



BERMUDA REPORT ON 2024 MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENTS

**NATIONAL ANTI-MONEY LAUNDERING COMMITTEE
BERMUDA GOVERNMENT | November 2025**

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Disclaimer: This report is produced by the National Anti-Money Laundering Committee. Although the tool used is the World Bank's Model for National Risk Assessments on Money Laundering and Terrorist Financing, the World Bank did not participate in this assessment, nor provide any input into the analysis or conclusions arrived at.

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Foreword

The landscape of financial crime is in constant flux, presenting an ever-evolving challenge to global financial jurisdictions, including Bermuda. Money laundering (ML) and terrorist financing (TF) threats are dynamic, seeking to exploit new technologies, shifting geopolitical landscapes, and vulnerabilities within international financial systems. It is in this context that Bermuda presents its latest National Risk Assessment (NRA) on Money Laundering and Terrorist Financing, continuing our longstanding tradition of rigorous analysis and proactive vigilance as a cornerstone of our robust AML/ATF regime development. This ongoing initiative exemplifies our commitment to balancing a risk-based and internationally compliant regulatory approach with sound business development strategies, all while continually monitoring the shifting global ML/TF landscape.

This 2024 NRA marks the fourth in an ongoing series of such assessments for our jurisdiction. With each iteration, our expertise in identifying, assessing, and understanding ML/TF risks grows deeper, building upon Bermuda's extensive experience in effective risk-based regulation. Our general policy is to continually identify and assess ML/TF risks potentially arising from new financial products, business practices, delivery mechanisms and evolving technologies in financial services. These efforts contribute to developing and implementing risk-focused policies to combat ML/TF.

Bermuda's commitment to a proactive, forward-thinking regulatory approach is evident in these assessments. For instance, our 2020 NRA included the pioneering assessment of the Digital Asset sector. In this current assessment, we have brought Bermuda's Economic Investment Residential Certificate (EIRC) programme within scope, ensuring that the analysis of related emerging risks in that context becomes embedded in our ongoing process. Similarly, we have begun a dedicated Proliferation Financing (PF) NRA to establish Bermuda's risk profile in that regard. Our goal is to ensure this jurisdiction has a clear understanding of PF threats and vulnerabilities, building even further resilience within Bermuda's regulatory framework and ensuring alignment with relevant international standards. We anticipate completing the PF NRA by the end of 2025.

We remain acutely cognizant of how impactful the evolving risk landscape and unexpected exposure events can be to jurisdictions. We are also particularly aware of the need to take a proactive stance on the potential impact of transformative technologies such as Artificial Intelligence (AI) being used to support illicit activities, as part of our ongoing initiatives to protect this jurisdiction. The implications of such technology in relation to ML/TF is already under consideration as part of Bermuda's NRA initiatives currently and for the future. The 2024 NRA has also been instrumental in Bermuda's preparations for the upcoming Financial Action Task Force (FATF) 5th Round Mutual Evaluation. We are happy to demonstrate this aspect of our ongoing commitment to international cooperation through this rigorous exercise.

This report represents the next iteration of analysis that will help both the Bermuda Government and the private sector maintain collective vigilance regarding ML/TF risks. The results of the 2024 NRA will also inform national AML/ATF policy and action plans, as well as providing the private sector with crucial insight to ensure their operations remain effective in this dynamic context. Therefore, Bermuda as a whole can make necessary risk-based adaptations to our AML/ATF systems to support both business and jurisdictional resilience. This is underpinned by the depth of analysis and cooperation for this assessment between all competent authorities

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with AML/ATF responsibilities, led by the National Anti-Money Laundering Committee and covering financial regulation, market supervision, legislative development, and prosecutorial services. The active cooperation and support of private sector stakeholders has again contributed significantly to completing the assessment. This Government remains firmly focused on protecting Bermuda from financial crime and related nefarious activities, and I am pleased to note the longstanding commitment across Bermuda's public and private sectors to ensure our jurisdiction continues combating ML and TF effectively.

On behalf of our Cabinet colleagues we take this opportunity to thank everyone involved in the hard work and significant time this comprehensive assessment demanded. Their efforts and dedication are deeply appreciated and reflect the high standards by which Bermuda operates. We are immensely proud that Bermuda as a whole recognizes the importance of ensuring our AML/ATF regime remains effective to support our highly valued position as a leading financial jurisdiction.



A handwritten signature in black ink, appearing to read 'D. Burt'.

The Hon. E. David Burt, JP, MP
Premier of Bermuda and Minister of Finance



A handwritten signature in black ink, appearing to read 'Kim Wilkerson'.

The Hon. Kim Wilkerson, JP
Attorney General and Minister of Justice

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Executive Summary

Bermuda's National Risk Assessment (NRA) systematically reviews national risks the country faces as a financial jurisdiction, focused on Money Laundering (ML) and Terrorist Financing (TF). The NRA outlines those risks for analysis and discussion among Bermuda's policymakers, and the public and private sectors. This enables proactive consideration of trends and risks for planning purposes by all relevant stakeholders for optimal strategic and operational outcomes. Therefore, the NRA informs detailed risk management and preparedness across all sectors, government departments, and agencies.

The National Risk Assessment 2024 (2024 NRA) is the latest in a series of regular assessments Bermuda has conducted with progressively more rigorous analysis since 2013. Notably, the 2024 NRA assessed ML/TF risks concurrently for the first time. It also brought within scope and evaluated ML/TF risks within Bermuda's Economic Investment Residential Certificate programme (EIRC) which came into effect during the 2024 NRA review period.

The FATF has identified the misuse of citizenship or residence by investment programmes for financial crime, particularly ML, as a significant risk. In line with its proactive regulatory approach, Bermuda incorporated its EIRC programme within the 2024 NRA for the first time to better identify, assess and understand ML risks applicable to this relatively new area and help inform future programme enhancements. Overall, expanding the NRA's scope to include the EIRC is crucial for understanding such evolving risks to Bermuda's economy and society.

The NRA 2024, as in previous years, focuses on inherent ML/TF risks at national and sectoral levels, and assessing related AML/ATF controls for potential enhancement. It also considered recent Financial Action Task Force (FATF) Standards updates - particularly regarding Non-Profit Organisations (NPOs), beneficial ownership transparency, confiscation and asset management - in assessing Bermuda's AML/ATF framework and its implementation. Many risks identified in the 2024 assessment are consistent with previous NRA findings.

There is also general consistency in overall ML threat ratings in this latest assessment. Bermuda's national ML threat remains High. This reflects the fact that foreign predicate offenses (fraud, corruption/bribery, market manipulation/insider trading, and tax crimes) continue to pose a high or medium-high threat to Bermuda. Drug trafficking also retained a high threat rating. Furthermore, this NRA reaffirmed that proceeds from both foreign and domestic crimes pose a high ML threat, with an increasing range of domestic predicate offenses compounding that position. These ratings were also determined despite revised benchmarks applied within the assessment.

Bermuda Police Service (BPS) crime statistics for the four-year period (January 2020 - December 2023) show a resumed overall downward trend in criminal activities. This reduction may be attributed to improved policing and social measures during the period, as well as the impact of COVID-19 regulations that limited social interaction and movement.

The sectoral threat assessments indicate that inherent risks remain consistent for most sectors. The Trust and Legal sectors are rated High for inherent ML risks. The Trust sector's High ML inherent risk rating primarily reflects inherent ML vulnerabilities due to the complex structures and services provided—particularly by private trust companies. The Legal sector maintains a High inherent ML risk rating, driven by the size and structure of the sector, along with the high value of transactions law firms conduct, particularly regarding real property.

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The Deposit-Taking sector (Banks & Credit Unions), Securities, and Corporate Service Providers (CSPs) are rated Medium High. The Regulated Insurance (Long Term/Life) and Accounting sectors are rated Medium. The casino gaming sector (land-based casinos) is rated Medium Low, based on potential risk exposure related to general characteristics of the casino industry that is anticipated for Bermuda. The Lending and Leasing, Dealers in Precious Metals and Stones (DPMS), and Dealers in High Value Goods (HVDs) were rated as Medium-Low inherent risk.

Unlike the 2020 ML assessment, the Bermuda Stock Exchange and betting sector were not assessed as they are outside the FATF Standards' scope. The full group of sectors not assessed in the 2024 NRA and the rationale for that decision were as follows:

- Other Non-Financial:
 - Betting
 - Lotteries (including raffles, bingo etc.)
 - Crown & Anchor
- Non-RFI:
 - Insurance
- Bermuda Stock Exchange

The betting sector, regulated under the enhanced Betting Act No. 22 of 2021, currently has no active participants. The Lotteries and Crown and Anchor sectors, in practice generally limited to small-scale fundraising events associated with local social clubs, fall outside FATF AML/ATF regulation requirements. Similarly, Non-RFI Insurance and the Bermuda Stock Exchange are outside the scope of FATF AML/ATF regulation, which also excludes them from the World Bank Tool requirement that sectors being assessed within its criteria must be regulated. However, due to its significant size and economic relevance to Bermuda, the Non-RFI Insurance sector will once again undergo a separate assessment to determine its ML/TF vulnerability and whether it should be brought under AML/ATF regulation.

Bermuda's ML threat rating reflects its dedication to rigorous analysis of evolving risks to the jurisdiction. Bermuda recognizes the potential impact of money laundering on its financial sector, and is committed to continually updating its understanding of ML risks to enhance the country's robust AML controls.

Regarding terrorist financing, the 2020 World Bank (WB) methodology primarily focused on the terrorism threat posed to a country by specific organisations. However, the 2022 methodology, used in this assessment, evaluates the TF threat of relevant terrorist organisations using five key criteria, only one being the level of terrorism threat. This is followed by analyzing in detail the TF methods these organisations employ within the country.

The NRA 2024 shows that Bermuda's terrorist financing threat remains Low. Conducting the TF threat evaluation using the updated WB methodology and criteria provides a broader framework that considers various additional factors which may contribute to the risk environment. The methodology also requires a detailed examination of TF methods used by these organisations

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within the country, allowing for a more granular understanding of how funds are raised, moved and used for terrorism. This level of analysis enhances risk assessments and mitigation strategies. Based on this analysis, Bermuda maintains a low domestic terrorism threat with no evidence of radicalization locally or among diaspora populations. There is also no local or foreign intelligence indicating incoming or outgoing TF, and no known TF cases.

There was no domestic or foreign intelligence suggesting terrorist financing has occurred in any sector across Bermuda. Typologies were used due to the lack of evidence indicating Bermuda is a significant site for domestic or foreign terrorist activity or a transit point for terrorist funds. Consequently, the TF threat was rated Medium Low to Low across relevant sectors, except for MSBs which was rated as Medium. The deposit-taking, securities, and MSBs sectors have a Medium vulnerability due to their global reach, which includes high-risk TF jurisdictions, interactions with high-net-worth clients, and cross-border fund movements, exposing them to potential abuse. The rating changes reflect the enhanced 2022 WB Tool's focus on TF actors and their methods of sector misuse.

Bermuda's Non-Profit Organisations (NPOs) were again included in this latest NRA. FATF Recommendation 8 focuses on NPOs and the potential for their misuse for TF, requiring countries to identify NPOs, assess their TF risks, and implement focused, proportionate, and risk-based measures. An in-depth TF assessment of Bermuda's NPO sector revealed a low risk rating. The six International Charities registered in Bermuda have minimal to no exposure to terrorism financing threats. While the International Charities were given a low rating, it is recognized that certain charities operating in higher-risk jurisdictions, e.g. Haiti, the Philippines, and the Middle East, face an inherently greater terrorism risk.

Clearly, TF threats to Bermuda and related risks remain low. Nonetheless, Bermuda continues to prioritize efforts to ensure that its ATF regime remains comprehensive and effective.

Overall, and as a national strategic priority, Bermuda understands the significant role of maintaining its robust, effective AML/ATF regime. Ongoing dialogue, cooperation, and coordination between the public and private sectors are crucial for supporting that regime. Therefore, the NRA 2024 findings will inform updates to national plans, strategies, and AML/ATF policies for both sectors, ensuring an enhanced risk-based approach to AML/ATF activities. This collaborative effort will ensure Bermuda remains focused on combating ML and TF now and for the future.

Chapter 1: Introduction & Methodology

1. Introduction

Recommendation 1 of the Financial Action Task Force's (FATF) Standards¹ requires jurisdictions to identify, assess and understand the money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks facing the country. Based on this assessment's results, FATF requires jurisdictions to apply a risk-based approach and implement proportionate measures that address or prevent ML, TF, and PF.

Bermuda has conducted ML/TF risk assessments as part of the jurisdiction's regulatory framework since 2013. This has resulted in a progressively deeper awareness and understanding of ML/TF risks to Bermuda among relevant Government agencies and private sector stakeholders. Bermuda's latest ML/TF NRA was conducted in 2024, and represented the first joint assessment of ML and TF risks. The 2024 ML/TF NRA, and the inaugural PF risk assessment set to be completed in 2025, provides further insight for Bermuda's proactive efforts to ensure its AML/ATF/CPF regime remains effective and is enhanced appropriately. It also reinforces Bermuda's collective commitment to ensuring appropriate AML/ATF/CPF national policies and company processes are in place to safeguard and strengthen its position as a leading financial jurisdiction.

2. The Methodology

The 2024 ML/TF NRA began in March 2024, led by the National Anti-Money Laundering Committee (NAMLC), with the support and sanction of the Cabinet and Public Service Executive. Under the National AML/ATF/CPF Policy, NAMLC is responsible for facilitating collaboration among competent authorities to ensure Bermuda's understanding of its ML and TF risks is kept up-to-date. The entire project was coordinated by the Office of NAMLC, which provides secretariat services to the Committee.

Consistent **with Bermuda's previous NRAs, this assessment's methodology regards ML and TF risks as being a function of ML and TF threats and vulnerabilities.** An ML/TF risk assessment attempts to identify, analyse and understand ML and TF risks and serves as a first step in addressing them. Ideally, an ML/TF NRA involves evaluating the criminal threats the country faces and the vulnerabilities that criminals could exploit.

These key concepts are explained by the FATF² as follows:

- a. **Money Laundering:** The process used by criminals to conceal or disguise the origin of criminal proceeds to make them appear as if they originated from legitimate sources.
- b. **Terrorist Financing:** The financing of terrorist acts, and of terrorists and terrorist organisations.

1 FATF Recommendations 2012 (last updated November, 2023), International Standards On Combating Money Laundering and the Financing of Terrorism & Proliferation

2 FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment, February 2013; FATF Guidance: Terrorist Financing National Risk Assessment Guidance 2019 & FATF Guidance: Money Laundering National Risk Assessment Guidance 2024

- c. **ML Threats:** These are the predicate crimes that are associated with ML. In some cases, specific crimes are associated with specific ML methods. In any event, crimes and criminal activity, which generate proceeds that can be laundered, make up the threat environment. Understanding the threat environment is essential to understanding the vulnerabilities that create money laundering opportunities, and to understanding the residual risks.
- d. **TF Threats:** These consist of a person or group of people with the potential to cause harm by raising, moving, storing or using funds and other assets (whether from legitimate or illegitimate sources) for terrorist purposes. TF threats may include domestic or international terrorist organisations and their facilitators, their funds, as well as past, present and future TF activities, and individuals and populations sympathetic to terrorist organisations.
- e. **Vulnerability:** This comprises those things that can be exploited by the threat or that may support or facilitate its activities. Vulnerabilities facilitate or create the opportunity for ML or TF. They are weaknesses inherent in a specific financial sector or product; or a weakness in the laws, or in the regulation, supervision, or enforcement framework; or it may reflect unique circumstances in which it may be difficult to distinguish legal from illegal activity.

Although not specifically referenced by FATF, we have utilised the concepts of inherent and residual vulnerability and risk in our assessment. “Inherent” refers to the level of vulnerability or risk present in an activity, process, or situation before any controls or mitigation measures are implemented. It represents the natural level of exposure to threats based on the assessed characteristics and external factors. Residual vulnerability or risk, on the other hand, is the level that remains after controls or mitigation strategies have been applied to reduce the inherent risk. The findings shared in this report focus on the inherent vulnerabilities and risk, so that the private sector in particular can ensure their risk mitigation strategies are appropriately prioritised.

- f. **Consequence:** refers to the impact or harm that ML or TF may cause and includes the effect of the underlying criminal activity on financial systems and institutions, as well as the economy and society more generally. The consequences of ML or TF may be short or long term in nature and also relate to populations, specific communities, the business environment, or national or international interests, as well as the reputation and attractiveness of a country’s financial sector.

Given the challenges in determining or estimating the consequences of ML and TF, the FATF makes allowance for countries to focus their risk assessment efforts primarily on achieving a comprehensive understanding of their money laundering and terrorist financing, threats and vulnerabilities.

3. The Tool Used

The 2024 ML NRA used the World Bank risk assessment model for consistency with Bermuda's 2013, 2017 and 2020/2021 ML NRAs. While the World Bank's tool was also used in the 2016 and 2020 TF NRAs, the 2024 TF risk assessment employed the enhanced 2022 World Bank TF methodology. This updated tool enables more precise, in-depth analysis, particularly by integrating typologies where data is limited to better examine TF impacts on Bermuda. It is important to note that while Bermuda utilised the World Bank tool, the World Bank had no involvement in the 2024 ML/TF NRA's analysis or conclusions and provided no technical input.

The 2024 assessment of ML risks was conducted using the World Bank Model's seven (7) ML modules contained in the 2015 iteration of their tool, namely:

- i. MODULE 1 - National Money Laundering Threats;
- ii. MODULE 2 - National Vulnerability;
- iii. MODULE 3 - Banking/Credit Union Sector Vulnerability;
- iv. MODULE 4 - Securities Sector Vulnerability;
- v. MODULE 5 - Insurance Sector Vulnerability;
- vi. MODULE 6 - Other Financial Sectors Vulnerability – namely, Money Service Business;
- vii. MODULE 7 - Non-Financial Sectors Vulnerability – namely Designated Non-Financial Businesses and Professions (DNFBPs) and others, that is:
 - Trust Service Providers;
 - Corporate Service Providers;
 - Casino Gaming;
 - Real estate brokers and agents;
 - Lawyers;
 - Accountants;
 - Dealers in Precious Metals and Stones;
 - Other Dealers in high value goods – cars, boats, bikes, antique dealer and auctioneers

In addition, the World Bank's standalone tool for assessing virtual assets and virtual asset service providers ML/TF risk was used for the second time in this NRA, providing an even greater level of detail than the thematic assessment previously performed in 2023.

A bespoke tool was also used to assess money laundering risks linked to Bermuda's EIRC programme.

The 2024 TF risk assessment used the World Bank’s enhanced 2022 TF Risk Assessment tool; this was a comprehensive update to Module 8 of the 2015 Tool used in Bermuda’s previous TF NRAs. The updated tool constituted the following steps:

- i. STEP 1 – TF Threat from Terrorist Persons and organisations
- ii. STEP 2 – TF National Threat
- iii. STEP 3 – TF Sectoral Risk Assessment
- iv. STEP 4 – TF National Vulnerability
- v. STEP 5 – TF Risk

The assessment used the World Bank’s separate tool created in 2022 to assess Non-Profit Organisations (NPOs), which are vulnerable to terrorist financing abuse.

Further details about the World Bank tools used in the 2024 NRA are shown in Annex II.

4. Comparative Sector Weighting Data & Weights

Following the World Bank Methodology, sectoral weightings (1-10, with 1 being lowest and 10 highest economic weight) were applied to adjust assessed threats and vulnerabilities, based on each sector’s relative economic significance in Bermuda.

Weighting determination considered factors such as:

- Contribution to GDP³
- Volumes and values of financial activity
- Downstream economic impact of deals or activity (e.g. gatekeepers or deal-makers/brokers)
- Numbers of persons employed locally by the sector
- Other sector-specific relevant factors

3 GDP figure as at 2022-\$6,741,993 billion.

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Table 1 below reflects the sectoral weightings assigned.

Table 1: Sectoral Weightings

No.	SECTORS	2017 WEIGHTS	2020 WEIGHTS ⁴	2024 ⁵ WEIGHTS
1.	RFI: Banks & Credit Union	8	8	8
2.	RFI: Securities	6	8	8
3.	RFI: Insurance	3	4	4
4.	RFI: Money Service Business	1	2	2
5.	RFI: Digital Assets	N/A	3	3
6.	Other Financials: Lending & Leasing	N/A	1	1
7.	DNFPB: Trust Business	6	6	5
8.	DNFPB: Corporate Service Providers	8	6	6
9.	DNFPB: Accountants	3	3	3
10.	DNFPB: Lawyers	5	5	5
11.	DNFBP: Real Estate	5	4	4
12.	DNFBP: Casino Gaming	1	0	0
13.	DNFBP: Dealers in precious metals and stone	1	1	1
14.	Other Non-Financial: High Value Dealers	1	1	1

The only sector with a material change was the Trust sector, showing a reduced weighting reflecting its relative size in comparison to other sectors. While the trust sector does employ a substantial number of local employees, its asset value was shown to be noticeably lower when compared, for example, to the insurance sector.

5. The Scope

The 2024 NRA assessed ML and TF risks jointly for the first time, as a follow up to the 2020-2021 ML NRA and the 2020 TF NRA. The review period for the 2024 NRA was from 1 January 2020 through to 31 December 2023. Any material changes to the legislative or institutional framework which came into effect in 2024 were taken into account where appropriate.

The 2024 ML risk assessment, consistent with 2017 and 2020/2021, examined the Deposit-Taking (Banking & Credit Union), Securities and Insurance sectors, Money Service Businesses, the Lending and Leasing sector, Trust and Corporate Services Providers, the Legal and Accounting sectors, Real Estate Brokers, Dealers in Precious Metals and Stones, Dealers in

4 NRA assessment period-2017-2019.

5 Weights are on a scale of 1 – 10: with '1' representing the lowest weight in the economy and '10' representing the highest weight.

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High Value Goods⁶, and the Casino Gaming (land-based) sector, despite there being no land-based casino in operation. Relevant supervisory authorities conducted all sectoral vulnerability assessments with input from the regulated sectors.

The NRA includes an evaluation of the Digital Asset Business (DAB) sector, the second ML assessment for this sector. A thematic assessment covering 2020-2023 was conducted in 2023. **This 2024 assessment provides more detail** and includes the first sectoral evaluation of TF vulnerabilities.

A separate World Bank NPO Risk Assessment Tool was used to assess the Charities (NPOs) sector for the first time. This tool facilitates identifying FATF-defined NPOs, assessing evidence of TF abuse, determining inherent risk (exposure to active terrorist threats), and reviewing existing mitigation measures.

An assessment of the Economic Investment and Residential Certificate (EIRC) programme was conducted for the first time, using a bespoke methodology. This proactive assessment explores money laundering and financial crime risks associated with the Residency by Investment programme in Bermuda.

6. The Working Groups

A separate Working Group was established to carry out the assessment required by Modules 1 and 2 respectively and for each of the sectoral assessments conducted using Modules 3 – 7. The Working Groups included representatives from all relevant national competent authorities with responsibility for AML/ATF matters: law enforcement, financial intelligence, prosecutors, supervisory authorities, the tax authority, company registry, and the agencies responsible for mutual legal assistance, civil asset recovery, tax information exchange, customs/border control/immigration control, and the national coordinating agency.

For all sectoral assessments, the relevant supervisory authority for each sector chaired the Working Groups, which also included industry/sector representatives and the national coordinating agency.

The individual Working Groups are listed in Annex III.

7. Post-Analytical Validation Workshops

The preliminary findings of all the Working Groups as well as their recommendations for next steps were presented to a broader national stakeholder group – both private and public sector, composed of competent authorities, government executives, and industry representatives, in virtual workshops. Feedback from these workshops provided valuable input for further refinement of the findings.

6 Dealers in cars, boats, trucks and motorbikes.

Chapter 2: Bermuda's Context

1. Bermuda's Geographical Context

Bermuda is located in the North Atlantic Ocean. It is an archipelago of 10 main islands connected by bridges and about 150 additional islets, situated about 570 nautical miles east southeast of North Carolina, USA. The archipelago is about 22 miles long with 60 miles of coastline and averages less than 1 mile in width. The capital is the City of Hamilton, with the Town of St. George being the other principal municipality. Bermuda has regular direct airline service to the UK, Canada and the USA. Flight time to key northeastern US cities is less than two hours. Cruise ships primarily come from the US, with occasional calls coming from the UK and continental Europe.

2. Bermuda's Political and Judicial Context

Bermuda is a self-governing British Overseas Territory with a parliamentary government. Under its 1968 constitution, the British monarch, represented by the Governor, is the head of state. The Governor is responsible for external affairs, defence, internal security, and the police but acts on the advice of the Cabinet, led by the Premier. The Premier is head of government and of the majority party in the legislature. The legislature is composed of the House of Assembly, with 36 members elected from 36 constituencies to terms of up to five years; and the Senate, with 11 members appointed by the Governor (5 on the advice of the Premier, 3 on the advice of the leader of the opposition, and 3 at the Governor's discretion). While the Senate has the power to defer legislative proposals presented by the House of Assembly for up to one year, it is not empowered to veto or amend any proposed legislation.

The Governor formally appoints the Premier, who subsequently nominates Cabinet Ministers and assigns their respective portfolios. The Government currently comprises 11 ministries including the Cabinet Office with responsibility for Government Reform. Cabinet Ministers are each responsible for the operations and strategy of their particular Ministry and are accountable to the Legislature. General elections are held at most every five years, with the most recent being held on February 18, 2025.

Bermuda's legal system is mature and transparent, with an extensive, well-qualified network of legal professionals. The legal system reflects the UK model, comprising codified legislation and English common law. The court system is composed of Magistrate Courts, the Supreme Court, a local Court of Appeal, and final appeal to the Privy Council in the UK.

3. Bermuda's Economic and Social Context

Based on 2023 GDP, International Business Activity directly accounts for approximately 29% of GDP and Financial and Insurance Activities (Domestic) account for 14% of GDP, which gives a total of 43% of GDP. Tourism and international financial services employ the majority of the workforce directly or indirectly.

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As at the time of this assessment, Bermuda had four licensed banks operating, all serving predominantly domestic as well as international clients. Bermuda’s corporate registry has approximately 16,000 registered legal entities, and approximately 1,174 of these are AML/ATF regulated FIs. The Bermuda dollar is pegged to the US dollar at a fixed exchange rate of US\$1.00=BD\$1.00 (par). Principal trading partners include the US (which predominates in the volume and value of trade), UK and Canada.

According to the most recently published census, the “2016 Population and Housing Census Report”. Bermuda had a population of 63,779, of which 19,332 residents were foreign-born and 9,506 were guest workers from overseas. Guest workers primarily come from the UK, Canada, USA, Azores/Portugal, the Caribbean and Asia.

English is the official language. Education is free and compulsory for students aged 5 - 16. Literacy rates are high, and approximately 87% of the adult population are high school graduates, a large proportion of whom go on to higher education, either in Bermuda or abroad.

Chapter 3: COVID 19 Impact on AML/ATF/CPF

Bermuda was impacted by the COVID-19 Pandemic during the NRA review period (2020 – 2023) causing social and economic disruptions. Government and private sector implementation of Bermuda’s AML/ATF obligations was also disrupted, in areas including supervision, regulation and policy reform, suspicious activity reporting and international cooperation.

The pandemic led to various legislative, regulatory and policy measures being established to address public health and safety. Those measures included border closures, curfews, shelter-in-place mandates, business and tourism restrictions and mask wearing requirements. Additionally, given the surge in cybercrime globally efforts to assess and amend Bermuda’s cybersecurity and cybercrime legislation began, and were finalised and passed in early 2024.

Some COVID 19 measures posed challenges to Bermuda’s continued execution and enhancement of its AML/ATF regime. Competent Authorities adapted swiftly to ensure the public and private sectors implemented strategies to manage the evolving ML/TF risk environment. This included adjusting operational measures to mitigate money laundering, terrorist financing and proliferation financing risks, in the context of pandemic measures. The transition to virtual meetings for inter-agency cooperation, international communication, and supervisory duties was rapid and effective.

1. Intelligence and Law Enforcement

Intelligence and Law Enforcement Agencies integrated significant impacts from the COVID-19 pandemic within their operations, particularly from 2020-2021. New offenses related to pandemic regulations emerged, requiring resource reallocation from back-end functions to respond to service calls and enforce COVID-19 measures. While the Bermuda Police Service (BPS) continued to enhance intelligence-led policing, the immediate priority was maintaining service delivery during the imposition of pandemic measures, which extended into the first quarter of 2021.

Concerns about viral spread impeded the BPS’s ability to gather evidence or information in cases requiring witness and suspect interviews .

Regarding emerging trends, COVID-19 restrictions led to the lowest recorded crime levels in Bermuda in 2021 since comparable data collection began in 2000. Notably, assaults decreased due to restrictions on gatherings.

The COVID-19 pandemic caused some disruption to the daily operations of Bermuda’s Financial Intelligence Agency (FIA), leading to project deadline extensions. However, designated FIA staff maintained their daily review of domestic and international requests. The FIA analysis team continued discussions with all four banking institutions remotely, covering SAR filings (quality and dissemination) and other sector-specific reporting matters. Meetings were also held virtually with Supervisors to discuss the quality of SARs from their reporting entities. The FIA utilized virtual training to enhance staff knowledge and continued to publish case studies on their website for outreach.

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The Customs Department remained focused on providing the services that underpin its important role to the economy and the health of Bermuda. Due to the COVID-19 pandemic, the Department transitioned to mandatory electronic submission of Bermuda Customs Declarations (BCDs) directly to the Customs Automated Processing System (CAPS) or through the free Web Trader browser service. Electronic BCDs processing also facilitated bank transfer payments.

This electronic process enhanced risk-based screening and security. The requirement for CAPS ID Numbers to process electronic BCDs led to a surge in applications from importers, enabling the Customs Department to Know Its Customers (KYC) more efficiently and effectively providing enhanced due diligence.

2. Prosecutorial Authorities

Prosecutorial agencies including the Attorney-General's Chambers (AGC) and the Department of Public Prosecutions (DPP) continued using a digital platform during the shutdown period and, like all other agencies, reallocated resources to address emerging needs. Initially, the AGC focused on producing new pandemic-related legislation. Subsequently, the AGC remained fully operational in a hybrid manner – facilitating both in person and virtual functions, including handling Restraint and Civil Recovery matters. Notably, a USD314,950 Civil Recovery Order was granted on April 7th 2021, in a drug trafficking and money laundering case. Other cases were adjourned or scheduled for trial. The AGC also continued to efficiently process incoming Mutual Legal Assistance Treaty (MLAT) requests and made outgoing requests for active Civil Recovery matters.

The DPP continuously adapted as required to the pandemic's impact during the assessment period and beyond. Remote court hearings continued to varying degrees. Magistrates' Court trials proceeded in person with minimal disruption. However, limited Supreme Court jury trials took place for various reasons, including physical resource and courtroom limitations. Some trials and scheduled cases were delayed, including those relating to money laundering and proceeds of crime, due to COVID 19-related absences of defendants, jurors and legal counsel.

However, the introduction of a penalty ticket system, which the DPP helped draft, facilitated more efficient review and prosecution of COVID-19 legislation breaches. This also enabled continued review of the Proceeds of Crime Act (POCA) and other relevant legislation to improve the efficiency and efficacy of prosecutions and asset recovery.

3. Supervisory Authorities

The pandemic disrupted in-person engagement between supervisors and industry. All agencies had to balance staff and public safety with completing supervisory work, transitioning to virtual meetings due to shelter-in-place orders. Supervisors primarily worked remotely, using digital platforms to communicate with regulated entities and conducting targeted outreach to address emerging risks bilaterally when necessary.

The BMA continued its programme of on-site examinations through remote interactions with registrants using secure data rooms for receiving submissions and video calls for interviews. The BMA also maintained communication with other Competent Authorities and their registrants regarding COVID-19-specific risks or vulnerabilities, incorporating any potential emerging risks into the AML/ATF supervisory plan. Additionally, the BMA updated its industry guidance, while closely monitoring higher risk sectors and entities. Supervisors also continually monitored evolving global issues that could affect Bermuda's regulated entities.

For Non-Profit organisation (NPO) supervision, the Registry General's Department mandated electronic submission for all registration and renewal applications. This digital shift influenced electronic risk profiling, with each application reviewed and risk-assessed electronically as it would have been in physical form.

The Office of the Superintendent of Real Estate developed a contingency plan to receive real estate licence applications and broker filings via a centralised receiving mailbox to streamline processes. Additionally, virtual on-site examinations were conducted due to limitations on in-person inspections.

As with all supervisors, the pandemic hampered the Barristers and Accountants AML/ATF Board's industry outreach. Inspections decreased to 10 in 2020 due to COVID-19 delays. The Board's office lacked a combined network for remote work due to the structure of its data storage systems. The pandemic also hindered the registration process, which included submissions of data calls, audits and vulnerability statistics, as many firms could not provide requested documents on time. Consequently, in August 2020, the Board hired a new Office Manager/Technical Officer to establish remote access capabilities, which were subsequently implemented for all staff. Follow-up communications and Directives led to near full industry compliance.

Regarding sanction processes, the Financial Sanctions Implementation Unit (FSIU) revised its sanctions update notice procedure during Bermuda's shelter-in-place mandates. Updates were promptly posted on the sanctions webpage, and links to updated sanctions regimes were sent to supervisors without delay.

Chapter 4: Bermuda's AML/ATF Legislative Framework and Key Agencies

1. Legislative Framework

Bermuda has a comprehensive suite of legislation to combat money laundering and the financing of terrorism.

2. Core Legislation

Key laws in relation to AML/ATF include:

- i. **Proceeds of Crime Act 1997 (POCA)** – *This Act establishes the criminal offences that constitute money laundering, sets the legal framework for confiscating proceeds of crime and confers investigative power on the police. The Act also confers expansive information-gathering powers to the police relating to investigations and contains provisions empowering the courts to make confiscation orders, forfeiture orders and freezing orders and to impose other penalties. It contains the provisions relating to filing of Suspicious Activity Reports (SARs) and provides the legislative basis for regulations to impose requirements on specified Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) for preventive measures in relation to AML/ATF matters. It also contains the legislative basis for the Minister responsible for Justice to give directions in relation to matters that have significant ML/TF risk. It establishes the National Anti-Money Laundering Committee (NAMLC) and establishes the civil recovery regime which provides for the Enforcement Authority to recover funds that are the proceeds of criminal conduct.*
- ii. **Anti-Terrorism (Financial and other Measures) Act 2004 (ATFA)** – *This Act criminalises the financing of terrorism and establishes a series of offences relating to involvement in arrangements for facilitating, raising or using funds for terrorism purposes. The Act also confers information gathering powers on the police and empowers the courts to make orders and impose penalties in relation to investigations relating to terrorism offences. It also contains relevant provisions in relation to TF and Proliferation Financing (PF) matters that appropriately mirror those relating to ML that are contained in POCA.*
- iii. **Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (Regulations)** – *This legislation was established in accordance with POCA and ATFA. The regulations prescribe the preventive measures to be taken by AML/ATF regulated FIs and regulated Non-Financial Businesses and Professions (DNFBPs).*
- iv. **Proceeds of Crime (Anti-Money Laundering and Anti- Terrorist Financing Supervision and Enforcement) Act 2008 (SEA)** – *This Act establishes the supervisory framework whereby supervisory authorities are required to monitor certain persons and take measures to secure compliance by such persons with*

the regulations made under the Proceeds of Crime Act 1997 and the Anti-Terrorism (Financial and Other Measures) Act 2004. The responsibilities and powers of supervisory authorities are prescribed, as well as the civil penalties for breach of the Regulations.

- v. **Financial Intelligence Agency Act 2007** – *This Act established the FIA as the national Financial Intelligence Unit (FIU) as an independent, autonomous agency to receive reports of suspicious transactions from regulated financial institutions and other persons and to collate, analyse and, as appropriate, disseminate information to law enforcement and other competent authorities for investigation or other action.*
- vi. **Criminal Code Act 1904** – *This Act criminalises a wide range of offences, which comprise the majority of the predicate offences for money laundering; and establishes the framework for charge, prosecution and sentencing of all offenders.*
- vii. **Misuse of Drugs Act 1972** – *This Act criminalizes a wide range of drug trafficking offences and provides additional police powers for investigating such offences including forfeiture orders.*
- viii. **Bribery Act 2016** – *The Bribery Act amalgamates all bribery offences, including bribery of a foreign public official. The Act also prescribes the procedure for reporting, prosecution and penalties.*
- ix. **Revenue Act 1898** – *This Act provides the regulatory regime for Customs and confers appropriate powers on the Collector of Customs.*
- x. **Companies Act 1981** – *This Act provides the framework for the incorporation, registration, and winding-up of companies. Other legislation which relate to the establishment and operation of other types of legal entities in Bermuda include the Partnership Act 1902; the Limited Partnership Act 1883; the Exempted Partnerships Act 1992; the Overseas Partnerships Act 1995; the Limited Liability Company Act 2016; and the Segregated Accounts Companies Act 2000. These Acts are reinforced and supported by the Registrar of Companies (Compliance Measures) Act 2017, which confers powers on the Registrar of Companies to better provide for inspection of, and compliance by, certain entities that are registered in Bermuda.*
- xi. **Exchange Control Act 1972** – *This Act provides the regulatory framework for exchange controls and includes provisions that allow for the vetting of beneficial owners. This Act and the Exchange Control Regulations 1973 are important components of Bermuda's long-standing history of knowing and vetting the key players behind companies registered in Bermuda.*
- xii. **Charities Act 2014** – *The Charities Act imposes a registration framework for charities and establishes a risk-based supervisory framework for registered charities, to ensure compliance with regulations that prescribe the AML/ATF*

obligations on charities: namely, the Charities (Anti-Money Laundering, Anti-Terrorist Financing and Reporting) Regulations 2014.

