



GOVERNMENT OF BERMUDA

**Ministry of Finance**

**National Anti-Money Laundering Committee**

# SUMMARY REPORT:

BERMUDA'S 2020 TERRORIST FINANCING NATIONAL  
RISK ASSESSMENT

March 2021

This summary report of Bermuda’s 2020 Terrorist Financing National Risk Assessment (TF NRA) provides highlights of the analysis and the underlying rationale, while also providing key information on the methodology used for the identification and analysis of TF risk factors. The outcome of this work was a finding that Bermuda’s overall TF risk rating, **as at May 2020 is LOW**, which was an improvement over the **MEDIUM-LOW rating in 2016**.

## Introduction and Background

Bermuda’s 2020 Mutual Evaluation Report (MER), published in January 2020, confirmed that Bermuda has an effective and robust Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) regime for combatting money laundering (ML) and terrorist financing (TF). Among other factors, this positive result is partly attributable to the analytical work undertaken in, and the actions taken to address the resulting recommendations arising from, Bermuda’s first Terrorist Financing National Risk Assessment (TF NRA) conducted in 2016. In that NRA, as noted above, it was determined that Bermuda had a **MEDIUM-LOW** risk for TF. As a result of the recommendations made, Bermuda took decisive action to close all identified gaps and to strengthen other aspects of the ATF regime. Bermuda’s 2020 MER has validated the positive outcomes of these efforts, with a rating of ‘**SUBSTANTIAL** level of effectiveness’ in relation to both Immediate Outcomes 9<sup>1</sup> and 10.<sup>2</sup> This is further reinforced by the rating of ‘**HIGH** level of effectiveness’ awarded for Immediate Outcome 1, in relation to Bermuda’s understanding of risk, its policy development and its domestic coordination and cooperation.

The effectiveness findings are important, as Immediate Outcome 9 involves the evaluation of the effectiveness of a country’s capacity for investigation and prosecution of TF; while Immediate Outcome 10 is concerned with the effectiveness of the implementation of targeted financial sanctions to combat TF and the controls in place in relation to Non-Profit Organisations to prevent their misuse for TF. Although Bermuda has no confirmed cases of TF, in their findings the Assessors took note of TF investigations conducted in Bermuda into suspected cases of TF and also considered Bermuda’s National Counter-Terrorist Financing Strategy and its adoption and implementation across all relevant competent authorities.

Bermuda’s 2020 TF NRA is a comprehensive update of the 2016 TF NRA, using data and information for the assessment period of 2017-2019. Similar to previous NRAs, it was conducted under the auspices of the National Anti- Money Laundering Committee (NAMLC), consistent with its legislative mandate (as prescribed in section 49 of the Proceeds of Crime Act 1997), and the objectives of Bermuda’s National Anti-Money Laundering Policy. The Working Group involved in the assessment consisted of representatives from all NAMLC member agencies;<sup>3</sup> as well as The Barristers & Accountants AML/ATF

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<sup>1</sup> FATF Methodology for Assessing Technical Compliance with The FATF Recommendations and the Effectiveness of AML/CFT Systems, see Immediate Outcome 9 – the capacity to investigate, prosecute and apply effective sanctions in relation to TF

<sup>2</sup> Ibid., see Immediate Outcome 10, – the implementation of TF-related targeted financial sanctions to prevent terrorists, terrorist organisations and terrorist financiers from raising using or moving funds and from abusing the NPO sector.

<sup>3</sup> NAMLC members are statutorily designated in section 49(2) of the Proceeds of Crime Act 1997 – namely the heads of the following agencies: Attorney General’s Chambers, Ministry of Finance, Ministry of Legal Affairs, Bermuda Police Service, Financial Intelligence Agency, Bermuda Monetary Authority, Department of Public Prosecutions, Department of Customs, Office of NAMLC, Registrar General, Registrar of Companies (including as Superintendent of Real Estate), Bermuda Casino Gaming Commission.

Board; Department of Immigration; The Judiciary; Bermuda Civil Aviation Authority; Bermuda Shipping and Maritime Authority; and Ministry of National Security (cybercrime and disaster management).

Although there was a level of external input into the 2016 assessment, this was also broadened in the 2020 work. An international expert, with experience in terrorism and TF matters including risk analysis, provided support and challenge to the working group and input from the private sector was solicited at appropriate phases of the exercise, including as part of the validation of the results. To ensure that persons involved in the work had an appropriate level of knowledge and understanding, training sessions, led by the international expert, were held at the beginning of the exercise. Persons who attended included all working group members; other persons from the public sector and public authorities; as well as representatives from the private sector.

