

NATIONAL MONEY LAUNDERING / TERRORIST FINANCING (ML/TF) RISK ASSESSMENT TOOLKIT

GUIDANCE MANUAL

LEGAL PERSONS AND ARRANGEMENTS ML RISK ASSESSMENT TOOL

With guidance on assessing risks related to
beneficial ownership transparency



Funded by the European Union



Stolen Asset Recovery Initiative
The World Bank • UNODC



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Abbreviations

AEOI	automatic exchange of information
AML	anti-money laundering
ANRI	“Attractiveness for Non-Resident Incorporation” score (step 4A of tool)
BO/UBO	beneficial owner/ultimate beneficial owner (terms are used interchangeably)
CDD	customer due diligence
CFT	combating the financing of terrorism
CRS	OECD’s common reporting standard for the automatic exchange of tax information
DNFBPs	Designated Non-Financial Businesses and Persons
FATCA	Foreign Account Tax Compliance Act (U.S. law)
FI	financial institution
FIU	financial intelligence unit
IBC	international business company
LA	legal arrangement
LEA	law enforcement authority
LP	legal person
LS	legal structure (refers to both legal persons and legal arrangements)
ML	money laundering
MLA	mutual legal assistance
NRA	National Risk Assessment
PEP	politically exposed person
R	Recommendation
SAR	suspicious activity report
STR	suspicious transaction report
TCSP	trust and company service provider
TF	terrorist financing



Terminology

NOTE: While there is a full Glossary at the end of the document, we present here the definitions of the following four terms for ease of reference.

Legal Arrangement: Trusts, express trusts, or similar legal relationships that provide for the separation of legal ownership from beneficial ownership. The settlor (a natural or legal person) places property (including real, tangible, and intangible) under the control of a trustee for the benefit of a beneficiary (or beneficiaries) or for a specified purpose. The trustee who holds legal title owes a fiduciary duty to the beneficiary who is the beneficial owner of the trust property.

Legal Entity: Used interchangeably with “legal person”; refers to legal persons with a separate legal personality.

Legal Person: Corporate bodies, foundations, partnerships, associations, cooperatives, or similar entities – other than natural persons – that have legal personality and can establish a permanent customer relationship with a financial institution or otherwise own property.

Legal Structure: In this tool, the term “legal structure” is used as a general umbrella term to refer to any legal persons, trusts, or other legal arrangements through which a wide variety of commercial activities can be conducted and assets can be held.



Tool Structure

Step 1	Mapping of Legal Persons and Arrangements
Step 2	Threat Assessment A – Threat Score B – Qualitative Analysis of Threat: Nature of Abuse and Typology Analysis C – Case Studies
Step 3	Entity Risk Assessment
Step 4	National Vulnerability Assessment

Introduction

Legal structures are used to conduct a wide range of legitimate commercial activities and play an essential role in the global economy. In most countries, companies and other forms of legal structures can be formed easily and quickly and can gain access to the global financial system through setting up a corporate bank account, taking out corporate loans, and using other financial products.

Through anti-money laundering (AML) and anti-financial crime regulatory reforms, anonymous personal bank accounts are no longer widely available, and so-called “shell banks” that do not have any physical presence in any jurisdiction have been effectively outlawed. Instead, shell companies and other forms of legal structures (such as limited liability partnerships) have emerged as a primary mechanism for moving large amounts of illicit funds around the world.

There are different reasons why criminals may need to form a legal structure – or more often a network of dozens of legal structures—to facilitate money laundering/ terrorist financing (ML/TF) or perpetrate predicate crimes. Some common purposes for setting up shell companies (or other legal structures) for illicit purposes include:

- Enabling corruption, fraud, and tax evasion
- Spending or investing proceeds of crime
- Hiding true ownership of assets (including by politically exposed persons [PEPs])
- Transferring bribe payments or embezzled public funds
- Providing an apparent legitimate commercial justification for large movements of funds
- Comingling proceeds of crime with legitimate sources of funds
- Providing asset protection for assets acquired with proceeds of crime.

