

Public Summary

FIU TOOLS AND PRACTICES FOR INVESTIGATING
LAUNDERING OF THE PROCEEDS OF CORRUPTION

Information Exchange Working Group

IEWG

July 2019

The Egmont Group is a global body of 164 Financial Intelligence Units (FIUs). The Egmont Group provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing (ML/TF).

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OVERVIEW

This document provides a summary of the Egmont Information Exchange Working Group (IEWG) Report on FIU Tools and Practices for Investigating Laundering of the Proceeds of Corruption (hereafter, the “Report”). The Report is intended for Financial Intelligence Units (FIUs) that are members of the Egmont Group of Financial Intelligence Units, and their respective law enforcement counterparts with competences in the fight against corruption. The purpose of this Report is to examine tools, methods, techniques, and indicators associated with laundering the proceeds of corruption, used by FIUs in order to collect, analyze and disseminate financial intelligence on cases related to corruption. It is hoped that this Report will enable FIUs to learn from shared experience, strengthen their ability to identify and analyze cases related to laundering the proceeds of corruption, and continue adding value to multi-stakeholder anti-corruption efforts.

The Report should also support private sector reporting entities in their efforts to identify and subsequently report cases of money laundering of the proceeds of corruption. This is one of the main goals of the set of indicators, which is an integral part of the Report. It should be noted that detection of money laundering of the proceeds of corruption is rather specific and differs from case to case and therefore cannot be achieved by simply applying one or two indicators from the list.

The project to examine laundering of the proceeds of corruption was officially endorsed by the Information Exchange Working Group during the Egmont Group 25th Plenary Meeting in Sydney, Australia in September 2018.

The team for the project was comprised of FIU Israel (IMPA), FIU Russian Federation (Rosfinmonitoring), FIU-The Netherlands, and FIU Ukraine (SFMS), and was also actively supported by other IEWG member FIUs.

The reason for conducting this research is to recognize that corruption is a pervasive crime that affects all countries and economies. In addition to hindering economic growth, corruption erodes trust in governments, diverts government resources away from important initiatives, and affects the delivery of vital services, such as health care, national infrastructure, and education. Corruption, like so many crimes, is motivated by profit and greed. As a result, financial intelligence plays a vital role in detecting and prosecuting corrupt activities.

In many instances, FIUs are well equipped in order to detect, analyse and disseminate financial intelligence related to money laundering of the proceeds of corruption. The purpose of the Report is to identify the most efficient tools and practices that support these FIU activities. It is also intended to provide valuable insight about the main challenges that were identified by FIUs during their work on corruption-related cases.

The Report aims at focusing on the specific role of FIUs in tackling money laundering of the proceeds of corruption, and in providing insight on how this role can be further strengthened by giving specific examples of best practices, areas for improvement and the main challenges that were faced by FIUs within this process.

It also assesses some of the techniques that have proved successful in financial intelligence elaboration with regard to cases on laundering of the proceeds from corruption and achieving final convictions and/or confiscation. The analysis considers risk identification and assessment, as well as strategic analysis development, as key starting points in the detection of potential corruption-related transactions.

The Report highlights a number of effective tools, practices, and powers used by FIUs to analyse cases related to the laundering of proceeds of corruption in an FIU Toolkit. As this toolkit is dedicated to FIUs, it will not be included in this Public Summary.

METHODOLOGY AND DEFINITIONS

There is no unified definition of corruption. Corruption could generally be considered as abuse of public resources or public power for personal gain. There are many different levels of corruption depending on the scale of the corruption and the perpetrator of the criminal activity.

For the purposes of the Report, the IEWG agreed that the main focus would be on corruption within the public sector and not on cases related to private sector corruption.

Public sector corruption can be considered as abuse of power by government officials for illegitimate private gain. In this regard, Transparency International¹ generally defines corruption as the abuse of entrusted power for private gain. This organisation classifies corruption as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.

Transparency International identifies the following types of corruption:

- **Political Corruption** – manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth;
- **Grand Corruption** – acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good; and
- **Petty Corruption** – everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies.

¹ <https://www.transparency.org/what-is-corruption>

The UNODC defines Grand Corruption² as corruption occurring at the highest levels of government in a way that requires significant subversion of political, legal and economic systems. Such corruption is commonly found in countries with authoritarian or dictatorial governments and in those without adequate policing of corruption.

According to the same source, Grand Corruption occurs when a public official or other person deprives a particular social group or substantial part of the population of a state of a fundamental right; or causes the state or any of its people a loss greater than 100 times the annual minimum subsistence income of its people as a result of bribery, embezzlement or other corruption offences.

Therefore, the term Grand Corruption is predominantly used in cases related to **bribery, embezzlement or abuse of power**.

The United Nations Convention against Corruption³ (UNCAC) is the only legally binding universal anti-corruption instrument. The Convention covers five main areas: preventive measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange.

UNCAC provides legal definitions for other very important terms, including **“Public Official”, “Foreign Public Official”, and “Official of a Public International Organization”**.

- (article 2a) - **“Public Official”** shall mean: (i) any person holding a legislative, executive, administrative or judicial office of a State Party, whether appointed or elected, whether permanent or temporary, whether paid or unpaid, irrespective of that person’s seniority; (ii) any other person who performs a public function, including for a public agency or public enterprise, or provides a public service, as defined in the domestic law of the State Party and as applied in the pertinent area of law of that State Party; (iii) any other person defined as a “public official” in the domestic law of a State Party. However, for the purpose of some specific measures contained in chapter II of this Convention, “public official” may mean any person who performs a public function or provides a public service as defined in the domestic law of the State Party and as applied in the pertinent area of law of that State Party.
- (article 2b) - **“Foreign Public Official”** shall mean: any person holding a legislative, executive, administrative or judicial office of a foreign country, whether appointed or elected; and any person exercising a public function for a foreign country, including for a public agency or public enterprise.
- (article 2c) – **“Official of a Public International Organization”** shall mean: an international civil servant or any person who is authorized by such an organization to act on behalf of that organization.

² Grand Corruption definition with explanation, 19 August 2016 – see: https://www.unodc.org/documents/NGO/Grand_Corruption_definition_with_explanation_19_August_2016_002_1.pdf

³ See: <https://www.unodc.org/unodc/en/corruption/uncac.html>

Furthermore, for the purposes of this report, Public Official shall also cover the public official's family members and close associates, as defined by FATF Guidance "Politically exposed persons (Recommendations 12 and 22)"⁴ in Chapter II p. 11:

- Family members are individuals who are related to a [PEP] either directly (consanguinity) or through marriage or similar (civil) forms of partnership.
- Close associates are individuals who are closely connected to a [PEP], either socially or professionally.

