



# Set of Indicators for Corruption Related Cases

From the FIUs' Perspective



# Egmont Group set of indicators for corruption related cases from the FIUs' perspective

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 impacts 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 order to enhance the intelligence available to FIUs, it is important for FIUs and law enforcement to work with financial institutions and other front-line reporting entities to improve the identification of suspicious transactions and activities indicative of corruption. To facilitate this work, the Egmont Group has compiled a set of indicators that may, when considered in the context of a transaction or customer interaction, assist in the identification of corruption and of the laundering of the proceeds of corruption.

It is important to recall that these indicators should not be considered in isolation. Numerous international organizations, including the Financial Action Task Force, World Bank, United Nations Office on Drugs and Crime, and INTERPOL, have undertaken important work in this field, and the existing body of knowledge continues to be relevant to the identification and investigation of corruption. The indicators compiled by the Egmont Group aim to build on this previous work to further assist FIUs and financial institutions in the efforts to address this crime.

The indicators listed below could lead to a suspicion of money laundering of proceeds derived from corruption or any other predicate crime. They can be used separately or in combination with other indicators, or other existing information.

**This set of indicators is approved by the HoFIU during the Egmont Group plenary meeting in Sydney (24-27 September 2018), it is not exhaustive and will be amended and supplemented in accordance with feedback received from Egmont Group members, Observers, International Partner Organisations, different competent authorities, and reporting entities.**

## **INDICATORS OF DISTORTIONS IN TENDERS AND PURCHASING WHICH ARE RELEVANT TO PROCUREMENT FRAUD**

- 1.** Services provided to state-owned companies or public institutions by shell companies or companies registered in jurisdictions with simplified company registration.
- 2.** A certain legal entity or legal arrangement is constantly winning a majority of the largest contracting authority tenders/public procurement bids, or long-term contracts are repeatedly awarded to the same subcontractor, without reasonable justification.
- 3.** 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.
- 4.** Subcontractors have common director(s) and/or are related with the management of the contractor.
- 5.** Subcontractors/intermediaries brought in on business deals once a contract has already been agreed and for no obvious reason.
- 6.** Contractors, subcontractors or their counterparties (within the timeframe for completion of the state contract) are linked by: address, telephone number, IP-address, etc.
- 7.** 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.
- 8.** Deposits in bank accounts of public officials with checks issued by construction companies, individuals or non-governmental entities that previously benefited from public works contracts.
- 9.** 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.
- 10.** 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).
- 11.** Funds received by a contractor of public procurements, are not spent to fulfil the contract needs.
- 12.** Checks issued in favour of public officials and come from accounts of people who benefited from public procurements/funds, without an evident justification.
- 13.** Checks issued by a public entity, being cashed out and subsequently deposited to bank accounts of public officials or persons/entities related to public officials.
- 14.** Public officials, especially those having a role in government contract management or public procurement of high-value assets, receive international funds transfer instructions (IFTIs) from business and/or personal accounts, where these funds appear to be excessive in value.

## RECIPIENT-BASED INDICATORS OF UNEXPLAINED WEALTH OR INCOME

15. The subjects in a transaction are domestic or foreign politically exposed persons (PEPs), their family members or close associates as defined by the FATF and receive and/or send unusually large amounts of funds in different currencies.
16. Funds received in bank accounts of persons, legal entities, or legal arrangement with no visible connection to PEPs, or other 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 or PEP.
17. Representative of a PEP (i.e. lawyer, secretary, accountant), opens bank account and purchases expensive property or luxury goods with the express intent of bypassing Customer Due Diligence (CDD) process screening for PEPs.
18. “Money mules” (especially in the remittance sector) can be used to obfuscate the beneficial ownership of the assets by involving PEPs’ or other officials’ employees i.e. cleaner/gardener/driver. Usually, the funds received on the bank accounts of such money mules significantly exceed their legitimate employment income.
19. PEPs, their family members or close associates, or other 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 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 gives 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
  - Profit from a share transaction where the purchase and selling dates of shares are within a short time period.
20. PEPs, their family members or close associates, or other officials, receive loan guarantees from a public corporation or government body, or a loan under favourable conditions.
21. PEPs, their family members or close associates, or other 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.
22. PEPs, their family members or close associates, or other officials, receive debt forgiveness or repayment requirements are waived by the creditor.
23. PEPs, their family members or close associates, or other officials, perform transactions with sovereign wealth funds or government-linked companies.

