

Bermuda's Strengthening of its Risk-Based Approach

FATF Recommendation 1 – Assessing Risk and Applying a Risk-Based Approach

- Recommendation 1 of the Financial Action Task Force (FATF) Standards as revised, requires countries to assess risks and take a risk-based approach.
- Recommendation 1 is presented in distinct components:

OBLIGATIONS FOR COUNTRIES [Criteria 1.1 to 1.11]

Money Laundering/Terrorist Financing (ML/TF) risk assessment

- Criteria 1.1 to 1.4 address countries' identification and assessment of ML/TF risks through coordinated actions, as well as the updating of risk assessments and the provision of the results to all relevant competent authorities and self-regulated bodies (SRBs), financial institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs).

Proliferation Financing (PF) risk assessment

- Criterion 1.5 addresses countries' identification and assessment of PF risks through coordinated actions, as well as the updating of risk assessments and the provision of the results to all relevant competent authorities and SRBs, FIs and DNFBPs.

ML/TF risk mitigation

- Criteria 1.6 to 1.10 address countries' application of a risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF, based on risk understanding. Criterion 1.9 now explicitly requires countries to *"allow and encourage"* simplified measures in lower risk scenarios and requires FIs and DNFBPs to take risk-based actions, provided that a lower risk has been identified with due regard to the country's assessment of ML/TF risks. Measures applied are to be proportionate. However, simplified measures should not be permitted whenever there is a suspicion of ML/TF.
- The FATF Standards define *"proportionate"* in the context of the FATF risk-based approach as *"a measure or action that appropriately corresponds to the level of identified risk and effectively mitigates the risks."*

PF risk mitigation

- Criterion 1.11 addresses countries' implementation of proportionate, risk-based measures and the effective application of resources to mitigate PF risk, based on risk understanding.



GOVERNMENT OF BERMUDA
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BERMUDA'S RESPONSE TO THE RISK-BASED APPROACH

OBLIGATIONS AND DECISIONS FOR FIs AND DNFBPs **[Criteria 1.12 to 1.15]**

ML/TF risk assessment

- Criterion 1.12 addresses requirements that FIs and DNFBPs take appropriate steps to identify, assess and understand their ML/TF risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels), considering all relevant risk factors, as well as the documenting and updating of risk assessments and the provision of the results to all relevant competent authorities and SRBs.

ML/TF risk mitigation

- Criteria 1.13 to 1.14 address requirements that FIs and DNFBPs have policies, controls and procedures consistent with national requirements to enable them to manage and mitigate ML/TF risks. FIs and DNFBPs should be required to apply proportionate measures in line with risks, taking enhanced measures where higher risks are identified; and should be allowed and encouraged to take simplified measures to manage and mitigate risks, if lower risks have been identified in line with ML/TF risk assessment.

PF risk assessment and mitigation

- Criterion 1.15 addresses requirements that FIs and DNFBPs identify, assess and understand their PF risks as appropriate to the nature and size of the business, as well as the documenting and updating of risk assessments and the provision of the results to all relevant competent authorities and SRBs. It also addresses requirements for policies, controls and procedures consistent with national requirements to enable them to manage and mitigate PF risks as well as the monitoring of these controls and enhancement where necessary. Where PF risks are lower, measures are to be proportionate to the level of risk, while still ensuring full implementation of the targeted financial sanctions (TFS) obligations as required by Recommendation 7.

Consequential Amendments

- In keeping with the changes made to FATF Recommendation 1, consequential amendments have also been made to FATF methodology criteria of Recommendation 10 (Customer Due Diligence) and Recommendation 15 (New Technologies).

BERMUDA'S RESPONSE

National Risk Assessments (NRAs)

