

ANNEX E. INDICATORS OF CONCEALED BENEFICIAL OWNERSHIP

During the development of the report on the vulnerabilities associated with the concealment of beneficial ownership, 106 case studies were submitted by the FATF and Egmont Group members. Through the analysis of these case studies, as well as discussions with financial intelligence units (FIUs), competent authorities, and the private sector, a range of indicators of the concealment of beneficial ownership was identified. These risk indicators are summarised below. It is important to note that this list is not exhaustive, and other indicators may be identified.

Indicators about the client or customer

1. The client is reluctant to provide personal information.
2. The client is reluctant or unable to explain:
 - their business activities and corporate history
 - the identity of the beneficial owner
 - their source of wealth/funds
 - why they are conducting their activities in a certain manner
 - who they are transacting with
 - the nature of their business dealings with third parties (particularly third parties located in foreign jurisdictions).
3. Individuals or connected persons:
 - insist on the use of an intermediary (either professional or informal) in all interactions without sufficient justification
 - are actively avoiding personal contact without sufficient justification
 - are foreign nationals with no significant dealings in the country in which they are procuring professional or financial services
 - refuse to co-operate or provide information, data, and documents usually required to facilitate a transaction
 - are politically exposed persons, or have familial or professional associations with a person who is politically exposed
 - are conducting transactions which appear strange given an individual's age (this is particularly relevant for underage customers)
 - have previously been convicted for fraud, tax evasion, or serious crimes
 - are under investigation or have known connections with criminals
 - have previously been prohibited from holding a directorship role in a company or operating a Trust and company service provider (TCSP)
 - are the signatory to company accounts without sufficient explanation

- conduct financial activities and transactions inconsistent with their customer profile
 - have declared income which is inconsistent with their assets, transactions, or lifestyle.
4. Legal persons or legal arrangements:
- have demonstrated a long period of inactivity following incorporation, followed by a sudden and unexplained increase in financial activities
 - describe themselves as a commercial business but cannot be found on the internet or social business network platforms (such as LinkedIn, XING, etc.)
 - are registered under a name that does not indicate the activity of the company
 - are registered under a name that indicates that the company performs activities or services that it does not provide
 - are registered under a name that appears to mimic the name of other companies, particularly high-profile multinational corporations
 - use an email address with an unusual domain (such as Hotmail, Gmail, Yahoo, etc.)
 - are registered at an address that does not match the profile of the company
 - are registered at an address that cannot be located on internet mapping services (such as Google Maps)
 - are registered at an address that is also listed against numerous other companies or legal arrangements, indicating the use of a mailbox service
 - where the director or controlling shareholder(s) cannot be located or contacted
 - where the director or controlling shareholder(s) do not appear to have an active role in the company
 - where the director, controlling shareholder(s) and/or beneficial owner(s) are listed against the accounts of other legal persons or arrangements, indicating the use of professional nominees
 - have declared an unusually large number of beneficiaries and other controlling interests
 - have authorised numerous signatories without sufficient explanation or business justification
 - are incorporated/formed in a jurisdiction that is considered to pose a high money laundering or terrorism financing risk
 - are incorporated/formed in a low-tax jurisdiction or international trade or finance centre
 - regularly send money to low-tax jurisdictions or international trade or finance centre

- conduct a large number of transactions with a small number of recipients
 - conduct a small number of high-value transactions with a small number of recipients
 - regularly conduct transactions with international companies without sufficient corporate or trade justification
 - maintain relationships with foreign professional intermediaries in the absence of genuine business transactions in the professional's country of operation
 - receive large sums of capital funding quickly following incorporation/formation, which is spent or transferred elsewhere in a short period of time without commercial justification
 - maintain a bank balance of close to zero, despite frequent incoming and outgoing transactions
 - conduct financial activities and transactions inconsistent with the corporate profile
 - are incorporated/formed in a jurisdiction that does not require companies to report beneficial owners to a central registry
 - operate using accounts opened in countries other than the country in which the company is registered
 - involve multiple shareholders who each hold an ownership interest just below the threshold required to trigger enhanced due diligence measures.
5. There is a discrepancy between the supposed wealth of the settlor and the object of the settlement.
6. Individuals, legal persons and/or legal arrangements:
- make frequent payments to foreign professional intermediaries
 - are using multiple bank accounts without good reason
 - are using bank accounts in multiple international jurisdictions without good reason
 - appear focused on aggressive tax minimisation strategies
 - are interested in foreign company formation, particularly in jurisdictions known to offer low-tax or secrecy incentives, without sufficient commercial explanation
 - demonstrate limited business acumen despite substantial interests in legal persons
 - ask for short-cuts or excessively quick transactions, even when it poses an unnecessary business risk or expense
 - appear uninterested in the structure of a company they are establishing
 - require introduction to financial institutions to help secure banking facilities