24. Misrepresentation and/or inconsistency between the declared source of wealth of a PEP, his/her family members or close associates, or other officials, through their sworn asset declarations, and those established during the due diligence process.
25. PEP, his/her family members or close associates, or other official, have purchased cryptocurrency in total amount higher than their legally declared income.
26. The purchase of luxury goods, payments for high-cost services, or the receipt of any other benefits by PEPs, their family members or close associates, from the contracting authority, or a contractor in the period of the execution of the state contract, or immediately after the contract expires.
27. Transactions, which take place in accounts of PEP, his/her family members or close associates, or other officials, involving cash deposits or withdrawals in unusual frequency and amounts.
28. Incoming transactions from foreign jurisdictions (specifically from jurisdictions with simplified company registration) on accounts of PEPs, their family members or close associates, or other 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.
29. Purchases of movable or immovable assets by PEPs, their family members or close associates, or other officials, which are not sourced from salary deposits.
30. The use of *hawala* type mechanisms (especially through the remittance sector) by PEPs, their family members or close associates, or other officials, to move money abroad.
31. Fixed Term Deposit Certificates made by companies with main purpose that the capital and interest generated from the investment should be transferred immediately to bank accounts of a political party.
32. Cash deposits with no rationale:
  - a. *Credit card/ home loan applications (even if declined) are useful to find out what the public official earns versus what is deposited into their bank account; or*
  - b. *Cash deposits made into the same public official's account from different locations.*
33. The immediate transfer of funds from a private entity's bank account to a personal bank account of a person related to a PEP, or other 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.
34. Incoming cash or electronic transfers from different external sources on accounts of PEPs, their family members or close associates, or other officials, are later spent at online gambling sites – credit from the same site or different online gambling sites can then be seen.

- 35.** Transferring of funds from bank accounts of PEPs, their family members or close associates, or other officials, to high-risk vehicles abroad, such as corporate trusts.
- 36.** PEPs, their family members or close associates, or other 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.
- 37.** PEPs, their family members or close associates, or other officials, have made cash transactions involving large amounts (e.g. currency exchange, use of cash to purchase high-cost goods, etc.).
- 38.** Transaction payments of unusual amounts or frequency from PEPs, their family members or close associates, or other officials, to lawyers, accountants, or other professional intermediaries.

### **PAYEE – BASED INDICATORS**

- 39.** 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 organisations, and are sometimes reluctant to explain the source of wealth/funds, or give unsatisfactory explanations.
- 40.** 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 PEPs, their family members or close associates, or other officials.
- 41.** A less complicated direct international transfer from the Treasury of a foreign country by leaders of political parties in power, in favour of a company selling consumer discretionary.
- 42.** The stated source of wealth of funds received to a bank account of a PEP, his/her family members or close associates, or other 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.
- 43.** Transactional activity usually characterised 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 PEPs or other officials).

## OTHER INDICATORS

44. Open source information, which can relate specific financial activity to ongoing investigations into individuals, and concerns about corruption.
45. 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.
46. Payments made by contractors for consultancy services, particularly in industries with a higher-risk to corruption, such as arms, mineral extraction and telecoms, where the amount paid appears to be outside the normal price range for consultancy services.
47. A fiduciary service company which set up the structure for the applicant may be the subject of negative press reporting.
48. Close family members or associates of PEPs, or other officials, are appointed as senior management officials in private companies without meeting the necessary requirements for taking up the position.
49. Applicant wants to open an account with an unnecessarily complex structure of economic and beneficial ownership possibly involving eclectic wealth planning arranges or bearer share companies (known to be linked to PEPs, their family members or close associates, or other officials).
50. Applicant (who is a PEP, his/her family member or close associate, or other official) expresses urgency on an application (e.g. completion on a mortgage or other time critical transaction).
51. Explanations for transactions may include the use of words and phrases often used as euphemisms for bribes (for example commission, marketing fees, surcharge etc.).
52. PEPs, their family members or close associates, or other officials increase their standard of living immediately after the expiration of the officials' mandate without any legally justifiable reasons. Another possibility would be 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.
53. Opaqueness of government business schemes used to encourage diversity, which should be overtly transparent.
54. 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.
55. Companies changing the terms of agreements and definitions of intermediaries to avoid registration and regulatory oversight in other countries.