- xiii. **Criminal Justice (International Cooperation) (Bermuda) Act 1994** – *This legislation establishes the framework to enable Bermuda to provide legal assistance, evidence and other material support, to cooperate with other countries in the investigation and prosecution of criminal offences and the detention and recovery of criminal proceeds.*
- xiv. **International Cooperation (Tax Information Exchange Agreements) Act 2005** – *This Act makes general provision for the implementation of tax information exchange agreements entered into by the Government of Bermuda, as authorised by the Government of the United Kingdom, with other jurisdictions and to enable the Minister of Finance to provide assistance to the competent authorities of such jurisdictions under such agreements.*
- xv. **International Sanctions Act 2003** – *The Sanctions Act allows the Minister responsible for legislative affairs to make the necessary regulations for the international sanctions regime. Other relevant Sanctions related legislation include:*
 - **International Sanctions Regulations 2013** – *These Regulations, whose legislative basis is derived from the International Sanctions Act, provide the mechanism for Overseas Territories Orders for international sanctions measures (United Nations and others) to be brought into force in Bermuda.*
 - **International Sanctions Notice 2017** – *This Notice confers powers by any provision to any of the Orders listed in Schedule 1 to the International Sanctions Regulations 2013 to maintain and publish a list of designated or listed persons constituting the target of financial sanctions and a list of restricted goods.*

3. Additional Legislation

In addition to the above core legislation, the framework for monitoring and enforcing compliance is strengthened by measures contained in the primary Acts establishing the supervisory authorities which include the:

- i. **Bermuda Monetary Authority Act 1969** – *This Act established the Bermuda Monetary Authority and provides its powers for, among other things, the regulation and supervision of financial institutions and the prevention of financial crime.*
- ii. **Gaming Act 2014** – *This legislation provides for integrated resorts, to allow casino gaming, to establish the Bermuda Gaming Commission and to establish a Problem Gaming Council to address problem gambling.*
- iii. **Real Estate Brokers' Licensing Act 2017** – *This Act provides for the operation of a licensing regime for the Real Estate sector and establishes the supervisory framework.*

- iv. **Registrar of Companies (Supervision and Regulation) Act 2020** and **Registrar of Companies (Compliance Measures) Act 2017** – *These Acts empower the Registrar of Companies with supervisory and regulatory authority and powers in relation to a wide range of compliance requirements, with respect to registered persons and entities, as well as in respect of the AML/ATF oversight of dealers in high value goods.*
- v. **Bermuda Bar Act 1974** and **Chartered Professional Accountant of Bermuda Act 1973** – *These Acts contain provisions relevant to the establishment and operation of the Barristers and Accountants AML/ATF Board and the oversight of persons in the legal and accounting sectors.*

In addition, the suite of regulatory legislation can also be used as part of the AML/ATF framework and includes the following pieces of legislation:

- *Banks and Deposit Companies Act 1999*
- *Corporate Service Provider Business Act 2012*
- *Insurance Act 1978*
- *Investment Business Act 2003*
- *Investment Funds Act 2006*
- *Money Services Business Act 2016*
- *Trusts (Regulation of Trust Business) Act 2001*
- *Digital Asset Business Act 2018*
- *Digital Asset Issuance Act 2020*

4. Key AML/ATF Agencies

The Government of Bermuda has, by statute or delegation, designated the following agencies to play a leading role to address AML/ATF matters:

Table 2: Key AML/ATF Agencies (Competent Authorities)

AGENCY	PRIMARY ROLE WITHIN THE AML/ATF REGIME
National Anti-Money Laundering Committee (NAMLC)	• AML/ATF advisory and coordinating body • The Office of NAMLC acts as secretariat for NAMLC and plays a key role in relation to coordination and development of the national policies, framework and programme.
Attorney-General's Chambers (AGC)	• Central authority – Mutual Legal Assistance • Civil asset recovery and civil forfeitures under the POCA

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AGENCY	PRIMARY ROLE WITHIN THE AML/ATF REGIME
Bermuda Gaming Commission (BGC)	• Supervisory authority for casino gaming, betting and other gaming related activities.
Bermuda Monetary Authority (BMA)	• Supervisory authority for financial sector including Trust and Corporate Service Providers • Responsibilities in relation to vetting and retaining information on beneficial ownership of legal persons
The Customs Department (Customs)	• Immigration and customs control at all ports of entry
The Department of Public Prosecutions (DPP)	• Criminal prosecutions • Confiscation/forfeiture (conviction based)
Financial Intelligence Agency (FIA)	• Receipt of Suspicious Activity Reports (SAR) and analysis and dissemination of SARs and other financial intelligence
The Ministry of Finance (MoF)	• Authority for exchange of tax information • Domestic tax authority • Minister appoints NAMLC Chair
The Ministry of Justice (MoJ)	• Minister with key responsibilities under POCA, SEA and ATFA • Minister is the delegated authority for targeted financial sanctions and the Ministry houses a dedicated unit for this purpose – the Financial Sanctions Implementation Unit (FSIU)
The Ministry of National Security (MoNs)	• Ministry with responsibilities for the Bermuda Police Service and Customs Department, law enforcement and the relevant border protection.
The Registrar of Companies (RoC)	• Registration and regulation of legal persons (company registry) • Supervisory Authority for Dealers in High Value Goods, which includes dealers in precious metals and stones
The Registry General (RG)	• Supervisory Authority for Charities • Registrar of births, deaths and marriages
The Superintendent of Real Estate (SoRE)	• Supervisory Authority for real estate brokers and agents
The Barristers and Accountants AML/ATF Board ⁷ (Board)	• Supervisory Authority for independent professionals – lawyers and accountants

7 The Board is a self-regulating organisation, so by FATF definition, is not a “competent authority”.

The National Anti-Money Laundering Committee and the Office of NAMLC

NAMLC was established by Section 49 of POCA 1997 and advises Government Ministers on AML/ATF matters. Its role is defined as follows:

- Advising Government Ministers in relation to:
 - the detection and prevention of ML/TF and the financing of proliferation of weapons of massdestruction;
 - the development of a national plan of action to include recommendations on effective mechanisms to enable competent authorities in Bermuda to collaborate with each other concerning the development and implementation of policies and activities to combat ML/TF and the financing of proliferation.
- Advising the Government Ministers about Bermuda’s participation in the international effort against ML/TF and the financing of proliferation, including the development of policies.

NAMLC consists of a Chair, appointed by the Minister of Finance, and the heads of all of the competent authorities that are primarily involved in AML/ATF/CPF matters. Through regular meetings of the committee and its working groups, NAMLC works to ensure that AML/ATF/CPF matters are appropriately addressed and facilitates coordination, collaboration and cooperation. There are four permanent working groups established: the Policy and Legislative Working Group, the Supervisory Forum, the Operational Working Group and the Sanctions Working Group.

The Office of the NAMLC is the Secretariat for NAMLC and works with NAMLC agencies and other entities to ensure that the mandate of NAMLC is effectively carried out. It plays a key role, on behalf of NAMLC, in coordinating Bermuda’s AML/ATF national and multi-agency activities, including national risk assessments and development of national policies.

The Attorney-General’s Chambers (AGC)

The AGC, on behalf of the Attorney-General, acts as the principal legal adviser to the Government and is the competent authority responsible for mutual legal assistance in responding to foreign requests for formal assistance in criminal matters. The AGC also forwards requests (on behalf of the DPP) to other countries, to assist Bermuda in ML/TF criminal matters.

Acting on behalf of the Minister of Justice, who is the designated Enforcement Authority, the AGC also plays a key role in relation to civil recovery of property deemed to be the proceeds of unlawful criminal conduct. The AGC also has responsibility for the legal processes involved in other civil forfeitures under POCA.

Bermuda Gaming Commission

The Bermuda Gaming Commission⁸ was established to regulate land-based casinos in Bermuda in 2015, by the Casino Gaming Act 2014⁹ (as it was then named). The Commission's regulatory and supervisory remit was expanded in August 2021 to include all forms of legal gambling on island, which now includes responsibilities under:

- Casino gaming (Gaming Act 2014)
- Cruise Ship Casinos (Cruise Ships (Casinos) Act 2013)
- Lotteries (Lotteries Act 1944)
- Crown & Anchor (Liquor Licence Act 1974)
- Betting shops (Betting Act 2021)

There are five key principles that determine whether a land-based casino can be established in Bermuda: suitability; accountability; integrity; collectability of payments and protection of the vulnerable.

In addition, the statutory framework describes a three-stage process to obtain a casino licence:

1. DSO (Designated Site Order)
2. Provisional licence
3. Casino gaming licence

Granting a casino gaming licence is not the only milestone for opening a land-based casino. A licensed operator must meet several significant statutory obligations before a casino is deemed ready to open. That includes a thorough suitability assessment of the corporate structure, ultimate beneficial owners (5% or more shares), key principals, and associates of the applicant. Therefore, despite the Commission having processed stages 1 and 2 for a prospective operator, and all three stages for another, there are no land-based operating casinos in Bermuda as the final step, readiness for opening, is still pending.

For a casino to open, an operator must first document their internal controls, including their AML/ATF compliance programme, to meet statutory requirements and mitigate sectoral-related risks and vulnerabilities. Subsequently, the operator's Compliance Committee, composed of key licensed employees who have undergone a suitability assessment and prior approval by the Commission, must approve these controls before review and approval by the Commission.

⁸ By statutory amendment in 2021, the Bermuda Casino Gaming Commission was renamed as "Bermuda Gaming Commission".

⁹ This Act was renamed by amendment in 2021, to "The Gaming Act 2014".

Bermuda Monetary Authority (BMA)

The BMA was established by the Bermuda Monetary Authority Act 1969 as the sole financial services regulatory body in Bermuda. The BMA is responsible for supervising, regulating and inspecting financial institutions for both prudential and AML/ATF compliance. In addition to the core financial sectors of banking, insurance and investments, the BMA also supervises Trust Service Providers (TSPs), Corporate Service Providers (CSPs), Digital Asset Businesses (i.e. Virtual Asset Service Providers) and the Credit Union in Bermuda.

Through its role as a member of NAMLC, the BMA advises the Government on supervisory and regulatory matters relating to institutions under its remit in order to ensure that robust AML/ATF legislation is in force to effectively carry out its statutory mandate, and to meet domestic and international standards and best practices. Further, the BMA develops and issues AML/ATF Guidance Notes to the sectors that it regulates.

The BMA –an independent authority–regulates entities in the following sectors in accordance with its powers under the Regulatory Acts and Bermuda’s AMF/ATF framework:

- Deposit-taking (banks and credit unions)
- Securities (investment businesses, investment funds and fund administrators)
- Insurance: long-term business insurers (i.e., life and non-life insurers), insurance managers and insurance intermediaries (brokers, salesmen and agents)
- Money Service Business
- Trust Service Provider
- Corporate Service Provider
- Digital Asset Business
- Lending (Non-licensed persons)

The BMA also has a statutory role in the company incorporation process in Bermuda, including, as appropriate, vetting the applications and keeping the registry of beneficial owners of legal entities on behalf of the Minister of Finance.

Bermuda Police Service (BPS)

The BPS is the competent authority responsible for criminal and civil investigations. The Specialist Investigations Department (SID) team deals with offences of ML/TF/PF, sanctions breaches and associated predicate offences. The POCA establishes the framework for the BPS to investigate, trace and seize the proceeds of criminal conduct. In addition, the BPS has the power to conduct confiscation enquiries/investigations including restraints and non-conviction based forfeitures.

The BPS's AML/CTF/CPF policy objectives are to:

- ensure that financial investigations become the cornerstone of all illicit proceeds-generating cases
- ensure that financial investigations become the cornerstone of all and TF and PF cases
- identify proceeds of crime, trace assets, and initiate asset forfeiture measures wherever possible, and to use interim asset-preserving measures such as freezing/seizing, and restraint powers when appropriate
- initiate standalone ML investigations when appropriate
- uncover financial and economic structures, disrupt transnational criminal networks, and gather intelligence on crime typologies for onward dissemination to other local and international law enforcement agencies and competent authorities.

The Customs Department (Customs)

The Customs Department is under the control of the Minister of Finance for revenue collection matters but is subject to the directions and instructions of the Minister of National Security in relation to import and export prohibitions.

Customs was established under the Customs Department Act 1952. Customs has border control and protection responsibilities, the key powers of which are contained in the Revenue Act 1898 In relation to the processing of incoming passengers, customs officers carry out the primary traveler screening process for the Department of Immigration.

The Department's main responsibilities are:

- facilitation of legitimate trade
- assessment and collection of duty revenue
- interdiction of drugs and other contraband and the proceeds of crime at our borders

The Department of Public Prosecutions (DPP)

The Department of Public Prosecutions (DPP) conducts criminal prosecutions, including for ML and TF offenses. The DPP is also responsible for confiscation and conviction-based asset forfeiture. Additionally, the DPP advises the BPS, various Government departments, and the Criminal Injuries Compensation Board. The DPP also operates the Witness Care Unit.

Financial Intelligence Agency (FIA)

The FIA was established by the *Financial Intelligence Agency Act 2007* to act as an independent agency authorised to receive, gather, store, analyse and disseminate information relating to ML, suspected proceeds of crime and potential financing of terrorism received in the form of Suspicious Activity Reports (SARs). The reporting of suspicious transactions requirements (Section 46 of the Proceeds of Crime Act 1997 (POCA)) and tipping off provisions (Section 47 of POCA) apply equally to all persons during the course of their business, trade or profession. The FIA has the authority to share relevant information with the BPS, other domestic competent and supervisory authorities and foreign financial intelligence units.

The Ministry of Finance (MoF)

The MoF oversees the economy of Bermuda and has overall responsibility for providing a framework for the financial management and control of Government activities and finances. The Treaty Management and Administration Unit within the MoF acts as the authority for the exchange of tax information and the Office of the Tax Commissioner, which has responsibility for domestic tax matters, is also a department within this Ministry. The Minister appoints the NAMLC Chair and the Office of NAMLC is a unit within that Ministry.

The Ministry of Justice (MoJ)

The Ministry of Justice (MoJ) has administrative responsibility for the AGC, the Judiciary, Department of Court Services, DPP and Legal Aid Office. The Ministry has overall responsibility for upholding the constitution and legal system of Bermuda, providing legal services together with the efficient delivery and accessibility of justice. The Minister of Justice has key responsibilities and powers in relation to AML/ATF matters under POCA, ATFA and SEA. All Guidance Notes issued by supervisory bodies are subject to approval by the Minister. In addition, the Minister can issue directions to regulated financial institutions in relation to specified matters involving high ML, TF or PF risk. Matters related to the issuing of regulations prescribing preventive measures for the prevention and detection of ML and TF, also fall within the purview of the Minister.

Further, the Governor has delegated certain functions to the Minister in regard to implementing targeted financial sanctions for TF and PF in Bermuda. These functions are contained in the International Sanctions (Delegation of Governor’s Functions) Notice 2018. The Financial Sanctions Implementation Unit (FSIU) sits within the MoJ Headquarters and provides technical support to the Minister in carrying out the delegated functions.

The Ministry of National Security (MoNS)

The Ministry of National Security ensures the safety and security of Bermuda residents. In achieving this goal, the Ministry oversees several departments, including the Bermuda Fire and Rescue Service, the Department of Corrections, Royal Bermuda Regiment, BPS and the Police Complaints Unit. The primary objectives of the Ministry of National Security are to provide secure, efficient and sensitive border control; and to support the BPS in their efforts to decrease crime.

Registrar of Companies (RoC)

The RoC was established in 1970 and supervises all registered entities (i.e. companies, partnerships, and Limited Liability Companies (LLCs)) formed under the following operative Acts:

- *Companies Act 1981*
- *Partnership Act 1902*
- *Limited Partnership Act 1883*
- *Exempted Partnerships Act 1992*
- *Overseas Partnerships Act 1995*
- *Limited Liability Company Act 2016*
- *Segregated Accounts Companies Act 2000*

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The Registrar of Companies (Compliance Measures) Act 2017 grants the RoC additional power and responsibilities in relation to monitoring and enforcing compliance with legislation that applies to establishing and operating legal entities registered and/or operating in or from Bermuda.

Additionally, the Registrar of Companies (Supervision and Regulation) Act 2020 empowers the Registrar with supervisory authority and powers in relation to dealers in high value goods, taking over from the Financial Intelligence Agency, which previously held and exercised those responsibilities.

The RoC is also responsible for:

- revenue collection
- providing publicly searchable records of registered entities
- company investigations and complaint resolution
- company winding-ups/strike offs
- handling certain bankruptcies and liquidations

The Registry General (RG)

The RG became the supervisory authority for charities under the Charities Act 2014. The applicable AML/ATF requirements are detailed under the Charities AML/ATF Regulations 2014 (now under review) and, as required by the FATF, allow for a TF-focused, risk-based approach, regarding the requirements imposed and monitoring and enforcing compliance. While the Ministry of Economy and Labour oversees the RG's operation and management, legislative and policy matters for charities fall under the Ministry of Youth, Social Development and Seniors.

The Superintendent of Real Estate (SoRE)

The SoRE, who is also the Registrar of Companies, was designated under SEA as the supervisory authority for the Real Estate sector in Bermuda in September 2016. The sector was brought into scope operationally under the AML/ATF framework in October 2017. Additional powers and responsibilities in relation to AML/ATF supervision of the sector are contained in the Real Estate Brokers' Licensing Act 2017. This Act contains the applicable licensing requirements, including those in relation to "fit and proper" criteria to which the sector is subject, as well as a range of enforcement measures for non-compliance with relevant legislation.

The Barristers and Accountants AML/ATF Board (Board)

The Barristers and Accountants AML/ATF Board (the Board) is a self-regulatory body, established jointly by the professional bodies for the legal and accounting sectors based on them having similar professional codes, client bases and work products. The Board was then established in law under Section 25A of the *Bermuda Bar Act 1974* and Section 8A of the *Chartered Professional Accountants of Bermuda (CPA) Act 1973*. Effective August 10, 2012, the Board was designated as a supervisory authority by order of the responsible Minister, issued under Section 4 of the *Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (SEA)*.

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The Board is responsible for supervising Regulated Professional Firms (RPFs) for compliance with the obligations under the AML/ATF Regulations. RPFs is defined to bring into scope independent professionals, namely, accounting firms who are members of CPA Bermuda, and legal firms which advise clients in connection with specified activities.

As the Board is not a government agency nor a public authority, it is not a statutory member of NAMLC. It does, however, work closely with the NAMLC, in addressing matters relevant to the effective development and implementation of the AML/ATF regime. It is a member of NAMLC’s Supervisory Forum, attends NAMLC meetings and actively participates in national AML/ATF initiatives.

Chapter 5: Bermuda’s AML/ATF Operational Framework

1. Regulation and Supervision

As previously noted, the Proceeds of Crime (Supervision and Enforcement) Act 2008 (SEA) provides the legal basis for the AML/ATF supervisory framework for regulated financial institutions and designated non-financial businesses and professionals, as defined in the Regulations. The BMA, BGC, ROC, SoRE, and the AML/ATF Board derive their supervisory authority from the SEA. This chapter outlines these supervisors’ approaches to monitoring and enforcing compliance with relevant AML/ATF requirements.

The table below provides information on the nature and size of the AML/ATF regulated sectors.

Table 3: The AML/ATF Regulated Sectors

Sector	Number of Regulated Entities in Sector (as at Dec. 31, 2023)
Deposit Taking	Banking: 5 Credit Union: 1
Securities	Investment Business (Licensed): 47 Investment Business (Registered): 10 Licensed Fund Administrators: 24 Registered funds: 804
Insurance	Direct Long-Term Insurers: 40 Insurance Managers: 69 Insurance Marketplace Providers: 1 Brokers: 73
Money Service Businesses	2
Digital Asset Business	F Licenses: 12 M Licenses: 8 T Licenses: 4
Lending-Non-Licensed Person	5
Trust Service Providers	Licensed Trust Companies: 25 Non-Licensed Persons (PTCs): 2

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Sector	Number of Regulated Entities in Sector (as at Dec. 31, 2023)
Corporate Service Providers	90
Real Estate	Licensed Brokers: 42 Licensed Agents: 216
Lawyers	28
Accountants	8
Dealers in precious metals and stones	0
High-value dealers (Car, boat, motorcycle and antique dealers; and auctioneers)	0
Gaming	0

The Bermuda Monetary Authority’s Supervisory Framework

The BMA is responsible for licensing and supervising with regard to both financial stability (i.e. prudential matters) and for AML/ATF purposes, and setting out the AML/ATF control obligations for the sectors it supervises.

Its supervisory framework provides a comprehensive risk-based approach to AML/ATF supervision across those sectors and entities it regulates. The BMA used the FATF Recommendations and guidance as the basis for developing this risk-based supervisory framework and is committed to continuous engagement with FATF direction, in order to maintain a credible deterrent to ML/TF within its scope of responsibilities.

The BMA’s AML/ATF supervisory framework comprises the following components:

1. Assessment of ML/TF risks and controls – to inform planning
2. Licensing and authorisations – to effect market entry controls
3. Regulation and information – to guide and inform regulation and regulated entities
4. Offsite and onsite supervision – to assess the quality of controls for regulated entities
5. Enforcement – to proportionately address breaches of requirements
6. Monitoring and reporting – to ensure ongoing effectiveness of supervisory actions on compliance

Assessment of ML/TF risks and controls

The BMA conducts, or provides input to, ML/TF risk and control assessments at the national, sectoral and entity level. These risk assessments inform and cross-calibrate each other. This ensures that the BMA, and other relevant competent authorities in Bermuda, have a consistent, current and holistic view of ML/TF risks.

The BMA develops its understanding of ML/TF risks facing sectors under its supervision, by conducting annual risk assessments at both sector and entity levels, using data calls and questionnaires. The risk assessments involve: understanding the inherent risk within each regulated entity; assessing the effectiveness of the ML/TF controls in place; estimating the level of residual risk in that entity and aggregating entity results to reflect sectoral risk. This risk assessment informs the risk-based approach to AML/ATF supervision across all stages of the AML/ATF supervisory lifecycle. This iterative process of risk assessment and supervisory activities continually deepens and refines the BMA's understanding of residual risk. The results of these risk assessments inform the annual calendar of supervisory activities and requirements, including the development of the BMA's supervision strategies, priorities and resourcing.

Licensing and Authorisations

A key aspect of the BMA's risk-based approach to supervision is robust market entry controls through its licensing process. The BMA acts as a "gatekeeper" by first vetting beneficial owners of all companies operating in Bermuda to prevent criminals or their associates from holding significant or controlling interests or management functions. Second, the BMA's financial institution licensing process includes determining beneficial ownership, assessing the fitness and propriety of shareholder controllers, and granting licenses or registration. The BMA emphasizes quality over quantity in approving financial institutions through its application process.

Each regulatory Act the BMA administers describes the licensing or registration requirements for respective financial entities. All local or overseas entities (including non-resident insurance companies) are subject to these Acts and must apply for and receive a licence, registration or exemption (or register an exemption where applicable) with the BMA before conducting business in or from Bermuda.

The licensing process in Bermuda consists of three stages:

1. **Incorporation:** the BMA conducts vetting as part of the incorporation process, which includes a review of the shareholding and beneficial ownership of the proposed company as well as their suitability, considering any risks to the Bermuda economy.
2. **Licence:** this includes an assessment of controllers—in relation to "fit and proper" criteria, the business plan and governance arrangements, which would include proposed AML/ATF policies and procedures as well as the source of funds.
3. **Ongoing Monitoring:** the BMA conducts ongoing monitoring of minimum licence criteria, including changes in beneficial ownership and controller information and terms of the licence.

Regulation and Information

The BMA provides relevant input to NAMLC and, as appropriate, to Cabinet on AML/ATF-related legislation and regulations. The BMA also provides comprehensive guidance to industry on (i) how AML/ATF regulations will be applied; (ii) the BMA's expectations of sector compliance, and (iii) enhancing overall understanding of AML/ATF matters, including risks. The BMA has implemented a programme of industry outreach and communications that ensures regular updates on these topics and promotes a collaborative dialogue with industry.

The BMA employs a risk-based approach to on-site and off-site supervision activities appropriate to the level of ML/TF risk of each supervised sector and their respective regulated entities. The BMA's risk-based framework for AML/ATF supervision is based on the risk profiles of each sector and of their component institutions, as described above. The BMA creates and executes a supervisory plan annually.

The NRA results and the BMA's annual sectoral risk assessments are the primary input for sectoral risk profiling and supervision planning. This enables macro sectoral risk analysis to prioritise higher-risk sectors for enhanced supervision. Within each sector, the results of the BMA's entity-level risk assessment identifies entities with higher-risk profiles for enhanced supervision, considering the risk profile of their sector.

The supervisory review reports are communicated to the regulated entity concerned, and a subsequent formal follow up programme ensures that matters are addressed in an appropriate and timely manner. If serious deficiencies in a regulated entity's AML/ATF regime are uncovered or remediation deadlines are missed, the entity may be subject to enforcement action.

Enforcement

The BMA uses its enforcement powers when needed to fulfill its role as a supervisor and regulator of financial institutions, demonstrating its commitment to international standards and fostering a fair commercial environment in Bermuda. The BMA will take action in accordance with the principles set out in its Enforcement Guide, which include exercising powers in a fair, consistent and proportionate manner. A key guiding principle is that the Authority will apply dissuasive enforcement sanctions proportionate to all circumstances, including risk.

Enforcement actions specifically aim to address and alleviate compliance failures or regulatory breaches, and enable the BMA to impose proportionately dissuasive measures. For sufficiently serious breaches, enforcement measures or, more typically, a combination of remediation and enforcement may be required. During the risk assessment period, the BMA used its powers to levy civil fines, issue public and private sanctions and take other regulatory enforcement actions as indicated by specific cases.

Monitoring and Reporting

The BMA continually monitors the effects of the supervisory process, as it is important to ensure its supervision is achieving the fundamental objective of improving AML/ATF compliance among financial institutions. The steadily increasing numbers of SARs is one indicator of enhanced compliance in the private sector.

The Registrar of Companies' Supervisory Approach

Amendments to the SEA, which came into effect on December 1, 2016, initially designated the Financial Intelligence Agency as the supervisory authority for dealers in high-value goods (DiHVG), which includes jewelry dealers; car, boat and motorcycle dealers; precious metal and stone dealers; antique dealers and auctioneers. DiHVG were brought into scope of the *Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008* (Regulations), subject to the requirement that they be registered with the FIA if they intend to carry out cash transactions equal to or above BD \$7,500, or the equivalent in any other currency. However, subsequent amendments to SEA in 2020, in tandem with the Registrar of Companies (Supervision and Regulation) Act 2020, transferred responsibilities for the supervision of DiHVGs from the FIA to the ROC. These changes came into effect on 1st November 2020.

Registered DiHVG must also file Cash Transaction Reports (CTRs) with the FIA whenever they carry cash transactions equal to or above BD \$7,500. Entities that fall within the definition of DiHVG that are not registered are not authorised to accept cash above this threshold.

Outreach and Training

The ROC has established a reporting entity function which dedicates resources to awareness raising activities targeting and strategic to the DiHVGs sector. Entities within the sector have received this training positively. The outreach and training programme remains an important component of the supervisory approach for this sector.

Guidance and Communication

There is ongoing communication with the entities in the sector on matters that are relevant to their AML/ATF compliance. Industry representatives were involved in the 2020 ML risk assessment, on which the FIA and ROC collaborated, and communication of the results of the NRA are part of the ROC's continual awareness strategy. At the time of this report, the ROC was preparing to issue its Guidance Notes to the DiHVGs sector.

Supervision and Oversight

At the end of 2019 there were no businesses registered with the FIA as dealers in high value goods. This was still the case when the ROC assumed supervisory responsibilities for the sector in 2020, based on the fact that the sector adopted the policy of not accepting cash payments at or above the statutory threshold of \$7,500. Therefore, there was no need for businesses in the sector to be registered with the ROC. The ROC continues to monitor the sector to ensure entities maintain adherence to this cash policy.

As part of the implementation of its new regime, the ROC conducts outreach to the DiHVGs sector to maximise understanding about its AML/ATF obligations.

Risk Assessment

The ROC recognises the importance of ensuring there is a good understanding of the risks in the sector and that this information is kept up to date. In the context of the 2020 national risk assessment process, the ROC consulted with the sector to better understand its ML/TF risks. The ROC has also been conducting research using mass and social media sources, as well as other publicly available information, to identify all entities in the DiHVGs sector. In addition, the ROC plans to conduct a quantitative survey to gather important compliance information to extend its understanding of ML/TF risks within the sector.

The Superintendent of Real Estate’s Supervisory Approach

The Superintendent of Real Estate has adopted a comprehensive approach to real estate sector supervision, with activities ranging from education to inspection and corrective action. The supervisory framework includes all tools and functions that will help achieve the highest level of compliance within the sector.

The Superintendent of Real Estate has implemented a risk-based approach to supervision, which appropriately focuses resources on high-risk entities. Six key functions form the basis of the Superintendent’s risk-based supervisory framework:

- licensing
- risk assessment
- legislative and policy interpretation
- reporting entity assistance
- monitoring and inspections
- corrective actions/enforcement

The goal is to achieve high levels of cooperation and compliance, contributing to an effective system that will minimise potential abuse by those involved in ML/TF activities, and also to reduce the need for enforcement actions.

Licensing Framework

The Real Estate Brokers’ Licensing Act 2017 establishes a robust licensing regime, which includes fit and proper and other due diligence requirements. Since October 2017, the Superintendent has operated annual licensing for the sector in accordance with these requirements.

Risk Assessment

The SoRE conducts an annual risk assessment of the sector, both within the national risk assessment processes (2017 and 2020) and as discrete sectoral assessments in intervening years. SoRE has worked consistently since 2017, to strengthen the quality of data submitted by licensees in data call and onsite inspection processes to support more robust sectoral and institutional risk profiling. In this regard, the SoRE utilises a risk assessment matrix to update the required statistical return. This return is completed and submitted annually by all brokers.

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Legislative and Policy Interpretation

The SoRE has issued Guidance Notes to provide further clarification on requirements in the relevant Acts and regulations. The team is also implementing coordination mechanisms to ensure that its legislative and policy interpretation is consistent with other AML/ATF supervisory agencies, as appropriate given the nature and scope of the sector.

Reporting Entity Assistance

The development and circulation of Guidance Notes, as noted above, has been a key initiative in this regard. In addition, a number of outreach sessions have been held and an agreed strategy and action plan has been implemented to ensure that there is an ongoing programme to build awareness and understanding of AML/ATF matters, including in relation to ML/TF risks.

Risk-Based Monitoring and Inspection programme

The team has completed its desk-based review of brokers' AML/ATF policies and procedures and has begun the implementation of its on-site inspection programme. The results of these reviews will be used to address issues of non-compliance, identify compliance trends and allow for the development and implementation of strategies to address common deficiencies.

Enforcement of Compliance

The SoRE has developed policies and procedures to promote and enforce compliance and intends to conduct annual reviews of the impact of corrective action to enhance the supervisory programme.

The SoRE also intends to strengthen stakeholder relationships by actively participating in the AML/ATF Supervisory Forum (with other supervisory agencies) and the NAMLC Operational Working Group, and by collaborating with the Bermuda Chamber of Commerce – Real Estate Division, on outreach to industry.

The Barristers and Accountants AML/ATF Board's Supervisory Approach

Outreach and Training

Outreach and training remain key to the Board's supervisory programme. Following its designation as the supervisory authority for entities in the legal and accounting sectors, the Board developed Guidance Notes and an Information Bulletin for each sector, published in 2012 and 2018 respectively, followed by sector-specific training and outreach. Ongoing training and outreach to reporting professional firms (RPFs) and the wider professional community in these sectors continuously strengthen AML/ATF knowledge and understanding. Information on national and sectoral risks has been disseminated to enable more effective risk analysis by regulated entities.

Oversight and Supervision

As part of the annual registration with the Board, RPFs must submit their policy and procedure manuals, Risk Assessment, Independent AML/ATF Audit, organisation Chart, and details on inherent vulnerabilities and mitigation measures. Newly registered firms must also file a client transaction Report (detailing the activities and nature of the business transactions) within six months of registration.

The Board then conducts desk-based reviews analysing this information, which then informs onsite reviews of all RPFs. Inspection prioritization is based on risks identified during the desk-based review. These inspections may result in a remediation programme and ongoing monitoring to address non-compliance. The Board has an enforcement plan, but no action has been necessary to date as firms have been responsive to addressing identified gaps. Work is underway to enhance the risk-based approach to supervision.

Legislation and Guidance

As noted previously, Guidance Notes and an Information Bulletin were issued for the Legal and Accounting sectors in 2012 and 2018 respectively. This guidance within both documents has been subject to comprehensive review and updating, in line with changes in the legislative framework.

The Board continues to review its legislative framework and to recommend changes to enhance it when necessary.

Liaison with Other Relevant Bodies

To ensure effective cooperation and collaboration, given the Board’s concurrent supervision of RPFs and the BMA’s supervision of CSPs and TSPs under common ownership, the Board and the BMA have signed a Memorandum of Understanding (MoU). The Board also has MoUs with the FIA and the Real Estate Commissioner (REC).

Risk Assessment

The Board has also taken steps to strengthen its understanding and assessment of the nature, scope and risk of the business undertaken by the regulated sectors through collecting relevant data on an annual basis, including :

- the risks of the firm
- the nature of the business
- clients
- transaction amounts
- services provided
- geographical details of the clients

In addition, the Board has reviewed the respective risk-assessments supplied by the RPFs. The analysis of the risk assessments is a vital component of the supervisory regime, in keeping with a risk-based compliance programme.

The Registry General's Oversight Approach

Oversight of Charities

Consistent with FATF requirements, the primary focus in relation to charities is their potential misuse for terrorism financing. An updated oversight framework for charities was established through the Charities Act 2014 (the "Act"), the Charities Regulations 2014 (the "Regulations") and the Charities (Anti-Money Laundering, Anti-Terrorist Financing and Reporting) Regulations 2014 (the "AML/ATF Regulations")(collectively, the "Charity Legislation"). This legislation aligns Bermuda's charitable sector regulation and oversight with FATF standards. The Charity Legislation appointed the Registrar General as the supervisory authority for charities, and introduced a registration framework to ensure compliance with both sets of regulations. The Charity Legislation was amended in 2018 with further amendments planned for 2025 based on the latest risk assessment conducted and FATF revisions to Recommendation 8.

Outreach and Training

The Registry General ("RG") has issued Guidance Notes on the AML/ATF Regulations 2014, which are available online on the Government of Bermuda website. Following this latest risk assessment, the AML/ATF Regulations and Guidance will be reviewed and revised where appropriate to ensure that there is sufficient oversight of NPOs identified in relation to FATF recommendations and guidance will be issued in accordance with the risks. Also, the RG conducts training for charities' compliance officers on a quarterly basis, which is designed to enhance the sector's knowledge and understanding of AML/ATF matters.

Following the last formal risk review in 2020, the RG conducted participated in the national risk assessment in mid-2024. In June 2024, the RG Working Group met with the FIA and BPS to determine if there were any Suspicious Activity Reports ("SARs") or Suspicious Transaction Reports ("STRs") filed related to terrorism, terrorism offences or prosecutions.

Both agencies advised that there were no known or reported incidents at that time. Questionnaires, based on the FATF's Recommendation 8 definition of Non-Profit organisations (NPOs), were created for relevant sub-sectors: Registered Charities, Friendly Societies, Companies Limited by Guarantee, and Privately Funded Entities. Registered Charities and Friendly Societies received questionnaires directly. For Companies Limited by Guarantee and Privately Funded Entities (exempt from RG oversight), questionnaires were sent to Corporate Service Providers (CSPs) or Trust Service Providers (TSPs) for completion on behalf of the managed entities or forwarding to the entities themselves.

Almost all Registered Charities responded. However, participation was low among entities exempted from registering as a charity. Subsequently the RG directly contacted 10 major exempt entities and held in-person or virtual meetings with their respective representatives. Of the 10 entities, one did not meet the FATF definition of an NPO for the purposes of this risk review and was excluded. The other nine entities provided the requested information during the meetings, which was incorporated into the overall review.

Using the World Bank’s NPO Risk Assessment Tool and the data collected in 2024, an assessment using a risk-based approach was applied to the supervised registered charities as required under section 11(1)(da) of the Charities Act 2014, as well as to Privately Funded Entities, Friendly Societies and Companies Limited by Guarantee. Each sub-sector of NPOs was assigned a risk profile. The criteria used for assessing charities’ risk profiles included:

- the charities’ volume of activities;
- international/cross-border activities (foreign sources of funding or where a charity had overseas branches, or was itself a branch of an overseas entity);
- exposure to countries and regions that are vulnerable to terrorism (including, but not limited to, terrorism known to be associated with religious extremism); and
- whether there was a substantial economic impact in Bermuda (as determined by the volume of assets, revenue and expenditure).
- Levels of controls the organisation has in place

These factors were used to create a risk matrix for assigning a risk profile to every NPO entity based on a spreadsheet analysis. The result of the risk review was that the NPO sector as a whole was at a ‘Low’ risk rating for Terrorist Financing (“TF”).

In addition to the recent national risk review, the RG has continued with its annual risk assessment of Registered Charities. Each charity is assessed upon the submission of its Annual Report and Financial Statements, and its risk profile/rating is reviewed. Charities deemed high risk are subject to additional scrutiny in the form of a desk-based review and, if required, an onsite review, followed by recommendations for addressing any identified deficiencies.

Oversight and Monitoring

The Registry General has continued to carry out its supervisory programme for charities, consistent with their ML/TF risk. High risk charities are now subject to on-site visits to assess compliance with the requirements and will be conducted on a regular basis. These include charities that carry out international operations, as well as those where complaints have been received from their members or the public, causing the Registry General to be concerned about their operation.

Addressing Non-Compliance

The RG continually reviews Registered Charities to identify non-compliance, so that appropriate action can be taken. As a result of the compliance reviews, the RG may deny applications for registration or re-registration as a charity, deny an annual report, de-register a charity for non-compliance, or issue civil fines for delinquency or late filing. The RG continues to take the appropriate actions in order to ensure continuous oversight of charities.

Chapter 6: Bermuda’s National ML Threats

Summary of Findings:

The overall ML Threat Rating was determined to be HIGH. This was informed by the fact that, notwithstanding the revised threat benchmarks, the foreign predicate offences (fraud, corruption/bribery, market manipulation/insider trading and tax crimes) that had previously been rated as posing high threat to Bermuda, were still rated as high or medium-high threats. Drug trafficking also retained its high threat rating. In addition, this NRA once again confirmed that the proceeds from crimes committed abroad remain a high threat for ML in Bermuda, and the proceeds from domestic predicates also pose a high threat, with an expanding range of domestic predicates to compound this effect. The USA continues to pose a high ML threat to Bermuda, as both a source and destination for movement of criminal proceeds, with India emerging as another high threat for incoming proceeds of crime.

1. Introduction

Bermuda remains a generally peaceful, safe and secure nation, with a population that largely respects law and order. This is reflected in the relatively low levels of violent crime, the peaceful social environment and the societal tendency to support law enforcement in reporting and detecting criminal activity. Global ML threats to Bermuda require ongoing necessary vigilance. Offences such as murder, kidnapping and other serious crimes against the person, continue to either occur infrequently, or are not financially motivated, making them immaterial from a ML standpoint. Crimes against property are more prevalent locally, but law enforcement in Bermuda continues to indicate that they tend to involve low financial values. While drug trafficking occurs and is profitable in Bermuda, it continues to be solely an “end-user destination” rather than a “production” or “trans-shipment” jurisdiction, due largely to its geographic location excluding it as a prospective base for such international organised crime.

Overall, Bermuda continues to experience a relatively low crime rate. While the 2020 NRA showed an increase in crime trends for the three-year assessment period, the 2024 NRA reports a notable downward trend. Table 4 below provides a comparative view, indicating relative crime trends for the assessment periods examined in the 2017, 2020 and 2024 NRAs, and showing the substantial reduction in all crimes over the 10-year period.

Table 4: Comparative Crime Statistics for the 3-year and 4-year periods assessed during the 2017, 2020 and 2024 NRAs

BPS Crime Categories	2014-2016	2017-2019	2020 - 2023
Crimes Against Property	5,332	6,659	3,676
Crimes Against the Community	1,114	1,511	230
Crimes Against the Person	1,848	2,127	753
Drug Enforcement	1,076	1,441	1,290
Total	9,370	11,738	5,949

As noted in previous NRA reports, the Bermuda Police Service and the Department of Public Prosecutions remain the national investigative and prosecuting authorities. They investigate and prosecute criminals for all types of crimes reported to and detected by the Police. The administration of justice and functioning of the Courts in Bermuda remain highly visible to the Bermudian public, as the progress and outcomes of criminal trials are routinely reported in local print and electronic media. This visibility supports transparency in the law at work, contributing to a high degree of respect for law and order among the local community.

2. Methodology and Scope

a) The Working Group

The National ML Threats Working Group assessed Bermuda’s ML threat profile. This group included NAMLC members and representatives from competent authorities covering law enforcement, prosecutorial, tax and AML supervision and enforcement in the financial sector. The Department of Statistics, Department of Immigration and the Department of National Drug Control also provided additional data and support. Additionally, the cross-border threat assessment incorporated data and analysis from the Bermuda Business Development Agency, as well as the parallel ML risk assessment of Bermuda’s Economic Investment and Residential Certificate programme.

b) The Tool and Methodology

The goal of the ML threat profile assessment is to consider and attempt to determine the amount of proceeds of crime that criminals launder through Bermuda’s financial and non-financial sectors.

This analysis considers both quantitative and qualitative information and contextual factors about crime and criminal proceeds, focusing on:

- (i) the threat posed by proceeds of crime derived from each type of predicate offence as prescribed by the FATF, as well as any others identified as generating proceeds within the jurisdiction;
- (ii) the origin of the ML threat, i.e. whether from domestic or foreign predicate offences;
- (iii) the sectors in the economy which are exposed to, or affected by, money laundering activity;

- (iv) analysing data involving financial inflows and outflows between Bermuda and other countries, to identify countries which pose the greatest ML threat and
- (v) collecting criminal case-based data, and mutual assistance request statistics, from financial intelligence and law enforcement agencies.

c) Rating System and Setting New ML Threat Benchmarks

The ML threat benchmarks are key to the assessment process, providing the basis for a consistent risk rating system. The working group uses benchmarks to decide what threat rating is appropriate for predicate offences, applying a 5-level “money laundering threat” rating of **LOW, MEDIUM-LOW, MEDIUM, MEDIUM-HIGH OR HIGH**.

Benchmarks for the ML NRA were first set in 2017 and used again in 2020, employing monetary values driven primarily by data related to domestic predicates to avoid automatically rating all domestic crimes as “low threat.” The aim was to create a realistic overall view of ML’s social and economic impact on Bermuda, not solely focusing on the potentially higher value ML impact of its international financial sector. However, for the 2024 ML NRA, a more objective benchmark set was developed, considering data and reports from key international organisations, notably the UNODC’s estimate that 2-5% of global GDP is being laundered annually. This estimate was adapted to revise Bermuda’s benchmarks. Given Bermuda’s status as an international financial centre, using the GDP associated with services typically associated with financial crime was deemed a reasonable basis for setting the new ML threat benchmark, along with setting the benchmarks’ upper ranges using the top end of the UNODC’s range i.e. 5%.

