



**Asia-Pacific  
Economic Cooperation**

---

**2020/ACT/WKSP/011**

## **Vulnerabilities of Specialists and Professional Intermediaries Exploited in Concealing Beneficial Ownership**

Submitted by: Association of Certified Anti-Money Laundering  
Specialists



**Capacity Building Workshop on Exposing the  
Unseen Hands: Tackling Concealment of  
Beneficial Ownership  
19 October 2020**



## **Session 4:**

# **Vulnerabilities of specialists and professional intermediaries exploited in concealing beneficial ownership**

**20 October 2020**

### **Speaker:**

Ms. Hue Dang, CAMS-Audit  
VP & Global Head of Business Development & New  
Ventures | Senior APAC Leader **ACAMS**



## Purpose of Today's Training

This session will provide insights into:

- Required vigorous compliance efforts and vulnerabilities of specialists and professional intermediaries
- Including lawyers, accountants, and trust & company service providers (TCSPs) as unknowing actors in ML activities
- How DNFBPs can be used as a conduit to be exploited by criminals who engage in money laundering and broader organised and syndicated crime.



# FATF Guidance



Specific guidance was given to supervisors and the industry on:

- ✓ Risk-based approach;
- ✓ Risk assessment;
- ✓ Risk mitigation (CDD, Monitoring and STRs);
- ✓ Controls & governance;
- ✓ Training; and
- ✓ Enforcement.

Do not distribute elsewhere.





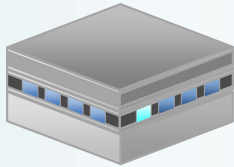
## **Vulnerabilities of lawyers, accountants, and trust & company service providers (TCSPs)**

Do not distribute elsewhere.



## Types of Vulnerabilities

**Formation**



**Offshore  
Accounts**



**Tax Evasion**



**Over/Under  
Invoicing**

Price  $\frac{+}{-}$

**Corporation**



**Trust  
Structures**



**Tax  
Fraud**



**Real Estate**



**Nominees**



**Falsifying  
Documents**



**Fraud**



**Terrorist  
Financing**

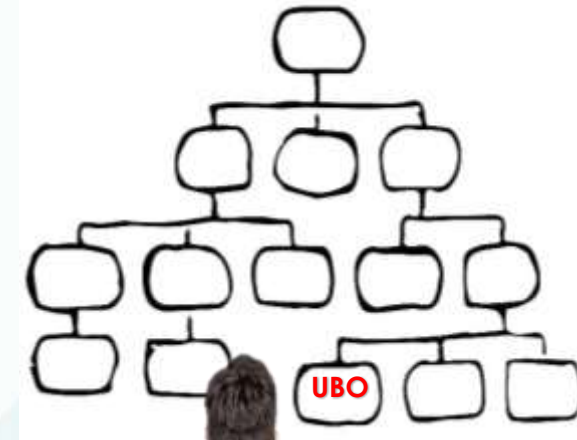


Do not distribute elsewhere.



The “**Panama & Paradise Papers**” demonstrated how **complex ownership structures** can be used by individuals to hide their ownership of seemingly legitimate entities

According to the ICIJ report, Mariam is one of the owner of British Virgin Islands-based firm, Nescoll Limited, incorporated in 1994.



Do not distribute elsewhere



# UBO & Shell Companies



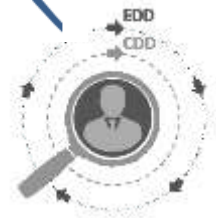
Source: <https://offshoreleaks.icij.org/nodes/10203385>

Do not distribute elsewhere.



# UBO & Shell Companies

BVI  
Incorporated:  
27-JAN-1993



?

**Nescoll Limited** owns 16-16A Avenfield House AND 17-17A Avenfield House, Park Land, London

**Nescoll Limited**

**Minerva Nominee Ltd**

**Minerva Trust**

?



It was found that **Nawaz Sharif**, former Prime Minister of Pakistan, owned the properties through his children.