Corporations were originally established to shield individuals from personal liability when conducting business; they were never designed or intended to conceal ownership. But beginning in the 1970s, some offshore jurisdictions began offering to establish corporations and other legal structures that would enable individuals to open bank accounts, transfer funds, and take other actions while hiding their identities. There are four aspects of shell companies and other types of legal structures that are particularly important in the anti-money laundering/combating the financing of terrorism (AML/CFT) context: (1) separate legal personality, (2) hiding ultimate beneficial ownership, (3) providing access to the financial system, and (4) enabling asset ownership.

The first aspect, sometimes referred to as the “corporate veil,” allows individuals to conduct business through an entity while only risking the assets that the entity holds. On its own, this is largely unobjectionable – the legal separation between an entity and the individuals behind it conveys significant economic benefits for commerce and entrepreneurship in terms of liability protection. The second aspect describes the fact that criminals, tax evaders, and other wrongdoers may exploit the protections offered by different types of structures to hide their beneficial owners, and by extension the true owners of the assets they hold, absent an effective beneficial ownership disclosure system. This poses a clear ML/TF problem that is increasingly being tackled at the international level. The goal of efforts to reform beneficial ownership disclosure systems is to limit the potential for criminal abuse of legal structures through more effective disclosure of beneficial ownership, while minimizing the regulatory burden on legitimate business conduct.

In addition, companies and other legal structures provide access to the global financial system and own assets that can be used for laundering illicit funds.¹ Without clear laws and regulations on the collection, holding, and access to information of beneficial owners of legal structures, and effective implementation and enforcement thereof, they can pose serious ML/TF risks that require careful attention by competent authorities.

>>>

Figure 1. Why are shell companies (and other legal structures) so popular for moving illicit money around the world?



1. See, for example, FATF/Egmont Group 2018; Findley, Nielson, and Sharman 2014; OECD 2001; United States Senate 2010; and van der Does de Willebois et al. 2011.

Multijurisdictional nature of risks related to legal persons

No jurisdiction can effectively address risks of misuse of legal structures without assistance from other jurisdictions. It is commonly observed that corporate networks that are misused for illicit purposes split company formation, asset ownership/administration, location of professional intermediaries, and location of bank accounts across different countries in order to evade regulations. This technique, which is referred to as “multijurisdictional splitting” in this tool, makes it very difficult for authorities in any single jurisdiction to see the full picture of the abuse of legal structures for money laundering, terrorist financing, and predicate crimes.

The greatest challenges faced by authorities to identify beneficial owners of legal structures nearly always involve some cross-border elements, such as corporate ownership by a foreign company or trust, which requires international exchange of information to detect, investigate, and prosecute abuses (table 1).

Furthermore, weaknesses in controls against abuses of legal structures for illicit purposes in one jurisdiction can have disproportionate consequences for enabling crime in many other jurisdictions. The most popular jurisdictions for company formation and preferred types of legal structures can change rapidly in response to legal and regulatory reforms and to improvements in operational processes. Illicit financial flows move quickly across national borders seeking out those jurisdictions that offer the greatest degree of protection from scrutiny by law enforcement and regulators. For these reasons, the multijurisdictional nature of risks related to legal structures is emphasized throughout this tool and forms a central part of this assessment.