Bermuda’s most recent annual GDP statistics, published in January 2022 by the Department of Statistics,¹⁰ were used to calculate the new benchmarks. The revised benchmarks were based on Bermuda GDP statistics and three industry categories that a) comprise the majority of the AML/ATF regulated sectors in Bermuda and notionally would be the main pathways targeted to commit money laundering; and b) account for a significant portion of Bermuda’s GDP: Financial and Insurance Activities; Real Estate Activities; and Professional Scientific and Technical Activities (legal and accounting sectors).

The aggregate of these three industry groupings accounted for approximately \$2.1 Billion of Bermuda’s 2021 GDP. It is acknowledged that the DIHVG, Trust and CSP sectors, which are AML/ATF regulated sectors, are not necessarily reflected in these three industry groupings within the GDP data. Therefore, the starting value (\$2.1B) was rounded up to \$2.5 billion to account for their economic contributions. Using 5% of \$2.5 billion as the benchmark for High ML Threat, this would result in a monetary value of \$125,000,000 as the threshold for the High threat rating. The other benchmark ratings were thereafter determined, scaling downwards from there, as shown in the table below, along with the comparative differences between the 2024 ML threat benchmarks and the benchmarks used in the 2017 and 2020 ML NRAs. The figures are applicable to each full three-year period under review (i.e. not per annum).

10 <https://www.gov.bm/sites/default/files/GDP-2021-annual-publication.pdf> - “Annual Gross Domestic Product: 2021 Highlights”

Table 5: Comparative Differences of ML Threat Benchmarks

ML Threat Rating Scale	2024 ML Threat Benchmarks	2020 ML Threat Benchmarks	2017 ML Threat Benchmarks
High Threat	+ \$125 million (+5%)	+\$10million	+\$10million
Medium-High Threat	+\$87.5 million (+3.5%)	+\$1million	+\$1million
Medium Threat	+\$62.5 million (+2.5%)	+\$100,000	+\$100,000
Medium-Low Threat	+\$12.5 million (+ 0.5%)	+\$50,000	+\$50,000
Low Threat	Under \$12.5 million (0.5%)	under \$50,000	under \$50,000

d) Scope of the Assessment

Consistent with the approach taken in the two previous ML NRAs, care was taken to ensure that the ML threat assessment was comprehensive, taking into account the particular characteristics of Bermuda’s laws and economy, specifically:

- i. All FATF-required predicate offenses were assessed for ML threat levels. While Bermuda’s legal terms and statistical groupings may differ slightly from FATF’s, all FATF “designated categories of offenses” were included in the analysis.
- ii. The assessment covered four years (January 1, 2020, to December 31, 2023). This longer period, despite including the unusual COVID-19 lockdowns, allowed for more representative data compared to previous three-year NRAs.
- iii. All AML/ATF regulated financial and DNFBP sectors in Bermuda were included in the sectoral assessment to fully identify and rank industry-level exposure to ML threats, except the Betting and non-AML/ATF regulated insurance sectors and the Bermuda Stock Exchange.
- iv. The selection of countries for the cross-border threat assessment was based on both data and perceived threats from a survey of AML/ATF experts in Bermuda’s public and private sectors. This identified ten countries for assessment. The data used included economic and crime statistics from various Bermuda authorities.
- v. Comprehensive data collection from all relevant Bermuda agencies was prioritized to ensure the working group had the necessary information for aggregation and analysis.

3. Identified Predicate Offences that Generate Proceeds

Following the analysis it was determined that four predicates pose the highest threats of money laundering in Bermuda: domestic-sourced Drug Trafficking, foreign-sourced Fraud, Market Manipulation/Insider Trading and Corruption/Bribery. Other predicates considered to also pose a material ML threat to Bermuda are Tax Crimes (foreign-sourced) and Cybercrime. The remaining predicates were all rated as low threats. These results are, with some variations, largely consistent with the 2020 NRA, despite the revised ML threats benchmarks.

I. Predicate Crimes Ranked as “High Threat”

- i. **Drug Trafficking** – As in all previous NRAs, this category encompasses the offences under the Misuse of Drugs Act 1972, which by definition are included as predicates for money laundering in Bermuda. Broadly speaking, this includes both importation offences and offences that cover retail drug trafficking activities on the streets of Bermuda. Of all the predicates that are rated “High Threat”, only drug trafficking offences include a substantial domestic component.

Retail drug trafficking is extremely profitable in Bermuda, and this is mainly attributable to the fact that the street value of drugs in Bermuda is significantly higher than in other countries, with the result that there is a significant spread between the wholesale value of the drug purchased overseas and the retail value of the drug on its arrival in Bermuda. Bermuda’s high standard of living is what makes the reward for trafficking in Bermuda of illicit substances a very lucrative crime, even though the market is small and finite. While the majority of the proceeds from this predicate that is retained and laundered in Bermuda, is derived from retail trafficking, there remains a substantial international dimension to this crime. For example, this predicate accounted for the highest number of incoming MLA requests, and the second highest number of outgoing MLA requests from prosecuting/law enforcement authorities in Bermuda. Bermuda continues to be solely an “end-user destination” rather than a “production” or “trans-shipment” jurisdiction for drug trafficking, due in large part to its geographic location, which makes it infeasible for Bermuda to play a strategic role in this illicit international network. Nonetheless, all drugs involved in the retail trade have to be imported into the island, and thus a large portion of interdiction and enforcement resources target detection at this stage.

During this assessment period, the amount of proceeds confiscated arising from convictions for money laundering derived from drug trafficking, amounted to \$329,202; with an additional approximately \$76,000 forfeited following drug trafficking convictions. Law enforcement detected and investigated over 650 drug trafficking cases, resulting in 50 prosecutions and 27 convictions for the predicate; with 7 prosecutions and 3 convictions for money laundering derived from this predicate.

- ii. **Fraud (foreign) – Consistent with previous NRAs, the offences of Fraud, Forgery and crimes involving Deception, were all considered within this composite offence.** However, cybercrime offences are no longer recorded within this classification and were assessed separately during this NRA. Additionally, for the first time, fraud offences committed solely overseas were assessed separately from those committed in Bermuda, or partly in Bermuda. This facilitated a clearer understanding of the sources and volume of the ML threat derived from frauds which solely occurs overseas as opposed to domestically.

The FIA noted that the majority of SAR filings from the DAB and investment business sectors relate to suspected proceeds from foreign fraud. Both the FIA and BPS confirm a high level of engagement and interest from foreign counterparts seeking both formal and informal assistance concerning suspected proceeds from fraudulent activity overseas. The BMA also reported a number of foreign fraud activities with connections to Bermuda businesses and sectors, which were actively under investigation by foreign counterparts. The BMA received requests for assistance from their counterparts in a total of 11 cases during the review period. The FIA received a total of 5 requests from foreign FIU counterparts seeking assistance in investigating fraud offences committed overseas with estimated proceeds totalling \$155 million. Additionally, Bermuda continues to have funds in excess of \$74 million under restraint on behalf of two foreign countries, relating to fraud offences committed in those countries prior to the current assessment period. It is acknowledged that it is difficult to estimate the size of undetected proceeds from foreign fraud activity that may exist within Bermuda’s financial system due to the complex nature of the schemes used in such cases. However, such cases do serve to indicate the level of proceeds that can potentially be derived from fraudulent proceeds. By contrast, only \$80,000 representing the proceeds from a foreign fraud case was confiscated under Bermuda’s civil asset recovery regime, during the assessment period.

With the above in mind, together with the intelligence generated through the FIA, BPS, BMA and AGC, the rating of High Threat for ML was retained for foreign fraud, on the basis that the aggregate of the known cases together with any undetected proceeds from this predicate would undoubtedly exceed the new benchmark of \$125 million.. The intelligence indicates that proceeds from foreign frauds entering Bermuda’s financial system tend to always be of a high dollar value and arrive in Bermuda through pre-designed money laundering schemes. Therefore, although the ML Threat benchmarks have been markedly increased, the retention of the high threat rating assigned in 2020 and in 2017, remains justified.

- iii. **Market Manipulation/Insider Trading (foreign) – During the assessment period, the BMA received 25 requests from foreign counterparts concerning criminal investigations being undertaken in their jurisdictions.** The High threat rating for this predicate reflects that where these types of criminal activities are often targeted, the benefit or proceeds gained are usually significantly high in value. In the 25 cases reported by the BMA, transactions exceeded over \$300 million in value during the period. Also, globally the investment business sector potentially offers extremely broad scope for laundering of very large sums, given the significant size of the assets under management. It was acknowledged that the depth of Bermuda’s connection with the

activities under investigation in those cases is unclear. Nevertheless, given the number of known cases involved, as well as the fact that the known dollar values in some of these cases exceed \$300 million, it is reasonable to conclude that the value of those proceeds, together with the undetected proceeds in Bermuda from foreign market manipulation/insider trading would very likely exceed the new \$125 million “high threat” threshold. The fact that this predicate is foreign-based, and Bermuda’s international financial services sectors are exposed to foreign clientele, compounds the potential threat from this crime.

iv. **Corruption/Bribery (foreign) – For the first time, corruption or bribery offences committed solely overseas were assessed separately from those committed in Bermuda, or partly in Bermuda.**

As seen in previous NRAs, this foreign predicate continued to show its propensity for involving high dollar value proceeds with connection to Bermuda. During this assessment period, while there was only one mutual legal assistance request received by the AGC from a foreign country, this concerned a case involving corruption and proceeds amounting to \$185 million were identified and restrained in Bermuda on behalf of that country. Notably, this one case exceeds the new “high threat” threshold of \$125 million. There were no civil asset recovery cases involving foreign corruption/bribery during this period. The FIA received 57 SAR/STR filings about actual and suspected foreign corruption/bribery, resulting in the FIA making 23 disseminations to foreign FIUs and to the BPS. Of the 23 disseminations, 13 were sent to foreign counterparts at Egmont.

It was therefore determined that this predicate continues to pose a High threat for money laundering in Bermuda, indicating that the threat exceeds the new “high threat” threshold of \$125 million.

II. Predicate Crimes Ranked as “Medium-High Threat”

i. **Tax Crimes (foreign) – \$2.3 million in proceeds from foreign tax crimes was detected and restrained on behalf of a foreign country by Bermudian authorities during the review period.** This arose from a mutual legal assistance request from that country. An additional \$2 million continued under restraint on behalf of another foreign country, also based on a mutual legal assistance request from the 2020 NRA.

The Ministry of Finance’s Treaty Unit reported receiving only 11 EOIR tax transparency requests relating to criminal tax cases, which is significantly lower than the 93 received during the 2020 NRA review period, when Bermuda’s Treaty Unit received 93 EOIR criminal tax requests. As usual, in accordance with confidentiality obligations within OECD and other tax information exchange frameworks, no details related to the requests were shared by the Treaty Unit, nor was any information about the countries from which the requests came. However, this significant decrease suggests that the level of tax evasion schemes targeting Bermuda for ML purposes has declined. The FIA also reports making 10 disseminations to foreign and local partners, based on 17 SAR/STR filings relating to foreign tax crimes during this assessment period.

When examining the data on detected proceeds during the assessment period and seeking to estimate the undetected proceeds for this predicate, consideration was also given to the USD \$1.9 billion US tax evasion case, which was detected in the previous assessment period and reported in the 2020 ML NRA. Bermuda authorities continue to cooperate with US counterparts in the investigation of the possible connection of over \$100 million of those proceeds to Bermuda – representing a very small percentage of the total proceeds of the crime. However, although detected during the previous review period, that case was a historical case, involving tax evasion and money laundering schemes which occurred many years ago, and the specific methods and techniques used in that case were unlikely to be able to be duplicated in Bermuda during the assessment period, currently, or in the future. It was therefore determined that this \$1.9 billion case was an outlier and, given its context, is not directly useful in determining the level of ML threat that foreign tax crimes currently, and continue to, pose to Bermuda.

While it is agreed that this predicate continues to pose a material threat of ML to the country, when the data from the Treaty Unit, the FIA, BPS and AGC are evaluated against the new ML threat benchmarks, it was determined that the rating of Medium-High Threat is appropriate. The rating is therefore lowered from the high rating set in the 2020 NRA. At present, there is no evidence to suggest that the proceeds of foreign tax crimes entering Bermuda's financial system during the assessment period, exceeded \$125 million.

- ii. **Cybercrime** – This predicate was assessed separately for the first time, as in previous NRAs the BPS' information and data on suspected cybercrime incidents were aggregated within their Fraud statistics. The BPS has taken steps to maintain independent statistics on this predicate. Taking this step was important because as seen in the 2022 Crime Trend Report, INTERPOL noted, in relation to the Americas and the Caribbean regional trends, that *"Ransomware, phishing, online scams, and computer intrusion (i.e. hacking) are the cybercrime trends which member countries most frequently perceive as posing 'high' or 'very high' threats globally. Member countries also indicated high expectations for most cybercrime trends to escalate in the next three to five years."* The regional trend information for all regions was determined from INTERPOL's collective assessment of data sourced from crime trend surveys of Interpol member countries, national crime statistics and reports, along with INTERPOL data holdings comprised of 60,000 Red Notices, along with insights from academicians, think tanks and industry. This insight from the INTERPOL report amplifies the importance of tracking and record-keeping for this crime, so that both subtle and alarming shifts in activity in this area can be readily identified.

BPS is of the view that detection rate for this crime is at a low - moderate level. While reports on cybercrime events are received through the BPS' online portal, individual reports and through FIA disseminations, a reasonably high level of undetected cases remains. There is a high frequency of cases involving individuals being targeted as the victims. Based on the BPS's experience, the value of proceeds from cybercrime incidents targeting individuals as opposed to businesses tends to be low. There was a slight increase in reports of cybercrime involving businesses during the assessment

period, but entities are still reticent about reporting, to protect their brand reputation with customers and the public. Therefore, it is believed that the majority of undetected crimes in this category are those affecting businesses, and such cases are believed to be of much higher value than those targeting individual victims. A factor which can also greatly impede detection, is that cybercrimes know no national borders. Criminals, victims and technical infrastructure span multiple jurisdictions, bringing many challenges to investigations and prosecutions.

Based on the BPS' reporting, the value of proceeds derived from detected/reported ransomware attacks on businesses tend to range from \$20,000 - \$80,000 for each incident. Considering these factors and rising global and regional cybercrime trends, the BPS estimates that undetected proceeds from cybercrime targeting businesses in Bermuda during the review period likely reached tens of millions of dollars. Notably, although the predicate offenses may occur within Bermuda's jurisdiction, the destination and integration of the criminal proceeds are almost exclusively outside Bermuda, thereby elevating the jurisdiction's exposure to international money laundering risks.

It was therefore determined that the ML threat from cybercrime attacks targeting both individuals and businesses during the review period, is below the \$100 million range; therefore, a rating of Medium-High Threat is warranted.

III. Predicate Crimes Ranked as “Medium Threat”

The new benchmark range for this ranking is between \$62.5 million and \$87.5 million. During this NRA, no predicate offences were ranked as Medium Threat.

IV. Predicate Crimes Ranked as “Medium-Low Threat” and “Low Threat”

While there were no predicates that were ranked Medium-Low during this assessment, the remaining 18 predicate offences were ranked as Low ML threat. The majority of these predicates were previously rated Low in 2020, based on the following factors, which remain largely unchanged: .

- there was extremely low incidence of the predicate offence occurring in Bermuda;
- the predicate offence did not occur in Bermuda; or
- where the predicate did occur materially, there was either no evidence of proceeds being generated for these crimes, or the proceeds were of such low values there was little or no risk of laundering occurring.

However, there were 4 predicate offences which had various higher ratings in 2020, but were lowered in this assessment: Tax Crime (domestic), Corruption-Bribery (domestic), Illicit Arms Trafficking, and Commercial Smuggling.

- Tax Crime (domestic) – In this case, data provided for the review period indicated that there had been no cases of domestic tax crimes under section 37(2) of the Taxes Management Act 1976 (TMA).** This provision contains the only tax offence

representing a predicate to ML in Bermuda at this time. BPS confirmed that no cases had been referred to them by the Office of the Tax Commissioner (OTC) under that provision, nor have there been any prosecutions during this period (or indeed before).

The Low threat rating was therefore determined to be more appropriate in the context of the data and existing circumstances.

ii. **Corruption-Bribery (domestic)** – **This predicate previously had a high threat rating in the 2020 ML NRA, based on reported increases in both the number and value of cases and ML investigations related to it.** However, during the 2024 review period, while there were 51 corruption-related ML cases under investigation, only 7 were corruption/bribery investigations. Also, notably, there were no significant high dollar-value cases to push this predicate above the Low threat benchmark of \$12.5 million. The BPS also estimated that the majority of domestic corruption/bribery cases are detected, either through BPS intelligence channels, reporting mandated under the Bribery Act, or by means of FIA disseminations arising from SAR/STR filings. Therefore, it was determined that the ML threat rating for this should be revised to LOW.

iii. **Illicit Arms Trafficking** – **In the 2020 and 2017 ML NRAs, it was acknowledged that criminal gangs engage in the business of firearms rentals and sales, which generate proceeds and based on the estimated value of those proceeds the ML threat rating of Medium-Low was assigned to this predicate.** While the BPS has confirmed that the sale price for illicit firearms since the previous review period, Bermuda’s small population and the even smaller size of criminal gangs engaging in this activity, places a material constraint on the volume of proceeds from this crime in Bermuda.

Therefore, it was determined that the proceeds generated from illicit arms trafficking does not meet the \$12.5 million benchmark and the rating for this predicate was lowered from Medium-Low to Low.

iv. **Commercial Smuggling** – The ML threat rating for this predicate was revised from Medium-Low to Low, as:

- Both the FIA and BPS continue to confirm that Bermuda has no instances of the type of “smuggling” seen in other jurisdictions that tend to give rise to trade-based money laundering. Therefore, there appears to be a limited ML threat of such smuggling in Bermuda; and
- In light of this, it was determined that the potential proceeds generated from a crimes of this nature is unlikely to be able to reach the new \$12.5 million threshold

Accordingly, the rating for this predicate was lowered from Medium-Low in 2020 to Low threat in 2024, when the new benchmark is “under \$12.5 million”.

4. Sectoral Threat Assessment

Data from the investigation and prosecution of money laundering cases was again analysed within the 2024 assessment to help identify which sectors within Bermuda were at higher risk for ML threats. Intelligence from FIA filings and tax information requests from other countries (subject to OECD confidentiality rules) assisted with the analysis. The case information revealed the extent of detected ML within sectors and their interconnected roles. To better understand ML’s potential impact and scale in each sector in Bermuda, factors such as sector size relative to the economy were also considered. Additionally, an attempt was made to estimate the level of undetected ML activity within each sector.

The sectoral analysis for this assessment period showed that the Deposit-Taking, Securities, Trust Business, Corporate Service Provider and Legal sectors all face a High threat of money laundering, while the Digital Asset Business, Insurance and Real Estate face either Medium-High or Medium threat of money laundering. The sectors rated high threat all have greater share in the economy, when compared to the sectors rated Medium-High and Medium, meaning that the impact of the ML threats they face have greater materiality to the country.

Further details of the sectoral ML threat analysis with sector-specific ratings are provided later in this report.

5. Origin of Proceeds of Crime

The 2024 NRA showed that international sources still remain a significant factor in terms of money laundering threats and impacts to Bermuda. However, while the analysis of predicate offences rated as High during the review period again reinforced this result, some domestic predicates have maintained High or Medium-High ratings within the new benchmarks.

I. PREDICATE OFFENCES COMMITTED DOMESTICALLY

In the 2017 and 2020 ML NRAs, this category of offences (i.e. committed domestically) was rated as posing a high threat of money laundering to Bermuda. In both NRAs, this was based primarily on the drug trafficking predicate, with lesser contributions in 2020 from domestic predicates such as fraud and corruption.

The 2024 assessment confirmed that Drug Trafficking, Fraud (domestic) and Corruption/ Bribery (domestic) remained materially relevant predicates in this category. The domestic offence of Illicit Arms Trafficking (including ammunition) was also identified as contributing to the ML threat posed by offences in this category, to a moderate degree. Given that Drug Trafficking, mainly in the form of retail drug trafficking, was rated as a High threat predicate based on the new benchmarks, it was determined that the ML threat rating for this category should remain High, as the potential for ML derived from retail drug trafficking well exceeds the high threat benchmark of \$125 million.

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While the data on domestic fraud and domestic corruption/bribery showed a notable number of detected cases, they all represented fairly low value in terms of proceeds, and both predicates rated as Low threat. Even considering potential undetected proceeds from these offences, they would not significantly increase the ML threat within this category, especially when compared to retail drug trafficking. For firearms and ammunition trafficking, the only identified proceeds primarily come from retail rental and sale of firearms and the more profitable sale of ammunition. However, given Bermuda's small population, and the even tinier customer base for this activity, this predicate was rated a Low threat, as the potential proceeds are far lower than the \$12.5 million threshold.

II. PREDICATE OFFENCES COMMITTED IN A FOREIGN JURISDICTION

Bermuda retained a High threat rating for foreign-sourced offenses in the 2020 ML NRA, as investigated cases and estimated undetected proceeds far exceeded the 'High' threshold, reaching hundreds of millions of dollars. The key foreign predicates driving this threat were tax crimes, fraud, corruption, and insider trading/market manipulation, all rated as high threat.

The 2024 analysis confirms that these predicates continue to pose a threat in this category and should maintain a High rating, except Tax Crimes (Foreign), which was rated Medium-High (estimated proceeds under \$100 million). Cases and reports confirm that ML threats in Bermuda from proceeds of the remaining key foreign crimes identified in 2020 each exceed \$125 million. Currently, Bermuda authorities have restrained or frozen over \$260 million related to foreign Corruption/Bribery, Fraud, and Tax Crimes on behalf of other countries. Therefore, these foreign predicate offenses, both individually and collectively, justify maintaining a High threat rating for this category, as the assessed level of ML in Bermuda from their proceeds significantly surpasses \$125 million.

III. PREDICATE OFFENCES COMMITTED IN BOTH DOMESTIC AND FOREIGN JURISDICTIONS

In the 2020 ML NRA, dual/multi-jurisdiction cases in Bermuda were rated High, an increase from Medium-High in 2017. This was due to a wider range of predicate offenses resulting in local ML - including fraud, cyber-based extortion, and insider trading, beyond the 2017 focus on drug importation - with detected and estimated undetected proceeds exceeding the \$10 million high threat threshold.

However, the 2024 analysis of drug trafficking and domestic fraud confirmed that drug importation and cyber-enabled fraud are the main predicates for this category. Domestic fraud was rated Low threat, making it unlikely to significantly impact this category's rating. Of the two dual-jurisdiction predicates, only drug importation/conspiracy was material, based on the wholesale value of detected drugs. In Bermuda all retail drugs used in the retail drug trafficking trade are imported and importing those drugs is illegal. It was determined that the specific drug importation predicate could range between \$62.5 million and \$87.5 million. Within the new benchmarks, this lowers the threat rating from High to Medium for this category of dual-jurisdiction predicates.

IV. PREDICATE OFFENCES WHERE COUNTRY OF ORIGIN IS NOT IDENTIFIED

In previous NRAs, cross-border cash predicates, based solely on Customs reports, involved low-value cases (under \$100,000). However, in 2024, Customs reported 32 detected/investigated cases (compared to 0 in 2017 and 6 in 2020). These cases involved undeclared incoming cash with unknown origins, and were actioned under the Revenue Act. Customs also seized approximately \$5 million in Bearer Negotiable Instruments (BNIs) via courier services, which were later returned to importers after proper declarations.

In addition, as noted earlier, cybercrime is borderless, complicating investigations and prosecutions. Given the new context of cybercrime attacks, not separately assessed in prior NRAs, and the difficulty in identifying their origin, cybercrime is included in this category for the first time. This influenced the increased rating to Medium-High threat, aligning with the ML threat rating for cybercrime itself in Bermuda.

6. Cross-Border Threat Analysis

The cross-border threat analysis seeks to determine the level of ML threat that specific countries pose to Bermuda. Countries were selected based on: a) several economic touch points with Bermuda, as well as b) the frequency and nature of international cooperation in criminal matters and financial intelligence, including their connections with local investigations and prosecutions. Using these criteria, 12 countries and 1 region were selected in 2017; 12 countries were selected in 2020, including several from the 2017 assessment; while in 2024, 9 countries and 1 region were selected for analysis based on a preliminary analysis of the economic data concerning financial inflows and outflows between Bermuda and each of the selected countries; this helped develop a picture of the legitimate commercial relationships between them.

The data confirmed that significant movements of funds are accounted for in the foreign direct investment (FDI), portfolio investment and trade relationships between Bermuda and the United States, the United Kingdom and Canada.

Summarised findings and ratings by country are shown below.

I. COUNTRIES RATED AS HIGH OR MEDIUM-HIGH FOR ML THREAT

a) United States of America:

The ML threat rating for the USA remains High, primarily due to extensive law enforcement and financial intelligence cooperation, the number and nature of MLA requests, and the USA's involvement in foreign predicate offenses relevant to Bermuda, including insider trading/market manipulation, fraud, and tax crimes.

The USA remains Bermuda's largest trading partner and primary financial gateway, with significant USD transaction flows, correspondent banking relationships, and commercial ties. This creates both legitimate financial activity and exposure to ML threats. While the flow of illicit proceeds between Bermuda and the USA remains bi-directional, the inflow of criminal proceeds from foreign predicate offenses far exceeds the outflow from Bermuda. Outgoing proceeds, primarily linked to drug trafficking, are significantly smaller and often transit through the US rather than being retained within the US financial system.

The continued high-risk rating for key predicate offenses and the large volume of financial flows between Bermuda and the USA also contributes to retaining the High ML threat rating. The estimated illicit flows—though small in comparison to Bermuda’s legitimate financial activity—have consistently exceeded \$125 million, justifying retention of the High rating under the revised ML threat benchmarks.

b) India:

Based on the analysis of ML methods and trends derived from MLA cases and intelligence from the FIA and BMA, it has been determined that the ML threat rating for India should be increased to High. The flow of criminal proceeds between India and Bermuda is predominantly incoming to Bermuda with significant cases involving various predicate offenses. These include insurance fraud, as demonstrated by the \$31 million in proceeds frozen in Bermuda on behalf of India; tax evasion, linked to the acquisition of property and interests in Bermuda; and a market manipulation/fraud case resulting in a multi- billion dollar loss in market value in India, with suspected ML implications for Bermuda-based funds.

The direction of the ML threat remains bi-directional, with some cases involving an outflow of suspected proceeds from Bermuda to India. However, the incoming ML threat is more substantial, particularly given the scale of the detected cases and their financial impact. In light of intelligence indicating a broad range of ML methods—including tax evasion, fraud, and market manipulation—increasing the ML threat rating from Medium-High to High is justified.

II. COUNTRIES RATED AS MEDIUM FOR ML THREAT

a) Canada:

A Medium Threat rating remains justified in the case of Canada, particularly when compared with jurisdictions such as the US and UK in terms of the size and scale of business between Bermuda and Canada. The volume and type of cases involving proceeds detained, frozen, or restrained serve as useful indicators, and while certain predicate crimes have a low rate of detection, the available intelligence does not suggest that Canada is a primary or high-volume source of ML threats to Bermuda.

The ML threat remains bi-directional, but intelligence suggests that incoming threats are more significant than outgoing threats, consistent with the 2020 assessment. The primary source of outgoing criminal proceeds relates to drug trafficking.

In terms of incoming proceeds, intelligence highlights concerns related to drug trafficking, firearm smuggling, and ammunition trafficking into Bermuda.

Given the continued drug trafficking connections between Canada and Bermuda, and the increasing movement of proceeds between the two countries (which appears more significant than between Bermuda and the UK), the Medium Threat rating remains appropriate. The higher benchmark applied in this assessment does not alter the rating, as the nature and volume of illicit proceeds remain consistent with a medium-level threat classification.

III. COUNTRIES RATED AS MEDIUM-LOW OR LOW FOR ML THREAT

All of the remaining jurisdictions to Bermuda’s financial system are categorised as either Medium-Low or Low based on available intelligence, financial linkages, and case data. The UK, Caribbean, Singapore, and Ireland were rated as Medium-Low, while China, the UAE, and Australia were rated Low. The UK, once seen primarily as an incoming threat, now presents an overall threat level of Medium-Low, potentially due to enhanced controls or a shift in transaction patterns. Among the jurisdictions rated Low, China’s ML threat remains minimal due to the declining presence of Chinese-registered companies in Bermuda and the lack of enforcement cases involving Chinese entities. The reduction in insurance business with Hong Kong further weakens Bermuda’s financial ties to the Greater China region, though ongoing geopolitical developments warrant continued monitoring.

7. Overall ML Threat Assessment Findings

Having considered all components of the ML Threat assessment, each of which have been summarised above, a clear picture of Bermuda’s ML Threat profile emerged, confirming that the overall ML Threat rating should remain at HIGH. While the rating remains the same as in 2020, new benchmarks with revised thresholds have been put in place. The 2024 assessment again confirms that the most significant ML threats to Bermuda are based on crimes originating overseas. Given the extensive role of the international financial business sector in Bermuda’s economy, the jurisdiction has a higher risk exposure to foreign-sourced ML threats in sectors related to that business face. In that context, foreign crimes such as fraud, market manipulation/insider trading and corruption/bribery still pose the greatest ML threat.

Domestically, the most significant locally-sourced ML threat remains the proceeds from retail drug trafficking. All other domestic predicates maintained low threat ratings. Notably, ML derived from fraud involving elder abuse and some cyber frauds/scams continued to increase, but the estimated proceeds from both remained low. Overall, ML activities originating overseas still pose a much higher threat to Bermuda than domestic sources.

Chapter 7: Bermuda’s National TF Threats

Summary of Findings:

Consistent with prior TF NRAs the level of TF threat in Bermuda continued to be rated as LOW. In assessing both domestic and cross-border threats across six primary threat factors, incorporating relevant statistical and qualitative data, as well as geographic, economic, cultural, religious, and social context, most of the threat factors were rated as Low. Bermuda continues to maintain a low domestic terrorism threat profile, with no evidence of radicalisation among local or diaspora populations. Additionally, there is no local or foreign intelligence showing either incoming or outgoing TF; and there are no known TF cases. A few sectors, such as MSBs and DPMS have been rated as having medium exposure to TF threats, while all others are rated medium low to low.

1. Introduction

Since Bermuda’s initial TF NRA in 2016, followed by the second in 2020, the jurisdiction has advanced in understanding and mitigating TF threats in its financial sector and beyond. Both the 2016 and 2020 TF NRAs consistently indicated a low threat of terrorism and TF in Bermuda, attributed to its geographic location, small population and lack of extremist activities. Whilst acknowledging its vulnerabilities as a global financial hub, neither assessment identified any known terrorism or TF cases within the jurisdiction, but both stressed the importance of ongoing vigilance, international collaboration, and robust preventative systems.

The 2024 TF assessment builds on these insights by introducing typologies selected for their applicability in Bermuda for deeper analysis, based on actionable intelligence, and allowing for a more tailored understanding of potential TF threats within Bermuda’s context. It’s important to note that Bermuda has not encountered any confirmed TF cases to date. Therefore, this assessment aims to enhance Bermuda’s vigilance and preparedness against emerging TF threats by leveraging historical data and new intelligence-led insights.

2. Methodology and Scope

The National Terrorist Financing Threats Working Group assessed Bermuda’s national TF threat. The group included representatives from all competent Bermuda authorities whose areas of responsibility relate to TF threat identification and analysis. The table below outlines the membership of this Working Group.

Table 6: National TF Threats Working Group Members

Agency	Responsibilities
Attorney-General’s Chambers (AGC)	• Central authority – Mutual Legal Assistance • Civil asset recovery and civil forfeitures under the POCA
Bermuda Monetary Authority (BMA)	• Supervisory authority for financial sector
Bermuda Police Service (BPS)	• Criminal investigations
Customs Department (Customs)	• Immigration and customs control at all ports of entry
The Department of Public Prosecutions (DPP)	• Criminal prosecutions
Financial Intelligence Agency (FIA)	• Receipt of Suspicious Activity Reports (SAR) and analysis and dissemination of SARs and other financial intelligence
The Registry General (RG)	• Supervisory Authority for Charities
Bermuda Civil Aviation Authority (BCAA)	• regulation and safety oversight of aviation in Bermuda and all aircraft on the Bermuda Aircraft Registry.
Office of National Anti- Money Laundering Committee (NAMLC)	• Secretariat to NAMLC the AML/ATF advisory and coordinating body

This assessment marked Bermuda’s third TF NRA, and used the enhanced 2022 World Bank Terrorist Financing methodology. This updated tool enables more precise, in-depth analysis, particularly by integrating typologies where data is limited, allowing for a closer examination of how TF threats could affect Bermuda. The tool uses a five-point rating scale to assess risk levels: Low, Medium-Low, Medium, Medium-High, and High. This scale helps evaluate threats, vulnerabilities, and consequences related to TF, guiding authorities in identifying areas requiring mitigation.

Underpinning the assessment, as before, was the FATF’s definition of a “terrorist act”, and “terrorist financing”. A terrorist act includes offences under a range of widely adopted international

conventions and treaties. FATF’s related definition of “terrorist financing” is therefore any financing of terrorist acts, and of terrorists and terrorist organisations. This can include providing funds from criminal activity and also funding from legitimate origins.

Within Bermuda’s ATF regime the meaning of “terrorism” is provided in the Anti-Terrorism Financing (and Other Measures) Act 2004, and aligns with the FATF’s definition of “terrorist act”. The underlying cause of an act is what determines if it is considered an act of terrorism. There is a distinction between actions driven by criminal motives of greed and passion as opposed to actions motivated by ideology or cause, the latter of which gives rise to terrorism.

Typologies were crucial, supporting the identification of sectoral channels potentially susceptible to TF if targeted.

There are no known instances of terrorism or terrorist financing (TF) in Bermuda to support a historical analysis based on cases and data; however, the TF National Risk Assessment (NRA) incorporated domestic typologies from

other jurisdictions derived from intelligence, as well as international typologies to serve as analytical tools. This enabled closely examining Bermuda’s Counter-Terrorist Financing (CTF) framework, particularly focusing on sectors and channels that TF actors might exploit. Using these typologies the Working Group analysed the possible sources, channels, movement and use of funds that could impact Bermuda’s TF risk if terrorist financing were attempted within the jurisdiction.

In addition to using Bermuda’s 2016 and 2020 NRA reports, the working group relied on a diverse data set of updated source material and intelligence, including:

- five domestic typologies from the Financial Intelligence Agency (FIA) on suspected TF;
- six international typologies identified as potentially relevant to Bermuda, supplemented by intelligence sources such as the 2021-2023 Global Terrorism Index (GTI)¹¹, an annual comprehensive summary of key global terrorism trends and international threats;
- UK Proscription of Terrorist Organisations;
- U.S. Terrorist Exclusion List;
- relevant UN resolutions; and
- the Stanford Center for International Security and Cooperation.

Incorporating GTI insights into a national risk assessment can enhance understanding of internal and external risks and inform strategies to strengthen preventative measures and international cooperation.

The international typologies used as part of the TF risk assessment are shown in Annex IV.

The scope of the assessment was broad, encompassing TF threats from domestic and international sources, sector vulnerabilities, and Bermuda’s specific cross-border dynamics. The use of typologies was particularly instrumental, helping to assess the likelihood and relevance of potential TF scenarios, thus providing a comprehensive view of Bermuda’s TF threat landscape.

11 Global Terrorism Index - Institute for Economics & Peace

3. Terrorist Financing Threat by Terrorist Organisations

Since the 2020 NRA Bermuda has adopted the revised World Bank TF methodology. This TF assessment now uses five key criteria, not just the overall terrorism threat level, for a more nuanced evaluation. This expanded framework ensures TF threats are not solely based on the presence of terrorist activity in a country, but also considers other contributing risk factors. Additionally, after identifying and assessing TF threats, the methodology requires a detailed examination of the TF methods used by terrorist organisations within a country. This step allows for a more specific understanding of how funds are raised, moved, and used for terrorism-related activities, improving the effectiveness of national risk assessments and mitigation strategies.

A key aspect of this assessment includes the systematic consideration of terrorism threat dynamics and their implications for TF threat in Bermuda. Specifically, the analysis of the fifteen international terrorist organisations identified on the 2024 list covered the five key criteria, namely, the level of terrorist threat, level of funding needs, level of fundraising activity, level of transfer activity, and the level of use of terrorist funds posed by, or exhibited within, these organisations. This list of organisations, although speculative, was selected by the Working Group and includes groups that may pose a plausible terrorism and/or terrorism financing threat to Bermuda, incorporating organisations that existed before or emerged after the 2020 TF NRA. Background research into these groups assessed potential connections to Bermuda, including possible economic ties, diaspora linkages, and networks formed through work-related migration. Bermuda’s demographic composition, notably its foreign resident groups, such as guest workers, was also scrutinised for its influence on TF threat.

Table 7 below lists the fifteen international terrorist organisations and persons assessed in this NRA and provides comparative TF threat ratings from the 2020 and 2024 NRAs. The working group confirmed that there are no domestic terrorist organisations or cells in Bermuda.

Table 7: Comparative ratings of 2020 Impact on TF and 2024 TF Threat of selected Terrorist Organisations & Persons

Name of Terrorist Organisations & Categories of Persons	2020 Rating Impact on TF	2024 TF Threat Rating
Islamic State of Iraq and Syria (ISIS)	Low	Low
Al Queda	Low	Low
Hay’at Tahrir al-Sham (HTS)	Low	Very Low
Al Shabaab	Low	Low
HAMAS	Low	Low
Hezbollah	Low	Low
Haqqani Network	Low	Low

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Lashkar-e-Taiba (LT)	Medium-Low	Low
Mujahideen Indonesia Timur	Low	Low
Irish Terrorist Organisations	Medium-Low	Low
Abu Sayyaf Group	Medium-Low	Low
Turkmenistan Islamic Party (TIP)	Medium-Low	Low
Foreign Terrorist Fighters (FTFs) and Lone-Wolf Terrorists	Low	Low
Fetullahist terrorist organisation	Not Assessed	Medium-Low
Tigray People’s Liberation Front	Not Assessed	Medium

Among the fifteen organisations assessed, all but two were rated as having a Low or Very Low potential impact on TF in Bermuda. Foreign terrorist fighters (FTFs) and lone wolf operators were also rated as posing a Low TF threat. The two terrorist organisations, which were rated Medium-Low and Medium respectively (shown in Table 7 above), exhibited slightly higher TF threat profiles due to their level of terrorism threat, funding needs, fundraising activities, transfer behaviors, and use of terrorist funds. For each of these groups, relevant information on their sources of funds, movement and use of funds, or preferred channels for TF was considered. The other thirteen organisations were rated Low or Very Low, due to either an absence of global funding sources or limited potential for any Bermuda nexus, given the small or non-existent diaspora communities that could serve as funding sources.

Overall, given the absence of any evidence of radicalisation within Bermuda related to the selected organisations, the lower TF threat ratings determined, and no evidence of persons or groups in Bermuda being targeted as sources of funding for these organisations, the various methods of funding were assigned Low ratings.

Summary and Analysis of National TF Threat Factors

Table 8 (below) provides a concise summary of the National Terrorist Financing (TF) Threat Assessment across critical factors, evaluating both domestic and cross-border threats. In this second stage in the TF Threat assessment, six primary threat factors were analysed; and each was assigned a rating for potential domestic and cross-border risks. Domestic and cross-border threats comprise internal, incoming, outgoing and transit threats assessed using a range of criteria. The six threat factors are:

- 1. **Active Terrorism Threat:** Assesses the presence or absence of active terrorist activities within and outside the jurisdiction; and leverages the analysis and results of the assessment of the level of terrorism threat criterion for each of the organisations and persons assessed in the first stage of the assessment.
- 2. **Terrorist Persons and Organisations:** Evaluates the threat of known terrorist individuals and organisations operating domestically or with cross-border ties; and leverages the analysis and findings from the first stage of the TF threat assessment methodology.

