



BERMUDA REPORT ON 2025 PROLIFERATION FINANCING RISK ASSESSMENT

**NATIONAL ANTI-MONEY LAUNDERING COMMITTEE
BERMUDA GOVERNMENT · JUNE 2026**

BERMUDA REPORT ON 2025 PROLIFERATION FINANCING RISK ASSESSMENT

**NATIONAL ANTI-MONEY LAUNDERING COMMITTEE
BERMUDA GOVERNMENT • JUNE 2026**

Table of Contents

Foreword	2
Executive Summary	4
Introduction	7
Chapter 1: Summary of Methodology to Assess Inherent Proliferation Financing Risks	10
Chapter 2: Risk Context for Proliferation Financing	15
Chapter 3: Assessment of the Proliferation Financing Threats	20
Chapter 4: Assessment of Inherent Proliferation Financing Vulnerabilities	31
1. Intelligence and Law Enforcement	31
Financial Sectors – The Deposit Taking Sector	31
Financial Sectors – The Insurance Sector	36
Financial Sectors – The Securities Sector	41
Financial Sectors: Money Service Business (MSB)	47
Financial Sectors: Digital Asset Business Sector (DAB)	51
Financial Sectors: The Lending Sector	55
Financial Sectors: The Trust Sector	57
Financial Sectors: Corporate Service Provider (CSP)	61
Financial Sectors: Non-AML regulated Insurance Sector	65
DNFBP: The Legal Sector	68
DNFBP: The Accounting Sector	71
DNFBP: The Real Estate Sector	73
DNFBP: Dealers in Precious Metals and Stones (DPMS)	75
DNFBP: Dealers in High Value Goods (DiHVGs)	77
DNFBP: Casino Gaming Sector (Land-Based)	79
2. Legal Persons and Legal Arrangements (LP/LA)	82
Chapter 5: Inherent Consequences of Proliferation Financing	113
Chapter 6 : Conclusions and Moving Forward	116
Annex A: Glossary	119

Disclaimer: This report is produced by the National Anti-Money Laundering Committee.

Foreword

In an increasingly interconnected global economy, the integrity of the international financial system faces sophisticated and evolving threats. Among the most critical of these is Proliferation Financing (PF) - the provision of funds or financial services for the manufacture, acquisition, or use of nuclear, chemical, or biological weapons and their delivery systems. For a leading International Financial Centre (IFC) such as Bermuda, maintaining a state of constant awareness, deep understanding, and unwavering vigilance in this context is not merely a regulatory requirement; it is a fundamental pillar of our economic stability and global standing.

A Global and Jurisdictional Imperative

The current global threat environment is more complex than ever before, and is set to become even more challenging. The Bermuda Government is aware that proliferation actors are increasingly employing varied and “hybrid” methods—leveraging front companies, opaque corporate structures, and emerging technologies to bypass traditional controls. As these actors become more sophisticated, the mandate to combat PF has transitioned from a specialised security concern to a universal financial imperative.

Bermuda also recognises that effective CPF measures must be seamlessly integrated with our existing rigorous AML/ATF and Sanctions framework. No jurisdiction should expose itself and the world to the significant potential consequences of inadequate CPF regulation, which can result in dire social, economic and political repercussions. We understand that disrupting the financial flows that underpin the development of weapons of mass destruction is essential to safeguarding international peace and security, as well as protecting our local economy and the residents and businesses that depend on its stability.

Bermuda’s Commitment to International Standards

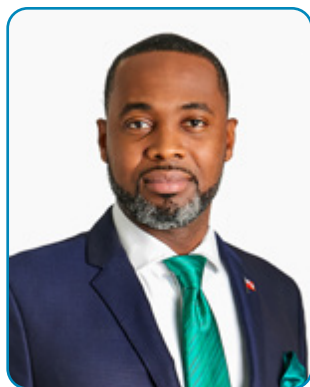
As a leading financial jurisdiction, Bermuda remains deeply committed to aligning with and actively supporting the global standards set by the Financial Action Task Force (FATF). This inaugural 2025 Proliferation Financing National Risk Assessment (PF NRA) is a direct manifestation of that commitment. It fulfills the requirements of FATF Recommendation 1, ensuring that our jurisdiction and private sector entities identify, assess and understand PF risks—specifically the potential for breach, non-implementation or evasion of Targeted Financial Sanctions (TFS).

This report builds upon Bermuda’s long-standing expertise and experience in financial regulation. It reflects our proactive stance, ensuring that this jurisdiction’s legislative and supervisory frameworks remain resilient against modern evasion tactics, including those identified in the latest PF international typology reports. In addition, it will help the relevant national authorities here as well as our private sector stakeholders to move forward on an informed basis with ongoing plans and enhancements to their respective CPF risk management frameworks and policies.

A Collective Effort for a Secure Future

Completion of the 2025 PF NRA was made possible through the intense collaboration and dedication of a wide cross-section of stakeholders. From Government departments and regulatory agencies to law enforcement, to the professionals within our banking, funds, trusts, insurance, digital asset, legal, accounting, real estate and specialist retail sectors, this report is a testament to Bermuda's collective commitment to excellence. We extend our sincere gratitude to everyone who contributed to the considerable amount of time and dedicated work required to complete this assessment and produce the results.

By fostering this spirit of transparency, compliance and public-private coordination, we ensure that Bermuda remains a trusted, proactive leader in the global financial community. Our goal is clear: to remain one step ahead of those who seek to misuse our financial systems, thereby securing a safe and prosperous future for our 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

Executive Summary

Bermuda's National Risk Assessments (NRAs) provides a systematic overview of national risks to facilitate coordination between policy makers, government agencies, and the private sector. By identifying emerging trends, the NRA enables stakeholders to proactively manage threats and align their risk management and preparedness strategies.

Bermuda's 2025 Proliferation Financing National Risk Assessment (PF NRA) marks the jurisdiction's first formal evaluation of PF risks, aligned with updated Financial Action Task Force (FATF) Recommendation 1. This standard requires countries and the private sector to identify, assess and understand risks specifically related to the potential breach, non-implementation, or evasion of targeted financial sanctions (TFS) as defined in Recommendation 7. Bermuda's evaluation goes beyond the base requirements of Recommendation 7.

No direct PF activity, TFS violations, or assets linked to designated entities have been identified in Bermuda. However, given Bermuda's role as an international financial centre, there remains potential indirect exposure to PF risks through cross-border financial activity and sectoral vulnerabilities. Despite the lack of detected activity, Bermuda's status as a major international financial centre (IFC), its expanding digital asset business sector and its diverse range of legal structures present inherent exposure to PF risks.

The assessment evaluated countries categorised as potential PF threat actors by analysing their global PF capacity against their actual scope and scale within Bermuda. Based on these factors, the Democratic People's Republic of Korea (DPRK), Iran, and Russia are rated as Medium PF threats to the jurisdiction, while Syria is rated as Low. The DPRK maintains a high long-term capacity to circumvent TFS across multiple regulated sectors. However, in Bermuda there are no identified support networks or PF-related activities within the jurisdiction. Russia and Iran both demonstrate a high ability to access financial services and assets by breaching or circumventing TFS globally, but no specific network elements (supporters or collaborators) or PF-related revenue flows related to them have been identified in Bermuda. Syria has a restricted ability to access funds or circumvent TFS via regulated sectors globally, and there is no evidence of revenue transiting or being held in Bermuda related to PF.

Regarding Bermuda's regulated sectors, the 2025 PF NRA shows that they generally had Low or Medium levels of inherent PF vulnerability. The assessment evaluated each sector based on its inherent characteristics, products and services, nature of clientele, delivery channels, and geographic reach.

Digital Asset Business (DAB) was the only sector rated as High for PF vulnerability, due to its expansive global reach and inherent links with virtual assets, which have been exploited by PF actors internationally. While no evidence of local exploitation exists, the complexity of products and non-face-to-face delivery channels align with global PF exploitation typologies.

The following sectors were rated as having Medium PF inherent vulnerability:

Deposit-Taking (Banking): The banking sector's vulnerability relates to its importance to Bermuda's economy, central role in cross-border transfers and exposure to international business activity. However, Bermuda is not an international banking centre, with only four licenced banks, and no instances of PF activity have been recorded for the sector.

[Back to Table of Contents](#)

Securities: The Securities sector has a broad international reach and geographically diverse client base, but it is not cash-based and exposure to jurisdictions of concern for PF remains limited.

Trust Service Providers (TSP): TSPs can be globally susceptible to PF risk due to complex ownership structures that can obscure beneficial ownership. In Bermuda, risk is, among other things, impacted by mandatory licensing, face-to-face client onboarding procedures, and the inability to establish illegal TSPs. There was also no evidence of the sector interacting with sanctioned jurisdictions, and exposure to jurisdictions of concern for PF activities was limited.

Corporate Service Providers (CSP): CSPs present a moderate risk due to the creation and administration of local and international legal entities. Bermuda's prohibition of shell companies and a strong history of ownership transparency are part of the elements which impact this sector.

Legal Sector: Potential PF risk exposure for the legal sector stems from the complexity and global reach of its clients and transactions. However, vulnerability considerations included the sector's smaller size and focus on domestic services such as real estate transactions, trusts and local corporate matters.

Legal Persons and Legal Arrangements were also rated as Medium for PF vulnerability:

Legal Persons: Includes entities such as limited companies, partnerships, limited liability companies, private act companies ("PACs"), and overseas (permit) companies and partnerships. The geographic reach and limited beneficial ownership (BO) information on certain entity types are evaluated can indicate a higher PF vulnerability. However, Bermuda's location and robust formation processes lower the overall inherent vulnerability.

Legal Arrangements: Relating to trust structures, this rating reflects factors including the geographic reach of the trust sector and the extent of foreign ownership, along with the moderately complex and time-consuming requirements for trust formation. No intelligence specifically indicated direct or indirect PF activity was associated with trusts.

The following sectors were rated as having Low PF vulnerability, as they typically feature domestic client bases, transparent delivery channels, or limited scale, resulting in minimal PF exposure:

Insurance (AML Regulated & Non-Regulated): The AML Regulated Insurance sector encompasses Direct long-term insurers (life insurers excluding reinsurers), Insurance Managers and intermediaries, including Brokers, and the newly regulated Insurance Marketplace Providers. While long-term direct business with foreign policyholders carries higher inherent vulnerability, this segment is negligible, representing less than 0.7% of Bermuda's Gross Written Premium. The sector's overall inherent vulnerability is also impacted by its highly regulated client base and the nature of insurance managers and intermediaries.

The Non-Regulated Insurance sector comprises Property & Casualty, Life/Long-Term Business as well as Limited Purpose Insurers (LPI), which includes both Captives and Special Purpose Insurers (SPI). Although UN Panel of Experts reports highlight Maritime and Aviation (Re)insurance as inherently vulnerable to PF exploitation, these sub-sectors constitute only a small fraction of Bermuda's insurance market. While the broader sector—including Captives, Commercial insurers, and SPIs—engages in specialty risks, the exposure to PF threat is lessened by several factors:

- ▶ **Institutional Clientele:** Customers are predominantly corporate entities and publicly listed institutions, ensuring high transparency in ownership.
- ▶ **Geographic Focus:** Activities are concentrated in stable markets, including the United States, United Kingdom, Europe, and Asia.
- ▶ **Lack of Evidence:** There is no intelligence or evidence indicating that Bermuda's insurance sector has been exploited or abused for PF activities.

Money Service Businesses (MSB): Low risk due to the small scale of the sector, absence of agents, and zero recorded exposure to jurisdictions of PF concern.

Credit Unions & Lending: Rated low due to their domestic focus, small loan values, and predominantly face-to-face client interactions.

Accounting: Primarily serves local clientele with a focus on liquidation and receivership; the sector lacks links to high-risk jurisdictions or dual-use goods trade.

Real Estate: The real estate sector is relatively small and contributes modestly to GDP, although vulnerabilities may arise from the nature of its clientele, which includes high-net-worth individuals, and PEPs.

Dealers in Precious Metals and Stones (DPMS) and Dealers in High Value Goods (DiHVG): These sectors are predominantly retail-focused, with no wholesale import/export connectivity. While the portability of goods remains a relevant consideration, the predominantly domestic nature of transactions results in a lower level of inherent PF vulnerability.

Casino Gaming: Rated low primarily due to the absence of operating land-based casinos during the assessment period, resulting in zero cash transactions or junket activity.

As a national priority, Bermuda remains committed to a robust and effective AML/ATF/CPF regime. The findings of the inaugural 2025 PF NRA will serve as a strategic foundation, informing national policies and ensuring a heightened risk-based approach across both public and private sectors. Through ongoing dialogue, continued cooperation and coordination, Bermuda will refine its defenses to combat money laundering, terrorist financing, and proliferation financing for the long term.

Introduction

The proliferation of weapons of mass destruction (WMD) and its financing pose a significant threat to international peace and security. While there is no single internationally agreed definition of proliferation financing (PF), the Financial Action Task Force (FATF) - the international body that sets standards on countering money laundering and the financing of terrorism and proliferation - defines it as “*the act of providing funds or financial services which are used in whole or in part, for the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technological and dual-use goods for non-legitimate purposes) in contravention of national laws, or, where applicable, international obligations.*”¹

At its core, assessing PF focuses on the risks associated with financial products and services which are directly linked to proliferation activities and the trade in proliferation-sensitive items. It is essential to disrupt the financial flows available to proliferators and to obstruct and complicate the procurement of the illicit goods, services and technology needed for the development of WMD and their means of delivery.

The United Nations Security Council (UNSC) and international community, including the FATF, remain highly concerned about PF risks, particularly those posed by the Democratic People’s Republic of Korea (DPRK) and Iran but also increasingly the direct and indirect PF risks posed by other actors such as Russia and Syria.

In October 2020, the FATF revised Recommendation 1 (R.1) of their 40 Recommendations. The revised FATF R.1. requires countries and private sector entities to identify, assess, and understand their PF risks. In the context of R.1, PF risk refers strictly and only to the potential breach, non-implementation or evasion of the targeted financial sanctions (TFS) obligations referred to in FATF Recommendation 7 (R.7). R.7 requires countries to implement TFS to comply with United Nations Security Council Resolutions (UNSCR) relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.

As per the FATF Guidance on Proliferation Financing Risk Assessment and Mitigation,² sources of PF risk related to TFS under R.7 can be categorized as follows:

- i. Risk of a potential breach or non-implementation of TFS:** This risk may materialise when designated persons, or persons acting on their behalf, access financial services, and/or funds or other assets, as a result of delays in communication of designations at the national level, lack of clear obligations on private sector entities and failure on the part of private sector entities to adopt adequate policies and procedures to address their PF risks.
- ii. Risk of evasion of TFS:** This risk may materialise due to concerted efforts of designated persons to circumvent TFS (e.g., by using shell or front companies, joint ventures, dummy accounts, middlemen and other fraudulent/sham intermediaries).

1 FATF (2012-2025), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, FATF, Paris, France, www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html

2 FATF (2021), *Guidance on Proliferation Financing Risk Assessment and Mitigation*, FATF, Paris, France, <https://www.fatf-gafi.org/publications/financingofproliferation/documents/proliferation-financing-riskassessment-mitigation.html>

The TFS obligations under R.7 are applicable to all current UNSCRs applying TFS relating to the financing of proliferation of WMD, any future successor resolutions, and any future UNSCRs which impose TFS in the context of the financing of proliferation of WMD. Countries are required to freeze without delay the funds or other assets of, and to ensure that no funds and other assets are made available, directly or indirectly to, or for the benefit of: (a) any person or entity designated by the UN, (b) persons and entities acting on their behalf or at their direction, (c) those owned or controlled by them.

FATF R.1 also requires countries to take commensurate action aimed at ensuring that PF risks are mitigated effectively, including designating an authority or mechanism to coordinate actions to assess risks, and allocate resources efficiently for this purpose. Where countries identify higher risks, they are required to ensure that they adequately address such risks. Where countries identify lower risks, they should ensure that the measures applied are commensurate with the level of PF risk, while still ensuring full implementation of TFS as required in R.7. The FATF Standards also require financial institutions (FIs), designated non-financial businesses and professions (DNFBPs) and Virtual Asset Service Providers (VASPs) to identify, assess and take effective action to mitigate their PF risks.

Jurisdictions must also recognise that PF is the critical enabler for sanctioned states and PF actors to source the materials and systems required for Weapons of Mass Destruction (WMD). The consequences of failing to disrupt these financial flows are both dire and cyclical:

- ▶ **Security & Human Costs:** WMD deployment poses an existential threat to human life, international peace, and environmental stability.
- ▶ **Economic & Reputational Damage:** PF activities disrupt legitimate trade and inflict severe reputational harm on national economies.
- ▶ **Regulatory & Punitive Risks:** Evasion of Targeted Financial Sanctions (TFS) can lead to sector-specific collapses and punitive measures, including UN or national sanction designations.

Therefore, disrupting the flow of funds to proliferation actors is not merely a compliance requirement; it is a vital pillar in protecting the global financial system and ensuring international security.

Data obtained from various authorities in Bermuda show that there is no evidence of any individual or entity in Bermuda being involved in financing the proliferation of WMD. However, as an international financial centre, Bermuda is cognisant that it may be exposed to PF risks. Countering PF has been identified as a priority for Bermuda, and Bermuda remains committed to raising the level of PF risk awareness and understanding within the jurisdiction. Pursuant to section 49(1) (e) of the Proceeds of Crime Act 1997, Bermuda's National Anti-Money Laundering Committee (NAMLC) in addition to coordinating the assessment of PF risks,³ NAMLC is responsible for taking the necessary steps to ensure that such risk assessments are kept up-to-date development of policies to combat money laundering, terrorist financing and the financing of proliferation..

³ The obligation to assess PF risks was incorporated into legislation by way of the Proceeds of Crime (Miscellaneous) Act 2025 which came into force October 20, 2025.

Bermuda's National AML/ATF/CPF Policy ('National Policy') also reiterates NAMLC's responsibility for ensuring that competent authorities collaborate to keep Bermuda's understanding of its PF risk up-to-date; and for developing and proposing to Cabinet any policies or strategies that are geared toward mitigating the identified risks. Detailed Policy Statement 1.1 of the 2025 National Policy provides that NAMLC will implement measures to conduct/update national assessments of PF risks at least every five years, to identify and assess any new developments, threats and vulnerabilities in the national and international space. In years where a formal assessment is not completed, agencies will provide a year-end summary of material changes to Bermuda's risk profile to NAMLC based on their areas of responsibility (for example, sectoral risk assessments, strategic analyses of ML/TF/PF trends, typologies developed, lessons learned from their overall experience in executing AML/ATF/CPF strategies). NAMLC will consolidate these summaries into an overall statement of material change to Bermuda's risk profile, for use by all Competent Authorities and to be communicated as appropriate to the Private Sector. NAMLC should assess whether, based on assessment of these summaries, a thematic risk assessment is required on an ad hoc basis, or a full formal assessment is required during the intervening period. Bermuda is fully committed to complying with and implementing the relevant UNSCRs via the United Kingdom Sanctions Regime, as well as supporting the full and effective implementation of the FATF Standards.

The Bermuda Government in line with FATF R.1 and R.7 is committed to combatting PF in the country not only in accordance with the relevant UNSCRs, but also in the broader context of disrupting possible proliferation networks and activities in the country. Bermuda, through the adoption of United Kingdom sanctions implemented to comply with relevant UNSCRs, is required to freeze the funds, other financial assets and economic resources which are in its territory that are owned or controlled by the designated individuals and entities. These funds, assets and resources should also not be made available by their nationals or by individuals or entities within Bermuda to or for the benefit of designated individuals and entities, except when it comes within the exemptions provided by the relevant UNSCRs which are implemented through the adoption of United Kingdom sanctions.

The undertaking of Bermuda's first PF national risk assessment (PF NRA) serves to synthesise and deepen Bermuda's whole-of-society PF risk understanding. The PF NRA seeks to:

- (a)** Further uplift the level of awareness and understanding of PF risks among Bermuda's AML/ATF regulated entities, whose gatekeeping and financial servicing roles make them a key line of defence in detecting and preventing PF; and
- (b)** Support policymakers, law enforcement, sector supervisors, other competent authorities and relevant stakeholders so that they will be more targeted in their counter-proliferation financing (CPF) policies and strategies and PF risk mitigation measures, which would enhance the effectiveness of Bermuda's CPF regime.

This assessment brings together expertise from across government and a wide range of private sector stakeholders, to provide a contemporary, consolidated picture of PF risk, how it is combatted and where efforts can be improved. Completion of this assessment is an important step in strengthening Bermuda's efforts in combatting PF, as well as ensuring Bermuda meets its international obligations. This assessment will also raise awareness among the private sector and encourage businesses to continue building their capacity to detect and prevent PF activities.

Chapter 1: Summary of Methodology to Assess Inherent Proliferation Financing Risks

The Bermuda Government used the McDonell Nadeau Consultants (MNC) National Proliferation Financing Risk Assessment Methodology (PF NRA) methodology and guidelines to identify and understand the PF risk in Bermuda. The tool allows for a systematic analysis of qualitative and quantitative data with regards to PF risk assessment. This chapter provides an overview of how the PF risk assessment methodology was applied in Bermuda. The methodology being employed considers both inherent and residual risks and integrates the FATF requirements in assessing mitigations. It also leverages various FATF Guidance documents related to risk assessments and was supported by the MNC consultants who have extensive financial integrity experience, as well as findings from Bermuda's existing NRAs.

The methodology provided the basis for systematically assessing PF risks in Bermuda, taking into account threats, vulnerabilities, and consequences, which were identified and analysed in line with the FATF Recommendations. Threats were assessed using the criteria of actors' capacity, scope, and scale of activity, while vulnerabilities were assessed nationally and sectorally, taking into account each sector's inherent characteristics, products and services, clientele, geographic reach and delivery channels used. The review period covers January 2020 to December 2024. The assessment commenced in January 2025 with the launch of the PF NRA and outreach to Bermuda's Competent Authorities and other relevant stakeholders on the background to and nature of the assessment, coordination required and the methodology to be employed. The assessment took place over a period of approximately ten (10) months, spanning January to October 2025.

The MNC NRA methodology employed in Bermuda's PF risk assessment goes beyond the narrower requirements of R.1. It encourages countries to instead identify and understand the threats posed by all relevant state and non-state actors involved in WMD proliferation, raising, moving and using funds, including sanctions avoidance, taking into account the country's risk and context. This approach is fully consistent with the FATF Guidance on Proliferation Financing Risk Assessment,⁴ which encourages countries to consider, where relevant, information that is not required under R.1 but relates to broader issues of counter-proliferation or activity-based prohibitions or other measures.

The methodology therefore allows for the consideration of more contextual information which serves as a more comprehensive basis for countries to identify, assess and understand PF risks and may also assist countries in implementing obligations imposed by UNSCRs or national laws beyond the FATF Standards.

⁴ **FATF Guidance on Proliferation Financing Risk Assessment**

Consistent with FATF guidance and the overall approach taken in the MNC methodology, Bermuda conducted an assessment of inherent PF risks as follows, which are defined as a function of threats,⁵ vulnerabilities⁶ and consequences.⁷

- (a) Examination of key PF threats to Bermuda** – to identify and assess the key PF threats to Bermuda, information was analysed from a range of sources, considering whether there were any PF investigations, intelligence or international cooperation requests and considering international typologies (including those featured in the UNSC Panel of Experts' (POE) reports).
- (b) Assessment of national vulnerabilities** - having regard to Bermuda's national context and possibilities for PF abuse on a national level, considering the jurisdiction's geography and demographics, socio-cultural characteristics, economic features and criminological features.
- (c) Analysis of key sectoral vulnerabilities** – for those specific FI, DNFBP and DAB sectors exposed to the key PF threats, Bermuda carried out sectoral vulnerability assessments, which included considering how the sectors could be exploited for PF purposes, and industry feedback via surveys and focus group discussions.
- (d) Analysis of the particular vulnerabilities that exist with respect to the several categories of legal persons and legal arrangements within the jurisdiction** - especially in light of Bermuda's status as an International Financial Centre.
- (e) An evaluation of consequences upon specific sectors exposed to key PF threats** – the PF risk level of each sector was assessed as a function of the sector's threats and vulnerabilities with consequences deemed as severe generally.

A coordinated approach was taken which included participation from all NAMLC agencies as well as other agencies and departments with data relevant to the assessment. Several national and sectoral working groups (WGs) were convened to carry out the work for the PF Risk Assessment in conjunction with the private sector.

In addition to the competent authorities and the Self-Regulatory Supervisory Body previously involved in Bermuda's ML and TF NRAs, other relevant authorities participated in the PF working groups or were consulted on adhoc basis. This included the coast guard, maritime and civil aviation authorities, as well as national security authorities. The following WGs were formed for the assessment.

- ▶ National PF Threats WG
- ▶ National PF Vulnerabilities and Consequences WG
- ▶ Sectoral WG on Financial Institutions
- ▶ Sectoral WG on DNFBPs
- ▶ Legal Persons and Legal Arrangements WG

⁵ **Threat:** refers to designated persons and entities, and persons acting on their behalf, that have previously caused or with the potential to evade, breach or exploit a failure to implement PF TFS in the past, present or future;

⁶ **Vulnerability:** characteristics, traits or other features that can be exploited by threats or that may support or facilitate the breach, non-implementation or evasion of PF TFS;

⁷ **Consequences:** impact or harm of funds or assets being made available to designated persons on institutions, financial systems, the economy and/or society in general.

The agencies which participated in the PF risk assessment are indicated in the table below:

Table 1: Key Agencies which participated in the PF risk assessment

AGENCY	PRIMARY ROLE WITHIN THE AML/ATF REGIME
National Anti- Money Laundering Committee (NAMLC)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Central Authority for Mutual Legal Assistance (MLA) requests • Civil asset recovery and civil forfeitures under the POCA
Bermuda Gaming Commission (BGC)	<ul style="list-style-type: none"> • Supervisory authority for casino gaming, betting and other gaming related activities.
The Bermuda Monetary Authority (BMA)	<ul style="list-style-type: none"> • 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
Bermuda Police Service (BPS)	<ul style="list-style-type: none"> • Law enforcement agency – investigations
Royal Bermuda Regiment/ Coast Guard	<ul style="list-style-type: none"> • Responsible for identifying vessels coming into Bermuda's territorial waters, or even sailing near the waters.
Customs Department	<ul style="list-style-type: none"> • Immigration and customs control at all ports of entry
Department of Public Prosecutions (DPP)	<ul style="list-style-type: none"> • Criminal prosecutions • Confiscation/forfeiture (conviction based)
Financial Intelligence Agency (FIA)	<ul style="list-style-type: none"> • Receipt of Suspicious Activity Reports (SAR) and analysis and dissemination of SARs and other financial intelligence
Financial Sanctions Implementation Unit (FSIU) (within the Ministry of Justice)	<ul style="list-style-type: none"> • Unit established under the Ministry of Justice to enable the Minister to carry out obligations to effectively implement and enforce TFS

[Back to Table of Contents](#)

AGENCY	PRIMARY ROLE WITHIN THE AML/ATF REGIME
Ministry of Finance (MoF)	<ul style="list-style-type: none"> • Ministry with responsibility for oversight matters relating to the BMA, Casino Gaming Commission, Registrar of Companies and Superintendent of Real Estate • Authority for exchange of tax information • Domestic tax authority • Minister appoints NAMLC Chair
Ministry of Justice (MoJ)	<ul style="list-style-type: none"> • 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)
Ministry of National Security (MoNS)	<ul style="list-style-type: none"> • Ministry with responsibilities for the Bermuda Police Service and Customs Department, law enforcement and the relevant border protection.
Registrar of Companies (RoC)	<ul style="list-style-type: none"> • Registration and regulation of legal persons (company registry) • Supervisory Authority for Dealers in High Value Goods, which includes dealers in precious metals and Stones.
Superintendent of Real Estate (SoRE)	<ul style="list-style-type: none"> • Supervisor of Real Estate Brokers and Agents
The Barristers and Accountants AML/ATF Board	<ul style="list-style-type: none"> • Supervisor of Lawyers and Accountants
Bermuda Civil Aviation Authority (BCAA)	<ul style="list-style-type: none"> • Regulatory body responsible for overseeing aviation safety in Bermuda for registered aircraft
Bermuda Shipping and Maritime Authority (BSMA)	<ul style="list-style-type: none"> • Regulatory body responsible for overseeing maritime safety in Bermuda for registered vessels
Department of Immigration	<ul style="list-style-type: none"> • Border Control

The WGs met at key stages of the process and reconvened as necessary to address emerging matters. Stakeholder agencies provided qualitative and quantitative data as well as input in discussions on ratings and supporting narrative and assessment.

A scoping exercise was carried out to determine the threat actors to be considered during the assessment process. The various working groups were tasked with the collation of data to complete profile templates in respect of Threats, Vulnerabilities and Consequences with specific timelines set for tasks as appropriate. International typologies and case studies, as well as UN Panel of Experts' (POE) Reports, were also leveraged to assist in the assessment of threats and vulnerabilities within Bermuda's risk context.

Inherent Risk Assessment Methodology

Each PF threat profile was assessed using three pre-defined rating factors, namely: PF Actors' Capacity; Scope of PF Activity; and Estimated Scale of PF. The estimated scale of PF rating factor was based on an order of magnitude assessment rather than a precise estimate. The overall rating calculation was based on the assignment of a numerical value to represent ratings of Low, Medium, High and Very High for each of the 3 rating factors. Equal weight was given to each factor to arrive at the overall rating for each profile.

The assessment of sectoral vulnerabilities considered whether sectors which would present a higher exposure to potential breach or evasion of PF TFS. This was conducted for each FI, DAB and DNFBP sector, and Digital Asset Businesses (DABs). Threats were included based on the scoping exercise and sectors were included having regard to those found to be in scope in previously conducted assessments of money laundering and terrorist financing, as well as additional sectors which may be susceptible to PF, having regard to international trends and typologies. Sectoral vulnerabilities were rated using five pre-defined ratings factors, namely each sector's inherent characteristics, nature of products and services, nature of clientele, geographic reach and nature of delivery channels. The scale used was the same as that used in the assessment of threats, namely; Low, Medium, High and Very High. In light of the factors considered, the methodology used this assessment to determine the overall inherent proliferation financing risk exposure for each sector.

An analysis was also conducted of the vulnerability of legal persons and legal arrangements within Bermuda. The vulnerability of each type of legal person and legal arrangement was considered and rated individually, and then an overall vulnerability assessment reached for legal persons and for legal arrangements as a whole. A three-point scale was used in this assessment: low, medium and high.

In addition to these sectoral assessments, a national vulnerability assessment was undertaken to provide a contextual analysis of the characteristics of Bermuda which may influence its vulnerability to PF and to provide opportunities for potential breach, non-implementation or evasion of PF TFS. It considered areas such as geography and demographics, economic and trade features, socio-cultural characteristics and criminological features. The assessment of national vulnerabilities formed the backdrop for the identification of Bermuda's risk and context as found in Chapter 2 of this Report.

As breaches, non-implementation, or evasion of PF TFS may result in reputational damage to a country, specific economic sectors or individual firms, and punitive measures such as sanction designations by the UN and/or national authorities, the methodology also considered the consequence of PF to the jurisdiction. As such, an analysis of the high-level consequences of PF to Bermuda has been conducted, focusing on potential economic, social, security, political and other consequences.

Findings from the inherent risk assessment conducted as part of the PF NRA has helped to inform development of Bermuda's National PF Action Plan.