- To effectively assess the jurisdiction's ML/TF risk, Bermuda has undertaken several NRAs since 2013. These assessments follow clearly defined timelines for updates and publication, reflecting Bermuda's commitment to a proactive and forward thinking approach. Bermuda's inaugural PF NRA, which commenced in 2025 serves to synthesize and deepen Bermuda's whole-of-society PF risk understanding and further strengthen Bermuda's AML/ATF/CPF framework.
- In 2013, Bermuda undertook its first NRA, which was focused solely on ML. The process allowed the competent authorities to practice and understand the processes necessary to coordinate and manage a national exercise of that kind and to experience the challenges involved in identifying and assessing the relevant data and information required at the national level to analyse ML Threats and National ML Vulnerabilities.
- The 2017 and 2020 ML NRAs were far more comprehensive, and allowed for data collection and analysis for national ML threats, national vulnerabilities and separate vulnerability assessments for each sector. In 2023, a pioneering thematic assessment was performed of Bermuda's Digital Asset Business (DAB) sector.
- Both the 2016 and 2020 TF NRAs consistently indicated a low threat of terrorism and TF in Bermuda, attributed to its geographic location, small population and lack of extremist activities with no evidence of terrorism or TF within Bermuda.
- Bermuda's most recent assessment of ML and TF risks was conducted by way of a joint ML/TF NRA which took place in 2024. This 2024 ML/TF NRA marks the fourth in an ongoing series of assessments for the jurisdiction. Findings were presented to the public and private sectors on the 26th of February, 2025.

BERMUDA'S RESPONSE TO THE RISK-BASED APPROACH (continued)

NRAs (cont'd)

- With each iteration, Bermuda's expertise in identifying, assessing, and understanding ML/TF risks grows deeper, building upon Bermuda's extensive experience in an effective risk-based approach. In the 2024 assessment, Bermuda's Economic Investment Residential Certificate (EIRC) programme was brought within scope, ensuring that the analysis of emerging risks in that context becomes embedded in Bermuda's ongoing process.
- Bermuda's National AML/ATF/CPF Policy stipulates the continual identification and assessment of ML/TF risks potentially arising from new financial products, business practices, delivery mechanisms and evolving technologies in financial services. These efforts ensure a strong and current understanding of the inherent risks Bermuda faces, which in turn contribute to developing and implementing risk-focused policies to combat ML/TF.
- In light of FATF's revision to Recommendation 1 to include identifying, assessing and understanding Proliferation Financing (PF) risks, a PF NRA is currently underway and is scheduled to be completed by the end of 2025. This inaugural PF NRA is being undertaken to establish Bermuda's risk profile in that regard. It will also provide further insight for Bermuda's proactive efforts to ensure its AML/ATF/CPF regime remains effective and is enhanced appropriately.
- The findings from these NRAs have, throughout the years, supported prioritisation of risks and the development and implementation of national policies and action plans. Insights provided to the private sector also allow for development and implementation of their internal policies having regard to the findings of the NRAs.

Domestic Cooperation and Coordination

- Bermuda's designated coordinating authority is the National Anti-Money Laundering Committee 'NAMLC' (pursuant to section 49 of POCA).
- NAMLC's statutory responsibilities include ensuring that competent authorities collaborate on Bermuda's up-to-date understanding of its ML, TF and PF risks; and for developing and proposing to the Ministers of Justice and Finance, any policies or strategies that are geared toward mitigating the identified risks.
- NAMLC has four established working groups, namely, the Policy and Legislative Working Group, Operational Working Group, Supervisory Forum, and Sanctions Working Group. These working groups allow for consideration of the appropriate policy and operational measures to be pursued, in order to strengthen the AML/ATF/CPF regulatory regime, and facilitate strategic and operational cooperation and coordination amongst NAMLC agencies.
- This allows for improved collaboration amongst key agencies, enhancing formal mechanisms for information sharing, joint training and capacity building initiatives.
- Bermuda's National AML/ATF/CPF Policy which was last updated in November 2024 provides high level direction for achieving national AML/ATF/CPF objectives through clearly defined and documented policies. It was designed to prioritize actions based on risks identified by the NRAs and also to establish specific underlying goals consistent with Bermuda's international obligations.
- The National Policy notes that at policy making and operational levels, there must be effective mechanisms in place to enable cooperation, coordination and exchange of information to combat ML, TF and PF. It also addresses identification risks, trends, and typologies and the development of risk-based policies and supervisory approaches prioritising resources where higher risks are identified.