Additionally, for the purpose of this report, Accounts shall cover accounts held with any reporting entities, including all types of Financial Institutions and Virtual Asset Service Providers.

UNCAC stipulates (in article 14b) that the convention parties shall provide their administrative, regulatory, law enforcement and other authorities dedicated to combating money-laundering with abilities to cooperate and exchange information at the national and international levels within the conditions prescribed by its domestic law and, to that end, shall consider the establishment of a financial intelligence unit to serve as a national center for the collection, analysis and dissemination of information regarding potential money-laundering.

Moreover, article 58 of the same Convention provides further clarity, stating that States Parties shall cooperate with one another for the purpose of preventing and combating the transfer of proceeds of offences established in accordance with the Convention and of promoting ways and means of recovering such proceeds and, to that end, shall consider establishing a financial intelligence unit to be responsible for receiving, analyzing and disseminating to the competent authorities reports of suspicious financial transactions.

Based on the aforementioned, the Convention is considered by this Report as a major tool in the fight against corruption, and a solid base for FIUs to obtain, analyze and exchange information related to laundering of the proceeds of corruption.

The FATF Recommendations require implementation of various measures regarding Politically Exposed Persons (PEPs). The General Glossary provides definitions of foreign and domestic PEPs, as well as persons who are or have been entrusted with a prominent function by an international organization. These FATF definitions explicitly exclude middle ranking or more junior individuals in the foregoing categories. For the purposes of the Report, the project team decided to use the respective definitions provided by UNCAC as they better correspond to the initial objectives of the project.

In order to collect the necessary information, the project team conducted two case collection phases using a purpose-tailored template. During these two phases, the project team collected 59 sanitized cases in total, from 41 FIUs⁵, as well as additional information on tools, best practices, challenges,

⁴ <http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-PEP-Rec12-22.pdf>

⁵ Australia, Bangladesh, Belgium, Brunei Darussalam, Bulgaria, Cameroon, Canada, Ecuador, Fiji, France, Germany, Guatemala, Hong Kong, Indonesia, Isle of Man, Israel, Kosovo, Kuwait, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Malawi, Malaysia, Mexico, Monaco, New Zealand, Peru, Romania,

etc. Both the above-mentioned phases of information collection provided the project team with a solid basis to analyze and examine the investigation of money laundering of the proceeds of corruption from the FIUs' perspective and provide certain conclusions.

The set of indicators included at the end of the Report was supported by feedback received from a number of Egmont Group FIUs, as well as the Wolfsberg Group.

KEY FINDINGS OF THE SURVEY

The process of laundering the proceeds of corruption, and the crime of corruption itself, pose a significant threat to the national security of all countries and jurisdictions. It has a significant corrosive effect on the public administration and civil society's trust that government authorities can provide fair, transparent, and effective services to their citizens.

The crime of corruption and laundering the proceeds of corruption are most destructive when law enforcement agencies (LEAs), FIUs, Anti-Corruption Agencies (ACAs), Prosecutor's Offices and other competent authorities cannot demonstrate effectiveness in their countermeasures, especially with regard to asset recovery. Preventing corrupted officials from using the ill-gotten assets is considered a main priority in the fight against corruption. Hence, the FIU power to postpone suspicious transactions is considered an effective tool in disrupting money-laundering schemes of the proceeds of corruption.

One of the most important requirements for effective collection and disclosure of financial intelligence related to money laundering derived from corruption is **FIU operational independence and autonomy**.

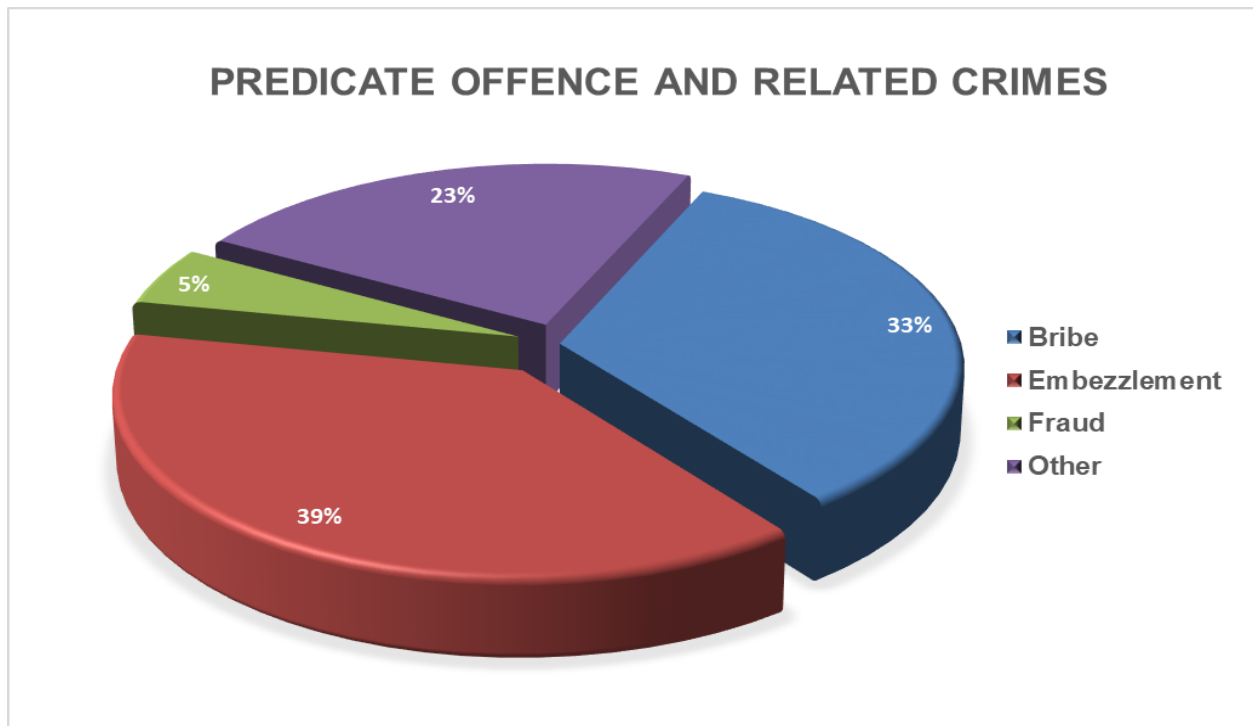
At the FIU level, to identify corruption elements, the analysts predominantly rely on lists of PEPs, their family members or close associates. However, it appears that public procurement sector is mostly known as vulnerable to bribery, abuse of power or embezzlement of public funds, and therefore transactions executed on accounts of state-owned companies or those related to them are subject to stricter monitoring.