Chapter 2: Risk Context for Proliferation Financing

Geography, Demographics and Socio-Cultural Characteristics

Bermuda comprises an archipelago of 150 islands in the Atlantic Ocean about 917 km (570 miles) southeast of the mid-Atlantic region of the United States. Bermuda is situated approximately 1,070 km (665 mi) east-southeast of Cape Hatteras, North Carolina; 1,236 km (768 mi) south of Cape Sable Island, Nova Scotia; and 1,578 km (981 mi) north of San Juan, Puerto Rico. Ten of the islands are linked by bridges and causeways to form the principal mainland which covers an area of approximately 21 square miles. Bermuda is the United Kingdom's oldest overseas dependent territory.

Bermuda's population is approximately 64,000 people. Bermuda is densely populated. It is a self-governing parliamentary democracy with a bicameral parliament. The Premier is the head of government and is formally appointed by the Governor, who is nominated by the British government as the representative of the King. The United Kingdom is responsible for foreign affairs and defence. There is no diaspora from PF state actors within Bermuda or vice versa. Bermuda does not belong to an economic or monetary union that provides free movement of goods, persons, services and capital within the union or area.

Economic Features

The most recent estimates for GDP published by the Department of Statistics are for the year 2023. Nominal GDP was reported to be approximately \$8.579 billion, reflecting an increase of approximately \$705 million above the 2022 figure of roughly \$7.874 billion. As a result, Bermuda's GDP per capita (measured at current prices) increased from \$122,978 in 2022 to \$134,088 in 2023. This was driven by growth in the international business sector and the continuous recovery in the tourism industry. Prior to that, in 2022, the Bermuda economy grew for the second consecutive year, recording an increase of 7.4 per cent at current market prices when compared to 2021. The growth of GDP of 7.4% at current market prices was largely driven by Financial Insurance activities, International Business activities and Accommodation and Food activities, all of which had significant growth.

Bermuda has a highly formalised economy. Informal economic activities do not make a sizable contribution to the GDP of Bermuda. Bermuda is a service-based economy with International Business contributing up to 25% of our GDP directly. Bermuda's institutional and economic profile is supported by a wealthy economy and institutional support ratings. Bermuda consistently has maintained high investment grade ratings by Moody's and Standard and Poor's (S+P). Generally, the ratings reflect Bermuda's strong institutional framework governance, prosperous economy, favourable external profile, ample fiscal flexibility, moderate net general government debt burden, and limited monetary flexibility. Specifically, Bermuda benefits from institutional stability and its track record of implementing reforms to ensure sustainable public finances and economic growth over the long-term.

Sanctions Regime

The relevant UNSCRs have legal effect in Bermuda - a British Overseas Territory (OT) - through the relevant United Kingdom Sanctions and Anti-Money Laundering Act 2018 (SAML A) and associated regulations. The SAML A provides the main legal basis for the United Kingdom to impose, update and lift sanctions. The United Kingdom extends its sanctions legislation to the OTs via 'Orders in Council', however, Bermuda brings the United Kingdom Orders in Council into force via domestic legislation. Bermuda's International Sanctions Act 2003 (ISA 2003) and International Sanctions Regulations 2013 (ISR 2013) implement the United Kingdom Orders in Council into Bermuda's domestic legislation. This is achieved by adding the OT Orders to the list of applicable Orders in the Schedule to the Regulations.

The requirements of UNSCR 1718 (2006) are implemented in Bermuda through the Democratic People's Republic of Korea (Sanctions) (Overseas Territories) Order 2012 (SI 2012/3066) ('the North Korea Order'). As this Order does not specifically apply to Bermuda, Bermuda brought it into force via the ISR 2013. Sanctions are implemented in Bermuda in respect of Iran via UNSCR 2231 implemented via the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019, which is extended to the jurisdiction via the Iran (Sanctions) (Nuclear) (Overseas Territories) Order 2020 and the ISR 2013.

In addition to the UNSCRs highlighted above, sanctions are implemented in respect of Syria and Russia pursuant to the United Kingdom's Autonomous Sanctions Regimes. Bermuda implements the sanctions regime for Syria under The Syria (Sanctions) (EU Exit) Regulations 2019 which is extended to the jurisdiction via The Syria (Sanctions) (Overseas Territories) Order 2020 and the International Sanctions Regulations 2013. Bermuda implements the sanctions regime for Russia under the Russia (Sanctions) (EU Exit) Regulations 2019 which is extended to the jurisdiction via the Russia (Sanctions) (Overseas Territories) Order 2020 and the ISR 2013. While neither the Russia nor Syria regime is a proliferation regime, the regimes are comprehensive in nature, meaning that the scope of the regulations is broad.

There have been no instances of PF TFS violations in Bermuda. Bermuda has not identified any funds or other assets belonging to a designated person or entity in relation to PF and consequently no reports have been made to the Governor or the Financial Sanctions Implementation Unit (FSIU). Freezing obligations are applicable to all natural and legal persons in Bermuda as outlined above. Freezing obligations apply to all types of funds and the regulations prohibit making available directly or indirectly funds or economic resources for designated persons or for their benefit. The obligations under the Orders in Council brought into force under the International Sanctions Act apply to all persons in Bermuda with only FIs having a reporting obligation to the Governor.

Bermuda's 2020 Mutual Evaluation Report (MER)⁸ found that FIs and DNFBPs within Bermuda had a good understanding of their obligations and an awareness of the importance of compliance with the UN sanctions regimes as it relates to screening against those designated persons who appear on the lists. The MER also found that Targeted Financial Sanctions (TFS) are implemented without delay. There is a robust framework in place for national AML/ATF/CPF in Bermuda in terms of operational coordination and cooperation between the competent authorities, to combat PF.

8 Bermuda's 2020 MER, page 10 paragraph 18

Since the publication of Bermuda's MER, FIs and DNFBPs within Bermuda have further increased and improved their understanding of their obligations to implement PF TFS. During the assessment period, the FSIU posted all amendments to the OT Orders noted above to the Sanctions Measures webpage on the Government Portal, which is updated within 24 hours (usually within 4 hours) of receipt of the notice from HM Treasury. FIs and DNFBPs are able to check the webpage for updates, and information regarding the Sanctions Measures webpage is noted in the various sector guidance notes.

Criminological Features

Bermuda is not a significant conduit for smuggling to other countries via commercial airline carriers. There is minimal usage of Bermuda for the purposes of the transshipping or transiting of cargo via aircraft. Bermuda only has one main cargo shipping port, six cruise ship ports, of which three are primary ports,⁹ and only one airport. There are no reported incidents of the smuggling of trade goods related to PF through the illicit landing of cargo in Bermuda's designated ports, nor at any locations outside of designated ports. There is also no evidence of armaments (weapons of war) smuggling. Goods and persons entering and exiting Bermuda are required to be cleared through designated Customs ports and are subject to inspection. A large proportion of sea containers arriving in Bermuda are X-rayed and a lesser proportion are examined. There is no data to support the direct importation of goods from sanctioned countries during the review period.

Nature of Bermuda's Industry

Bermuda is regarded as an International Financial Centre (IFC). Bermuda's IFC activities are dominated by the insurance sector, where Bermuda is known for specialising in the niche of catastrophe reinsurance and is host to the third largest reinsurance market in the world. Bermuda has a long history in insurance and reinsurance, with a robust regulatory framework and sophisticated infrastructure. Bermuda represents approximately one third of the world's reinsurance capacity. Maritime and cargo insurance are generally procured by shipping agents on behalf of their clients. Insurance providers in Bermuda are subject to licensing and supervision by BMA.

The sophistication and supervision of the regulated Corporate Service Provider (CSP) and Trust Service Provider (TSP) sectors is part of Bermuda's attractiveness in relation to company or trust formation, including potentially also for use by proliferators wanting to appear to undertake legitimate business. However, CSPs and TSPs act as gatekeepers and present an additional layer of regulated scrutiny and ongoing monitoring.

Bermuda does not have land or maritime borders with DPRK actors or countries with significant links to those actors and is not a transit point for ships travelling to North Korea, Iran, Russia or Syria. However, Bermuda remains exposed to PF risks due to its large insurance and reinsurance sector, growing digital assets business sector and range of legal persons and arrangements.

⁹ Royal Naval Dockyard, Hamilton and St. George

Bermuda is serviced by the same three regularly scheduled commercial cargo vessels which arrive from, and depart to, ports on the eastern seaboard of the United States. Bermuda also receives other commercial vessels (e.g. oil tankers, car ships, bulk cement, etc.) that arrive from, and depart to, various ports of call. It is internationally known that commercial cargo ships present a risk for smuggling drugs, small arms and cash, especially in light of the familiarity of the regular callers with the security processes in place. Goods arriving in Bermuda through commercial cargo vessels are for local consumption and commercial trade. There is no evidence of transshipping or transiting cargo that may fall into the category of PF or circumvention.

Bermuda does not receive itinerant cargo vessels, which are more prevalent in the Caribbean Basin. The only exceptions would be oil tankers, car ships, bulk cement. The overwhelming majority of all goods inbound and outbound from Bermuda are shipped directly to or from the United States.

The Bermuda Shipping Registry has existed since 1789 and in its present form has been an internationally successful register since the 1980s. The Bermuda Shipping and Maritime Authority (BSMA) was established in 2016 to undertake the business of the former Government Department of Maritime Administration. BSMA is able to register British ships of unrestricted type or tonnage. The BSMA registers various types of ships, including cargo, cruise, yachts, and offshore vessels and is a member of the Red Ensign Group (REG), which is synonymous with quality shipping through maintaining high administrative and technical standards.

The Bermuda Ship Register consists of a fleet of cargo and passenger ships. BSMA also supports a large number of gas carriers, tankers, container ships, bulk carriers and ro-ro (roll on, roll off vehicle transport) ships as well as supporting clients in the offshore oil and gas and yachting industries. Bermuda also has a large number of private pleasure yachts and some of these pleasure yachts are also certified as commercial yachts.

The Bermuda Civil Aviation Authority (BCAA) manages the Bermuda Aircraft Registry, one of the world's largest offshore aircraft registries. The Registry provides services to both commercial and private aircraft owners. It is known for its stringent safety standards, efficient registration process, and high-quality oversight services, making it a credible and internationally recognised platform for aircraft registration. The Bermuda Aircraft Registry is favoured by many international aircraft operators due to its robust regulatory framework and commitment to maintaining high standards of aviation safety and operational efficiency.

AML/ATF/CPF Framework

Within Bermuda, there is Leadership and ownership of national AML/ATF/CPF priorities by way of a National Anti-Money Laundering Committee (NAMLC). NAMLC is a statutory committee, established under section 49(1) of the Proceeds of Crime Act to advise the Minister of Finance and the Minister of Justice on AML/ATF/CPF policy and other matters related to AML/ATF/CPF¹⁰ strategy and coordination. NAMLC is a fully functional interagency cooperation committee and consists of a Chair, appointed by the Minister of Finance, and the heads of all of the competent authorities that are primarily involved in carrying out Bermuda's AML/ATF/CPF responsibilities.

Bermuda's National AML/ATF/CPF Policy addresses counter-proliferation financing measures and stipulates the Government's commitment to enhancing strategic defences against PF and to collaborating with the Governor to ensure an effective framework in relation to PF TFS. Bermuda's Competent Authorities and Supervisory Authorities continue to undertake the necessary reviews and actions to ensure that they are appropriately applying the formal National AML/ATF/CPF Policy, consistent with the national policy objectives, in their AML/ATF/CPF frameworks, operational policies and action plans. Supervisors are mandated to monitor FIs and DNFBPs for compliance with sanctions obligations under the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (SEA Act). Compliance with PF TFS is assessed concurrently with TF TFS, in line with the risk-based supervisory framework for FIs and DNFBPs. Pursuant to the findings of this PF NRA, supervisors risk-based supervisory strategy will be tailored to address the results of the assessment.

AML/ATF Supervisors have issued General Guidance notes for AML/ATF regulated institutions, which includes guidance regarding sanctions to FIs and the DNFBPs which fall under their remit to make them aware of the sanctions regime, sanctions lists and of their compliance obligations.. They have also included information on TFS in their sector specific guidance notes. Additionally, the FSIU has issued General Guidance on Countering the Financing of Proliferation of Weapons of Mass Destruction (as at May 2025), which has been published on the Government Portal, including the webpage for the Office of NAMLC as well as the BMA's website. The process for communicating de-listings and unfreezing to FIs and DNFBPs as well as guidance is set out in Chapter 8 of the Financial Sanctions guidance issued by the FSIU, whereby emails are sent to the supervisors for distribution. Additionally, as at August 2025, the FSIU implemented a subscription service to allow agencies and industry to subscribe to the FSIU to receive automatic notices when there is an update to Bermuda's sanctions framework, or other relevant information.

¹⁰ Section 49(1) of Bermuda's Proceeds of Crime Act was amended effective 20 October 2025, to require NAMLC to coordinate activities to identify, assess and understand its proliferation risks and to take the necessary steps to ensure that such risk assessments are kept up-to-date.

Chapter 3: Assessment of the Proliferation Financing Threats

Bermuda's PF threat assessment identifies the threats from persons and entities involved in WMD proliferation in raising, moving and using funds in a broad sense, including sanctions avoidance. It goes beyond assessing rules-based compliance with the UNSCRs on TFS on a set list of individuals and entities linked to proliferation activities. It assesses Bermuda's exposure to a wide range of direct and indirect PF threats.

A scoping exercise was conducted to identify any potential PF threat actors that could have a direct or indirect nexus with Bermuda; and the PF threat actors which were scoped into the risk assessment were the DPRK, Russia, Iran and Syria.

The ratings factors used in the threat assessment were:

- (a) Actors' Capacity** - refers to the extent to which the actors' sophistication, resources and ability to exploit the financial system contribute to resilient, sustainable and long-term proliferation financing activities. This includes the resources of state versus non-state actors, and their use of professional or informal intermediaries. Of particular interest during the assessment are how the threat actors may seek to exploit vulnerabilities in banks and other financial institutions (including from designated countries or with a history of providing services to designated countries), Money or Value Transfer Services (MVTs) (including hawala and unregistered MVTs), TCSPs (formal or informal) and DABs. The threat assessment also examined how these actors sought to exploit key products/services, including cryptocurrency exchanges and maritime insurance.
- (b) Estimated Scope of Activity** - relates to the extent to which the PF actors have a network of supporters/collaborators contributing to the resilience of PF networks and activities, including diplomatic, corporate, criminal, and expat networks. The scope also considers the breadth of potentially PF-related activities identified by regulated entities and competent authorities, including proceeds generating crimes like smuggling, cybercrime, drug and wildlife trafficking, or coerced duties/taxes paid to state actors or non-state groups.
- (c) Estimated Scale** - is the estimated value of revenue raised, transited or held in the country related to proliferation financing. This estimate considered the financial and trade flows with not only the designated states or non-state actor, but also jurisdictions with significant links or exposure to that state or actor. Volume of trade as well as trade in revenue-generating or sanctioned goods and services, such as coal, arms/military goods and technology, gold and metals, art, statues, construction labour, seafood, textiles, and luxury goods.

As outlined in the methodology, the assessment made a rating based on the analysis of data accessed or as a result of an objective analysis of the circumstances of each threat in the Bermudian environment, while also taking into account international typologies. There was a four-point rating scale used of L- for Low; M – for medium; H – for High; and VH – for Very High. The identified threats were rated in accordance with the adopted criteria of capacity, scope and estimated scale of PF activities.

The table below reflects the overall PF threat ratings:

Table 2: PF Threat Ratings

ACTOR	OVERALL RATING
DPRK	M
Iran	M
Russia	M
Syria	L

PF Threat Actors

Democratic People's Republic of Korea (DPRK)

The DPRK's overall PF Threat Rating is **MEDIUM**. This is based on a rating of **'VERY HIGH'** for the threat actor's **Capacity**, **'LOW'** for **Scope of Activity within Bermuda** and **'LOW'** for **Estimated Scale of Activity within Bermuda**.

Bermuda implements robust sanctions regimes and is neither a jurisdiction in possession of WMDs, nor a producer of proliferation or dual-use goods. While there has been no evidence of PF activity in Bermuda, this assessment has considered the modalities used by the DPRK and the potential for the threat actor to seek to target the jurisdiction, particularly in light of Bermuda's status as an IFC. This includes an assessment of the sectors and products and other features within the jurisdiction that the DPRK has the capacity to exploit.

Capacity

DPRK's capacity as a PF threat actor has been rated **'VERY HIGH'**. As there have been no PF intelligence, investigations, prosecutions or evidence of sanctions breaches or other PF activity in Bermuda, the capacity is considered on a global level, having regard to the potential for Bermuda to be exposed to the methods and modalities of the DPRK as a threat actor. This is as DPRK has a highly sophisticated and well-resourced PF network, despite being one of the world's most heavily sanctioned countries. It constitutes the most complex PF threat globally with state-sponsored illicit activities and has continued to operate sophisticated sanctions-evasion schemes to raise funds to advance its nuclear and ballistic missile capabilities.

The regime has enhanced financial capabilities which it utilises to evade sanctions globally and fund its nuclear and ballistic missile programmes. The PF threat actors associated with DPRK include various state-sponsored groups and individuals.

The DPRK seeks to exploit the financial sector, DNFBPs as well as other sectors which do not necessarily fall under the rubric of AML/ATF regulation but are vulnerable to PF. PF facilitators seek to abuse the financial system to carry out transactions through complicated transnational corporate structures, using intermediaries, shipping registries, front companies as well as other legal persons and legal arrangements. The main methods used by the DPRK in its proliferation and PF activities as shown from international typologies and UN Panel of Experts Reports include:

- (a) Targeting the international financial system to evade financial sanctions
- (b) Misuse of legal persons and legal arrangements
- (c) Cyber activity (including cyber-attacks, crypto-currency theft and misuse of virtual assets) as a means of generating income
- (d) Maritime abuse (including circumvention of export controls, abuse of shipping registries and maritime insurance as a means of sanction-evasion)
- (e) Misuse of diplomatic privileges

Bermuda is keenly aware of the potential PF threat exposure from such activities, and this assessment reinforces the need for vigilance given the nature of the jurisdiction's economy. However, Bermuda's isolated location, robust legal entity formation processes, stringent BO requirements, rigorous AML/ATF regulations, innovative digital asset legislation and history of mutual cooperation results in a lower overall vulnerability to such threats.

Scope of PF Activity in Bermuda

The scope of DPRK PF activity in Bermuda has been rated **'LOW'**.

DPRK proliferation networks leverage diplomatic, corporate, criminal, and expatriate connections to facilitate illicit activity. The use of front companies, illicit brokers, and third-country nationals obfuscates links between designated entities and sanctioned activities. UN Panel of Experts reports highlight long-standing collaborations between the DPRK and countries such as China, Iran, and Syria, with increasing evidence of Russian support. Bermuda's economic relations with China may create potential indirect PF risks in this context.

However, there is no evidence of a network of DPRK supporters or sympathisers within the jurisdiction or of any PF-related activity within Bermuda. Additionally, there is no mechanism by which there will be free movement from any jurisdiction in close proximity to Bermuda to visit or set up corporate entities or financial accounts or engage in other activities in support of sanctions-evasion.

Immigration controls require DPRK, Chinese, Russian, Syrian and Iranian nationals to have a multi-reentry visa, issued by either the United Kingdom, United States or Canada to enter Bermuda. There is no history of any sanctioned individuals entering Bermuda. There is also no history of links from the jurisdiction to FIs or DNFBPs based in DPRK. Additionally, the review of the banking and SWIFT data between 2020 and 2023 did not identify any funds transferred to/or from DPRK. There are no nationals of DPRK in Bermuda, and there is no information or intelligence to suggest that any diaspora would be presenting a higher threat. From the period 2020 to 2024 there were no visa visitors to Bermuda from DPRK. There is no information to indicate that (i) DPRK nationals hold land or property in Bermuda (there are strict restrictions on land ownership); (ii) they are employed or living as residents in Bermuda.

There have been no prosecutions of proliferation financing activity or activity with a nexus to PF. Additionally, data from the BPS and FIA speak to the absence of any known local intelligence or activity, and the absence of any reports leading to investigation into PF activity. There have been no incoming Mutual Legal Assistance requests in relation to the DPRK.

As at 31 December 2023, a review of the Companies Register identified one exempt company registered in Bermuda with an indirect association involving a U.S. national born in the Democratic People's Republic of Korea (DPRK). The individual is not a designated person and has no known links to DPRK weapons proliferation, sanctioned entities, or other illicit activities. No local companies were identified as having any connection to the DPRK, and no additional current or historical DPRK related activity was identified on the register. Furthermore, there are no DPRK nationals holding positions within Bermudian entities. Taken together, these findings indicate that exposure to DPRK related sanctions, proliferation financing, or national security risks within the Companies Register is negligible, and the overall threat level is assessed as **low**.

Potential indirect PF links via Bermuda's relationship with China

As at 31 December 2023, there were 395 Companies, (394 of which were exempt companies and 1 of which was a local company) on the Bermuda register which had an association to China. In the case of China, 'association' includes any company that has at least one BO with Chinese birth or nationality, or a Chinese legal person in the ownership structure. Each company was counted only once regardless of the number of Chinese associations attached. In total these companies represent 2.41% of the total number of companies on the Bermuda Register.

As at 31 December 2023, there were 423 Companies, (419 of which are exempt companies and 4 of which are local companies) on the Bermuda register which had an association to Hong Kong (a sub-jurisdiction of China). In the case of Hong Kong, 'association' includes any company that has at least one BO with Hong Kong birth or nationality, or a legal person registered in Hong Kong contained within the ownership structure. Each company was counted only once regardless of the number of Hong Kong associations attached. These companies represent 2.58% of the total companies on the Bermuda register.

China is DPRK's primary trading partner;¹¹ the DPRK exports coal and sand into China into certain regions, and ship-to-ship transfer in Chinese waters is a common occurrence.¹² These activities demonstrate that China is a complicit party in the smuggling of goods in breach of sanctions. It is also noteworthy that DPRK IT workers are dispatched to and work from China.¹³ It also factored in that China has a land border with DPRK and some provinces in China (for example, the Dandong region) offer DPRK the platform for the registration of companies recognised in other jurisdictions as Chinese companies when in actual fact, they are DPRK companies. In addition, China is the most frequently mentioned country in the UN Panel of Experts reports other than DPRK.¹⁴

11 CARNEGIE Endowment for International Peace, 2024. Cooperation Between China, Iran, North Korea, and Russia: Current and Potential Future Threats to America <<https://carnegieendowment.org/research/2024/10/cooperation-between-china-iran-north-korea-and-russia-current-and-potential-future-threats-to-america?lang=en>>

12 HM Treasury. 2021. National risk assessment of proliferation financing <<https://www.gov.uk/government/publications/national-risk-assessment-of-proliferation-financing>>

13 Department of Treasury. 2024. 024 National Proliferation Financing Risk Assessment <<https://home.treasury.gov/system/files/136/2024-National-Proliferation-Financing-Risk-Assessment.pdf>>

14 United Kingdom Finance. 2025. Countering Proliferation Finance: A Financial Sector Perspective <<https://www.ukfinance.org.uk/system/files/2025-03/Countering%20Proliferation%20Finance%20-%20A%20Financial%20Sector%20Perspective.pdf>>

While China's status as the biggest trading partner to DPRK and one of Bermuda's top ten trading partners in terms of imports (into Bermuda) may raise considerations regarding whether there is the potential for goods originating from or passing through Bermuda to end up in the DPRK, the actual value and nature of imports must be assessed. China is a far less significant trading partner in terms of Bermuda exports, which are far less significant than imports in the Bermuda context overall. Other top trading partners of Bermuda are the United States, United Kingdom and Canada (imports and exports) with less exposure to the DPRK. Bermuda's imports from China are mostly on household and other items.

Bermuda's exports to China during the assessment period was minimal in volume and value, with the value in 2023 representing approximately 0.0318% of Bermuda's total exports. They are also small in number. There is little threat that these exports from Bermuda would end up in the DPRK or facilitate PF activity. Bermuda's imports from China on a yearly basis during the assessment period consistently represented less than 3% of Bermuda's imports. They consisted mostly of household and other items. Additionally, there is no evidence of items which fall within highly used items in higher risk PF sectors and nothing to suggest potential PF concern. Bermuda's trade relations with China do not pose a significant threat as there is no evidence of dual-use goods that have commercial applications as well as other applications, which may ultimately end up in the hands of DPRK, considering China's relationship with DPRK.

With respect to proposed indirect links through Russia, it has been noted that the imposition of sanctions globally has highlighted the deepening DPRK-Russia cooperation in violation of the relevant UNSCRs.

There are no clients of the trust sector with geographic connections to the DPRK, Iran or Syria. The 2023 data trust sector's client base also includes a small number of individuals with indirect exposure via links to China and Hong Kong. Additionally, while the data reflects limited exposure to Russian individuals, is no evidence of distributions made from these trusts to Russian beneficiaries in the last 12 months. The trust sector is aware that under the Sanctions regime that distributions to sanctioned countries/individuals is prohibited.

The potential threats posed by Russia, Syria and Iran as both standalone PF threat actors and facilitators of the DPRK's PF regime are addressed in further detail in the consideration of PF threats are detailed further under the assessment of those actors.

Scale of Activity in Bermuda

An assessment has been made of incoming and outgoing financial flows with the DPRK and countries within its network of supporters, to assess whether there is a potential window of sanctions-evasion. To determine the potential exposure to PF an analysis was conducted of the inflows and outflows from Bermuda against countries with actual or potential risks in the context of WMD proliferation.

Data provided by the BMA indicates that there have been no transfers of funds to persons in the DPRK. As most of the DPRK's trade finance and illicit PF activities were noted to be complex cross-border, layering and nesting schemes, a mapping and analysis of the banking sector inflows and outflows from Bermuda was conducted against countries in the DPRK's network of supporters, namely, China, Russia, Iran and Syria.

Limited financial ties between Bermuda and China and Russia, and the non-existent financial ties between Bermuda and Iran and Syria (in addition to the absence of any other factor or PF activity) indicates a low for the scale of PF activity in Bermuda by the DPRK is justified.

IRAN

Iran's overall PF Threat Rating is MEDIUM. This is based on a rating of 'HIGH' for the threat actor's Capacity, 'LOW' for Scope of Activity within Bermuda and 'LOW' for Estimated Scale of Activity within Bermuda.

Capacity

Iran's capacity as a PF threat actor has been rated 'HIGH'. As there have been no PF intelligence, investigations, prosecutions or evidence of sanctions breaches or other PF activity in Bermuda, the capacity is considered on a global level, having regard to the potential for Bermuda to be exposed to the methods and modalities of Iran as a threat actor.

According to international typologies, Iran's PF activities are backed by a well-organised network of government agencies, military organisations, financial facilitators, and front companies operating both within Iran and internationally. The Islamic Revolutionary Guard Corps (IRGC) Quds Force, plays a central role in smuggling weapons and dual-use technologies, often through companies like 'Unit 190' including the clandestine transfer of weapons to allied groups in the Middle East.

Front Companies and Shell Corporations with falsified documentation are used to smuggle weapons to Iranian-aligned armed groups, such as Hezbollah and Hamas, often disguising shipments as civilian goods. Financial facilitators and professional enablers such as senior security officials within the IRGC Quds Force are involved in covert arms transfers and oil smuggling operations to generate revenue for the IRGC and Hezbollah. Iran has developed a network of allies, including non-state actors like Hezbollah, to advance its regional interests. Iran also benefits from strategic partnerships with Russia and China for technology acquisition and financial resilience. Iran engages in secret negotiations with countries like Russia to enhance its military and nuclear capabilities, seeking advanced technologies and support for its nuclear programme and air defense systems.

Similar to the techniques used by the DPRK, Iran uses the following modalities globally:

(a) Targeting the International Financial System to evade Financial Sanctions

The financial sector is abused through state-controlled banks that conduct illicit transactions despite international sanctions. Iran's energy sector is a primary revenue source, with oil sales funding proliferation activities through shadow banking systems. Iran exploits foreign exchange houses, offshore banks, and trade finance mechanisms to circumvent financial restrictions. The use of barter trade agreements, alternative remittance systems like hawala, and gold-based transactions enables evasion of formal banking oversight.

(b) Misuse of Legal Persons and Legal Arrangements (such as Use of front companies or trust arrangements to obfuscate the true actors who are breaching sanctions)

Legal persons have been known in some instances to be used by proliferators to evade sanctions imposed on Iran. The 2021 FATF Guidance stated that Iran frequently uses front companies, shell companies, joint ventures and complex and opaque ownership structures to circumvent Iran-related UNSCRs. Professional services, including legal and accounting firms, are sometimes misused to create complex corporate structures that obscure the movement of funds.

(c) Exploiting Maritime, Shipping and Aviation sectors:

Circumvention of established Export Controls - Iran's PF activities involve sectors such as petrochemicals, metals, and construction, which are used to acquire dual-use goods. Iran leverages oil sales, barter trade, and illicit shipping practices to generate funds despite sanctions. With technical expertise in procurement evasion, Iranian actors utilise a mix of legal and illicit financial channels, including cryptocurrency and third-country intermediaries. The maritime and aviation industries play a significant role, as Iran uses front companies and flagged vessels to transport restricted materials. Additionally, Iran's defense and aerospace sectors are implicated in illicit procurement, particularly through partnerships with foreign entities willing to evade international controls.

Iran also engages in trade-based money laundering (TBML), using fraudulent shipping documentation and mis-invoicing to disguise nuclear-related transactions. Cryptocurrency is increasingly used to bypass sanctions.

(d) Misuse of Diplomatic Privileges/Use of Diplomatic staff and embassies to generate revenue.

Iranian diplomats and embassy staff have been known to support sanctions-evasion through establishing financial infrastructure and corporate entities abroad and facilitating business connections and brokering business deals – including in the sphere of arms sales. Its diplomats use their legal presence in countries to act as banking representatives and revenue generators for the Iranian regime.

Iran also has the capacity to abuse shipping registries, insurance, including maritime insurance, as a means of sanctions-evasion, as well as complex transaction structuring, through life insurance policies and reinsurance, and trade in luxury goods to generate revenue for the State.

Scope of PF in Bermuda

Iran's scope of PF in Bermuda is rated 'LOW'. There is no evidence of financial or business relationships between Bermuda and Iranian entities suspected of PF activities. There is no evidence of Bermuda-based entities, FIs or DNFBPs being involved in sanctions-evasion schemes related to Iran. There have been no prosecutions of PF activity or activity with a nexus to PF. Information from the Attorney-General's Chambers have revealed no incoming MLA requests in relation to or which implicate Iran. Additionally, there are no known instances of Iranian-linked assets frozen under Bermuda's jurisdiction. Trade with Iran is insignificant in nature – with no exports and minimal imports of items not considered to be high risk in a PF context.

Fewer than 20 Iranian visitors arrived in Bermuda yearly between 2020 and 2024. There is no Iranian diaspora or network of supporters within the jurisdiction nor any diplomatic presence which may be abused.

A review of the Bermuda Register as at 31 December 2023 identified 36 companies with a potential connection to Iran. For the purposes of this assessment, an "association" is limited to the presence of at least one beneficial owner who was born in Iran. Importantly, there is no evidence that any of these individuals are linked to designated persons or to Iran's proliferation related

activities, mitigating elevated sanctions or proliferation risk. Of the identified entities, 35 were exempted companies and one was a local company. Collectively, these companies represent a very small proportion of the register, accounting for 0.21% of all registered companies. No Iranian legal persons were recorded. Overall, the exposure is assessed as low and does not indicate a heightened systemic risk.