- 3. **Sympathisers:** Examines the influence and activities of individuals or groups who may support terrorist causes without direct involvement in terrorism. This also relies on some of the analysis undertaken in the first stage of the assessment.
- 4. **Neighbours:** Considers the impact of nearby regions or countries with heightened terrorist threats and their potential influence on the jurisdiction.
- 5. **Finance and Trade Hub Function of Your Jurisdiction:** Analyses the jurisdiction’s role as a financial and trade hub and the risks of misuse for terrorist financing, domestically and internationally.
- 6. **Strategic Goods and Services:** Reviews the jurisdiction’s production, distribution, and export of goods and services that could be exploited by terrorist entities, especially in high-risk areas.

Table 8: Summary of Findings of Assessment of National TF Threat Assessment Factors

I.V. No.	National TF Threat Factor (Input Variable)	Rating of Domestic Threat	Rating of Cross-Border Threat
1	Active Terrorism Threat	Very Low	Very Low
2	Terrorist Persons and Organisations	Low	Low
3	Sympathisers	Low	Low
4	Neighbours	Medium	Medium
5	Finance and Trade Hub Function of Your Jurisdiction	Not Applicable	Low
6	Strategic Goods and Services	Not Applicable	Low

The 2024 assessment findings show that, overall, Bermuda faces minimal TF threats across all these factors, either domestically or from a cross border perspective. Generally, Bermuda’s geographic isolation; economic and social dynamics; strong immigration policies and scrutiny of foreign guest workers and expatriate residents; and lack of foreign military installations continue to act as mitigating factors in this regard. The Medium rating for the “Neighbours” category reflects Bermuda’s proximity to its major trading partner the United States, which at the time of the assessment maintained an “elevated” terrorism threat level driven by increased domestic extremism.

4. Overall TF Threat Assessment Findings

Bermuda’s overall TF threat rating is LOW, based on Low or Very Low ratings for both domestic and international TF threats. This result is consistent with the 2020 NRA. Evaluation of four key categories related to the origin and sources of terrorism contributed to these ratings, as summarised below.

Internal TF Threat – Rating: Very low

The 2024 assessment findings show that Bermuda remains a low-risk environment for terrorist activities. There was no evidence of home-grown terrorist ideology or radicalisation, or intelligence regarding terrorist activities, during the review period. The combination of Bermuda’s geographic isolation, economic and political stability, well-regulated financial sector, effective law enforcement, and comprehensive security measures ensures a low-risk environment for terrorist threats.

Outgoing TF Threat – Rating: Low

The low rating for outgoing TF threats from Bermuda is based on the jurisdiction posing no identified threat of terrorism or TF to neighboring countries or regions, such as the United States, Canada, the Caribbean, and Central America, and no evidence indicating that any financing of terrorist activities in those countries have any connection to Bermuda. This is consistent with findings in the two previous TF NRAs. Outgoing remittances to high-risk areas are minimal, and there is no indication of terrorist financing. Additionally, Bermuda’s trade routes remain limited to the UK, Canada, and the USA, with no known exports of strategic goods to high-risk areas.

Incoming TF Threat – Rating: Very Low

Bermuda faces a very low incoming threat of both terrorism and terrorism financing. Overall, Bermuda maintains a very low domestic terrorism threat profile, with the result that there is no need for foreign-based terrorist-related fundraising activities and funding sources to be sent to Bermuda. Therefore, the threat of incoming TF from overseas is very low. However, its proximity to the United States in particular, with its elevated domestic and foreign-inspired terrorism threat level, presents a moderate, but unrealised, potential for incoming threats. Also, given its significant financial services sector, Bermuda could be vulnerable to the infiltration of terrorist funds through complex financial transactions and international banking, presenting a low risk of terrorism-linked asset transfers affecting the island. Despite these observations, the incoming terrorist threat from Bermuda remains very low.

Transit TF Threat – Rating: low

Geographically isolated in the North Atlantic with limited port facilities, Bermuda is not a significant transshipment point, making it an unattractive jurisdiction to provide logistical and/or strategic support for terrorist activity. Other factors contributing to this low threat rating from the 2024 TF threat assessment include Bermuda’s lack of proximity to current war zones, stringent immigration procedures and evidence or intelligence from law enforcement agencies.

In conclusion, Bermuda consistently demonstrates a low threat of terrorist financing and related activities across all assessed categories in the 2024 NRA. The island’s geographic isolation in the North Atlantic and its small population size inherently limit exposure to external terrorist influences, contributing to a low internal threat.

5. Overview of Sectoral TF Threat Assessment

The TF (Terrorism Financing) threat assessment for each sector involves evaluating five key threat factors. A brief overview of each factor and what their assessments entail is presented below:

1. **Existence of Typologies/Cases in the Jurisdiction Related to Abuse of the Sector:** This factor examines whether there are known instances or typologies of terrorism financing occurring within the jurisdiction involving that sector. The assessment involves reviewing local intelligence, police reports, and historical cases to determine if the sector has been exploited for TF activities.
2. **Existence of Global Typologies/Cases (Related to Abuse of the Sector):** This factor involves assessing whether global trends or typologies indicate the sector’s vulnerability to terrorism financing. The review typically includes international case studies, reports from international organisations, and global watchlists to understand the broader threats to the sector.
3. **Geographic Factors (Specific to the Sector):** Geographic factors assess how the location or reach of a sector could expose it to terrorism financing risks. Factors such as proximity to high-risk jurisdictions, cross-border operations, and the flow of financial services or products through the region are considered.
4. **Demographic Factors (Specific to the Sector):** This factor considers the characteristics of the sector’s clientele and workforce. For example, sectors that serve high-risk or transient populations, or that employ vulnerable groups, may be considered at higher risk.
5. **Other Threat Factors (Specific to the Sector):** This is a catch-all category that includes any other specific vulnerabilities unique to the sector. This could involve structural issues within the sector, regulatory gaps, or specific practices known to be exploited by threat actors.

The 2024 assessment determined that no sector was assigned a High TF threat rating. Money Service Businesses (MSBs), and Dealers in Precious Metals and Stones (DPMS) were assessed as having a Medium TF threat rating, reflecting their international exposure, transactional nature, and potential targeting and use by terrorists or TF actors within these sectors. Deposit-Taking, Lending, Insurance, Trust Service Providers (TSPs), Corporate Service Providers (CSPs), High-Value Dealers (HVDs), and the Securities sector were assessed as

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having a Medium-Low TF threat rating. The Lawyers, Accounting, Non-Profit organisations (NPOs), Casino and Real Estate sectors were assigned a Low TF threat rating.

Further details regarding findings from the sectoral TF threat assessment are provided in the sector-specific chapters in this report.

6. Conclusion

Since Bermuda conducted its initial Terrorist Financing (TF) National Risk Assessment (NRA) in 2016, followed by a second assessment in 2020, the jurisdiction has progressively strengthened its understanding of TF threats across its financial and other sectors. This 2024 TF NRA builds upon these earlier assessments by introducing typologies selected for their applicability in a Bermuda context, enhancing insight into how TF risks could appear within Bermuda’s unique context. While Bermuda has encountered no confirmed TF cases to date, this assessment underscores the jurisdiction’s proactive stance in addressing emerging TF threats, using historical data and intelligence-led insights.

Given the analysis and findings above, Bermuda has been assigned an overall rating of LOW TF threat. Bermuda authorities understand the evolving nature of the global terrorism landscape and related TF threats. Therefore, authorities will remain vigilant, while maintaining Bermuda’s robust ATF regime and working cooperatively to share terrorism-related intelligence, to minimise threats from global terrorism.

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Chapter 8: The Deposit-Taking Sector

Summary of Findings:

Bermuda's deposit-taking sector was assessed with a High threat level for ML and High inherent vulnerability for ML resulting in a HIGH inherent ML risk rating. For TF, a Medium-Low threat level and Medium inherent vulnerability resulted in a MEDIUM inherent TF risk. The ML assessment again included in-depth analysis of 22 sectoral products. The detailed product analysis, along with assessing respective underlying client segments supported the vulnerability assessment.

1. Introduction

Although Bermuda's deposit taking sector is made up of six entities - five banks and one credit union - only four of the five banks were in operation during the assessment period. Regardless, the sector is economically significant, with assets totaling \$23.7B and a total income of USD 1.11 billion in 2023, accounting for 7.2% of GDP.

The sector's importance reflects the sophisticated financial products and services the banks offer, catering to a broad clientele. Services range from Retail and Business Banking for residents, Corporate and Transaction Banking mainly for international companies domiciled in Bermuda, to Wealth Management and Private Banking services for both domestic and foreign high net worth individuals. Beyond serving Bermuda's resident population, local banks also provide investment, trustee, and financial management services to the international business sector, as well as tailored Corporate Banking packages for Bermuda's captive insurance market.

The Credit Union in Bermuda, holds less than 0.001% of Bermuda's total financial assets. Primarily serving local union members, the Credit Union sector's relatively small size and minor contribution to ML and TF vulnerabilities in comparison to banks means that the sectoral risk analysis again focused only on bank-based products.

2. Assessment of Sectoral ML and TF Threats

The ML threat rating for this sector remained HIGH, consistent with 2020. This rating reflects the sector's continued substantial role and size relative to Bermuda's overall economy, its significant interaction with international businesses, and its role in global cross-border fund transfers.

Given this threat profile, the banks' robust monitoring and detection capabilities remain crucial. STR filings from Bermuda's banks during the assessment period indicate cash/currency conversions and wire transfers were most often suspected to be misused for ML. Unlike previous NRAs where BMD to USD cash conversions dominated filings, wire transfer-related STRs were dominant. The FIA has also noted SAR/STR filings concerning safety deposit boxes for suspected ML. This emerging trend, coupled with a significant decline in local third-party debit/credit card

use for ML, shows a material shift in ML activities within the banking sector since the last NRA. Previously, local third-party debit/credit cards were used to transfer drug trafficking proceeds out of Bermuda, often featuring in SAR/STR filings. However, both the FIA and BPS attribute this shift to foreign-based e-banking services negating the need for local drug traffickers to rely on cash conversions and third-party debit/credit cards for moving funds abroad. In these instances, the banking sector is primarily involved in transferring funds from local accounts to these foreign e-banking services via wire transfers, partially explaining the increase in wire transfer-related filings.

Overall, foreign-sourced criminal activity conducted for ML purposes, such as fraud, bribery/corruption, market manipulation/insider trading and tax crimes, still represents a greater ML threat to the banking sector than domestic criminal conduct. Evidence supporting this during the assessment period showed that over \$186 million in criminal proceeds from foreign sources was frozen in this sector - \$185 million of which was associated with one corporate client in the reinsurance market.

The banking sector’s TF threat rating was Medium-Low, reflecting a shift from its Low risk profile from the 2020 NRA. This change is largely driven by the sector’s exposure to high-risk jurisdictions, a diverse and complex client base, and the use of electronic payments, which can obscure fund origins and destinations. Additionally, greater reliance on agents, vendors, and intermediaries could potentially provide exposure for TF exploitation. However, these potential TF risks are moderated due to the smaller number of licensed entities within Bermuda’s banking sector, enabling more effective supervision and swift identification of any emerging risks. Overall, the sector continues to demonstrate a mature approach to AML/ATF controls and mitigation strategies.

3. Analysis of Inherent ML and TF Vulnerabilities

The sector maintained a HIGH inherent vulnerability rating for ML and MEDIUM inherent vulnerability for TF. The 2024 assessment evaluated product risk again as a key part of the NRA. The analysis provided a more granular understanding of such risk in the Bermuda context and covered 22 banking products clustered into six product categories across three customer segments: Retail Banking, Commercial Banking, and Wealth Management, which includes Private Banking. The product segment incorporating Payment Services and Electronic Transfers extends across all these customer segments. Given its broad applicability, this product segment was assessed separately. Consistent with the previous assessment, cash products, deposit products and wire transfers presented the highest inherent vulnerability.

Retail and Business Banking maintained a Medium-High inherent ML vulnerability. Bermuda residents are the client base for retail and business banking. Products with the highest vulnerability for enabling ML activity within retail banking include the use of cash in Demand Deposits, Safe Deposit Boxes, Foreign Exchange Products, and Domestic and Foreign Wires. The vulnerability associated with retail deposit accounts common to most jurisdictions remains, namely the potential to use them for rapid and multiple transfers in layering the proceeds of crime.

Cash products are offered to the domestic market exclusively, and conversion of BMD cash for

foreign currency still presents a vulnerability. However, the typical face-to-face nature of these transactions, their comparatively lower total value and average transaction size relative to other banking products, aligned with banks’ robust controls and comprehensive record-keeping, helps reduce ML risk. Specifically for deposit products, safety deposit boxes and demand deposits present the highest inherent risk. Key characteristics of deposit products include high-frequency, high-value domestic transactions, and the ability to process transactions non-face-to-face. Notably, detailed record-keeping is maintained for non-face-to-face transactions, which contributes to the monitoring and controlling of potential risks. The vulnerability related to safe deposit boxes remains the unknown value of assets stored within them, although ownership details are well-recorded. The FIA also identified two notable emerging trends in this assessment: inherent vulnerabilities and more frequent reports of elder abuse related to cash transactions, and vulnerability around wire fraud driven by a reported increase in victims of scams. Bermuda’s banks have responded by implementing specific monitoring systems, controls, and staff training to help detect such activities.

Commercial Banking has High inherent vulnerability due to the large number of Bermuda-based exempt companies, and their high volume and value of international transactions. The client base consists of domestic companies primarily doing business within the jurisdiction, as well as Bermuda-based international business entities. Relevant banking products include commercial deposits, commercial loans and commercial mortgages. Commercial credit products typically have a high inherent vulnerability due to the total value, higher-risk client profile and frequent international transactions. That vulnerability particularly applies for the high volume of cross-border transactions the banks conduct for international business clients.

Trade Finance:

Trade finance products consist of two assessed products including trade letters of credit and standby letters of credit. Inherently the vulnerability for trade finance products is Medium. The use of trade finance products is minimal in terms of value and volume of transactions, limited non face to face interactions and negligible anonymity. (The majority of Bermuda’s imports are financed via “open account” arrangements.) These products are entirely used by commercial clients. A particular characteristic of standby letters of credit in the Bermuda context is that they are extensively used in the insurance industry, and very little for trade per se.

- i. Wealth Management and Private Banking has a Medium-High inherent vulnerability.** Services in this area encompass a range of products, including mutual funds, which account for a substantial 70% of total wealth management products, discretionary asset management, and retail brokerage. The inherent vulnerability for these wealth management products ranges from medium to medium-high.

Typically, wealth management products are characterized by their high-value, low-volume transactions. These products cater to a diverse clientele, spanning domestic and overseas high net worth individuals. Notably, only two of the five institutions within the sector offer private banking services, a factor that influences the overall risk profile of this category.

While wealth management products have the potential to facilitate non-face-to-face

transactions, the risk of anonymity is assessed as extremely low due to the stringent CDD procedures, high-touch and well-established client relationships, and record-keeping is thorough and detailed.

- ii. **The area of Payment Services and Transfer of Funds within the sector presents a High inherent vulnerability.** The product segment includes both domestic transfers and foreign wires, with domestic transfers having a medium-high inherent vulnerability and foreign wires having a high inherent vulnerability.

Wire transactions are classified as higher in inherent vulnerability due to key characteristics. These include high transaction volumes and values, broad usage across all client types (both domestic and international), and the inherently cross-border nature of these transactions. Even though wire products can facilitate non-face-to-face transactions, anonymity is substantially limited, and record-keeping practices are thorough and detailed.

Between 2020 and 2023, the sector processed 796K wire transactions, with a cumulative value of \$780B. The most common destinations for outgoing wires, based on value, were the USA, the United Kingdom, Hong Kong, Canada, and Switzerland. However, when evaluated by volume, the leading recipients were the USA, the United Kingdom, Canada, the Philippines, and Switzerland. This minor variation between the primary jurisdictions for outgoing wires, determined by value and volume, underlines the need for banks in Bermuda to maintain vigilance when evaluating jurisdictions that have the potential to present cross-border risk. The high volume of wires to the Philippines can be largely attributed to the number of guest workers in Bermuda who originate from the Philippines. These workers often wire earnings back home, leading to a high number of transactions to this location.

It is worth noting a typology identified by the Financial Intelligence Agency (FIA) that emphasizes fraud resulting in wire transfers through banks. However, the banks' ability to respond can be limited when victims fall prey to scams, especially when fraudulent product purchases seem authentic – so-called “push payment” frauds. Despite these challenges, banks have set adequate thresholds and parameters via their screening software systems. These established measures help detect and address potential risks, ensuring that the banks are equipped to handle such predicaments effectively.

Terrorist Financing Sector Specific Analysis

The banking sector in Bermuda handles a substantial volume of inward and outward transactions, notably involving remittances, and routinely engages in cross-border operations. The presence of high-risk jurisdictions in these transactions underlines the need for rigorous monitoring and regulatory compliance in relation to potential ML and TF risks. This led to a High rating for Inward International Transactions/Operations from High-Risk Jurisdictions.

The diverse clientele of the banking sector, including residents, expatriates, small

businesses, corporate entities, and high-net-worth individuals, adds complexity to potential TF risk identification and management, resulting in a Medium client base profile rating.

Furthermore, the sector is recognized for facilitating electronic payments for cross-border transfers, potentially obscuring fund origins and destinations. Hence, Level of Cash Activity was rated Medium-High, considering the inherent risks associated with both domestic and cross-border transactions.

Additional factors such as the Use of Agents, Vendors, Other Intermediaries contribute to potential ambiguity about sourcing and destination of funds, drawing a Medium rating for this aspect. The banking sector’s affinity for potentially exploiting financial products for TF, given Bermuda’s stature as an international financial centre, justifies a High suitability/utility for TF risk rating.

4. Conclusion

The sector’s inherent ML risk has been classified as HIGH, resulting from a High threat score combined with a High inherent vulnerability score. The sector’s inherent TF risk has a MEDIUM rating, derived from combining a Medium-Low threat score with a Medium inherent vulnerability score.

Figure 1: Heat Map: ML Sectoral Risk Rating (Deposit-Taking Sector)

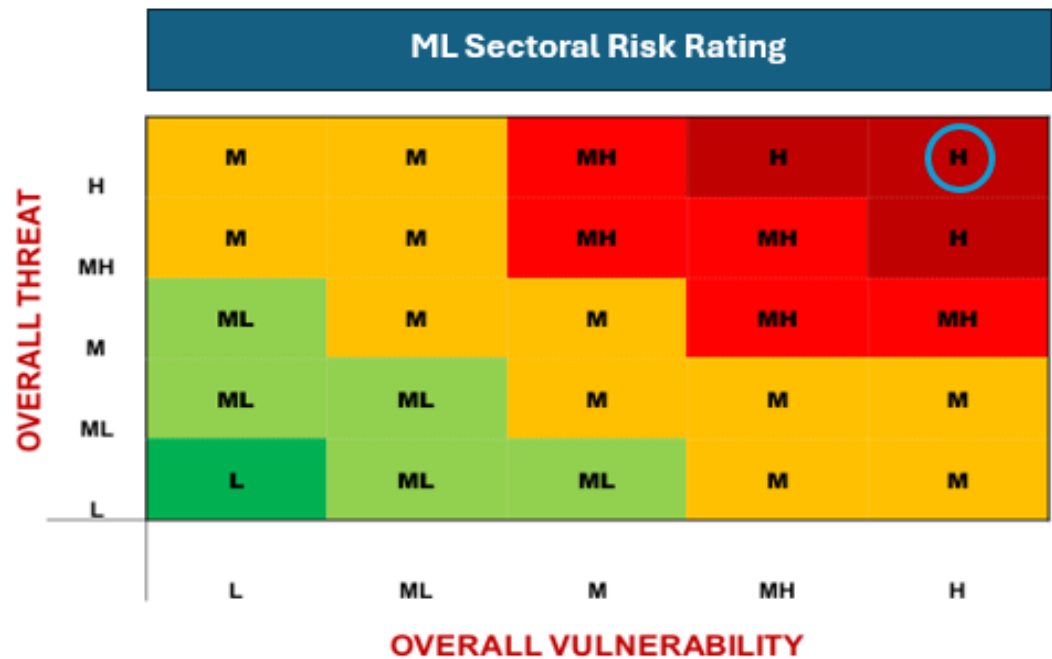
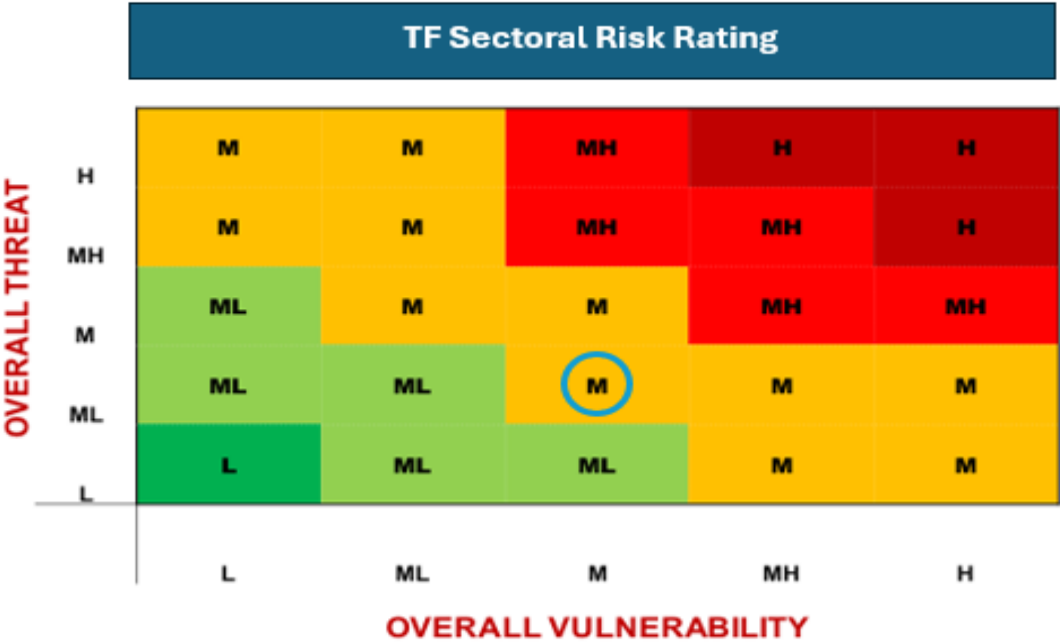


Figure 2: TF Sectoral Risk Rating (Deposit-Taking Sector)



Chapter 9: The Insurance Sector

Summary of Findings:

The segment of the Insurance sector comprising insurance entities subject to AML/ATF regulation, received a MEDIUM-HIGH inherent ML risk rating, based on a Medium score for ML threats and a Medium-High score for inherent ML vulnerability. The sector was rated as MEDIUM-LOW for inherent TF risk, comprising Medium-Low ratings for TF threats and inherent TF vulnerability. The 2024 NRA included a product-specific ML risk assessment and an evaluation of TF risk at the sectoral level.

1. Introduction

Bermuda's insurance sector remains the largest financial sector in the economy. There were 1,220 insurance entities registered in Bermuda during the 2024 NRA review period. Along with being one of the world's largest reinsurance centres, Bermuda remains the leading domicile for captive insurers. The jurisdiction is also the leader in the global insurance-linked securities (ILS) industry, and in issuing catastrophe bonds.

For the purposes of AML/ATF regulation, and NRA reporting, the insurance sector is categorised as follows:

AML/ATF-Regulated Insurance - encompasses insurance sub-sectors subject to AML/ATF regulations: direct life insurers and long-term annuity providers (Direct Long Term/Long-Term Direct (LTD) insurers), Insurance Managers, Insurance Intermediaries (Brokers), and Insurance Marketplace Providers, who deal specifically with LTD insurers and provide solutions for the growing use of technology in the insurance industry. An "insurance marketplace" is a platform of any type established to buy, sell or trade insurance contracts. The AML/ATF legislative framework governing the Regulated Insurance sector is the Proceeds of Crime Act (POCA) and related Acts and Regulations.

Non-AML/ATF regulated Insurance - comprises insurance sub-sectors that are not subject to AML/ATF regulations. This category includes captive insurers (i.e. Limited Purpose Insurers) and commercial insurers writing direct general business; reinsurers assuming general and/or long-term business; and Special Purpose Insurers (SPIs). It should be noted that under Bermuda's POCA and POCR, all entities should have internal processes and procedures in place to report suspicious activities even if they are not AML-regulated.

This categorisation clarifies the applicable risk-based regulatory requirements within Bermuda's insurance industry. It also supports appropriate AML/ATF risk assessment across the sector. The AML/ATF-Regulated Insurance sector was assessed for the purposes of the 2024 NRA. The Non-AML/ATF regulated Insurance sector is currently outside the scope of FATF AML/ATF regulation. This in turn excludes the sector from the World Bank Tool requirement that sectors being assessed within its criteria must be AML/ATF-regulated. However, the Non-AML/ATF regulated Insurance sector will be the subject of a separate risk assessment to determine its ML/TF vulnerability and therefore whether it should be brought under AML/ATF regulation, given its substantial size and economic relevance to Bermuda.

2. Assessment of Sectoral ML and TF Threats

In 2020 the Insurance sector was rated as having a Medium-High ML threat rating for money laundering and this rating was mainly attributed to the sub-sector deemed most likely to be targeted for ML purposes – i.e. the Long-Term Direct (LTD) insurance business segment. This was driven by the sector's international client base and the nature of the products they offer. By contrast, the insurance management segment's business is wholly domestic in scope.

For the 2024 NRA, the sector's ML threat rating was revised to Medium based on: (i) the relatively small size of the LTD segment, (ii) its relatively small share in the economy, (iii) the nature of SAR/STR filings involving the sector, and (iv) the fact that during the assessment period there were no MLA requests or any criminal proceeds frozen or confiscated within this sector. Given these factors, it was determined that the ML threat rating for this sector should be lowered to Medium.

From the filings and other information available over many years, it is confirmed that the sector only faces ML threats from foreign sources, because the only segment of this sector that is exposed to ML threats is the Long-Term Insurance segment. That segment is responsible for 0.07% of all written premiums in the entire Insurance sector in Bermuda, (representing approximately \$1.2 billion in value) and 99% of the clients for these premiums are foreign clients. The LTD products typically featured in the filings related to this sector are Universal Life policies and Single Premium Policies (life insurance). The FIA reports that the majority of ML activity seen in the sector relates to life insurance policies, typically in existence for a very long time, with the detection of ML occurring at the stage when such legacy policies are either being surrendered, or payout is required for other reasons, at which point the due diligence conducted on beneficiaries disclose adverse media reports or other suspicious activity. The STR/SAR filings associated with the sector indicate that the suspected criminal proceeds derive from foreign predicates such as, Corruption/Bribery, Fraud, Tax offences, Narcotics, Insider Trading. Some filings have also indicated potential TF and potential associations with Sanctioned individuals or entities.

The Insurance sector's overall TF threat rating increased to Medium-Low, reflecting greater awareness of vulnerabilities related to its international reach and reliance on high-value transactions. While rigorous compliance frameworks help counter such risks, the use of brokers, agents, and intermediaries could impact transparency in transactions, reinforcing the importance of continually enhanced monitoring and regulatory oversight.

3. Analysis of Inherent ML and TF Vulnerabilities

The sectoral risk assessment of Bermuda's AML/ATF-Regulated Insurance sector assigned it with a Medium-High ML vulnerability rating, and a Medium-Low TF vulnerability rating. The increase in ML vulnerability from the 2020 Medium rating is primarily driven by a more sophisticated product-level analysis for this assessment period.

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The AML/ATF-Regulated Insurance sector comprises diverse sub-sectors, each providing a range of products and services. These sub-sectors have distinct risk profiles, informed by their respective client bases, transaction types, and geographical reach. The TF vulnerability of the LTD sub-sector was assessed as High, and the Insurance Managers sub-sector, Medium.

The 2024 product assessment evaluated products across four key sub-sectors within the Bermuda Regulated Insurance sector: (i) Long-Term Direct (LTD) insurers (for instance, direct life insurers and long-term annuities), (ii) Insurance Managers, (iii) Insurance Marketplace Providers, and (iv) Intermediaries/brokers (for LTD insurers).

Each of these sub-sectors had their product or service lines further segmented for a more comprehensive analysis. However, due to the absence of brokers servicing long-term direct clients and licensed insurance marketplace providers (being a newly introduced sub-sector), there were no data points related to these components during the assessment period. Notwithstanding, prior to the introduction of the legislative framework for Insurance Marketplace Providers, an independent assessment of the AML/ATF risk associated with these providers was undertaken. This approach ensures a comprehensive, nuanced analysis that considers the unique risk profiles and service offerings of each sub-sector. It reiterates a continued commitment to a consistent and robust risk assessment process.

The total size or volume varies significantly across the sub-sectors of AML/ATF-Regulated insurance, depending on the products and services provided. The metrics for measurement also differ. For instance, the size of LTD insurers is measured based on gross written premiums, whereas the size of Insurance Managers is estimated based on the number of clients using the service.

Compared to the Non-AML/ATF regulated Insurance sector, the total volume of the LTD insurers' Gross Written Premium is significantly lower. The sector's activities, spanning global operations primarily relating to premiums and claim settlements with clients and insurers worldwide, earned a High ML inherent vulnerability rating due to their extensive scale.

Inward transactions from high-risk jurisdictions also received a Medium ML vulnerability rating. The client base profile received a Medium-High ML vulnerability rating, largely due to the international clients serviced by LTD insurers.

In relation to TF, the funds movement activity within the sector is primarily made through bank transfers and non-cash methods, resulting in a Low vulnerability rating due to a low incidence of cash-based TF activities. Additionally, the inflexibility and long-term nature of many life products, and early penalties for withdrawal lower the long-term sector's vulnerability to TF. The use of brokers, agents, and other essential intermediaries introduced additional risk factors, resulting in a 'Medium-High' rating for this factor.

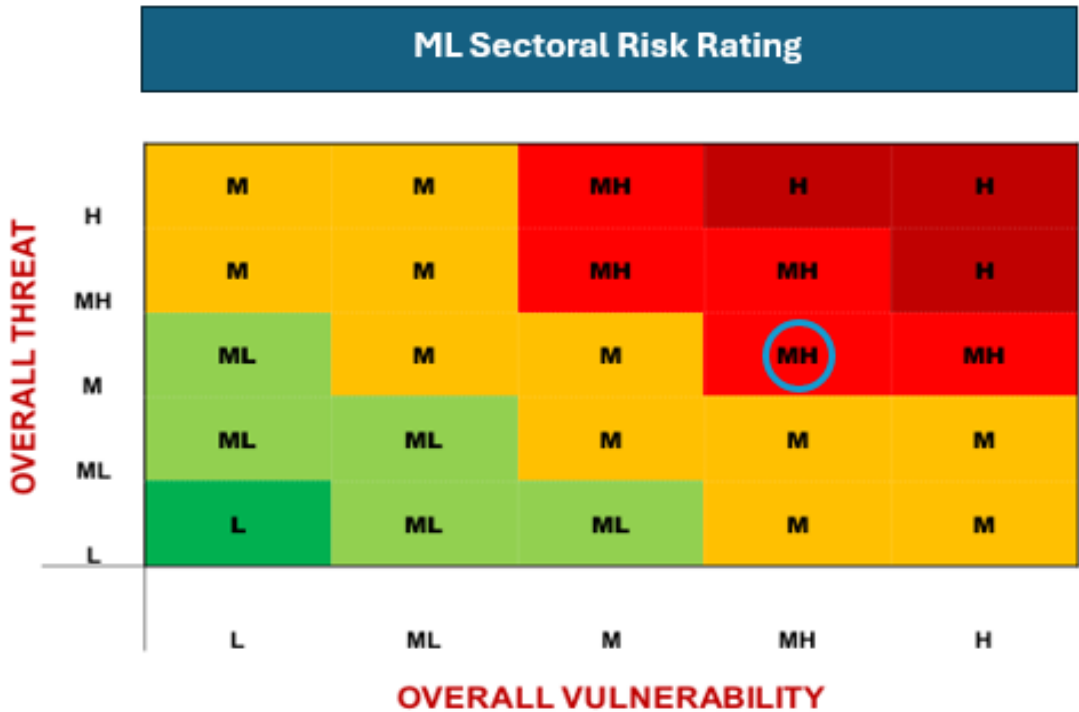
Overall, even though the AML/ATF-Regulated Insurance sector in Bermuda demonstrates potential vulnerabilities to TF, the sector's inherent vulnerability to TF was assessed as Medium-Low. Despite potential appeal to TF actors due to high-value transactions and the complexity of some insurance products, the inflexibility and long-term nature of many life products

lowered their vulnerability to TF. Other inherent vulnerabilities, attributable to the complexity of insurance, the international nature of the sector and the regulated nature of the insurance managers and intermediaries’ customer base, were given a ‘Medium’ risk rating. However, no evidence of TF activity was found during the period under review and size of the direct long-term business was also noted in that it only represented 0.7% of the GWP being written within Bermuda.

4. Conclusion

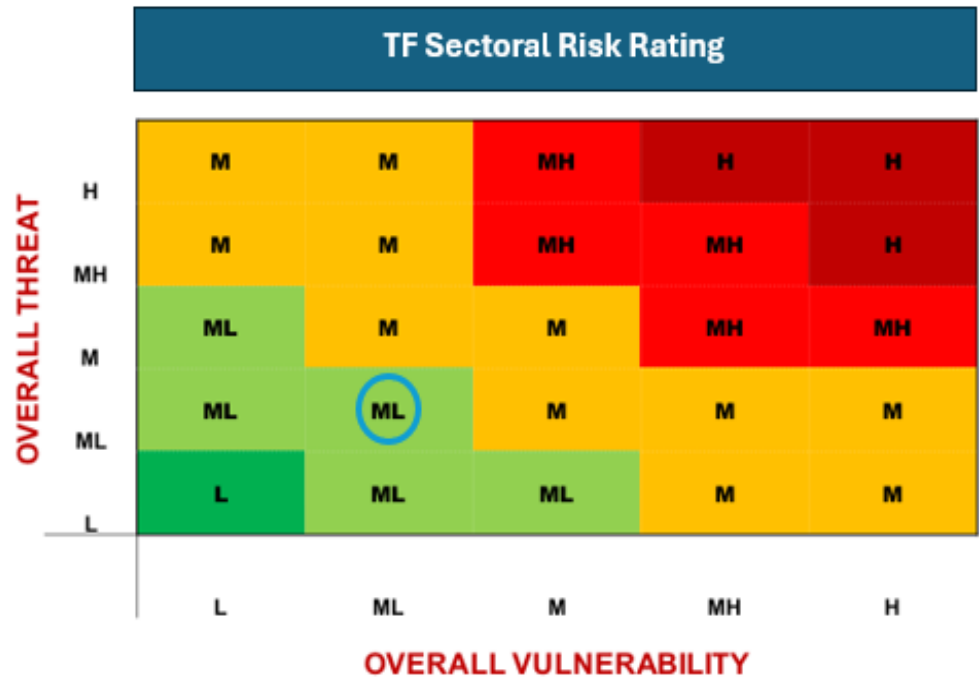
The Insurance sector received a MEDIUM-HIGH inherent ML risk rating, based on a Medium score for ML threats and a Medium-High score for inherent ML vulnerability. The sector was rated as MEDIUM-LOW for inherent TF risk, comprising Medium-Low ratings for TF threats and inherent TF vulnerability.

Figure 3: Heat Map: ML Sectoral Risk Rating (Regulated Insurance Sector)



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Figure 4: Heat Map: TF Sectoral Risk Rating (Regulated Insurance Sector)



Chapter 10: The Securities Sector

Summary of Findings:

The Securities sector’s inherent ML risk is rated as HIGH, resulting from a High ML threat score combined with a Medium-High inherent vulnerability score. The sector’s inherent TF risk has a MEDIUM rating, derived from a Medium-Low threat score and a Medium inherent vulnerability score. Due to its international scope, diverse product offerings, substantial volume of cross-border transactions, and varied client base, Bermuda’s Securities sector faces an array of potential ML threats.

1. Introduction

The Securities sector in Bermuda is well-established and provides a range of sophisticated products. Primary legislation regulating the sector includes the Investment Funds Act 2006 (IFA), the Investment Business Act 2003 (IBA), the Fund Administrator Provider Business Act 2019, and the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (SEA).

The sector comprises :

- Investment Businesses: entities acting as Investment Managers, Broker-Dealers or both, under the IBA ;
- Fund Administrators: operating under the Fund Administrator Provider Business Act 2019; and
- Investment Funds: which are regulated under the IFA .

In 2020, the IFA was amended, broadening its scope and enhancing the BMA’s oversight of entities previously outside the IFA’s purview. Similarly, an amendment to the IBA in 2022 required investment-related entities and individuals formerly registered as “Non-Licensed Persons” to be reclassified in Class A/Class B Registered Person categories. This effectively eliminated the previous Securities sub-sector of “non-licensed persons” as all such entities are now Class A / Class B registered persons. The existing robust AML obligations in place for such entities did not change and their strict compliance requirements remained unchanged.

Bermuda’s securities sector caters to a diverse, international client base, and smaller domestic market, with significant foreign portfolio holdings. The sector offers licensed investment services, investment managers, Fund products, and Fund Administration services.

At the end of 2023, the sector had 24 licensed Fund Administrators, 47 licensed Investment Businesses and 10 IBA Class B Registered Persons. During the reporting period there were 804 registered Investment Funds. In December 2023, the Investment Funds had a total Net Asset Value of approximately \$280.94 billion. The jurisdictional breakdown for fund clients reflected a predominance of investors from Cayman (34%), Bermuda (24%), the US and Canada (33%), while fewer clients came from Asia and Oceania (4%), the BVI (3%), the Rest of Europe (1%) and Other (1%). The aggregate total of AUA reported by Fund Administrators as of 31 Dec 2023 was

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\$238.3B. The total aggregate AUM reported by licensed investment providers as of 31 Dec 2023 was US\$224.5B, with a significant proportion of those assets pertaining to EU (69%) and Bermuda-based clients (20%) while Asia and Oceania (5%), the Rest of Europe (3%) and the US, Canada, Cayman and the rest of the Americas (3%) represented the remainder.

2. Assessment of Sectoral ML and TF Threats

The securities sector maintained a High ML threat rating, consistent with the 2020 NRA. This rating recognises that Bermuda's securities sector continues to face potential ML risks based on features common to investment and fund services markets globally. The sector's potential ML exposure is based on the gatekeeper role of fund administrators and investment managers in relation to investors, along with its international client base, global reach, high volume of cross border transactions and complex products. Bermuda's securities sector is also a significant contributor to the local economy, and a key element of international business in Bermuda.

FIA reporting during the review period supports this position, confirming that all ML threats associated with the securities sector are foreign-sourced. The primary ML threats to the sector were fraud, tax crimes and corruption/bribery. The FIA also received over 40 SAR/STR filings involving this sector and one request from a foreign FIU, all of which concerned suspected ML from foreign proceeds. The total dollar value of the suspicious transactions amounted to \$62 million, a significant decrease from the total of over \$600 million in the previous review period. However, this decrease was attributed to one declined suspicious transaction of \$500 million during that period. The declined transaction indicates the scale of money laundering that can occur through this sector.

There were 11 foreign investigations involving this sector during the review period, based on international cooperation requests the BMA received. Two of these investigations involve activity by Bermudian investment businesses; five involve foreign clients of a local investment business; and four involve the use of investment funds. The BMA is actively monitoring one of these investigations, which is still underway and focused on an estimated \$11 million in criminal proceeds.

The TF threat rating for the securities sector was MEDIUM-LOW. The assessment recognised that, due to its inherent characteristics, the securities sector could potentially face TF threats.

3. Analysis of Inherent ML and TF Vulnerabilities

In 2024, Bermuda's securities sector ML inherent vulnerability rating remained unchanged at MEDIUM-HIGH.

This remains primarily driven by high-volume cross-border transactions and diverse international clientele.

The 2024 product vulnerability assessment analysed the three main securities sub-sectors: Investment Businesses, Fund Administrators/Investment Funds, and Non-Licensed Persons. The timing of the IBA amendment introducing Class A/ Class B Registered Person categories

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during the review period means that product-level data will only be available for this sub-sector in the next ML/TF national risk assessment.

Investment business: In Bermuda, the Investment Businesses sub-sector comprises investment managers and investment broker-dealers. Investment broker-dealers are deemed to have medium-high inherent vulnerability due to their dynamic buying and selling activities, rapid one-off transactions, reliance on financial institutions, and significant client interaction. Investment managers also have a medium-high inherent vulnerability typically managing fewer but high-value clients. The client relationships usually involve regular in-person interactions and continuous relationship management, requiring a deep understanding of the client's finances. Investment managers buy and sell securities or other investments for clients, according to an agreed investment strategy, periodically reviewed with the client.