The cases gathered in the survey⁶ describe laundering of the proceeds of corruption, with political and non-political involvement, within the private and public sectors. This analysis focuses on the cases related to the public sector, most of which were described as very large and highly influential for the respective countries.

Two main typologies of corruption emerged from the collection of cases: **corruption related to procurement fraud** and **corruption related to unexplained wealth or income**.

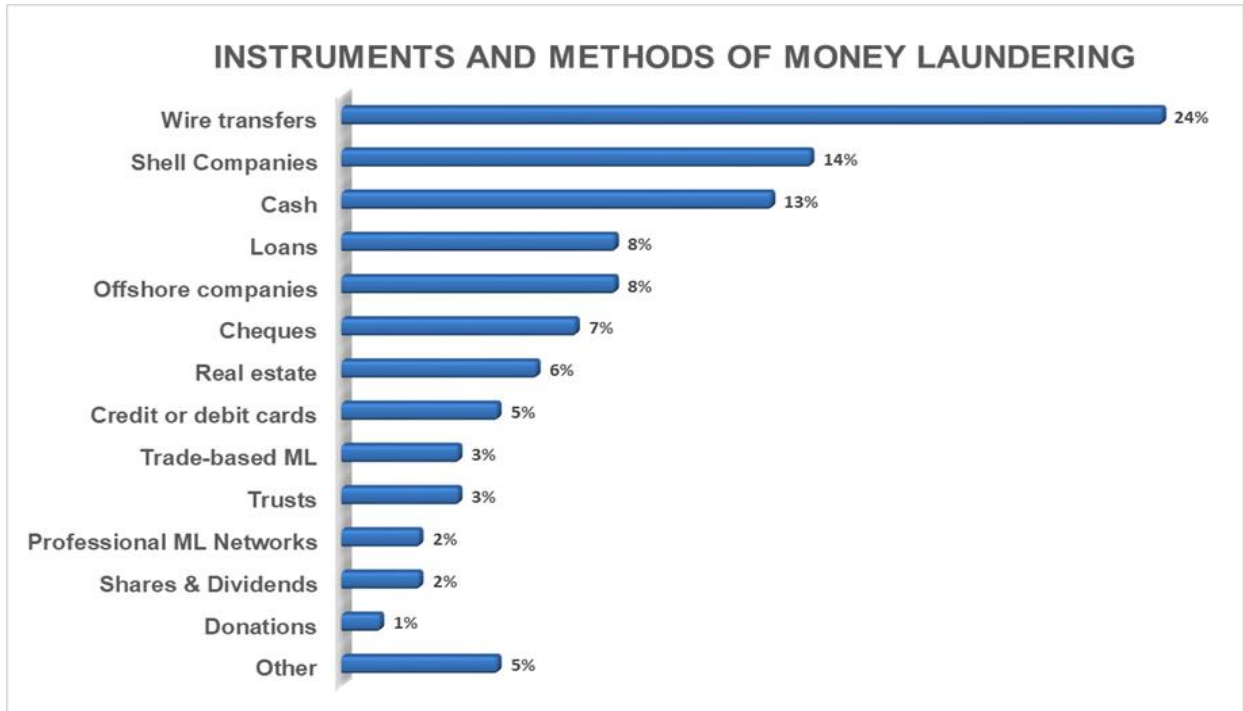
Russia, The Netherlands, The Philippines, Singapore, South Africa, Trinidad and Tobago, Ukraine, Venezuela, The United Kingdom.

⁶ The charts incorporated in this chapter present statistics in respect of the cases gathered in the survey, which was specifically conducted within the Egmont Group FIU members.



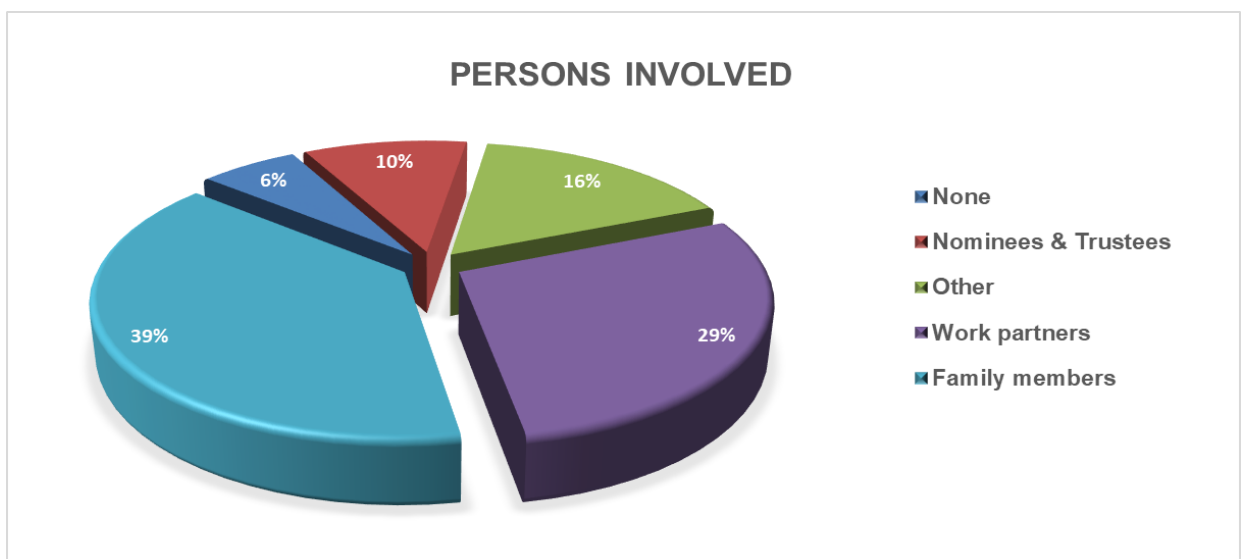
The cases related to unexplained wealth or income describe methods by which Public Officials use their position and power to gain funds or other assets illegally. The wealth or income was usually generated from bribe-taking or embezzlement committed either directly by the Public Officials, or with the assistance of their family members or close associates. The cases related to procurement fraud describe methods by which Public Officials use their influence in favor of certain parties concerning public tenders, contracts, suppliers, etc. in exchange for funds in the form of cash, checks, loan payments and also assets and other benefits.