Scale of PF in Bermuda

Iran's scale of PF in Bermuda is rated 'LOW'. Between the period of 2020-2023, there have been no incidents of transfer activity or attempted transfer activity between any entities connected to Iran and Bermuda. Additionally, the scale of PF associated with any linked jurisdiction, has also been deemed to be low.

Russia

Russia's overall PF Threat Rating is MEDIUM. This is based on a rating of 'HIGH' for the threat actor's Capacity, 'LOW' for Scope of Activity within Bermuda and 'LOW' for Estimated Scale of Activity within Bermuda.

Capacity

Russia's capacity as a PF threat actor has been rated 'HIGH'.

Russia maintains the largest and most capable nuclear weapons stockpile in the world, as well as significant conventional capabilities, both of which it continues to expand and modernise. Russia's invasion of Ukraine is the most significant geopolitical change since 2022 and has raised Russia's PF threat profile.

Russia has employed a number of strategies to circumvent established export controls and sanctions put in place in response to its invasion of Ukraine. While these are not PF specific, it is noted that these tactics include but are not limited to:

- ▶ using indirect shipping routes,
- ▶ obtaining goods via third countries,
- ▶ falsifying the intended use and end user(s) of traded goods, and
- ▶ leveraging professional evasion networks¹⁵, for example by using front companies to place orders for needed component parts.

In addition, the imposition of sanctions globally has highlighted deepening DPRK-Russia cooperation in violation of the relevant UNSCRs. Further, Russia has vetoed the UNSCR intended to extend the mandate of the UNSCR 1718 Panel of Experts.¹⁶ This further suggests support of the DPRK which may in turn provide support to Russia in respect of its invasion of Ukraine.

15 Office of Financial Sanctions Implementation 2025. Countering Russian sanctions-evasion - guidance for exporters <<https://www.gov.uk/government/publications/countering-russian-sanctions-evasion-and-circumvention/countering-russian-sanctions-evasion-guidance-for-exporters>>

16 Foreign Commonwealth and Development Office. 2024. Sanctions targeting unlawful transfer of arms from the DPRK to Russia: Joint Statement <<https://www.gov.uk/government/news/joint-statement-on-sanctions-targeting-unlawful-transfer-of-arms-from-the-dprk-to-russia#:~:text=We%20call%20on%20the%20DPRK,complete%2C%20verifiable%20and%20irreversible%20manner.>>>

Russia has extensive financial resources, cyber capabilities, and intelligence infrastructure that contribute to PF. Russia is believed to be widely engaged in proliferation and PF activities for its own benefit, and has been accused of supporting other states, such as Iran, with nuclear technology and military assistance and there has been increasing evidence of links to the DPRK. Russia's use of state-run banks, shell companies, and oligarch-controlled businesses enables it to bypass sanctions and fund covert operations.

Russian cyber and intelligence units also play a key role in facilitating financial transactions, laundering funds, and conducting disinformation campaigns to obscure illicit procurement efforts. Its ability to leverage state-owned enterprises and informal networks makes its financing operations highly sophisticated.

Russia's PF threats are primarily driven by its state-owned defense, aerospace, and energy sectors, particularly regarding nuclear technology exports. State banks enable sanctioned entities to bypass controls - including allowing DPRK banks to clear transactions—while the mining, metallurgy, and chemical sectors provide essential materials for nuclear production. State-backed cyber operations generate illicit revenue, and the maritime sector is exploited for the discreet transport of sanctioned materials. United Kingdom guidance (updated Feb 2025) highlights critical evasion tactics, such as using indirect shipping routes, falsifying end-use documentation, and leveraging professional diversion networks. Exporters are cautioned to monitor “high-risk” goods, many of which are dual-use items.

Scope of PF in Bermuda

Russia's scope of PF in Bermuda is rated 'LOW'. There are no trends or intelligence relating to Russian PF within Bermuda's financial system.

A review of the Bermuda Register as at December 2023, identified less than 2% of the companies on the Register with potential links to Russia. Importantly, there is no evidence that any of these individuals are linked to designated persons or to Iran's proliferation related activities, mitigating elevated sanctions or proliferation risk. Additionally, the trend shows a decrease in the number of persons added to the Register from these jurisdictions showing an even decreased possibility of exposure to jurisdictions which may be seen as facilitators of DPRK's PF network. The year-to-year changes in the number of additions and removals from the register align with changes in international circumstances (such as the Russian invasion of Ukraine), and Bermuda business practices.

From 2001 to 2022, Russia and Bermuda had an arrangement in place which enabled Russian aircraft to be included on Bermuda's aircraft registry once the requisite criteria were met. This agreement remained in place until 2022 when it was suspended as a consequence of the international sanctions imposed on Russia after its invasion of Ukraine

In addition to the DPRK, Russia has established alliances with countries like Iran, enhancing military and economic cooperation. There is no evidence of financial or business relationships between Bermuda and Russian entities suspected of PF activities.

Scale of PF in Bermuda

Russia's scale of PF in Bermuda is rated 'LOW'. Records from the Statistics Department show very limited records of import or export between Bermuda and Russia during the period under assessment, as well as limited financial inflows and outflows.

SYRIA

Syria's overall PF Threat Rating is LOW. This is based on a rating of 'LOW for the threat actor's Capacity, LOW' for Scope of Activity within Bermuda and 'LOW' for Estimated Scale of Activity within Bermuda.

Capacity

Syria's capacity as a PF threat actor has been rated 'LOW.'

The Syria regime is not a UN proliferation regime and is not believed to possess nuclear weapons, but does have WMD capability which brings it within scope of this PF risk assessment. In particular, Syria has developed a sophisticated chemical weapons programme and is believed to have the capability to produce biological weapons.¹⁷

The Assad government confirmed it had chemical weapons in 2012.¹⁸ There are currently United Kingdom sanctions in place related to Syrian chemical weapons which are implemented in Bermuda. Bermuda implements the sanctions regime for Syria under The Syria (Sanctions) (EU Exit) Regulations 2019 which is extended to the jurisdiction via The Syria (Sanctions) (Overseas Territories) Order 2020 and the International Sanctions Regulations 2013.

Syria's proliferation risks involve the defense, chemical, and engineering sectors, which have historically engaged in illicit procurement of dual-use goods. The banking sector, particularly state-controlled financial institutions, is involved in processing disguised transactions. The construction and heavy industry sectors also play a role, facilitating the production of infrastructure necessary for covert nuclear activities. The transport sector is widely abused, with Syrian and foreign maritime operators assisting in the movement of restricted goods. Additionally, the energy sector is exploited, particularly in illicit oil-for-cash transactions that generate revenue used to finance WMD-related procurement.

Syria's PF activities are limited compared to North Korea, Iran, and Russia, but it has historically relied on covert procurement networks, state-sponsored smuggling, and financial facilitators to advance its WMD programmes. Syria is far less reliant than other threat actors on use of cryptocurrency to evade sanctions.

Scope of PF in Bermuda

Syria's scope of PF in Bermuda has been rated 'LOW.'

Bermuda has not identified any information or evidence to suggest that Syrian actors are engaging in PF activities in Bermuda. There have been no assets frozen involving Syrian designated persons nor have there been any sanctions-evasion activities involving Syrian entities in Bermuda's jurisdiction. There have also been no prosecutions of Syrian PF activity or activity with a nexus to PF in Bermuda.

Syria employs informal financial networks, such as hawala systems, to bypass international restrictions. As this measure does not feature in Bermuda and in light of the details from the immigration department concerning the extremely low number of Syrian visitors/returning residents in Bermuda during the assessment period with the maximum number being six persons in one year, there is a lower exposure to this threat modality.

¹⁷ Arms Control Association. 2022. Arms Control and Proliferation Profile: Syria <<https://www.armscontrol.org/factsheets/arms-control-and-proliferation-profile-syria#Chemical>>

¹⁸ The Assad Government fell on December 8, 2024, just before the end-date of this risk assessment."

[Back to Table of Contents](#)

At 31 December 2023, there were 35 Companies (all Exempt) on the Bermuda companies' register that had an association to Syria. In the case of Syria, 'association' means that each included company has at least one BO with Syrian birth. There were no Syrian legal persons on the register. In total, these companies represent 0.21% of the total number of companies on the Bermuda Register. Importantly, there is no evidence that any of these individuals are linked to designated persons or to Iran's proliferation related activities, mitigating elevated sanctions or proliferation risk

Scale of PF in Bermuda

Syria's scale of PF in Bermuda has been rated 'LOW. Records from the Statistics Department show 2 records of import (2020) and 1 instance in 2023 both of an insignificant value. There have been no other financial flows with the jurisdiction.

It is noted that, even with consideration of Syria's network of supporters, the Estimated Scale of proliferation-related funds originating in, transiting, or held in the country from Syria is negligible. There have been no incoming or outgoing financial flows with the sanctioned state and the scale of PF associated with any linked jurisdiction has also been deemed to be low.

Conclusion

The PF threat assessment shows that the threat actors under consideration may have either a high or very high global capacity to act, given their sophistication, resources (financial and otherwise), modalities and network of supporters. However, there is a low scale and scope of PF activity in Bermuda itself. These factors justify the overall medium threat ratings in respect of the DPRK, Russia and Iran and the overall low threat rating in relation to Syria.

Chapter 4: Assessment of Inherent Proliferation Financing Vulnerabilities

1. Intelligence and Law Enforcement

Introduction

Vulnerabilities refer to characteristics, traits or other features of a sector that can be exploited by a PF threat actor or that may support or facilitate its activities. Vulnerabilities facilitate or create an opportunity for PF to occur. They are weaknesses inherent in a specific sector or product or it may reflect a unique circumstance in which it may be difficult to distinguish legal from illegal activity.

Bermuda, as an international financial centre, offers a range of products and services which attract non-residents, high net worth and institutional clients, and non-face-to-face businesses in some instances. These factors have been shown to contribute to higher inherent PF risks globally. Proliferation networks may exploit the financial system to carry out transactions through complex transnational corporate structures using legal persons and arrangements, front companies, intermediaries and shipping and aviation registries.

Vulnerability profiles were prepared for all sectors within scope of the assessment. The profiles analysed five primary risk factors used in each sector from a PF risk perspective:

- ▶ Inherent characteristics
- ▶ Products and services
- ▶ Nature of clientele
- ▶ Geographic reach
- ▶ Delivery channels

Each risk factor was then rated using a four-point rating scale of very high, high, medium and low. Ratings were based on a comprehensive analysis of domestic and international data sources and validated through workshops among competent authorities.

Financial Sectors: The Deposit Taking Sector

The Deposit Taking Sector: Overall Vulnerability rating is assessed as Medium.

Table 3: Inherent Vulnerabilities ratings for the Deposit-Taking Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Deposit-Taking (MEDIUM)	Retail & Business Banking	L
	Commercial Banking	M
	Wealth Mgmt & Private Banking	M
	Credit Union	L

Introduction

Bermuda is not an international banking centre, and only institutions licenced by the Bermuda Monetary Authority (BMA) under the Banks and Deposit Companies Act 1999 are authorised to conduct banking business in or from Bermuda. The risk profiles of the various banking sub-sectors differ according to their business activities, operating models, and client base.

The deposit taking sector plays a significant role relative to the country's overall economy, with assets totalling \$23.7B and a total income of United States Dollars 1.11 billion in 2023, which accounts for 7.2% of the Gross Domestic Product (GDP).

The sector's prominence largely stems from the banks' role in servicing the core client bases of domestic retail and commercial customers, along with the larger international business community in Bermuda, particularly those in the insurance sector. This considerable scale and wide-reaching impact reaffirms the sector's crucial importance to Bermuda's financial landscape.

Inherent Characteristics

As at 2024 Bermuda's deposit taking sector was made up of four (4) licenced banks and one (1) credit union. Of the four banks, one bank is a large international bank operating across multiple jurisdictions, while another has operations in Cayman Islands, Jersey, Guernsey, United Kingdom, Mauritius and Singapore. The remaining two banks are Bermudian based with the majority of their activities conducted domestically.

All inbound and outbound monetary transactions in Bermuda are processed through these four banks. They do not offer corresponding banking (CB) services but act as the jurisdiction's respondent banks. In addition, the banks handle settlement-related wire transfers for MSBs, both incoming and outgoing.

By international standards, Bermuda's banking sector is relatively simple. The four banks maintain links to all sectors of the economy, including retail financial activities, insurance, trust and corporate service providers (TCSPs), and, to a lesser extent, international business activities (IBAs). Where a business case exists, banks may establish local subsidiaries, holding licences for TCSP, financial advisory, investment business, and insurance services.

In contrast, the Credit Union in Bermuda is not a significant economic player, holding less than 0.001% of the jurisdiction's total financial assets. The Credit Union offers cash withdrawal services from an auto deposit paycheck or employer issued cheques. Credit Unions can send domestic payments, but any customer wires would be sent by the Credit Union through a domestic bank. Serving mainly local union members, the Credit Union is relatively small and poses minimal PF vulnerabilities compared to the banks, which is reflected in the low risk assigned for all of the primary risk variables. This analysis focuses on bank-based products and activity which carries a higher PF risk.

Products and Services

Retail and business banking rated as low inherent vulnerability. The bank's retail and business banking activities are primarily onshore, serving Bermuda-based individuals and businesses. Retail deposit-taking services are restricted to Bermuda residents or Bermudians with ties to the island. Most banks in Bermuda operate as highly transactional institutions, with most of the cash handling and cash exchange activities conducted through these banks. While the focus is domestic, customers may initiate wire transfers to banks outside of Bermuda. Commercial banking services are provided to local and international businesses, many of which are regulated entities in Bermuda.

Wealth Management, Commercial Banking & Private Banking services rated as medium inherent vulnerability. This is primarily due to the high value of transactions, assets under management and the nature of products offered, including, but not limited to: cash management, merchant services, loans, mutual funds, discretionary portfolio services and retail brokerage. The client base consists of both domestic and international high-net-worth clients. Transaction volumes for wealth management and private banking are generally low. Notably, private banking services are offered by only two of the five institutions in the sector, which serves to moderate overall exposure.

As of 2022, the sector reported a total of 2,410 Politically Exposed Person (PEP) customers, of which 54 (2.2%) were foreign PEPs. Deposit products are characterised by high-frequency, high-value domestic transactions, and the ability to process transactions on a non-face-to-face basis.

Deposit and Credit Products

Deposit products rated as medium vulnerability. As part of the assessment, three types of deposit products were assessed namely demand deposits, fixed deposits and safe deposit boxes which covered both sub-sectors. Safe deposit boxes present a unique challenge as the value of stored assets are unknown, and institutions have no direct knowledge or control of their contents. In 2022, the sector managed 4,302 safe deposit boxes, with one institution responsible for 99% of their operation.

Credit products rated as medium vulnerability. Within credit products, banks offer retail credit cards, mortgages, and personal loans. This assessment focused on retail credit cards, which carry an inherent medium vulnerability. This rating is due to transaction volumes and the client profile, which is exclusive to customers with a Bermuda nexus, including PEPs.

Payment Services and Funds Transfer

Payment Services and Transfer of Funds within the sector presents a higher inherent vulnerability. The product segment includes both domestic transfers and foreign wires. Domestic transfers are assessed at medium-high inherent vulnerability while foreign wires are rated as high inherent vulnerability.

Wire transactions are considered a higher inherent vulnerability due to several key factors: high transaction volumes and values, broad usage across all client types (both domestic and international), and the inherently cross-border nature of such transfers. While wire products can facilitate non-face-to-face transactions, anonymity is significantly constrained as the Banks require the Payor to be a client. If a wire payment is allowed for a non-client it would have to be conducted face to face.

Between 2020 and 2023, the sector processed approximately 796,000 wire transactions, representing a cumulative value of \$780B. By value, the most common destinations for outgoing wires were the United States, the United Kingdom, Hong Kong, Canada, and Switzerland. By volume, the leading jurisdictions were the United States, the United Kingdom, Canada, the Philippines, and Switzerland with no payments recorded directly to DPRK or Iran. This difference between high-value and high volume corridors underscores the importance of evaluating both metrics when identifying jurisdictions that may present elevated cross-border risk.

On a global level, DPRK seeks to use the banking sector to move and store the proceeds of PF or proceeds from dealing with sanctioned individuals thereby gaining access to the wider international system.

It is noteworthy that Bermuda is not an international banking sector and the growth in international business is not driven by the entry of foreign banks nor have the domestic banks expanded into unrelated non-banking activity. Whilst the DPRK may use corresponding banking relationships, wire transfers, corporate accounts and beneficial ownership arrangements, banks in Bermuda are considered to be respondent banks in that they use the services of a correspondent bank which covers the service of international transfers.

Nature of clientele

Retail and business banking rated as low inherent vulnerability - as these relationships are primarily domestic and serve the local market.

Commercial Banking, Wealth Management & Private Banking services rated as medium inherent vulnerability. The Commercial Banking sector predominantly serves domestic institutional (regulated) financial businesses, many of which have an international footprint.

Banking in Bermuda involves mostly ongoing versus transactional relationships. The sector's clientele includes some interactions with third party business, PEPs and clientele with vulnerable occupations or businesses.

Geographic reach

Retail and business banking rated as low inherent vulnerability as these relationships are primarily domestic and serve the local market. Activities conducted in overseas jurisdictions represent a relatively small volume of total business.

Commercial Banking, Wealth Management & Private Banking services rated as medium inherent vulnerability. In Bermuda, while the sector's activities can involve limited exposure to higher risk jurisdictions or countries, e.g. China and Russia, the bulk of the clientele come from North America and Western Europe. Bermuda banks generally take a conservative approach, imposing more stringent criteria during onboarding and prohibiting certain types of accounts and activity, e.g. the banking of casino business. This is in response to concerns about regulatory scrutiny and concerns about financial stability.

For the period under review there were no sectoral activities with links to DPRK, Syria or Iran and limited exposure to China and Russia.

[Back to Table of Contents](#)

Delivery channels

Retail and business banking rated as low inherent vulnerability as these relationships are primarily domestic and serve the local market. The Banking business for these sub-sectors is primarily directed to serving the domestic market and the vast majority of the client contact at account opening is face to face. Any non-face-to-face transactions which take place after account opening are conducted via secure systems.

Commercial Banking, Wealth Management & Private Banking services rated as medium inherent vulnerability due to the nature of the client base and volume of transaction activity. These sub-sectors service more international business, High Net Worth clientele and PEPs. Although Banking and investments in these sub-sectors is primarily conducted on a face-to-face business, it is supplemented by transactions through secure online platforms and transactions. Delivery channels in this sector are straightforward and not considered complex.

Conclusion

The Banking Sector's overall PF vulnerability rating was Medium. Bermuda's banking sector is more vulnerable to PF relative to other sectors due to its importance to the overall economy, its central role in cross-border fund transfers and its exposure to international business activity. These characteristics underscore the banking sector's key role and reinforce Bermuda's position as an IFC. While potential PF vulnerabilities do exist given the range of products and services offered and banking's integration with other sectors of the economy, Bermuda is not a large international banking centre with only 4 licenced Banks. No instances of PF or PF-related activity have been recorded in Bermuda's banking sector.

Financial Sectors: The Insurance Sector

The Insurance Sector: Overall Inherent Vulnerability Rating is assessed as Low

Table 4: Overall Inherent Vulnerabilities ratings for the Insurance Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
AML-Regulated Insurance (LOW)	Long-term Direct	M
	Insurance Manager	L
	Insurance Market Place	L
	Insurance Brokers	L

Introduction

The “Regulated Insurance sector” refers to the insurance sub-sectors subject to Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) regulations including the following four sub-sectors: Direct long-term insurers (life insurers excluding reinsurers) (DLTIs), Insurance Managers and Intermediaries including Brokers, and the newly regulated Insurance Marketplace Providers which deal specifically with DLTIs.

In Bermuda, the insurance sub-sectors outside the scope of AML/ATF regulations are referred to as the “Non-AML regulated Insurance” sub-sector and were analysed separately for PF risk. This distinction ensures clarity regarding regulatory requirements across the broader insurance sector landscape.

The size of the above-regulated sub-sectors as of the end of 2023 are as follows: 65 DLTIs, 68 Insurance Managers, 8 (of 72) Insurance Brokers that service DLTIs and one (1) insurance marketplace.

In 2016, insurance managers were brought fully under AML/ATF oversight, eliminating the need for dual licensing as Corporate Service Providers (CSPs), as many conducted CSP related business. In 2018, the Insurance Marketplace Provider, a new category of insurance intermediary, was incorporated into the AML/ATF regulatory framework. The BMA has established the parameters within which this class is expected to operate, in order to fully control the risks associated with it.

Globally, typologies indicate that DPRK has targeted the insurance sector using third party companies to purchase international insurance or reinsurance for state infrastructure projects or used customers and transactions in sanctions-evasion schemes.

From a Bermuda perspective, the insurance sector is vigilant in the conduct of its business and has not identified any suspicious transactions linked to PF or sanction-evasion schemes.

The PF vulnerability of each of the insurance sub-sectors is analysed below.

Inherent Characteristics

The structural complexity of entities within the sector varies significantly. Some insurers and intermediaries operate with simple frameworks or are listed on appointed stock exchanges, while others have complex, multilayered arrangements in a group structure. Many insurers are integrated with other regulated sectors within the financial sector, including trust businesses, corporate service providers, banks, investment funds, and investment businesses. In addition: some hold both insurers and intermediary licences, some maintain dual licences for long-term and general business insurance and other form part of global insurance groups or larger conglomerates.

Direct long-term insurance rated as high inherent vulnerability

This rating is due to the international reach of this sector and of the underlying policyholders as well as the sector's interconnectivity with other financial sectors. It was noted that this sub-sector is relatively very small compared to the rest of the insurance and reinsurance market. In 2023 the direct long-term insurance sub-sector (DLTI sub-sector) accounted for an estimated 0.7% of the total Gross Written Premium (GWP) of the insurance market.

The PF risk assessment of the DTLI sub-sector distinguished between domestic insurers that service Bermuda residents and international insurers who predominately service non-resident clients.

Of the 65 direct long-term insurers, forty (61.5%) were active during the period under review. Of those 40 LT insurers, 16 were international, but accounted for approximately 99% of all the DLTI sub-sector GWP (i.e. 99% of the 0.7% of total Bermuda insurance market GWP). Based on the international nature of the clientele and the sector's interconnectivity to other financial sectors, this sub-sector was rated high.

Insurance Managers and Insurance Intermediaries rated as low inherent vulnerability

In Bermuda, the Insurance Intermediaries sub-sector plays a significant role in managing and interacting with the insurance market. Insurance Manager clients comprise both AML Regulated and Non-AML Regulated Insurers and play a crucial role in the management of captives and commercial insurers and frequently provide corporate service provider services to their customers. They can therefore act as a point of contact between the regulator and the managed entity. During the period under review, there were 68 Insurance Managers in Bermuda, providing services to approximately 913 insurers.

The sub-sector analysis also focused on Insurance Brokers who serviced direct LT insurers and Insurance Marketplace Providers. In 2023 there were 72 Brokers, however none serviced direct LT business and there was one (1) Insurance Marketplace Provider, which also did not service direct LT business. Based on the nature of this business and the fact that most of the clients are regulated, listed institutions, this sub-sector was rated low.

Products and Services

Long-term insurance products vulnerable to PF are those that can be exploited for illicit activities, such as high-value life insurance policies, cross-border premium payments, or the use of intermediaries, as these can obscure the true source of funds and facilitate the movement of money to support WMD proliferation.

Direct long-term insurance rated as medium inherent vulnerability

While direct long-term insurance can be a conduit for PF, typically the type of product (long-term) insurance is not the first choice for proliferators.

The insurance sector offers several products with investment accounts, including, but not limited to universal and variable life insurance. Out of the 19 Long-Term Insurance products, the two most common types in terms of GWP include mortality insurance (64%) and critical illness (10%), with less common types including mortality-universal life (6%), mortality-term assurance (6%) and annuities (6%). The nature of these products and the relationship between insurer and policy holder do not make them conducive to PF. Most insurance products are less liquid than investment products and have penalties for early surrender which makes them less attractive from a PF perspective.

This sector has some inherent vulnerability based on non-face-to-face interactions with policyholders and the use of intermediaries. However, life insurance products are less vulnerable to proliferation financing due to their inherent product rigidity. Aspects like a mandatory, long-term commitment to a product's terms, a longer payout period, and benefits that are less accessible for early withdrawal or are tied to a customer's natural lifespan reduce the impact of the immediate utility for proliferators.

Insurance Managers and Insurance Intermediaries rated as low inherent vulnerability

The Insurance Managers and Insurance Intermediaries provide a range of services to insurers, including roles such as Principal Representative, Directorship or board membership, Senior Officer duties, outsourced activities such as Money Laundering Reporting Officer and AML/ATF/Sanctions Compliance Officer roles, and other services including accounting, preparation of prudential and statutory financial returns, underwriting, claims handling, risk management, investment, treasury, actuarial functions, internal audit and compliance services.

Insurance Managers and Intermediaries are at a lower level of vulnerability for PF activity as their clients range from individuals to large firms with a large portion represented by listed and/or regulated insurance companies.

The use of brokers and intermediaries could impact transparency in transactions, but there has been no indication that PF threat actors have exploited this potential vulnerability in Bermuda's context.

Nature of Clientele

Direct long-term insurance rated as medium inherent vulnerability

This rating was increased to medium inherent vulnerability as a sub-sector of that business is licenced in Bermuda, but creates policies internationally and transacts with international clients.

Generally, DLTIs and Intermediaries maintain long-standing ongoing relationships with their policyholders and managed entities, respectively. The DLTI engagement with its policyholders is mainly via pre-determined premium transactions or trigger events that are subject to established ongoing monitoring processes.

Insurance Managers and Insurance Intermediaries rated as low inherent vulnerability

As previously indicated, since many clients of insurance managers and intermediaries are regulated or listed insurance companies—ranging from individuals to large firms—they generally carry a lower level of inherent vulnerability for proliferation financing (PF).

Geographic Reach

Direct long-term insurance rated as high inherent vulnerability

As noted earlier, the DLTI sector is very small, accounting for an estimated 0.7% of the total Gross Written Premium (GWP) of the insurance market in 2023.

The Direct LTs comprise domestic insurers that service Bermuda residents and international insurers that predominately service customers outside Bermuda. Regarding gross premiums written (GWP), the client profile for DLTIs is primarily from Eastern Asia (91%). Although only a small number of DLTIs write business from Eastern Asia, the primary source of the GWP is generated from Hong Kong.

According to Hong Kong's Money Laundering and Terrorist and Proliferation Financing Risk Assessment 2022, it has a 'robust counter-PF regime with comprehensive legislation and a proper institutional framework' involving public and private sector collaborations to counter PF risk.

Further, the Report also states that "no 'substantial evidence' of PF activity in Hong Kong has been found to date." Hong Kong is also prominent in terms of the number of beneficiaries, claims paid, policies written, and the number of PEPs for the DLTI sub-sector. There is no confirmed exposure of this sector to DPRK, Iran, Russia or Syria.

Insurance Managers and Insurance Intermediaries rated as medium inherent vulnerability

The Insurance Managers' clients are predominantly licenced companies in Bermuda. Their geographic reach was rated medium with the principal jurisdictions of ultimate beneficial owners distributed primarily from the United States (57%) and Canada (9%) with some exposure to China (5%) and Puerto Rico (5%). Similarly, the distribution of PEPs for Insurance Managers spans Canada (22%), United States (16%), Columbia (16%), Bermuda (11%), Singapore (8%).

The intermediaries' managed entities are all companies that are registered in Bermuda. Based on the nature of the client base, its geographic spread and the fact that no PF SARs/STRs were found for intermediaries, the sub-sector was rated as medium vulnerability for geographic reach.

Delivery channels

Direct long-term insurance rated as low inherent vulnerability. In the insurance sector, customer relationships do not involve a high degree of anonymity. Most DLTIs are international in nature, which may limit direct contact with policyholders and some insurance products are sold online; therefore, there may be no face-to-face interaction with the policyholder or the intermediary. However, in most cases an intermediary has an initial interaction with a policyholder. While the non-face-to-face and intermediary factors could potentially impact the level of PF vulnerability, the fact that most interaction is initially face-to-face and the inherent rigidity of the product, like restrictions or penalties for early surrender, make it less vulnerable to exploitation than products in other sectors.

Insurance Managers and Insurance Intermediaries rated as low inherent vulnerability. Like the DLTI sub-sector, customer relationships do not involve a high degree of anonymity and many are regulated financial institutions with AML/ATF requirements in their own right.

Suspicious Activity Reports and Suspicious Transaction Reports (SARs/STRs)

While a very limited number of SARs or STRs filed by direct long term life insurance companies had clients with tangential connections to DPRK and China, no SARs/STRs filed have indicated any direct links to PF activity.

Conclusion

The Insurance Sector's overall inherent vulnerability rating was Low overall. Although there was more inherent vulnerability associated with long-term direct business, particularly for outward branches where most of the policy holders are foreign, that segment of the business is extremely small representing less than 0.7% of the GWP in the insurance market in Bermuda. The other subsectors in the regulated insurance sector covering insurance managers and brokers are considered low inherent vulnerability.

The structure and client base for Insurance Managers and Insurance Intermediaries with its large, regulated customer base, lowers the PF vulnerability.

From a Bermuda perspective, the insurance sector is vigilant in the conduct of its business and has not identified any suspicious transactions being linked to sanction-evasion schemes. The fact that there were no SARs/STRs with any direct links to PF activity and no sanctions hits for DPRK, Iran, Russia or Syria, underscores the low incidence of PF in the insurance sector.

Financial Sectors: The Securities Sector

The Securities Sector: Overall Vulnerability rating is assessed as Medium.

Table 5: Overall Inherent Vulnerability Ratings for the Securities Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Securities (MEDIUM)	IBA Standard	M
	IBA Registered (A&B)	L
	Fund Admins	L
	Investment Funds	M

Introduction

The securities sector is a mature sector and the second largest financial sector in Bermuda after insurance, though its transaction volumes remain lower than those of the banking and other financial sectors.

The securities sector in Bermuda provides a comprehensive array of sophisticated products and services. The sector primarily operates under multiple regulatory guidelines, including 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).

In 2023, the sector comprised 47 licenced Investment Businesses, 1 Class A Investment Business Registration, and 10 Class B Investment Business Registrations. Standard and Class A Investment Businesses reported aggregate assets under management (AUM) of \$224.5 billion and assets under administration (AUA) of \$28.15 billion, while Class B businesses managed \$1.8 billion in AUM and \$158 million in AUA.

The fund industry also plays a significant role in this sector, with 24 licenced Fund Administrators and 804 registered Investment Funds in 2023. These include Authorised Standard Funds (79), Institutional Funds (153), Administered Funds (2), Private Funds (196), Professional Closed Funds (102), Exempted (Class A/B) Funds (126), and Designated Overseas Funds (146). In December 2023, Bermuda Investment Funds reported a combined Net Asset Value of approximately \$280.94 billion, while Fund Administrator Provider Businesses oversaw a total AUA of \$238.2 billion.

In 2020, significant amendments were made to the IFA, expanding its scope to strengthen BMA oversight. These changes brought entities that had previously fallen outside the IFA and were registered as “Non-Licenced Persons” under regulation, aligning them more closely with BMA’s supervision of authorised and registered open-ended funds. This reform addressed a gap identified in Bermuda’s 2020 Mutual Evaluation Report (MER) and increased supervisory coverage under the IFA.

