

# NAMLC Q1

QUARTERLY APRIL 2024



**GOVERNMENT OF BERMUDA**  
**Ministry of Finance**

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**LAUNCH OF BERMUDA'S  
MONEY LAUNDERING & TERRORIST FINANCING  
NATIONAL RISK ASSESSMENT  
(ML/TF NRA)  
MARCH 26, 2024**

The NAMLC and O/NAMLC, in line with their mandate hosted the launch of Bermuda's 2024 National Risk Assessment (NRA).

The NRA launch included both the Public and Private Sectors.



# WHAT IS NAMLC?

⇒ The National Anti-Money Laundering Committee (NAMLC) is a statutory committee, established under section 49(1) of the Proceeds of Crime Act, 1997.

⇒ NAMLC's Statutory responsibilities are:

- advising the Minister and the Minister of Finance in relation to the detection and prevention of money laundering, terrorist financing and the financing of proliferation, and on the development of a national plan of action to include recommendations on effective mechanisms to enable the competent authorities in Bermuda to coordinate with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and the financing of proliferation;
- advising the Minister and the Minister of Finance as to the participation of Bermuda in the international effort against money laundering, terrorist financing and the financing of proliferation;
- advising the Minister and the Minister of Finance in the development of policies to combat money laundering, terrorist financing and the financing of proliferation; and
- coordinating activities to identify, assess and understand Bermuda's money laundering and terrorist financing risks and taking the necessary steps to ensure that such risk assessments are kept up-to-date

⇒ The Office of NAMLC, (O/NAMLC) is a unit in the Ministry of Finance HQ and is the secretariat for NAMLC. As the Secretariat for NAMLC, O/NAMLC is responsible for planning, coordinating and managing all National Risk Assessments (NRAs).



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# WHY DO A RISK ASSESSMENT?

- ⇒ Bermuda has various international obligations and its Money Laundering (ML) and Terrorist Financing (TF) systems are assessed pursuant to these international standards.
- ⇒ One of such international standards is the Financial Action Task Force (FATF) 40 Recommendations and 11 Immediate Outcomes which set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.
- ⇒ The FATF is an intergovernmental 'taskforce' established in 1989 in Paris by the G7 countries. FATF sets international standards for combatting money laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) and other related threats to the integrity of the international financial system.
- ⇒ The FATF monitors the progress of its members. FATF's decision making body, the FATF Plenary meets three (3) times per year. If a country repeatedly fails to implement FATF Standards then it can be named a Jurisdiction under Increased Monitoring or a High Risk Jurisdiction, often referred to as "the grey and black lists".
- ⇒ According to the FATF,  
*"Understanding the money laundering and terrorist financing risks is an essential part of developing and implementing a national anti-money laundering / countering the financing of terrorism (AML/CFT) regime. A risk assessment allows countries to identify, assess and understand its money laundering and terrorist financing risks. Once these risks are properly understood, countries can apply AML/CFT measures that correspond to the level of risk, in other words: the risk-based approach (RBA). The risk-based approach, which is central to the FATF Recommendations, enables countries to prioritise their resources and allocate them efficiently."*
- ⇒ FATF's global reach is complemented by FATF-Style Regional Bodies (FSRBs), such as the Caribbean Financial Action Task Force (CFATF), of which Bermuda is a member. The CFATF has associate member status within the FATF. CFATF members endorse and implement the FATF 40 Recommendations.
- ⇒ CFTAF Plenary usually meets two (2) times per year. Decisions made at the CFATF Plenary include the adoption of Mutual Evaluation Reports of jurisdictions on a scheduled basis, pursuant to their 'peer-review' mutual evaluation process.



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# KEY TOPICS & TAKEAWAYS

## National Risk Assessment Workshop

⇒ The launch of the National Money Laundering/ Terrorist Financing Risk Assessment (ML/TF NRA) was held on March 26, 2024 at the St. Paul's AME Church Hall, located at Victoria Street, Hamilton, Bermuda. The launch took place from 9:00 a.m. to 4:30 p.m. It was facilitated by Paula Tyndale and Marilyne Landry, two International Consultants with significant expertise in the AML/CTF framework and both of whom have previously been engaged in the jurisdiction's previous NRAs.