It should also be highlighted that this assessment is the fourth NRA to be conducted by the Bermudian authorities. The 2013 and 2017 NRAs were assessments of the ML risk in Bermuda, and for all NRAs undertaken to date, Bermuda has used the World Bank's well-recognised NRA Model. Although the FATF does not prescribe how such risk assessments should be done, nor whether ML and TF risk assessments should be jointly or separately conducted, Bermuda has taken the approach of using a consistent methodology for each NRA and also conducting separate NRAs for ML and TF<sup>4</sup>. This latter approach ensures that authorities give specialist attention to ML risks and TF risks individually, which is important given the distinct features and drivers of each type of risk. For this assessment, Bermuda continued its use of international typologies to supplement available information and ensured that all AML/ATF regulated sectors and other relevant potential channels and sources of TF were assessed, further expanding the scope of work done in 2016.

The overall rating on TF risk is attributable to the combined effect of the findings in respect of the three components of TF risk, namely **Terrorism Threat, Terrorist Financing Threat and Terrorist Financing Vulnerability**. Further details on the results of the analysis of these three components are provided in the remainder of this summary.

## Results of Analysis

### *i. Terrorism Threat – Rating: LOW*

In preparation for the 2020 NRA, Bermuda's law enforcement, financial intelligence and national security intelligence agencies were tasked with review of the current scope of terrorism potentially affecting Bermuda. During the planning stage of the NRA, it was acknowledged that Bermuda had not experienced any terrorism and that there was no evidence of planning for terrorism during the assessment period. As with the 2016 NRA, a review was undertaken of the global terrorism landscape, including significant terrorist organisations and their operations, to assemble a list of terrorist organisations that could potentially present a threat to Bermuda. Factors considered included the expansion or merger of existing terrorist organisations, as well as the potential impact of international efforts on the efficacy of these organisations. It was determined that the NRA's terrorism threat assessment would examine the selected international terrorist organisations, developed from the listing previously used in the 2016 TF NRA and updated and amended for this assessment.

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<sup>4</sup> Only a few countries have carried out separate assessments of ML and TF risks, as noted in the FATF's Terrorist Financing Risk Assessment Guidance, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html>

The terrorist organisations that were ultimately analysed in the NRA were selected based on an assessment of their potential nexus to Bermuda, as such nexus could pose a threat to the country (listing and summary of each attached as **Appendix 1**). Therefore, the organisations selected were based on the result of background research into the funding sources and spheres of operation of all of the terrorist organisations, considered in the context of the existence of diaspora groups in Bermuda from the countries in which these organisations primarily operate or have influence. Thus, Bermuda's work-related immigration patterns and foreign-based demographic factors were assessed in this regard. Economic and political factors were also taken into account, such as the direction and sources of international business, as well as Bermuda's economic and political ties to major trading partners such as the UK, US and the EU.

It was determined that Bermuda's **overall Terrorism Threat rating was LOW**. This is the same as in 2016, with largely similar reasons for this rating. Bermuda's unique circumstances relating to economic, social, geographical and demographic factors all work together to mitigate the potential terrorism threats to Bermuda from terrorist organizations. All domestic, regional and global terrorism threat factors were assessed, as well as the threat of Bermuda being a transit jurisdiction for logistical support to terrorism.

Arising from the analysis of Terrorism Threats, consideration was also given to the impact that these dynamics could potentially have on Terrorism Financing in Bermuda. The funding sources of the assessed terrorist actors were examined, taking into account Bermuda's local population and the dynamics of foreign resident groups (e.g. guest workers), especially in connection with the 2020 list of Terrorist Organisations. The purpose of this was to determine which terrorist actors presented a greater potential of exploiting Bermuda's financial mechanisms to fund their activities. When all twelve international terrorist organisations on the 2020 list were examined, eight of these organisations, as well as foreign terrorist fighters were rated as having a low potential impact on TF in Bermuda. The remaining four organisations were rated as medium-low.

