



# Bermuda's Financial Sanctions Framework

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# Agenda

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# Today's Objectives

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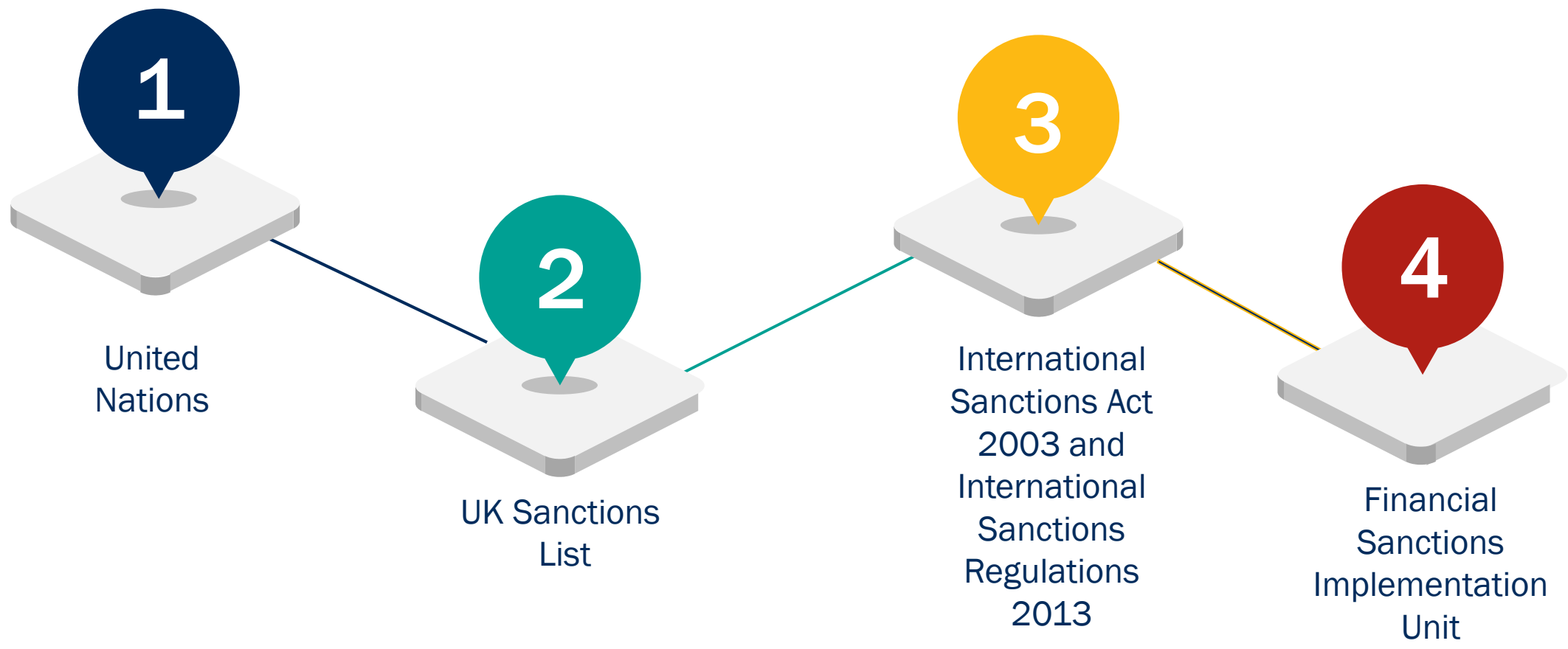
- Outline Bermuda's Sanctions Framework
- Provide an overview of sanctions
- Emphasise RFI's key obligations and reporting requirements
- Highlight trends of non-compliance
- Provide examples using case studies

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# Bermuda's Sanctions Framework

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Bermuda's sanctions framework is driven by the following:



FSIU Bermuda Sanctions Subscription Alert Service: <https://public.govdelivery.com/accounts/BERMFSIU/signup/46844>

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# Sanctions Overview

# Purpose of Financial Sanctions

1  
Coerce  
behavioural  
change

3  
Signal Disapproval

2  
Constrain  
operations

4  
Protect  
misappropriated  
assets

# Financial Sanctions Measures

Targeted Asset Freezes	Restrictions on Financial Markets and Services
Apply to individuals, entities or organisations	Investment bans
Restrict access to funds or economic resources	Limited access to capital markets
Recorded on official lists (i.e., for UN and UK, with respect to Bermuda)	Directive to cease banking relationship
Prohibit dealing with frozen funds or resources	Requirement to obtain authorisation for certain activities
Prohibit making funds available to designated persons	Prohibition on other financial services such as insurance
Prohibit engaging in actions that circumvent prohibitions	Order to cease all business dealings with designated targets

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# RFI's Responsibilities and Reporting Obligations

# Financial Sanctions: Reporting Obligations

When an RFI knows or suspects that a person or entity is designated or has committed a sanctions offence it must:

- Notify the FSIU as soon as practicable, and the BMA
- Immediately freeze any assets linked to the designated person or entity (without delay)
- Not make any funds available to the designated person or entity unless a licence has been granted by the FSIU or there is a legal exemption
- Extend the financial sanctions to any entities for which the designated person demonstrates ownership of or control over (whether directly or indirectly)

