FREQUENTLY ASKED QUESTIONS (FAQs)

Assessment of Bermuda's National Money Laundering and Terrorist Financing Risk Report

May 2018

What was the role of the Bermuda Monetary Authority (BMA) in the preparation of Bermuda's 2017 National Risk Assessment (NRA)?

The preparation of the 2017 NRA was led by the National Anti-Money Laundering Committee (NAMLC) with the active involvement of the key supervisory and government authorities involved in the fight against money-laundering (ML) and terrorist financing (TF) and private sector representatives. The BMA played a key role in its capacity as Bermuda's regulator of the financial services sectors and the trust and corporate services providers sectors.

Specifically, BMA conducted data calls requesting information from its regulated institutions, met with industry representatives for input and feedback and conducted the analysis of threat and vulnerabilities for each of the sectors it supervises. This analysis was provided to NAMLC as it prepared the overall national assessment of ML and TF risks.

The BMA also hosted an outreach session at the Hamilton Princess on Tuesday, 15 May 2018, to provide an overview of the findings to the sectors it supervises.

Is this Bermuda's first NRA?

No. However, this is the first time an assessment has been released publicly.

Bermuda performed its first national ML risk assessment in 2013, which was followed in 2016 with an assessment of its TF risk. In 2017, a wide-reaching, comprehensive update to the 2013 ML risk assessment was also conducted. These three assessments provided an important basis for continued strengthening of Bermuda's framework to combat ML and TF.

What are the key findings of this assessment?

Bermuda's overall threat rating for ML was placed at **medium-high** (as compared to **medium** in 2013).

This new threat rating does not reflect a change in the national situation, but rather reflects a better understanding and more effective analysis of the threats that exist, owing to more comprehensive information and statistics and a greater level of local experience and expertise about ML/TF threats.

Foreign crimes, such as fraud, corruption, market manipulation/insider trading, international tax crimes and foreign bribery and corruption were assessed to have a **high** ML threat. The potential scale of ML that can be derived from these offences have a direct impact on Bermuda's financial institutions and other intermediary sectors that provide services to international clients.

Which financial services sectors were assessed to have the highest inherent risks?

Based on the sectoral threats and the inherent ML vulnerability assessment, the financial services sectors with the **highest** ML inherent risk were found to be: banking; securities; Trust Service Providers (TSP); and Corporate Service Providers (CSPs)**.**

The sectors with **medium-high** ML inherent risk were**:** insurance (Long-Term direct); and Money Services Businesses (MSBs).

The Bermuda Stock Exchange (BSX) has a **medium-low** ML inherent risk.

There was no evidence of terrorism or terrorist financing having taken place in Bermuda, so the assessment of sectoral vulnerability was based on potential risk. For most sectors, as expected, the sectoral TF vulnerability was deemed to be either **low** or **medium-low** rating.

Why is this assessment important and what should I do with this information?

Financial institutions and designated non-financial businesses and persons (including non-profits) are expected to (i) understand the nature and level of the money laundering and terrorist financing risks which they face and (ii) apply AML/ATF policies and procedures to mitigate and monitor these risks.

The findings from the NRA provide a useful foundation upon which both the BMA and regulated financial institutions can effectively implement their risk-based AML/ATF frameworks.

The BMA uses a risk-based supervisory framework in undertaking its AML/ATF mandate.

What impact will the BMA's proposed Digital Asset Business regime have on Bermuda's Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Review (MER) held later this year?

On 11 April 2018, the BMA released a 150-page Consultation Paper with a deadline to respond by 2 May 2018. The proposed Digital Asset Business legislation was read into Parliament on 11 May 2018.

The BMA will be implementing a robust risk-based supervisory approach for the financial entities operating a Digital Asset Business in Bermuda. It has been working to ensure that the regulatory framework for this new area of business is aligned with international regulatory standards.

It is expected that the CFATF MER Assessors will be assessing the adequacy of Bermuda's AML/ATF as it pertains to Bermuda's emerging fintech sector.

Where can I find the BMA contact person for my sector?

- For AML/ATF related queries, please email aml@bma.bm
- For banking related queries, please email banking@bma.bm
- For corporate service provider related queries, please email CSP@bma.bm
- For insurance related queries, please email insuranceinfo@bma.bm
- For trust related queries, please email trust@bma.bm
- For investment related queries, please email investmentInfo@bma.bm