<http://www.transparency.org.uk/uwo-consider-today/#.Wy3LV6czY2w>

Do not distribute elsewhere.





# What is your role?

## Types of Activities

- ❖ Forming a corporations, partnership, or other legal persons or launching an initial public offering;
- ❖ Performing tax compliance or regulatory services;
- ❖ Buying or selling real estate transaction;
- ❖ Managing financial accounts;
- ❖ Acting as a director or secretary for a legal person (such as a company)
- ❖ Performing forensic accounting;
- ❖ Providing a registered office or business address or similar service;
- ❖ Acting in a trustee capacity or similar legal arrangement; or
- ❖ Acting as a nominee shareholder

## Best Practices & Mandatory Requirements

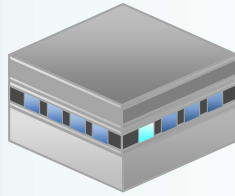
- ✓ AML/CTF policies & controls;
- ✓ Risk assessment;
- ✓ KYC/CDD; (including PEPs);
- ✓ Ongoing monitoring;
- ✓ Recording keeping;
- ✓ Designating an MLRO;
- ✓ Suspicious transaction reporting;
- ✓ Sanctions monitoring;
- ✓ Staff checking;
- ✓ Internal training

Do not distribute elsewhere.



# Risks associated with formation process

## Formation



Formation include company registration, arranging the business certificate(s) and permits, and maintaining company documentation.

- Assisting in criminal activity
- Moving money between front companies
- Hiding accounts
- Hiding stolen money
- Helping terrorist move money discretely
- Helping sanctions evaders move goods

## Legal Persons



## Offshore Accounts



- Creating offshore vehicles
- Forming a shell company
- Facilitating in / out transactions
- Disguising beneficial owners
- Facilitating tax evasion or fraud

Do not distribute elsewhere.



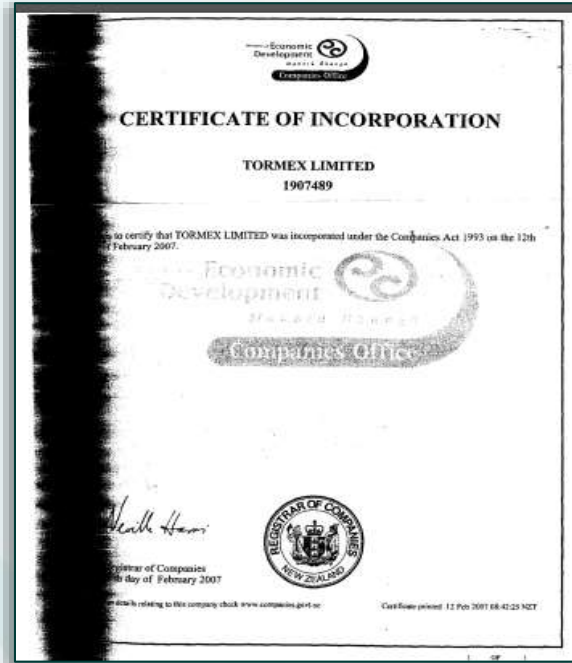
## Case Study: Tormex Limited



**Sources:** OCCRP, "Tormex Users – A Proxy World", 2011, <https://www.reportingproject.net/proxy/en/tormex-users-a-proxy-world> and <https://www.reportingproject.net/proxy/en/the-phantom-accounts> and <https://opencorporates.com/companies/nz/1907489> and NZ Companies Office <http://app.companiesoffice.govt.nz/companies/app/ui/pages/companies/1907489/4834380/entityFilingRequirement>



## Company Formation



Tormex Limited is set up by a New Zealand Trust and Company Provider (TCSP), GT Group, based in Vanuatu. The company was an importer/exporter.



Director

Stella Port-Louis

Tormex Ltd  
Company #1907489

Registered Office Registered Office  
C/-gt Group Limited, Level 5, 369  
Queen Street, Auckland , New  
Zealand

Address for service Address for  
service C/-gt Group Limited, Level 5,  
369 Queen Street, Auckland , New  
Zealand

Source: OCCRP, "Tormex Users – A Proxy World", 2011, <https://www.reportingproject.net/proxy/en/tormex-users-a-proxy-world> Do not distribute elsewhere.