One of the most widespread methods of laundering the proceeds of corruption is their transfer through several foreign jurisdictions. The transfer of funds can be divided along three location types: origin, transit and destination. Such a transfer provides the effective separation from the source and assists in concealing the beneficial ownership due to difficulties in control over foreign Public Officials. Countries of origin are the countries where the illicit funds come from; countries of transit are financial centers mostly used for layering of the criminal proceeds; and countries of destination are used for investment purposes at the final stage of the money laundering process.



In most cases, the funds were eventually used by the Public Officials, their family members and their associates, to purchase different types of assets or were transferred abroad. The FIU plays a significant role in the investigations of these corruption cases involving the use of various unique instruments and methods.

Public Officials' positions throughout the cases varied significantly. Third parties, such as family members, business partners, employers, nominees and companies (including offshore and shell companies) were also used by Public Officials to disguise, via a complex ownership structure, the real beneficial owners of accounts and assets acquired by the use of the proceeds of the crimes.

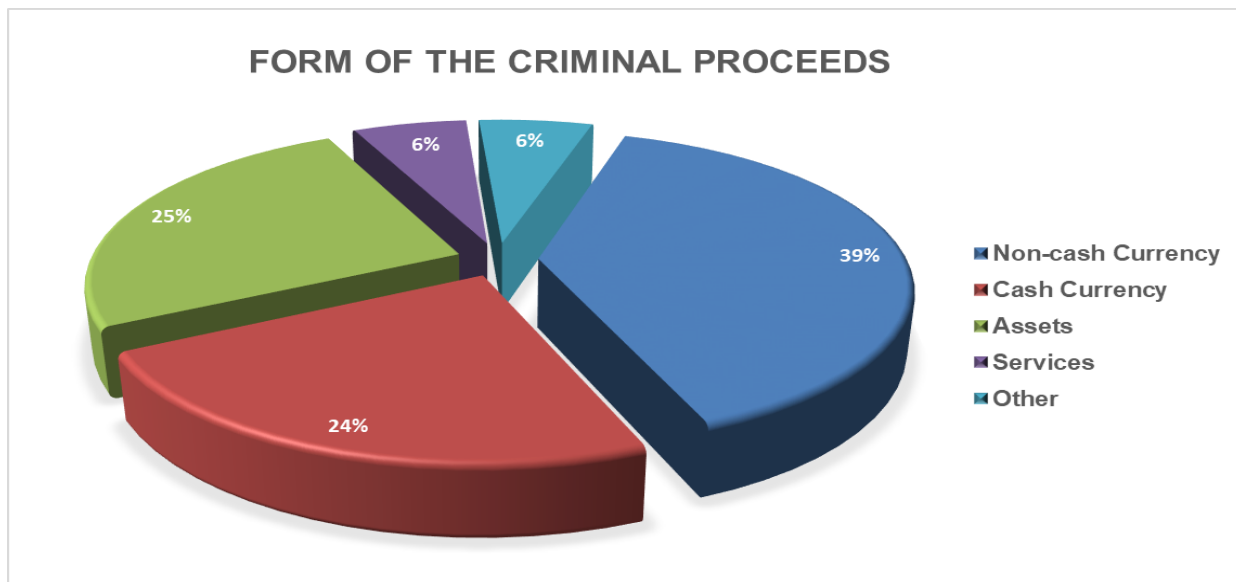


The survey demonstrates that financial analysis of wire transfers and other financial transactions is crucial in exposing not only the suspicious transactions and activities themselves, but also the real beneficial owners of the involved bank accounts, assets, legal entities and real estate. FIUs' ability to exchange information in an informal and timely manner with foreign counterparts allows them to obtain further relevant information from overseas.

Timely and accurate provision of information from countries of transit to the countries of origin and destination is one of the most crucial parts of the fight against corruption. Although FIUs of countries of transit cannot discern details of the corruption crime by themselves, in some cases they are the only FIUs that can see how the funds of the unknown nature from one jurisdiction transform into assets in another jurisdiction via several transactions.

In some cases, countries of destination can be the same as origin-countries but often criminals want to transfer their money far away from their illegal source. FIUs of destination countries are most dependent on external information but have the ability possibility to identify the assets with the concealed beneficial ownership.

The proceeds of the crimes described in the survey were mostly received in the form of cash and in-kind assets. Wire and physical transfers of funds, checks, credit and debit cards, real estate, loans and trusts were the instruments by which the crimes were committed. The funds gained by those instruments were used to purchase real estate, cars, luxury goods, shares and other assets in the Public Official's jurisdiction and abroad.



Thanks to FIUs' access to diverse databases and tools, it seems that as the involvement of FIUs in the financial aspects of the investigations is more extensive, the better the achieved results. Financial analysis carried out by the FIUs can both initiate and support investigations of corruption.