⇒ The ML/TF NRA had participants from both public and private sectors. Representatives attended from a wide cross-section of Government Departments, Quangos as well as the various industry sectors, including but not limited to attendees from the Banking and Insurance Industries, Attorneys, Accountants, Real Estate Agents as well as the Supervisory Authorities.

⇒ At the launch of the ML/TF NRA, stakeholders were reminded of the following:

- FATF Recommendation 1 addresses assessing risks and applying a risk-based approach. The Recommendation stipulates:

*“Countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively. Based on that assessment, countries should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This approach should be an essential foundation to efficient allocation of resources across the anti-money laundering and countering the financing of terrorism (AML/CFT) regime and the implementation of risk-based measures throughout the FATF Recommendations...*

*Countries should also identify, assess, and understand the proliferation financing risks for the country.”*

- Where countries identify higher risks, they should ensure that their AML/CFT regime adequately addresses such risks. Where countries identify lower risks, they may decide to allow simplified measures for some of the FATF Recommendations under certain conditions.



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# KEY TOPICS & TAKEAWAYS cont'd

## Previous NRAs

- ⇒ In order to properly understand the jurisdiction's AML/ATF risks, Bermuda has undertaken a number of ML/TF National Risk Assessments (NRAs) 2013, 2016, 2017 and 2020-2021.
- ⇒ In 2013, Bermuda was one of the first countries in the world to undertake a NRA, using the World Bank's NRA model. The 2013 NRA was focused solely on ML. Among other things, 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.
- ⇒ In 2016, Bermuda conducted its first TF Risk Assessment, using the TF Risk Module in the World Bank's NRA tool. It confirmed that the threat of terrorism within Bermuda (local and from international terrorist organisations) was low and that TF threats was medium low.
- ⇒ The 2017 ML NRA assessed the period 2013 - 2016 and was very comprehensive. A number of working groups were formed which managed data collection and analysis for each element of the NRA—national ML threats, national vulnerabilities and separate vulnerability assessments for each sector.
- ⇒ After the 2017 ML NRA, a National Policy on Anti-Money Laundering and Anti Terrorist Financing was approved by Cabinet, requiring NRAs to be updated on a 3 year cycle.
- ⇒ In 2020, a TF NRA was conducted which confirmed there is no evidence of terrorism or terrorist financing threat to Bermuda. The 2020-2021 ML NRA assessed the period 2017—2019. An inherent risk report was published in early 2023. This report consolidates findings of the 2020 TF and 2020—2021 ML Risk Assessments.



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## Lessons Learned from previous NRAs

⇒ A number of lessons were learned from the previous NRA processes.

⇒ The main lessons can be summarized as follows:

- (i) Coordination, commitment and ownership are crucial to the process;
- (ii) Bureaucratic barriers in the exchange of information slow down the NRA process and reduce the overall quality of the NRA;
- (iii) It is important to establish procedures for the systematic collection of data in future (to reduce challenges with respect to lack of data).

## 2024 ML/TF NRA

⇒ The March 2024 launch of the NRA commences a process with specific timelines, leading up to the collation of the final, validated NRA, ratified by NAMLC and approved by Cabinet.

⇒ A report for publication is scheduled to be completed in the first quarter of 2025. By the second quarter of 2025, there should be socialisation of the results with the private sector and the public sector.



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# KEY TOPICS & TAKEAWAYS cont'd

## Risk Assessment Tool

⇒ In order to properly assess risk, Bermuda has utilised the World Bank Risk Assessment Tool. This Risk Assessment Tool, originally established shortly after the introduction of the FATF Standards and Methodology, comprised seven (7) modules concerned with the assessment of ML risk at national and sectoral levels, and one (1) module which concerned assessing TF risk. A ninth (9th) module has since been added.