The sector consists of several types of entities:

- ▶ **Investment Business (Standard Licence):** These include entities acting as Investment Managers, Broker-Dealers or both, and they operate under the Investment Business Act 2003. The licence permits persons to carry on one or more investment activities (subject to any limitations or conditions the Bermuda Monetary Authority (Authority or BMA) may impose)
- ▶ **Registered Investment Business (Class A and B):** These operate under the Investment Business Act 2023 after the IBA 2003 was amended in 2022 and include:
 - (a) Class A Registered Persons – persons formed or incorporated in Bermuda to carry on investment business, and are licenced, registered or authorised in another jurisdiction by a recognised regulator, but do not maintain a place of business in Bermuda;
 - (b) Class B Registered Persons – persons, classes or persons specified by the Minister of Finance as eligible to be registered, based on their providing service exclusively to:
 - (i) Persons with the financial means or knowledge of investments, including high income/ high net worth/ sophisticated private investors, and investment funds; or
 - (ii) Fewer than 20 persons, where investment services are not provided to the public.
- ▶ **Investment Funds:** These are regulated under the Investment Funds Act 2006.

Inherent Characteristics

Standard Investment Business and Investment Funds rated as very high inherent vulnerability

In terms of clientele, the securities sector caters primarily to a diverse international client base with significant foreign portfolio holdings in the sector and to a significantly lesser extent a smaller domestic clientele.

Investment Businesses can accept clients inside or outside Bermuda depending on their licence type and conditions. Most clients of Investment Businesses are institutional investors, with some high-net worth individuals and PEPs amongst the clientele. Likewise with investment funds, the sub-sector caters to international clients and a diverse client base, with the majority of clients originating from Bermuda, Cayman, and North America.

Fund Administration and Registered Investment Business rated as high and medium inherent vulnerability

Like standard investment business, fund administration has inherent vulnerabilities that make it more vulnerable to proliferation financing. Fund Administration, by its nature, can involve rapid cross-border transactions, multiple intermediaries and corporate investors with complex structures, which can be exploited by proliferators to hide their activities. These factors led to a high inherent vulnerability rating.

Registered investment business has less inherent vulnerability than the other sub-sectors due to the structure of the business, and its business lines and investor types. The sub-sector almost entirely comprises Class B registrants which cater to groups of no more than 20 investors in the high net worth and/or sophisticated investor groups. Due to the size limitations and investor types, it is more likely that Class B registrants know their clients personally and PF activity is less likely, leading to a medium inherent rating.

Products and Services

Standard Investment Business, Registered Class A and B and Fund Administration rated as low inherent vulnerability

Bermuda's securities sector provides a range of sophisticated investment products and services. Theoretically, the sector could be exploited for PF purposes, such as through the investment of funds by proliferation actors to generate returns, or investment in businesses with proliferation-related activities (e.g., private equity in sensitive industries like mining). However, there is currently no evidence or typologies indicating that Bermuda's securities sector has been misused for such purposes, nor has it featured in domestic investigations, STRs, or breaches of PF TFS.

Investment Business: Investment Businesses operate as Investment Managers, Broker-Dealers, or both, with activities including dealing and managing investments, holding client assets, and safeguarding or administering investments in line with their licensing conditions.

In the investment business context, insurance products that combine insurance coverage with investment features can carry higher vulnerability due to potential for complex transactions, such as assigning policies to third parties or deliberate overpayment of premiums. While direct long-term insurance can be a conduit for PF, it is generally not a preferred vehicle for proliferators.

Standard Investment Business Licencees may also arrange investment deals and provide investment advice. Class A Registrants are Bermuda-incorporated entities regulated by another recognised authority. Though they do not maintain a business presence in Bermuda, Class A registrants are permitted to provide investment advice and promote investments but cannot arrange investment deals. Class B Registrants typically cater to niche clients such as high-net-worth individuals, investment funds, or small groups of up to 20 participants. They may arrange investment deals but are not permitted to provide advice or promote investments.

Investment Businesses with Standard and Class A licences predominantly manage assets on a discretionary basis, with 89% of assets managed this way compared to only 11% under non-discretionary management. This discretionary structure reduces the potential misuse for PF, as investment managers, rather than clients, control investment decisions.

Fund Administration: Fund Administrators are licenced in Bermuda and their operations are subject to prudential and AML oversight.

Fund Administrators operate under Class I, II, or III licences, which progressively expand their authority. Class I administrators service private and professional funds; Class II administrators may service a full range of fund structures with no asset limits; and Class III administrators may manage any structure without asset limits and also act as registrars.

Fund Administrators are often part of financial groups that offer a variety of AML/ATF regulated services and provide services to regulated funds. They handle back-office functions for funds, and their assessment of PF risk involves understanding the specific risks of the Fund Operators. The customers of Fund Administrators are the Funds themselves, and all Directors and Officers on the Fund must be thoroughly identified and verified.

Quite often, there is a dual role and Fund Administrators are contracted as the register and transfer agent for the funds as well and must understand the risks of the investors including the customer, service, transaction, and geographic risk exposures for ML/TF/PF, as well as monitoring for unusual activities or transactions.

Investment Funds rated medium inherent vulnerability

Bermuda's fund offerings include Authorised, Registered, and Designated Overseas Funds, each tailored to distinct investor groups.

Investment funds that transact daily would have more PF vulnerability than funds with less liquidity. Investment Funds typically require redemptions to be returned to the investor's bank account that funded the transaction initially, and not a third party. These factors influencing the redemption process help to lower the PF vulnerability of the Funds sub-sector.

Nature of Clientele

Standard Investment Business and Investment Funds rated as medium inherent vulnerability

The securities sector customers are predominantly international. Whilst the sector caters to a domestic client base, it also serves diverse, international clients with significant foreign portfolio holdings.

The nature of the securities business in Bermuda is characterised by ongoing business relationships with clients. While there is a direct relationship between Investment Businesses or Fund Administrators and their immediate clients, there are also obligations on both of these regulated sectors to look through when necessary to the beneficial owners of their immediate clients.

Investment Business: Investment Businesses primarily cater to institutional investors, with a smaller share of HNWLs and PEPs. This fact lessens the risk of PF significantly.

Investment Funds: As noted in previous sections, Authorised, Registered, and Designated Overseas Funds are all overseen by the BMA but cater to different audiences. Authorised Funds include Administered, open to both qualified and retail investors; Institutional, for qualified participants who can invest \$100,000; and Standard, open to a wider audience with high regulatory oversight. Registered Funds are formed by Professional and Private Funds. The former is restricted to qualified participants and requires a licenced investment manager, with the class B needing prior approval for operator or service provider changes. On the other hand, Private Funds are limited to 20 participants and designed for private groups or family offices. Designated Overseas Funds are based outside Bermuda. The structure of these funds, the requirements for registration and the qualifying criteria tend to lower the risk of PF.

Registered Investment Business and Fund Administrators rated low inherent vulnerability

Fund Administrators' immediate clients are also mainly institutional in nature, while the ultimate investors in the funds are often HNWIs, institutions, or other sophisticated investors. Authorised Standard Funds may also include a modest retail element.

Clientele in the sector is diverse and often associated with complex business structures, spanning a broad range of occupations and industries. The funds serviced may invest in areas that carry potential PF risk, such as private equity investments in sectors like mining. In addition, approximately 19 of the 804 registered investment funds (around 2%) have exposure to cryptocurrency assets, investing in digital currencies as part of their portfolio strategies.

Class A & B (Registered) Investment Business: as noted above the types of clients are circumscribed based on the Class A and B definitions. For Class B Registered Persons, the clientele includes individuals such as high-net-worth individuals, funds, limited entities, or small groups no larger than 20 persons without public solicitation. The Class A and B sub-sectors manage assets largely on a discretionary basis, which is reflected in the low PF rating.

Geographic Reach

Standard Investment Business and Investment Funds rated as medium inherent vulnerability

The securities sector in Bermuda has a broad international reach, with a client base that is geographically diverse, though exposure to jurisdictions of concern for PF remains limited. There are no links to the DPRK, Iran, or Syria. Exposure to Russia is minimal, consisting of two investment business clients and approximately \$35 million from Russian investors in funds.

Many of the larger Investment Funds are listed on international stock exchanges, including Bermuda, London, and Hong Kong, while funds seeking European investors are often listed on the Irish or Luxembourg Stock Exchanges.

While the securities sector has an international reach, the sector has limited connections with countries of strategic interest from a PF perspective. This includes 20 investment business clients from China, representing \$118 million invested in funds, as well as 318 investment clients from Macao, including one PEP with no invested assets. Hong Kong represents a larger client base, with 8,084 investment business clients, two PEPs with no invested assets, and approximately \$1.77 billion invested in funds by Hong Kong investors.

Registered Investment Business and Fund Administrators rated as low inherent vulnerability

Standard and Class A Investment Businesses, discretionary management (AUM) clients are primarily from the European Union (69%), followed by Bermuda (20%), Asia/Oceania (5%), the rest of Europe (3%), the Americas (2%), and the Cayman Islands (1%).

Non-discretionary (AUA) clients are more concentrated in Bermuda (46%), with additional representation from Cayman (20%), the Americas (14%), non-EU Europe (11%), Asia/Oceania (6%), the EU (2%), and the Middle East (1%). Class B Investment Businesses mainly serve clients in Bermuda and Northern Europe.

Fund Administrators manage both Bermuda and foreign-domiciled funds, while Bermuda-based funds may also employ overseas administrators. Of the funds managed by Bermuda Fund Administrators, 34% are domiciled in the Cayman Islands, 33% in the United States and Canada, 24% in Bermuda, 4% in Asia and Oceania, 3% in the British Virgin Islands, 1% in Europe, and 1% in other regions. Based on this geographic breakdown and the fact that there have been no PF sanctions applied to the securities sector, the risk was considered to be low.

Delivery Channels

Standard Investment Business and Investment Fund Administration rated as medium inherent vulnerability

Overall, delivery channels in the sector are relatively straightforward. However, the structures of underlying clients in investment funds can introduce additional layers of complexity, particularly where feeder funds or multi-tiered arrangements are involved.

In 2023, Investment Businesses primarily engaged clients through digital and referral-based channels, with 91% of interactions conducted via online onboarding and internal referrals. Other modes of interaction included communication by phone, email, fax, or post (2%), face-to-face meetings (7%), video conferencing (<1%), and intermediaries (<1%).

Due to the fact that non-face-to-face business carries a greater risk of impersonation and the fact that there have been no PF sanctions applied to the securities sector, the risk was considered to be medium.

Registered Investment Business and Fund Administrators rated as low inherent vulnerability.

For Fund Administrators, client interactions were more traditional than other securities sub-sectors, with 75% conducted by phone, email, fax, or post, 17% face-to-face, 5% via video conferencing, and 3% through intermediaries.

Conclusion

This sector is assessed as having an overall inherent vulnerability rating of Medium.

Global context suggests that this sector is generally lower vulnerability for PF, which is based on the fact that it is not featured in any UNSC POE reports and is not subject to any sector-specific UN sanctions. In Bermuda's context, the securities sector is not cash-based, and while the sector involves cross-border transactions, there have been no ties to PF activity in this sector in Bermuda.

Financial Sectors: Money Service Business (MSB)

Money Service Business (MSB) Sector: Overall Inherent Vulnerability rating is assessed as Low.

Table 6: Overall ratings for the MSB Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
MSB (LOW)	MSB	L

Introduction

The Money Service Business Act 2016, which took effect on 31st January 2017, regulates the Money Service Business (MSBs) in Bermuda. The Act established a structured licensing regime and under section 2(2), defines an MSB broadly to include: money transmission services, cheque cashing, payment service businesses, and operation of a bureau de change.

While the MSB business presents higher risks internationally for ML/TF and PF, certain structural features in the Bermuda market results in a lower level of inherent vulnerability to PF by restricting access to this sector.

To apply for a MSB licence, a business must be incorporated as a Bermuda Company, which facilitates regulatory oversight and control over the sector and streamlines supervision. This requirement also prevents casual outlets such as gas stations or supermarkets from operating as global money transfer agents thereby lowering vulnerabilities and further safeguarding against potential risks. Unlike MSBs globally, there are no unlicensed or unsupervised agents operating in Bermuda.

Inherent Characteristics

Money Service Business rated as medium inherent vulnerability

Bermuda's MSB sector consisted of three licenced entities for the assessment period. However, by the end of this period, only two remained licenced, with one entity consistently operating and maintaining licensure throughout the entire period. Given this, the assessment is largely based on one consistently operating entity.

Compared with Bermuda's banking, insurance and trust services sectors, the MSB sector is smaller in scale and contributes modestly to the overall financial industry. Its core market consists primarily of guest workers remitting funds overseas, with a smaller segment being tourists engaging in money transfers. The majority of transactions are outward remittances.

Despite the small number of licenced entities, the sector caters to a substantial clientele of over 26,000 clients, including residents and international tourists, who engage with the MSBs for their varied service offerings.

Globally, it is reported that “*unlicenced MSBs are utilised to move money for individuals acting on behalf of domestic-designated and UN-designated terrorist groups.*¹⁹ *One of the cases from UAE authorities uncovered a complex scheme to use a front company as a hawaladar to move millions of dollars. While this is an example of individuals evading TF-TFS on behalf of a state actor, it could be relevant to the types of complex schemes used to evade PF related sanctions as well.*²⁰”

This assessment reflects the sector’s reliance on cash transactions, the high frequency of cross-border remittances, and its wide geographical reach, including transfers to and from multiple jurisdictions. Outgoing remittances significantly exceed incoming flows, and the client base includes foreign guest workers and some tourists who regularly engage in cross-border activity. These characteristics present potential channels that could be exploited by PF actors.

While there is a globally recognised risk with MSB business, the typologies for the MSB sector in Bermuda differ from what is typically seen globally owing to two distinctive characteristics of its business model. First, there are no unlicenced or unsupervised agents operating. Second, given the small size of the country and the sector, customers often make repeated transactions and are consequently well-acquainted with the specific MSB they routinely use.

Products and Services

Money Service Business rated as low inherent vulnerability

Offering seven distinct services, including money transmission services, cheque cashing, electronic payments, merchant payments, foreign currency exchange services, AMEX credit card payments, and internet bill payments, the sector services a relatively small number of transactions.

The MSBs’ services in Bermuda are characterised by cash-based transactions of smaller amounts but high frequency, along with the convenience and ease of access of sending funds abroad. These services offer a convenient, cost-effective alternative for conducting cross-border transactions compared to traditional banks.

The MSB sector significantly relies on cash transactions, often accepting cash for overseas transfers or converting Bermuda dollars into United States dollars. In 2022, there was \$3.6M inward and \$30M in outgoing remittances with 85,000 transactions in total (inward/outward).

Money Transmission Services - these include the receipt of cash or electronic payments from customers with the intent to transfer those funds electronically across borders. The primary risks involve individuals using cash to obscure the origins of illegally obtained funds and utilizing the MSBs’ money transmission network thereby complicating the traceability of funds. Outgoing remittances surpass incoming remittances in both value and volume.

19 See FATF Report-“Complex Proliferation Financing and sanctions-evasion Schemes, June 2025”, page 33-Box 15: case study: Unlicenced MSB used to evade sanctions for terrorist group on the UN1267 list.

20 FATF Report-Complex Proliferation Financing and sanctions-evasion Scheme, June 2025, page 33, paragraph 71.

Check Cashing Services - this involves the exchange of cheques made payable to a customer for cash. This service is typically used by customers who are either unable to open a bank account at one of the local banks or those who prefer immediate cash rather than waiting for the cheque to clear, as is the case if using the services of a bank. In 2022 a total of 9,737 cheques were cashed in the sector totalling \$3.3M. This is a decrease from the last assessment period when the total of 17,965 cheques cashed in 2019 was \$6.3M. The decrease is attributed to the fact that only one entity offered cheque cashing services during the assessment period.

Foreign Exchange Services - In Bermuda, these services are used to exchange Bermuda Dollars (BMD) to United States Dollars (USD). The primary risk associated with this service is the potential misuse by criminals to exchange low-denomination 'street cash' into larger foreign notes as an initial step towards cross-border currency smuggling, thereby facilitating the money laundering process or further criminal activity.

Generally, MSB products and services can potentially raise the risk of PF based on their high-volume, low value transactions. However, based on Bermuda's context, the vulnerability of PF was found to be low, due to the nature of the MSB business in Bermuda and the structure of the sector.

Nature of Clientele

Money Service Business rated as low inherent vulnerability

The MSB sector is utilised principally for its money transfer services, and secondarily for cheque cashing, and foreign currency exchange services. The MSB's client base is composed primarily of foreign guest workers who regularly repatriate money to their home countries with the majority of transactions reflecting the main jurisdictions noted in the section on geographic reach. Based on bank debit slips presented by MSB customers as proof of source of funds, it is thought that resident customers of MSBs may be underserved by the banks or may prefer not to use them as it is less expensive to send money via an MSB than a wire payment through their bank account. Tourists who either arrive via cruise ships or international flights make up a very small proportion of the MSB business. The PEP population within the overall customer base for the MSB sector is considered small, representing about 0.11% of customers. Likewise, the percentage of high-risk customers is also small, representing 2-3% of all MSB customers.

Geographic reach

Money Service Business rated as low inherent vulnerability

The geographical reach of this sector is expansive, and the destination of funds are primarily to jurisdictions such as Jamaica, the Philippines, the United States, the Azores, and the Dominican Republic. Conversely, funds are mostly received from the United States, the United Kingdom, Canada, Jamaica, and the Bahamas, based on value and volume. There is no evidence that the sector is being abused for PF activities or by PF actors.

[Back to Table of Contents](#)

This is generally a reflection of the MSB customer base in Bermuda which is predominantly foreign workers sending money home to Jamaica, the Philippines and the Azores. No PF high risk countries have been noted in this respect and there is not a diaspora of citizens from high risk PF countries in Bermuda.

Within the MSB sector, there has been no confirmed PF exposure or transmission of funds to North Korea, Russia, Iran or Syria.

Delivery Channels

Money Service Business rated as low inherent vulnerability

There is no anonymity in the delivery channels of the sector and a low level of complexity in transactions with channels involving a high degree of accountability and controls. Transactions are conducted in person at MSB locations, where customers are required to provide proof of identification. Onboarding and transactions take place face-to-face, with customers presenting government-issued identification, proof of address, and details regarding source of wealth and source of funds.

MSB activity does involve limited transfers to countries with an informal banking sector (Zimbabwe, Brazil, etc.) but these are normally expatriate workers sending money home and do not involve high risk jurisdictions for PF risk.

Conclusion

This sector is assessed as having an overall inherent vulnerability rating of Low.

In summary, the low PF inherent vulnerability rating is supported by the sector's small overall scale, the absence of MSB agents, and the transaction volumes and client profile. There have also been no confirmed PF exposure or transmission of funds to North Korea, Russia, Iran or Syria.

Financial Sectors: Digital Asset Business Sector (DAB)

Digital Asset Business Sector²¹ - Overall Inherent Vulnerability Rating assessed as High.

Table 7: Overall ratings for the Digital Asset Business (DAB) Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
DAB (HIGH)	Full	H
	Modified	H
	Test	M

Introduction

The Digital Asset Business (DAB) Sector was formally established in 2018 and from inception was brought within the scope for AML/ATF regulation under the Proceeds of Crime Act 1997. Oversight of the sector is conducted by the BMA.

Globally it is recognised that the misuse of DAB sector for PF purposes entails hacking exchanges as well as transactions linked to blockchain platforms, cross-border fund movements which attempt to evade detection.²² DPRK has engaged in cyberattacks on crypto exchanges and individual-users, and mining of cryptocurrency as a source of funds, for its professional branch of the military. DPRK also exploited loosely regulated DAB service providers in order to convert illicitly obtained virtual assets into fiat currencies.

Inherent Characteristics

The Digital Asset Business (DAB) Full and Modified licences rated as high inherent vulnerability, while DAB Test licences rated as medium

Globally, the DAB sector is of particular concern due to its links with virtual assets, which have been exploited by cyber actors. The 2023 UN Panel of Experts report continues to highlight violations of Security Council financial sanctions by DPRK cyber groups. These actors use illicitly obtained virtual assets, obfuscated through blockchain anonymity and cryptocurrency exchanges, to evade detection. Sanctions responses have included measures against virtual currency mixers. In May 2022, United States authorities imposed the first bilateral sanctions on the mixer Blender, followed by sanctions on Tornado Cash for facilitating the laundering of a portion of the \$600 million stolen by DPRK hackers in one of the largest virtual asset heists on record.

²¹ The DAB sector in Bermuda is equivalent to VASPs as in the FATF Standards.

²² "FATF Report on Complex Proliferation Financing and sanctions-evasion Schemes, Box 22: Case Study: Using various methods to move funds to the DPRK, page 41". In 2024, South Korea sanctioned one entity and 15 individuals including general managers for generating funds, launching cyberattacks and stealing virtual assets on behalf of DPRK. DPRK with assistance of facilitators used virtual wallets, banks, e-finance platforms and other fiat currency, the DPRK sent large sum of money and used fiat currency proceeds from converted virtual assets for purchasing sanctioned supplies and financing the regime's WMD programme.

In Bermuda, the sector is relatively new, with the first DAB licence issued in July 2019, and has remained under close regulatory oversight due to its emerging nature and unique ML/TF/PF risks.

Licensing Structure DABs operate under three categories of licences. The nature, scale, complexity and overall risk profile of the DAB business depends on its licence type:

- ▶ **Class T (Testing Environment):** A temporary licence (valid for 3–12 months, with possible extension) that allows entities to test new business models, products, or services or run pilot projects. Before expiry, the entity and the BMA determine next steps, which may include upgrading to a higher licence or winding down operations.
- ▶ **Class M (Modified Environment):** A transitional licence, typically lasting 12 months, allowing entities to move from testing under a Class T licence (or equivalent environment) toward a full Class F licence. During this period, DABs are expected to build compliance frameworks, prepare business growth roadmaps, and demonstrate readiness for full licensing.
- ▶ **Class F (Full Licence):** A licence permitting unrestricted operation as a regulated DAB in Bermuda. Class F licencees meet the minimum licensing requirements under the Digital Asset Business Act (DABA) and any additional conditions imposed by the BMA. Class F licences are indefinite but remain subject to ongoing supervisory visits by the BMA's FinTech, AML, and Cyber Risk units.

The different classes of licence present varying degrees of PF risk. The test (T) licence operates in a sandbox environment designed for testing proofs of concept. This sandbox licence is for a defined period determined by the Authority and for the purpose of carrying out pilot or beta testing in relation to such activity. Test licences and activities are heavily circumscribed with a limited number or category of participants. The modified (M) licence also operates in a sandbox, with fewer restrictions than the T licence. Unlike Class T and M licences, which have limitations on what activity they can perform, a full (F) licence normally has no limitations on the licence. For these reasons, Class M and F licences are classified as high risk, and Class T medium risk.

Between 2020 and 2023, the BMA supervised eight Class F licences, four Class M licences, and four Class T licences. Applications for new licences continue to increase, often involving complex business models that span across multiple licensing categories and require joint supervisory efforts. While the overall size of the sector is small compared to Bermuda's traditionally obligated financial sectors, the sector is globally connected, with most activity involving international clients and transactions.

The DAB sector's integration with Bermuda's broader financial system remains limited. Banking access is restricted, with services generally confined to "operations accounts" used for domestic expenses such as salaries, fees, and rent. Customer-related fiat or cryptocurrency transactions, including conversions, are not permitted within local banking channels. CSPs play a key role in the sector, serving as incorporation agents and local corporate secretaries, while Bermuda-based law firms act as advisors and legal counsel for daily business operations. Many DABs are also part of larger international networks with offices in the United States, European Union, Hong Kong, and the United Kingdom, reflecting the global scope of the industry.

Products and Services

The Digital Asset Business (DAB) F and M licences rated as high inherent vulnerability, while DAB T licences rated as medium

The DAB sector encompasses different providers offering a broad range of activities:

Virtual Asset Exchanges: Provide peer-to-peer (P2P) and peer-to-business (P2B) transfer services and various conversion services. Inherent vulnerabilities include high transaction volumes, global reach, potential anonymity and rapid settlement. More specifically, the different services provided by Virtual Asset Exchanges have varying degrees of risk:

- ▶ **P2P and P2B transfer:** There is elevated risk due to anonymity and complexity.

Interactions between P2P transfer services and DABs, particularly involving the rapid settlement of virtual asset transactions, introduce an additional layer of complexity and potential risk due to the industry as a whole not having a standardised settlement system such as the SWIFT system banks use for wire payments.

- ▶ **Fiat-to-Virtual, Virtual-to-Fiat, and Virtual-to-Virtual Conversion Services:**

Inherent characteristics of these conversion services that pose additional risks include the nature, size, and complexity of the business; mode of products/service delivery; and customer types. Moreover, transactions involving virtual-to-virtual conversions often span across-borders and could involve higher risk jurisdictions.

Virtual Asset Management Providers: Offer fund management and distribution services within the digital space. Vulnerabilities that can arise from these services include anonymity, cross-border flows and non-face-to-face interactions. The speed of transfers, however, poses a high risk given the swift movement of virtual assets that can hinder accurate and timely tracking of suspicious activities. This can be potentially misused for PF purposes.

Virtual Asset Investment Providers: Platform operators, custody providers and issuers of stablecoins, represent a diverse facet of the DAB sector in Bermuda.

- ▶ **Platform Operators:** Like exchanges in their functionality such as speed and potential anonymity of transactions.
- ▶ **Custody Providers:** These entities secure digital assets on behalf of customers.
- ▶ **Stablecoin Issuer:** Stablecoins have emerged as a highly accepted digital asset, inherently providing balance in the volatile cryptocurrency market due to their value being pegged to a stable reserve asset, such as a fiat currency.

There is no intelligence or investigations were made in relation to PF activities for the different services provided by virtual asset exchanges during the period.

The Digital Asset Business (DAB) sector is evolving rapidly. Due to the different products and services offered and the fewer restrictions applied to them, the PF risk is rated as high for Class M and Class F licences. Class T licences are rated as medium risk, reflecting the strict activity limits imposed on them within the regulatory sandbox.

Nature of Clientele

The DAB F and M licences rated as high inherent vulnerability, while DAB T licences rated as medium

The DAB sector engages directly with clients across both retail and corporate spheres. The client base is broad, spanning domestic and international markets, with a significant proportion of customers originating from foreign jurisdictions. Clients include retail customers, HNWI, PEPs, corporate entities, institutional investors, and government bodies. The sector services individuals and organisations from a wide range of industries and professional backgrounds, reflecting the international and diverse nature of DAB activity.

Based on the relatively restricted activity of the T licence in the sandbox with limitations on the number and type of clients, the PF risk was determined to be medium. PF risk for M and F licences was rated as high, reflecting the fewer restrictions in place for them.

Geographic reach

The DAB F and M licences rated as high inherent vulnerability, while DAB T licences rated as low

The geographic reach of the DAB sector is global in scope, with clients and transactions extending across multiple jurisdictions. Specific exposure to high-risk jurisdictions or areas of concern for PF is currently unknown. Similarly, the extent of connections with jurisdictions or countries of strategic interest remains unknown.

The sandbox environment for the T licence limits the licence to a pre-set number or category of participants while the M and F licences have more geographic exposure. For these reasons the T licence was rated as low for PF risk, given the restrictions on their level of activity, while the M and F licences were assessed as high risk.

Delivery Channels

The DAB F, M and T licences all rated as high inherent vulnerability

The inherent vulnerability of the DAB sector regarding delivery channels was rated as high since the sector operates almost entirely through remote, non-face-to-face channels. This reliance on digital interaction increases exposure to impersonation and anonymity risks, as well as vulnerabilities linked to cross-border and rapid digital transfers. These are vulnerabilities known to be exploited by PF threat actors, particularly DPRK, based on international typologies.

Conclusion

This sector is assessed as having an overall inherent vulnerability rating of High.

There is no evidence of direct PF activity within this sector in Bermuda. However, consistent with global typologies, the sector remains exposed to indirect PF risks due to its inherent characteristics as outlined.

This overall inherent vulnerability rating is primarily due to the sector's expansive yet currently unknown geographical reach, and the customer base it attracts, which includes HNWI and companies. The complexity of products and services offered, combined with delivery channels that rely on remote, non-face-to-face interactions, increases exposure to anonymity and impersonation vulnerabilities. Although there is currently no intelligence or evidence to suggest that this sector is being exploited by PF actors in Bermuda, its inherent characteristics make it susceptible to misuse.

Financial Sectors: The Lending Sector

The Lending Sector - Overall Inherent Vulnerability Rating assessed as Low.

Table 8: Overall ratings for the Lending Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Lending (LOW)	NLP	L

Introduction

There were five entities operating in this sector for the period under review, offering small personal loans such as payday loans and larger collateralized loans. The loan values are small, averaging less than \$3000 and rarely exceeding \$25,000. The client base is domestic, with the majority of interactions conducted on a face-to-face business.

Inherent Characteristics

Lending sector rated as low inherent vulnerability

The rating of low vulnerability was determined based on the small number of lending entities operating in Bermuda, their domestic client base, the small value of loans involved and the face-to-face nature of client interaction.

Products and Services

Lending sector rated as low inherent vulnerability

In Bermuda, lending entities primarily provide two categories of loans: small personal loans, such as payday loans, and larger collateralized loans. While these institutions play a role in meeting short-term financial needs, their overall contribution to the economy remains relatively minor.

Loan values typically range from \$500 to \$5000. In addition to these traditional products, new entrants to the sector have begun diversifying lending services by offering equipment and leasing finance, as well as “buy now, pay later” arrangements. This expansion signals a gradual broadening of the sector’s role, although its economic impact continues to be limited at present.

The lending sector interacts closely with other financial sectors, mainly the deposit taking sector (banks), due to the interconnectedness of financial services. Borrowers often maintain accounts with banks, and loan transactions usually involve transfers between these accounts. Certain loan products, such as payday loans, are cash intensive. Buy now pay later services via equipment and leasing finance are primarily conducted via online direct deposit payments. The cash-based nature of these products can complicate the tracing of transactions and obscure the sources and uses of funds, thereby creating potential vulnerabilities to PF.

The sector does not typically engage in large or complex transactions, and during the assessed period no SARs identified the lending sector’s products and services as having been used for PF purposes.

Nature of Clientele

Lending sector rated as low inherent vulnerability

The sector's client base is composed of exclusively local residents of which over 90% are Bermudians and the remaining 10% are resident expatriates, and/or guest workers with a government- issued work permit.

There are approximately 900 clients who engage with the lending sector and the transaction limits for small personal loans were very small in value (i.e. less than \$3,000) and even though collateralised loans could be as large as \$10,000, they were very few to date.

Within the lending sector, business relationships with clients are primarily contractual. When a lending relationship is established, borrowers enter into an agreement with the lending entity, defining the terms and conditions of the loan. These relationships are generally long-term and ongoing, as loans require regular interactions throughout the repayment period, most often through monthly payments. For collateralized lending products, such as loans for solar panels or large appliances, clients may come from a wide range of occupations, with no single profile of a typical user. The sector caters exclusively to domestic clients.

Geographic reach

Lending sector rated as low inherent vulnerability

Lending sector operations are completely domestic. The entities registered within this sector are operating locally, catering to a customer base that is predominantly residing in Bermuda. There is no evidence of lending or exposure to persons or entities subject to PF-related sanctions, nor to countries associated with sanctions.

Delivery Channels

Lending sector rated as low inherent vulnerability

Lending transactions are conducted face-to-face due to the primarily domestic nature of the sector, consequently the level of anonymity is extremely low. International payments are non-existent in this sector. The sector typically does not deal with large, complex transactions or need automatic transaction systems based on the volume of transactions and nature of clientele. This sector is not referenced in the UN PoE as a sector which is susceptible for abuse by PF actors.