*Bermuda authorities are not complacent about the terrorism threat finding and are mindful of the fact that this is not an indication that terrorism could never occur in Bermuda, nor that persons in Bermuda could never try to engage in terrorist activity here or abroad. Therefore, authorities will continue to remain vigilant; to take steps to share any terrorism-related intelligence and to work cooperatively to keep the threat of terrorism at bay.*

*Private sector stakeholders should also note that, although the analysis shows that the potential impact of Terrorism Threat on Terrorism Financing in Bermuda is rated at the lower end of the spectrum, they must maintain vigilance around the transactions and activities of persons and entities that interact with higher risk countries, especially those countries in which there are active terrorist organisations that source their funding globally.*

ii. *TF Threats – Rating: LOW*

The assessment of TF threats in 2020 was an update of the assessment done in 2016 and also relied on the updated findings from this NRA in relation to Terrorism Threats. The 2016 NRA assessed that the overall TF threat in Bermuda was **LOW** and the 2020 MER confirmed the

credibility of this finding. A similar approach to that used in 2016 was again applied to this assessment.

As there have been no confirmed cases of TF in Bermuda, nor any international TF cases with a Bermuda nexus, Bermuda proactively used international TF typologies to support this assessment of TF Threats. This same approach was taken in 2016, and the use of this additional analytical tool enabled close examination of all of the components of the national counter-terrorist financing framework. These components were assessed to see how robust or effective they would be, if faced with each of the various TF methods and techniques evident in the typologies. This element of the analysis was not intended to be prescriptive of TF threats to the jurisdiction, but rather was used as an indicator of where TF actors might potentially target, if they were to attempt to engage in TF in this jurisdiction

In addition to the comprehensive analysis of the international typologies, the assessment of Terrorism Financing Threats partially leveraged the result of the Terrorism Threat assessment and also evaluated actual intelligence and investigations. This assessment was conducted along three axes, namely (i) the direction of funds; (ii) the sources of funds; and (iii) the channels of funds, and most of the components were rated as **Low**.

The careful examination of the broad spectrum of international TF typologies has confirmed that the threat of TF is **Low** in the relevant sectors<sup>5</sup> in Bermuda, other than the Banking, Money Service Business (MSB) and Non Profit Organisations (NPO) sectors, where the TF threat was assessed as **Medium-Low**. This finding is also supported by the absence of any confirmed cases of TF in Bermuda and no evidential support for Bermuda being a source of TF. In the case of the Banking, MSB and NPO sectors, the international TF typologies strongly indicated a higher exposure to TF, but when considered in light of the terrorism threat findings, the absence of any confirmed TF cases in Bermuda, as well as a few unique factors in respect of each of these sectors in Bermuda, the TF threat to these sectors is assessed to be lowered. Additionally, there has been no domestic or foreign-sourced intelligence to suggest that terrorist financing has occurred in Bermuda in any sector, whether to support domestic or foreign terrorist activity or as a transit point to move funds from one country to another. It should be noted that the use of hawalas<sup>6</sup> (or other forms of informal money transfers) and cash couriers were also considered, given their wide use in international typologies. Bermudian authorities are not aware of any hawalas operating within the country, and the threat in relation to cash couriers was considered to be at a low level.

*Notwithstanding that there is no evidence that Bermuda has been a source of TF, Bermuda has made recommendations to further strengthen its ATF framework, so that the regime will continue to be robust and able to adapt appropriately to any emerging TF threats.*

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<sup>5</sup> Sectors evaluated were Banking, Money Service Business (MSBs), Investment Funds/Managers, Insurance, Digital Asset Businesses, Trust Service Provers, Corporate Service Providers, Real Estate, Lawyers, Accountants, Dealers in Precious Metals and Stones and Non-Profit Organisations.

<sup>6</sup> Hawalas are a form of traditional banking system originating in the Middle East, Africa and certain parts of Asia. It is based on an extensive honour system and involves the transfer of money from one person to another, without any actual movement of fund

iii. *TF Vulnerability – Rating: LOW*

In 2016, it was determined that Bermuda’s vulnerability to TF was **MEDIUM-LOW** and this was mainly attributable to a number of issues and gaps identified during that NRA. The Government, on the advice of NAMLC and supported by competent authorities, developed and executed an Action Plan to remediate the identified gaps and address other areas where enhancements were deemed appropriate.

The 2020 TF Vulnerability assessment leveraged the work done in the 2016 assessment of vulnerabilities and refreshed it to reflect the remediation actions taken since then, to strengthen and increase the effectiveness of Bermuda’s defensive mechanisms. Consideration was also given to relevant findings in Bermuda’s 2020 MER.