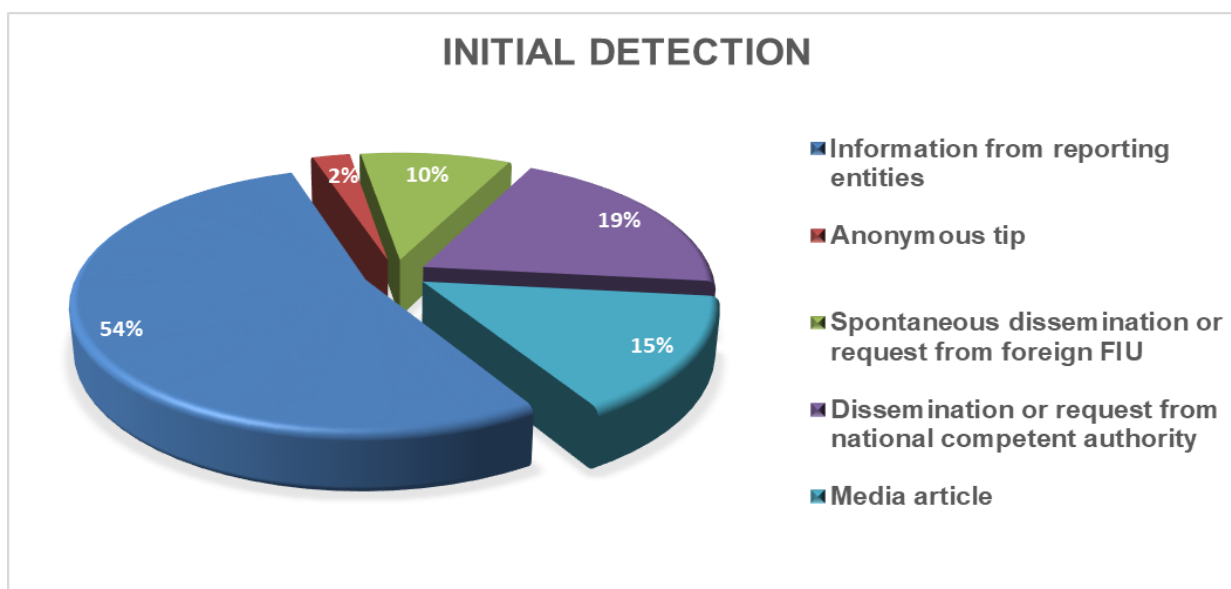
Analysis of the Cases

1. Detection

The cases described in the survey pointed at various sources underlying the initial detection of suspicious activity that could indicate corruption. Several cases identified information from reporting entities as the trigger for initiating the investigation. This finding emphasizes the importance of identifying and reporting of suspicious activities by financial institutions and also the FIUs' IT tools to identify the significant information in their databases, particularly in corruption cases where financial information may be the key to the investigation.

In other cases, the investigations were initiated following information received from a whistle-blower or information disseminated spontaneously or requests from national competent authorities or foreign FIUs.

From an international perspective, open source information was also a trigger for initiating an investigation regarding a foreign Public Official who holds bank accounts and assets in another jurisdiction.



Specialized IT alerting systems can allow the FIU to take a proactive role in discovering potential corruption cases, by:

- automatically searching for corruption-related keywords in STRs/SARs; and
- actively monitoring existing intelligence, external databases and open-source information to detect corruption-related patterns which were identified through strategic analysis exercises.

2. Investigation

Based on the survey, FIUs use various IT tools to conduct their analysis and investigation. Some of such tools are off-the-shelf products, adjusted to the needs of FIUs and financial investigations (e.g. i2 platform), some were developed especially for FIUs (e.g. goAML) and some were proprietary, developed within FIUs' IT departments. The use of such tools, though, is similar in the efforts of FIUs to flag higher-risk Public Officials and detect suspicious activity related to corruption.

FIUs examine masses of information collected over years of financial activity. While the basic and flexible tool to undertake such analysis exercises would be a spreadsheet containing the transactions data, graphical display by more sophisticated IT tools was helpful in better portraying and schematizing the transactions flows and the links between transactions and entities. Using such tools allows visualizing different types of information on a single graph for further analysis and pattern recognition. Such information includes bank accounts data, funds flow, links between legal entities and their shareholders and directors, relatives' connections, real estate, property, financial assets, contracts, other networks, etc.

Open source intelligence, such as search engines, social networks, and written news media, also provided information on the persons and entities that were involved in the case, on the source of wealth, the apparent destination of the funds, country of origin or residence as well as other affected jurisdictions. Examples for such sources included LEXIS NEXIS and World-Check.

Information from additional databases was used for the analysis of the cases, to efficiently enhance the relevant intelligence picture of the case:

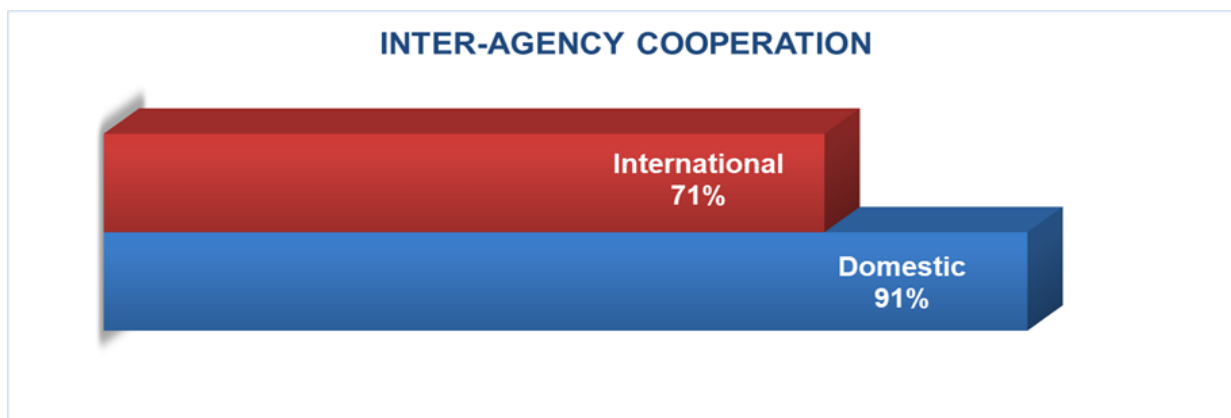
- PEP databases were used to identify domestic and foreign PEPs;
- Criminal records databases;
- Central Bank system to identify cross border transactions;
- Commercial databases, as well as reports by TCSPs (Trust and Company Service Providers), were used in order to identify beneficial owners, directors, capital and registration addresses of legal entities;
- Tax authorities' databases were used to identify links to assets, affiliated legal entities and individuals, as well as occupational links to public funds, state contracts, etc.;
- Population registries were used to identify specific details regarding the Public Officials, their relatives and other relevant relations;
- Cross border control registries were used to gather travel information that may indicate hidden assets abroad;
- Vehicle registration databases were used to identify owners of luxury vehicles, which were one of the common uses of the laundered proceeds throughout the survey.

3. Domestic cooperation

The FIUs analysed the information in their database, along with additional information from other sources. Complementary information was mentioned as essential by most FIUs participating in the survey in order to receive clarifications and to reveal hidden funds as well as the involvement of other persons. In most cases, requests for further disclosures of information were sent to reporting entities within the private sector, such as banks, credit institutions, insurances companies, notaries, accountants, auction houses, MVTs, credit card services, precious stones and metals dealers, etc. Such cooperation demonstrates the high level of involvement of the private sector in the national AML/CFT system.