# Exchange of Communication

IMPORTANT: Please sign this document and return to the Companies Office by either: scanning and uploading by using the Upload Consent Form function within the Form a Company menu at the Companies Office website or fax it to (09)913-4233. If any of the information is incorrect please access your online application, make the necessary changes and new consent forms will be reissued to you.

**Form 2** **30012237274**

**CONSENT AND CERTIFICATE OF DIRECTOR  
OF PROPOSED COMPANY**  
Section 12(1) of the Companies Act 1993

Name of Proposed Company: **TORMEX LIMITED** Company Number: **1907489**

Director's First Name(s): **Stella** Director's Last Name(s): **PORT-LOUIS**

I consent to be a director of the above proposed company and certify that I am not disqualified from being appointed or holding office as a director of a company.

Signature: *Stella C. Port-Louis*

Director's Residential Address: **Unit 2077, Amic Aux Pins, Mahé, Seychelles**

**DISQUALIFICATION DETAILS**


Please ensure that you are not disqualified from being a director of this company before signing this consent form.  
A person cannot be a director of a company if he or she is any of the following:

- under 18 years of age; or
- an undischarged bankrupt; or
- prohibited from being a director or promoter of, or being concerned or taking part in the management of, a company under any statutory provisions. This includes (but is not limited to) people who have been convicted of a crime involving dishonesty in the last 5 years or have been prohibited from managing a company by the Registrar of Companies; or
- subject to a property order under section 30 or section 51 of the Protection of Personal and Property Rights Act 1988; or
- not eligible because of requirements contained in the company's constitution (if any).

A person who is not a natural person cannot be a director of a company.  
For more information refer to sections 151 and 362 to 363 of the Companies Act 1993.

Completed By: **TAYLOR, Michael**  
Postal Address: **GT GROUP LIMITED  
PO BOX 5033  
AUCKLAND**  
Telephone: **+64 9 3064136**

Free phone during business hours: **0508 COMPANIES (8508 266 726)** Email: **info@companies.govt.nz**



On the company's birth date, she signed a power-of-attorney which effectively gave control to a second-level proxy

Stella Port-Louis, 32, was a company director living in the Seychelles islands.

Source: OCCRP, "Tormex Users – A Proxy World", 2011, <https://www.reportingproject.net/proxy/en/tormex-users-a-proxy-world>

Do not distribute elsewhere.



## Banking Relationship

Tormex Limited set up a bank account (a multi-currency account) with Baltic International Bank.



**Tormex Ltd**



**Baltic International Bank**

Tormex opened a multi-currency account – a usual practice in the banking paradise of the Baltic state. The balance was held in seven currencies (USD, EUR, GBP, CHF, SEK, JPY, CAD), but the most significant transactions were in US dollars