The Investment Businesses sub-sector has an inherent vulnerability rating of Medium-High due to its international nature, high volume of cross border transactions, technical complexity and client base profile (high net worth individuals, including PEPs). The majority of assets are concentrated in discretionary investment management. However, the vulnerability of non-discretionary investment management is perceived to be greater due to the client-driven nature of the relationship.

Fund Administrators & Investment Fund Vehicles: The investment funds sub-sector, including Fund Administrators (IFA) and Investment Fund Vehicles, also has a Medium-High inherent vulnerability rating. This is largely due to its international scope, a high volume of cross-border transactions, technical complexity, and the nature of its client base. The fund sector consists of 804 registered Investment Funds; as of December 31st, 2023, total aggregate Assets Under Administration (AUA) was \$238.2 billion.

The total value/size of the sub-sector encompassing fund administrators and investment fund vehicles, in comparison to the investment business, is rated as medium for Authorized Funds and medium-high for Other Funds administered by Bermuda licensed Fund Administrators. The complexity and diversity of the products within the investment funds sub-sector contribute to the medium-high vulnerability.

The client base profile of fund administrators and Investment Funds has medium vulnerability. It's important to note that fund administrators' clients are the funds themselves, which are regulated separately for AML. Their association with PEPs and HNW individuals is moderate. Investment Fund clients are typically HNW, institutional, or sophisticated investors. However, Authorized Standard Funds may include retail investors, leading to stricter regulation and supervision. Similar to Investment Businesses, investors must meet customer due diligence requirements (often outlined in the prospectus, such as having a regulated bank account and providing proof of wealth/funds) before investing.

Non-Licensed Persons (NLPs): As mentioned above, an amendment to the Investment Business Act 2003 in 2022,

required all such NLPs to re-register as either a Class A/B Registered Person or a Non-Registrable Person. For this NRA, the securities NLP sub-sector has therefore effectively ceased to exist, being now covered under investment funds.

The inherent TF vulnerability was assessed as Medium. The sector’s international reach, high volume of cross-border transactions and the complexity of financial products and structures could potentially be exploited for TF activities. The use of intermediaries such as brokers and agents can obscure the origin and intent of funds, increasing potential TF vulnerabilities.

4. Conclusion

The Securities sector’s inherent ML risk is rated as HIGH, resulting from a High threat score combined with a Medium-High inherent vulnerability score. The sector’s inherent TF risk has a MEDIUM rating, derived from a Medium-Low threat score and a Medium inherent vulnerability score.

Figure 5: Heat Map - ML Sectoral Risk Rating (Securities sector)

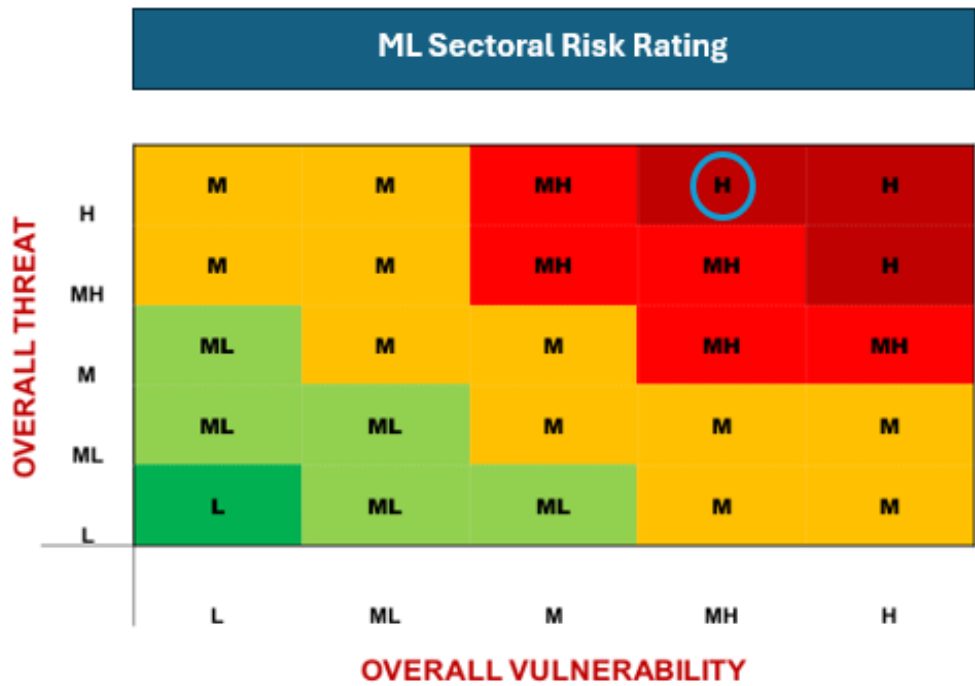
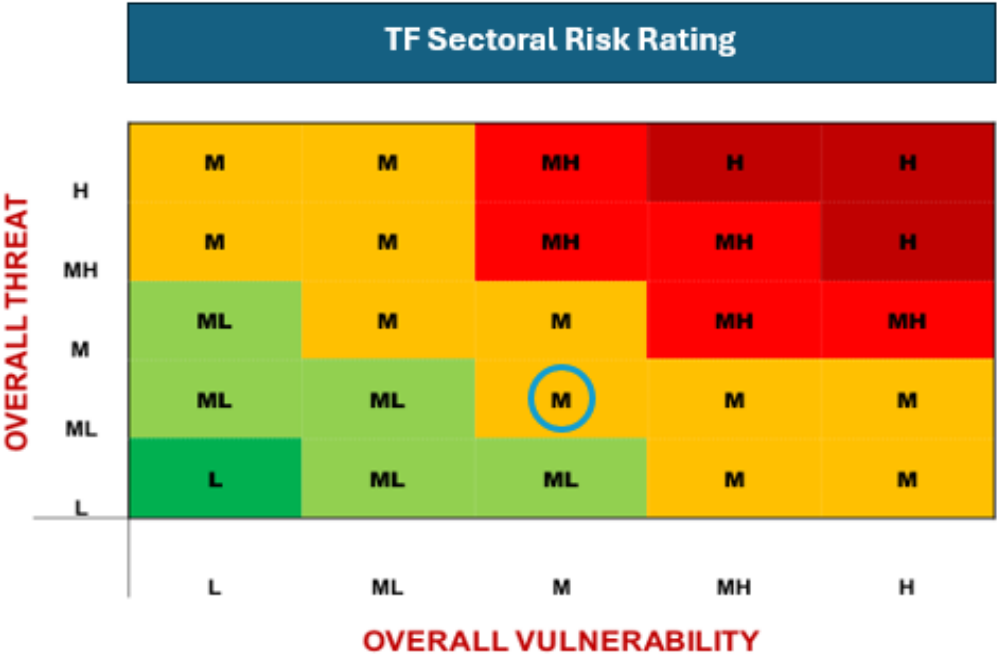


Figure 6: Heat Map - TF Sectoral Risk Rating (Securities sector)



Chapter 11: Money Service Businesses (MSBs)

Summary of Findings for MSB Sector:

The inherent ML risk rating for the MSB sector is MEDIUM, derived from the Low ML threat and Medium-High ML inherent vulnerability ratings. TF inherent risk for the sector is rated as MEDIUM, based on Medium threat and inherent vulnerability scores. Whilst in principle potential ML/TF vulnerabilities in MSBs exist given the primarily cash exchange transactions they conduct, the Bermuda sector’s ratings reflect its small size and low transaction volumes and values. The MSB sector’s impact on Bermuda’s economy also remains moderate.

1. Introduction

The Money Service Business Act 2016 governs MSBs in Bermuda. This Act provides a structured licensing regime for MSBs and, under section 2(2), a broad definition of an MSB that encompasses various services. These include money transmission services, cheque cashing, payment service businesses, and operation of a bureau de change.

Businesses operating as money service business agents must be authorised and licensed locally, ensuring appropriate regulatory oversight and control of entities and the sector overall. There were three MSBs operating at the start of the review period, with only one remaining operational at the end of the assessment. Consequently, the volume and transaction values conducted through the MSB sector in Bermuda remains small and has a modest impact on the financial industry. The core market for Bermuda’s MSBs are Bermuda residents, notably guest workers, and occasionally tourists making or receiving money transfers. The bulk of the money transfers are outward remittances, typically made to family members overseas.

2. Assessment of Sectoral ML and TF Threats

In the 2020 ML NRA, the sector was rated as Medium, based on: (i) its small size relative to Bermuda’s GDP, limiting the potential scale of ML within its transactions; (ii) the small number of operators; and (iii) operators’ restrictions on single transaction remittance amounts. These factors collectively resulted in an estimated volume of potential laundered proceeds well below \$1 million.

In this NRA, the ML Threat rating for this sector has been lowered from Medium to Low due to: (i) only one licensee being operational for most of the four-year assessment period (down from three at the start of 2020); (ii) total outgoing transactions amounting to \$95 million over the four years; (iii) the operator’s transaction cap (typically \$3000), limiting large-scale ML opportunities; and (iv) the operator’s system for flagging and preventing multiple transactions to the same recipient, avoiding the transactional limit. Given these factors and the sector’s continued small economic impact, a Low threat rating is deemed appropriate.

The MSB sector’s TF threat rating was Medium. Globally MSBs are recognised as potential channels for TF due to their role in international fund transfers. In principle, MSBs remain vulnerable due to high volumes of outward and inward remittances, particularly those linked to high-risk jurisdictions, and their diverse client base. The Bermuda sector’s accessibility, transaction speed, and use of cash-based transfers increase potential TF threat, however this is moderated by the small scale of operations coupled with the finding that Bermuda has not identified any confirmed TF cases within the MSB sector.

3. Analysis of Inherent ML and TF Vulnerabilities

The MSB sector received a Medium-High inherent vulnerability score for ML, compared with the 2020 rating of Medium. The increase is attributable to enhanced analysis of the products offered by the sector, which includes its diverse range of services, i.e. money transmission, cheque cashing, and payment services. The TF threat and vulnerability were assessed as Medium, resulting in a Medium vulnerability rating to TF, which reflects the potential attractiveness of the sector to TF but recognising its limited size in the Bermuda context.

4. Conclusion

The ML inherent risk rating for the MSB sector is **MEDIUM**, comprising a Medium-High rating for inherent vulnerability and Low rating for threats. The sector’s TF inherent risk rating is **MEDIUM**, derived from Medium ratings for both TF threats and inherent vulnerability.

Figure 7: Heat Map - ML Sectoral Risk Rating (Money Service Business)

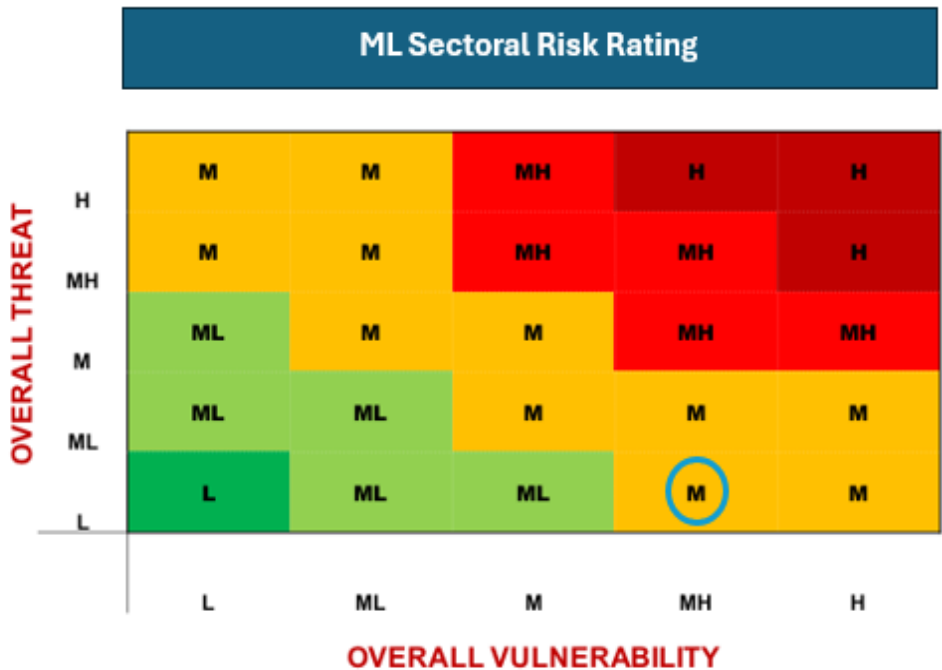
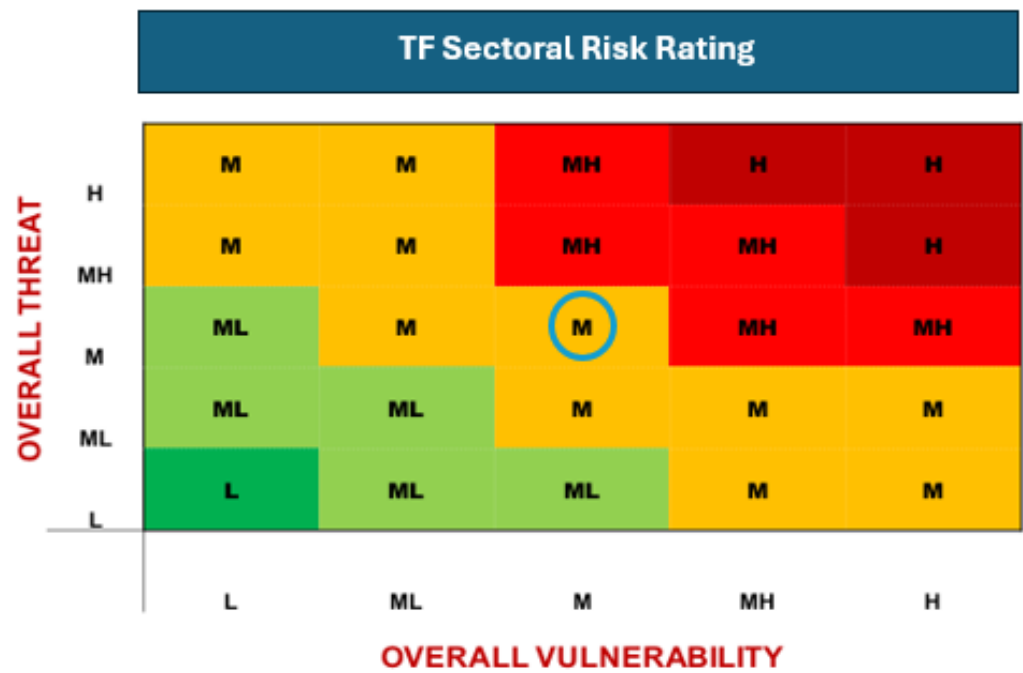


Figure 8: Heat Map - TF Sectoral Risk Rating (Money Service Business)



Chapter 12: Digital Asset Business (DABs)

Summary of Findings:

Bermuda’s Digital Asset Business (DAB) sector has a MEDIUM-HIGH ML inherent risk rating, based on ratings of Medium-High for both ML threats and inherent vulnerability. The sector’s TF inherent risk rating is MEDIUM-LOW, composed of Medium-Low scores for both TF threats and inherent vulnerability. Given the innovative nature and global scope of the digital asset businesses, the sector presents unique challenges in terms of ML/TF risks and Bermuda’s tailored risk-based DAB regime has continued to respond with heightened vigilance.

1. Introduction

In 2018, the Digital Asset Business (DAB) sector was brought into scope for AML/ATF regulation under the Proceeds of Crime Act 1997 and has since been supervised by the Bermuda Monetary Authority. As of the end of the assessment period (31 December 2023), the Authority supervised twelve Class F licences, eight Class M licences and four Class T licences, for a total of 24 licensed DABs.

The Authority continues to see an increasing number of applications that introduce complex business models spanning various licensing sectors, requiring collaboration and joint-supervisory efforts. The operational scale of licensees varies, with most having a minimal impact on Bermuda’s GDP.

By November 2024, there were 39 DAB licensees, mostly serving overseas corporate clients with specific stablecoins and derivative arrangements, not generally offered to retail customers. It is important to note that banking for the fiat currency aspects of DAB offerings occurs outside Bermuda. Consequently, this sector’s activities have a limited impact on the local economy.

The innovative and global nature of digital asset businesses presents unique ML/TF risks. Bermuda has proactively responded to these risks by establishing a tailored, robust regulatory framework for the DAB sector. Stringent licensing requirements limit the number of operational licensees, designed to further reduce risk exposure. Close client onboarding monitoring and ongoing dialogue with sector entities also enhance supervisory oversight.

2. Assessment of Sectoral ML and TF Threats

Bermuda’s DAB sector has an inherent ML risk rating of MEDIUM-HIGH, based on ratings of MEDIUM-HIGH for both ML threats and vulnerability. The sector was not assessed in the 2020 ML NRA, but was found in a 2023 standalone assessment to have a Medium ML Threat. This was primarily influenced by the detection and suspicion of ML through DABs related to proceeds from foreign fraud and domestic drug trafficking. The 2024 assessment found cybercrime and market manipulation to be additional areas of potential ML threat.

The increased ML threat rating from the 2024 assessment was also based on the following key factors:

- The scale of the sector remains relatively small, when compared to Bermuda’s other financial sectors. This means the DAB sector’s size and contribution to the economy is limited. Given that the DAB licensees do not provide off-ramps into Bermuda’s financial system – e.g. there is no conversion from crypto to fiat locally, nor is there any material servicing of local customers – the prospect for ML occurring in Bermuda’s financial system through this sector is low.
- The 2024 assessment acknowledged that given the borderless nature of digital asset transactions, and despite their limited contact with the local economy, DAB businesses in Bermuda may present some ML threat globally. However, the analysis indicated a very low risk of impact from this sector’s activities on the domestic financial system during the assessment period, despite a high volume of SAR filings, due to:
 - (i) the majority of DAB clients being foreign;
 - (ii) the FIA confirming no DAB sector references in banking SAR/STR filings, indicating minimal domestic ML impact;
 - (iii) all DAB sector SAR filings relating to foreign retail, not corporate, clients;
 - (iv) no funds being frozen or confiscated in connection with this sector during the assessment period; and
 - (v) no foreign requests to Bermuda seeking identification of criminal proceeds in the DAB sector.
- Bermuda’s DAB sector, in common with other jurisdictions, has potential ML risk exposure from the significant misuse of virtual assets and virtual asset service providers globally in ML schemes, especially given:
 - (i) the borderless nature of business within this sector globally;
 - (ii) the connection between the dark web and the crypto-currency market;
 - (iii) the continued inconsistency in regulation and adoption of global standards in this industry globally; and
 - (iv) the existence of mixers, tumblers and other tools designed to obliterate/obscure the transparency of transactions on the blockchain.

The DAB sector received a Medium-Low TF threat rating. This is primarily attributable to its small size during the assessment period, despite its global reach, international client base, and the anonymity generally associated with digital assets. The sector frequently engages in cross-border transactions, which could involve high-risk jurisdictions. The typically non-face-to-face

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nature of digital asset transactions, coupled with reliance on technology-based tools, agents, and intermediaries, further heightens the sector’s exposure to TF threats. Although cash activity is generally low, digital assets can be transferred seamlessly across borders. It has also been demonstrated internationally that digital asset businesses can be exploited to facilitate TF through fraudulent donation schemes and the use of virtual assets, e.g. online fundraising, crowdfunding, the integration of virtual assets.

3. Analysis of Inherent ML and TF Vulnerabilities

The DAB sector has a Medium-High ML inherent vulnerability rating, consistent with the 2023 standalone risk assessment. This rating takes into account the unique ML risks posed by products, services and sub-sectors across the digital asset industry. That includes Virtual Asset Exchanges, Virtual Asset Management Providers, and Virtual Asset Investment Providers. Entities within Bermuda’s DAB sector have demonstrated a commitment to mitigating potential risks by establishing rigorous compliance and internal control systems and vigilant client activity monitoring. Bermuda’s AML/ATF robust framework also plays a pivotal role in managing and mitigating potential risks related to the distinct products and sub-sectors within this sector.

The sector has a Medium-Low TF vulnerability rating. Given the innovative nature and global scope of the digital asset businesses, the sector presents unique challenges in terms of TF risks. The rating is primarily attributable to its small size during the assessment period, despite the inherent characteristics of digital assets, such as their global operations, potential anonymity of participants, ease of cross border activities and rapid transaction capabilities that could potentially be exploited for TF activities.

From a forward-looking perspective, the presence in the virtual asset space of privacy-enhancing technologies, particularly privacy coins, introduces a high ML/TF risk that is not easily mitigated—even with enhanced due diligence (EDD) measures. These assets are intentionally designed to obscure transaction details, making it difficult to verify source of funds, trace transaction flows, or apply risk-based monitoring. While Bermuda’s AML/ATF framework currently addresses these risks through supervisory expectations and guidance, the added challenges posed by digital assets with anonymity enhancing features are not generally mitigated with current industry standard tools, due to the intrinsic features of those assets, and require ongoing scrutiny and potentially further action beyond current regulatory tools.

4. Conclusion

Bermuda’s Digital Asset Business sector has a MEDIUM-HIGH ML inherent risk rating, based on ratings of Medium-High for both ML threats and inherent vulnerability. The sector’s TF inherent risk rating is MEDIUM-LOW, composed of Medium-Low scores for both TF threats and inherent vulnerability.

Figure 9: Heat Map - ML Sectoral Risk Rating (Digital Asset Business)

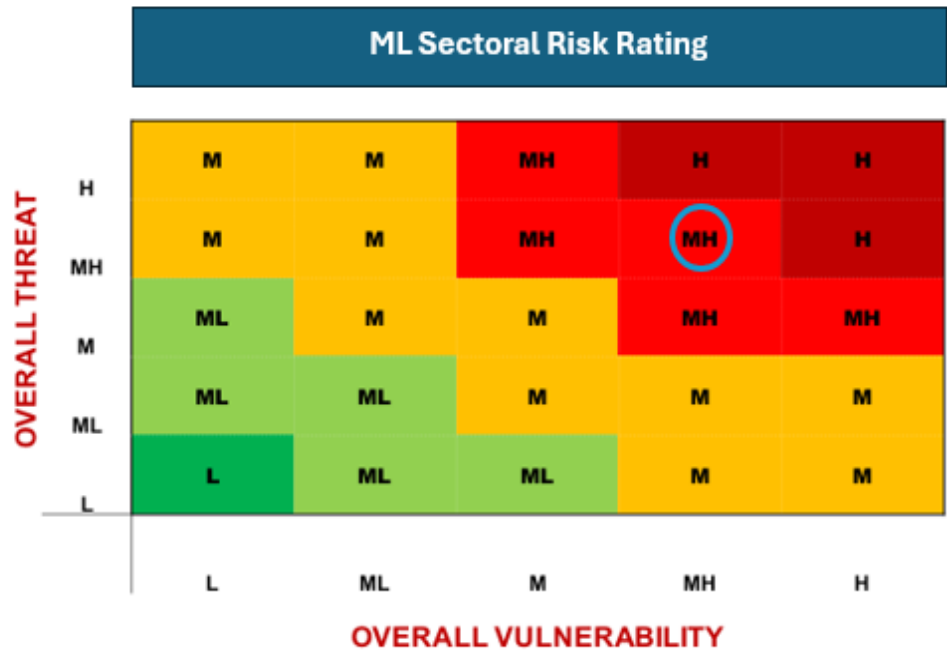
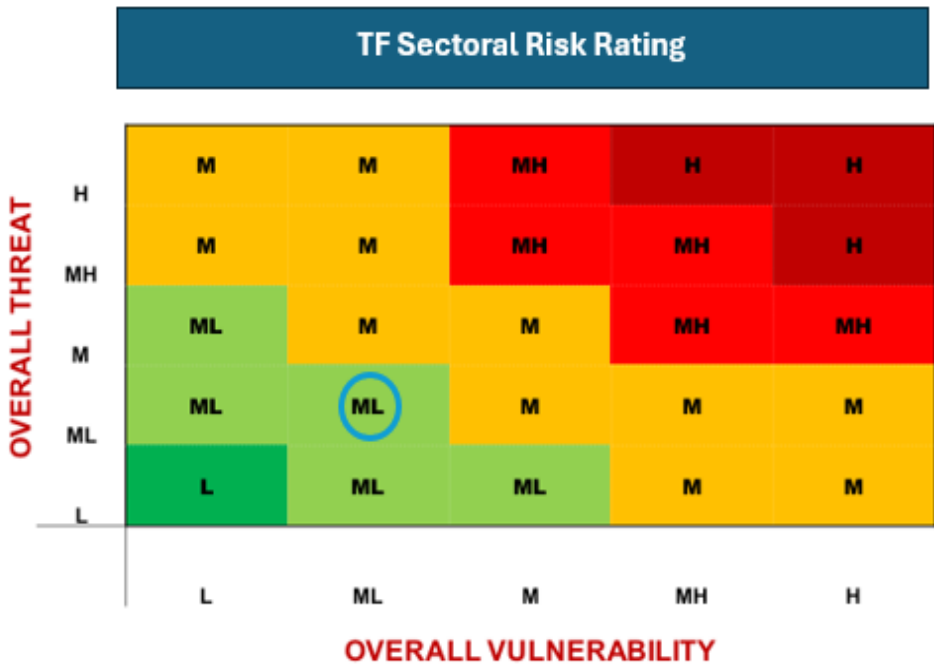


Figure 10: Heat Map - TF Sectoral Risk Rating (Digital Asset Business)



Chapter 13: The Lending Sector

Summary of Findings:

The Lending Sector’s ML inherent risk rating remains unchanged as MEDIUM-LOW, based on a Medium-Low ML inherent vulnerability rating and a Low ML threat score. This is due to the sector’s small size and predominantly domestic operations. The sector’s TF inherent risk rating is also MEDIUM-LOW, reflecting a Medium-Low score for both TF threats and inherent vulnerability. The sector caters to the financial needs of a niche market in Bermuda, primarily offering small personal loans and larger collateralised loans to local residents.

1. Introduction

The Lending Sector came within scope of Anti-Money Laundering/Countering the Financing of Terrorism (AML/ATF) regulations under the Proceeds of Crime Act 1997 in September 2018. As per Section 42A and further referenced under Schedule 3, any entity undertaking specified financial activity must be subject to AML/ATF regulation. Schedule 3 (1) (b) was revised to include “lending, including consumer credit; mortgage credit; factoring, with or without recourse; and finance of commercial transactions (including forfeiting)”. During the review period, the number of registered entities operating increased to five, up from three in the 2020 assessment.

In Bermuda, these lending entities currently offer two types of loans: small personal loans, such as payday loans, and larger collateralised loans. This sector makes an insignificant contribution to the economy, offering loans usually ranging between \$500 and \$5,000, and not exceeding \$25,000. Since the last assessment period, the sector expanded its product offerings by providing equipment and leasing finance and ‘buy now pay’ later services, while still rigorously adhering to AML/ATF regulations.

2. Assessment of Sectoral ML and TF Threats

The Low ML threat rating for Bermuda’s Lending and Leasing sector remains unchanged. This is because there are only five registered entities in the sector, and no leasing operators. The loan sizes they offer are limited, and their business model for profit maximization discourages quick-turnaround loans that could be used for ML purposes. Furthermore, there has been no intelligence or information indicating ML activity within this sector.

The Lending sector has a Medium-Low TF threat rating. Compared to the rest of Bermuda’s financial sector, it has a very small transaction volume. The sector offers payday-like loans and larger collateralised loans and has expanded to include equipment and leasing finance, as well as ‘buy now, pay later’ options. The sector only lends to residents,

and over 90% of its approximately 900 clients are rated as low-risk. The sector’s policy of not using agents makes it less appealing for TF exploitation.

3. Analysis of Inherent ML and TF Vulnerabilities

The Lending sector’s ML vulnerability rating is Medium-Low, a shift from its Medium score in the 2020 assessment, reflecting its small scale and primarily domestic operations.

The comprehensive sectoral TF risk assessment also resulted in a ‘Medium-Low vulnerability score. This was due to:

- the limited range of products the sector offers in Bermuda, primarily small personal loans, larger collateralized loans, and the new equipment leasing and ‘buy now, pay later’ options introduced during the review period;
- the client base is solely Bermuda resident, and predominantly Bermudian, making up over 90% of the sector’s clientele in 2022 and 2023; and
- the limited outward or inward international transactions the sector conducts.

4. Conclusion

The Lending Sector’s ML inherent risk rating remains unchanged as MEDIUM-LOW, based on a Medium-Low ML inherent vulnerability rating and a Low ML threat score. The sector’s TF inherent risk rating is also MEDIUM-LOW, reflecting a Medium-Low score for both TF threats and inherent vulnerability.

Figure 11: Heat Map - ML Sectoral Risk Rating (Lending sector)**Figure 12:** Heat Map - TF Sectoral Risk Rating (Lending sector)

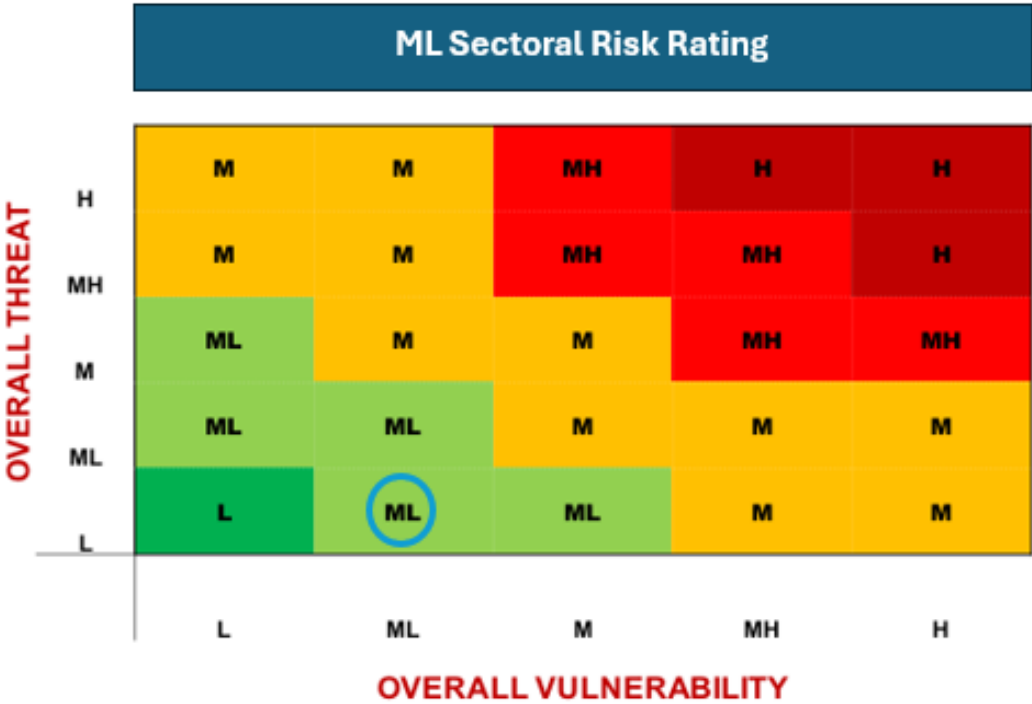
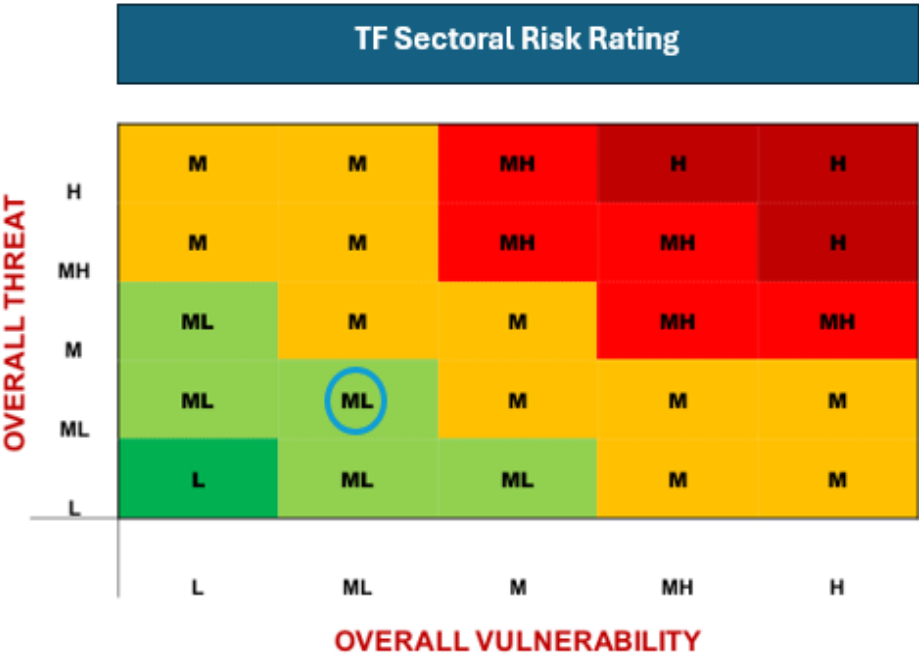


Figure 12: Heat Map - TF Sectoral Risk Rating (Lending sector)



Chapter 14: Trust Service Providers (TSPs)

Summary of Findings:

The Trust Service Provider (TSP) sector has a HIGH ML inherent risk rating, derived from a High ML threat score and High inherent vulnerability score. For TF, Medium-Low scores for both threats and inherent vulnerability results in a TF inherent risk rating of MEDIUM-LOW. These ratings reflect inherent characteristics of the trust industry, namely its global reach, extensive international transactions, the high value of asset risk transfers and a complex client base that includes high net worth individuals and PEPs from various jurisdictions.

1. Introduction

Bermuda has built a formidable reputation within the trust industry. At the end of 2023 Bermuda's trust sector had 25 Licensed Trust Companies or Trust Service Providers (TSPs), with \$118B in assets under administration (AUA). The governing legislation for regulating trust business is the Trusts (Regulation of Trust Business) Act 2001. This primary statute has shaped the regulation of trust business in Bermuda, affirming its expertise and formidable reputation within the global trust industry.

Trusts are administered by trustees given the authority to manage, employ, or dispose of assets according to the trust deed and legal duties imposed on them by law. All trustees offering services for a fee are subject to AML/ATF regulation. Private Trust Companies (PTCs) are exempt from licensing under the Trusts (Regulation of Trust Business) Act. Importantly, PTCs are still covered by AML/ATF regulations either via business relationships with a TSP or CSP, or through registration with the BMA as a Non-Licensed Person under the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act (SEA).

This analysis focuses on Bermuda's AML/ATF regulated Trust Service Provider sector, including Licensed Trust Companies and Private Trust Companies (PTCs), whose primary market is providing trust services to High-Net-Worth individuals or families. There are two PTCs registered as Non-Licensed Persons which were outside the scope of this analysis as the data collection did not extend to these entities.

2. Assessment of Sectoral ML and TF Threats

The sector is responsible for assets under administration amounting to approximately \$118 Billion. Accordingly, the sector has a significant share in the economy, though not as substantial as either the deposit-taking or securities sectors.

The ML threat rating for Bermuda's TSP sector remains as High, due to several key factors and considering the sector's significant share of the economy. The sector primarily serves foreign clients in various jurisdictions. The 10 SAR/STR FIA filings submitted during the review period indicate that foreign tax crimes are the most significant ML threat affecting this sector, followed by foreign fraud and corruption/bribery. Of some interest, is the FIA's report that some proceeds from the domestic drug trafficking trade is believed to intersect with some local real

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estate assets held in trust within this sector, but the dollar value and methodology involved are not material from a money laundering perspective. Bermuda also received foreign criminal tax information requests specifically impacting the TSP sector in two of the four assessment years. Given the size of the sector, the scale of the approximately \$118 billion of assets under administration (AUA), and the fact that the sector remains exposed to foreign ML activities rated as higher threats for Bermuda overall, the High ML threat rating is warranted.

During the assessment period, the FIA received 10 SAR/STR filings from 5 of the licensees in this sector covering the range of foreign predicates mentioned above. The total dollar value of the transactions featured in the three STRs filed in that period was approximately \$11 million. This is drastically lower when compared to previous review periods, which totaled \$77 million in 2017 to 2019, and \$1.7 billion for the 2017 review period (2014 to 2016). While the US \$1.9 billion tax evasion case that was detected in previous review periods did not have a role in ML activity in this sector during the current assessment period, some consideration was given to it, to determine its relevance to the rating of this sector at this time. The investigation of that case is ongoing, but the scheme has not been operational during this assessment period. Additionally, the fact scenario in that case is unlikely to typify a methodology repeated in this sector going forward, and is likely to have been an outlier case, even during the period when that scheme was operational. The authorities therefore are of the view that the specific complex techniques and structures used in that case, once discovered, are no longer an ongoing threat to this sector. Nonetheless, given the size of the sector, the scope of the assets under administration, and the fact that the sector remains exposed to ML derived from foreign predicates that have been rated as higher threat for ML in Bermuda, the rating of High threat continues to be warranted for this sector and is therefore maintained. It was concluded that the level of undetected criminal proceeds within this sector during the assessment period is estimated to have exceeded the threshold of \$125 million.

The TSP sector’s TF threat rating increased to Medium-Low, based on the analysis of the Threats working group.

3. Analysis of Inherent ML and TF Vulnerabilities

Bermuda’s TSP sector maintained a Medium-High ML vulnerability score, consistent with the 2020 assessment. The sector reflects inherent risks generally associated with the trust industry, including its diverse international client base, the high dollar value of trusts managed in the sector and the global reach of most of its operations. The potential for criminal abuse of TSPs by trustees or related intermediaries has also been demonstrated internationally, particularly regarding the use of PTCs for tax evasion purposes.

The 2024 NRA TSP product assessment, following the approach first applied in 2020, took all the above into consideration while recognising the potential for trust vehicles to be used for ML purposes. The product assessment evaluated five broad categories of trust products administered by Licensed Trust Companies, as shown in the table below:

Table 9: Vulnerability Rating (Trust Service Providers)

Sector	Sub-sector	Final Vulnerability Rating
Trusts	Discretionary Trusts	High
	Fixed Interest Trusts	Medium
	Purpose Trusts	Medium High
	Charitable Trusts	Medium High
	Employee Benefit Trust	Medium
	Other Trusts (Unit Trusts, PTCs)	High

Consistent with 2020, the assessment found that discretionary trusts, purpose trusts and PTCs are generally higher risk products in the sector.

Discretionary Trusts are the most common trust structure in Bermuda (56% of Total AUA at approx. \$56BN) and rated as having HIGH inherent vulnerability. There were approximately 1,766 Discretionary Trust client relationships with a Bermuda licensed Trustee as of 2023, increased from 1,587 during 2020 assessment period. Within a Discretionary Trust, the beneficiaries have no legal right to the property of the Trust; rather, the trustees have broad discretionary power for their benefit. This is unlike Fixed Interest Trusts where beneficiary interests are clearly defined and restricted.

Due to their scale and prominence, Discretionary Trusts significantly influence the TSP sector’s client profile, which primarily includes High Net Worth Individuals (HNWIs) from multiple jurisdictions. The vulnerability of Discretionary Trusts is mitigated by the licensed trustee’s ultimate discretion over fund distribution. The trustee is under no obligation to transfer any funds if a transaction is suspicious.

Purpose Trusts have a medium-high inherent vulnerability rating. Purpose trusts, created to fulfil a specific purpose rather than holding property for beneficiaries, were introduced under the Trusts (Special Provisions) Amendment Act 1998. These trusts are commonly used for philanthropic endeavors and estate planning purposes, in addition to commercial uses. Accounting for approximately \$18B of Assets under Administration (AUA), Purpose Trusts constitute around 18% of the sector. In 2023, Bermuda licensed trust companies had approximately 497 Purpose Trust clients. Purpose Trusts primarily cater to an international client profile, largely HNWIs.

Private Trust Companies (PTCs) have a high inherent vulnerability rating, and are companies whose sole purpose is to act as a trustee for a specific trust or a closely related group of trusts, e.g. families, charities. PTCs account for \$20B AUA, which is 20% of the sector. The high inherent vulnerability for PTCs relates to the lack of information in this sub-sector and limited direct oversight.

From the TF perspective, the TSP sector was assessed with a Medium-Low TF vulnerability score. This change recognises the complexity of trust structures, the TSP sector’s international client base—including HNWIs from multiple jurisdictions—and the high volume of cross-border transactions. Also, while cash activity remains low, the use of intermediaries such as lawyers and financial advisors could in principle impact identifying the source and destination of funds.