TF Vulnerability was assessed across twenty (20) discrete factors under eight (8) broad areas of controls. These included the robustness of laws, regulatory and supervisory frameworks; intelligence and investigative capacity and capability; and most importantly, the compliance culture in the regulated sectors. Seventeen (17) criteria were rated as **Low** vulnerability, indicating a strong ATF framework in those areas. Three (3) criteria were found to have minor deficiencies, resulting in ratings of **Medium-Low** vulnerability for all three (3) and there were none rated as having a higher level of vulnerability. This is a marked improvement from 2016, when two criteria were rated as **High** vulnerability and one was rated as **Medium** vulnerability. The improved ratings in 2020 are a direct result of the significant and successful efforts to identify and address deficiencies arising from the 2016 TF NRA process. The 2020 MER confirmed the effectiveness of the actions taken in response to the findings of the 2016 TF NRA. As noted previously, the MER characterised the TF framework as “robust” by virtue of the technical compliance ratings for Recommendations 10 - 23 and 26 - 28 and Immediate Outcomes 1, 3, 5 and 10. Relevant deficiencies or issues noted in the MER, have been taken into account in this assessment. They are generally minor in nature.

Accordingly, when the findings of all twenty (20) TF vulnerability criteria were discretely considered and rated, the results were a strong indication of the robustness of Bermuda’s defensive capabilities in relation to the combating of TF. As the majority of elements were determined to be **Low** vulnerability, with very minor remaining deficiencies, it was determined that the rating for Bermuda’s overall Vulnerability to TF was **LOW**. *Consistent with its ongoing commitment to ensuring that its framework has a strong level of effectiveness, Bermuda will take the necessary steps to address deficiencies identified, including continued work to further strengthen compliance in regulated sectors.*

## Conclusion

The TF NRA was comprehensive in its scope. It covered all Financial and DNFBP sectors; evaluated the full range of laws, systems and resources necessary for ATF purposes; considered potential threats and vulnerabilities associated with Bermuda’s aircraft and shipping registries; and involved the participation of all AML/ATF competent authorities and other key public sector stakeholders outside of that group. Stakeholders from the regulated financial and DNFBP sectors were also consulted at critical stages of the analytical work. In the absence of any confirmed cases of TF occurring in Bermuda since the 2016 TF NRA,

as noted above, the use of international TF Typologies was again relied on as an additional element of the NRA, to support a deeper analysis of the framework.

The outcome of the Terrorism and TF threat assessments, as well as the TF vulnerability assessment, have resulted in the determination that **the overall TF Risk in Bermuda, as at May 2020, is LOW**. As previously highlighted, this is an improvement since **2016**, when the **TF Risk assessment was MEDIUM-LOW**, and is a result of the significant improvements in Bermuda's TF combatting capacity and capabilities made as a result of the execution of the 2016 NRA Action Plan. Notwithstanding this outcome, an action plan has been agreed to further improve the understanding and mitigation of risk going forward. These actions, which public sector agencies and supervisory authorities will be responsible for addressing, are primarily a progression of Bermuda's commitment to the continuous enhancement of the AML/ATF regime, rather than proposals to remediate significant deficiencies or gaps. *Cabinet has approved the TF NRA Report and the Action Plan, which reaffirms the Government's commitment to Bermuda's continued compliance with the Financial Action Task Force (FATF) Standards and to maintaining a robust ATF framework, as has already been demonstrated in the strong results presented in Bermuda's 2020 MER.*

## APPENDIX I –GLOBAL TERRORIST ORGANISATIONS ASSESSED

### Background Information

Information available from the intelligence authorities and open sources indicates that there are no known domestic and or regional terrorist groups/organisations or foreign terrorist fighters and or self-radicalized terrorist targeting Bermuda. Since there was no known empirical evidence to suggest that there are any terrorist groups in or targeting Bermuda, the Working Group assessed the level of terrorism threat in Bermuda using 13 of the most prominent global terrorist groups. The groups were selected based on the intelligence from the appropriate authorities and open-source data on the scope and global outreach of these groups, including previous targets and financing support in relation to North America region countries (US & Canada) and countries with strong connections to Bermuda (UK - Bermuda is a British island territory).

The Working Group reviewed the network global outreach of each group, including any possibility for the group to target or operate in Bermuda; techniques used by these groups for raising and moving funds; and the potential for these groups to have an affiliation, support and or sympathizers from Bermuda.