Conclusion

The overall inherent vulnerability of this sector is Low as the sector represents a very small population of entities with transactions limited to local clients for small personal loans valued less than \$3,000. The services offered are conducted face-to-face and tailored to residents and businesses that are 90% Bermudian. There is no evidence or information to suggest that this sector is subjected to UN Sanctions or countries associated with sanctions.

Financial Sectors: The Trust Sector

The Trust Sector: Overall Inherent Vulnerability rating is assessed as Medium.

Table 9: Overall ratings for the Trust Service Provider Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
TSP (MEDIUM)	Licensed Trust Co	M
	PTC	M

Introduction

The trust sector comprises 25 Licensed Trust Companies or Trust Service Providers (TSPs) and administers approximately \$118B in assets under administration (AUA) across a wide variety of trusts.

This assessment encompasses both Licensed Trust Companies and Private Trust Companies (PTCs), with the prime market focus being the provision of trust services to High-Net-Worth families or individuals including international clients.

Trusts are administered by trustees who are vested with the authority to manage, employ, or dispose of trust assets in accordance with the trust deed and the fiduciary duties imposed on them by law.

While non-professional trustees are not regulated for PF obligations, they are obligated under the Trustee Act 1975 to maintain appropriate records. This ensures that relevant transparency can still be achieved for any trust administered by them. The focus of this assessment is on the licensed TSP sector.

Inherent Characteristics

Trust Service Provider (TSP) sector rated as high inherent vulnerability

The TSP sector is considered relatively small in size compared to other regulated financial sectors, yet it administers a substantial volume of assets totalling approximately \$118B under administration. Despite its size, the sector has a complex structure and is closely integrated with other parts of Bermuda's financial system, including banking, corporate service providers, insurance, investment businesses, investment funds, and DNFBPs. While Bermuda does not have statutory privacy or secrecy laws, certain information such as trusts deeds, settlors and beneficiaries, accounting records, and financial transactions is not publicly disclosed. However, beneficial ownership information is required when accounts are opened for a trust with other regulated financial institutions and is expected to be updated periodically on a risk basis. This information is accessible to competent authorities when duly authorised.

The sector operates both domestically and internationally, making it widely accessible to a diverse customer base and enabling significant cross-border fund transfers. The use of intermediaries such as lawyers and financial advisors could in principle impact identifying the source and destination of funds. A variety of trust structures are offered within Bermuda, and internationally there have been examples of risk exposures and/or illegality related to trusts' significant structuring possibilities.²³ However, it is not possible to set up an illegal TSP in Bermuda due to the policing of perimeter requirements. Beneficiaries of Bermuda trust structures are primarily connected to the United States, United Kingdom, Canada, and Switzerland, with a smaller proportion linked to the People's Republic of China.

Globally, this sector is commonly cited for higher PF risk due to the potential for poor transparency and anonymity. In contrast, Bermuda does not possess statutory secrecy laws, meaning trust deeds, the identity of settlors, beneficial owners and beneficiaries of trusts, trust accounting records and financial transactions are always attainable via the trustee when duly authorised by Competent Authorities. The laws governing data protection and confidentiality do not inhibit any of the AML/ATF/CPF requirements by competent authorities. This information is mandatory when the trustee opens accounts with regulated financial institutions. This balance between confidentiality and transparency ensures the integrity of the trust sector in Bermuda while adhering to regulatory requirements.

There are no sector-specific UN sanctions applicable to trusts. However, UN PoE reports on the Democratic People's Republic of Korea (2014–2019) have highlighted areas of concern relevant to this sector, including the misuse of legal persons and arrangements to circumvent established export controls.

Products and Services

Trust Service Provider (TSP) sector rated as medium inherent vulnerability

Bermuda's trust sector offers a wide range of structures, with flexibility in design. Common types include Discretionary, Fixed Interest, Purpose, Charitable, Employee Benefit, Unit, and Pension Trusts. Some of these structures can be complex, with layered ownership and control arrangements.

Private Trust Companies (PTCs) are exempt from licensing obligations under the Trusts Act and from AML/ATF/CPF programme obligations under Section 42A(g) of the Proceeds of Crime Act 1997. Unless exempted, PTCs must be registered as Non-Licensed Persons (NLPs) under the Proceeds of Crime (AML/ATF Supervision and Enforcement) Act. While PTCs are widely used in legitimate contexts, they have been exploited in tax evasion schemes.

Corporate and professional trustees are commonly engaged through licenced, regulated financial institutions. Many are members of the Bermuda Association of Licenced Trustees (BALT), which represents the sector and provides input on trust legislation, fiduciary ethics, and industry practice.

²³ "FATF Report, Complex Proliferation Financing and sanctions-evasion Schemes, Box 14: Case Study: Use of illegal TCSPs to trade dual-use goods, page 33". In this case Iranian citizens set up multiple legal entities in the Netherlands that were or are active in the technology sector. This includes the use of a recognised reference company (RRC) to purportedly make it easier for highly skilled migrants to obtain a Dutch residence permit. The RRC is also part of or directly related to an illegal TCSP, which provides a variety of services like registration of company, opening of a bank account, and verifying at least half of the company directors are Dutch nationals (to benefit Dutch tax advantages and tax treaties).

Non-professional trustees are exempt from licensing and usually administer smaller, family-based trusts, often holding domestic assets such as property. Non-Professional trustees are required under the Trustee Act 1975 to maintain basic records on the trusts they oversee.

From 2018 to 2024, no SARs or STRs were filed by the trust sector in relation to PF or PF-related TFS. However, global investigations and filings from other sectors highlight the role trusts can play in cross-sectoral exposure. Internationally, trends from STRs and FIU disclosures indicate that trust accounts have been used in cases involving illicit fund transfers and sanctions-evasion.

Nature of the clientele

Trust Service Provider (TSP) sector rated as medium inherent vulnerability

The trust sector primarily services HNWLs and families, with the majority of settlors and beneficiaries originating from the United States, Canada, Switzerland and the European Union. In 2023, 46% of settlors were domestic, while 54% were foreign, dominated by clients from North America and Europe. Among beneficiaries, 41% were domestic, and 59% were foreign, again with the largest share from the United States, Canada, and the European Union.

Relationships in the sector are a mix of direct and indirect. Most clients are not located in Bermuda, meaning connections are often intermediary, though direct relationships exist for Bermuda-based clients. Transaction volumes vary depending on the type of trust, but there is no consolidated data on the extent of ongoing versus transactional relationships.

PEPs form a small part of the client base. In 2023, foreign PEPs accounted for 7% of total client relationships. The largest concentrations of PEPs were in Bermuda (65), the United Kingdom (33), Canada (11), China/Hong Kong SAR (8), Saudi Arabia (7), and the United States (6). Smaller numbers of PEPs were identified across a wide range of jurisdictions, including Macao, El Salvador, Liechtenstein, Australia, Brazil, Cayman Islands, Germany, Israel, Jamaica, Singapore, the Bahamas, Ecuador, France, Honduras, Italy, Japan, Jersey, Kenya, Lebanon, Luxembourg, Mexico, the Netherlands, Qatar, South Africa, Uruguay, and Venezuela.

The trust sector's client base also includes a small number of individuals linked to higher-risk jurisdictions. In 2023, there were 11 clients with direct or indirect ties to Russia and 55 with exposure to China, including Hong Kong and Macao. There were no trust clients or transactions linked to Syria, Iran or DPRK.

Geographic Reach

Trust Service Provider (TSP) sector rated as medium inherent vulnerability

The trust sector primarily services HNWLs and families from the United States, Canada, and the European Union. In 2023, 46% of settlors were domestic, while 54% were foreign, dominated by clients from North America and Europe. Among beneficiaries, 41% were domestic, and 59% were foreign, again with the largest share from the United States, Canada, and the European Union.

Between 2021 and 2023, clients of the trust sector included a limited number of individuals with geographic connections to China (including Hong Kong) and Russia. During this period, distributions were also made to beneficiaries with ties to these jurisdictions. Available data provides the country of residence of the principal settlor and the country of residence of beneficiaries, but does not include details on the nature of the distributions or specific transactions. Overall, these higher risk connections represent a relatively small share of sector activity. No additional countries of strategic interest or concern were identified.

Delivery Channels

Trust Service Provider (TSP) sector rated as medium inherent vulnerability

The trust sector makes use of multiple delivery channels, including phone, face-to-face interactions, remote methods such as video conferencing, and intermediaries such as agents or third parties. Nearly half of the sector's transactions are conducted on a non-face-to-face basis, reflecting the fact that many clients are located outside Bermuda. This creates an added degree of anonymity and complexity in client relationships.

The use of agents and third parties also introduces additional layers in the delivery of services. These arrangements can involve multi-jurisdictional structures that could reduce financial transparency and complicate the identification of beneficial ownership and controlling interests.

However, in the Bermuda context, there is complete transparency around all parties to the trust at set up and the majority of onboarding in the TSP sector is done on a face-to-face basis.

Conclusion

The TSP sector is rated as having a Medium inherent vulnerability.

Trust structures are recognised globally as being susceptible to misuse for PF purposes, particularly when combined with underlying entities such as additional trusts, corporate vehicles, nominee holdings or other investments. These features can create complex ownership structures that hinder the timely identification of BO or controlling interest, often prolonging investigation and due diligence processes. The use of illegal TSPs has also been identified in international typologies, however setting up an illegal TSP is not possible in Bermuda.

Client onboarding in the trust sector is often face-to-face whether for local or international clients, although the sector services both domestic and international clientele, and can rely on remote or non-face-to-face delivery channels for ongoing servicing of the trust, which adds a potential risk of impersonation risk.

Notwithstanding these vulnerabilities, the sector has demonstrated no direct interactions with sanctioned jurisdictions and exposure to jurisdictions of concern for PF activities was limited. There was also no intelligence or evidence indicating abuse of the sector by PF actors.

Financial Sectors: Corporate Service Provider (CSP)

Corporate Service Provider Sector Overall Inherent Vulnerability as Medium.

Table 10: Overall ratings for the Corporate Service Provider Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
CSP (MEDIUM)	Limited	M

Introduction

The Corporate Service Provider (CSP) sector in Bermuda is sizable both in the number of licenced providers and the scale of their domestic and international customer base. As of December 2023, CSPs in Bermuda delivered a wide range of services across thousands of clients. Services included acting as company formation agent, offering nominee services, delivering administrative and secretarial services, and serving as resident representatives.

The sector is governed by the Corporate Service Provider Business Act 2012 (“the Act”) which established two classes of licences for CSPs: Unlimited and Limited.

Unlimited Licences: Permits a CSP to provide any or all corporate services, including the formation of companies, without requiring prior approval from the BMA in its role as Controller of Exchange.

Limited Licence: Permits a CSP to provide all corporate services; however, the approval of the BMA remains required for the formation of legal persons or amendments to their structure. This process includes the vetting of beneficial owners and controllers of all client entities.

All CSPs in Bermuda hold Limited Licences, and no Unlimited Licences have been issued. The practical effect of this licensing framework is that the BMA continues to serve as the central gatekeeper for the formation and amendment of legal persons in Bermuda, preventing any decentralization of this authority through unlimited CSP licencees.

Inherent Characteristics

Corporate Service Provider (CSP) sector rated as high inherent vulnerability

In terms of the inherent vulnerability of the CSP sector, global reports have identified that most PF activities are not directly linked to specific entities. Rather, revenue generation and procurement are frequently conducted through complex international networks involving front or shell companies, intermediaries, and third countries, in contravention of UNSCR 1718 and subsequent resolutions, all of which present substantial PF risks.

This high-vulnerability rating 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 PF exploitation.

In Bermuda, the CSP sector services both domestic and international clients. As of December 2023, Bermuda's CSPs sector comprised 90 licenced providers collectively supporting over 12,091 clients, including 2,297 PEPs, of which 37% were domestic and 63% foreign. The primary industries served include investment holding (19%), asset holding (12%), investment business (17%), financial services licenced by the BMA (10%), investment advisory (5%), insurance (4%), corporate holding (4%), and shipping (4%).

Around a third of all CSPs were involved in formation services, nominee services and registered office services. 43% of CSPs provided clients with accommodation, correspondence, or administrative addresses. 55% of CSPs maintained clients' statutory books, forms, resolutions, returns and records and fulfilled the role of director, officer, or secretary for their customers.

The size and value of the CSP sector is measured primarily by service provision rather than transaction volumes, reflecting its role as a service-based industry. CSPs generally have limited integration with other regulated sectors due to the administrative nature of their activities. However, some CSPs operate within group structures that may also include banks, trusts, fund administrators, or investment businesses.

In Bermuda, complexity varies by entity type, with about 15% of limited exempt partnerships operating as single-layer structures compared to 75% of local companies, illustrating the potential opacity of certain legal persons and arrangements. CSPs operating in group structures are not considered to be overly complex.

International typologies describe CSP structures that involve multiple layers and intermediaries that obscure the true nature of transactions and the identities of those involved, to increase PF risk. However, Bermuda's standard operating practices require the submission of a full entity ownership structure chart and associated information concerning direct and indirect beneficial owners at the time of formation.

Global typologies note that legal entities with multi-layered corporate structures, such as shell companies and trusts, may conceal beneficial ownership and the movement of funds. While shell companies operating in free trade zones globally have been found to help move restricted goods while evading detection, Bermuda does not permit the use of shell companies and remains alert to the potential involvement of UNSC-designated individuals or entities in the structures of Bermuda legal persons or legal arrangements.

In terms of transparency, the use of nominees is permitted within corporate structures, but nominee services may only be offered by regulated corporate service providers. The concept of nominee director does not exist within Bermuda although not specifically stated in law. Nominee shareholders are allowed, with 2% of the total number of entities being identified as having nominees in the ownership structure.

In terms of actual PF risk, the BMA has no record of CSPs or their customers being abused for PF activities. There is no evidence/information to indicate that legal persons are currently involved or being abused for PF.

Products and Services

Corporate Service Provider (CSP) sector rated as medium inherent vulnerability

The CSP sector offers a wide range of services, with 11 primary products identified across the industry. These services include acting as a formation agent, providing nominee services, acting as a registered office, and providing accommodation, correspondence, or an administrative address. Additionally, CSPs maintain statutory books and records, file statutory forms, resolutions, returns, or notices, and are authorised to accept service of process. They also provide employees to act or fulfill the functions of directors, officers, or company secretaries, to make alterations in the register of members, perform functions as a resident representative, and act as a service provider to a private trust company.

Among these, the sector's products and services were assessed as having a medium PF vulnerability. These services include formation agent services, nominee services, registered office services, and the provision of individuals to serve as directors, officers, or secretaries.

The CSP sector has more PF vulnerability relative to other sectors because PF typologies have identified corporate structures to be part of PF and sanctions-evasion schemes by restricted countries. Therefore, there is potential for CSPs to create complex ownership structures that obscure the true end-users and beneficial owners of sensitive transactions and goods.

Between 2020 and 2023, 23 SARs and three STRs were filed by the CSP sector with the FIA. None of the reports identified that the CSP's products and services were used for PF purposes or breaches of PF TFS.

Nature of Clientele

Corporate Service Provider (CSP) sector rated as medium inherent vulnerability

The client base of Bermuda CSPs is considered highly vulnerable to its servicing of a wide range of legal entities, many of which involve complex international corporate structures. The client base reflects the inherent complexity of the CSP sector generally, with many structures involving multiple layers of ownership or control. These entities frequently manage intricate cross-border transactions, and their ultimate beneficial owners are HNWIs, PEPs, or individuals from higher-risk jurisdictions or industries.

As of December 2023, CSPs collectively serviced over 12,091 clients, including 2,297 PEPs (37% domestic and 63% foreign). The CSPs primary industry groups supported by the sector include investment holding (19%), investment business (17%), and asset holding (12%). Additionally, financial services (10%), investment advisors (5%), and insurance (4%) are also significant areas of focus. Corporate holding companies (4%) and shipping (4%) are other notable industry groups that benefit from the CSP services. This diverse range of industries highlights the extensive reach and importance of CSPs in supporting various sectors within the economy. On the basis of this information, this criterion has been deemed to have medium inherent vulnerability.

Geographic Reach

Corporate Service Provider (CSP) sector rated as medium inherent vulnerability

In terms of formation jurisdictions, most legal persons serviced by CSPs were established in Bermuda (88%), followed by the British Virgin Islands (6%), the Cayman Islands (2%), and the United States (1%). The ultimate beneficial owners (UBOs) of these structures were predominantly

based in Bermuda (33%), the United States (15%), the United Kingdom (8%), the United States Virgin Islands (7%), Switzerland (4%), the United Arab Emirates (4%), Canada (3%), and China (2%).

Within Bermuda's CSP sector, there is no recorded exposure to the DPRK. However, some exposure to Russia was noted as of 2023, including a small number of entities formed with Russian links, UBOs who are Russian nationals, and a limited number of Russian PEPs, some of whom were associated with distributions. None of these entities or persons have any known links to PF.

Iran and Syria are also globally identified as jurisdictions of concern for PF, though Bermuda's CSP sector shows no recorded exposure to either jurisdiction. The sector does, however, maintain exposure to China, including Hong Kong and Macao, with approximately 242 clients²⁴ linked to China based on UBO residence data. The CSP Sector is not subject to sector-specific UN Sanctions.

Delivery Channels

Corporate Service Provider (CSP) sector rated as medium inherent vulnerability

As of 2023, a large share of transactions in the CSP sector were conducted through non-face-to-face channels involving clients, agents, and third parties. These included phone, email, fax, or post (31%), video conferencing (2.2%), and intermediaries (26%), compared to face-to-face interactions (40%) and other channels (2%). Non-face-to-face delivery was especially high in 2020 and 2021 before declining in later years.

Despite the nature of this non-face-to-face interaction, the formation process for companies is considered to be quite involved with many professionals from lawyers to corporate service providers and government agencies forming part of the process. Therefore, the risk of anonymity and PF risk is assessed as medium.

Conclusion

The CSP sector has an overall inherent vulnerability of Medium.

The CSP sector operations are widespread and exhibit integration with other sectors most notably TSPs, Banking, FinTech and insurance. The broad range of services provided, involving the creation and administration of legal persons, creates potential avenues for misuse.

There is no evidence of direct PF activity within this sector in Bermuda. However, consistent with global typologies, the sector remains exposed to indirect PF risks due to its inherent characteristics as outlined.

As noted in global typologies, such corporate structures can be susceptible to exploitation by individuals and entities seeking to evade sanctions and finance activities linked to the acquisition, development or proliferation of WMD. However, no shell companies are allowed in Bermuda and this combined with the country's history of transparency of ownership and control, lessens the sectors' overall vulnerability.

While some of the sector's inherent characteristics such as the global client base and service delivery involve non-face-to-face channels, given the fact that there has been no evidence of exposure to DPRK, Iran or Syria and links identified with Russia and China were limited and not determined to involve PF actors or PF related activities, these factors support the overall medium inherent vulnerability rating.

²⁴ 12,091 total clients in the CSP sector and 2% of UBOs linked to China, this equals approximately 242 clients.

Financial Sectors: Non-AML regulated Insurance Sector

Non-AML regulated Insurance Sector: Overall Inherent Vulnerability is assessed as Low

Table 11: Overall ratings for the Non-AML regulated Insurance Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Non-AML-regulated Insurance (LOW)	Maritime Insurance	L
	Aviation Insurance	L
	Maritime Re-Insurance	L
	Aviation Re-Insurance	L
	Other (P&C and Reinsurance)	L

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 ML/TF 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.

The Bermuda insurance market is separated into three main categories: Property & Casualty (P&C), Life/Long-Term Business (LT) as well as Limited Purpose Insurers (LPI), which includes both captives and special purpose insurers. Over the period 2020-2023, Gross Premium Written (GWP) in the P&C sub-sector increased from just under \$80 billion to \$105 billion. GWP for LPs increased from \$28 billion in 2020 to \$39 billion in 2023.

The non-AML regulated insurance sector, which comprises all insurers and reinsurers that do not write life insurance, is the second largest financial sector in Bermuda after the life insurance sector. Unlike the LT sub-sector, the non-AML regulated insurance sector is not subject to AML/ATF regulations. As of 2023, the size of the non-AML regulated sector was estimated to account for 46.1% of the total GWP and 31.1% of Total Assets.

There are just over 1,000 non-AML regulated insurers incorporated and licenced in Bermuda. The total GWP for Aviation and Marine Insurance comprised only a small segment of the insurance and reinsurance sector at 2.1% and 3.7% of the GWP of the entire Insurance (and Reinsurance) sector for 2024 and 2023 respectively.

Inherent Characteristics

Non-AML regulated Insurance rated as medium inherent vulnerability

Within the non-AML regulated insurance sector, the sub-sectors considered to have the greatest degree of exposure to PF are aviation and marine insurance. Aviation insurance may be used to cover aircraft involved in transporting sanctioned goods, dual-use items, or arms. Marine insurance can be exploited²⁵ to support the shipment of cargo to or from sanctioned jurisdictions, including through practices such as re-flagging vessels or ship-to-ship transfers to disguise cargo origins or ownership.

Together, these account for only a small share of the total insurance and reinsurance market, comprising 2.1% and 3.7% of GWP in 2024 and 2023, respectively. While these subsectors are relatively small within the wider market, they represent the areas of greatest potential exposure to PF.

The main lines of business in Bermuda's P&C market are casualty (28%), property (27%), property catastrophe (14%), and energy (8%). Other segments include credit/surety (6%), health (6%), professional (5%), motor (3%), aviation and marine (2%), and personal accident (1%). These lines often involve complex actuarial modelling and exposure management, with both large multinational insurers and niche specialists active in the market.

Due to the small size of the marine and aviation sub-sectors relative to the overall insurance and reinsurance market and no evidence of exposure to PF activity for this non-AML regulated sector, this criterion was assessed as medium.

Products and Services

Non-AML regulated Insurance rated as medium inherent vulnerability

The clientele of Bermuda's P&C insurance sector is highly international, reflecting the global reach of the industry. Business is primarily written for large corporate entities, multinational companies, shipping and aviation operators, and other institutional clients requiring coverage for high-value or specialised risks.

Marine and aviation insurance is mainly provided to commercial shipowners and operators, often through mutual Protection and Indemnity (P&I) clubs. These clients are engaged in international trade and transportation, and their activities may involve jurisdictions with heightened PF concerns. However, in Bermuda's context, there is no information to suggest that Bermuda's sector has provided maritime and aviation insurance to persons in high-risk jurisdictions. The sector does not typically service retail customers; instead, its clients are sophisticated commercial entities with complex ownership and operating structures. This can obscure beneficial ownership and make it difficult to establish clear lines of control, particularly where group structures span multiple jurisdictions.

²⁵ Refer to the Threat Profile where Maritime Insurance used as a means of sanctions-evasion.

Nature of Clientele

Non-AML regulated Insurance rated as low inherent vulnerability

As noted above, this sector 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). The clientele of the sector is predominantly corporate entities and institutions rather than individuals, with many clients publicly listed on exchanges.

Geographic Reach

Non-AML regulated Insurance rated as low inherent vulnerability for all sub-sectors

Many insurers operate as part of global groups, with Bermuda entities integrated into cross-border operations spanning over 35 jurisdictions.

The Bermuda P&C reinsurance market is international in scope. In 2023, 53% of gross premiums were written in the United States, 20% in Europe, 4% in Asia, and 23% across other regions. Operations extend globally, with significant exposure to the United States, Asia, Oceania, the United Kingdom, Europe, and non-EU jurisdictions.

There is no evidence of direct or indirect links between Bermuda's non-AML regulated insurance sector and the DPRK, Russia, Iran, or Syria. No PF-related compliance reporting forms have been filed with respect to sanctioned entities from these jurisdictions. Exposure to China is minimal, accounting for only 0.1% of reserves for long-term insurers as of year-end 2023, with no indication that this relates to PF activity.

Delivery Channels

Non-AML regulated Insurance rated as low inherent vulnerability for all sub-sectors

Insurers and reinsurers do not currently report on the extent to which business is conducted through face-to-face or non-face-to-face delivery channels. Delivery channel risk was a mix of face-to-face and remote with more complexity for large corporates. Due to the nature of the corporate clientele and the propensity for more associated regulation and procedures this was rated low.

Conclusion

The overall inherent vulnerability of this sector is Low. Whilst it is noted in the UN Panel of experts reports that Maritime and Aviation insurance and reinsurance are inherently vulnerable to being exploited by PF actors, these sub-sectors account for only a very small portion of Bermuda's insurance market.

The broader sector includes captive insurers (Limited Purpose Insurers) commercial insurers writing direct general business, reinsurers assuming general and/or long-term insurance, and Special Purpose Insurers (SPIs). A significant share of these providers are engaged in specialty insurance which can include maritime and aviation insurance.

The sector shows some integration with the banking and CSP sectors, which provides a degree of funds transferability. However, the clientele is predominately corporate entities and institutions, many of which are publicly listed, reducing opacity in ownership. The geographical reach is primarily international, targeting clients in the United States, United Kingdom, Europe and Asia. Importantly, there is no evidence that the sector in Bermuda has been exploited or abused by PF actors nor that it has been used to facilitate PF activities.

DNFBP: The Legal Sector

Overall Inherent Vulnerability for the legal sector is assessed as Medium

Table 12: Overall ratings for the legal sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Legal Sector (MEDIUM)	Legal Sector	M

Introduction

As of December 2023, the legal sector comprised 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 entire sector’s contribution to GDP was 1.8%.

Key services offered by the legal sector involve real estate transactions, and the organisation or creation, operation and management of legal entities. The data calls established that a small percentage of the Regulated Professional Firms (RPF’s) conduct the majority of the key services related to “specified activities” that the legal sector offers.²⁶ Legal professionals are considered to be participating in specified activities when they plan, execute, or otherwise act on a client’s behalf during financial or real estate transactions.

RFP’s are required to respond to industry data calls and questionnaires with their annual registration, which enables the Board to collect key information to assist in assessing such things as risk factors. Annual gross revenue from lawyers’ specified activities averaged \$46,000,000 from 2021 to 2023.

²⁶ Specified activities relating to real property transactions: 21% (5) of firms have conducted more than 60 transactions: 11% (3) between 11-60 transactions; 68% (19) less than 30 transactions. Specified activities relating to creation, operation and management of legal entity: 79% (22) firms reported conducting less than 20 transactions: 7% (2) between 20-40 transactions and 14% (4) over 40 transactions.

Inherent Characteristics

The sector's inherent vulnerability is rated as high for PF exposure.

According to the Department of Statistics the legal sector represents 1.8% of GDP. Five of the 28 regulated law firms have international affiliations and the remainder are either sole practitioners or have a small number of employees. Some firms have affiliated services under TSP or CSP licences which are regulated by the BMA. Some law firms interact with accounting firms on bankruptcy and liquidation proceedings and with lending institutions regarding mortgage, sale and purchase transactions. Whilst the precise scale of the sector (save for GDP) has not been quantitatively established, it is characterised by the conduct of large transactions involving real property with the average purchase price starting at \$1,000,000, which provides potential avenues for obscuring the source or purpose of funds. The large transaction values increase inherent risk exposure, particularly where legal professionals are involved in structuring, transferring, or managing client funds. There is also some integration with the banking sector related to real property transfers and mortgages.

Additionally, those firms that maintain international affiliations create a degree of cross-border exposure and the sector interacts closely with trust and corporate service providers, further elevating its risk profile.

Products and Services

Legal sector rated as medium inherent vulnerability

The sector's primary specified activities include real estate transactions and the formation and management of legal entities. In the real estate sub-sector, PF inherent vulnerability is considered low; the high cost of property in Bermuda necessitates mortgage financing through regulated banks, which provides a layer of institutional oversight.

For activities involving legal entities though currently rated as having medium vulnerability data calls show that most firms handle fewer than 20 such transactions annually. Furthermore, these firms typically limit their involvement to providing preliminary legal advice, subsequently engaging licenced CSPs to manage formal incorporation and ongoing administration. Consequently, many legal firms report that they do not participate directly in the execution of those transactions.

Internationally it is known that the legal sector as an intermediary facilitates or advises on complex international transactions including trade finance, commercial contracts and shipping and maritime law. Such areas can potentially be exploited to mask the movement of dual-use goods which are often involved in PF activities. These high-risk products are not typical in Bermuda. The legal sector in Bermuda focuses on real estate transactions and company and trust formation/administration (with CSP/TSP overlap).

Nature of Clientele

The Legal sector rated as low inherent vulnerability.

The majority of clients tend to engage in real property transactions and are individuals. Clients who are engaged in the organisation, creation and operation/management of legal entities are often transferred to the CSP for incorporation, opening of bank accounts and name reservations. 21 firms have less than 5 high net value clients, 2 firms have between 5-25 and 5 firms have more than 25 such clients. Only 6 firms have domestic PEPs and 9 have foreign PEPs. The services offered for these clients are transactional in nature.

Geographic reach

The Legal sector rated as medium inherent vulnerability

It is recognised that some legal firms globally may work with clients or entities in sanctioned or high-risk countries, including those suspected of engaging in proliferation and PF activities. However, there is no evidence that the local legal sector's activities are in jurisdictions that are high-risk areas for PF, or jurisdictions of PF concern. Intelligence received from the FIA revealed no information that the sector is involved with DPRK, Syria, Russia or Iran. Notwithstanding, it is acknowledged globally that the legal sector's cross-border activities whether through facilitating advice for clients, setting up companies or onboarding clients from other jurisdictions can expose the sector to high-risk jurisdictions unknowingly.

Delivery Channels

The Legal sector rated as low inherent vulnerability

Firms reported that anonymous transactions or non-face-to-face transactions and the use of agents are non-existent in the Bermuda sector, with delivery channels remaining direct and free from complex layers of intermediaries. However, it is recognised globally that the shift toward remote legal services via online platforms and virtual meetings can reduce visibility into client intentions. This digital transition increases the risk of identity concealment—especially when anonymised tools are used—leaving the sector potentially vulnerable internationally to fraudulent documentation, misrepresentation, and abuse in cross-border transactions.

However, these practices are not characteristic of Bermuda. While the risk exists in other jurisdictions, the Bermuda legal sector is less exposed to such vulnerabilities. The majority of Bermuda transactions continue to involve direct engagement with local professionals, regulated financial institutions, and established verification processes, which provide stronger safeguards against misuse.

Conclusion

The Legal sector's overall inherent PF vulnerability rating was Medium. The legal sector is inherently vulnerable to PF due to a combination of structural, operational, and regulatory factors which stem from the nature of the legal work and environments in which the profession operates. The complexity and global reach of the sector and its activities, particularly due to cross-border clients and transactions, can expose the sector to abuse by PF actors or PF activities. Internationally, there is a likelihood that high-risk jurisdictions may use legal expertise to structure deals that circumvent international controls; however, there is no evidence of such activity occurring in Bermuda. In the Bermuda context, the consideration of overall risk takes into account the smaller size of the sector, limited scope of cross-border commercial work, and the predominance of legal practices that focus on domestic services such as real estate transactions, trusts, and local corporate matters. Nevertheless, some firms do engage in international business, and this underscores the importance of vigilance.

