

ML & TF Typologies

29 June 2018

The typologies listed and summarized below were taken from the Financial Intelligence Agency per its submissions for Bermuda to the Caribbean Financial Action Task Force, May 2018.

Typologies

Case 1:

- Visitor using a hotel as a home address
- Visitor (non-local, non-resident) being in possession of a large amount of local currency
- Attempted a transaction with a money-service business which exceeded maximum daily amount an individual could transfer

Case 2

- Individual worked in a position of trust
- Superuser access to Government payment system
- Abruptly ended employment contract & left jurisdiction
- Layering of transactions found on investigation in an attempt to confuse audit trail

Case 3

- Failure to disclose relevant business interest in a company under investigation in another jurisdiction
- Use of CSP to attempt to hide or mask the business interest in companies on Island.
- A production order was issued to divulge beneficial owners once it had been confirmed an individual had benefitted from criminal conduct.

Case 4

- Foreign national accused of fraud in another jurisdiction
- Request made to FIA from another FIU about specific transactions of a local trust company relating to said foreign national.
- Subject plead guilty to ML offences in other jurisdiction
- Use of local trust company to attempt launder proceeds of crime
- Engaged a local regulatory authority to ensure AML/ATF obligations of a regulated business entity had been met

Case 5

- Dual citizenship individual involved in black market currency scheme
- Used status as dual citizen to make false declarations of both govts about moving currency across borders.
- Deposited large sums into investment products in different jurisdictions
- As a national of a North American country, individual was forbidden from investing in Bermudian investment product
- FIA received request from foreign FIU about Bermuda investment product
- After his untimely death, his widow attempted to withdraw funds. While no local prosecution the relevant Bermudian authority commenced proceedings to confiscate proceeds of crime.

Case 6

- Foreign PEP accused of forging foreign Government documents to obtain debt and borrow hundreds of millions in name of Government.
- Layering of transactions occurred cross border by multiple relatives of the PEP.
- Ultimately, US \$2.4 million ended up in Bermuda.
- A request for MLA was made to Bermuda by the North American country to assist in forfeiting funds
- Additional requests were made resulting in the forfeiture of said funds, half of which was repatriated to the North American country, the remaining was retained by Bermuda
- The local entity which held the account was inspected by the relevant regulatory body and after identifying multiple failures in the AML/ATF process a fine of \$1.5 million was levied against said firm.
- Several years later, a follow-up inspection by the regulatory body showed little to no improvement, therefore an additional fine of \$1.5million was levied and license restrictions were put in place.

Case 7

- 2 SARs filed with FIA regarding same individual from 2 separate firms.
- All withdrawal requests amounted to \$5 million dollars and resulted in CDD being performed, which uncovered the individual was subject of an Interpol warrant for smuggling and evading government tariffs.
- Once the SARs were received, the FIA sought additional information from FIUs in other jurisdictions.
- Dissemination of information from the FIA to EA occurred due to time sensitive nature of case.
- Civil recovery proceedings were commenced once it was confirmed offences had occurred meeting the requirement of unlawful conduct under POCA for civil recovery to occur.
- The EA entered into a confidential settlement with individual by way of legal counsel,
- EA recovered \$350,000+.

Case 8

- North American citizen with others operated a telemarketing scheme making false representations luring victims into fraudulent business ventures. Earning approx. USD\$11.5 million
- Subject was charged with wire fraud, mail fraud, aiding and abetting a federal offence and conspiracy to commit an offence or defraud the North American jurisdiction
- A restraint order for a Caribbean jurisdiction was issued, however a portion of the investment was held in Bermuda
- A formal request to restrain accounts was made. Information was passed on to the FIA, however no local bank accounts in subject's name were found.

- Determined the account in question was in the nominee name of a Caribbean financial institution, as such, were subject to the original restraint order issued.

Case 9

- Bermudian individual admitted to traveling abroad to collect drugs and return them to Bermuda. Individual was unemployed with low educational capacity and deemed to be a vulnerable person.
- Admitted to being paid for traveling abroad. Surrendered cash which individual was provided with
- Determined by relevant authorities prosecution was not in the public interest.
- Information gathered from subject was added to intelligence reports for future investigations.

Case 10

- Middle Eastern national arrived on Island from Canada, which intelligence suggested was to collect large amount of cash, suspected to be proceeds of crime
- Once authorities gained entry into hotel room, BD\$700,000 and US\$126,000 was collected from room safe.
- Funds of drug trafficking moving across borders
- Additional Middle Easter male, arriving from South America was arrested on suspicion of being hired as a cash courier
- After criminal charge was dismissed, the EA applied for a freezing order related to cash recovered. Court found in favor of EA, granting the recovery of the \$826,000

Case 11

- Unemployed individual with previous drug trafficking offences and current money laundering investigations attended LF Wade Intl Airport with the intention of traveling to the US
- On attempting to pass through US Customs and Border Protection (USCBP) he stated he had no commercial merchandise.
- At time of travel he was traveling with a brand-new Louis Vuitton duffle bag and a suitcase
- Based on intelligence and past convictions, subject was selected for additional screening. On x-ray of his suitcase, an anomaly was found. Upon further physical inspection, 2 handmade gold bars were found. On questioning, subject stated they were his and he was traveling to have them appraised. Bars were seized by USCBP as they were not declared
- Arrested on suspicion of having proceeds of crime, due to concealment and non-declaration of gold and removal of gold for purposes of conversion to cash
- However no criminal charges pursued as receipt for duffle bag was provided and confirmed rationale for his possession of gold bars.