BERMUDA'S RESPONSE TO THE RISK-BASED APPROACH (continued)

Supervision and Monitoring

- In Bermuda, Supervisors of FIs and DNFBPs play a vital role in combatting ML, TF and PF. They equip the private sector with risk-related insights, enabling these sectors and entities to tailor their controls based on specific context, risk profile and materiality of different sectors and entities. This targeted approach helps strengthen overall risk management frameworks.
- FIs and DNFBPs are encouraged to use relevant information from the NRAs when assessing their risks and implementing internal policies as legislatively mandated.
- Regulated entities are encouraged to independently examine the ML/TF/PF risks specific to their operations, customer base, and products and services. Risk indicators to be considered include, but are not limited to the scale of their business, the countries or geographic areas in which they operate, and the particular products, services, transactions or delivery channels they offer to determine their own overall risk exposure.
- Risk-based AML/ATF/CPF policies and procedures and actions proportionate to risks identified should be developed and implemented by FIs and DNFBPs.
- These measures and actions support the strengthening of Bermuda's risk-based approach.

ML/TF/PF Reporting Indicators List [Red Flags]

- Bermuda's Financial Intelligence Agency (FIA) provides various sectors with trends and typologies to strengthen their risk-based approach to AML/ATF/CPF and support the overall AML/ATF/CPF framework in Bermuda.
- In August 2025, the FIA published its ML/TF/PF Reporting Indicators List to remind all reporting entities and filers of the importance of selecting the most relevant indicators when submitting Suspicious Activity Reports (SARs) and Suspicious Transaction Reports (STRs).
- This list reinforces that choosing accurate indicators ensures that the suspicion is properly reflected and allows the FIA to build a clearer picture of the risks being reported. The indicators highlighted include:
 - i. The reason for suspicion;
 - ii. The suspected predicate offence(s), even if unknown;
 - iii. The financial product or service involved, including any related products;
 - iv. The estimated amounts suspected to be laundered; and
 - v. Any other relevant red flags listed in the FIA's Reporting Indicators List.
- The FIA's guidance provides that accurate and complete selection of indicators not only strengthens the quality of individual reports but also enhances the FIA's ability to conduct meaningful operational and strategic analysis. This, in turn, allows the Agency to identify money laundering and terrorism financing trends, develop typologies, and assess emerging threats more effectively.
- Additionally, well-structured reporting also supports the FIA in producing guidance and training for reporting entities, while helping Bermuda demonstrate compliance with international standards set by the FATF, CFATF, and other competent authorities.

BERMUDA'S RESPONSE TO THE RISK-BASED APPROACH (continued)

Financial Inclusion

- The FATF's emphasis on a risk-based approach is to ensure that there are no unintended consequences by the misapplication of its Standards.
- In 2021, the FATF launched a review of the unintended consequences that can stem from the misapplication of its Standards, one of which was financial exclusion.
- The FATF observed that some institutions have taken the approach of "*de-risking*" whereby they terminate or restrict business relationships with entire countries or classes of customers in order to avoid, rather than manage risks in line with the FATF's risk-based approach. That approach has been shown in some circumstances to have the adverse effect of driving financial transactions into less regulated or non-regulated channels, thereby increasing exposure to ML, TF and PF.
- The FATF's Guidance on Financial Inclusion published in 2025 reflects the FATF's understanding that applying overly cautious, non-proportionate AML/ATF safeguards when providing financial services can exclude legitimate consumers and entities from the regulated financial system or can underserve them by limiting or increasing the cost of their access to and/or use of regulated financial services.
- While the Guidance does not create new obligations or change existing obligations established by the FATF Standards, it instead, clarifies and reinforces the risk-based approach to implementing AML/ATF measures that takes into consideration the risks of financial exclusion and the benefits of bringing people into the regulated financial system.

Updating the Regulatory Framework

- Pursuant to the revisions to the FATF Standards and in line with the findings of the several NRAs conducted, NAMLC, through its several constituted working groups has conducted a further assessment of Bermuda's legislation to ensure that Bermuda's regulatory framework remains aligned with the jurisdiction's international obligations. Some significant revisions are highlighted below:

Beneficial Ownership (BO) Legislation

- Revisions to FATF Recommendation 24 address Transparency and Beneficial Ownership (BO) of legal persons. Pursuant to the revisions, Bermuda is required to facilitate timely access to BO information by competent authorities, making use of the multi-pronged approach and should assess the risks of misuse of domestic and foreign legal persons for ML/TF.
- Revisions to FATF Recommendation 25 address Transparency and beneficial ownership of legal arrangements. There is now a requirement for the provision of adequate, accurate, and up-to-date information on express trusts and other similar legal arrangements, and for efficient and timely access to information by competent authorities and access to BO and control information by FIs and DNFBPs.
- Additionally, there is a requirement for international cooperation on express trusts and other similar legal arrangements between countries.
- Risk-identification is paramount in the revised Recommendations 24 and 25.