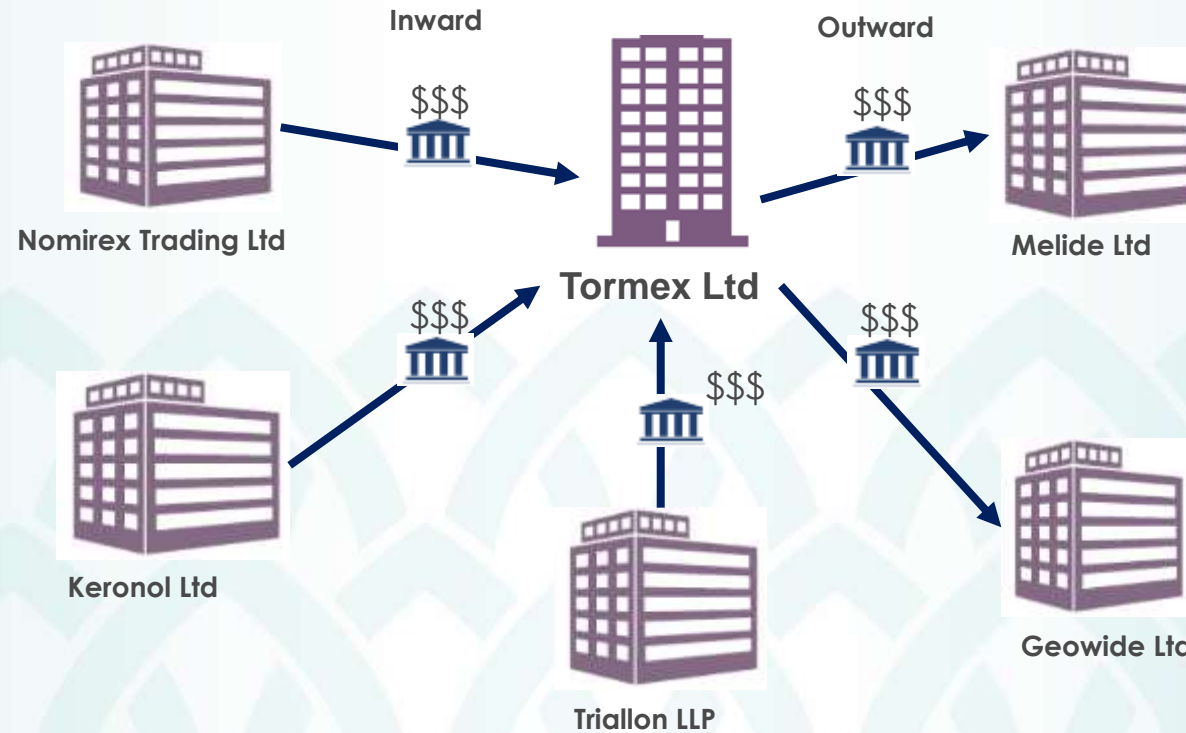
**Source:** OCCRP, "Tormex Users – A Proxy World", 2011, <https://www.reportingproject.net/proxy/en/tormex-users-a-proxy-world>

Do not distribute elsewhere.




# Transactions

Tormex Limited also had transactions with other offshore proxy companies engaged in a similar business. Many transactions went to individuals.



Do not distribute elsewhere.





## Why do we need AML controls?





## Overview of Key Points

- ❑ At a high-level, all of the companies appeared legitimate. They had proper documentation and contracts. The nominees were real people.
- ❑ However, criminal syndicates were making payments to drug dealers and associates. The transactions moved money around with no business purpose from one offshore company to another. The entire pattern did not make commercial sense.
- ❑ Russian organized criminals were laundering money. The account ledger will see money coming in and going out without a commercial rationale.
- ❑ Port-Louis's directorship lasted only hours. She was a proxy director for an estimated 577 New Zealand offshore companies.
- ❑ On the company's birth date, she signed a power-of-attorney which effectively gave control to a second-level proxy: Albert Maslakov. Maslakov, 44, a driver, lives very modestly outside Moscow.

Source: <https://www.reportingproject.net/proxy/en/the-phantom-accounts>

Do not distribute elsewhere.



# Customer Review

## Simplified Due Diligence

### Low Risk

#### For individuals

- Name, DOB, phone & address;
- Verifying the customer's identity using national identity card; and
- Keep records of the transaction.

*Because the transaction is lower risk, lower exchange of value, or client is an existing client*



For illustration purposes

## Standard Due Diligence

### Medium Risk

#### For individuals

- Full name, DOB, phone & address;
- Nationality;
- Identification card;
- Occupation and
- Keep records

#### For legal entities

- Full name, date of incorporation or registration
- Get a business address;
- Contact number or email;
- Place of registration or incorporation; and
- Nature of business.

## Enhanced Due Diligence

### High Risk

#### PEPs & Non-Residents

- SDD plus screening
- Source of wealth;
- Understand the nature of the sale;
- Understand the purpose of the purchase; and
- Keep a record.