DNFBP: The Accounting Sector

Overall Inherent Vulnerability for the Accounting sector is assessed as Low

Table 13: Overall ratings for the Accounting Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Accounting Sector (LOW)	Accounting Sector	L

Introduction

The Accounting sector had 8 Regulated Professional Firms (RPFs) registered with the Barristers and Accountants AML/ATF Board (“the AML/ATF Board” or “the Board”) as of December 31, 2023. Five of these firms are large accounting firms with international affiliations and a strong history of AML/ATF compliance. The other 3 firms are smaller in scope with few activities that bring them into scope of S supervision of the Board. All of these firms are classified and registered by the Board as RPFs pursuant to section 30C (3) of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008, 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 entire accounting sector’s contribution to GDP is 2.4%. Based on the data calls completed by the RPFs, the total value of transactions related to specified activities conducted on behalf of clients was \$265,184,925.

Inherent Characteristics

The Accounting sector’s inherent characteristics are rated as low vulnerability

There are 8 RPFs in the accounting sector; the majority of these firms primarily provide liquidation and receivership services, and most transactions occur domestically within Bermuda. The low vulnerability rating reflects several factors: the sector’s relatively small economic footprint, the small number of firms, the limited exposure to cross-border transactions and the lack of evidence that the sector is used by PF threat actors globally. Additionally, the Bermuda accounting sector is not subject to any specific UN sanctions, further reducing its susceptibility to PF risks.

Products and Services

The Accounting sector rated as low inherent vulnerability

Key service offerings within the sector related to liquidation and receivership services, advisory work, audit assurance and tax services. Data calls showed that the 8 RPFs provide a limited number of services related to “specified activities”, as follows:

- 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 operates as a licenced TSP and Trust Company (TC) as separate legal entities, both conducting regulated activities under the oversight of the BMA.

- ▶ Additionally, 2 of the 6 firms report having a small client base, primarily serving management companies affiliated with other firms in this group.

There has been no intelligence to suggest that the products and services offered by the accounting sector are found in domestic investigations or STRs in relation to PF activities or PF TFS breaches or evasion.

Nature of Clientele

The Accounting sector rated as low inherent vulnerability

In Bermuda's accounting sector, the majority of transactions are direct and transactional in nature with local clients. Non-resident clients are serviced by affiliates outside of Bermuda. All firms reported that they have no clients from high-risk or sanctioned countries. 5 firms reported having no domestic or foreign PEP's and only 2 firms have conducted between 5 and 25 transactions with HNW clients, and 5 firms reported having conducted less than 5 transactions with HNW clients. All these findings contributed to the low vulnerability rating in relation to the sector's clientele.

Geographic reach

The Accounting sector rated as low inherent vulnerability

There is no evidence that the sector's activities are in jurisdictions that are high-risk areas for PF or jurisdictions of PF concern. Intelligence received from the FIA revealed no information that the sector is involved with DPRK, Syria, Russia or Iran.

Delivery Channels

The Accounting sector rated as low inherent vulnerability

Firms reported that anonymous transactions or non-face-to-face interactions are limited. Use of agents is limited with 1 firm reporting that they use an agent. The delivery channels are not complex.

Conclusion

The inherent PF vulnerability of the Accounting sector is Low as there is no intelligence, or information, or investigations to suggest that the sector is being used or exploited by PF threat actors. The geographical reach of the sector's activities is not in high-risk jurisdictions with PF concerns. It is acknowledged that certain services offered by the accounting sector, such as company formation, managing financial records and transactions, and providing tax planning and advisory services could theoretically be exploited to obscure or mask the origin or destination of funds or facilitate trade in dual-use goods which may support PF activities. However, in the Bermuda context, these risks are significantly less relevant, as the sector predominantly serves local clientele and most transactions relate to liquidation and receivership matters, which have not been identified as services used for PF purposes.

DNFBP: The Real Estate Sector

The Real Estate Sector Overall Inherent Vulnerability rating is assessed as Low

Table 14 : Overall ratings for the Real Estate Sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Real Estate Sector (LOW)	Real Estate Sector	L

Introduction

The sector is a significant part of Bermuda's economy, representing over 15% of GDP when rentals are included, and generating \$335.3 million in real estate sales in 2023. The sector is characterised by high-value transactions and limited land supply, which sustain strong market demand from both domestic and international participants. The high value of transactions, combined with Bermuda's limited land availability, creates a competitive environment that can attract both local and international buyers. These features necessitate an assessment of potential exposure to proliferation financing risks, particularly in relation to capital flows and ownership structures.

The sector operates under a licensing framework overseen by the Office of the Superintendent of Real Estate. Brokers and agents form the professional base of the industry, with brokers serving as the key licenced entities responsible for transactions. A small number of larger firms dominate full-service offerings, while the majority of operators are medium or small in scale.

Transactions in the sector involve both residential and commercial properties, and while most activity is domestic, foreign purchasers also participate. This mix, combined with occasional use of complex structures such as trusts and corporate vehicles, informs the assessment of the sector's inherent vulnerabilities to PF.

Inherent Characteristics

The Real Estate sector's inherent characteristics rated as medium vulnerability

The sector is composed of a relatively small number of licenced professionals, with around 41 brokers and over 212 agents. Brokers operate both incorporated and unincorporated businesses, and trust structures are used in a minority of transactions. The sector is closely connected with Bermuda's legal and financial infrastructure—lawyers handle property conveyancing for sales and purchases, while financial institutions facilitate payments, ensuring that transactions are subject to formal channels and regulatory oversight. This interconnected framework enhances transparency and provides multiple layers of oversight in the sector.

Bermuda implements UN sanctions through its domestic framework, the real estate sector itself is not directly subject to any UN sanctions measures. There are no known sanctions targeting Bermuda's property market, and the sector has not been linked to designated entities or activities under current international sanctions regimes.

Products and Services

The Real Estate sector rated as low inherent vulnerability.

Real estate services include residential and commercial property sales, rentals, leasing, property management, and valuation. Sales and purchase transactions do not typically involve cash, and a small proportion of transactions make use of trust or corporate structures. The product range is straightforward and has not been linked to PF cases in Bermuda.

Nature of Clientele

The Real Estate sector rated as low inherent vulnerability.

The majority of purchasers are Bermudians, who accounted for 87% of transactions by value in 2024. Foreign buyers make up a smaller portion, predominantly from the United States, United Kingdom, and Canada. Less than 1% of transactions involve PEPs, most of whom are domestic and represented 89% of transactions involving PEPs between 2020 and 2023.

The sector attracts HNWIs—particularly among foreign buyers and upper-tier property transactions. This dynamic contributes to the real estate sector's inherent vulnerability, given the potential for complex ownership structures and high-value transfers that may obscure the origin or purpose of funds. However, in the Bermuda context, the predominance of local clients, limited foreign participation, and negligible PEP involvement collectively support the sector's low inherent vulnerability rating in relation to clientele.

Geographic Reach

The Real Estate sector rated as low inherent vulnerability

The sector is primarily domestic in scope. Some brokers are affiliated with international brands (e.g., Sotheby's, Keller Williams), but transactions remain Bermuda-based. Between 2020–2023, about 27% of brokers reported transactions involving foreign funds, mainly from the United States (57.9%), United Kingdom (16.4%), and Canada (7.1%). In 2024, foreign buyers accounted for just 13% of transactions by number. No transactions involved high-risk or sanctioned jurisdictions.

Delivery Channels

The Real Estate Sector rated as low inherent vulnerability

Real estate transactions in Bermuda cannot be conducted anonymously. Delivery channels are relatively straightforward, involving direct interactions between clients, brokers, and lawyers. The use of trusts and corporate structures adds some complexity, but overall, the sector does not rely on layered or opaque channels.

Conclusion

The overall inherent PF vulnerability of the Real Estate sector is Low. Inherent vulnerability factors arise from the sector's economic size, the high value of transactions, and the use of trust and corporate structures in some cases. However, the clientele is largely domestic, with foreign participation limited to buyers from the United States, United Kingdom, and Canada. PEP involvement is negligible, and there is no evidence of activity linked to high-risk jurisdictions. Taken together, the sector's exposure to PF is low, with inherent vulnerabilities driven primarily by transaction values and occasional structural complexity rather than by client or geographic risk.

DNFBP: Dealers in Precious Metals and Stones (DPMS)

The Dealers in Precious Metal and Stones (DPMS) Sector Overall Inherent Vulnerability is assessed as Low

Table 15: Overall ratings for the DPMS sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
DPMS (LOW)	DPMS	L

Introduction

The Dealers in Precious Metals and Stones (DPMS) sector in Bermuda is composed entirely of retail businesses, such as jewelers and a limited number of antique and stone dealers. The sector is small, contributing less than 1% of GDP, with a reported contribution of \$7.25 million (0.10%) to GDP in 2023, the sector's economic footprint is limited, which constrains its overall exposure to large-scale financial flows.

The sector has a broad customer base, serving both residents and non-residents. While the majority of activity is local, seasonal fluctuations occur, with purchases by tourists increasing significantly during Bermuda's high season (May–October), particularly due to the tax-free status of many jewelry items.

Although Bermuda does not have mining or wholesale import/export in precious metals and stones, the sector remains relevant for assessment because of its potential exposure to proliferation financing risks linked to the mobility and high value of goods, international clientele, and the possibility of online transactions.

Inherent Characteristics

The DPMS sector's inherent characteristics rated as low inherent vulnerability

The sector is small in scale, comprising fewer than 30 retailers operating on the island, and only one dealer offers loose stones on a regular basis. The sector has no mining or wholesale import/export activity, and transactions are primarily retail sales within Bermuda.

Products and Services

The DPMS sector rated as low inherent vulnerability

The sector involves the retail sale of jewelry, precious metals, and loose stones in limited cases. Goods are high in value and easily transferrable, but the range of products offered remains narrow and straightforward.

Nature of Clientele

The DPMS sector rated as medium inherent vulnerability

The client base is broad, encompassing local residents, HNWIs, PEPs and tourists. During Bermuda's peak tourist season, international clients may represent up to 30% of sales. These clients are predominantly from the United States, United Kingdom and Canada, reflecting Bermuda's primary tourism and business links. Given the presence of PEPs and the significant proportion of transient international clientele, the nature of the customer base presents a moderate level of vulnerability.

While the presence of PEPs, wealthy customers, and a mix of domestic and international clientele introduces some inherent vulnerability, the overall risk is mitigated by the sector's retail structure and limited transaction complexity, supporting its low vulnerability rating.

Geographic reach

The DPMS sector rated as low inherent vulnerability

The DPMS sector operates primarily within Bermuda. While some transactions may occur through online channels, which can theoretically extend sales beyond domestic borders, the majority of client transactions are domestic. Importantly, there are no known sales to higher-risk jurisdictions, and the sector has not demonstrated patterns of cross-border activity that would elevate its geographic risk profile. These factors support the sector's low vulnerability rating.

Delivery Channels

The DPMS sector rated as medium inherent vulnerability

While most sales occur directly through retail settings, a number of businesses also facilitate online purchases. The inclusion of online channels introduces the potential for customer anonymity and reduces face-to-face verification. Moreover, the inherent mobility and high value of precious metals and stones could make transactions more difficult to trace once goods are acquired.

Conclusion

The overall inherent PF vulnerability of the DPMS sector in Bermuda is Low. While the sector is small and contributes minimally to GDP, vulnerabilities arise from the nature of its clientele, which includes tourists, HNWIs and PEPs. The sector's exposure to international customers, particularly during peak tourist seasons, along with the portability of precious metals and stones and the availability of online purchases, heightens vulnerability in relation to clientele and delivery channels.

However, it is important to note that the sector is composed entirely of retail businesses, with no known wholesale importers or exporters, and no mining activities in Bermuda. These structural characteristics significantly limit the applicability of international typologies involving complex supply chains or cross-border trade, reinforcing the sector's low vulnerability rating.

DNFBP: Dealers in High Value Goods (DiHVGs)

The Dealers in High Value Good (DiHVG) Sector Overall Inherent Vulnerability is assessed as Low

Table 16: Overall ratings for the DiHVGs sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
DiHVGs (LOW)	DiHVGs	L

Introduction

The Dealers in High Value Goods (DiHVG) sector in Bermuda is composed primarily of retail businesses, including car, boat, and motorcycle dealers, as well as antique dealers and auctioneers. The DiHVG sector contributes less than 1% to Bermuda's GDP, with a recorded contribution of 0.55%, with annual sales values of \$34.3 million (2020), \$40.3 million (2021), \$42.6 million (2022) and \$38.8 million (2023).

Inherent Characteristics

The DiHVG sector's inherent characteristics rated as low vulnerability

The sector is small in scale, comprising fewer than 30 retailers, with no wholesale operations and no significant cross-border activity. Transactions are predominantly domestic, with limited foreign participation due to residency restrictions on vehicle ownership and licensing requirements for boat operations. While corporations may purchase vehicles for commercial use, such activity is tightly regulated through established licensing procedures.

The sector's structure is straightforward with few layers of complexity and no cross-border operations. There is a limited number of sector participants, each with clear and distinct roles, primarily focused on retail. Functions are easily identifiable, with minimal overlap or specialisation.

Products and Services

The DiHVG sector rated as low inherent vulnerability

The sector includes the retail sale of cars, boats, motorcycles, antiques, and auctioned items.²⁷ Globally it is seen that DPRK, despite UN sanctions prohibiting the export of luxury goods to that market, continues to acquire and enjoy them through illicit channels. However, in Bermuda's context, while the products are high-value, they are sold within a domestic market with limited scope for complex structuring. Purchases above certain thresholds are subject to formal payment channels, and the sector has not been linked to PF cases.

²⁷ "FATF Report, Complex Proliferation Financing and sanctions-evasion Schemes, page 36 Box 17-Case study: Complex ownership structure used to disguise the true owner of vehicles": in this case various shell companies were used to hide the true owner of several luxury vehicles worth several hundred thousand euro. The last company in the chain, an LLC registered in Germany, owned the luxury vehicles. It was found that the company and vehicles were controlled by a person listed by EU under the Russia Sanctions Regime and the LLC served exclusively to conceal the vehicles' true ownership.

Although international typologies reference the use of shell companies to obscure ownership to facilitate illicit trade, it is important to note that the creation of shell companies in Bermuda is not permitted. Additionally, there are no known wholesale importers or exporters operating in Bermuda within this sector. These regulatory and structural characteristics further limit the applicability of global typologies and support the sector's low inherent vulnerability rating.

Nature of Clientele

The DiHVG sector rated as low inherent vulnerability

Clients include local individuals, some high-net-worth customers, and corporations purchasing vehicles for regulated commercial activities. PEPs may also be among customers, but they represent a small minority and are not a dominant group in the client base. Trusts do not directly purchase vehicles, as ownership must be in an individual's name.

Geographic reach

The DiHVG sector rated as low vulnerability

The activities of the DiHVG sector are almost entirely domestic. Transactions are concentrated within Bermuda, with customers drawn primarily from the local population. There is minimal interaction with overseas clients, and no evidence of transactions involving high-risk jurisdictions.

Delivery Channels

The DiHVG sector rated as low vulnerability

Transactions in the DiHVG sector are direct and easily traceable. Vehicle purchases require registration numbers, and boats must be registered before lawful use. There is no use of agents, and no scope for anonymous or complex delivery channels.

Conclusion

The overall PF vulnerability of the DiHVG sector in Bermuda is Low. The sector is small in scale, contributes less than 1% to GDP, and consists of fewer than 30 retailers. Transactions are domestic, involve straightforward products, and the client base is largely local with limited foreign involvement. There is no evidence that links the sector to high-risk jurisdictions, and its delivery channels are direct and transparent.

DNFBP: Casino Gaming Sector (Land-Based)

Casino Gaming Sector Overall Inherent Vulnerability is assessed as Low

Table 17: Overall ratings for the Casino Gaming sector

SECTOR (OVERALL RATING)	SUB-SECTOR	RATING
		(VH)(H)(M)(L)
Casino Gaming Sector (LOW)	Casino Gaming Sector	L

Introduction

As at the first quarter of 2025 there were no licenced land-based casinos operating in Bermuda.

The regulation and supervision of casino gaming in Bermuda is to be conducted in accordance with five (5) key goals that are set out in law:

- ▶ 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.

The Bermuda Gaming Commission (the “Commission”) as the competent authority will ensure conduct in accordance with these goals as and when there are casinos to licence.

Inherent Characteristics

The inherent characteristics of the sector are rated as low inherent vulnerability

Globally it is seen that DPRK actors are exploiting land-based casinos to generate and launder revenue for DPRK’s WMD programme.²⁸ They tend to focus on under-regulated aspects of land-based casinos to launder and move illicit assets across jurisdictions.

However, in Bermuda the corporate structure of any potential licensee would be easily determined. Further, local casino operators would have limited ability to transfer funds within or outside the sector. During the assessment period, there were no land-based casinos in operation, therefore the sector conducted no transactions and had no integration with other sectors, including Bermuda’s banking sector. Consequently, the inherent characteristics were rated as having a low level of vulnerability.

28 See North Korean Activity in the Casino and Gaming Sector: How Do Jurisdictions Respond? | Royal United Services Institute.

Products and Services

The Casino Gaming sector rated as low level inherent vulnerability

The majority of products and services generally available to patrons of this sector can be enjoyed using cash. For that reason this type of casino gaming is internationally recognised as a potentially cash-intensive business with high volumes of cash transactions. Therefore, in theory these elements of the business could heighten the Bermuda sector's vulnerability to laundering funds for PF once operational. However, shell companies are not permitted in Bermuda and cannot be used to move cash which could obscure the true origins of funds, thereby potentially reducing such PF risk exposure.

Nature of Clientele

The Casino Gaming sector rated as low inherent vulnerability

Currently, only resort amenity casinos are permitted under Bermuda's legal framework for this sector. Looking forward, the clientele is likely to include HNWIs, international and domestic PEPs and persons with foreign business or foreign personal interests. Data from the BTA's Annual Visitor Arrivals Reports issued during the assessment period indicates that most visitors to the island were from the United States and Canada. There was no evidence to suggest that patrons will be from jurisdictions determined to be high-risk for PF or from sanctioned jurisdictions, nor that this is likely to change. Potential vulnerabilities could stem from casino junkets being exploited by PF threat actors, particularly due to layers of intermediaries involved in organizing the arrangements and the use of cryptocurrency between patrons and junket organisers to obscure player financial transactions and ultimate source of funds.²⁹ Given that the sector is not operational and there are no transactions being conducted for the period under review, vulnerability arising from potential clientele is determined to be low.

Geographic Reach

The Casino Gaming sector rated as low inherent vulnerability

Direct financial links between land-based casinos and sanctioned countries, jurisdictions considered high-risk for PF activities or countries with strategic interests in/concerns for PF can be an indication of vulnerability to abuse for PF. As there were no operating licenced land-based casinos in Bermuda during the assessment period, there are no such links resulting in a low PF vulnerability rating.

29 See North Korean Activity in the Casino and Gaming Sector: How Do Jurisdictions Respond? | Royal United Services Institute.

[Back to Table of Contents](#)

Delivery Channels

The Casino Gaming sector rated as low inherent vulnerability

Anonymous use of products and services can facilitate the abuse of land-based casinos for PF. As there were no operating licenced land-based casinos during the assessment period, there was no anonymous use of product or services.

Conclusion

The overall inherent PF vulnerability of the Casino Gaming sector is Low. While the sector is theoretically susceptible to risks such as cash-intensive land-based operations, opaque junket networks, and links to high-risk jurisdictions, these vulnerabilities remain dormant in Bermuda. Because no land-based casinos were operational during the assessment period, the sector recorded no cash transactions, junket activity, high-risk patrons, or financial links to sanctioned territories. Consequently, there have been no SAR filings related to PF, and the sector is not currently prone to exploitation.

2. Legal Persons and Legal Arrangements (LP/LA)

Overview

Legal Persons and Legal Arrangements (“LPs/LAs”) are commonly used for a variety of legitimate financial and commercial purposes. Notwithstanding this, they are also vulnerable to being misused by designated persons, and persons acting on their behalf, to evade PF Targeted Financial Sanctions (“TFS”). For example, such individuals could use foreign nationals and front and shell companies to obfuscate beneficial ownership (BO) information to access and move funds through the formal financial system.

Globally, United Nations Security Council (UNSC)-designated individuals and entities may also seek the services of professionals—such as company service providers and lawyers - to create and manage legal persons and provide respectability and legitimacy to their activities. The use of trusts, holding companies, and nominee ownership structures could enable masking the true controllers of proliferation-related financial flows. While shell companies operating in free trade zones globally have been found to help move restricted goods while evading detection, Bermuda does not permit the use of shell companies and remains alert to the potential involvement of UNSC-designated individuals or entities in the structures of Bermuda legal persons or legal arrangements.

The FATF has defined legal persons and arrangements as follows:³⁰

- ▶ **Legal Persons** are any entities which, in law, have a separate legal personality and can exercise the same rights and be subject to the same obligations as an individual person (such as entering into contracts, owning property, and suing or being sued).
- ▶ **Legal Arrangements**, unlike legal persons, do not have a separate legal personality. The term “legal arrangement” refers to express trusts and other similar arrangements (such as waqfs, fiducies and treuhands), although the extent of the use of such arrangements will also vary from jurisdiction to jurisdiction.

Bermuda’s PF vulnerability assessment has enhanced understanding locally about how LPs/LAs in Bermuda may be vulnerable to misuse for PF purposes, given the known international typologies identifying PF threat actors exploiting LP/LA vulnerabilities.

Factors considered in the assessment included:

- ▶ the process, simplicity and ease of formation³¹ and registration;
- ▶ primary jurisdiction of origin for foreign-created entities and requirements in order to operate within Bermuda;

30 FATF (2012-2025), International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF, Paris, France, www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html

31 Pursuant to the MNC risk assessment methodology, the purpose of assessing the ease of formation (simple vs. complex) is to identify how appealing a certain jurisdiction or type of entity may be to parties who wish to use that jurisdiction or entity to obscure the source of funds.

- links to high-risk jurisdictions;
- main sector activities of operation;
- the ability to conceal beneficial ownership (BO) information through multi-layered ownership structure or use of nominees;
- whether accurate BO information is readily available and up-to-date; and
- whether there have been any intelligence, investigations, MLA requests or prosecutions of LPs for PF activities.

Legal Persons Assessment

Inherent Vulnerability – Legal Persons

The inherent vulnerability assessment examined the following indicators, and a three-level vulnerability rating scale was used: Low, Medium, High. The ratings were discussed and agreed by the relevant competent authorities of the PF working group.

Table 18: Rating Scale for Inherent Vulnerabilities of Legal Persons

LOW	<ul style="list-style-type: none"> • The entity generally exists, is used in, or has links to lower-risk geographic locations and in lower risk sectors or activities; • It is difficult to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, and there are few instances in which the use of such multi-layered ownership structure or use of nominees is observed; • It is complex or time-consuming to form or register the legal person and there is substantial oversight and verification.
MEDIUM	<ul style="list-style-type: none"> • The entity exists, is used in, or has links to one or two higher-risk geographic locations or higher-risk sectors or activities; • It is possible to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, but the use of such multi-layered ownership structure or use of nominees is not regularly observed; • It is moderately complex or time-consuming to form or register the legal person, and there is some oversight and verification
HIGH	<ul style="list-style-type: none"> • The entity exists, is used in, or has links to multiple higher-risk geographic locations or higher-risk sectors or activities, including those jurisdictions which are linked to PF threats; • It is possible to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, and the use of such multi-layered ownership structure or use of nominees is regularly observed; • It is simple and quick to form or register the legal person, and there is little oversight or verification.

Context and Background:

There are various types of legal persons (“LPs”) which exist in Bermuda. Bermuda allows for the domestic creation of specific classes of legal persons—limited companies, partnerships and limited liability companies, unlimited companies, companies limited by guarantee and private act companies (“PACs”)

Additionally, Bermuda permits two (2) types of legal persons created outside of Bermuda to operate from or within Bermuda:

- ▶ foreign-created companies; and
- ▶ foreign-created partnerships.

Such companies and partnerships are only permitted to “engage in or carry on any trade or business in Bermuda” upon approval and receipt of a permit by the Minister of Finance. A key component of granting a permit is that BO information must be collected and vetted by the BMA.³²

Companies are governed by the Companies Act 1981, which includes provisions pertaining to formation, registration, beneficial ownership requirements and record-keeping. As of 2023, there were approximately 16,000 legal entities registered with the Registrar of Companies (“RoC”) of which approximately 1,150 were AML/CFT regulated FIs.

Table 19: Total Domestic Legal Persons registered in Bermuda during the period 2020 - 2023

Total Domestic Legal Persons registered in Bermuda	2020	2021	2022	2023
Local Limited Companies	3,229	3,638	3,764	3,877
Exempted Limited Companies	10,093	8,741	9,328	9,827
Private Act Companies	503	483	469	462
Local LLCs	17	38	45	51
Exempted LLCs	74	168	188	255
Local General Partnerships	539	524	518	519
Exempted Partnerships	36	36	36	36
Exempted Limited Partnerships	1,025	1,266	1,397	1,487
Total Domestic Legal Persons	15,516	14,894	15,745	16,514

³² Subsequent to the period under review, all beneficial ownership legislation for companies and partnerships was enshrined within the Beneficial Ownership Act, 2025. In addition, the BMA transferred the Beneficial Ownership Register and its accompanying obligations to the Registrar of Companies.

Table 20: Total Foreign Legal Persons registered in Bermuda during the period 2020 - 2023

Foreign Legal Persons in Bermuda	2020	2021	2022	2023
Overseas Companies	397	330	302	297
Overseas Partnerships	50	41	40	38
Total Foreign Legal Persons	447	371	342	335

The use of nominees is permitted within corporate structures, but nominee services may only be offered by regulated CSPs. The concept of a nominee director does not exist within Bermuda although not specifically stated in law. Nominee shareholders are allowed.

Bermuda has maintained a strict prohibition on bearer shares since 1970, including shares obtainable via warrants. To further align with global transparency standards, a new Bill was tabled on November 7, 2025, introducing the following requirements:

- ▶ **Bearer Share Conversion:** All existing bearer shares must be converted into registered shares for companies and limited liability companies (LLCs).
- ▶ **Prohibition of Nominee Directors:** The Bill will explicitly prohibit the appointment of nominee directors and require more detailed disclosures regarding alternate directors.
- ▶ **Records Retention:** Exempted companies and LLCs discontinuing to another jurisdiction must appoint a local agent to retain their Beneficial Ownership (BO) registers and accounting records for a minimum of five years.

From the threat profiles, the estimated scope of PF activity in Bermuda by PF actors (DPRK, Russia, Iran, Syria, China) was determined to be low. There was no evidence found to suggest that Bermuda legal entities are being used by PF actors for the purposes of PF activities or to engage in other activities in support of sanctions-evasion. The inherent vulnerability assessment has taken this context into consideration.

Inherent Vulnerability Ratings by Entity Type

Limited Companies – Local

Limited Companies – Local is rated as having low inherent vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as low vulnerability

There were approximately 3,800 registered local limited companies in 2023 (with an annual average of 3,627 in the period under review). This figure represents about 24% of the total registered entities in Bermuda.

These companies are primarily owned by Bermudians and are subject to the legal requirement that local limited company ownership must be at least 60% Bermudian.

Approximately 25% of these companies have multi-layered ownership. The jurisdictions represented in such multi-layered ownership companies are shown below. Each percentage represents the percentage of multi-layered companies with a BO from the named jurisdiction:

- ▶ Bermuda (90%)
- ▶ United Kingdom (14%)
- ▶ United States of America (7%)
- ▶ Canada (5%) and Portugal (1%)

Local limited companies are primarily involved in domestic activities, including holding companies and real estate.

While local limited companies represent almost a quarter of the total entity population, ownership is primarily Bermudian with minimal foreign links, and the activities are generally domestic in nature.

Ability to conceal BO information - rated as low inherent vulnerability

In Bermuda, legal disclosure requirements for the formation of legal persons are mandated by several statutes, including the Companies Forms Rules 1982 and the LLC (Forms) Regulations 2016. To comply with standard operating practices, applicants must submit a comprehensive ownership structure chart identifying all direct and indirect beneficial owners (BO) at the time of formation.

The submission of an ownership structure chart is a strictly enforced prerequisite; without it, the formation process will not proceed. This requirement, largely facilitated by CSPs, is a critical control designed to address the risk of multi-layered ownership structures being used to conceal beneficial ownership, and to provide oversight for the approximately 25% of local limited companies identified as having multi-layered ownership.

2% of local limited companies have been identified as having nominees in the ownership structure. These companies are subject to ongoing BO requirements, and BO information is known, accessible, and up-to-date. Basic company information is maintained by the ROC in its companies register and is available for public search. On the basis of the information maintained, there were no local limited companies with ownership linked to high PF risk jurisdictions/PF threat actors.

Ease of Formation - rated as low inherent vulnerability

The formation of any legal entity in Bermuda is subject to submission and review of extensive documentation, oversight and verification. Applications are reviewed by two competent authorities and include identification and verification of beneficial owners.

The formation process is summarised below:

- › Name reservation application with the RoC;
- › Submission of an application to the BMA with the name of the company, nature of intended business and proposed ownership. Beneficial Owners holding 10% or more of the shares/ interest in the entity must also provide a signed Personal Declaration along with a copy of government issued identification ("ID"). BMA reviews and verifies the BO information and conducts vetting. Vetting is conducted using various commercially-available applications and publicly-accessible information and includes sanctions screening, identification of PEPs and adverse information. Provided there are no issues outside of the BMA's risk appetite, the BMA, grants approval to the applicant by issuing a letter of no objection;

-) On receipt of the no objection letter from BMA, the applicant files memorandum of association and incorporation documents with the RoC with the applicable annual government fee. This application can occur within twenty-four (24) hours, subject to completion of all controls within the process. It should be noted that while a company can be quickly formed, there have been no instances of applications with links to high PF risk jurisdictions/PF threat actors.

Financial Intelligence - rated as low inherent vulnerability

There is no intelligence to suggest that local limited companies are being abused by PF actors. There were no SARs or investigations conducted in relation to PF activities and no identified PF links with DPRK, Russia, Syria or Iran or countries with strategic concerns like China. On the basis of this information, this criterion has been deemed to have low vulnerability.

Conclusion

Local Limited Companies are rated as having a Low inherent vulnerability to PF. These entities have no identified links to PF high risk jurisdictions, there is limited use of complex structures with majority Bermudian beneficial ownership, and they are primarily involved in low-risk domestic activities. They are subject to initial BO screening at the formation stage and ongoing BO obligations and monitoring, resulting in easy access to accurate and up-to-date beneficial ownership information, which allows for confirmation that there are no links to high PF risk jurisdictions. Additionally, there have been no investigations or SARs filed in relation to PF connected to this entity type.

Limited Companies – Exempted

Exempted Limited Companies are rated as having Medium inherent vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as medium inherent vulnerability

There were approximately 9,800 registered exempted limited companies in 2023 (with an annual average of about 9,500 in the period under review). Exempted limited companies represent the largest portion of registered entities at 61.2% of the total.

Exempted limited companies are so-called as they are exempt from the provision that at least 60% of the equity must be beneficially-owned by Bermudians.

In general terms, the Companies Act restricts an exempted company from carrying on business in Bermuda, except to the extent that it is so authorised by its constitutional documents and has been granted a licence by the Minister of Finance (the “Minister”). Consent from the Minister is required only for companies which engage in restricted activities, e.g. investment business, trust business, mutual fund business, deposit taking and money services business.