BERMUDA'S RESPONSE TO THE RISK-BASED APPROACH (continued)

Updating the Regulatory Framework

Beneficial Ownership (BO) Legislation cont'd

- The Beneficial Ownership Act 2025 was passed in the House of Assembly on September 12, 2025 and approved by the Senate on September 17, 2025. This is in keeping with the 2022 revisions to the FATF Recommendation 24 which imposed more stringent requirements on countries to ensure greater transparency about the beneficial ownership of legal persons.
- In addition to strengthening safeguards to ensure they are in line with the criteria of the FATF Standards regarding how adequate, accurate and up to date beneficial ownership information is held, the Beneficial Ownership Act transferred management of the island's beneficial ownership list of companies from the Bermuda Monetary Authority (BMA) to the Registrar of Companies (ROC), effective November 1, 2025.
- The legislation will come into operation by notice in the Official Gazette. Regulations will be published at the same time the Act comes into operation.

Review of Trusts Legislation

- A review has been conducted in relation to Bermuda's Trustee Act to address gaps pertaining to FATF Recommendation 25. The consultation process will follow.

Public Consultation on Proposed Amendments to suite of Proceeds of Crime Legislation

- The suite of legislation which addresses AML/ATF/CPF matters is currently under revision to ensure alignment with the revised FATF Standards, enhancing enforcement power for supervisory bodies.
- Public Consultation took place in July 2025 on proposed amendments to the suite of Proceeds of Crime Legislation to bring Bermuda's framework in alignment with revisions to the FATF Standards. Matters are now being progressed through the legislative process.

Update of the National AML/ATF/CPF Policy

- A comprehensive review of the National AML/ATF/CPF Policy is currently being undertaken to:
 - i. Reflect Bermuda's current understanding of ML/TF/PF risk considering the findings of the most recently conducted NRAs;
 - ii. Provide policy direction on the approach to implementation of the FATF's revised Standards;
 - iii. Incorporate best practice provided by FATF in Guidance documents issued by them; and
 - iv. Consider legislative updates which have been made to Bermuda's framework to ensure that it continues to be robust.
- The update is anticipated to be completed by the end of 2025.

Q3 HIGHLIGHTS



Financial Action Task Force (FATF) Assessor Training Course [Trinidad & Tobago, July 21 – 25, 2025]

- Detective Superintendent Sherwin Joseph and Detective Inspector Leroy Mathurin, law enforcement experts from the Bermuda Police Service (BPS), attended FATF Assessor Training, conducted in Trinidad and Tobago in July 2025.
- FATF assessor training prepares national experts to evaluate a country's compliance with anti-money laundering, anti-terrorist financing/ counter-proliferation financing (AML/ATF/CPF) standards by teaching them the FATF Recommendations and assessment methodology. This enables them to effectively participate in the robust peer review process of other CFATF jurisdictions, a critical component of the mutual evaluation of AML/ATF/CPF frameworks and their effectiveness.



Designated Non-Financial Business and Profession (DNFBP) Training for Supervisory Authorities – 5th Round Training [Trinidad & Tobago, July 28 – 29, 2025]

- As part of the jurisdiction's continued effort to enhance AML/ATF/CPF supervision of DNFBPs, Assistant Superintendent of Real Estate, Gladwina O'Mara, from the Office of the Superintendent of Real Estate attended Training for Supervisory Authorities which was conducted in line with the revised FATF Methodology. The training was funded by the 11th European Development Fund (EDF) Project – Implementation of the Mutual Evaluation Programme.



Association of Certified Financial Crime Specialists (ACFCS) enrolment

- Sixty-six (66) participants across Bermuda's NAMLC agencies were enrolled in the ACFCS, an elite, global association with members from the world's largest financial institutions and esteemed government, law enforcement, and regulatory agencies. Enrolment is geared towards CFCS certification, a globally recognised certification for professionals who work across the entire financial crime spectrum, including AML, fraud, corruption, cybersecurity, and sanctions. This forms part of the jurisdiction's approach to continued training and development in respect of countering financial crime.

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