

Criminal abuse of UK shelf companies

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Overview

Intelligence has highlighted the abuse of UK 'shelf' companies to both commit crime and to launder the proceeds. Shelf companies are highly likely to appeal to criminals, offering a veneer of legitimacy and in some cases the appearance of a reputable trading history under which to conduct illicit financial and trade activity such as trade based money laundering (TBML).

Background

A UK 'shelf' company is a company incorporated at UK Companies House (UKCH), usually by a formation agent, but which is inactive. They are often marketed as reputable, established companies with nominee shareholders and directors, sometimes with banking and credit histories. The term derives from such companies 'sitting on the shelf' before their acquisition, in some cases implying a period of longevity. However, any pre-formed company sold as a package is a shelf company and this brief uses the term to refer to both recently formed, and much older, companies.

Incorporation and acquisition of a shelf company is legal, offering several business benefits. This includes facilitating a new or start-up business; for use as a special purpose vehicle; or for corporate reasons such as the need to have a UK registered company to conduct a specific business activity in the UK.

If accountancy firms offer shelf companies as a service (as a TCSP), the firm-wide risk assessment should reflect that this service has a high risk of being used to launder money.

If accountancy firms provide services to a corporate client that is within a corporate vehicle that was at some point a shelf company, the customer due diligence should consider the risk indicators set out below.

Shelf company vulnerabilities

It is important to be aware of the vulnerabilities of shelf companies – which is what makes them high risk.

- Shelf companies offer a veneer of legitimacy and, in some cases, the appearance of a reputable trading history. The company appears legitimate with the incorporate date pre-dating criminal activity. Formation by a professional (such as an accountant or lawyer) may add credibility.
- Historically, shelf companies were a time-saving benefit as company formation was a longer and more complicated issue and acquiring a shelf company required a simple transfer of shares. Online functionality at Companies House has meant that it is much easier to form a company.

Shelf company risk indicators

The risk indicators relate to outcomes that shelf companies facilitate. Individually, the outcomes may be legitimate but risk is highest when multiple outcomes are combined.

- A shelf company's business is generally described as non-specific on the memorandum of incorporation and they usually remain inactive until sold.
- UK business bank accounts are included in shelf company packages by some providers. Some shelf companies are acquired solely to gain a bank account to receive criminal cash deposits and arrange overseas transfers.
- Shelf companies that immediately start trading at high volumes or generating high turnover present are at high risk of being used for criminal purposes.
- Company filings are amended or back-dated eg, accounts are amended from dormant to high or inflated turnovers and/or backdated director/office appointments.
- Shelf companies with links to offshore or higher risk jurisdictions are also higher risk. Accountancy firms should also be alert to circumstances where shelf companies are transferred to non UK-residents or entities, or where the entity trades or makes financial transactions with high risk jurisdictions.

Suspicious Activity Reporting [SARs]

If you know or suspect ML or TF activity you should make a SAR and use the Glossary Codes. 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.

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