# Financial Sanctions: Reporting Obligations

When reporting to the FSIU, it is important to include:

- Basis of knowledge or suspicion
- Information identifying the designated person
- The nature and amount of any assets or economic resources held on behalf of the designated person

Compliance Reporting Form (CRF):

- Available on the FSIU Webpage  
[https://www.gov.bm/sites/default/files/FSIU\\_Compliance\\_Reporting\\_Form\\_June\\_2022.pdf](https://www.gov.bm/sites/default/files/FSIU_Compliance_Reporting_Form_June_2022.pdf)
- Must be submitted to [fsiu@gov.bm](mailto:fsiu@gov.bm)
- Must include the Group ID reference number

# Financial Sanctions: Compliance Obligations

With respect to sanctions compliance, RFIs must:

- Maintain adequate sanctions-specific policies and procedures
- Conduct and maintain an up-to-date sanctions risk assessment
- Ensure all staff are appropriately trained
- Screen all named parties
- Keep detailed records of all potential matches (whether true or false)

# Financial Sanctions: Exceptions and Licensing

With respect to exceptions and licensing:

- Exemptions apply automatically and do not require a licence
- Licences are subject to Ministerial approval
- Licences may be granted on valid grounds, but subject to conditions
- Licences cannot be issued retrospectively
- Licence applications must be submitted to the FSIU

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# Sanctions Trends of Non-Compliance in On-site Examinations

# Trends of Sanctions Non-compliance in On-site Examinations

1  
Lack of awareness of FSIU requirements (e.g., reporting, licensing)

2  
Inadequate policies and procedures (e.g., reporting process, lists to be screened)

3  
Insufficient sanctions screening for all named parties

4  
Untimely sanctions screening for all named parties

5  
Sanctions Risk Assessment not performed or inadequate

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# Case Studies

# Case Study One

## Company Overview

Company A is a licensed Corporate Service Provider that provides services to insurers, trusts and intermediaries.

## Scenario

Company A had inadequate policies and procedures (e.g. list of in-force sanctions, sanctions screening and reporting) and a lack of staff training on the subject matter.

## Compliance Challenge

- Staff were unaware of how to escalate or report to the FSIU
- Absence of documented procedures

## Learning Points

- Robust policies and procedures are essential
- Companies must nurture a healthy compliance environment through training
- Failure to act in a timely manner can result in regulatory action and reputational risks

# Case Study Two

## Company Overview

Company B is a licensed trust service provider, providing services to trusts, partnerships and corporations.

## Scenario

Company B demonstrated sanctions irregularities. Sanctions screening was not performed consistently. Company B was issued a civil penalty and required to undertake remediate actions.

## Compliance Challenge

- Significant gaps in the sanctions compliance programme
- Insufficient internal control policies
- Company B did not provide full details for the change in controller request
- Incomplete ownership change documentation

## Learning Point

- Company B must implement the appropriate controls to comply with its policies and procedures
- Company B must perform regular sanctions screening
- Company B must be transparent when submitting information



# Case Study Three

## Company Overview

Company C is a licensed long-term insurer with a legal structure that enables the creation of separate accounts within a single corporate framework.

## Scenario

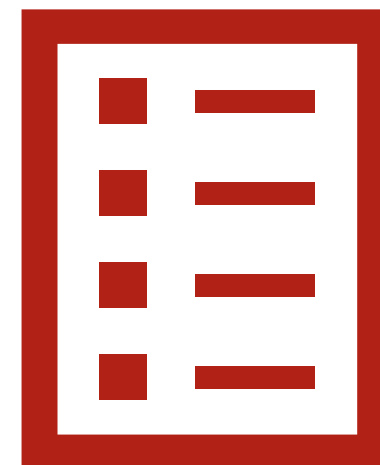
Company C was examined, given its unique structure, which makes it susceptible to ML and TF, despite its size and low-risk product offerings. Company C was issued a civil penalty and required to undertake remediation actions.

## Compliance Challenge

- Inadequate AML/ATF and sanctions programme in place
- Policies and procedures did not cover sanctions
- Inconsistent screening for PEPs, negative news and sanctions
- Cells are inadequately risk-rated and not monitored in accordance with predetermined frequency

## Learning Point

- All RFIs must recognise that they fall within the scope of sanctions requirements – irrespective of size or risk level
- The Authority dedicates time to review ‘less-risky’ companies despite utilising a risk-based approach
- Economic substance legislation requires entities in Bermuda to demonstrate genuine economic activity
- Unique structures can be vulnerable to misuse



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# Key Takeaways and Q&A

# Key Takeaways

- Bermuda implements UK and UN sanctions – compliance is mandatory
- Necessary to maintain robust internal policies, procedures and controls to manage sanctions risks
- Strongly advised to subscribe to FSIU Sanctions Alert System
- Act immediately if a sanctions match is identified – freeze assets and report to the FSIU
- Ensure continuous screening, regular sanctions risk assessments and ongoing staff training
- Weak controls can result in enforcement penalties and reputational damage



# Q&As