#### Foreign Companies

- SDD plus screening;
- Legal form and follow-up;
- Understand the owners;
- Understand the purpose of the purchase
- Source of payment; and
- Keep a record.

Do not distribute elsewhere.

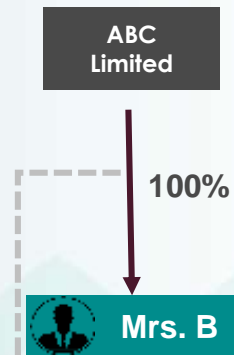
Source: [https://www.hkicpa.org.hk/-/media/HKICPA-Website/HKICPA/section5\\_membership/Professional-Representation/aml/HKICPA\\_AML\\_Enforceable\\_GLs\\_Feb2018\\_20180228.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/HKICPA/section5_membership/Professional-Representation/aml/HKICPA_AML_Enforceable_GLs_Feb2018_20180228.pdf)



# Corporate Vehicles & Beneficial Ownership

## Illustration

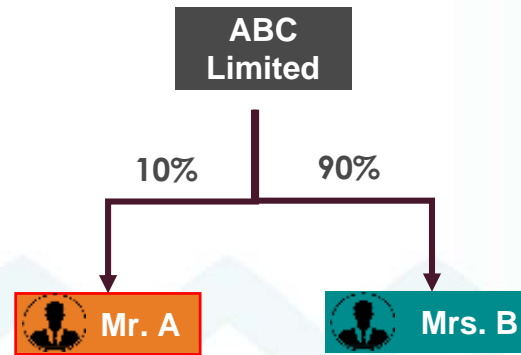
Example 1



Nominees or independent director(s)

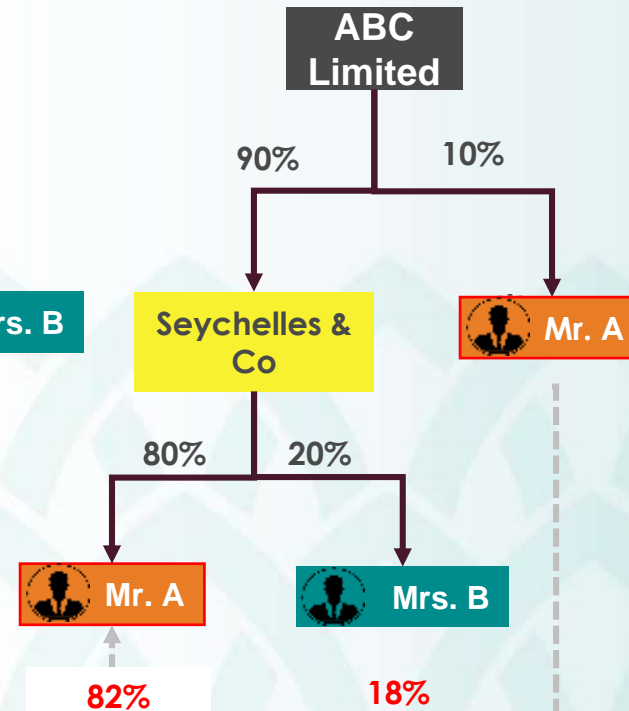


Example 2



Beneficial owner who has >25%?