>>>

Table 1: Types of Cross-Border Risks

Description of misuse	Type of risk
Misuse of legal structures created in your jurisdiction by non-resident individuals, by foreign legal structures, and by foreign corporate service providers or other intermediaries	“Exported” risk to other countries
Misuse of foreign legal structures that have an ML-relevant link to your jurisdiction Such links may include, but are not limited to, significant business activities in your jurisdiction, significant real estate/other local asset investment, significant and ongoing business relations with financial institutions or Designated Non-Financial Businesses and Persons (DNFBPs) subject to AML/CFT regulations, employing staff, being a tax resident in your country.	“Imported” risk from other countries

To the extent that information can be obtained, we recommend that all risk assessments of legal structures that are conducted with the help of this tool incorporate a review of both types of cross-border risks outlined in table 1: risks related to misuse of legal structures created in your jurisdictions that are “exported” abroad as part of multijurisdictional criminal networks that exploit national regulatory loopholes, and risks related to foreign legal structures that were created outside your jurisdiction and that may pose money-laundering vulnerabilities in your country.

Table 2 provides specifics on how cross-border risks are integrated into this risk assessment module.

Table 2. How cross-border risks are integrated into the risk assessment

Step	Name	Description
Step 1	Mapping of Legal Persons and Arrangements	The first step includes three questions about the legal/regulatory framework governing activities of foreign legal structures in your country. See page 17.
Step 2	Threat Assessment	<p>The threat assessment requires recording information about foreign structures involved in analyzed ML enforcement data and case studies. The qualitative analysis section (2B – “Nature of Abuse”) includes specific questions about ownership/control arrangements, the top 10 home jurisdictions of foreign structures suspected of frequent ML abuse, and more. See questions 7–13, Step 2B.</p> <p>The typology analysis includes several typologies that are sometimes used to exploit gaps in national regulations:</p> <ul style="list-style-type: none"> • Multijurisdiction splitting • Foreign ownership/control by shell companies • Use of international business companies (IBCs)/exempt companies. • Use of nominee shareholders and directors
Step 3	Entity Risk Assessment	<p>The template for domestic legal structures includes indicators on:</p> <ul style="list-style-type: none"> • Cross-border risk exposure • Attractiveness for non-resident use. <p>There is a separate, simplified assessment template for foreign legal structures created in other jurisdictions.</p>
Step 4	National Vulnerability Assessment	<p>The Attractiveness for Non-Resident Incorporation (ANRI) score (Step 4A) assesses your jurisdiction’s overall attractiveness as an international center for entity formation, for <i>foreign</i> clients.</p> <p>Step 4B, which assesses the strength of your jurisdiction’s mitigation measures against abuse of legal structures, includes factors aimed at limiting exploitation of national regulatory loopholes, such as indicators on:</p> <ul style="list-style-type: none"> • Effectiveness of international information exchange • Existence and quality of beneficial owner transparency measures for foreign structures.

How to Use This Tool – Practical Recommendations

- **You may not have all the data.** Availability of high-quality data on abuse of legal persons and arrangements is a problem in many jurisdictions – but this should not derail the assessment. Collect the best available information on ML/TF involving legal structures (or on predicate offenses if information on ML/TF is limited) from government sources, open sources, and consultations with experts. Data deficiencies can be used to identify follow-up actions for the action plan.
- **Public-private-social sector collaboration is key.** As much expertise on setting up legal structures, their benefits, and risks, is in the private sector, civil society, and academia, cross-sector collaboration is critical to properly identify and analyze risks. See section below on composition of the Working Group and consultations with external stakeholders.
- **Don't get lost in the weeds.** This assessment considers many different factors because it aims to help authorities identify gaps and weaknesses in their systems, and country contexts vary significantly. However, please take into consideration that not every factor is equally relevant in all jurisdictional contexts. Don't get lost in the weeds of the analysis – it may not be material to come to a conclusive assessment rating for all indicators. Focus on using the prompts in the tool to systematically review your system and spot the most important gaps and weaknesses, leading to the greatest money laundering risks.
- **Recording variation in scores can be helpful.** The tool encourages the Working Group to come to a unified conclusion for every assessment rating. However, there may be some ratings on which there is broad consensus among the group, and others where the group is divided. For this reason, it may be helpful to record assessment ratings with a high level of variation among the Working Group, and include this information in the report. This can help identify weaknesses, blind spots, and areas lacking clarity in a jurisdiction's AML framework, and scores with less certainty might deserve more attention in the analysis.
- **Do all four steps of the assessment have to be completed?** This tool was designed to offer a comprehensive template for a self-assessment of risks related to legal persons and arrangements that may affect a jurisdiction, and risks related to a country's beneficial ownership framework. The four steps follow a logical order and build on one another. For a comprehensive assessment, we recommend completing all steps; however, authorities should exercise their own judgment in planning for the assessment based on their needs, priorities, and available resources and may choose to prioritize specific steps.
- **Circulate and publish the results of the assessment.** The results of the risk assessment and action plan to mitigate risks should be shared widely across the public sector and with key private sector and civil society partners. With necessary redactions for any sensitive information, we encourage making the results of the assessment publicly available to advance international exchange and increase understanding and learning about risk factors.