There are certain activities which are expressly excluded from the licence requirement, including:

- ▶ doing business with other exempted undertakings (i.e., exempted companies, permit companies, exempted partnerships and exempted unit trust schemes) in furtherance of the business of the exempted company which is being conducted outside Bermuda;
- ▶ dealing in securities of exempted undertakings, local companies or partnerships;

- carrying on business as manager or agent for, or consultant or advisor to, any exempted company or permit company which is affiliated (whether or not incorporated in Bermuda) with the exempted company, or an exempted partnership in which the exempted company is a partner or, in the case of mutual funds, selling or distributing their shares in Bermuda.³³

Exempted limited companies may have global operations and are frequently part of larger publicly-traded groups of foreign entities. A significant proportion of exempted limited companies operate in the finance-related business sector.³⁴ The main areas are holdings, non-life insurance and funds (mutual, investment, commodity etc.³⁵).

Of the 9,800 exempted limited companies, those with beneficial ownership links to PF threat actors are as follows: 264 entities (less than 3%) - Russia; 395 entities (4%) - China; and 2 entities - Iran. The Threats analysis also identified Bermuda legal persons with links to Iran and Syria (see Chapter 3). These links were identified by country of current nationality and also country of birth. Notwithstanding these particular links to jurisdictions with concerns for PF, research on the individuals concerned showed no evidence of these entities being used to facilitate PF activities. The threat to Bermuda of PF risk exposure from both Russia and China was rated as low.

With respect to complex ownership structures, 75% of these entities have multi-layered ownership, with the top five (5) jurisdictions being: United States-14%, United Kingdom-9%, Canada-5%, Bermuda-2%, Ireland-1%. With exempted limited companies comprising approximately 70% of Bermuda's corporate register, their global reach and broader foreign links indicate a higher vulnerability to PF; however, the top jurisdictions of ownership are not considered high-risk for PF. Further, while links to high-risk jurisdictions have been identified, there is no evidence to indicate that these entities have any involvement with PF activities. On the basis of this information, this criterion was deemed to have medium vulnerability.

Ability to conceal BO information - rated as low inherent vulnerability

Exempted limited companies must also adhere to the clear legal requirements related to disclosures under Bermuda's standard operating practices, i.e. submission of a full entity ownership structure chart and associated information concerning direct and indirect beneficial owners at the time of formation. As with other legal person formations, CSPs provide all this information, and without these submissions the formation will not take place. This similarly addresses the risk of misuse of multi-layered ownership structures potentially concealing beneficial ownership of exempted limited companies.

8% of exempted limited companies were identified as having nominees in the ownership structure, and approximately 75% of these entities have multi-layered ownership. These companies are subject to ongoing BO requirements, and BO information also is known, accessible, and up-to-date. Basic company information is maintained by the RoC in its companies register and is available for public search. Analysis of this information showed that there were no exempted limited companies with ownership linked to high PF risk jurisdictions/PF threat actors.

33 Reference - Bermuda Monetary Authority website www.bma.bm

34 Reference - 2018 LP ML/TF VA

35 Reference - RoC Corporate Authorizations Department

Ease of Formation - rated as low inherent vulnerability

As with local limited companies, applications for exempted limited companies are reviewed by two competent authorities and include identification and verification of beneficial owners.

The formation process is the same as for local companies except for companies engaging in restricted activities, which require the Minister of Finance's consent for a licence. The Minister will determine whether granting such a licence is in the best interest of Bermuda. The Minister will also require evidence that the company possesses the necessary knowledge and experience to conduct its operations.

Ordinarily, incorporation not requiring Ministerial consent can be completed on the same day an application is received. Importantly, while this allows for efficient formation, there have been no recorded applications linked to high-risk PF jurisdictions or threat actors. In cases where Ministerial consent is required, the process generally takes two to three working days from the point the Authority receives all necessary company information and personal declarations from the beneficial owners.

Financial Intelligence - rated as low inherent vulnerability

Data from intelligence, law enforcement and prosecutorial agencies showed that there are no SARs, investigations, prosecutions or requests for information from foreign counterparts in relation to PF activities for this type of entity.

Conclusion

Exempted Limited Companies are rated as having Medium inherent vulnerability to PF.

They have a significant geographical reach with a high level of multi-layered ownership, and the activities conducted may lend such entities to be more susceptible to PF activities. However, there are no significant connections to high-risk jurisdictions. Additionally, although threat profiles indicate that this type of entity presents a higher risk for being used in PF activities, there have been no SARs filed or PF investigations which indicated a connection to in Bermuda's context, thereby making the medium vulnerability rating appropriate.

Limited Companies – Overseas (Permit)

Overseas (Permit) Limited Companies are rated as having Medium inherent vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as medium inherent vulnerability

There were approximately 300 overseas (permit) limited companies on the Bermuda corporate register as at 31st December, 2023 (with an annual average of 331 per year in the period under review). This accounts for a little less than 2% of all the registered entities. Overseas (permit) limited companies are entities that are formed outside of Bermuda but are permitted to do business in or from Bermuda.

The types of activities permit companies conduct within and outside of Bermuda are listed below:

Within Bermuda:

-) holding company;
-) intellectual property; and
-) charter of vessels activities.

Outside of Bermuda:

-) providing management services and associated activities to oversee the winding up of company operations with respect to the divestiture of the assets;
-) intellectual property holding company within the group;
-) owning various non-United States owned patents, trademarks and other intellectual property rights granted worldwide;
-) holding company holding licenced intellectual property in pharmaceuticals in drug development;
-) ship ownership and shipping operations;
-) insurance and reinsurance business;
-) holding investments within a group structure;
-) investment and management services; and
-) pharmaceuticals.

The activities by these companies outside of Bermuda is wide-ranging and can in theory be more susceptible to abuse by PF actors.

Bermuda records show that overseas companies are headquartered in such jurisdictions as Marshall Islands, Canada, United States, Ireland, Netherlands and Switzerland. It is noteworthy that none of these jurisdictions of origin are identified as raising PF concerns.

As regards complex ownership structures, 100% of the entities have multi-layered ownership. It is estimated that 100% of the entities have foreign directors and shareholders. Foreign shareholders primarily come from the United States (9%), Norway (8%), Bermuda (6%), United Kingdom (5%) and France (3%). There were no links found with DPRK, Iran, Syria, Russia or China.

Ability to conceal BO information - rated as medium inherent vulnerability

Overseas (permit) companies must submit a full entity ownership structure chart and associated information concerning direct and indirect beneficial owners at the time the permit is issued. Under Bermuda's current regime, all beneficial owners of permit companies are identified at the time the permit is issued and any subsequent changes must be reported to the Controller of Foreign Exchange under Exchange Control Regulation 13A within 14 days, unless the permit company has appointed a licenced CSP as its principal representative or is publicly listed on a recognised stock exchange.

The use of nominees is permitted within corporate structures but this is controlled in Bermuda. In cases of foreign nominees, look-throughs are conducted when it is obvious that a nominee is being used. The concept of nominee director does not exist within Bermuda although that is not specifically stated in law. In the case of overseas companies, the use of nominee directors may be possible.

It is unknown whether bearer shares have been issued for any overseas permit companies. However, the Controller of Foreign Exchange can confirm that if any such bearer shares have been issued, they would be less than the 10% disclosure threshold required for permit companies under the exchange control regime.

As indicated in criterion 1, 100% of the entities have multi-layered ownership and it is estimated that 100% of the entities have foreign directors and shareholders. Foreign shareholders primarily come from the United States (9%), Norway (8%), Bermuda (6%), United Kingdom (5%) and France (3%). There were no links found with DPRK, Iran, Syria, Russia or China.

BO information is collected and vetted by the BMA at the application stage.³⁶ Following this, overseas permit companies must adhere to ongoing BO requirements under the following conditions:

- ▶ **Ministerial Provisions:** Companies must comply with specific BO reporting requirements as stipulated within their individual permits.
- ▶ **Exchange Control Compliance:** Under Exchange Control Regulation 13A, if a transfer results in a beneficial owner reaching or exceeding the 10% threshold, the company must notify the Controller within 14 days (provided their principal representative in Bermuda is not a licenced CSP).
- ▶ **CSP Obligations:** If the company's principal representative is a licenced CSP, the CSP must fulfill its AML/ATF obligations. As a reporting entity, the CSP is required to conduct Customer Due Diligence (CDD) on the permit company, which includes identifying and verifying any beneficial owner holding a 10% or greater interest.

Permit companies were not included in the scope of the exchange compliance regime for the period under review. However, regulatory revisions implemented subsequent to this assessment brought them within scope.

Basic company information is maintained by the RoC in its companies register and is available for public search.

Ease of Formation/registration - rated as low inherent vulnerability

Foreign-created companies are allowed to do business in Bermuda with the permission of the Minister of Finance via a registration process which includes an application for a permit. Applications are reviewed by two competent authorities and include identification and verification of beneficial owners. Notably, the vast majority of permit company parents are publicly-listed companies.

³⁶ Effective November 3, 2025, Bermuda's central register of Beneficial Ownership (BO) officially transferred from the Bermuda Monetary Authority (BMA) to the Registrar of Companies (RoC)

The registration process for these companies is fairly involved. An overseas company which is incorporated outside of Bermuda seeking to conduct business in Bermuda may only do so with a permit issued by the Minister along with BMA approval if the entity is a financial institution. The registration process incorporates all the same initial steps as for the formation of a Bermuda company with the following additional requirements:

- ▶ Publication of the intention to apply for a permit in a local newspaper. The notice must specify the company's name and the trade or business it proposes to engage in or carry on in Bermuda;
- ▶ Submission of the application for a permit to the Minister for consideration and approval. The application, with prescribed supporting documents (certified copies of the company's constitutional documents, its latest audited financial statements and, where appropriate, personal and financial references for the directors and beneficial owners of the company), will provide the particulars of the company, including the name and address of its proposed principal representative and local bankers in Bermuda. The application must also disclose the reason for requiring a permit as opposed to forming an exempted company.

Any registration requiring approval of a permit application is usually concluded within 2 to 4 weeks after consideration.

Overseas companies may have complex ownership structures and beneficial ownership requirements may vary from jurisdiction to jurisdiction. However, Bermuda's well-established and recognised requirement for full organisational charts and detailed beneficial ownership information ensures all data is provided and thoroughly verified throughout the permit application process.

Financial Intelligence - rated as low inherent vulnerability

Notwithstanding potential vulnerabilities regarding ownership structures within this type of legal entity, there have been no intelligence, investigation or prosecution matters identified in Bermuda related to PF activities.

Conclusion

Overseas (Permit) Limited Companies are rated as having Medium inherent vulnerability to PF. While permit companies have an extensive geographic reach and often utilise multi-layered ownership structures that can obscure beneficial ownership, their risk profile in Bermuda remains controlled. Although the lack of ongoing access to financial data from a company's primary jurisdiction is a vulnerability, there is currently no evidence of these entities being linked to local Proliferation Financing (PF) activities, investigations, or Suspicious Activity Reports (SARs). This vulnerability is further mitigated by the sector's small footprint representing fewer than 300 entities and less than 2% of the Bermuda register and the rigorous vetting conducted during the registration and permit application stages.

Private Act Companies (PACs)

Private Act Companies (PACs) are rated as having Medium inherent vulnerability based on the following factors:

Population size, geographic links and type of activity - rated as medium inherent vulnerability

Prior to the enactment of the Companies (Incorporation and Registration) Act 1970, subsequently repealed and replaced with the Companies Act 1981, limited companies and bodies corporate (‘‘Private Act companies’’ or ‘‘PACs’’) in Bermuda were formed by Private Acts. The term ‘‘bodies corporate’’ for the purpose of this vulnerability assessment of legal persons, refers to churches, church societies, social societies and clubs, schools, charitable organisations and the like.³⁷

A 2018 audit revealed that 653 companies, or bodies corporate, incorporated via Private Act (PACs) were not registered with the RoC. Subsequent research was launched to determine their operational status, yielding the following results:

- ▶ **Registration Adjustments:** 113 PACs were found to be registered with the RoC under new names, in accordance with the Companies Act 1981; of these, 102 are currently inactive.
- ▶ **Duplicates & Dissolutions:** 22 PACs were identified as duplicates created via Amendment Acts, and 305 of the unregistered entities have been dissolved.

Research will continue into the status of the remaining 213 entities. Additionally, 2023 year-end filings identified 24 insurers formed via Private Acts. While most of these entities predate the Segregated Accounts Companies (SAC) Act 2000, only one such PAC has been formed since that legislation was enacted. This recent formation was specifically designed to address unique nuances associated with an insurer utilising digital assets.³⁸

There is no available information on activities conducted by known PACs or their geographic reach which, along with the lack of information available for the 213 unregistered PACs, indicate a higher vulnerability. However, registered PACs account for a very small percentage (less than 3%) of the total registered entities, with a steady decline in numbers annually from 2020-2023 and only one (1) new registration during that period.

Ability to conceal BO information - rated as medium inherent vulnerability

There is no requirement to maintain BO information for PACs which are not registered with the ROC, supervised by the BMA or subject to exchange control. Currently, there are 213 unregistered PACs.

Basic company information (for registered PACs) is maintained by the RoC in its companies register and is available for public search.

³⁷ Reference – 2018 LP ML/TF Vulnerability Assessment

³⁸ Reference – 2018 LP ML/TF Vulnerability Assessment

Ease of Formation - rated as low inherent vulnerability

In Bermuda, PACs are formed through an Act of Parliament rather than a standard registration. This process allows entities to secure specific statutory exemptions or unique powers not available under general law.

The formation of a PAC in Bermuda is subject to submission and review of extensive documentation, oversight and verification; however, the procedure is relatively straightforward:

- ▶ **Initial Filing:** Applicants must reserve the proposed name with the RoC and publish a Private Bill Notice in the Official Gazette.
- ▶ **Legislative Review:** The core requirement is a review by the Joint Select Committee on Private Bills. A favourable report from this committee typically ensures the Bill's passage through Parliament.
- ▶ **The Incorporating Act:** Once enacted, the Bill becomes the 'Incorporating Act.' This document serves as the company's constitution, detailing its objects, powers, and any 'special features' or waivers of existing public statutes.
- ▶ **Finalisation:** After the legislative process (usually 6–8 weeks), the company is officially incorporated by filing a memorandum of association signed by at least three Bermuda-resident nominees.

Once incorporated, the company is subject to the provisions of its own Incorporating Act read together with the general company law of Bermuda.³⁹

It should be noted that there was a significant decrease in the number of PAC incorporations following the enactment of the Companies Acts, but they have continued in situations where a company seeks to carry out activities that were not contemplated by the Companies Act 1981 such as SACs (prior to the SAC Act 2000).

Financial Intelligence - rated as medium inherent vulnerability

There is no intelligence or information to suggest that there are any links between PACs and PF jurisdictions. Further, there were no SARs filed, or investigations conducted relative to PF.

Conclusion

Private Act Companies (PACs) are rated as having Medium inherent vulnerability to PF.

The uncertainty surrounding the status of the 213 unregistered PACs, combined with a lack of mandatory beneficial ownership updates for entities not supervised by the BMA or RoC), indicates a higher theoretical vulnerability. The absence of data regarding their specific activities and geographic reach is also a consideration in that regard.

³⁹ Reference – Bermuda Monetary Authority website www.bma.bm

However, in Bermuda, the potential for exploitation is reduced by several factors:

- ▶ **Rigorous Formation Controls:** The incorporation process requires both a review by the Joint Select Committee and formal consent from the Minister of Finance.
- ▶ **Absence of Threat Indicators:** There are no known beneficial owners in high-risk jurisdictions, nor have there been any SARs or active investigations linked to PACs in this context.
- ▶ **Rapidly Declining Sector:** Recent research shows that 47% (305) of the 653 unregistered PACs identified in 2018 have been dissolved.

The shrinking volume of registered PACs between 2020 and 2023 further suggests that this entity type is falling out of use, significantly reducing its opportunity for exploitation for PF purposes.

Limited Liability Companies (LLCs)

Limited liability companies are governed by the Limited Liability Companies Act 2016, which includes provisions pertaining to the formation, registration, beneficial ownership requirements and record-keeping obligations. The only types of LLCs which may operate in Bermuda are domestically created, which may take the form of local or exempted LLCs.

Limited Liability Companies (LLC) – Local

Local Limited Liability Companies (LLC) are rated as having Low inherent vulnerability based on the following factors:

Population size, geographic links and type of activity - rated as low inherent vulnerability

The number of local limited liability companies (local LLCs) was generally less than 50 from 2020 to 2022, and 51 in 2023. This figure represents less than 0.5% of the total registered entities in Bermuda.

Local LLCs are formed by Bermudians to trade primarily in Bermuda and are subject to the same 60% domestic ownership threshold as local limited companies.

Of the total number of entities 8% have multi-layered ownership whilst 92% have single-layer ownership. 35% of the entities have foreign shareholders with the primary jurisdictions identified as: Bermuda-90%, United States-27%, Canada-13%. These jurisdictions have not been identified as higher risks for PF activities.

Local LLCs engage in primarily domestic activities such as information technology, computer services, medical and dental practices and other personal service activities.

Ability to conceal BO information - rated as low inherent vulnerability

Local LLCs must submit a full entity ownership structure chart and associated information concerning direct and indirect beneficial owners at the time of formation. This process is managed by CSPs as standard practice for company formations. Without the provision of such an organisation chart, the formation will not proceed, again addressing the risk of multi-layered ownership structures concealing BO of local LLCs.

None of these entities have been identified as having nominees in the ownership structure.

These companies are subject to ongoing beneficial ownership requirements and beneficial ownership information is known, accessible, and up-to-date. Company information maintained in the RoC companies register showed there were no local LLCs with ownership linked to high PF risk jurisdictions/PF threat actors.

Ease of Formation - rated as low inherent vulnerability

Local LLC applications are reviewed by two competent authorities and include identification and verification of beneficial owners. This is in keeping with Bermuda's standard company formation requirements which include review of extensive documentation, oversight and verification processes.

The formation process is simple and is the same as local limited companies, which includes a requirement that the local LLC is at least 60% Bermudian-owned.

Financial Intelligence - rated as low inherent vulnerability

There is no intelligence to suggest that local LLCs are being abused by PF actors. There were no SARs or investigations conducted in relation to PF activities and no identified PF links with DPRK, Russia, Syria or Iran or countries with strategic concerns like China.

Conclusion

Local Limited Liability Companies are rated as having Low inherent vulnerability to PF, with no links to jurisdictions associated with PF. There are simple ownership structures with limited use of complex corporate arrangements and their majority Bermudian beneficial ownership ensures transparency. There is a straightforward registration process which includes verification of ownership and identity. There are no SARs filed in relation to PF and no active or historical investigations linked to this entity type.

Limited Liability Companies (LLC) - Exempted

Exempted Limited Liability Companies are rated as having Medium Inherent Vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as medium inherent vulnerability

There were 255 registered exempted limited liability companies (exempted LLCs) in 2023, representing 1.6% of the total number of registered entities in Bermuda. The number of exempted LLCs increased steadily from 2020 to 2023, starting at 74 in 2020 to more than triple that by 2023. This increase reflects the fact that LLCs were only introduced in 2016 and registrations did not commence until 2018.

Exempted LLCs are not subject to the same ownership and control threshold obligations applied to local LLCs. They are incorporated within Bermuda, by non-Bermudans, for the purpose of doing business outside of Bermuda. They are prohibited from doing business within Bermuda except to the extent that it is authorised by their constitutional documents and are approved to do so by the Minister of Finance.

Exempted LLCs are used in the insurance and investment business activities in Bermuda. Per the BMA's list of Regulated Entities on its website, there are currently 3 Investment Businesses and 1 Insurance Agent that are LLCs. The geographic reach of exempted LLCs is extensive. Exempted LLCs conduct business outside of Bermuda and have operations that are global in nature.

Of the 255 exempted LLCs 72% of entities have multi-layered ownership and 28% with single-layer ownership. Ownership by jurisdiction breaks down as follows: United States-31%, United Kingdom-6%, Bermuda-4%, Canada-2%, Ireland-2%. These jurisdictions have not been identified as being high-risk for PF activities. Information indicated that there are no links with DPRK, Syria, Iran or Russia and one company has a link to China. This link does not have any PF concern.

Exempted LLCs represent a very small portion (less than 2%) of the total registered entities in Bermuda; however, their global reach and broader foreign links indicate a higher vulnerability to PF. The top jurisdictions of ownership are not considered high-risk for PF. Further, while one entity was identified as having BO links to a high-risk jurisdiction, there is no evidence to indicate that this entity has any involvement with PF activities.

Ability to conceal BO information - rated as low inherent vulnerability

Exempted LLCs are subject to Bermuda's standard operating practices which require submitting a full entity ownership structure chart and associated information concerning direct and indirect beneficial owners at the time of formation. Bermuda CSPs manage the submission process as standard practice, and without the provision of such an organisation chart, the formation will not proceed. This addresses the risk of use of multi-layered ownership structures being used to conceal beneficial ownership of exempted LLCs.

1% of the total number of entities were identified as having nominee shareholders in the ownership structure.

As previously noted, approximately 72% of these entities have multi-layered ownership.

These companies are subject to ongoing BO requirements, beneficial ownership information is known, accessible, and up to date, and the RoC maintains information about the entity on its companies register. Based on that information, no exempted LLCs had ownership linked to high PF risk jurisdictions or PF threat actors.

Ease of Formation - rated as low inherent vulnerability

Exempted LLC formation applications are reviewed by two competent authorities and include identification and verification of beneficial owners. The formation process is simple and is the same as limited exempted companies.

Financial Intelligence - rated as low inherent vulnerability

Information indicated that there are no links with DPRK, Syria, Iran or China and one company has links to Russia. This link to Russia does not have any PF concern. There were no SAR filings or investigations relative to PF for this type of legal entity.

Conclusion

Exempted Limited Companies are rated as having Medium inherent vulnerability to PF.

The expansive geographic reach of exempted LLCs which allows operation across multiple jurisdictions theoretically increases PF risk exposure. The activities these entities conduct could also potentially be vulnerable to misuse by PF actors and their high levels of multi-layered ownership may obscure access to beneficial ownership information. However, in Bermuda's context despite the complexity, ownership is not currently linked to PF-designated jurisdictions and there is a relatively small number of registered entities of this type. There were also no SARs filed, and no ongoing or past PF-related investigations connected to such entities.

Partnerships

A partnership is a relationship between persons carrying on a business in common with a view of profit. Partnerships are either local or exempted and may be general or limited.

The legal framework for partnerships in Bermuda is structured across several key statutes, depending on the residency of the partners and the specific legal structure of the entity:

- ▶ **General Partnerships:** Governed by the Partnership Act 1902, which regulates the basic formation and operational activities of all partnerships.
- ▶ **Exempted Partnerships:** If one or more partners do not possess Bermudian status, the entity is subject to the Exempted Partnership Act 1992 in addition to the 1902 Act.
- ▶ **Limited Partnerships (LPs):** Regulated by the Limited Partnership Act 1883 and the Partnership Act 1902. If the LP includes non-Bermudian partners, it is classified as an Exempted Limited Partnership and must also comply with the 1992 Act.
- ▶ **Overseas Partnerships:** Foreign-formed partnerships wishing to operate within the jurisdiction may apply for a licence to carry on business under the Overseas Partnerships Act 1995.

Pursuant to the Partnership Act 1902, a partnership may elect whether to have a legal personality or not.

Pursuant to Section 40(1) of the Partnership Act 1902. "beneficial owner", in the case of a partnership means–

- (a) any individual or individuals who own or control more than 25% of the interests or voting rights in the partnership through direct or indirect ownership thereof;
- (b) if no such individual or individuals referred to in paragraph (a) exist or can be identified, any individual or individuals who control a partnership by other means;
- (c) if no such individual or individuals referred to in paragraphs (a) and (b) exist or can be identified, the individual who holds the position of senior manager of a general partner of the partnership,

and "beneficial ownership" shall be construed accordingly;

Further:

“control by other means” includes the right to appoint or remove a majority of the general partners of a partnership and the exercise of control over the partnership by any means other than by control by ownership of any interest;

“senior manager” means the chief executive, managing or executive director or president of a general partner of a partnership or other person holding such senior position in respect of a general partner of the partnership by whatever title known.

Partnerships – Local General

Local General Partnerships are rated as having a Medium Inherent Vulnerability to PF.

Population size, geographic links and type of activity - rated as low inherent vulnerability

A local partnership is composed of Bermudian partners only and is permitted to conduct business locally and abroad. It is estimated that local general partnerships conduct smaller transactions than exempted or overseas partnerships as they are primarily local service providers.

There is no requirement to register local partnerships with the ROC. However, they are required to register with the Office of the Tax Commissioner for payroll tax purposes where there are tax implications. Local general partnerships are therefore not included on the RoC’s register. The number of known local general partnerships is approximately 380 with 140 being inactive.

The geographic reach of local general partnerships is deemed to be low, as their operations are located in Bermuda. There are no indications that there are any links to high PF risk jurisdictions and countries of concern.

Ability to conceal BO information - rated as medium inherent vulnerability

There is no requirement for local general partnerships to update BO information. However, while beneficial ownership information is not available, based on the construct of these entities the assumption is that these are primarily Bermudian partnerships. On the basis of this information, this criterion has been deemed as having medium vulnerability.

Ease of Formation - rated as medium vulnerability

While local partnerships are not required to register with the Registrar of Companies (RoC), they must register with the Office of the Tax Commissioner (OTC) for payroll tax purposes. The OTC registration form requires the following details:

- ▶ **Partners & Business Details:** Names, contact information, and physical/ mailing addresses.
- ▶ **Authorised Contact:** A designated representative for the partnership.
- ▶ **Tax & Financial Status:** Tax ID numbers, corporate service tax status, and financial data (e.g., expenses, estimated revenue, and payroll).
- ▶ **Business Status:** Commencement date and any associations with other Bermuda entities.

Partnerships must submit quarterly tax filings and maintain accurate financial records. The OTC must be notified of any changes to contact details, non-commencement of business, or the sale/closure of the entity. Non-compliance carries severe consequences, including an automatic 30% tax surcharge for failure to file, fines up to \$500,000 for false declarations, and potential legal proceedings.

Financial Intelligence - rated as low inherent vulnerability

There is no information to suggest that there are any links to DPRK, Russia, Syria, Iran or China. There were no SARs filed, or investigations conducted which indicated that this type of entity is being used to facilitate PF activities.

Conclusion

Local General Partnerships are rated as having a Medium inherent vulnerability to PF. There are information gaps related to the ownership of local general partnerships, which overall indicate a medium rating. Local general partnerships have no identified links to jurisdictions associated with PF. OTC registration requirements are sufficiently detailed to assist with transparency for those partnerships which must register.

Exempted Partnerships

Exempted Partnerships are rated as having Low Inherent Vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as low inherent vulnerability

If one or more of the partners in a partnership does not possess Bermudian status, then the partnership is an exempted partnership. There are 36 exempted partnerships, with no change over the period under review. This amounts to less than 0.5% of the total registered entities in Bermuda. Most exempted partnerships are used in corporate structures for asset holding, investment holdings and general partners to a partnership. It is estimated that the size and value of their activities is significant.

The geographic reach of exempted partnerships is high. Exempted partnerships operate outside of Bermuda. Multi-layered ownership is possible, however information specific to the jurisdictions of ownership for exempted partnerships could not be ascertained because information is not maintained separately from exempted limited partnerships.

While the size and value of the activities of exempted partnerships may be significant with operations outside of Bermuda, the number of exempted partnerships registered in Bermuda is minimal. On the basis of this information, this criterion was assessed as low.

Ability to conceal BO information - rated as medium inherent vulnerability

Bermuda's standard operating practices for exempted partnerships require the submission of information on the general partners, who are also required to submit a signed declaration at the application stage. This information is vetted by a competent authority.

Exempted partnerships are required to notify the BMA of the appointment of a general partner within 14 days of the appointment.

Information is obtained by the BMA on persons who exercise control by other means or senior managers (as per the definition of BO in the Partnership Act). Basic information is maintained by the RoC in its companies and partnership register which is available for public search.

Ease of Formation - rated as low inherent vulnerability

Exempted partnerships are governed by the Partnership Act 1902 and the Exempted Partnerships Act 1992. Formation requires rigorous documentation and oversight from both the BMA and the Minister of Finance.

The formation process includes:

- ▶ **Name Reservation:** Reserve the proposed name with the Registrar of Companies (RoC) for up to three months.
- ▶ **Public Notice:** Publish an “intention to form” in a Bermuda newspaper within three months of applying, specifying the partnership name, general partners’ details, and business nature.
- ▶ **Execution:** Partners must execute a formal partnership agreement.
- ▶ **Application:** Submit an application to the BMA including the partnership agreement, business nature, capital investment details, and Personal Declarations from general partners.
- ▶ **Vetting & Consent:** The BMA reviews the application and provides a recommendation to the Minister of Finance for formal consent.
- ▶ **Registration:** Once consented, the partnership agreement and Minister’s consent are filed with the RoC, which then issues a Certificate of Registration.

Applications not requiring ministerial approval can be processed within 24 hours. While the process is efficient, Bermuda maintains high standards of oversight; there have been no instances of applications linked to high Proliferation Financing (PF) risk jurisdictions or threat actors.

Financial Intelligence - rated as low inherent vulnerability

There is no information or intelligence to suggest that this type of entity has any links with DPRK, Russia, Syria, Iran or China. There are no SARs filed or investigations ongoing in relation to PF.

Conclusion

Exempted Partnerships are rated as having a Low Inherent Vulnerability to PF. Generally, broad international operations increase exposure to PF risks, and the nature of business activities makes this entity type vulnerable to misuse by PF actors. The small number of registered exempted limited partnerships in Bermuda can be considered insignificant which, along with the fact that there is no intelligence information to suggest that this type of entity is being used by PF actors, reduces the potential for exploitation, resulting in a low rating.

Limited Exempted Partnerships

Limited Exempted Partnerships rated as having Low Inherent Vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as low inherent vulnerability

There were 1,487 registered limited exempted partnerships in 2023 (with an annual average of 1,294 in the period under review). Limited exempted partnerships represent about 9% of the total population of registered entities in Bermuda. The type of activities include holdings, fund (mutual, investment, commodity etc.), other financial service activities, except insurance and pension funding activities.

85% of the total entities have multi-layered ownership, while 15% are single-layered, broken down as follows: United States-7%, United Kingdom-3%, Canada-2%, Bermuda-1%, France-.6%. These countries are not high-risk jurisdictions for PF activities.

There are no known links to DPRK, Syria, Iran or China, and one entity was linked to Russia. This link to Russia did not indicate active proliferation financing; the exposure in that regard was considered insignificant.

Ability to conceal BO information - rated as low vulnerability

Bermuda's standard operating practices for limited exempted partnerships require submission of detailed information on the general partners, who are also required to submit a signed declaration at the application stage. This information is vetted by a competent authority.

Exempted partnerships are required to notify the BMA of the appointment of a general partner within 14 days of the appointment.

Information is obtained on persons who exercise control by other means or senior managers (as per the definition of BO in the Partnership Act)

Ease of Formation - rated as low inherent vulnerability

Formation of a limited exempted partnership in Bermuda is governed by the Partnership Act 1902, the Limited Partnership Act 1883 and the Exempted Partnerships Act 1992 and is subject to the submission and review of extensive documentation and oversight. Applications are reviewed by both a competent authority and the Minister of Finance.

Formation of a limited exempted partnership requires the following steps:

- ▶ **Name Reservation:** Reserve the partnership name with the Registrar of Companies (RoC) for up to three months.
- ▶ **Public Notice:** Publish an "intention to form" in a Bermuda newspaper within three months of applying, detailing the name, general partners' residences, and business nature.
- ▶ **Execution:** Partners must execute a formal partnership agreement.
- ▶ **Application Submission:** Apply to the Bermuda Monetary Authority (BMA) with the partnership agreement, business nature, investment capital, and—for limited partnerships—a copy of the Certificate of Limited Partnership.