⇒ The Tool is a diagnostic and decision-making tool which can be customized to a country's economic context. It balances the use of quantitative information such as data and statistics as well as qualitative information including but not limited to experience, anecdotal evidence, public or academic information. It also allows scenario analysis, to see the effects of various policy options.

⇒ The Risk Assessment Tool assesses threats, inherent vulnerabilities, mitigating measures and allows the assessment of the overall ML/TF risks to the various sectors as well as to the overall national landscape. These will also inform the relevant Competent Authorities in relation to the design of effective policies and how to prioritise action.

⇒ The tool currently comprises 3 parts.

⇒ Part 1 deals with Money Laundering Risk Assessment and comprises seven (7) modules:

- Module 1—Threat Assessment
- Module 2—National Vulnerability
- Module 3—Banking Sector Vulnerability
- Module 4—Securities Sector Vulnerability
- Module 5—Insurance Sector Vulnerability
- Module 6—Other Financial Institutions Vulnerability
- Module 7—Designated Non-Financial Businesses and Professions (DNFBP) Sectors Vulnerability

⇒ Part 2 of the Tool addresses the Terrorist Financing Risk Assessment. It comprises Module 8, namely National Terrorism Financing Threat and Vulnerability.

⇒ Part 3 of the Tool comprises Module 9 which deals with the Financial Inclusion Product Risk Assessment.

⇒ Stand alone, specifically tailored Risk Assessment Tools are used to assess The TF risk in the Non-Profit Organisation (NPO) sector as well as the ML/TF risks in the Digital Asset Business (DAB) sector.



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# KEY TOPICS & TAKEAWAYS cont'd

## Bermuda's FATF Mutual Evaluation

- ⇒ The CFATF Mutual Evaluation process assesses the level of compliance with FATF's 40 Recommendations and the level of effectiveness of Bermuda's AML/ATF/CPF regime, in line with 11 Immediate Outcomes and provides recommendations on how the regime could be strengthened.
- ⇒ CFATF has in place a Methodology for assessing jurisdiction's regulatory framework and effectiveness of its Anti-Money Laundering, Anti-Terrorist Financing and Counter-Proliferation Financing (AML/ATF/CPF) regime.
- ⇒ Bermuda was last assessed by CFATF in the Fourth Round of Mutual Evaluation. CFATF evaluated the measures in place in Bermuda as at the date of its onsite visit from the 24<sup>th</sup> of September to the 5<sup>th</sup> of October 2018, and the CFATF Report, produced by a "peer -review system" was published in 2020.
- ⇒ A Follow Up Report was produced in 2022 addressing Bermuda's response and follow up action to noted deficiencies in the earlier report.
- ⇒ In the Fourth Round of Mutual Evaluation, in relation to the assessment of the jurisdiction's legislative framework, Bermuda was rated as compliant in 28 of the 40 areas of the assessment and largely compliant in 11 of the remaining 12.
- ⇒ With respect to the assessment of the jurisdiction's effectiveness, Bermuda was one of only two countries that had achieved a High rating of effectiveness with regard to understanding and assessing risk and our domestic coordination mechanisms.



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## Fifth Round Mutual Evaluation Process