#### **1. Islamic State of Iraq and Syria (ISIS) aka ISIL (Islamic State of Iraq and the Levant) aka Daesh**

ISIS is a Sunni Islamist terrorist group active in Iraq and Syria (in addition to Libya and Parts of Nigeria). Although operating in these countries, its influence is reported to be global.

#### **2. Al Qaeda in the Arabian Peninsula (AQAP)**

#### **3. Al Qaeda Core**

#### **4. Al Qaeda in the Islamic Maghreb (AQIM)**

Al Qaeda (AQ) is a militant Sunni / Salafist organisation inspired and led by (among others) the late Usama Bin Laden (an Arab volunteer fighter from the Soviet-Afghan War). AQ participates in global jihad by affiliating with Islamic extremists in various regions of the world (examples are shown below). AQ provides a network for training and logistical backing in support of terrorist activity and insurgency.

- Al Qaeda Core (Based in Afghanistan and Pakistan – Global)
- Al Qaeda in the Arabian Peninsula AQAP (Based in Yemen)
- Al Qaeda in the Islamic Maghreb AQIM (Based in Algeria / African Sahel)
- Al Qaeda in the Indian Subcontinent AQIS (Based in Pakistan, Afghanistan, India, Bangladesh and Myanmar)

#### **5. Hay'at Tahrir al-Sham (merger of Jabhat Fatah al-Sham - formerly Al Nusra aka Al-Nusra Front - and three other jihadist militant groups)**

Hay'at Tahrir al-Sham (HTS), a Sunni Islamic terror group, was formed in 2017 as a merger of four jihadist groups involved in the Syrian Civil War. Since their formation, additional groups in the region have either joined their ranks or defected from other terrorist affiliations.



## **6. Al Shabaab**

An affiliate of AQ based in Somalia. Al Shabaab is a Sunni militant Islamist group aiming to create an Islamist state in Somalia, expel all foreign forces, overthrow the federal government of Somalia and purge the country of any practices it considers un-Islamic.

## **7. Hamas**

Hamas, which is an abbreviation of Harakat al-Muqawama al-Islamiyya (Islamic Resistance Movement), is a militant Sunni Islamist organization that emerged from the Palestinian branch of the Muslim Brotherhood in late 1987. Hamas operates predominantly in the Gaza and the West Bank and manages a broad, mostly Gaza-based network of "Dawa" or ministry activities that includes charities, schools, clinics, youth camps, fundraising and political activities.

## **8. Hezbollah**

Hezbollah is Lebanon-based Shia Islamic organisation committed to armed resistance to the state of Israel, and aims to seize all Palestinian territories and Jerusalem from Israel. Its military wing supports terrorism in Iraq and the Palestinian territories. It has a global network of support that spans the Americas, Europe, the Middle East and Africa.

## **9. Haqqani Network**

The Haqqani Network (HN) is a Sunni Islamic nationalist insurgent group that operates in regions in both Afghanistan and Pakistan. This group seeks to establish sharia law and control territory in Afghanistan.

## **10. Lashkar y Taiba LT (aka Lashkar-e-Taiba / Lashkar-i-Tayyeba)**

Lashkar-y Taiba (LT) is reported to be one of the most active Sunni Islamic terrorist groups in South Asia mainly operating out of Pakistan. This group reportedly operates several training camps in Pakistani administered Kashmir.

## **11. Mujahideen Indonesia Timur**

Mujahideen Indonesia Timur (MIT) is characterised as Indonesia's most active and dangerous terrorist group based in the mountainous jungle of Poso, in Central Sulawesi.

## **12. Abu Sayyaf Group**

The precise aims of the Abu Sayyaf Group (ASG) are unclear, but its objectives appear to include the establishment of an autonomous Islamic state in the Southern Philippine including the island of Mindanao.

## **13. Turkmenistan Islamic Party aka ETIP, ETIM and HAAT**

The Turkmenistan Islamic Party (TIP) is an Islamic terrorist and separatist organisation founded in 1989 by Uighur militants in western China. It aims to establish an independent caliphate in the Uighur state of Xinjiang Uighur Autonomous Region of North-western China and to name it East Turkestan.

#### **14. Ireland**

The UK's most recent list of Proscribed Terrorist Organisations contains a number of groups who were reported to be linked to Northern Ireland related terrorism.

The various agendas of these groups at high level they can be divided between two groups:

1. Nationalist / Republican – Catholic
2. Ulster / Unionist - Protestant