4. Conclusion

The Trust Service Provider (TSP) sector has a HIGH ML risk rating, derived from a High ML threat score and High inherent vulnerability score. For TF, Medium-Low scores for both threats and vulnerability results in a TF risk rating of MEDIUM-LOW.

Figure 13: Heat Map - ML Sectoral Risk Rating (Trust Service Providers)

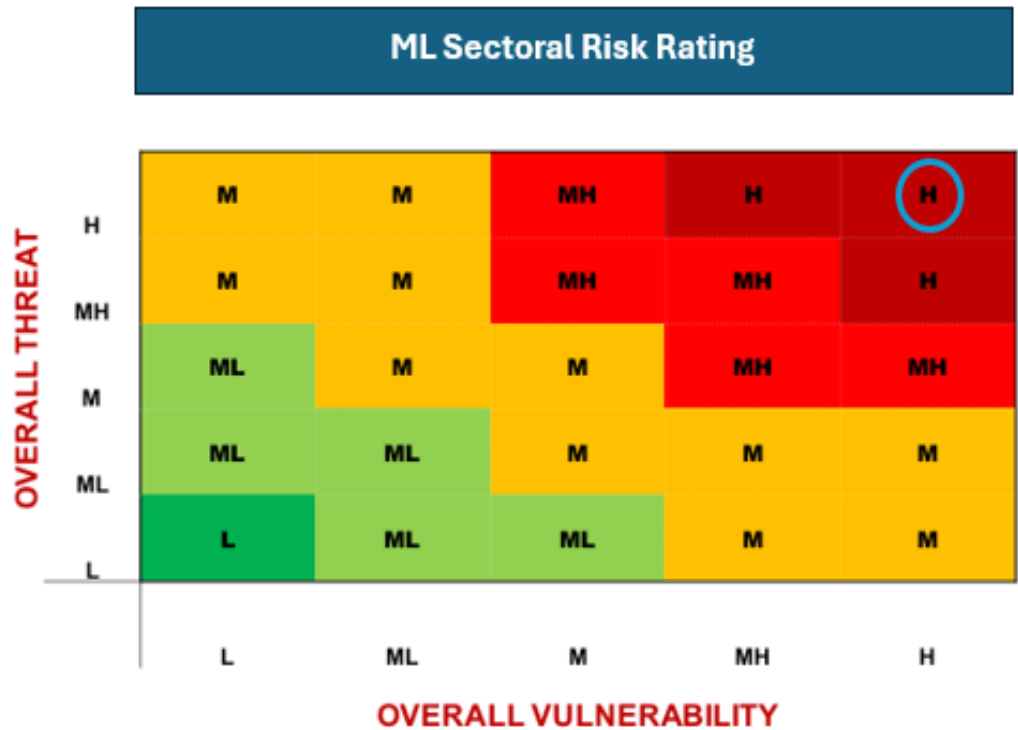
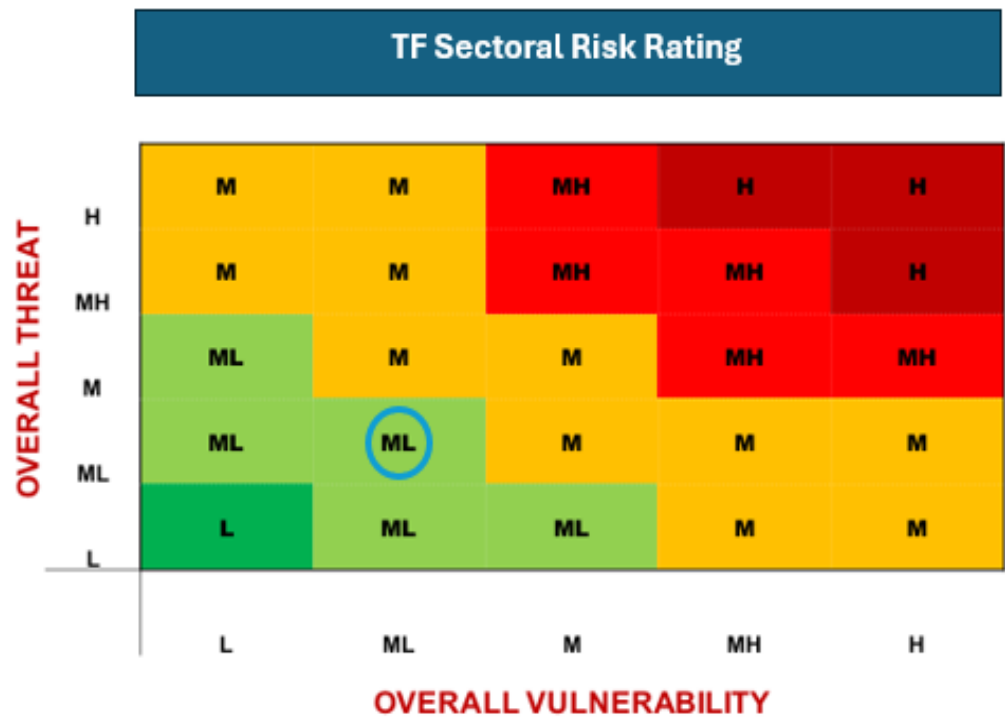


Figure 14: Heat Map - TF Sectoral Risk Rating (Trust Service Providers)



Chapter 15: Corporate Service Providers (CSPs)

Summary of Findings:

The inherent ML risk rating for the CSP sector is HIGH, based on the MEDIUM-HIGH rating for inherent ML vulnerability and the HIGH rating for ML threats. The inherent TF risk rating is MEDIUM-LOW, based on a MEDIUM-LOW TF threat score combined with a MEDIUM-LOW inherent TF vulnerability score.

1. Introduction

Bermuda’s Corporate Service Provider (CSP) sector is significant, with 90 licensed providers serving 12,091 domestic and international clients as of the end of 2023. CSPs operate for profit, offering services such as company formation, nominee services, administrative and secretarial functions, and resident representation. They are primarily governed by the Corporate Service Provider Business Act 2012 and regulated for AML/ATF under the Proceeds of Crime Act (POCA). Bermuda has two CSP license classes: Unlimited and Limited. Currently, all issued CSP licenses are Limited, meaning CSPs must secure permission from the Exchange Controller to form a company.

To thoroughly understand both ML and TF risks within the CSP sector, this assessment used two distinct approaches. For ML risks, the analysis focused on a product-based assessment—consistent with the deeper product evaluation conducted in 2020 and evaluating the potential risks associated with each service the CSP sector offers. The TF risk assessment was sector-specific, taking into consideration the overall characteristics and operations of the CSP sector. Adopting these approaches provides a comprehensive understanding of potential vulnerabilities and risks within the CSP sector.

2. Assessment of Sectoral ML and TF Threats

The ML threat rating for the CSP sector is HIGH. This rating is consistent with 2020, reflecting an ongoing enhanced understanding of the ML risks aligned with CSP sector services. The sector’s business model remains more administrative than transactional, reflected in the reduced number of 29 SARs filings submitted during the assessment period, down from the 80 reported in 2020. However, the value of the businesses CSPs service tends to be high and, as noted in the two previous NRAs, the sector continues to have exposure to an international client base, typically associated with multiple company subsidiaries or affiliates across jurisdictions. This makes the potential for misuse in more complex ML schemes, which could involve fraud, corruption or other major financial offences, relatively higher than for other sectors in Bermuda.

The CSP sector received a MEDIUM-LOW TF threat rating. This reflects the CSP sector’s integral role in forming and managing corporate structures that could potentially be exploited for concealing beneficial ownership and moving illicit funds. While there is no evidence in this assessment of such activity, and cash activity remains low, the sector’s international client base, along with the use of intermediaries, nominee services and the complex structures it services could in theory increase exposure to TF exploitation. The Medium-Low rating is a shift from the sector’s previous Low rating, reflecting greater awareness of global TF threats linked to corporate structuring.

3. Analysis of Sectoral ML and TF Vulnerabilities

The CSP sector maintains a Medium-High inherent vulnerability rating for ML, consistent with the 2020 assessment.

As with the 2020 assessment, the ML vulnerability rating included assessing product risk using analysis of 11 products/services the CSP sector offers. Similarly, key components of the assessment remained the sector’s client base and higher risk services.

The CSP sector’s client base profile, in line with other jurisdictions, demonstrates very high vulnerability due to the complex nature of legal entities and classifications of clients or underlying beneficial owners they service, often presented by complicated corporate entities, HNWIs, PEPs and individuals from high-risk jurisdictions.

The CSP products or services presenting higher vulnerability in the assessment remained consistent:

- Acting as a Formation Agent
- Providing Nominee Services
- Acting as of fulfilling the Role of Director & Officer, Secretary
- Providing a Registered Office

These products/services potentially carry higher vulnerability, as the CSP could be introducing parties to the country or maintaining records, including opening bank accounts, which in theory could provide the opportunity for bad actors to misuse a CSP unwittingly or knowingly for ML purposes.

Regarding TF, the sector’s client base profile along with its diverse, and often complex, structures of CSPs’ services could also potentially present TF vulnerabilities. While those services do not typically involve substantial cash transactions, in principle their inherent nature makes them potentially susceptible to TF exposure if not adequately monitored and regulated. This resulted in a medium-low inherent TF vulnerability score.

These insights indicate a persistent need for vigilance within the sector, despite its sophisticated regulatory environment.

4. Conclusion

The inherent ML risk rating for the CSP sector is HIGH, based on the MEDIUM-HIGH rating for inherent ML vulnerability and the HIGH rating for ML threats. The TF inherent risk rating is MEDIUM-LOW, based on a MEDIUM-LOW TF threat score combined with a MEDIUM-LOW inherent TF vulnerability score. These ratings are shown in the heat maps below.

Figure 15: Heat Map - ML Sectoral Rating (Corporate Service Providers)

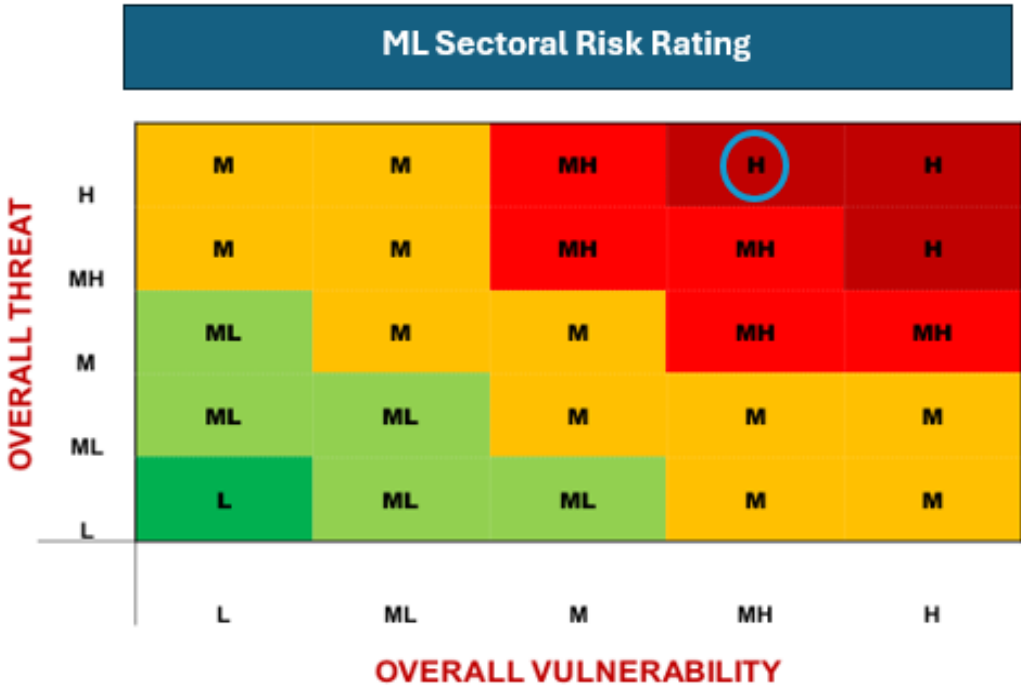
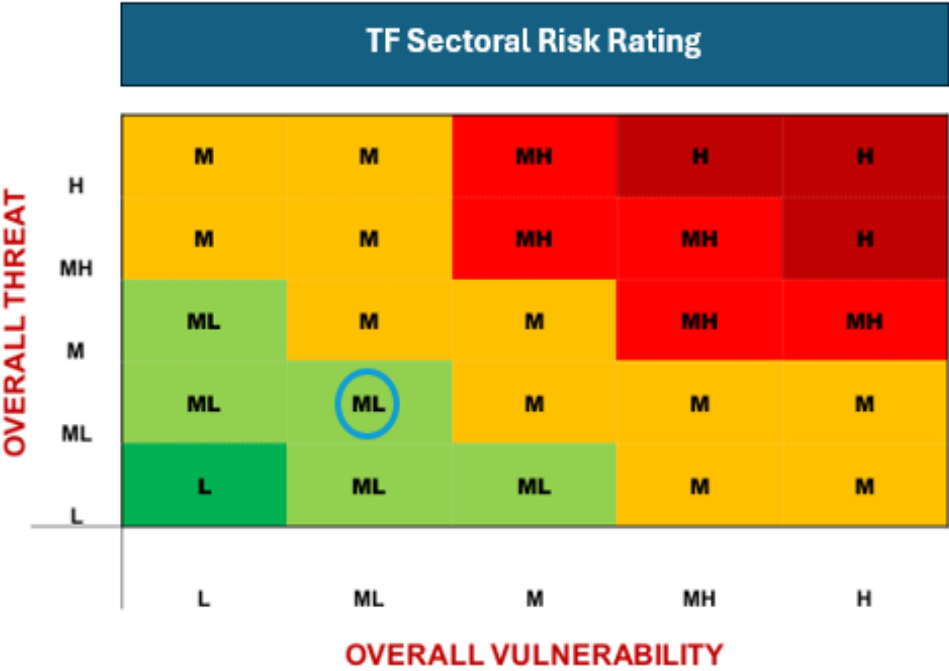


Figure 16: Heat Map - TF Sectoral Risk Rating (Corporate Service Providers)



Chapter 16: The Legal Sector

Summary of Findings:

The inherent ML risk rating for the Legal sector remains HIGH, consistent with the 2020 NRA. This is based on a ML threat rating of High and ML inherent vulnerability rating of Medium-High. The sector’s inherent TF risk rating is MEDIUM LOW, comprising an TF threat score of Low and a Medium-Low inherent TF vulnerability rating. These risk ratings are influenced by the legal sector’s significant size in Bermuda and the value of certain transactions law firms conduct, particularly in terms of real estate.

1. Introduction

As of December 2023, the legal sector had 28 law firms registered with the Barristers and Accountants AML/ATF Board (“AML/ATF Board”) on the basis that they provided “specified activities” as defined by section 30C of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008. The sector contribution to GDP was 1.8%.

The legal sector services covered by that definition include real estate transactions, and the organisation or creation, operation and management of legal entities. Data indicates that a small percentage of Regulated Professional Firms (RPFs) conduct most of the “specified activities.

Providing legal services for financial or real estate transactions concerning specified activities includes a lawyer’s involvement in planning or executing the transaction or acting for the client. Firms report that company incorporations are conducted by Corporate Services Providers (CSPs), not the law firm itself. The BMA has regulatory oversight of CSPs.

The Board and the BMA meet regularly as part of the Supervisory Working Group to ensure co-ordinated supervision of law firms who also operate separate affiliated CSPs. Under Rule 7 of the Bermuda Bar (Barristers and Accountants AML/ATF Board) Rules 2018, all law firms with a turnover of more than \$250,000 or with corporate services business constituting more than 10% of their business, must transfer and operate the CSP aspect of their business to a separate incorporated affiliate. This requirement ensures that CSPs are independently monitored and their risk profiles properly assessed.

2. Assessment of Sectoral ML and TF Threats

The ML risk rating for the Legal sector remains HIGH, consistent with the 2020 NRA. Overall, the sector still has greater exposure to foreign rather than domestic ML threats. FIA filings during the review period show that foreign fraud, followed by foreign tax crimes and corruption were the sector’s primary ML threats.

However, the Legal sector has increasingly been exposed to ML from domestic offenses, mainly fraud, elder abuse, and abuse of receivership powers by lawyers. One example involved a local lawyer being convicted for defrauding and laundering insurance benefits received on behalf of a client. Another lawyer was convicted of abuse of receivership powers on behalf of an elderly

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person, involving misappropriation of funds. Two other local lawyers also have cases pending, relating to abuse of their court-appointed receivership responsibilities, to the tune of \$1.2 million.

The FIA reports that during the assessment period 13 law firms filed SARs totalling a dollar value of \$214 million, and the sector was also featured in SAR/STRs filed by the Trust Business, Banking, Insurance and Investment Business sectors. These matters indicate that this sector continues to be exposed to ML from a combination of both foreign and domestic sources, with foreign-sourced predicates continuing to have a larger impact on the scale of ML that occurs within the sector. Notwithstanding foreign predicates, the influence of domestic predicates appear to be on the rise, when compared with previous review periods.

In light of such detected cases and the changing intelligence concerning ML in the sector, as well as the ML detected during this period exceeding the new \$125 million threshold for the “high threat” rating, it was determined that the rating of High for ML threat remains warranted for this sector.

The sector’s TF threat rating is LOW. This is primarily due to the sector’s limited exposure in this regard within Bermuda. Generally, this is characterised by relatively low transaction volumes and the absence of TF-related typologies specifically linked to legal services.

3. Analysis of Sectoral ML and TF Vulnerabilities

The Legal sector has a ML vulnerability rating of MEDIUM-HIGH and its TF vulnerability rating is MEDIUM-LOW. These ratings are primarily influenced by the value of certain transactions conducted by the legal sector in Bermuda, particularly in terms of real estate. The legal profession’s “intermediary” role can be perceived as providing services that facilitate access to the financial system or create anonymity in ownership and control structures, potentially concealing the identities of those involved in complex ML schemes. Therefore, periodic analysis of the sector is crucial to identify inherent features that could make it vulnerable to criminal misuse. The 2024 NRA examined the key areas of Bermuda’s legal sector services below, rating them using data and qualitative information from the Board and the sector:

Total size/Business volume

The total size of the sector was rated as Medium-High, up from the Medium rating in the 2020 assessment. The vulnerability of this factor relates to the number of RFPs and the business volume in this sector. There was a total of 28 for the review period compared to 30 in 2020. Although there were slightly fewer RFPs, data indicates further growth in high value real estate transactions being conducted by more firms, which increased the inherent vulnerability rating.

Client Profile

The Legal sector’s client profile has a HIGH vulnerability rating, consistent with the 2020 NRA results. The sector’s clients include HNWI; non-resident clients, including from high-risk jurisdictions; local and foreign PEPs; and clients who own complex legal structures.

Level of cash activity

This factor was once again rated as Low for the Legal sector. All firms reported that they either had a “no cash” policy in place or a low cash threshold limit.

Products and Services

This feature also maintained the same Medium-Low rating as the 2020 assessment. Key services in this context are buying or selling real estate; creating, operating or managing legal entities; and managing financial assets (money, bank accounts, securities, etc.). Real estate transactions, managing client money and any services involving the flow of funds are regarded as higher risk. However, the assessment results still show that RFPs rarely control clients’ bank accounts (a service typically provided by CSPs), and real estate transactions are non-cash.

4. Conclusion

The inherent ML risk rating for the Legal sector remains HIGH. This is based on a ML threat rating of High and ML inherent vulnerability rating of Medium-High. The sector’s inherent TF risk rating is MEDIUM LOW, comprising an TF threat score of Low and Medium-Low inherent TF vulnerability rating.

Figure 17: Heat Map - ML Sectoral Rating (Legal Sector)

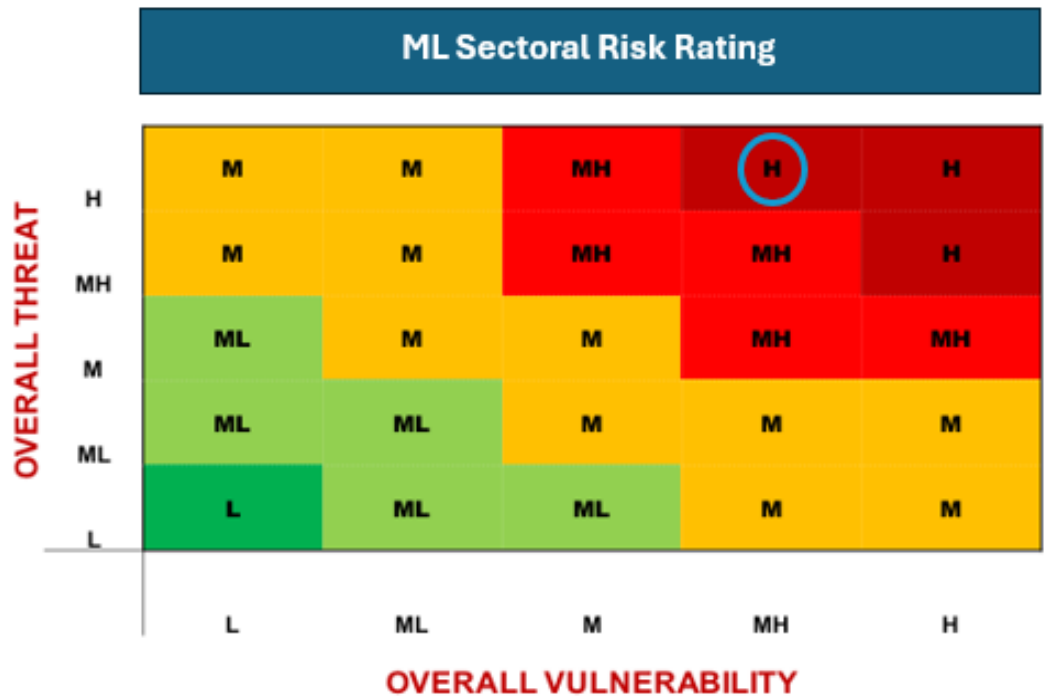
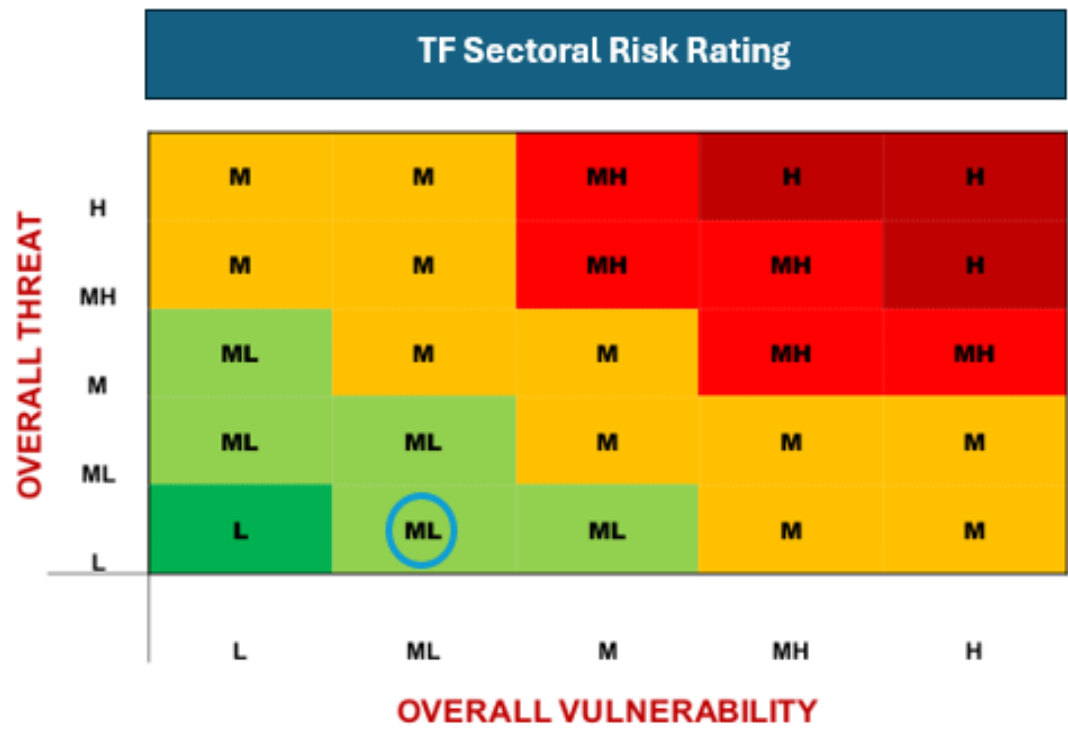


Figure 18: Heat Map - TF Sectoral Risk Rating (Legal Sector)



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Chapter 17: The Accounting Sector

Summary of Findings:

The Accounting sector's inherent ML risk rating remained as MEDIUM-LOW, based on a Low ML threat rating and Medium inherent ML vulnerability rating. The Sector's inherent TF risk rating was LOW, resulting from Low TF threat and inherent vulnerability ratings. These ratings reflect the relatively smaller size of the sector, its predominantly local client base, the nature of products and services offered and comparatively lower frequency of international transactions.

1. Introduction

As of December 2023 the Accounting sector had eight firms registered with the Barristers and Accountants AML/ATF Board ("the Board"). All of these firms are classified by the Board as Regulated Professional Firms (RPF) pursuant to section 30C(3) of that Act, on the basis that they provide "specified activities", as defined in section 49(5) of the Proceeds of Crime Act 1997. The Department of Statistics indicates that the accounting sector represents 2.4% of the GDP.

For the purposes of this assessment, key services the sector provides are liquidation and receivership services, audit, advisory work and assurance and tax services.

2. Assessment of Sectoral ML and TF Threats

The Accounting sector maintained a LOW ML threat rating, consistent with the 2020 NRA. The TF threat rating was also assessed as LOW. The sector was previously rated low for ML threats due to its activities and services being unattractive for ML in Bermuda. There was also no intelligence or other evidence linking the sector to ML schemes locally. In the 2024 NRA, neither the FIA nor BPS had detected any ML cases involving this sector, nor were there any requests from overseas counterparts regarding ML activities involving Bermuda firms or local accountants. The specified activities of accountants relevant to ML exposure (i.e. receivership, liquidation and winding-up) show no evidence of misuse by accountants for ML purposes in Bermuda. Therefore, the Low ML threat rating for this sector remains justified.

Similar to the threat posed by ML within the sector, there have been no known instances in Bermuda of accountants being targeted for TF. Therefore, the TF threat rating for the accounting sector remains LOW.

3. Analysis of Sectoral ML and TF Vulnerabilities

The Accounting sector has a Medium ML vulnerability rating and Low rating for TF vulnerability. This assessment evaluated the sector's ML and TF vulnerabilities by examining factors that could either increase or reduce its attractiveness to ML/TF risks, or expose or shield it from such threats. Key aspects of the sector considered in this analysis are listed below with summarised results:

Size and business volume

The total size of the sector was rated as Medium-Low. As previously noted, 8 accounting firms have registered with the AML/ATF Board. The majority of the "specified activities" these firms provide as defined in the SEA relate to liquidation and receivership services.

Client Base

The sector's client base was rated as Medium, consistent with the 2020 assessment. The assessment criteria included in this vulnerability factor include whether clients are local or foreign PEPs, HNWI, non-resident clients- including from high risk jurisdictions, and whether clients are legal persons or have ownership in complex legal structures. The potential for high-risk clientele in the sector remains. However, the assessment results show that the majority of clients within this sector are residents of Bermuda, and firms reported a small number of medium or high-risk clients. All clients, including overseas clients, are subjected to rigid due diligence and onboarding procedures.

Level of cash activity

All firms reported that they had "no cash" policies in place, resulting in Low vulnerability in this area.

Products and services

This factor also maintained a Medium-Low vulnerability rating. The key services classified as specified activities that the accounting firms offer related to liquidation and receivership services, advisory work, audit, assurance and tax services. For the 8 RPF's in this sector:

- 6 firms provide limited services or transactions related to specified activities, with most of these transactions connected to liquidation services due to their roles as court-appointed liquidators.
- Within these 6 firms, 1 has a licensed Corporate Service Provider and a Trust Company as separate legal entities, both conducting specified activities under the oversight of the BMA.
- 2 of the 6 firms report having a small client base, primarily serving management companies affiliated with other firms in this group.

4. Conclusion

The Accounting sector’s inherent ML risk rating was MEDIUM-LOW, based on a Low ML threat rating and Medium inherent ML vulnerability rating. The sector’s inherent TF risk rating was LOW, resulting from Low TF threat and inherent vulnerability ratings.

Figure 19: Heat Map: ML Sectoral Risk Rating (Accounting Sector)

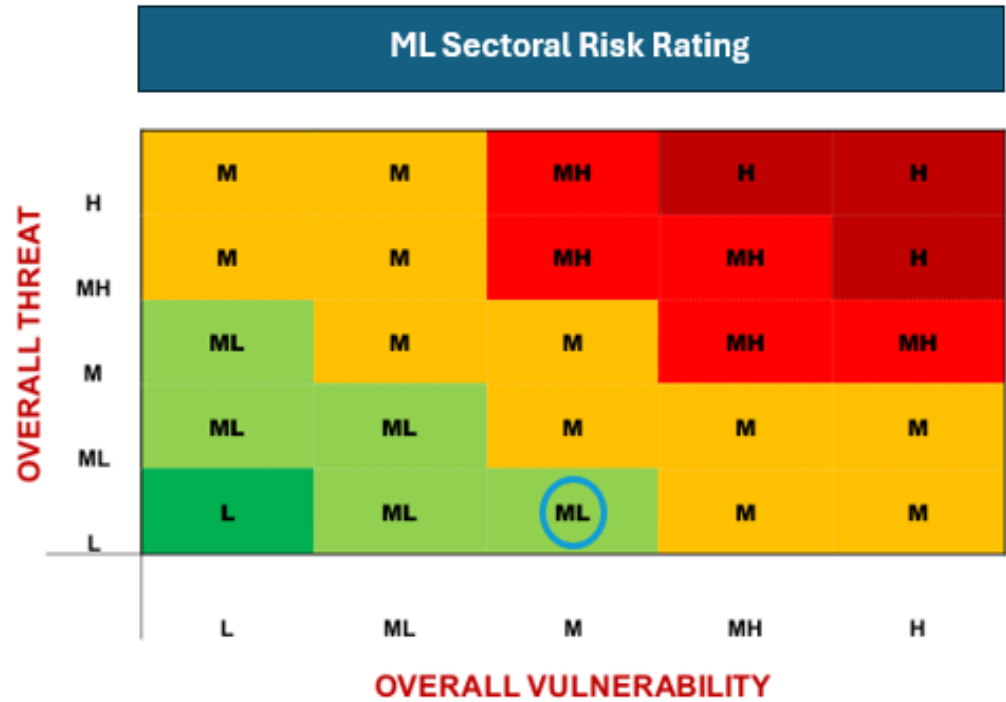
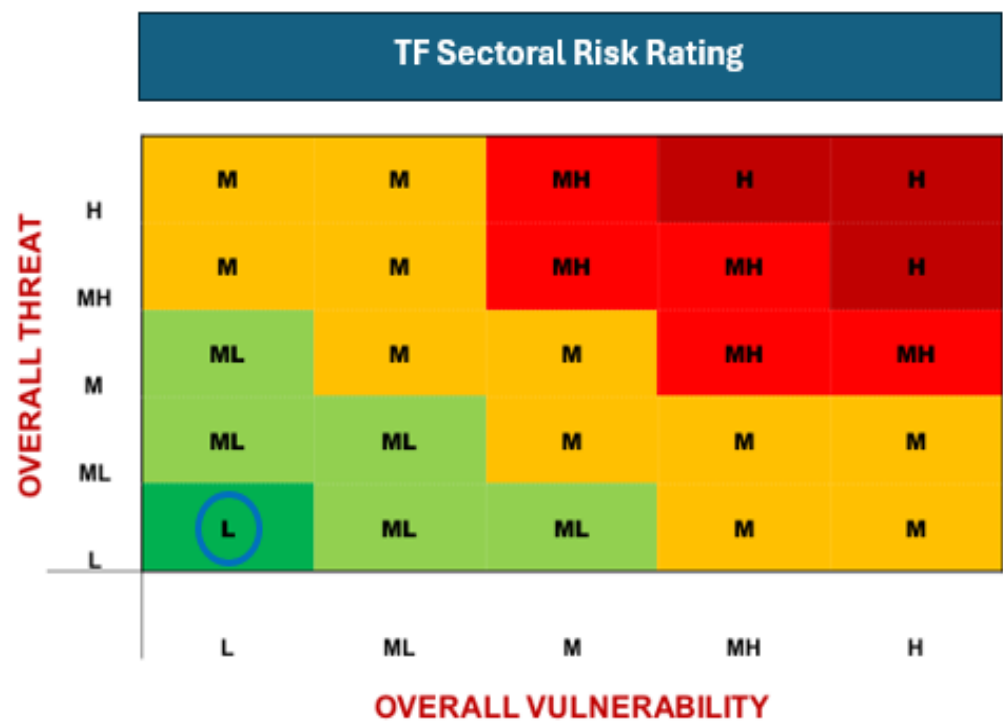


Figure 20: TF Sectoral Risk Rating (Accounting sector)



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Chapter 18: The Real Estate Sector

Summary of Findings:

The inherent ML risk rating for Bermuda's real estate sector is MEDIUM. This is based on a Medium rating for both ML threats and ML inherent vulnerability. The inherent TF risk rating for the sector is MEDIUM-LOW, consisting of a Medium-Low inherent TF vulnerability rating and Low TF threats score.

1. Introduction

Bermuda's real estate market is small with restrictions on foreigners' ability to purchase property. As at 31 December 2023, there were 42 licensed brokers and 216 licensed agents. Two major real estate firms offer full-scale services (residential and commercial real estate sales, land and valuation surveying, property management, residential rentals, relocation services, commercial leasing and auctioneering). Most firms are medium to small sole proprietorships focusing on rentals and residential/commercial sales. Real estate firms serve diverse clients, including trustees and domestic/ international individuals. Real estate purchases in Bermuda are not cash-based, with firm policies restricting the use of cash for transactions.

Real estate sales were valued at \$335,289,514 in 2023 according to statistics provided by the Land Title Registry Office. This figure encompasses sales and purchases by Bermudians, non-residents, non-residents of fractional properties and local trusts.

The sector (including real estate rentals) represented 15.4 percent of GDP in 2022 with \$1,039,145 million in output compared to \$1,009,102 million in output in 2021. The increase is again attributable to an uptake in real estate activities with leased property.

2. Assessment of Sectoral ML and TF Threats

The real estate sector maintained a ML threat rating of Medium, consistent with the 2020 NRA. The sector's TF threat rating was Low with no material indications of such threats in the 2024 assessment. The sector remains exposed to potential ML threats from foreign sources, primarily from fraud and tax offences. Domestic threats emerged in the 2020 assessment, related to cases involving real estate purchases and sales via the legal sector as a means of laundering drug trafficking proceeds. No licensees in the real estate sector were involved in those reported cases, however, this indicated increased ML risk exposure for the sector overall. During the 2024 assessment period, the FIA reported receiving only 1 SAR/STR filing from the sector.

This rating also takes into account changes impacting the sector's ML risk profile. The introduction of Bermuda's Economic Investment Residency Certificate (EIRC) programme was a major change during the review period. Real estate was the most popular qualifying investment among programme applicants. This potentially heightens exposure to foreign threats in the real estate sector, subject to effective vetting and related controls, due to the EIRC programme and other revised policies that have resulted in increased foreign investment in this sector.

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3. Analysis of Sector Inherent ML and TF Vulnerabilities

Bermuda's real estate sector has a ML vulnerability rating of Medium and a TF vulnerability rating of Medium-Low. Inherent sector factors used to assess ML vulnerability included the size of transactions and the features of its client base among other aspects.

Size of transactions

The size of real estate transactions presents a medium-high vulnerability for the sector. Real estate sales were valued at \$335,289,514 in 2023 according to statistics provided by the Land Title Registry. Despite being smaller in scale relative to the financial services industry, the sector's large transaction values provide potential opportunities for large sums of money to be laundered.

Client Base

The sector's client base has a medium vulnerability rating. This reflects the mix of foreign buyers, PEPs and high net-worth individuals that form the real estate sector's client profile. Foreign buyers were responsible for approximately 9% of real estate purchases in 2023, and primarily originated from the United States, the United Kingdom, and Canada.

Other Vulnerability Factors

The assessment again acknowledged that other factors such as the use of agents, anonymous use of the product, difficulty in tracing the transaction records (e.g. trusts), use of the business in fraud or tax evasion schemes, non-face-to-face use of the product and the frequency of international transactions contribute to vulnerability in the real estate sector.

4. Conclusion

The inherent ML risk rating for Bermuda's real estate sector is MEDIUM, based on a Medium rating for both ML threats and ML inherent vulnerability. The inherent TF risk rating for the sector is MEDIUM-LOW, consisting of a Medium-Low inherent TF vulnerability rating and Low TF threats score.

Figure 21: Heat Map: ML Sectoral Risk Rating (Real Estate sector)

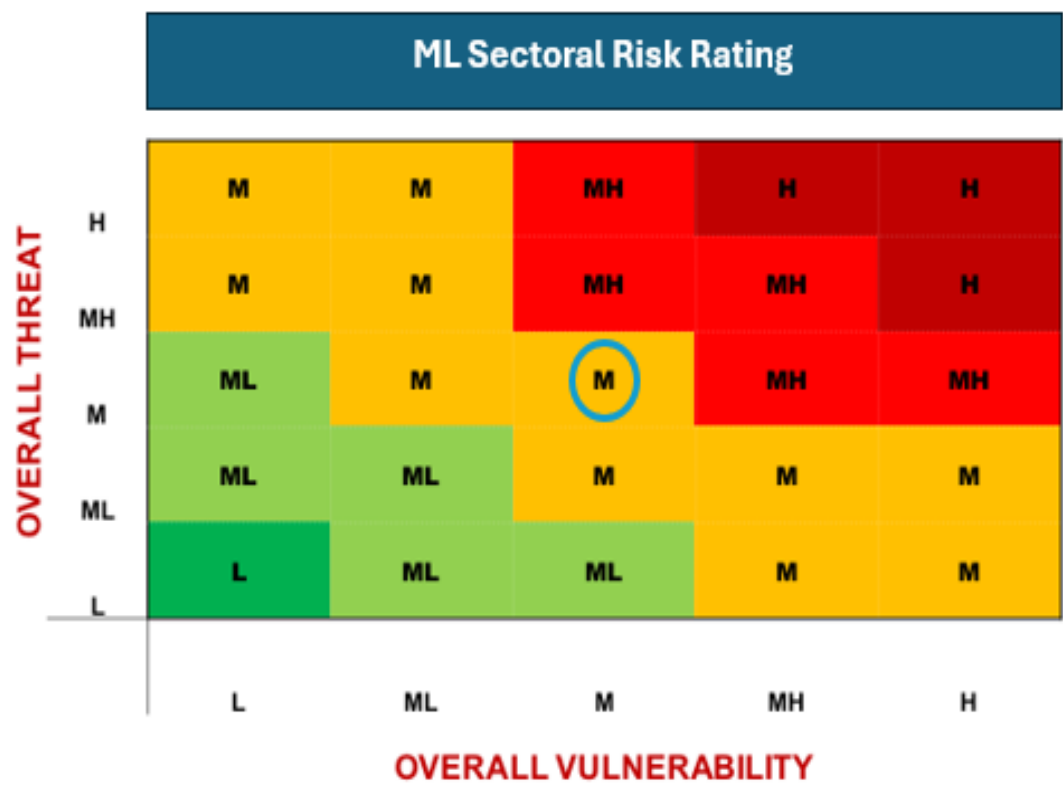
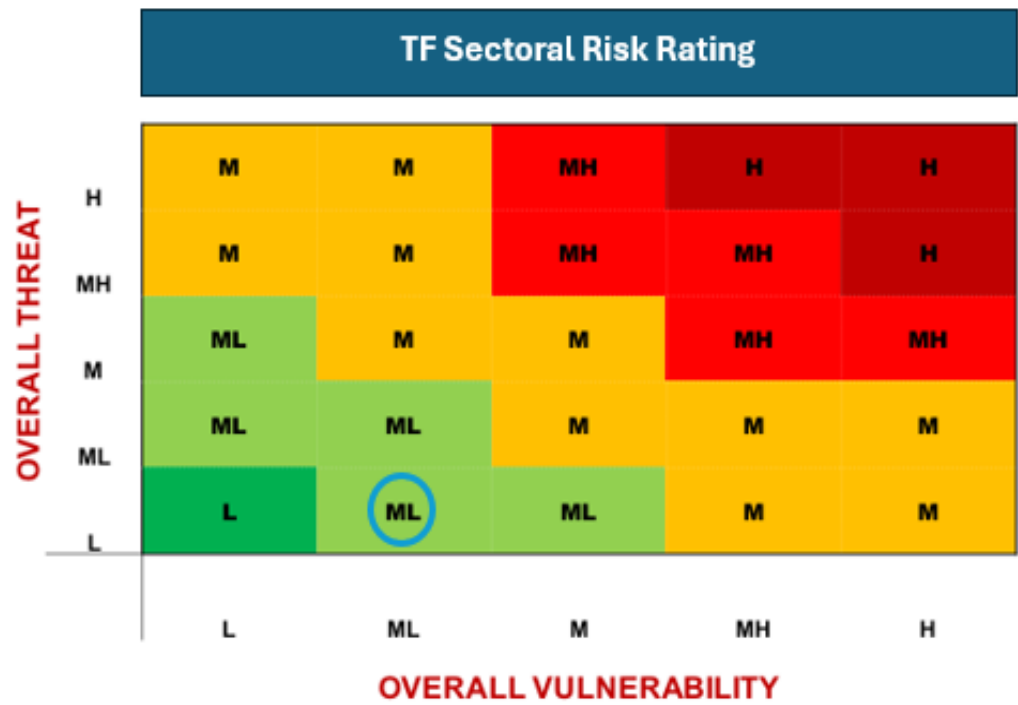


Figure 22: Heat Map: TF Sectoral Risk Rating (Real Estate sector)



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Chapter 19: Dealers in Precious Metals and Stones

Summary of Findings:

The inherent ML risk rating for Dealers in Precious Metals and Stones is unchanged at MEDIUM-LOW, comprising a Medium rating for inherent ML vulnerability and a Low ML threat rating. This remains due to the sector maintaining its policy of conducting low levels of cash transactions. The inherent TF risk rating for the sector is MEDIUM-LOW based on a Medium-Low rating for inherent TF vulnerabilities and Low TF threat score.