Collaboration with domestic and international counterparts was a key factor in a successful investigation. Requests for information were sent via information exchange platforms, and face to face meetings were held for the key stages of the investigation.

The importance of cooperation and coordination with law enforcement agencies, and in particular the police services and the prosecution, throughout the investigation up until the indictment was emphasized in all the cases. High levels of cooperation brought quick and fruitful results and helped in focusing the investigation, freezing and seizing assets and issuing of judicial orders.



Some cases emphasize the importance of a close partnership between the FIU and the relevant LEAs. Close dialogue between the various agencies facilitates alignment of priorities, holistic understanding of the investigation and awareness of each agency of the roles and capabilities of the others.

Designated joint taskforces targeted at corruption cases are mentioned as beneficial for enhancing trust, mutual understanding and efficient exchange of information between the FIU and other competent authorities.

Outreach to reporting entities and an ongoing relationship with them is mentioned as key to improving the quality of information received and raising awareness of red flags and relevant typologies. Maintaining close relations with the private sector allows FIUs to receive valuable information (formally and informally) in a timely and confidential manner.

4. International cooperation

The vast majority of the cases that were analysed involved one or more foreign jurisdictions. The survey reveals the indispensable contribution of cooperation and information exchange with other FIUs, sometimes with multiple counterpart FIUs at the same time, via the Egmont Secure Web.

When it was possible, face-to-face meetings and phone calls enhanced the level of cooperation and information exchange related to the investigation.

When information was provided, it was comprehensive and precise, and when it was limited or unavailable, it assisted in narrowing the scope of the investigation.

There were cases in which the investigation was triggered by spontaneous disseminations from other FIUs, emphasizing the importance of such a practice.

The information provided by other FIUs assisted in discovering methods used to conceal funds, identifying the persons involved, and identifying beneficial owners of overseas legal entities, financial assets, real estate, etc. In addition, the importance of FIUs' ability to freeze accounts or transactions was demonstrated as it allows time for further analysis and for law enforcement to obtain necessary court orders.

The quality and timeliness of the investigation of laundering the proceeds of corruption schemes depends on the completeness and speed of information exchange between the FIUs of the jurisdictions involved. In some instances, the supply of information can be delayed due to requests for clarifications and additional information by the FIU receiving the request or by the counterpart FIU awaiting the result of queries performed by third parties.

It is important to ensure the cooperation between FIUs of all countries through which the funds were transferred. In the cases studied, one of the countries of transit was not an Egmont member and another did not have an FIU at all. It makes the investigation process much harder.

Moreover, even if the scheme was revealed successfully and the assets were frozen, further cooperation of the competent authorities must be secured within the mutual legal assistance process, otherwise the assets could be unfrozen, and case will lead to nothing.

Several problems can be mitigated by controlling the information exchange process on a regular basis and training the FIU, LEA and ACA staff. It is useful to monitor other FIUs' powers and regularly update relevant methodological documents for the FIU's own analysts and third parties. Moreover, national counterparts must be duly informed of the FIUs information exchange capabilities and features.

IDENTIFIED CHALLENGES AND CONCLUSIONS

Although the investigations submitted as part of the survey mostly led to successful results, the FIUs faced some challenges while investigating the cases.

In some countries, it is difficult to investigate and prosecute high-ranking politicians, and such cases may illustrate the actual level of autonomy and operational independence of the FIU.

One of the challenges was the use of cash in residual corruption cases, as it created gaps in the information available to the FIU regarding cash flows, in particular between jurisdictions. The survey describes various forms of the use of cash that enabled perpetrators to avoid both custom declarations using the legitimate financial system.

Another main challenge was the involvement of multiple third parties, such as relatives and associates, which made tracing the funds difficult.

In addition, a major challenge mentioned in the survey was to ensure confidentiality, especially when disseminating information to foreign FIU counterparts. In some cases, presented in the survey, bank secrecy law presented obstacles in the way of retrieval of SWIFT documents.

Identification of persons involved in laundering the proceeds of corruption is complicated since offshore and shell companies are used. At the same time, analysis of the identified nominee shareholders of these companies and their possible ties to the subjects of the investigation should be performed jointly with the country of origin since their associates and close relatives can manage the said companies.

Exchange of information between FIUs, although reported as mostly productive, also posed a challenge since not all counterpart FIUs have access to the specific information needed by the requesting FIU, and time limitations were not always met.

Another problem in collecting all the necessary information abroad arises when the country in which the corrupt acts takes place, or the country from which Public Officials are involved, has an FIU that is not an Egmont member or has no FIU at all.

It appears that not all requests for information concerning corruption cases are answered or are not answered in their entirety.

A technical challenge was raised, regarding gathering all of the obtained information, received in different data formats, into one system or database for further analysis and investigation.

While the process of investigating corruption cases seems to be similar for all surveyed FIUs, the main difference is the availability of various types of information and databases, including the FIU's database itself, designated PEP database, etc. In this respect, there seems to be room for mutual exchange of ideas between FIUs regarding the creation and utilization of relevant databases.

Cooperation between the FIU and other domestic competent authorities (such as the national police and the prosecutor's office), as well as public-private-partnerships, was mentioned as a key factor for a successful investigation.

The unique path for international cooperation between FIUs via the Egmont Secure Web was also of high importance in obtaining information towards a successful investigation. Notwithstanding, the efficiency and effectiveness of the information exchange process can be improved by setting a specific timeline and focusing the request.

In most cases the corrupt activity was not overt and further investigation domestically and outside of the jurisdiction was needed to establish which financial institutions and entities were involved, to detect the source of the funds, financial flows, and to identify the assets (such as real estate, bank accounts and vehicles) and their beneficial owners. This was a complicated task, since Public Officials usually create convoluted ownership structures by positioning their families, relatives and business partners as the owners and frontmen of their assets and the active executors.

One of the best practices is applying the reversed burden of proof concerning corruption or money laundering, which gives the possibility to recognize the assets as criminally acquired and confiscate them without the conviction of a person. Such a mechanism is crucial for timely reaction to the signs of corruption in conditions of limited access to information, caused by the criminal using different jurisdictions.

In the case of identification of assets of doubtful nature or suspicious transactions falling within the described scheme, or any red flag indicating laundering of the proceeds of corruption, it is highly important to inform all involved jurisdictions. This will allow arranging for multilateral information exchange and providing such information to the countries where the corruption crime was committed as well as countries used in the laundering process.