- ⇒ FATF's Fifth Round of Mutual Evaluation commences in 2026 and Bermuda will be one of the first jurisdictions to be assessed in that round. The NRA process forms part of our strategy in preparing for the upcoming mutual evaluation process.
- ⇒ The preliminary timelines for Bermuda's upcoming assessment are:
  - Technical compliance review - September/ October 2026
  - 5th Round on-site assessment - March/ April 2027
- ⇒ There have been a number of updates and revisions for the upcoming fifth round. The changes include, but are not limited to the following:
  - Whilst all countries will be assessed against all eleven (11) Immediate Outcomes, countries will no longer automatically be assessed on all 40 Recommendations;
  - The Assessment Team will determine the Recommendations on which Bermuda will be assessed for the Technical Compliance Review. These Recommendations Under Review (RURs) are those to which the country has made material legal, regulatory or operational framework changes since the previous Mutual Evaluation Report (MER) and Follow Up Report (FUR), the FATF has made changes for which the country has not previously been assessed or the country has a current rating from the previous MER/FUR of non-compliant or partially compliant.
  - Assessors can however still revisit the previous assessments and rating for Recommendations not under Review, if they have reasonable basis to conclude that changes made by the country raise doubt about the rating;
  - Revisions have been made to a number of Recommendations (Recs.), their Interpretive Notes (INRs) and the Glossary, including Recs. 1, 2, 4, 8, 15, 22, 23, 24, 25, 30, 31 & 38. These include the following:
    - Revision of Rec. 1 and INR. 1 requires countries, financial institutions and DNFBPs to identify and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks. FATF also requires jurisdictions to cooperate and coordinate in relation to these risks as well which will impact Rec. 2;



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## Fifth Round Mutual Evaluation Process (continued)

- Revision of Rec. 15 and addition of new definitions “virtual asset” and “virtual asset service provider” seeks to clarify how AML/CFT requirements apply in the context of virtual assets. Insertion of a new interpretive note sets out the application of the FATF Standards to virtual asset activities and service providers.
- Revisions to Rec. 24 include glossary revisions aim at strengthening the standards on beneficial ownership of legal persons;
- Revisions to Rec. 25 which include revisions to the Glossary definitions of “beneficial owner”, “beneficiary” and “legal arrangements”, in order to strengthen the standards on beneficial ownership of legal arrangements;
- There have been Revisions of FATF’s asset recovery Standards and Glossary definitions related to asset recovery (R.4, 30, 31 and 38 and 40 & Glossary);
- Clarificatory amendments to strengthen the implementation of focused, targeted and risk-based measures on non-profit organisations (Rec .8);
- The FATF has also made a number of changes to the Methodology for assessing Effectiveness and the Procedures that will apply in the Fifth Round of Mutual Evaluation FATF has done a full revision of the Methodology for assessing Effectiveness to be applied in the Fifth Round;
- Revisions have been made to a number of Immediate Outcomes and revisions are pending in relation to others. There has been the introduction of a number of criteria in relation to Asset Recovery Measures (domestic and cross-border) as well as coordination measures (IO2 and IO8).



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# NEXT STEPS

## Bermuda's Preparation for the 5th Round

- ⇒ Bermuda is working assiduously to ensure that we are ready for the 5th Round Mutual Evaluation Process.
- ⇒ The Public and Private Sector will continue to have constant engagement to ensure coordination and collaboration throughout the process.
- ⇒ A timetable has been fixed for the various actions preparatory to as well as the completion of the ML/TF NRA. The NRA process will enable us to identify any gaps in our regulatory framework, enabling us to enhance strategies and policies and allocate resources effectively.
- ⇒ Working Groups have been formed which have different responsibilities to ensure the different parts of the assessment are completed. This is headed by Public Sector agencies in consultation with the Private Sector.
- ⇒ In light of FATF's revision to Recommendation 1 to include identifying, assessing and understanding Proliferation Financing (PF) risks, a PF NRA will also be conducted and is anticipated to commence in the first quarter of 2025.
- ⇒ These actions will feed into our Mutual Evaluation process carried out by the CFATF.
- ⇒ The NRA process however is only part of our preparation.
- ⇒ A Technical Gap analysis is currently under way to ensure that there are no gaps in our legislation or AML/ATF/CPF regulatory framework, ahead of our Technical Compliance Review scheduled for September 2026.
- ⇒ Revisions to Bermuda's National AML/ATF/CPF Policy and Action Plan are also currently under way, to ensure that it remains in line with best practice and able to respond to the ever dynamic regulatory environment.
- ⇒ An even more robust and comprehensive approach is being taken to ensuring effectiveness of our AML/ATF/CPF systems.



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**WE LOOK FORWARD TO  
CONTINUED COLLABORATION  
AMONG ALL STAKEHOLDERS!!!**

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