1. Introduction

Bermuda's Dealers in Precious Metals and Stones (DPMS) sector is entirely retail-based; there are no known wholesale importers or exporters, and no mining activities. The sector contributed less than 1% to Bermuda's GDP during the review period at the end of December 2023, amounting to \$7.25 million.

Cash activity, especially large transactions, is minimal within the sector. Fewer than 30 retailers operate in Bermuda, with only one regularly offering loose stones. There is a low ratio of non-resident (seasonal) clients compared to annual purchases by residents. Jewelry sales increase during the peak tourist season (May-October) due to the tax-free status of many items.

The DPMS sector is legally included in the definition of dealers in high-value goods (DiHVG). AML/ATF supervisory oversight of DiHVG transitioned from the Financial Intelligence Agency ("FIA") to the RoC effective November 1, 2020, following the Registrar of Companies (Supervision and Regulation) Act 2020 and related amendments to the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 ("SEA") and associated AML/ATF legislation. Under section 3(1)(c) of SEA, the RoC is the supervisory authority for DHVG. These regulations apply to DPMS businesses if they intend to conduct cash transactions equal to or above BMD\$7,500 or its equivalent in any other currency, and they are required to register with the RoC under section 9 of SEA.

2. Assessment of Sectoral ML and TF Threats

The ML threat rating for Bermuda's DPMS sector is Low, down from Medium-Low in the 2020 NRA. This decrease is due to the continued absence of investigations or intelligence linking the sector to ML during the review period. While precious metals and stones are easily transportable and attractive for moving drug trafficking proceeds, recent trends indicate this is significantly limited by the size of cash transactions the sector can accommodate.

The sector has a Medium TF threat rating due to its potential exposure to high-risk jurisdictions through international transactions. Although most sales are to local buyers, the sector sees increased activity from non-resident purchases during the peak tourist season, which could involve individuals from high-risk jurisdictions.

3. Analysis of Inherent ML and TF Vulnerabilities

The sector’s ML vulnerability rating is Medium and unchanged from the last risk assessment in 2020. The TF vulnerability rating is Medium-Low. The DPMS sector’s small size, minimal level of cash transactions and predominantly domestic client base drives these ratings.

4. Conclusion

The inherent ML risk rating for the DPMS sector is **MEDIUM-LOW**, comprising a Medium rating for inherent ML vulnerability and a Low ML threat rating. The inherent TF risk rating for the sector is **MEDIUM-LOW** based on a Medium-Low rating for inherent TF vulnerabilities and Low TF threat score.

Figure 23: Heat Map: Sectoral Risk Rating (DPMS)

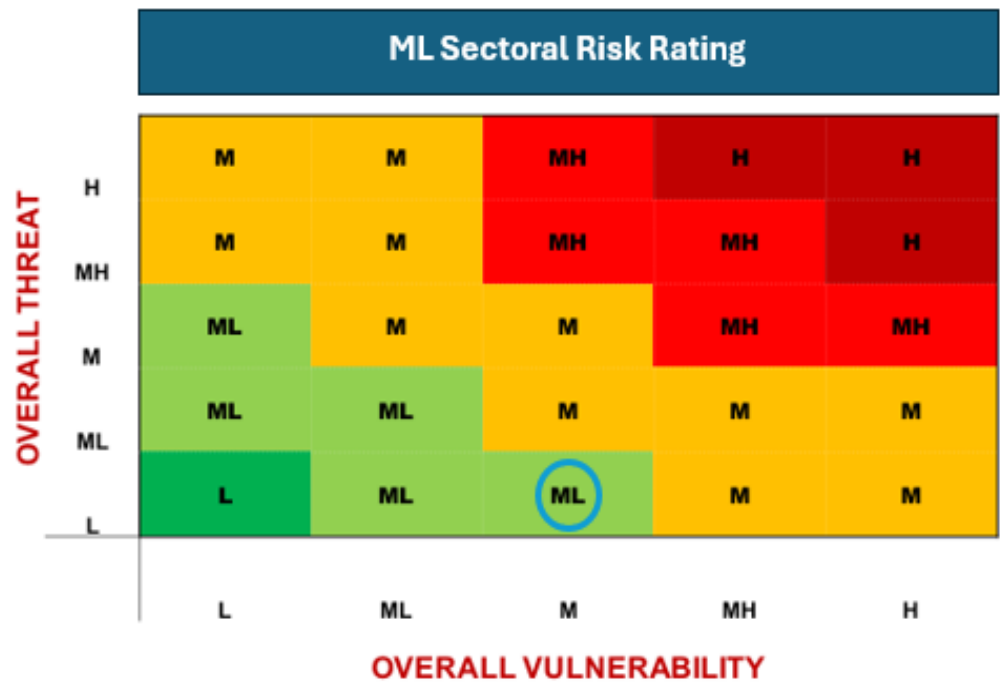
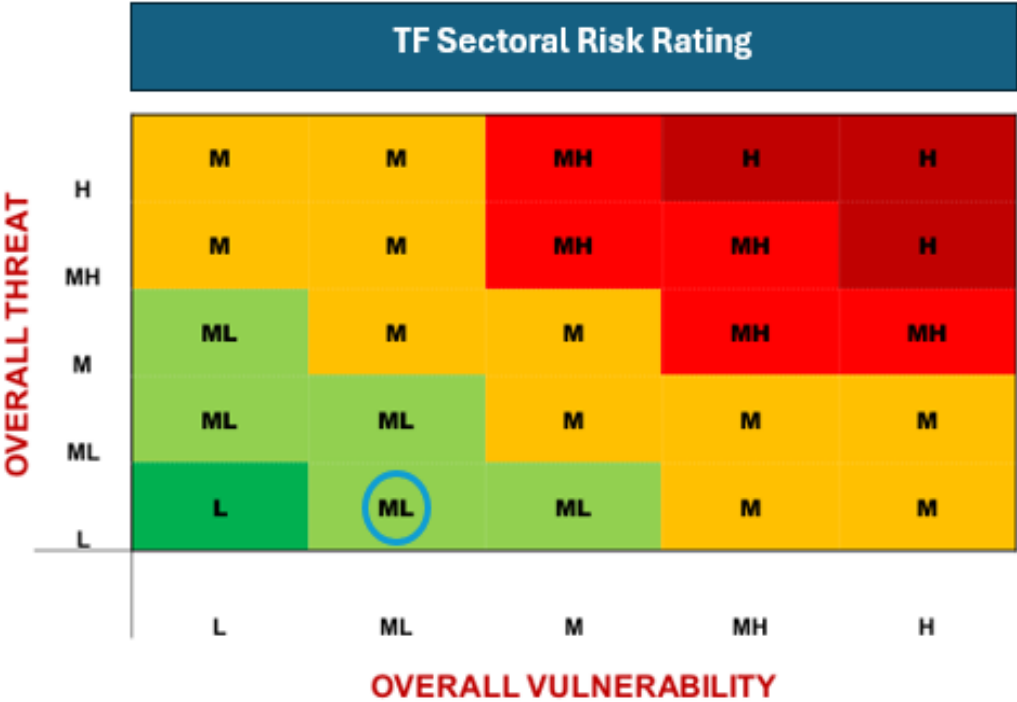


Figure 24: Heat Map: TF Sectoral Risk Rating (DPMS)



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Chapter 20: Dealers in High Value Goods

Summary of Findings:

The inherent ML risk rating for the Dealers in High Value Goods (DiHVGs) sector is MEDIUM-LOW, consisting of a Medium rating for inherent ML vulnerability and a Low ML threat score. The minimal cash transactions within this sector along with its small size, predominantly local client base and licensing restrictions around purchases contributes to this rating. The sector's inherent TF risk rating is LOW, based on Low ratings for both TF inherent vulnerabilities and TF threats.

1. Introduction

The DiHVG sector in Bermuda includes car, boat and motorcycle dealers; antique dealers; and auctioneers. The sector consists of solely retail businesses; there are no known wholesale importers or exporters in Bermuda. The sector contributed less than 1% to Bermuda's GDP during the review period:

- 2020 - \$34.3 million
- 2021 - \$40.3 million
- 2022 - \$42.6 million
- 2023 - \$38.8 million

There is minimal cash activity within the sector, especially for large transactions, and fewer than 30 retailers. There is also a low ratio of non-resident clients due to residency restrictions on car purchases of cars and licensing requirements to operate boats within Bermuda. While legal entities can purchase vehicles, these are restricted to commercial use, and the number of commercially licensed vehicles is strictly monitored by the Department of Transport Control. AML/ATF supervision of DiHVGs moved from the FIA to the RoC on November 1, 2020, due to the Registrar of Companies (Supervision and Regulation) Act 2020 and related amendments to the SEA and AML/ATF legislation. Under section 3(1)(c) of SEA, the RoC is the DiHVG supervisory authority. These regulations apply to DiHVGs intending to conduct cash transactions at or above BMD\$7,500 or its equivalent in any other currency, and they must register with the RoC under section 9 of SEA.

2. Assessment of Sectoral ML and TF Threats

The ML threat rating for the sector remained LOW, consistent with the 2020 NRA. The FIA re-confirmed that there is no evidence or intelligence indicating products and services within this sector could be misused for ML purposes. Most transactions for the purchase of high value items such as cars, boats and trucks require financing through local banks, which in turn feature the requisite controls associated with Bermuda's banking sector. Additionally, the FIA confirms that no SAR filings were received from, or about, this sector, and there is no other intelligence indicating the sector's involvement in ML.

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The DiHVG sector was assigned a Medium-Low TF risk rating in 2024. The sector has no outward international transactions, including those to high-risk jurisdictions, as local funds from Bermuda are not typically used for overseas high-value goods purchases to purchase high-value goods abroad. While some minimal inward transactions from foreign nationals exist, they are minimal, and purchases primarily mainly occur through local bank transfers and regulated financial institutions. The sector does not facilitate direct fund transfers, making it less vulnerable to TF exploitation.

3. Analysis of Inherent ML and TF Vulnerabilities

The sector has a Medium ML vulnerability rating and Low TF vulnerability score. These ratings continue to be driven by the sector's small size; its low total turnover/value of operating retailers; its lower-risk predominantly domestic client base; and the minimal level of cash activity within the sector associated with the business/profession and international transactions. The Sector contributed less than 1% to the gross domestic product of Bermuda during the relevant period and is not a cash intensive sector.

The DiHVG sector's total contribution (all sales) to Bermuda's GDP for each year during the review period is less than 1%. As at 31 December 2022 the contribution to GDP was \$42.6 million or 0.64% of GDP. Its client base can include high net worth individuals and PEPs, whose transactions can be easily traced if required due to the non-cash purchases and licensing and/or registration requirements related to the sector's products. DiHVGs firm policy to not accept cash equal to or in excess of the BMD \$7,500 statutory threshold is also a key factor. Finally, DiHVGs continued to have no exposure to other vulnerability factors such as non face-to-face transactions, fraud or tax evasion schemes and use of agents.

4. Conclusion

The inherent ML risk rating for the Dealers in High Value Goods (DiHVGs) sector is MEDIUM-LOW, consisting of a Medium rating for inherent ML vulnerability and a Low ML threat score. The DiHVG sector's inherent TF risk rating is LOW, based on Low ratings for TF vulnerabilities and threats.

Figure 25: Heat Map: Sectoral Rating (DiHVGs) Heat Map: Final ML Sectoral Risk Rating (DiHVGs)

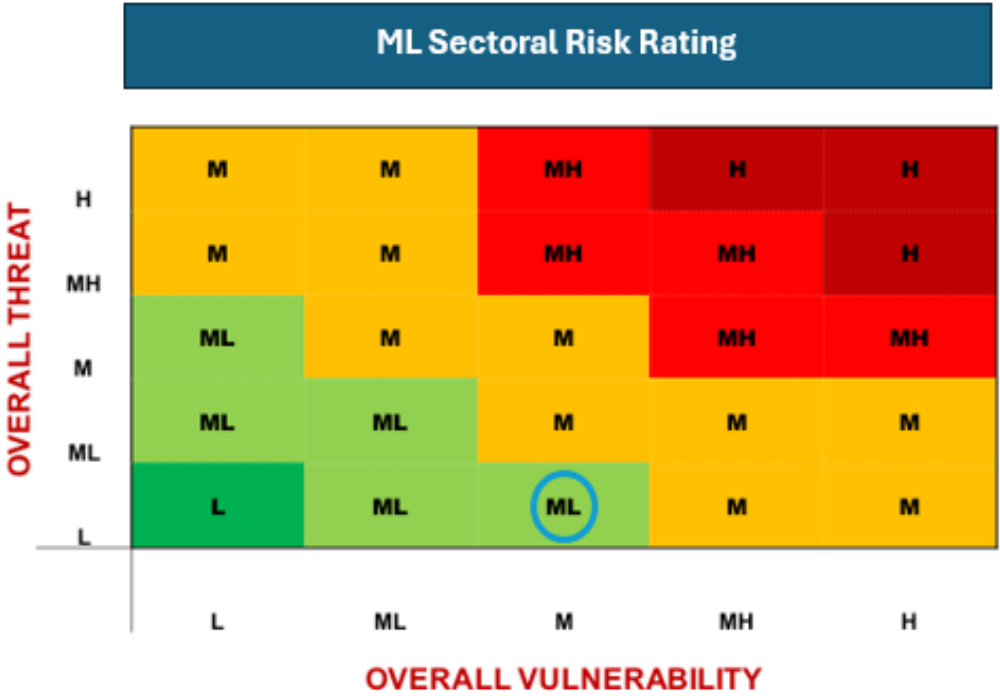
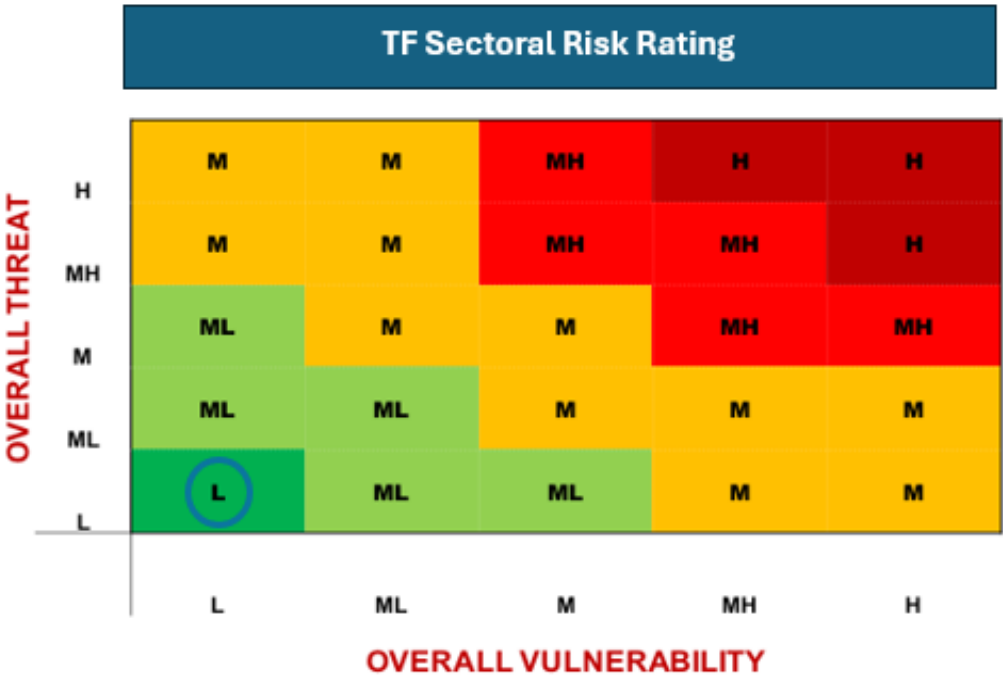


Figure 26: Heat Map: TF Sectoral Risk Rating (DiHVGs)



Chapter 21: Casino Gaming Sector

Summary of Findings:

The Casino Gaming sector's inherent risk rating of MEDIUM-LOW for both ML and TF remains a conditional score, given that there were no land-based casinos operating in Bermuda during the assessment period. These ratings are based on provisional Low ML and TF threat scores, and Medium-Low inherent ML and TF vulnerability scores. Bermuda recognises that casino gaming activities, unless effectively regulated, can potentially present ML and TF risks. Having taken a proactive approach, Bermuda has established the statutory regulatory framework for this sector. The sector has been assessed based on international experience in the area and its anticipated characteristics in Bermuda.

1. Introduction

There were no casinos (land-based) in operation during the assessment period.

The regulation and supervision of land-based casino gaming in Bermuda is to be conducted in accordance with five (5) key goals that are set out in law. The Bermuda Gaming Commission (the "Commission") is the competent authority established to ensure:

- That owners, vendors, managers, employees and sources of finance should be free from any inappropriate past or present associations and behaviours, and should uphold high ethical standards;
- That operators should possess sound operational and financial controls;
- That the games offered should be fair, honest and operate with a high level of security and integrity;
- That all fees, taxes and related payments should be appropriately accounted for and paid; and
- That controls must be in place to protect the vulnerable, where operators conduct their business to protect consumers and the wider public from gambling related issues.

Bermuda is committed to implementing and maintaining a regime and an approach that will protect its citizens and maintain public confidence by following principles of honesty, integrity and social responsibility. Gaming is highly regulated in jurisdictions world-wide, and regulators have to balance several interests such as patron interests, commercial interests, political interests, economic interests and social interests. Finding the correct balance will result in the ultimate objective of a regulating authority – a healthy culture of compliance within the industry.

Since the 2020 ML NRA, amendments to Bermuda's casino gaming legislation have not affected the supervision and regulation of casinos for AML compliance. The Commission remains the competent authority for licensing, regulating, and AML supervision of licensed casino operators.

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The rigorous approval process for casino operators remains, involving multiple administrative steps. Applicants and their associates must submit information for financial and character suitability assessments. A casino license is granted only after successful completion of this suitability stage. During this assessment period, the Commission issued one casino gaming license.

2. Assessment of Sectoral ML and TF Threats

The Casino Gaming sector (land-based) had no operators during the assessment period. Therefore, the rating of Low ML and TF threat ratings remain in place for this sector.

3. Analysis of Inherent ML and TF Vulnerabilities

The sector has provisional ML and TF vulnerability ratings of Medium-Low. Despite there being no operating land based casino during the assessment period, significantly more data was available for the 2024 NRA. The highest risk factors identified for Bermuda's casino industry were the anticipated client base profile and the potential use of agents, along with other areas shown below:

Client Base

The Medium ML rating for the sector's client base was primarily due to the expected varied distribution of clients. Specifically, domestic and international PEPs, HNWIs (residents or tourists) with foreign business or personal interests were anticipated as potential casino patrons. The opening of a casino in Bermuda will likely attract local citizens, including domestic PEPs, as there is no policy change restricting their gambling. Furthermore, Bermuda, as a financial centre with a substantial insurance industry managed by wealthy foreign residents, will likely see these individuals engaging in casino gaming.

Potential Use of Agents

This factor has a Medium vulnerability rating due to the likely use of agents or third parties for "casino marketing arrangements" to introduce patrons. The reliance on third party introducers in the casino gaming industry is generally regarded as a potential ML vulnerability. It was acknowledged that the extent of this vulnerability is unknown until a casino begins operating.

Products and Services

The Medium-High ML vulnerability rating for anticipated casino products and services recognises the general risk of them being misused for ML purposes. There is also potential ML vulnerability around products and services being used anonymously, with some non-face-to-face interaction between patrons and the casino operator. Well-established ML typologies involving land-based casino abuse further influenced the medium-high inherent vulnerability rating.

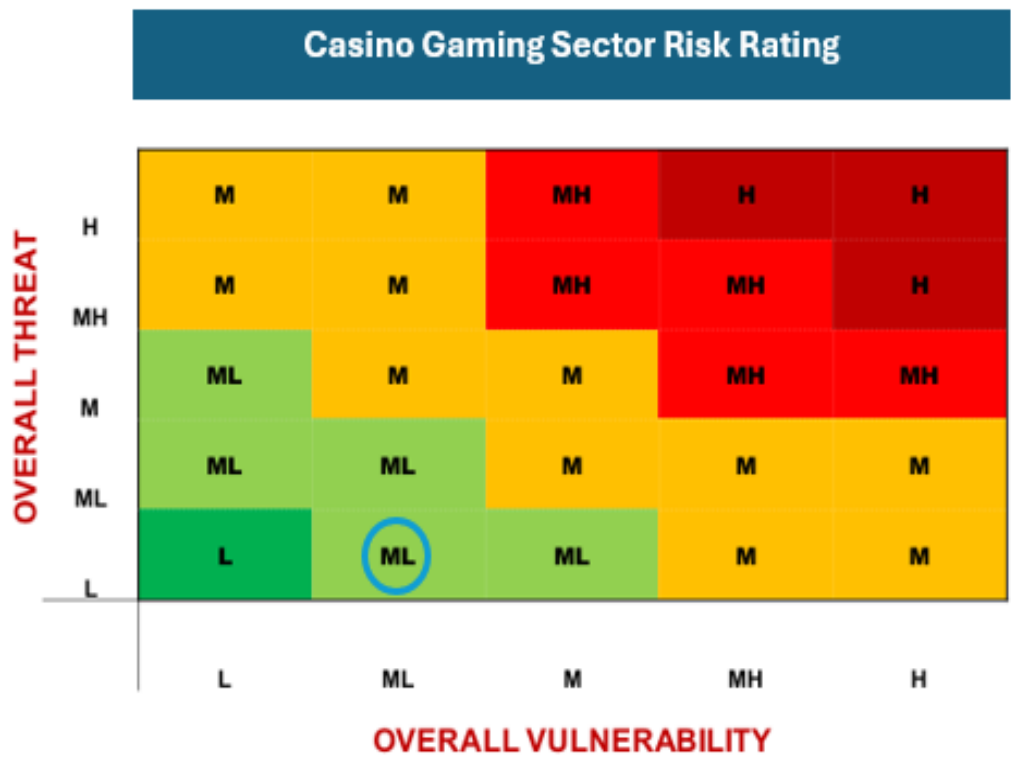
Outward/Inward International Transactions

Given the anticipated clientele of Bermuda casinos, international transactions are likely. This includes winnings being deposited to foreign accounts. Inward transfers from other jurisdictions, possibly high-risk, to patron casino accounts may also occur. The potential frequency of these transactions was previously rated as Medium inherent ML vulnerability. The 2024 assessment also proactively considered such transactions as potential TF vulnerabilities. The actual volume of these transactions can be assessed once casinos are operational in Bermuda. Importantly, these transactions will occur within the cashless gaming business model and rigorous regulatory framework under which Bermuda’s casinos must operate. Specific regulatory requirements for casino operators to trace and report financial transactions within their operations will also be a significant control factor.

4. Conclusion

The Casino Gaming (land-based) sector’s inherent risk rating of MEDIUM-LOW for both ML and TF remains a conditional score, given that there were no such casinos operating in Bermuda during the assessment period. These ratings are based on provisional Low ML and TF threat scores, and Medium-Low inherent ML and TF vulnerability scores.

Figure 27: Heat Map: Sectoral ML/TF Risk Rating (Casino Gaming (land-based))



Chapter 22: Non-Profit Organisation

Summary of Findings:

As in previous years the 2024 NRA assessed Bermuda's nonprofit sector specifically for TF risk exposure. The results show that all Bermuda's nonprofit organisations (NPOs) have a MEDIUM-LOW inherent TF risk rating, based on Low TF threat and Medium-Low inherent TF vulnerability scores. There is no evidence of terrorism or TF abuse in the sector. The predominantly domestic focus of Bermuda's registered charities, and the absence of any terrorist groups in Bermuda contributed to these ratings.

1. Introduction

The NPO sector in Bermuda is active and plays a vital role in the provision of services to various interests or needs of the local community (i.e. human rights, environmental protection, education, disability, social welfare and health).

The FATF have established that not all NPOs are particularly vulnerable to Terrorism Funding (TF) abuse. For the purposes of Recommendation 8, the FATF defines an NPO as any legal person or arrangement or organisation that primarily engages in raising or disbursing funds for charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying on of good works.

The sector is highly regulated in Bermuda. The Registrar General is the competent authority responsible for oversight of Bermuda's NPOs. The statutory role of the Registrar General can be found in the Charities Act 2014, Charities Regulations 2014 and the Charities (Anti-Money Laundering, Anti-Terrorist Financing and Reporting) Regulations 2014. Bermuda law distinguishes between publicly funded charitable entities and privately funded charitable entities. Privately-funded charitable entities, which are operated by a licensed Trust Service Provider (TSP) or Corporate Service Provider (CSP), can apply for an "exemption" from registration as a charity, on the basis that TSPs and CSPs are regulated by the Bermuda Monetary Authority to ensure AML/ATF compliance. As of November 2023, the local sector represented about USD288M in income and capital. There were 478 NPOs within the sector comprising four main sub-sectors:

- Privately Funded Entities (Charitable) – Privately Funded Entities are entities or organisations (i.e. charitable trust, foundations, private donors, and beneficial ownership with a charitable arm) which provide charitable services and do not solicit funds from the Bermuda public, nor receive funding from the Bermuda Government or from Bermuda public sources. The majority of Privately Funded Entities have applied to the Registry General for an "exemption" from registration as a charity, and these entities are overseen by either a licenced Trust Service Provider or a Corporate Service Provider. TSPs and CSPs are in turn regulated by the Bermuda Monetary Authority to ensure that they remain compliant as it relates to AML/ATF requirements. However, a small number of Privately Funded Entities have registered as a charity and come under the Registrar General's supervision for AML/ATF compliance.

- Companies Limited by Guarantee (Charitable) – Companies Limited by Guarantee are those registered with the Registrar of Companies as companies authorized to operate in Bermuda. These organisations can also have a charitable arm and register with the RG as a charity to carry out benevolent acts within Bermuda. If these are not registered with the Registry General's Office, they are overseen by either a licensed Trust Service Provider or a Corporate Service Provider.
- Registered Charities – A charity is an entity or organisation that voluntarily provides assistance to those in need. They perform benevolent or humanitarian acts that are not motivated by self-interest. Charities are registered pursuant to section 17 of the Charities Act 2014 and come under the supervision of the Registrar General. The following subsets fall within the NRA criteria and are included in this analysis:
 - Training & Education
 - International Charities
 - Health & Wellness (including Senior Homes and Shelters)
 - Religious
 - Social (including Fraternities & Sororities, Trusts & Foundations, Societies & Clubs and Country Associations)
- Friendly Societies - A friendly society is a mutual association/organisation or benefit society composed of a body of people (members) who join together for financial or social purposes. These societies provide financial and social services for the relief and maintenance of its members, and do not solicit funds from the Bermuda public. Friendly Societies are registered with the Registry General's office (RG) and are under the supervision of the Registrar. Friendly Societies are governed by the Friendly Society Act 1868 and the Friendly Society Act 1930.

Of the four hundred and seventy-eight (478) NPOs in Bermuda one (1) entity is a friendly society, ninety-two (92) entities are privately funded and exempted from registration, fifty (50) are companies limited by guarantee that are not registered charities, and three hundred and thirty-five (335) are registered charities. Of the 335 registered charities based on their activities one hundred and thirty-four (134) are registered charities that are outside the scope of this assessment; of the remainder which falls within scope, six (6) are International, fifteen (15) are Religious, one hundred and forty-six (146) are Social, fifteen (15) are Health and nineteen (19) are Education.

Current Bermuda law distinguishes between publicly funded charitable entities and privately funded charitable entities, with the latter generally being exempt from registration under the legal regime currently in place.

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2. Analysis of TF Threat and Vulnerability

The 2024 NRA demonstrated there continues to be no evidence of terrorism or TF abuse in Bermuda's NPO sector. Historically there have been no convictions, prosecutions, investigations, STRs, or allegations of any TF-related activity by NPOs in Bermuda, and this remained the case for the 2024 assessment. In addition, Bermuda's role in global terrorism remains minimal. There is no significant evidence of individuals or groups in Bermuda engaging in activities that could pose terrorist threats to other nations. Bermuda's strong financial regulations and close cooperation with international law enforcement agencies further mitigate the risk of outgoing threats from the island.

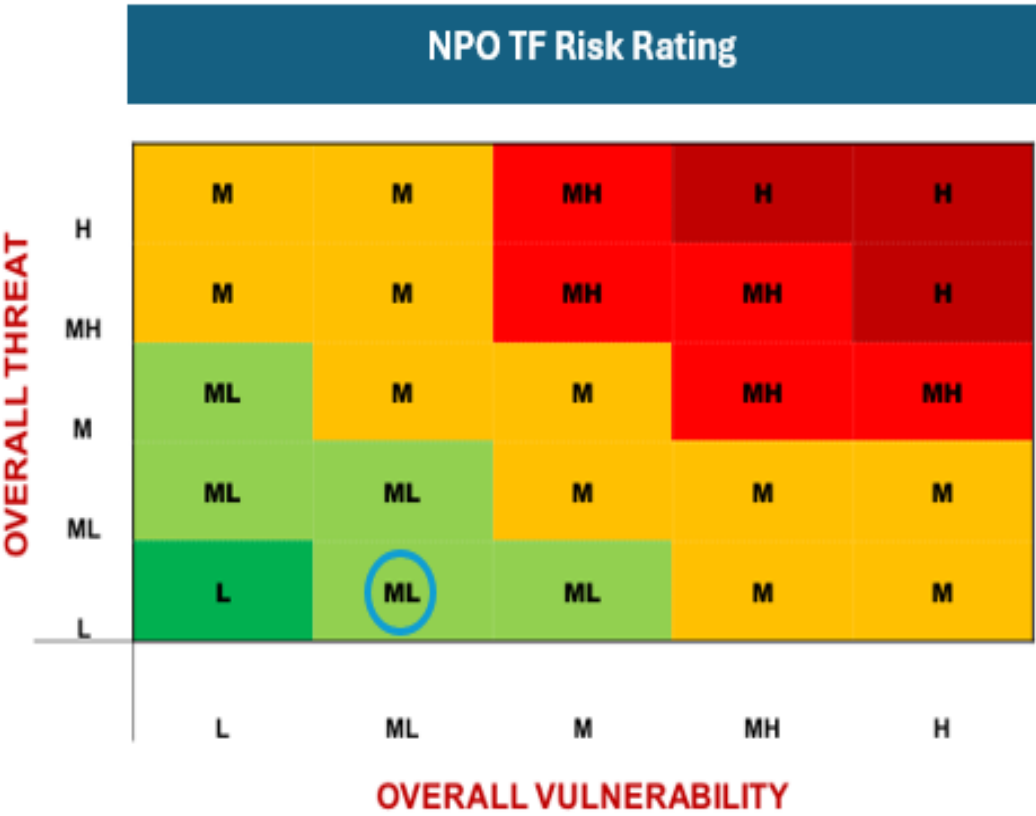
The most significant TF threat exposure identified in the assessment related to the small number of International Charities in Bermuda. Overall, the external reach into jurisdictions of possible unrest and large size of such entities (in excess of \$1M) present a potentially inherently higher risk of exposure to terrorist financing. The assessment showed a very low risk for this sub-sector, with all of the known NPOs in this category having robust safeguards and levels of governance and oversight on the use of their international funds.

Also, almost all NPOs involved in the assessment provided service-related activities which, in theory, could be at risk of being exploited by terrorists, i.e. charitable, religious, cultural, educational, social or fraternal purposes. However, TF threat exposure for such activities, and analysis of key sectoral variables relating to potential diversion or transfer of funds, supporting terrorist recruitment efforts, false representation or sham NPOs, were rated as low to non-existent within Bermuda's NPO sector given its predominantly domestic focus.

3. Conclusion

The 2024 NRA results show that all Bermuda's NPOs have a MEDIUM-LOW inherent TF risk rating, based on Low TF threat and Medium-Low inherent TF vulnerability scores. There is no evidence of terrorism or TF abuse in the sector.

Figure 28: Heat Map: TF Sectoral Risk Rating (NPOs)



Chapter 23: Economic Investment Residential programme

Summary of Findings:

The inherent ML risk rating for Bermuda's Economic Investment Residential Certificate (EIRC) programme is MEDIUM-HIGH, based on a Medium threat rating and High inherent vulnerability rating. The FATF has identified the misuse of citizenship or residence by investment programmes for financial crime, particularly money laundering, as a global economic risk. Bermuda's EIRC programme is relatively new and came into effect during the 2024 NRA review period. In line with its proactive approach to such matters, Bermuda incorporated its EIRC programme within the 2024 NRA for the first time to better identify, assess and understand ML risks applicable to this relatively new sector and help inform future programme enhancements.

1. Introduction

Bermuda's Economic Investment Residential Certificate programme (EIRC programme) came into effect on March 31, 2023, replacing the 2021 Economic Investment Certificate and Residential Certificate Policy; 2015 Residential Certificate Policy; and 2003 Residential Certificate Policy.

The EIRC programme allows individuals who have invested more than \$2.5 Million BMD in pre-approved investment categories, to reside indefinitely in Bermuda. The funds can be invested in one or multiple investment categories, specifically: real estate, government bonds¹², contribution to the government sinking fund, donation to a Bermuda registered charity, investment in the government economic support trust fund, investment in an existing business, establishing a new business or investment in a Bermuda social venture. The EIRC programme is designed to be a tool for stimulating economic development in Bermuda.¹³

Applicants are guided through the comprehensive requirements and detailed submission, vetting and review process for applications by the Bermuda Business Development Agency (BDA). The BDA submits applications to the Ministry of Economy and Labour (the Ministry) with a recommendation stating whether the application should be approved. After further review and final evaluation, if approved the submission is sent to the Department of Immigration (Dol) which produces EIRC certificates.

For the period under review there were a total of 45 applicants from 9 jurisdictions across North America, Europe and Oceania who invested in various types of investments. As of December 31, 2023, the values in investments were as follows:

- Real Estate: \$190,858,977.98
- New Business: \$211,611,537.48

¹² Government bonds was removed as a qualifying criterion with policy revision of June 2024.

¹³ Bermuda Development Agency News - Press Release, October 10, 2024 'BDA Leads Economic Growth as EIRC Initiative Passes \$500 million milestone' [online]

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- Existing Business: \$49,114,923.94
- Total investment: \$451,585,439.40

The FATF has identified the misuse of citizenship or residence by investment programmes for financial crime, particularly money laundering, as a global economic risk. The FATF has reported that these programmes are popular with illicit actors, as they provide the means to alter identities, illicitly access financial systems, flee to non-extradition jurisdictions and evade taxes. The FATF has also focused on the ML and financial crime risks as well as related policy issues associated with such programmes. Bermuda's EIRC programme came into effect during the 2024 NRA review period. In line with its proactive approach, and its overall commitment to international AML/ATF standards and combating financial crime, Bermuda incorporated its EIRC programme within the 2024 NRA for the first time.

Based on the above, the 2024 NRA sought to better identify, assess and understand the ML threats and inherent vulnerabilities associated with such programmes globally, while applying them to determine their potential relevance to, and potential impact on, Bermuda's EIRC programme.

2. Assessment of ML Threat – Analysis of Crime Data and Global Typologies

The overall ML risk rating for Bermuda's Economic Investment Residential Certificate (EIRC) programme is MEDIUM-HIGH, based on a MEDIUM threat rating and HIGH inherent vulnerability rating.

The FATF has broadly identified ML threats¹⁴ in this context as:

- (1) "Criminal Actors: individuals seeking to launder illicit funds through the programmes, and also possibly abuse the granted residency status to conduct further criminal activity
- (2) Investment Migration Ecosystem Participants: service providers such as wealth managers, accountants, immigration and market agents, property developers may abuse the programmes to commit fraud or corrupt programme officials to launder funds
- (3) Corrupt Public Officials: public officials operating in jurisdictions offering RBI programmes with inadequate integrity or governance provisions profiting illicitly from these programmes

The 2024 NRA found no material evidence or widespread cases of activities from such threats impacting Bermuda's EIRC programme. There were no instances during the review period where intelligence or information received warranted investigations or prosecutions regarding an EIRC applicant or dependent. There were also no mutual legal assistance requests involving an EIRC applicant or dependent.

¹⁴ Ibid at paragraph 32, page 13.

The assessment took into account the potential exposure and impact from such threats on this relatively new programme in further detail. Given the absence of extensive local threat data about the EIRC programme the assessment applied international FATF/OECD ML typologies depicting abuse of CBI and RBI programmes globally for additional analysis. The typologies included threats such as Corrupt Actor seeking CBI/RBI Passport, Spouses of Political Exposed Persons (PEPs) as lead applicant, Cash Smuggling and Laundering Funds Involving Defrauded Investors. The analysis considered the likelihood of the typologies occurring within the programme, in light of the way the programme is operated, and also any relevant information or intelligence.

This analysis was extremely helpful, providing additional risk insights while examining all components of Bermuda's EIRC programme to assist with setting baseline rating benchmarks for ongoing future enhancements. A list of international typologies used as part of the EIRC assessment is shown in Annex V.

3. Assessment of Inherent Vulnerabilities

The total inherent vulnerability for the programme is rated High, a conservative benchmark rating set from this initial assessment for a relatively new programme. The assessment focused on the characteristics of seven factors within CBI and RBI programmes, which from global experience are known to be inherently more vulnerable to money laundering:

1. Value of investment
2. Types of applicants
3. Types of dependents
4. Source of Funds
5. High risk jurisdiction
6. Use of concierges or other paid intermediaries
7. Criminal association

These factors are relevant to Bermuda's EIRC programme, some simply by virtue of the programme's requirements, and there are vetting procedures and controls in place within it that align to them. For example:

- The value of investments by applicants is intentionally high, and justifiable given the large flow of funds and capital needed to set up certain businesses in or trade from Bermuda, or to purchase and access to high value goods and services;

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- Given such requirements applicants are HNWIs from multiple jurisdictions, but to date not high risk jurisdictions. The BDA offers concierge services for Bermuda to such individuals by marketing foreign direct investment into Bermuda. This marketing is conducted by BDA’s marketing team which is a separate division from the vetting of the EIRC programme’s applications. Notably, the marketing is not targeted to jurisdictions that are considered high risk countries by the FATF or sanctioned countries by the UNSC.

Whilst there was no indication from the 2024 NRA that these inherent vulnerabilities have negatively impacted Bermuda’s EIRC programme to date, the assessment provided a deeper understanding of each one, and helpful direction for building on the programme’s existing controls and resilience.