- ▶ **Vetting:** General partners must submit Personal Declarations for BMA vetting and subsequent recommendation to the Minister of Finance.
- ▶ **Ministerial Consent:** Upon approval, deliver the partnership agreement, Minister's consent, and the signed Certificate of Limited Partnership to the RoC.
- ▶ **Registration:** The RoC completes the process by registering the Limited Partnership Certificate.

A registration application can be concluded within 24 hours.

Financial Intelligence - rated as low inherent vulnerability

There is no information or intelligence to suggest that this type of entity has any links with DPRK, Syria, Iran or China although one entity had links to Russia, however there was no evidence to suggest any connection to PF activities. There are no SARs filed or investigations ongoing in relation to PF.

Conclusion

Limited Exempted Partnerships rated as having Low Inherent Vulnerability to PF. Of the 1,487 limited exempted partnerships in Bermuda only one entity had links to Russia, however there was no evidence to suggest that they were involved in PF activities. With regards to beneficial ownership, limited exempted partnerships are required to submit information on the general partners at the application stage and within 14 days of a change in the general partner. The robust formation process for these entities requires extensive documentation detailing the partnership's name, the identity and residency of all general partners, and the nature of the proposed business.

Partnerships – Overseas Permit

Overseas (Permit) Partnerships are rated as having Medium Inherent Vulnerability to PF based on the following factors:

Population size, geographic links and type of activity - rated as medium inherent vulnerability

The number of overseas permit partnerships was 38 in 2023, down from 50 in 2020. These entity types represent less than 0.3% of all registered entities in Bermuda. With a permit from the Minister of Finance, such partnerships may operate in Bermuda or internationally from a Bermuda-based office. While local activities focus primarily on investment holding, international operations from Bermuda include investment holding, providing investment advice, and acting as a general partner for United States-registered limited partnerships.

100% of the entities have multi-layered ownership from the following countries: United States-90%, Bermuda-50%, Switzerland-17%. These countries are not high-risk jurisdictions for PF activities.

No links were identified in relation to DPRK, Syria, Russia, Iran or China.

Limited access to financial or other key information in the entity's primary jurisdiction of registration could potentially indicate a high vulnerability. However, given the low, almost insignificant, number of entities registered in Bermuda, the potential for PF exposure is reduced.

Ability to conceal BO information - rated as medium inherent vulnerability

To be granted an operating permit in Bermuda, overseas partnerships must submit details about their general partners. All applicants must sign a certificate that includes the following information:

- ▶ The name of the partnership;
- ▶ The names of all the general partners and their respective addresses;
- ▶ The name of the resident representative and his address if his address is different from the address of the registered office;
- ▶ The address of the registered office in Bermuda of the overseas partnership; and
- ▶ The law governing the overseas partnership.

This information is vetted by a competent authority.

Information is maintained by the RoC in its companies and partnership register which is available for public search.

Effective 2024, prior written consent of the Minister is required where there is any material change (greater than 10%) in the direct, intermediate or ultimate beneficial ownership of the Company. However, this requirement does not apply to entities registered prior to that date.

Ease of Formation - rated as low inherent vulnerability

Foreign partnerships may apply through the BMA for a permit to operate in Bermuda or internationally from a Bermuda-based office. In its review, the BMA evaluates the economic impact on Bermuda, the partnership's professional history, and its beneficial owners. Generally, permits are not recommended if the business could be conducted by forming a Bermuda exempted partnership instead.

Granted permits may include specific terms and conditions set by the Minister of Finance. Additionally, overseas partnerships must appoint a resident representative and provide their details—including any subsequent changes—to both the BMA and the Registrar of Companies.

The formation process includes the following steps:

- ▶ **Publish Notice:** Announce the intention to apply in a local newspaper, including the partnership name, partners' names, governing law, and nature of business.
- ▶ **Submit Documentation:** Provide the BMA with the completed application form, fee, and certified copies of all foundational and reference documents.
- ▶ **BMA Recommendation:** The BMA reviews the file and advises the Minister of Finance on whether to grant the permit and under what conditions.
- ▶ **File Permit:** File the approved permit with the Registrar of Companies within the six-month deadline.
- ▶ **Update Permits:** Apply through the BMA for Ministerial consent before making any changes to a permit.

Any registration requiring approval of a permit application is usually concluded within 2 to 4 weeks after consideration.

Financial Intelligence - rated as low inherent vulnerability

There is no information or intelligence to suggest that this type of entity has any links with DPRK, Russia, Syria, Iran or China. There are no SARs or investigations in relation to PF for this type of legal entity.

Conclusion

Overseas Permit Partnerships are rated as having Medium Inherent Vulnerability.

The extensive geographic reach and multi-layered ownership of overseas permit partnerships create potential vulnerabilities to PF, particularly regarding beneficial ownership transparency. However, while limited financial data from home jurisdictions is a consideration, no SARs or PF investigations have been linked to this group. Therefore, the actual risk level remains low, given that these entities represent less than 0.3% of Bermuda's total register and are subject to detailed oversight during the application and registration phases.

Legal Persons - Overall Inherent Vulnerability Rating

The overall PF inherent vulnerability rating for Legal Persons is MEDIUM. There is no evidence that legal entities in Bermuda are currently being used for PF purposes. However, certain structural characteristics, such as multi-layered ownership and international linkages, create potential exposure to misuse in line with global PF typologies. It is acknowledged globally that legal persons may be used to facilitate PF. The geographic reach and limited BO information on certain entity types could indicate a higher vulnerability rating. However, Bermuda's location and rigorous formation processes results in a lower overall vulnerability.

Legal Arrangements

Context and Background

In Bermuda, LAs in the form of express trusts are frequently used for estate, financial, and business planning. Internationally, such LAs are recognised as potentially vulnerable to misuse for PF and TFS evasion. Key vulnerabilities include multi-layered control structures, opaque beneficial ownership, and cross-border operations involving high-risk jurisdictions.

Although not explicitly mandated by FATF Standards, Bermuda conducted a PF vulnerability assessment of LAs based on existing international typologies. The assessment analysed:

- ▶ **Operational Factors:** Ease of formation, primary LA types, and jurisdictional links to high-risk areas.
- ▶ **Transparency:** Potential for concealing beneficiaries through complex ownership and the accuracy of up-to-date beneficial ownership information.
- ▶ **Enforcement Data:** Review of intelligence, investigations, MLA requests, and prosecutions.

The PF working group applied a three-level scale (Low, Medium, High) to rate inherent vulnerabilities. These ratings were reviewed and finalised by the relevant competent authorities to ensure a unified regulatory perspective.

Legal Framework:

A trust is a legal arrangement where a settlor transfers assets to a trustee to manage for beneficiaries according to a trust deed, typically drafted by legal counsel. This assessment focuses on express trusts as defined by the FATF—those intentionally created through explicit legal documentation—rather than implied trusts.

While Bermuda does not maintain a central trust register, controls are exercised through statutory and AML obligations imposed on trustees. Trustees are categorised as follows:

- ▶ **Licensed Trustees:** Trust businesses licenced, regulated, and supervised for AML compliance by the BMA.
- ▶ **Exempted Trustees:**
 - › **Private Trust Companies (PTCs):** Authorised to provide services for specific trusts. These are subject to AML regulation and must register as a “Non-Licensed Person” (NLP PTC) unless they utilise a licenced CSP.
 - › **Professional Trustees:** Members of recognised professional bodies (e.g., lawyers or accountants).
 - › **Bare Trustees:** Passive fiduciaries holding legal title without discretionary powers, acting solely on beneficiary instructions.
- ▶ **Other Trustees:** Includes trustees of registered pension schemes, investment funds, and Non-professional Trustees (trusted individuals managing domestic estate planning trusts).

In the context of this PF risk assessment, the key controls over transparency and record-keeping for Licensed Trustees and NLP PTCs fall under the AML legislation and the BMA supervises compliance. For Professional and Non-professional trustees the controls fall under the Trustee Act.

A further aspect of Bermuda's legal framework is relevant to this assessment – transparency of legal persons. If a trust is within the ownership structure of a Bermuda legal person, the beneficial owners of the trust will be identified.

Table 21: *Assessment Scale for Inherent Vulnerabilities of Legal Arrangements*

LOW	<ul style="list-style-type: none"> • The entity generally exists, is used in, or has links to lower risk geographic locations and in lower risk sectors or activities; • It is difficult to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, and there are few instances in which the use of such multi-layered ownership structure or use of nominees is observed; • It is complex or time-consuming to form or register the legal arrangement and there is substantial oversight and verification.
MEDIUM	<ul style="list-style-type: none"> • The entity exists, is used in, or has links to one or two higher risk geographic locations or higher risk sectors or activities; • It is possible to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, but the use of such multi-layered ownership structure or use of nominees is not regularly observed; • It is moderately complex or time-consuming to form or register the legal arrangement, and there is some oversight and verification.
HIGH	<ul style="list-style-type: none"> • The entity exists, is used in, or has links to multiple higher risk geographic locations or higher risk sectors or activities, including those jurisdictions which are linked to PF threats; • It is possible to conceal the entity's beneficial ownership through use of a multi-layered ownership structure or use of nominees, and the use of such multi-layered ownership structure or use of nominees is regularly observed; • It is simple and quick to form or register the legal arrangement, or there is no requirement to register the legal arrangement, and there is little oversight or verification.

Information Sources

Information on LAs and regulated trustees was gathered from standard BMA data calls to licenced Trust Service Providers. An explicit data call to the banks for information on banking relationships they identified as arising from Professional and Non-Professional trustees was also made. This data call was created in the absence of information arising from the Trustee Act, predicated on the assumption that the nature of trusts administered by Professional and Non-Professional trustees would require them to use the services of a local bank.

These sources of information were used as reference to identify certain vulnerability characteristics which could be reviewed in the context of PF.

Overview of Trustees

Licensed Trustees - rated as medium inherent vulnerability

The BMA directly regulates licenced Trust Service Providers (TSPs) as the integrated regulator of the financial services sector in Bermuda. As shown in Chapter 4 of this report, the TSP sector was rated as having medium inherent PF vulnerability.

The BMA supervised 25 TSPs in the period under review, which administered \$118B in assets. The licenced TSP sector services a variety of different trust types. The tables below show the number of licenced TSPs, and the number of trusts by type administered by licenced and registered trustees between 2020-2023.

Table 22: Number of Licenced Trustees (2020 - 2023)

No. of Licenced Trustees	2020	2021	2022	2023
Number of licenced trust service providers (TSPs)	26	26	26	25

Table 23: Number of Trusts administered by licence type

Type of Trust	2020	2021	2022	2023
Discretionary Trusts	1,690	1,789	1,904	1,889
Fixed Interest Trusts	71	84	68	64
Charitable Trusts	75	75	74	69
Employee Benefit Trusts	76	78	80	73
Purpose Trusts	492	472	417	505
Other	139	176	151	135

Internationally trust structures are understood to be potentially susceptible to misuse for PF purposes and this is recognised in Bermuda. However, in the Bermuda context the potential for exploitation is reduced. By factors which include face-to-face client onboarding procedures and key restrictions such as the inability to set up illegal TSPs in Bermuda. Additionally, there is no evidence of direct interactions with PF sanctioned jurisdictions support that position.

Private Trust Companies - rated as low inherent vulnerability

A PTC is established solely to act as trustee for a specific trust or a limited group of related trusts. Because they do not serve a broad, unrelated clientele, PTCs are exempt from standard trust company licensing requirements. However, they are subject to regulatory and transparency controls:

- ▶ **Formation:** Applicants must provide details of the trusts they intend to administer, along with a Memorandum of Association outlining the business's nature and scope.
- ▶ **Annual Certification:** To maintain exempt status, a PTC must submit a written notice to the BMA by March 31st each year confirming it still qualifies for the exemption.
- ▶ **Ownership Transparency:** The beneficial owners of a PTC are subject to the same rigorous transparency and reporting controls as any other Bermuda company.

The table below lists the number of PTCs for the 2020-2023 period. PTCs administer approx. \$20B in assets, which is 20% of the sector.

Table 24: Number of Private Trust Companies for the 2020-2023 period

No. of PTCs	2020	2021	2022	2023
Private Trust Companies (PTCs)	281	297	300	272

The vast majority of PTCs are exempt from direct POCA supervision. The BMA captures such PTCs in its risk-based programme through its onsite file testing of relevant CSPs or TSPs. There are two NLP PTCs registered with the BMA. One PTC is a subsidiary of a regulated, listed reinsurance company that is funded by internal reinsurance funds, the purpose of which is a charitable foundation/pension funds. The other provides services to seven related trusts established to hold group interests or make charitable distributions. There are no external clients, branches, or subsidiaries.

Professional and Non-Professional Trustees - rated as low inherent vulnerability

At the current time, there are no certificated Professional Trustees. In Bermuda, there is a widely recognised class of smaller, domestic trusts, often established to hold family properties or "homestead trusts." The bulk of these trusts are understood to relate to estate planning involving Bermuda property, i.e. domestic in scope. Many of these trusts are solely administered by non-professional trustees – usually family or friends who are well-known and trusted by the settlors. A total of 648 such trustee client relationships, holding 1,550 bank accounts were identified during this assessment. Given the domestic, illiquid nature of these trusts, professional and non-professional trustees are rated as low risk for PF.

Vulnerabilities may arise from either the intrinsic characteristics of trusts or the nature of the trustees tasked with administering the trusts. For the purposes of the analysis below, weightings associated with the various trustees described above are:

- Licenced Trustees and PTCs – high weighting
- Professional and Non-Professional Trustees – low weighting

Products and Services - rated as medium inherent vulnerability

In Bermuda, licenced trustees and PTCs primarily serve HNWI or families, focusing on estate planning and insurance-related investments. For professional and non-professional trustees, the focus is on domestic arrangements such as homestead trusts. While discretionary trusts can potentially obscure the origin of funds—a primary concern for money laundering—they could pose a PF risk when they lack transparency or involve complex, layered transactions across multiple jurisdictions. PTCs may present a higher risk profile due to the absence of direct regulatory oversight, combined with the potential for managing large, complex trust structures. Theoretically, trusts with non-professional trustees may also be more vulnerable to PF misuse. However, in the Bermuda context, such risks are reduced given the focus on domestic, illiquid assets and known homestead arrangements.

Ease of Formation - rated as medium inherent vulnerability

It is relatively time-consuming to form a legal arrangement in Bermuda and there is substantial oversight and verification involved, whether by lawyers, licenced trust service providers, banks or exchange control (BMA) depending on the legal arrangement.

Ability to conceal BO information - rated as low inherent vulnerability

Trusts can be used in complex structures to obscure ownership and control. However, when a trust is part of a Bermuda entity's ownership chain, robust controls ensure that its beneficial owners are identified and vetted. This is conducted as part of overall ownership and control requirements for the legal entity. For structures where a Bermuda trust owns a foreign company, the jurisdiction of that company is responsible for identifying the ultimate beneficial owners.

As the exchange controller, the BMA actively reviews the issuance and transfer of shares for all Bermuda legal entities. When a trust regardless of its domicile is part of an entity's structure, the BMA collects and vets the names of the trust, trustees, protectors, settlors, and beneficiaries. A TSP must report any changes to these parties to the BMA, triggering a new vetting process.

In addition, the Trust (Special Provisions) Act 1989 clearly defines and mandates who can be a settlor, i.e. a real, legally competent individual or entity. This excludes the possibility of a “dummy settlor,” which is a technique that has been used to obscure the source of funds for establishing a Trust. It is also not possible to have nominee trustees in Bermuda.

Single/multi-layered ownership of Trusts - rated as low inherent vulnerability

This assessment focused on the persons controlling trusts, as this is where the potential for PF arises – i.e. where asset acquisition or distributions from the trust are directed for the purposes of PF.

Regarding licenced trustees, the BMA establishes the ownership and control of the trust company as part of its licensing regime. Licenced entities are obliged to notify the BMA of changes of their ownership and control. With respect to non-professional trustees, the analysis shows that the vast majority (627) have single-layer ownership, while only 21 have multi-layer ownership.

Transparency, Accuracy and Availability of Beneficial Ownership - rated as low inherent vulnerability

Overall, the CDD measures to identify BO information related to trusts, coupled with the presence of sanctions screening controls in the TSP sector, along with BO identification and screening controls employed by Bermuda's banks for trust beneficiaries, indicates a low risk of PF exposure:

Licenced Trustees and PTCs - these trustees are required to obtain and hold adequate, accurate, and up-to-date BO information regarding ownership and control of trusts they administer - for example, identifying other parties involved such as protectors and the trust beneficiaries.

The BMA is responsible for supervising TSPs, CSPs and all financial institutions including banks. As part of their supervisory practices, the Authority routinely tests entities' CDD processes. Therefore TSPs, like other regulated financial institutions, require CDD information to be provided for all types of trustees and trust structures based on the AML/ATF requirements under the Proceeds of Crime (AML/ATF) Regulations 2008.

Professional and Non-Professional Trustees - The same transparency requirements to maintain adequate, accurate and up-to-date beneficial ownership regarding trusts apply to non-professional trustees. However, currently there is no direct supervision of these obligations for non-professional trustees. Therefore the banks with whom such trustees interact are required to maintain adequate, accurate, and up-to-date BO information regarding trusts.

Other sources of information - information on trusts is held by Government Departments such as the Office of the Tax Commissioner, the ROC and Registrar General. There are various powers vested in the competent authorities including the BPS, SoRE, the Registrar General, FIA, Customs, the BMA and the ROC to have access to information held by trustees and other AML-regulated parties including FIs and DNFPBs. Therefore, information can be accessed for the purposes of international cooperation from those sources.

Geographic reach - rated as medium inherent vulnerability

Most Bermuda trusts administered by licenced trustees and PTCs are established under local law, with clientele primarily originating from Bermuda, the United States, Canada, and the EU. Exposure to high PF risk jurisdictions is minimal, with no trusts from or disbursements to Iran, Syria, or North Korea, and only 11 clients linked to Russia and 55 to China (including Hong Kong and Macao).

[Back to Table of Contents](#)

The sector remains dominated by historically stable markets: 46% of settlors and 41% of beneficiaries are domestic, while the majority of foreign counterparts are from the United States, Canada, and the EU. In 2023, only 7% of client relationships involving licenced trustees included foreign PEPs. The primary PEP origins were: Bermuda: 65; United Kingdom: 33; Canada: 11. Regarding non-professional trustees, there remained a relatively low number of foreign beneficiaries (101) and foreign trustees (106).

Financial Intelligence - rated as medium inherent vulnerability

From 2018 to 2024, no SARs/STRs specifically indicated direct or indirect PF activity associated with Bermuda trusts. Transactions involving trusts were found in a few cases that have potential links to sanctions breaches and possible indirect PF links.

Legal Arrangements - Overall Inherent Vulnerability Rating

Legal arrangements are rated as inherently vulnerability rating of MEDIUM for PF. This rating reflects the limited geographic reach and foreign ownership in the trust sector, the moderately complex and time-consuming requirements for trust formation and the substantial oversight and verification involved.

Chapter 5: Inherent Consequences of Proliferation Financing

Introduction

PF facilitates the movement and development of proliferation sensitive goods. It enables sanctioned states, designated individuals and entities, and other PF actors to access funds, assets or economic resources which allow them to source materials, items or systems for developing nuclear, biological or chemical weapons and their delivery systems. The consequences of PF are dire and can yield economic, political and social repercussions. These repercussions are often interconnected and have a cyclical impact on each other. The increased risk of WMD deployment pose serious threats to human life, the environment as well as economic damage including reputational harm for economic infrastructure and disruption of legitimate trade. More broadly, there is the threat to international peace and security. Thus, disrupting the flow of funds to proliferation actors plays a vital role in combatting the proliferation of WMDs.

Economic Consequences

Bermuda has been determined to have one of the highest per capita incomes globally underpinned by a service-oriented economy that is primarily reliant on international business and tourism. The cornerstone of Bermuda's economic structure is its international business sector (primarily insurance and other financial services) which contributes over 25% directly to the nation's GDP. As an IFC, Bermuda's IFC activities are dominated by the insurance sector, with specialisation in the niche area of catastrophe reinsurance. Bermuda represents approximately one third of the world's reinsurance capacity. Bermuda's institutional and economic strength is reflected in its consistently high sovereign ratings across multiple respected assessments. These ratings are supported by robust institutional framework, sound governance, a prosperous economic base, a favourable external profile, and substantial fiscal flexibility. The effectiveness of Bermuda's policymaking further reinforces its reputation as a stable and well managed financial centre.

Bermuda benefits from a high degree of institutional stability and a proven track record of implementing reforms aimed at ensuring sustainability and economic growth. The jurisdiction is recognised for its robust regulatory framework and sophisticated infrastructure which collectively supports its role as a leading IFC. Bermuda maintains a proactive approach to regulatory evolution, consistently aligning its frameworks with international standards whilst ensuring that regulations remain practical and appropriate for specific characteristics of its domestic market. This balance between global compliance and local relevance enhances Bermuda's credibility and attractiveness to international investors and financial institutions.

Considering this context, the consequences of PF for the jurisdiction would have significant economic impacts on a broad scale. These consequences would occur on both a domestic and international level. Geo-political tensions, as discussed further below, may result in destabilised markets. Bermuda's status as a respected IFC is heavily reliant on international trust in the integrity and transparency of its financial sector. Any associations with PF activity whether through abuse or misuse of Bermuda's financial services could significantly erode this trust. A compromised reputation can deter foreign investors and international businesses, resulting in reduced foreign direct investment and diminished economic activity. Furthermore, failure to demonstrate robust CPF efforts could prompt international bodies and other jurisdictions to impose sanctions or enhanced monitoring measures. Such actions could disrupt Bermuda's access to global financial markets and adversely affect trade relations. In extreme cases, trade embargoes may be implemented, further constraining economic growth and foreign investment, both of which are critical to Bermuda's economic stability.

The economic implications of PF may also pose significant challenges for Bermuda's regulatory authorities and broader financial ecosystem. Findings that financial institutions, designated non-financial businesses and professions or other economic sectors have been used to facilitate PF activity would result in regulatory and compliance burdens. These include increased enforcement actions, heightened scrutiny and cost implications for both regulators and the private sector. Businesses found to be non-compliant with regulations, could face escalating financial penalties including licence revocation, public censure, prohibition orders against directors, and substantial fines. Such findings could also prompt investigations by international bodies, compelling Bermuda to adopt stricter CPF laws to restore credibility and reputational harm. While necessary, these measures may increase compliance costs for businesses and disrupt financial services operations. The cumulative effect of these disruptions could undermine investor confidence, slow down financial sector activity and lead to job losses and reduced economic activities for Bermudians. Given Bermuda's reliance on foreign investment and international business, maintaining a strong and proactive stance against PF is essential to safeguarding its economic stability and international standing.

Political Consequences

Should Bermuda be found to be used or abused to facilitate PF activity, this would have long-lasting political consequences. Such findings could result in Bermuda being placed on international black and grey lists which identify jurisdictions with deficient AML/ATF/CPF regimes. This includes the high likelihood of classification under FATF's International Cooperation Review Group (ICRG) of "non-cooperative countries" particularly in relation to ineffective implementation of international sanctions. This designation would trigger public warnings about strategic deficiencies in Bermuda's financial system and the risks it poses to the international financial community. Increased monitoring and scrutiny from international bodies such as FATF would follow along with mandated action plans to rectify identified deficiencies and regular visits to assess and oversee its compliance efforts. Inclusion on other black and grey lists, such as those maintained by the European Union (EU) and other jurisdictions would further isolate Bermuda, discouraging international authorities and businesses from establishing financial, trade or diplomatic relationships. These developments would significantly undermine Bermuda's global standing and its ability to operate as a trusted IFC.

These consequences would include the accompanying negative attention in international media and potential political scandals which would impact international relations on a wide scale. There would be a general hindrance to Bermuda's international relations and other negative international ratings may result. Consequences may include an impact on political stability, which may also yield socially devastating effects (as discussed below).

At a local level, association with PF activity signals weakened democratic governance. Such scandals can rapidly erode public trust in the government's ability to manage the economy and maintain financial integrity. This loss of confidence often serves as a catalyst for political instability, ranging from public protests—some potentially violent—to intensified pressure for fundamental political reform.

Furthermore, both local and international media coverage, along with shifting public opinion, play a decisive role in shaping the political response and the subsequent implementation of corrective policies.

Social Consequences

Significant consequences may occur should Bermuda be considered associated with, misused or abused to facilitate PF activity. The consequences for Bermuda's society may include weakening of ethical and democratic standards, public condemnation and an increase in levels of criminal activity. This may, in turn, exacerbate social divisions and could threaten democratic stability by undermining the rule of law and fostering instability. Failure to demonstrate effective CPF measures and to address associated risks may also impact Bermuda's social standing on a global level. It may lead to a loss of trust and confidence in the jurisdiction internationally and domestically. Social relations with other jurisdictions would be impacted as they may be reluctant to associate with Bermuda if it was found to be in a negative global standing. Such activity could lead to a reluctance among international partners to engage with Bermuda. This would affect the cordial relations the jurisdiction currently enjoys globally across various platforms, including professional conferences, sporting events, and other social exchanges. Furthermore, the resulting economic, security and political instability would negatively impact Bermuda's standard of living and overall GDP.

The economic and political consequences as highlighted above, could contribute to a moral breakdown among the population in Bermuda, eroding the rule of law and democratic principles. As there is a correlation between weaker economies and increased social disruption, economic burdens may result in an increase in crime and violence, which in turn would further burden communities within Bermuda and hamper economic growth. The increased levels of crime which may result could also exacerbate social divisions, could threaten democratic stability by undermining the rule of law and fostering instability.

Chapter 6 : Conclusions and Moving Forward

In 2025, Bermuda conducted its first PF NRA aligning with the updated FATF Standards, to enhance CPF measures. This assessment was a forward-looking initiative aimed at identifying, understanding, and mitigating PF risks; not merely fulfilling a regulatory obligation. It plays a key role in fostering a comprehensive, society-wide understanding of PF risks across Bermuda.

The PF NRA highlights that Bermuda exposure to PF risk is limited. There have been no PF TFS violations or any activity detected, nor have there been any assets identified as being linked to designated entities, notwithstanding it is acknowledged that Bermuda as an IFC remains exposed to PF risks due to its growing digital assets business sector and range of legal persons and arrangements.

The PF threat assessment by jurisdiction based on the assessed capacity and activity of PF actors shows that the overall PF threat from the jurisdictions of the DPRK, Iran and Russia are all rated as posing a medium PF threat to Bermuda, while Syria is rated as posing a low PF threat to Bermuda.

In the sectoral inherent vulnerabilities assessment, the analysis shows that Bermuda's regulated sectors in general have low or medium levels of inherent vulnerability to PF, having regard to each sector's product types, clientele, geographic scope and delivery channels. The highest vulnerability exists within the DAB sector, due to its links with virtual assets, which have been shown to be exploited by PF actors on a global level. Additionally, legal persons within Bermuda have an overall low to medium inherent vulnerability rating for PF while legal arrangements within Bermuda have an overall medium rating.

The table below shows the overall inherent vulnerability ratings across sectors and sub-sectors:

Table 25: Overall inherent vulnerability ratings

SECTOR	SUB-SECTORS	RATING	OVERALL RATING
Deposit-Taking	Retail & Business Banking	L	MEDIUM
	Commercial Banking	M	
	Wealth Mgmt & Private Banking	M	
	Credit Union	L	
AML-regulated Insurance	Long-term Direct	M	LOW
	Insurance Manager	L	
	Insurance Market Place	L	
	Insurance Brokers	L	
Non-AML-regulated Insurance	Maritime Insurance	L	LOW
	Aviation Insurance	L	
	Maritime Re-Insurance	L	
	Aviation Re-Insurance	L	
	Other (P&C and Reinsurance)	L	
Securities	IBA Standard	M	MEDIUM
	IBA Registered (A&B)	L	
	Fund Admins	L	
	Investment Funds	M	
MSB	MSB	L	LOW
Lending	NLP	L	LOW
DAB	Full	H	HIGH
	Modified	H	
	Test	M	
TSP	Licensed Trust Co	M	MEDIUM
	PTC	M	
CSP	Limited	M	MEDIUM
Legal Sector	Legal Sector	M	MEDIUM
Accounting Sector	Accounting Sector	L	LOW
Casino	Casino Gaming Sector	L	LOW
Real Estate Sector	Real Estate Sector	L	LOW
DPMS	DPMS	L	LOW
DiHVGs	DiHVGs	L	LOW

Implementation of an Ongoing Risk-Based Approach for Proliferation Financing

In terms of mitigating measures, Bermuda has a robust legal and regulatory framework. Bermuda has implemented strong AML/ATF/CPF frameworks including operational coordination among central authorities, adoption of United Kingdom autonomous sanctions and UN regimes, risk-based supervision of regulated FIs and DNFBPs as well as monitoring compliance under the suite of legislation to combat money laundering and the financing of terrorism and proliferation. Bermuda's proactive approach to regulatory evolution, enables its frameworks to align with international standards while remaining practical and appropriate for specific characteristics of its domestic market.

Priority Actions Going Forward

Several Strategic Objectives flow from the conduct of Bermuda's first PF NRA. In terms of Public and Private Sector Engagement, the PF NRA aims to raise awareness of high-level threats, emerging vulnerabilities and ongoing challenges to Bermuda's financial system. This supports prioritization and targeted responses. The NRA also aims to enhance coordination and continue to strengthen collaboration between financial oversight bodies, law enforcement and other competent authorities. This in turn strengthens Bermuda's ability to detect and dismantle PF activities. The findings will inform Bermuda's National AML/ATF/CPF Policy, guiding strategic planning and action. In addition, the NRA will be updated periodically to reflect evolving risks and maintain the integrity of Bermuda's financial system.

Annex A: Glossary

AGC	Attorney-General's Chambers
AML	Anti-Money Laundering
AML/ATF Board	Barristers and Accountants AML/ATF Board
ATF	Anti-Terrorist Financing
BCAA	Bermuda Civil Aviation Authority
BSMA	Bermuda Shipping & Maritime Authority
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	Combating the Financing of Terrorism
CPF	Counter-Proliferation Financing
CSP	Corporate Service Provider
DAB	Digital Asset Business
DiHVGs	Dealers in High Valued Goods
DNFBP	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
DPP	Department of Public Prosecutions
EIRC	Economic Investment Residential Certificate
EU	European Union
FATF	Financial Action Task Force
FIA	Financial Intelligence Agency
FIU	Financial Intelligence Unit

[Back to Table of Contents](#)

GDP	Gross Domestic Product
HNWI	High Net Worth Individuals
HVD	Dealers in High Value Goods
IBA	Investment Business Act 2003
IFA	Investment Funds Act 2006
IFC	International Financial Centre
IM	Insurance Managers
IO	Immediate Outcome
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
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

[Back to Table of Contents](#)

POC Regulations	Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008
PTC	Private Trust Company
RFI	Regulated Financial Institution
RoC	Registrar of Companies
RPF	Regulated Professional Firm
SAC	Segregated Account Company
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
SPIs	Special Purpose Insurers
STR	Suspicious Transaction Reporting
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCSP	Trust or Company Service Provider
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
TSP	Trust Service Provider
UAE	United Arab Emirates
UBO	Ultimate Beneficial Owner
United Kingdom	United Kingdom
UN	United Nations
United States	United States
UNSC	United Nations Security Council
UNPOE	United Nations Panel of Experts
UNSCR	United Nations Security Council Resolution
USD	United States Dollar
WB	World Bank
WG	Working Group
WMD	Weapons of Mass Destruction