Case 12

- Random check by UK Border Patrol of flight to Bermuda revealed a passenger with more than £10,000 cash in her possession. Travel was allowed due to no offence being committed in UK, however notification was made to Bermuda Customs
- On arrival, passenger attempted to exit airport without declaring any items, at which point she was stopped and questioned by Customs, to which she denied having anything to declare.
- Cash was found on baggage examination and when asked why, she stated she didn't want to pay taxes on it.
- Investigation revealed no criminal intent as evidence of legitimate source of funds was found. However civil penalty of \$1,000 was applied due to non-declaration.

Case 13

- Package being shipped to Bermuda contained suspected narcotics, on confirmation a surveillance operation was commenced and an individual was arrested when the package was collected. While on bail, the subject left the jurisdiction.
- Bermuda Customs was contacted by a Caribbean jurisdiction requesting information about 3 Bermuda nationals arriving by boat, the identity of 1 was confirmed as the subject who left Bermuda while on bail.
- Subject then left for another Caribbean jurisdiction, resulting in an alert with the Joint Intelligence Office of Caribbean Customs Law Enforcement Council. While in this jurisdiction, the subject flew to the UK. And then was traced to a 3rd Caribbean jurisdiction.
- DPP in Bermuda requested extradition of subject resulting in his arrest, at which point US\$12,000 was found with his possessions.
- Upon return to Bermuda, subject was sentenced to 12 years in prison and the cash was detained as part of an ongoing investigation.

Case 14

- Investigation by BPS into large-scale drug trafficking and related money laundering operation involving smurfing and currency conversion. Investigation the result of numerous SARs filed with the FIA from banking institutions
- One arrest made of an individual which revealed a lifestyle which was well beyond her legitimate income. On interrogation subject stated she'd stolen money from drug dealers. Analysis shows she'd laundered just under BD\$100,000 over a 2 year period.
- As subject had no assets, no forfeiture was made, however subject was sentenced to 18 months in prison.

Case 15

- Late Friday afternoon two non-residents attended a bank and attempted to deposit BM\$300,000 into a business account to which neither had a previous connection to.
- During counting of cash, the bank's MLRO made an immediate disclosure to the BPS & FIA

- BPS attended the bank and questioned the men, who stated they were depositing funds for a friend.
- They were arrested and cash seized. On a search of their hotel room, an additional \$43,000 mixed US & BDA currency was found.
- No criminal proceedings were commenced, however the EA used civil forfeiture powers and \$342,583 was forfeited.
- Investigation found the account was opened by a CSP 2 years prior, the beneficial owner was a US national in the US. Upon calling the bank to inquire about a deposit he was expecting, the story which he provided was determined to be false.

Case 16

- Central American national suspected of money laundering, fraud and corruption (interim sub-National Head of Government – PEP) was accused of using his position to obtain debt and borrow over \$200million on behalf of his home country
- Subject opened an investment account in a Bermuda RFI via a well-known North American financial institution to facilitate wire transfers of large amounts of funds to Bermuda
- FIA notices for confidential information showed suspect transactions totaling \$2.7million
- Arrangements were made to send a MLA request to Bermuda from North American country for assistance in forfeiting cash
- DPP applied register warrant for forfeiture, however the Court determined this was no appropriate as a warrant in Rem is not a final Order of forfeiture.
- Relevant regulatory authority was advised and using this information to inform their onsite examination of firm.
- Matter was referred to EA, who commence an action for civil recovery of funds, which was successful. Recovered funds were shared between North American country and Bermuda.

Case 17

- US visitor on Island for short vacation
- On departure was found to have approx. BDA\$40,000 concealed in a number of ways
- Detained by USCBP and handed over to Bermuda authorities.
- Arrested by BPS and cash was seized.
- Investigation revealed a 2nd subject who was also arrested
- At trial, 2nd subject was acquitted at the direction of the Court
- Initial subject sentenced to 18 months imprisonment
- Cash was forfeited under POCA

Case 18

- Subject observed counting cash in car during BPS surveillance operation
- After being detained and searched, which revealed cash and drugs on subject. Subject's vehicle was searched multiple parcels of cash observed and drugs, as well as bankers bag of cash

- Subject's residence was searched where additional drugs were found
- Subject was charged with multiple counts of money laundering and possession of controlled drug intended for supply
- Subject sentenced to 6 years imprisonment
- Court awarded the forfeiture of all cash and sailboat