To identify the money laundering schemes involving several jurisdictions at the very first step, when the subject attempts to transfer funds to the transit country, it is recommended to apply all appropriate measures immediately. For example, suspension of transactions and freezing of funds will facilitate the prevention of the laundering of corruption proceeds and reduce the time necessary to find and recover assets from all over the world.

To identify the source of funds, their further allocation and involved persons, FIUs should pay close attention to the financial transit operation linked to the funds' diversion from one jurisdiction, and acquisition of expensive assets in another jurisdiction via intermediate companies. FIUs of transit countries are the last frontier on the path of dirty money into the country of destination, and therefore it is still possible to freeze the corruption proceeds and prevent their integration.

EGMONT GROUP SET OF INDICATORS FOR CORRUPTION RELATED CASES FROM THE FIUS' PERSPECTIVE

Indicators of Corruption in Public Procurement

1. Services provided to state-owned companies or public institutions by shell companies, offshore companies or formations, companies in registration offices or P.O. companies.
2. Services provided to state-owned companies or public institutions by companies registered in high-risk jurisdictions.
3. Long-term contracts are repeatedly awarded to the same subcontractor, or a certain legal entity or legal arrangement consistently winning a majority of the largest contracting authority tenders/public procurement bids.
4. The issuance of unreasonable specifications for the performance of the contract (including restrictive conditions for the location of the contractor, restrictive conditions for the materials needed for the performance of the contract, particularly tight deadlines, etc.) by the procuring authority.
5. Subcontractors have common director(s), beneficial owner(s) and/or are related with the management of the contractor.
6. Subcontractors/intermediaries brought in on business deals once a contract has already been agreed and for no obvious reason.
7. Contractors, subcontractors or their counterparties (within the timeframe for completion of the state contract) are linked by address, telephone number, IP-address, etc.
8. Procurement projects which are funded through loan agreements by governing bodies such as development institutions but where the eventual tender price put out is significantly higher than the loan amount requested.
9. Deposits in public officials' accounts with checks issued by construction companies, individuals or non-governmental entities that previously benefited from public works contracts.
10. Legal entities with little or limited experience receiving highly complex and technical government contracts/projects (not compatible with the size or experience of the entity) or receiving government contracts/projects that are not related to their field of business.
11. A certain legal entity or arrangement, which is a contractor to a state-owned company, usually receives payments of higher amounts for goods or services which normally should cost less (when compared to the normal market prices for equivalent products or services).
12. Funds received by a contractor of public procurements are not spent within a reasonable timeframe to fulfil the contract needs.
13. Checks issued in favor of public officials and come from accounts of persons that benefited from public procurements/funds, without an evident justification.

14. Checks issued by a public entity being cashed out and subsequently deposited to accounts of public officials or entities related to public officials.
15. Public officials, especially those having a role in government contract management or public procurement of high-value assets, receive funds transfer instructions:
 - from business and/or personal accounts, where these funds appear to be excessive in value;
 - according to in-built distribution methods or contractors or intermediaries;
 - from distributors used at the request of the contracting party;
 - according to existence of rebate arrangements, particularly if agreed outside the contract;
 - under requirements to obtain licenses and other government permits as a pre-requisite of doing business.
16. Use of third parties, such as contractors, consultants, vendors, suppliers and advisor/intermediaries, in order to facilitate procurement contracts fulfilment:
 - Requests for compensation not explicitly contemplated in the third party contract
 - Requests that payments be made to different third parties
 - Third party requests for charitable or political contributions
 - A third party is in a different line of business than that for which it is engaged
 - The third party has little or no experience in the relevant industry or activity
 - The third party does not have an office in the country where services will be performed
 - The third party was recently formed or incorporated
 - The third party has poor financial stability or credit record
 - The third party has a high level of reliance on subcontractors or intermediaries (so-called “fourth parties”)
 - The third party became part of a transaction at the express request or insistence of a public official
 - The third party is recommended or referred by a public official
 - Third party commissions are unreasonably large or based on inaccurate or incomplete invoices
17. Contracting party issues commercial cards to individuals that are not employees of contracting party and are used to purchase luxury goods, make payments for high-cost services or other transactions that are not normal business expenses.
18. Payments based on a public procurement contract are conducted at a price higher than originally contracted.

19. Payments conducted according to public procurement contracts where there was only a single bid for a government procurement tender, which signals a lack of competition and closed access.
20. Receipt of commission or fees before signing of agreement for services or carrying out a function or process in relation to public procurement contract.
21. Commissions, interest or payments under commercial terms of public procurement contract are increased, reduced or restructured in a manner that is not commercially viable.
22. Repeated or subsequent purchases of low-quality goods, works and services at market prices of goods of higher quality or purchases of goods, works and services at higher than market prices.
23. Payments for goods according to public procurement contracts without delivery of such goods to customs territory of the country.
24. Payments are conducted to accounts of providers of goods, works and services, which are opened in countries different from where such goods, works and services are originated or provided.

Indicators of Unexplained Wealth or Income

25. The subjects in a transaction are domestic or foreign public officials and receive and/or send unusually large amounts of funds in different currencies.
26. Funds received in accounts of persons, legal entities, or legal arrangements with no visible connection to public officials, but known to be controlled by such, or persons related to them (a frontman, a strawman, or legal entity established to conceal the beneficial ownership), where the funds have been sent by a shell company. The additional information provided with regard to the funds refers to “loans”, “investment purposes”, or “purchase of real estate property”, or otherwise reveal an irreconcilable conflict of interest involving commercial business between a private enterprise and a public official.
27. Representative of a public official (i.e. lawyer, secretary, accountant) opens account and purchases expensive property or luxury goods with the express intent of bypassing Customer Due Diligence (CDD) process screening for public officials.
28. “Straw men” (especially in the remittance sector) can be used to obfuscate the beneficial ownership of the assets by involving public officials’ employees i.e. cleaner/ gardener/driver. Usually, the funds received on the accounts of such straw men significantly exceed their legitimate employment income.