- request the formation of complex company structures without sufficient business rationale
 - have not filed correct documents with the tax authority
 - provide falsified records or counterfeit documentation
 - are designated persons or groups
 - appear to engage multiple professionals in the same country to facilitate the same (or closely related) aspects of a transaction without a clear reason for doing so.
7. Examination of business records indicate:
- a discrepancy between purchase and sales invoices
 - double invoicing between jurisdictions
 - fabricated corporate ownership records
 - false invoices created for services not carried out
 - falsified paper trail
 - inflated asset sales between entities controlled by the same beneficial owner
 - agreements for nominee directors and shareholders
 - family members with no role or involvement in the running of the business are listed as beneficial owners of legal persons or arrangements
 - employees of professional intermediary firms acting as nominee directors and shareholders
 - the resignation and replacement of directors or key shareholders shortly after incorporation
 - the location of the business changes frequently without an apparent business justification
 - officials or board members change frequently without an appropriate rationale.
8. Complex corporate structures that do not appear to legitimately require that level of complexity or which do not make commercial sense.
9. Simple banking relationships are established using professional intermediaries.

Indicators of shell companies

10. Nominee owners and directors:
- formal nominees (formal nominees may be “mass” nominees who are nominated agents for a large number of shell companies)
 - informal nominees, such as children, spouses, relatives or associates who do not appear to be involved in the running of the corporate enterprise.

11. Address of mass registration (usually the address of a TCSP that manages a number of shell companies on behalf of its customers)
12. Only a post-box address (often used in the absence of professional TCSP services and in conjunction with informal nominees)
13. No real business activities undertaken
14. Exclusively facilitates transit transactions and does not appear to generate wealth or income (transactions appear to flow through the company in a short period of time with little other perceived purpose)
15. No personnel (or only a single person as a staff member)
16. Pays no taxes, superannuation, retirement fund contributions or social benefits
17. Does not have a physical presence.

Indicators about the transaction

18. The customer is both the ordering and beneficiary customer for multiple outgoing international funds transfers
19. The connections between the parties are questionable, or generate doubts that cannot be sufficiently explained by the client
20. Finance is provided by a lender, whether a natural or a legal person, other than a known credit institution, with no logical explanation or commercial justification
21. Loans are received from private third parties without any supporting loan agreements, collateral, or regular interest repayments
22. The transaction:
 - is occurring between two or more parties that are connected without an apparent business or trade rationale
 - is a business transaction that involves family members of one or more of the parties without a legitimate business rationale
 - is a repeat transaction between parties over a contracted period of time
 - is a large or repeat transaction, and the executing customer is a signatory to the account, but is not listed as having a controlling interest in the company or assets
 - is executed from a business account but appears to fund personal purchases, including the purchase of assets or recreational activities that are inconsistent with the company's profile
 - is executed from a business account and involves a large sum of cash, either as a deposit or withdrawal, which is anomalous, or inconsistent with the company's profile

- appears cyclical (outgoing and incoming transactions are similar in size and are sent to, and received from, the same accounts, indicating that outgoing funds are being returned with little loss) (aka “round-robin” transactions)
 - involves the two-way transfer of funds between a client and a professional intermediary for similar sums of money
 - involves two legal persons with similar or identical directors, shareholders, or beneficial owners
 - involves a professional intermediary without due cause or apparent justification
 - involves complicated transaction routings without sufficient explanation or trade records
 - involves the transfer of real property from a natural to a legal person in an off-market sale
 - involves the use of multiple large cash payments to pay down a loan or mortgage
 - involves a numbered account
 - involves licensing contracts between corporations owned by the same individual
 - involves the purchase of high-value goods in cash
 - involves the transfer of (bearer) shares in an off-market sale
 - a loan or mortgage is paid off ahead of schedule, incurring a loss
 - includes contractual agreements with terms that do not make business sense for the parties involved
 - includes contractual agreements with unusual clauses allowing for parties to be shielded from liability but make the majority of profits at the beginning of the deal
 - is transacted via a digital wallet.
23. The funds involved in the transaction:
- are unusual in the context of the client or customer’s profile
 - are anomalous in comparison to previous transactions
 - are sent to, or received from, a foreign country when there is no apparent connection between the country and the client, and/or
 - are sent to, or received from, a low-tax jurisdiction or international trade or finance centre
 - are sent to, or received from, a jurisdiction that is considered to pose a high money laundering or terrorism financing risk.
24. An asset is purchased with cash and then used as collateral for a loan within a short period of time.

25. Unexplained use of powers of attorney or other delegation processes (for example, the use of representative offices).
26. Unexplained use of express trusts, and/or incongruous or unexplained relationships between beneficiaries (or persons who are objects of a power) and the settlor.
27. Unexplained or incongruous classes of beneficiaries in a trust.