and were not linked to questionable wallets, exchanges or associates as per reviews conducted by the reporting entity.

Based on these findings, while no direct links to known criminal actors or high-risk wallets were identified, the totality of the indicators suggests a heightened risk of money laundering, particularly involving structuring and the use of third-party intermediaries. However, in addition to the drug trafficking/organised criminal group activity usually associated with high-risk jurisdictions such as Colombia several factors heighten concerns:

- Colombia's partial compliance to FATF Recommendation 15,
- Transaction values observed within this typology falling just below reporting thresholds e.g. USD9,000.00.
- An apparent common intent to use crypto-assets as a mechanism for dispersion and rapid conversion into fiat currency without any economic rationale.

These characteristics strongly indicate suspected money laundering involving placement and structuring activities.

Of note, there was no mention of the use of crypto tools such as mixing services to obfuscate the transactions, but there was mention of exposure to external wallets.

According to checks with the reporting entity's blockchain analysis software, none of the subjects were indirectly or directly exposed to suspicious wallets and exchanges. Also, none of the subjects were previously reported to the FIA and there was no adverse media identified according to open and closed-source checks. This reinforces the FIA's assessment **unwitting third-party individuals are being leveraged to facilitate the movement of illicit funds.**

Furthermore, the FIA has noted adverse media highlighting patterns consistent with money laundering red flags associated with international criminal organizations, such as cartels. These reports point to **schemes involving the conversion of US cash proceeds from drug trafficking into crypto currency.**

Recent enforcement action by the United States Department of Justice (DOJ) illustrates laundering methodologies consistent with the typology observed in this report. On November 20, 2024, the U.S. Attorney's Office for the Southern District of Florida announced charges against multiple individuals involved in a cryptocurrency-based money laundering network operating on behalf of drug trafficking organizations in Mexico and Colombia. The operation involved the collection of bulk U.S. currency derived from narcotics trafficking, its conversion into cryptocurrency through unlicensed money transmitting businesses, and subsequent reversion into fiat currency for delivery to cartel leaders. The case demonstrates how virtual assets are leveraged to obscure the origin of illicit proceeds, facilitate cross-border value transfers, and integrate criminal funds into the formal financial system.

The DOJ press release stated:

*"According to the superseding indictment, between 2020 and mid-2023 in Southern Florida, the defendants and their co-conspirators collected bulk U.S. currency derived from drug trafficking and coordinated the exchange of that currency into cryptocurrency. The cryptocurrency was then transmitted to wallets controlled by the defendants or their associates, converted back into cash, and delivered to cartel leaders in Mexico and **Colombia**."*⁴

In summary, **it is possible that smurfing activity has been used to move the proceeds of crimes via a Bermuda regulated DAB, primarily to obfuscate the origin of the funds on behalf of organized crime.**

Conclusion

The objective of this typology is to raise awareness regarding how Bermuda's regulated DAB sector may be exploited to facilitate suspicious and/or criminal activities. While money laundering is a long-standing criminal

offence, evolving technologies have enabled illicit actors to develop increasingly sophisticated tactics and mechanisms to access and circumvent the global financial system, as well as its associated regulatory and legislative frameworks.

Bermuda's Materiality and Context

Although the observed activity does not originate within Bermuda, it is being facilitated by Bermuda-regulated entities, creating a significant risk of reputational harm to the jurisdiction if left unaddressed. Such exposure could undermine confidence in Bermuda's regulatory regime and its commitment to international standards on anti-money laundering and counter-terrorist financing (AML/CFT).

Regulators should ensure that supervised entities implement robust compliance measures to close gaps that may allow drug trafficking proceeds or other illicit funds to be concealed, transferred, and moved across borders using cryptocurrency. This includes strengthening customer due diligence, transaction monitoring, and reporting obligations tailored to the unique risks posed by digital assets.

Furthermore, these findings underscore the need for proactive engagement between regulators, law enforcement, and industry stakeholders to identify emerging typologies and mitigate vulnerabilities before they are exploited. Failure to act could expose Bermuda to increased scrutiny from international bodies, potential sanctions, and loss of correspondent banking relationships.

Consequently, these findings are expected to stimulate further research and informed dialogue, serving as a catalyst for enhanced operational, strategic, and regulatory responses that safeguard Bermuda's financial integrity and global reputation.

-END-

⁴ US Attorney's Office, South Florida - Fifteen Defendants Charged in Operation. <https://www.justice.gov/usao-sdfl/pr/fifteen-defendants-charged-operation-targeting-conversion-bulk-us-cash-proceeds-drug>

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