4. Conclusion

The inherent risk of the EIRC programme is **MEDIUM-HIGH**. The rating is derived from a Medium-Low threat score and a High inherent vulnerability rating.

Figure 29: Overall ML Risk Heat Map for the EIRC programme

ML Threats	High (5)	6	7	8	9	10
	Medium-High (4)	5	6	7	8	9
	Medium (3)	4	5	6	7	8
	Medium-Low (2)	3	4	5	6	7
	Low (1)	2	3	4	5	6
Overall Vulnerability						
		Low (1)	Medium-Low (2)	Medium (3)	Medium-High (4)	High (5)

Chapter 24: Conclusion

Bermuda’s fourth ML/TF National Risk Assessment, conducted from 2024 to 2025, found that its most significant inherent ML and TF risks remain generally consistent with the 2020/2021 assessment. Drug trafficking, fraud (foreign-sourced), market manipulation/insider trading (foreign-sourced), and corruption/bribery (foreign-sourced) are still potentially the primary proceeds-generating ML threats. Tax crimes (foreign-sourced) and cybercrime also pose material ML threats. However, crime statistics for the four-year period (January 2020 - December 2023) show an overall downward trend in criminal activities, potentially due to enhanced policing, social measures, and the impact of COVID-19 regulations.

The level of TF threat in Bermuda continues to be rated as Low. Bermuda maintains a low threat profile both for domestic and cross border TF threats with no local or foreign intelligence showing either incoming or outgoing terrorist financing activities or cases.

Inherent ML and TF risks at a Sectoral Level

The National Risk Assessment included an evaluation of sector-specific threats and inherent vulnerabilities resulting in inherent money laundering (ML) and terrorist financing (TF) risk ratings for each sector. The assessment of ML and TF threats impacting regulated sectors forms part of the broader national ML/TF threat analysis. Conclusions based on Bermuda’s national and sectoral risk ratings will enable competent authorities, policymakers and private sector stakeholders to maintain a current understanding of inherent ML/TF risks to the jurisdiction. This, in turn, supports the development of appropriately tailored policies, procedures, resource allocation and strategies to effectively manage these risks.

The table below presents a comparative analysis of inherent ML risks across the assessed sectors, including the underlying threat and inherent vulnerability ratings that informed these results.

Table 10: Sectoral Comparison of Inherent ML Risk Ratings (ML Threat + Inherent Vulnerability)

Sectors	2020 Inherent <u>ML</u> Risk Rating	2024 Inherent <u>ML</u> Risk Rating
RFI: Deposit Taking	Medium-High	High (High Threat + High Inherent Vulnerability)
(High Threat + Medium Inherent Vulnerability)	High	Medium-High (High Threat + Medium-High Inherent Vulnerability)
(High Threat + High Inherent Vulnerability)	Medium-High (Medium-High Threat + Medium Inherent Vulnerability)	Medium-High (Medium Threat + Medium-High Inherent Vulnerability)
RFI: Insurance	Medium-High	Medium (Low Threat + Medium-High Inherent Vulnerability)

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Sectors	2020 Inherent <u>ML</u> Risk Rating	2024 Inherent <u>ML</u> Risk Rating
RFI: Deposit Taking	Medium-High	Medium-High (Medium-High Threat + Medium High Inherent Vulnerability)
(High Threat + Medium Inherent Vulnerability)	High	Medium-Low (Low Threat + Medium-Low Inherent Vulnerability)
(High Threat + High Inherent Vulnerability)	High	High (High Threat + High Inherent Vulnerability)
RFI: Insurance	Medium-High	High (High Threat + High Inherent Vulnerability)
(Medium-High Threat + Medium Inherent Vulnerability)	Medium-High	Medium-Low (Low Threat + Medium ML Inherent Vulnerability)
(Medium Threat + Medium-High Inherent Vulnerability)	Medium	High (High Threat + Medium-High Inherent Vulnerability)
RFI: Securities	High	Medium-High (Medium Threat + Medium-High Inherent Vulnerability)
(High Threat + Medium-High Inherent Vulnerability)	High	Medium-Low (Low Threat + Medium-High Low Inherent Vulnerability)
(High Threat + Medium-High Inherent Vulnerability)	Medium (Medium-Low Threat + Medium Inherent Vulnerability)	Medium-Low (Low Threat + Medium Low Inherent Vulnerability)
RFI: Money Service Business	Medium	Medium-Low (Low Threat + Medium Low Inherent Vulnerability)
Economic Investment Residential Certificate (EIRC) Programme	N/A	Medium-High

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The table below presents a comparative analysis of TF threat ratings across the assessed sectors.

The inherent TF vulnerability across sectors is not strictly comparable. The 2020 World Bank (WB) methodology primarily focused on terrorism threat, whilst the 2022 methodology which was used in this assessment evaluates the TF threat of relevant terrorist organisations using five key criteria which went beyond the level of terrorism threat, followed by a detailed analysis of TF methods these organisations employed within the country. This methodology allowed for a more granular understanding of how funds are raised, moved and used for terrorism.

Table 12: Sectoral Comparison of TF Threat Risk Ratings

Sectors	2020 TF Threat Rating	2024 TF Threat Rating ¹⁵
RFI: Deposit Taking	Medium-Low	Medium-Low
RFI: Insurance	Low	Medium-Low
RFI: Securities	High	Medium-Low
RFI: Money Service Business	Medium-Low	Medium
RFI: Digital Asset Business	Low	Medium-Low
Lending	Low	Medium-Low
DNFBP: Trust Business	N/A	Medium-Low
DNFBP: Corporate Service Providers	Low	Medium-Low
DNFBP: Legal Sector	Low	Low
DNFBP: Accountants	Low	Low
DNFBP: Real Estate	Low	Low
DNFBP: Dealers in Precious Metals and Stones	N/A	Low
Other Non-Financial: Dealers in High Value Goods (Cars, bikes and boats)	N/A	Low
DNFBP: Casino Gaming	N/A	Low
Non-Profit Organisations	Medium-Low	Low

Enhanced coordination and cooperation between Bermuda's financial oversight and law enforcement authorities continues to help identify, prosecute, and disrupt attempted ML/TF activities. In addition, and crucially, Bermuda's robust AML/ATF regulatory frameworks underpin the integrity, reliability, and security of its financial system, continuing to generate confidence among individual and corporate investors or clients locally and globally.

¹⁵ The evaluation of TF threats with the updated TF World Bank methodology and criteria provides a broader framework that considers various factors in addition to level of terrorism threat, which may contribute to the risk environment. The methodology also requires a detailed examination of TF methods used by these organizations within the country, allowing for a more granular understanding of how funds are raised, moved and used for terrorism.

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As with previous assessments, the 2024 ML/TF NRA aims to inform the public and private sectors in Bermuda about significant threats to its financial system, ongoing challenges, and potential inherent vulnerabilities. By examining these areas, Bermuda can prioritize and work to address them. Therefore, the 2024 ML/TF NRA findings will inform national AML/ATF policy, regimes and strategies, helping to address evolving global threats to Bermuda's financial system while supporting and building on the invaluable integrity of the jurisdiction.

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Annex I: Glossary

AGC	Attorney-General's Chambers
AML	Anti-Money Laundering
AML/ATF Board	Barristers and Accountants AML/ATF Board
ATFA	Anti-Terrorism (Financial and Other Measures) Act 2004
ATF	Anti-Terrorist Financing
BDA	Bermuda Development Agency
BerDIN	Bermuda Drug Information Network
BILTIR	Bermuda International Long Term Insurers and Reinsurers
BMA	Bermuda Monetary Authority
BMD	Bermudian Dollars
BPS	Bermuda Police Service
CA	Competent Authority
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Combatting the Financing of Terrorism
CPA Act	Chartered Professional Accountants of Bermuda Act 1973
CPA Bermuda	Chartered Professional Accountants Association of Bermuda
CSP	Corporate Service Provider
DAB	Digital Asset Business
DNFBP	Designated Non-Financial Businesses and Professions
DOI	Department of Investment
DPMS	Dealers in Precious Metals and Stones
DPP	Department of Public Prosecutions
EIC	Economic Investment Certificate
EIRC	Economic Investment Residential Certificate
EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investments
FIA	Financial Intelligence Agency
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
FTF	Foreign Terrorist Fighters
GDP	Gross Domestic Product
HNWI	High Net Worth Individuals
HVD	Dealers in High Value Goods
IAIS	International Association of Insurance Supervisors
IBA	Investment Business Act 2003

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IFA	Investment Funds Act 2006
IFC	International Financial Centre
IM	Insurance Managers
IOSCO	International organisation of Securities Commissions
KYC	Know Your Customer
LEA	Law Enforcement Agency
LLC	Limited Liability Company
LPI	Limited Purpose Insurer
LTD	Long-Term Direct
LT Insurance	Long-Term/Life Insurance
MER	Mutual Evaluation Report
ML	Money Laundering
MLA	Mutual Legal Assistance
MoU	Memorandum of Understanding
MSB	Money Services Business
NAMLC	National Anti-Money Laundering Committee
NLP	Non-Licensed Persons
NPO	Non-profit Organisation
NRA	National Risk Assessment
OECD	Organisation for Economic Cooperation & Development
ONAMLC	Office of National Anti-Money Laundering Committee
PEP	Politically Exposed Person
PF	Proliferation Finance
POCA	Proceeds of Crime Act 1997
POC Regulations	Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008
PS	Permanent Secretary
PTC	Private Trust Company
RBI	Residency by Investment
RC	Residency Certificate
REBLA	Real Estate Brokers' Licensing Act 2017
RFI	Regulated Financial Institution
RoC	Registrar of Companies
RPF	Regulated Professional Firm
SAR	Suspicious Activity Report
SEA Act	Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008
SORE	Superintendent of Real Estate
STR	Suspicious Transaction Reporting
TAFSA	Terrorist Asset-Freezing etc. Act 2010

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TCSP	Trust or Company Service Provider
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
TIEAs	Tax Information Exchange Agreements
TSP	Trust Service Provider
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
US	United States
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolution
USD	US Dollar
WB	World Bank
WG	Working Group

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Annex II: The World Bank Tool - Money Laundering & Terrorist Financing Risk

As noted in Chapter 1 of this report, the World Bank risk assessment model was used for the 2024 ML/TF NRA. The ML risk assessment used the World Bank Model's seven ML modules. This provides continuity and comparability of results, as this Model was also used to conduct the 2013, 2017 and 2020/2021 NRAs. The seven ML modules from the World Bank Model are shown below:

MODULE 1 - National Money Laundering Threat;

MODULE 2 - National Vulnerability;

MODULE 3 - Banking/Credit Union Sector Vulnerability;

MODULE 4 - Securities Sector Vulnerability;

MODULE 5 - Insurance Sector Vulnerability;

MODULE 6 - Other Financial Sectors Vulnerability – namely, Money Service Business;

MODULE 7 - Non-Financial Sectors Vulnerability – namely Designated Non-Financial Businesses and Professions (DNFBPs) and others, that is:

- Trust Service Providers;
- Corporate Service Providers;
- Casino Gaming;
- Real estate dealers, brokers and agents;
- Lawyers;
- Accountants;
- Dealers in Precious Metals and Stones;
- Other Dealers in high value goods – cars, boats, bikes, antique dealer and auctioneers

The 2024 assessment of TF risks was conducted using the World Bank's enhanced 2022 TF Risk Assessment tool which constituted a comprehensive update to Module 8 of the 2015 Tool which had been used in Bermuda's previous TF NRAs. The updated tool constituted the following steps:

STEP 1 – TF Threat from Terrorist Persons and organisations

STEP 2 – TF National Threat

STEP 3 – TF Sectoral Risk Assessment

STEP 4 – TF National Vulnerability

STEP 5 – TF Risk

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A standalone 2022 tool created by the World Bank for Non-Profit Organisations (NPOs) which assessed NPOs which are vulnerable to terrorist financing abuse.

A bespoke tool was also used for the assessment of money laundering risks associated with the Economic Investment and Residential Certificate programme.

Figure 1: Illustrates relationships between World Bank Tool's ML Modules

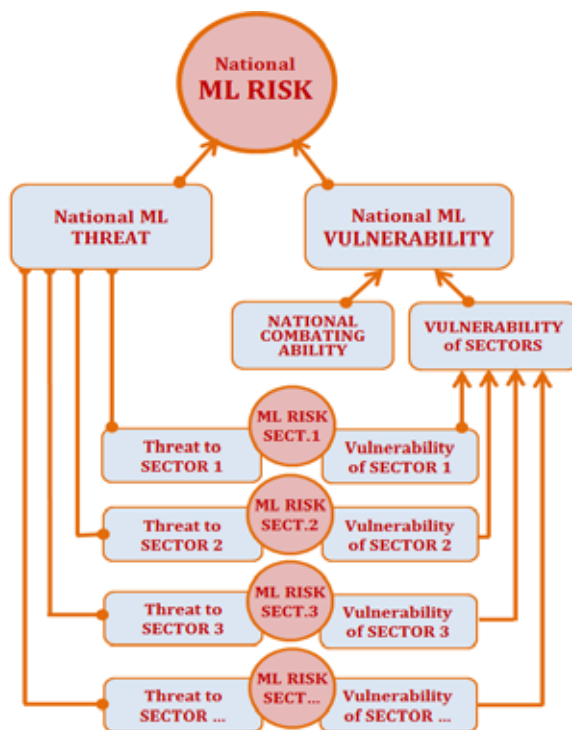
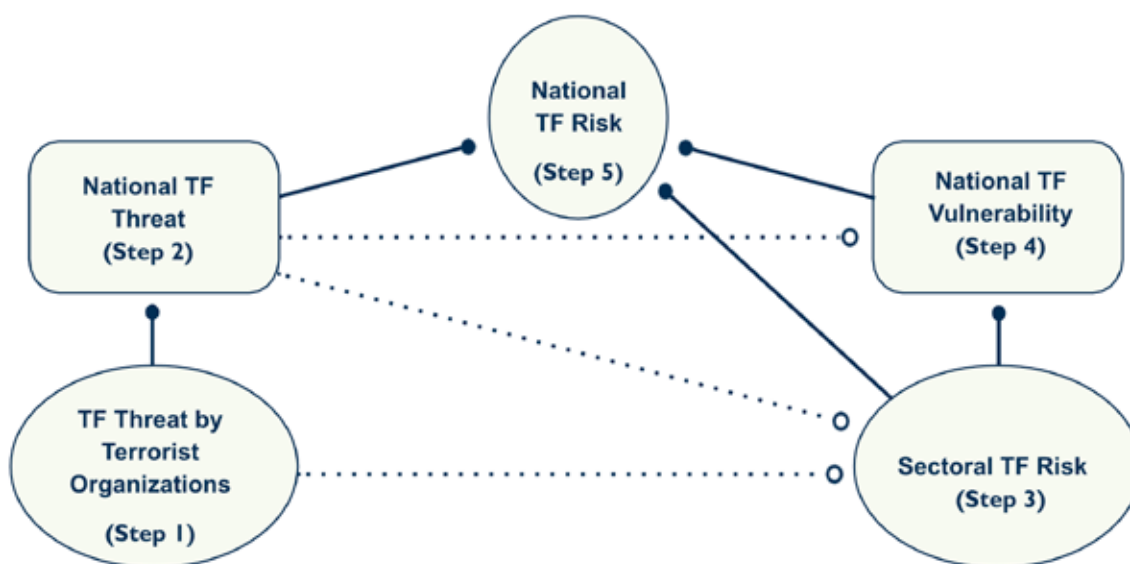


Figure 2: Illustrates the Structure of the World Bank's updated TF tool



How Does the Tool Work?

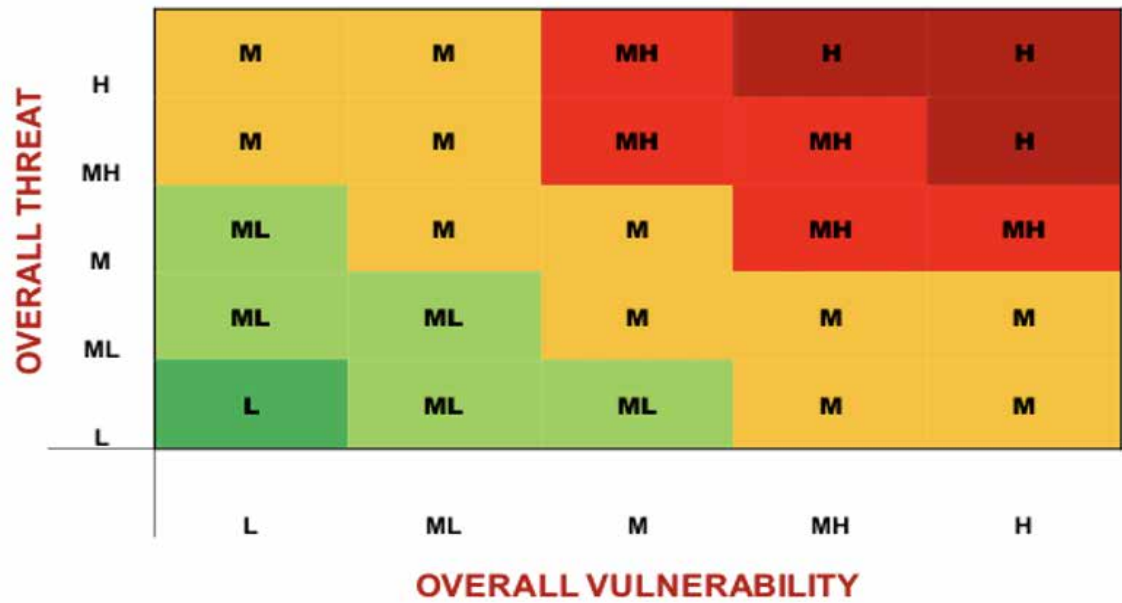
The World Bank Model has a highly integrated modular methodology that works as follows:

1. Each of the Modules that assess ML vulnerability (Modules 2 – 7) is broken down into intermediate variables and input variables. Each input variable assesses various key features of the sectoral or national AML/ATF framework or the products offered by each sector; and require a quantitative assessment to be made about them by the Working Groups. Based on the scores determined for the input variables, the intermediate variables are calculated by the Model itself, using its proprietary algorithms.
2. The combination of input and intermediate variables generates a single quantitative score for each vulnerability module (Modules 2 – 7). These scores translate into the 5-point vulnerability ranking of 'Low', 'Medium-Low', 'Medium', and 'Medium-High' or 'High'. This applies for both sectoral and national vulnerability assessments.
3. The single resulting quantitative score generated for each of the sectoral assessments, using Modules 3 to 7, are in turn fed into Module 2 on National ML/TF Vulnerabilities, in order to generate a single quantitative score that indicates the national vulnerability level. The national vulnerability score that is obtained can then be plotted to a 5-point national vulnerability rank which will be 'Low', 'Medium-Low', 'Medium', 'Medium-High' or 'High'.
4. Module 1 on National ML Threats does not operate on quantitatively determined input variables. Instead, the module requires the Working Group to determine a subjective ranking of the ML threat from the various predicate offences into 'Low', 'Medium-Low', 'Medium', 'Medium-High' or 'High'. The module also requires the ranking of the ML threat to each sector, as well as the identification and ranking of the cross-border threat, using the same ranking levels of 'Low', 'Medium-Low', 'Medium', 'Medium-High' or 'High'. Further, upon ranking all of these threats, the Working Group is required to determine a single national threat rank, which will also be either 'Low', 'Medium-Low', 'Medium', 'Medium-High' or 'High'.
5. Module 9 addresses TF risk. Step 1 of the updated World Bank tool on TF risk enables more precise, in-depth analysis of TF Threats, particularly by integrating typologies where data is limited, allowing for a closer examination of how TF threats could affect Bermuda. TF Threat was assessed using a five-point rating scale to assess levels: Low, Medium-Low, Medium, Medium-High, and High.
6. Each of the steps that assess TF vulnerability (Steps 3 - 4) is broken down into intermediate variables and input variables. Each input variable assesses various key features of the sectoral or national AML/ATF framework or the products offered by each sector, and requires a quantitative assessment to be made about them by the Working Groups. Based on the scores determined for the input variables, the intermediate variables are calculated by the Model itself, using its proprietary algorithms. TF Vulnerabilities were also assessed using a five-point rating scale to assess levels: Low, Medium-Low, Medium, Medium-High, and High.

- 7. Finally, the World Bank model provides a matrix in the form of a heat map (see table below) to combine the rankings of Modules 1 (National ML Threats) and 2 (National ML Vulnerabilities) in order to generate an overall ML risk for the country. This same matrix can be used to generate the overall sectoral risk ratings, using the vulnerability rankings generated by Modules 3 – 7 for the sectoral assessments and the sectoral threat rankings generated using Module 1.
- 8. The World Bank model also provides a matrix in the form of a heat map (see table below) to determine the rankings in respect of an overall TF risk for the country.

The figure below illustrates the threat/vulnerabilities matrix and the risk levels have been color-coded, with lower levels being depicted in shades of green, medium level depicted in yellow, and the higher levels depicted in red.

Figure 3: Overall Risk Heat Map - threats and vulnerabilities matrix



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Annex III: Working Groups

The following working groups were established to conduct the national level and sectoral ML/TF risk assessments for the 2024 NRA:

i. National ML Threats Working Group

The National ML Threats Working Group focused its efforts on evaluating the criminal activity that occurs both locally and overseas that can give rise to money laundering in Bermuda. The Working Group therefore assessed the ML threat posed by the predicates that give rise to criminal proceeds, the source of the ML threat, the threat posed to each of the sectors in the economy, as well as the cross-border threat of ML to and from a select number of countries. The overall national threat ranking derived from the assessment using Module 1 was then combined with the overall national vulnerability ranking derived from the assessment using Module 2, to determine the overall national ML Risk.

The Working Group comprised representatives from the Attorney-General's Chambers, the Bermuda Monetary Authority, the Bermuda Police Service (co-Chair), the Customs Department, the Department of Public Prosecutions, the Financial Intelligence Agency (co-Chair) and the Office of NAMLC. Specific assistance was sought and received from the Department of Statistics, the Office of the Tax Commissioner and the Department of Immigration.

ii. National TF Threats Working Group

The National TF Threats Working Group assessed incorporated domestic typologies derived from intelligence, as well as international typologies to serve as analytical tools. This enabled closely examining Bermuda's Anti-Terrorist Financing (ATF) framework, particularly focusing on sectors and channels that TF actors might exploit. Using these typologies the Working Group analysed the possible sources, channels, movement and use of funds that could impact Bermuda's TF risk if terrorist financing were attempted within the jurisdiction.

The Working Group comprised of representatives from the Attorney-General's Chambers, the Bermuda Civil Aviation Authority, the Bermuda Monetary Authority, the Bermuda Police Service, the Bermuda Shipping and Maritime Authority, the Customs Department, the Department of Public Prosecutions, the Financial Intelligence Agency, the Ministry of Finance and the Office of NAMLC. Specific assistance was sought and received from the Department of Statistics, the Office of the Tax Commissioner and the Department of Immigration.

iii. National ML/TF Vulnerabilities Working Group

The National ML/TF Vulnerabilities Working Group focused on assessing the laws and national institutions that operate to combat money laundering at the national level and this assessment coupled with the sectoral assessments gave rise to the overall national vulnerability score.

The National ML/TF Vulnerabilities Working Group comprised of representatives from the Attorney-General's Chambers (co-Chair), the Bermuda Monetary Authority, the Bermuda Police Service, the Customs Department (co-Chair), the Department of Public

Prosecutions, the Financial Intelligence Agency, the Ministry of Finance, the Financial Sanctions Implementation Unit of the Ministry of Justice, the Judiciary, the Office of NAMLC, the Office of the Tax Commissioner, the Registrar of Companies, and the Registry General. Specific input was also solicited from Chartered Professional Accountants (CPA) Bermuda and the Bermuda Public Accountability Board.

iv. Sectoral Working Groups

Sectoral Working Groups were established which assessed the money laundering vulnerability and terrorist financing vulnerability of their respective sectors, using the modules of the World Bank Tool, as was relevant to the sector in question. The vulnerability scores arrived at by each sectoral Working Group was fed into the ML/TF National Vulnerabilities Working Group to input into Module 2. The sectoral Working Groups where relevant, were also provided with the sectoral threat rankings so that they could determine the sectoral ML risk ratings. They were as follows:

- i. Financial Institutions (FI) Working Group – composed of representatives from the Bermuda Monetary Authority (AML Supervision team, Banking Prudential Supervision team, legal and policy representatives, licensing and authorization representatives). This Working Group also assessed BMA supervised DNFBPs, namely Trust and Corporate Service Providers.
- ii. Designated Non-Financial Businesses and Professions (DNFBP) Working Group – comprised of representatives from the Barristers and Accountants AML/ATF Board, the Bermuda Bar Association, the Office of the Superintendent of Real Estate (a division of the Registrar of Companies), the Bermuda Gaming Commission and the Office of NAMLC.
- iii. The EIRC Working Group – composed of representatives from the Bermuda Business Development Agency, the Ministry of Economy and Labour, the Financial Intelligence Agency, the Ministry of Finance, the Department of Immigration, and the Office of NAMLC.
- iv. The Charities (NPO) Working Group – composed of representatives from the Registry General's Department and the Office of NAMLC.

Annex IV: International Typologies Used as Part of Terrorist Financing Assessment

1. Channel: NPO, Money Transfer

Terrorist Organisation: Jamaah Islamiah (not on TO list but linked to Indonesia terrorist activity)

Legal Charitable Foundation abused for Terrorism Financing terrorism financing; abuse of NPO; new payment methods

Person A became a member of JI in 2006 and was active in the region of North Sumatra. At the end of 2014, Person A became the Chief of Charity Foundation X, a legal charitable foundation recognised by the Indonesian government. After his appointment, Person A conducted several programs such as Donations for Gerakan Sedekah Seribu Sehari (IDR1,000 per day); Zakat; Social Donations including foods for poor people as well as charity boxes. 1,800 charity boxes were disseminated until 2020. Funds collected by Charity Foundation X between 2014 and 2020 amounted to IDR1.2 billion (approx. USD77,297). In 2016, Person A started to learn digital fundraising. The funds raised by Charity Foundation X were used for external programs, such as da'wah, education, social donation, Islamic solidarity world, enhancement of economic society, disaster response and internal programs such as legal / advocacy advice to arrested members of JI and their families. Charity Foundation X also made money transfers directly to JI. Every year Charity Foundation X manipulated its reports to Baznas (National of Zakat Infraq and Sadaqah) and Ministry of Religion Affairs to conceal that it was a foundation created under JI. While Person A held the position of Chief of Charity Foundation X in North Sumatra, he joined its National Conference and Board of Directors and discussed reports of programs conducted by each region and upcoming programs. At the same time Person A was receiving direction from JAMAAH ISLAMIAH JI, including how to transfer funds from the regional branch of Charity Foundation X to JI. In December 2021, Person A was convicted on charges of terrorism and terrorism financing by judges, and received a sentence of five years imprisonment and fines of IDR100,000,000 (USD6,395).

Source – Indonesia

2. Channel: NPO/ Wire transfer via Bank

Terrorist Organisation: MUJAHIDIN INDONESIA TIMUR

Multi Jurisdiction NPO exploited for Terrorism Financing terrorism financing; abuse of NPO

From April to May 2020, Indonesia's FIU, PPATK, together with a counterpart FIU (FIUB), exchanged information within the framework of a joint analysis of alleged terrorism financing through the collection and distribution of donations carried out by several Non-Profit organisations (NPOs), with global operational activities, and located in Indonesia and FIU B's jurisdiction (Jurisdiction B). One of these NPOs is Charity Foundation B which is registered in Jurisdiction B. Within the period of 6 May 2019 to 23 July 2021, Charity Foundation B was identified as having conducted international wire transfers worth a total of AUD375,915 (USD240,873) to jurisdictions of interest. Three parties in Indonesia were identified as receiving funds from Charity Foundation

B, namely Person A (total IDR 133,213,091), Person B (total IDR 71,665,605) and Person C (total IDR 76,743,325). One of the administrators of Charity Foundation B, Person D, also wired funds to persons of interest to law enforcement in Jurisdiction C. In addition, in May 2020, Person D was identified as transferring funds amounting to IDR 13,710,540 to Person D. On July 27, 2021, PPATK coordinated with Densus 88 AT Indonesian National Police (INP), in which the Detachment 88 AT conveyed indications of terrorism financing supporting the terrorist group MUJAHIDIN INDONESIA TIMUR (affiliated with ISIS) by Person A, where it was suspected that the funds were derived from NPOs and individuals in Jurisdiction B (Person A was one of the entities who had received wire transfers from Charity Foundation B). Furthermore, PPATK provided intelligence information based on the results of a joint analysis with FIU B. On July 29, 2021, Person A was named a suspect in Terrorism Financing and was arrested in Makassar, South Sulawesi. The investigation revealed that Person A made transfers to support the activities of the East Indonesia Mujahidin Group at the direction of Person N. In March 2022 the Indonesian Attorney General's Office advised that the case against Person A would go to trial. PPATK conducted financial analysis of parties in Indonesia who received wire transfers from Charity Foundation B and Person D. PPATK also monitored social media for affiliated parties in Indonesia. Several additional entities of interest were identified and the analysis results were submitted to Detachment 88 AT. PPATK also initiated trilateral joint financial analysis with FIU B and another counterpart FIU (FIU C) from Jurisdiction C (which had been identified in earlier analysis as receiving wire transfers from Charity Foundation B and Person N). The three FIUs also submitted a request to the FIU of Jurisdiction D to obtain information regarding donors and possible indications of involvement with terrorist groups in that jurisdiction. In addition, PPATK worked hand in hand with the Directorate General of Customs and Excise (DGCE) in exchanging information. On 11 February 2022, the DGCE submitted data on Passenger Risk Management that confirmed that Person D had made two trips to Indonesia. Investigations revealed that the purpose of Person D's travel was to meet with Person A and distribute funding in Indonesia. As a result, incoming passenger alerts have been placed on Person D.

Source – Indonesia

3. Channel: Bank / MSB

Terrorist Organisation: None/Foreign Terrorist Fighter (FTF)

Use of money-changer to obtain US dollars for travel to join terrorist organisation terrorism financing; financial institutions; currency exchange

Person A was arrested in 2019 and subsequently convicted of committing a criminal act of terrorism and sentenced to six years of imprisonment. Person A, together with several of his colleagues, routinely developed strategies to travel internationally to join a foreign terrorist organisation. In preparation, he made a bank cash withdrawal of IDR50,000,000 (USD3,197) with the intention that it would be exchanged for USD at one of the money changers in Aceh. In addition, Person A also received a money transfer of IDR100,000,000 through a bank account which was exchanged for approximately USD6,950. The USD and bank transfers were used to fund the purchase of flights to conflict areas. One of the bank transfers was affected through the account of the wife of one of the colleagues of Person A.

Source – Indonesia

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4. Channel: DAB/ Cryptocurrency/ Bank

Terrorist Organisation: A group in the southernmost part of the Philippines

Cryptocurrency heist use of virtual assets; terrorist financing; abuse of non-profit organisation

Person A is a project director of a non-profit organisation that was suspected by law enforcement agencies to be involved in TF by supporting activities of a group in the southernmost part of the Philippines. The Crypto account in VASP C of Person A was receiving cryptocurrencies (mostly bitcoin) from more than 300 external crypto wallets and other crypto accounts in VASP C accumulating to around P856,000 (approx. USD15,309). Funds were accumulated in Person A's account in VASP C and eventually transferred to crypto wallets with unknown addresses.

Source – Philippines

5. Channel: DAB/ Cryptocurrency

Terrorist Organisation: None

Funds from donations scam converted to cryptocurrency use of virtual assets; terrorist financing

Ms. H, a female college student in a location high risk for TF, was under investigation for alleged involvement in TF activities of a designated group. There were donations from various senders coursed through EMI X and MSB Z (in small amounts not exceeding P2,000) for four months aggregated to around P92,000. Ms. H also received funds from various bank transfers that accumulated to around P263,000 (approx. USD4,703). It appeared that the accumulated funds were not used for the advertised purposes but were used to purchase cell phone load and were withdrawn by Ms. H. A part of the funds was used to purchase a fraction of bitcoin which was eventually transferred to a crypto wallet with unknown address. The case was referred to the AMLC Secretariat by a law enforcement agency requesting the conduct of a financial investigation on Ms. H and bank accounts (with Ms. H as the account owner) posted in various social media accounts for donations for affected areas of the super typhoon which may have been used to finance terrorism in the Philippines. The investigation is still ongoing.

Source Philippines

6. Channel: MSB

Terrorist Organisation: Self-radicalised and attracted to the ISIS

Case of terrorism financing through online platforms terrorism financing

In 2022, a foreign national working in Jurisdiction A was convicted and sentenced to two years and eight months' imprisonment, under the Terrorism (Suppression of Financing) Act 2002, for providing monies to benefit a terrorist entity. The individual worker was self-radicalised and attracted to the Islamic State of Iraq and Syria's goal of establishing an Islamic caliphate in Syria. In 2020, Person A transferred monies of up to SGD 891 (USD654) on 15 occasions through online platforms, to fundraising campaigns for Syria-based organisations. Person A was aware

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the funds could either entirely or in part, be used to benefit the causes of Hayat sh Al-Sham, an entity designated under the ISIL (Da'esh) and Al-Qaida Sanctions List.

Source – Singapore

7. Channel: Bank

Terrorist Organisation: None

Terrorism Financing Through ATM Transaction suspicious transaction reporting; terrorism financing; cash

According to a STR filed by bank B, Person A had been conducting transactions not in line with their expected income. Person A's expected monthly income was 8,000 baht; however he conducted several transactions through an ATM totalling more than 600,000 baht(USD16,500) over a short period. AMLO investigated and found a link between Person A and several cases involving improvised explosive devices. As a result Person A was listed as a designated person. Person A's assets were frozen and he is currently a Person in a TF case.

Source – Thailand

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Annex V: International Typologies Used as Part of EIRC Assessment

1. Corrupt actor seeking CBI passport: Malta's FIU received a report related to a Maltese -registered company (Company A) acting as a broker for the sale of an oil rig, which was being run by an individual with no prior experience within the oil and gas industry. The transaction involved a known group of foreign energy companies located in different jurisdictions, which involved two foreign PEPs as the transacting parties using Company A as an intermediary. The FIU found one of the PEPs involved in the transaction was also in the process of applying for citizenship via the country's CBI programme. Further enquiries revealed that the subject was under investigation for corruption in their country of origin and was subject to asset freezes in third countries. The individual was subsequently denied their application for the CBI programme and those involved in the suspect oil rig transaction were prosecuted for money laundering and corruption offences by the authorities in Malta.

Source: Malta

2. Spouses of PEPs as lead applicants: Portugal noted a trend in its programme where family members of politically exposed persons (PEPs) – usually the spouse – are used to obtain RBI status as the lead applicant. This is done on the perception that the PEP is less scrutinised and the family is more likely to be accepted by the programme. Once an application has been successfully granted for the spouse, the PEP then applies for a “family reunification” permit, assuming that there will be lower vetting standards associated with the RBI programme. Portugal observes that this methodology closely follows the money laundering modus operandi of placing assets coming from illicit activities in the name of an intermediary such as a close associate, family member, or a front man.

Source: Portugal

3. Corruption and asymmetrical cash transfer methods: An individual was provided with funds by a corrupt nominal (her husband) to make an RBI visa application. The corrupt nominal that represented the original source of funds was involved in a bribery investigation related to duty crimes and whose wealth was inconsistent with earnings. It is understood that the cross- border transfer of funds used in the visa application saw funds initially laundered through the purchase of wealth management products from a bank in China before the cross-border transfer of the funds (circa RMB 2.75 million or approx. USD 300 000) was facilitated via a “hawala” style unregulated banking method.

Source: China

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4. Virtual Assets & CBI: A founder of a dark web criminal marketplace was identified as having obtained an Antiguan and Barbudan CBI passport for themselves and their spouse. Despite obtaining an Antiguan and Barbudan CBI document and obtaining property in the country, the illicit actor did not reside in Antigua and Barbuda but was instead actually based in Thailand and Canada. The applicant was known to have generated and moved their wealth via the acquisition of virtual assets and transactions made related to their dark web marketplace which were then used to purchase properties internationally.

Source: Antigua and Barbuda

5. Cash Smuggling: Bangladesh FIU identified that a significant number of Bangladesh nationals were utilising a wide range of RBI and CBI programmes across Asia, Europe, North America and the Caribbean but had no record of ever having registered an associated transfer of the requisite funds out of Bangladesh with the Bangladesh authorities (as required under Bangladeshi law). The Bangladeshi authorities assess that funds are being moved out of Bangladesh to fund applications using illegal informal/unregulated cash smuggling methodologies. Bangladesh notes that regardless of whether the origin of funds was or was not legitimate, this modality of cash transfer is itself an offence under Bangladesh's AML regulations. Bangladesh authorities also report examples of cross border cash smuggling used to fund investment migration applications which were tied to the cross-border movement of the criminally obtained proceeds of large-scale fraud in Bangladesh into an RBI programme operated by another jurisdiction.

Source: Bangladesh

6. Laundering Funds Involving Defrauded Investors: In November 2017, an attorney pleaded guilty to federal fraud and money laundering charges for participating in a multi-faceted scheme that collected more than USD 50 million from foreign investors seeking "Green Cards" through the EB- 5 visa programme. The attorney admitted that she exploited the EB-5 visa programme, which provides lawful permanent residence – commonly known as a "Green Card" – to foreign nationals who invest at least USD 500 000 in a domestic business that creates 10 new American jobs. The Attorney admitted that much of the money collected by the investment company from the primarily Chinese investors was either stolen by the conspirators or refunded to the foreign nationals. This undermined one of the basic principles of the EB-5 programme because the money was not actually invested in the United States, nor did it lead to the creation of 10 new American full-time jobs, as required under the programme. The attorney further admitted that she fraudulently used hundreds of thousands of dollars in EB-5 investor funds to purchase homes in her name, including residential properties worth nearly USD 1 million each.

Source: United States

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7. **Money Merry Go Round Scheme:** The UK has detected several abusive non-genuine investment schemes that sought to simulate investment for a fee. In one case a husband-and-wife team enabled clients to simulate £1million investments into the UK. The scheme organisers did this by taking loans from one UK based lending company controlled by the husband on condition the funds were passed to another UK company controlled by the wife. The UK company that received the investment then made onward investments with the funds into companies outside the UK. At no point were applicants ever genuinely in control of the funds. This service was provided to applicants for a fee of GBP 200 000 per applicant. A later similar scheme simulated a £2 million investment for a fee of GBP 400 000. A wealth manager used a complex series of transactions between offshore and onshore companies all controlled by managers at the wealth management firm and their proxies to create the impression of investments into UK companies by applicants. In practice the wealth manager simply recycled funds between the onshore and offshore companies without the applicant ever actually placing more than the GBP 400 000 service fee into the scheme. When the wealth manager operating the scheme was inspected by the regulator the firm was also found to have serious wider failings in its money laundering controls.

Source: United Kingdom

8. **Real Estate Fraud:** Greek authorities discovered a scheme using two related real estate agents targeting primarily Chinese investors. In this scheme the investment funds never actually flow from the investors to the real estate companies. Instead, the impression of property investment transactions was simulated by the real estate companies without any real transfer of funds. This was done by one real estate agent issuing a bank check which was issued by debiting the account of either the selling real estate company or another real estate company controlled by the same professional enablers. Then, each check was used to draw up the sale contracts. Subsequently, it was either cancelled, if it had been issued by the selling company itself, or it was executed by crediting the seller's account and debiting the account of the other company controlled by the first one.

Greek authorities identified a similar case where Iraqi nationals purchased real estate to qualify for a residency. After receiving the permit, the investors re-sold the property to other Iraqi applicants. With each purchase the same legal representatives were present and the Hellenic FIU observed the presence of organised groups choreographing this type of abusive activity.

Source: Greece

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9. Investment in Illegitimate Projects: Investors buy into property developments where either the funds are misappropriated or are never invested in the first place. In Saint Kitts and Nevis for example property developers collected funds from investors but in return either left the project incomplete or did not begin work on the project at all. In response, Saint Kitts and Nevis implemented an escrow account policy that requires investments be drawn down over time. St Kitts and Nevis was then able to ensure all required funds are monitored and that drawdown of funds from the programme is aligned with project development.

Source: St. Kitts and Nevis

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