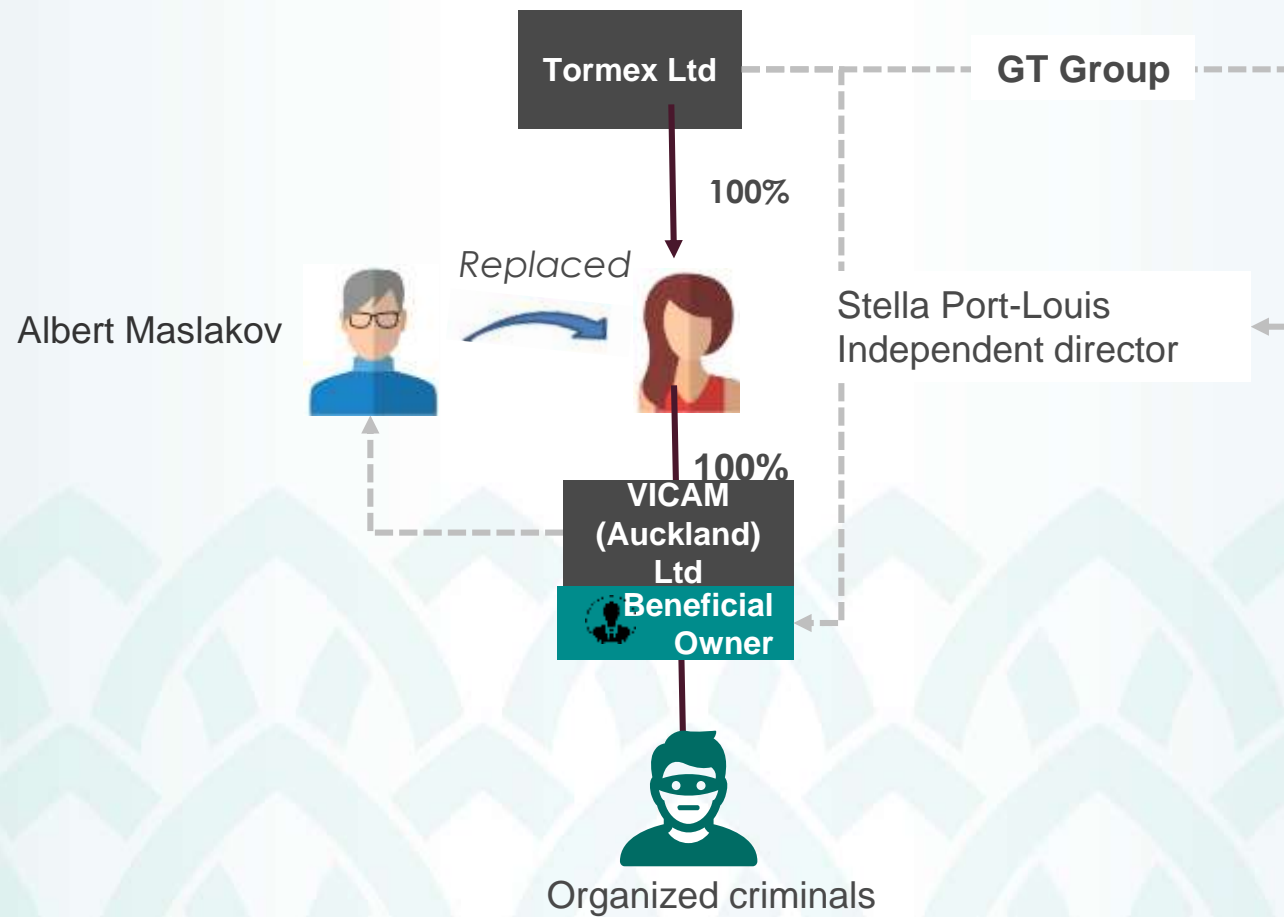
Example 3



Do not distribute elsewhere.



# Tormex Ltd Illustration





# Summary

- ❑ The Tormex Ltd accounts showed thousands of suspicious transactions between phantom companies – often in offshore tax jurisdictions or jurisdictions such as the USA, UK, Europe and elsewhere.
- ❑ The growing expectation is that accountants and auditors with an intimate understanding of the customer transactions will detect suspicious activity.
- ❑ Accountants, lawyers, and gatekeepers must take care to understand their customer (and the ultimate beneficial owner).



# Key Takeaways

- ❑ There are a variety of accounting activity that may prompt AML/CTF requirements. Training is key to understanding your responsibilities.
- ❑ The ultimate beneficial ownership can be disguised through shell companies
- ❑ Nominees may be used to obscure the valid natural person
- ❑ Accountants may be used to facilitate the movement of money or products
- ❑ In the following case study, shell companies are an excellent way to launder dirty money





Do not distribute elsewhere.