

Laundering the Proceeds of Corruption - Indicators

Extract from NCA Amber ALERT (Reference 0219 - ML)

Overview

The purpose of the alert is to raise awareness of the behaviour indicative of clients laundering the proceeds of corruption. The alert focusses on clients who are Potentially Exposed Persons (PEPs). Corruption and money laundering are intrinsically linked. Corruption offences, such as bribery or theft of public funds, are generally committed for the purpose of obtaining private gain. PEPs pose a high risk for money laundering by the very nature of their position; they have access to significant public funds and the knowledge and ability to control budgets, public companies and contracts. Corrupt PEPs may use that knowledge and ability to award contracts in return for personal financial reward, or simply to create structures to siphon money from government offices.

Red flag indicators linked to initial KYC, Due Diligence and Transactional Characteristics

- Although the contractual partner/beneficial owner may be an obvious PEP; sometimes they may be indirectly linked to a PEP or the individual may be acting as an informal nominee and may not be readily identifiable as a PEP; so they may not generate a "hit" in screening tools
- Individual ordinarily has substantial links with a high risk emerging market jurisdiction
- The risks are much greater with individuals linked to jurisdictions where the business elite and the political elite are inextricably linked (e.g. Russia, Africa)
- High net worth but very little public footprint (if the client is not a PEP)
- The presence of negative news on the PEP is a major aggravating factor in assessing risk profile
- A mismatch may exist between the client's stated career history, expertise, age and total net worth
- There is an identifiable correlation between the timeline of the PEP's wealth generation and their ascendancy in public office
- Inability or refusal to provide a credible account regarding how the wealth was generated or to provide collaborative support for the source of wealth. Or the collaborative documentation provided raises concerns about authenticity or is otherwise inconsistent with the source of wealth statement
- Clients are particularly interested in purchasing high value London properties and/or receiving investment management services
- Individual expresses urgency to the transaction
- If bank statements are provided, these will show that the client often does their day-to-day banking in their home jurisdiction and uses the UK only for their investment business. Client is likely to be multi banked in more than one Western European jurisdiction
- Attempts to obtain evidence of the ownership structure of companies and trusts which are sending money or receiving money to/from the client are met with resistance
- Explanations for transactions provided by the client are generic and vague and attempts to obtain supporting documentation are met with reluctance to co-operate
- When documentation is provided to support transaction activity, close analysis reveals concern regarding authenticity and/or consistency with the transaction profile
- Explanations for transactions may include the use of words and phrases often used as euphemisms for bribes (EG Commission, marketing phase, surcharge etc)
- Commercial transactions which appear to take place between offshore registered companies with virtually zero public footprint pose a much greater level of risk

Suspicious Activity Reporting [SARs]

If you know or suspect ML or TF activity you should make a SAR and include the alert reference **0219-ML** within the text *in addition* to the ongoing use of the Glossary of Terms. Guidance on reporting is available at: www.nationalcrimeagency.gov.uk

Data Protection Considerations

Please consider your obligations under the relevant data protection regulations and where necessary remove any related personal data from your systems securely and within a satisfactory timeframe.

Disclaimer

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