29. Public officials receive or purchase shares (or the option to purchase shares):
 - In a company in exchange for services; or
 - In a company where the purchase is financed by the vendor; or
 - In a company where the purchase price is below the net asset value of the company; or
 - In a company and receives a dividend from the company which is disproportional to the purchase price; or
 - Which give the right to sell shares at a price which is higher than either the current market value or the price at which the shares were purchased; or
 - And profit from a share transaction where the purchase and selling dates of shares are within a short time period.
30. Public officials receive loan guarantees from a public corporation or government body, or a loan under favorable conditions.
31. Public officials receive large amounts of money for their attendance in workshops, conferences or as consultants to projects, in order to disguise the origin of the funds from being seen as a payment of corruption.
32. Public officials receive debt forgiveness or repayment requirements are waived by the creditor.
33. Public officials perform transactions with sovereign wealth funds or government-linked companies.
34. Misrepresentation and/or inconsistency between the declared source of wealth of public officials through their sworn asset declarations, and those established during the due diligence process.
35. Public officials have purchased virtual assets in a total amount higher than their legally declared income.
36. The purchase of goods or services, or transfer of payments, or the receipt of any other benefits (i.e. rental payments, school fees, chauffeur fees, fees for private healthcare, funding of private jets, consultancy fees, high commissions, etc.) for or on behalf of a public official, from the contracting authority, or a contractor in the period of the execution of the state contract.
37. Transactions that take place in accounts of public officials involving cash deposits or withdrawals in unusual frequency and amounts.
38. Incoming transactions from foreign jurisdictions (specifically from high-risk jurisdictions) on accounts of public officials, which are intended for real estate purchases or purchases of high-value or luxury goods, typically contain no additional information about the transaction itself, and the necessary remittance information is vague (e.g. refers to 'consultancy fees'). Such situations result in a lack of transparency with regard to the transaction and difficulty determining the source of funds.

39. Purchases or leases of movable or immovable assets by public officials which do not coincide with the subject's income.
40. The use of hawala type mechanisms (especially through the remittance sector) by public officials to move money abroad.
41. Fixed Term Deposit Certificates made by companies with the main purpose that the capital and interest generated from the investment should be transferred immediately to accounts of a political party.
42. Cash deposits with no rationale:
 - Credit card/ home loan applications (even if declined) are useful to find out what the public official earns versus what is deposited into their account; or
 - Cash deposits made into the same public official's account from different locations.
43. The immediate transfer of funds from a private entity's account to a personal account of a public official and the subsequent movement of the funds to third party accounts. These funds are eventually moved abroad, which indicates the use of the aforementioned accounts as a temporary node. Some of the persons in the described chain may deduct a percentage of the amount before transferring it further, which indicates that these persons have received a commission for their services.
44. Incoming cash or electronic transfers from different external sources on accounts of public officials are later spent at online gambling sites – credit from the same site or different online gambling sites can then be seen.
45. Transferring of funds from accounts of public officials to high-risk vehicles abroad, such as corporate trusts.
46. Public officials establish legal entities or legal arrangements, which have purchased land and buildings of significant value (as is evident from their accounting documents), despite the absence of any other commercial activity, or without a justifiable source of funds.
47. Public officials have made cash transactions involving large amounts (e.g. currency exchange, use of cash to purchase high value goods, etc.).
48. Transaction payments of unusual amounts or frequency from public officials to lawyers, accountants, or other professional intermediaries.
49. Payments in favor of public officials are made to facilitate or expedite a government service.
50. Use of state funds to purchase shares in private companies or private companies belonging to public officials, at prices above market value.
51. Issuance of sovereign debt to public officials or entities known to be controlled by them, at interest rates above the prevailing market rate.

52. Use of Joint Venture (JV) structures for government contracts in which public officials or a company belonging to them are silent partners. For example, in a JV between a state-owned company and a private company, a third silent shareholder owned or controlled by a public official is inserted in order to allow the public official to take a share of the profit.
53. Payments by entities to NPOs that public officials are known to be associated with.
54. A transaction or financial activity, which involves foreign nationals with no significant link (apart from the financial) to the country where the transactions took place. These foreign nationals are known to be active consultants or employees of lobbying organizations and are sometimes reluctant to explain the source of wealth/funds or give unsatisfactory explanations.
55. Financial flows, which reveal complex financial mechanisms and intervention by foreign legal entities or arrangements, are received in an account in another jurisdiction, where the account is related to a public official.
56. International transfer from the Treasury of a foreign country to shell companies, to entities with no public profile, or no physical or online presence, or to individuals who are not known employees of the government.
57. The stated source of wealth of funds received to an account of a public official may be inconsistent with the client's stated career history, expertise, or age. In this regard a mismatch may exist between the applicant's stated career history and their total net worth.
58. Transactional activity usually characterized by first party payments to and from accounts in the same name or between offshore company and trust structures (linked or known to be linked to public officials).
59. Customer, especially when it is a public official, transferring funds to/from other public officials, including law enforcement officers.

General Indicators

60. Open source information, which can relate specific financial activity to ongoing investigations into individuals, and concerns about corruption.
61. An entity that receives public contracts and its legal representative/s appear in media reports, which link/s him/her/them to corruption or other financial crimes.
62. Payments made by contractors for consultancy services, particularly in industries with a higher risk to corruption, such as arms, mineral extraction, telecoms, public infrastructures, where the amount paid appears to be outside the normal price range for consultancy services.
63. A fiduciary service company which set up the structure for the applicant may be the subject of negative press reporting.

64. Close family members or associates of public officials are appointed as senior management officials in private companies without meeting the necessary requirements for taking up the position or the hire's salary or compensation package is not commensurate with market conditions.
65. Applicant wants to open an account with an unnecessarily complex structure of economic and beneficial ownership possibly involving eclectic wealth planning arrangements or bearer share companies (known to be linked to a public official).
66. Applicant (who is a public official) expresses urgency on an application (e.g. completion on a mortgage or other time critical transaction).
67. Explanations for transactions may include the use of words and phrases often used as euphemisms for bribes (for example commission, marketing fees, surcharge, etc.).
68. Public officials increase their standard of living after the expiration of the officials' mandate without any legally justifiable reasons. Another possibility would be an inability or refusal by these persons to provide a credible account regarding how the wealth was generated or to provide corroborative support for the source of wealth. In other cases, the corroborative documentation provided raises concerns about authenticity or is otherwise inconsistent with the source of wealth statement.
69. Opaqueness of government business schemes used to encourage diversity, which should be overtly transparent.
70. Companies which pay other firms to perform logistical roles in countries where there is a high degree of perceived corruption and which they could perform themselves, in order to transfer the risk to the other firm.
71. Companies changing the terms of agreements and definitions of intermediaries to avoid registration and regulatory oversight in other countries.
72. Company wins a public tender with short submission period (i.e. number of days between publication of a call for tenders and the deadline for submission of the bid).