Working Group Composition

PUBLIC SECTOR

It is recommended that the Working Group should include members from the following institutions:

- Financial intelligence unit investigators (ideally with working knowledge of multijurisdictional money laundering cases)
- Law enforcement authority investigators (ideally with working knowledge of multijurisdictional money laundering cases)
- Company registry staff
- Other relevant registries, if any (for example, a trust registry, if it exists)
- Tax authority
- Financial sector supervisory authority (including supervisors of trust and company service providers [TCSPs])
- Anticorruption authority, if any
- Customs authority (with working knowledge of trade-based money laundering mechanisms)
- Officials from any other agencies responsible for collecting beneficial ownership information of legal entities or arrangements.

Where appropriate, the Working Group should include representatives from subnational competent authorities. This is particularly important in federal states where anti-money laundering investigations are carried out by state or provincial-level prosecutors.

Due to the specialized work involved in conducting the risk assessment of legal persons and legal arrangements, Working Group members should ideally have deep technical expertise and working knowledge of company formation processes in your jurisdiction, multijurisdictional structuring of corporate networks, and/or criminal abuse of legal entities. It may be preferable to include analyst-/investigator-level staff in the Working Group compared to management-level members, depending on their familiarity with these topics.

CONSULTATIONS WITH EXTERNAL EXPERTS FROM THE PRIVATE SECTOR, CIVIL SOCIETY, AND ACADEMIA

Much expertise on setting up legal structures, on their benefits, and on their risks is in the private sector, in civil society groups with AML, anticorruption, tax, or financial crime expertise, and in academia. Public-private collaboration is key for a successful self-assessment of the risks related to legal structures.

It is therefore recommended to include private sector/civil society sector/academic representatives in the Working Group or alternatively to conduct consultations with private sector representatives as part of the risk assessment. The specific arrangements for conducting the workshops are at the discretion of the country authorities and should be determined based on country context.

Some of the information analyzed may be sensitive, for example, enforcement data for the threat assessment, and a separate session open only to public sector representatives for analysis of sensitive data may be organized.

Relevant private sector professions and external groups include, among others:

- Trust and company service providers (TCSPs)
- Notaries
- Financial institutions (banks, private wealth management, others)
- Accountants and tax and wealth planners (with working knowledge of company formation and structuring of corporate networks, particularly of small and medium-sized enterprises (versus publicly listed companies) and those offering services to non-residents)
- Representatives from sectors with potential exposure to money laundering in your jurisdiction, for example, lawyers, real estate agents, luxury goods dealers, art advisors
- Civil society/nongovernmental organizations (NGOs) with AML, anticorruption, tax, or financial crime expertise
- Academics with AML, anticorruption, tax, or financial crime expertise
- Independent experts with AML, anticorruption, tax, or financial crime expertise
- Associations of former law enforcement officials (prosecutors, magistrates, investigators).



Tool Guidance

Step 1: Mapping of Legal Persons and Arrangements

This step requires collecting information on the different types of legal structures to gain a comprehensive overview of all legal persons and legal arrangements that can be created or registered under your jurisdiction's national laws.

Much of the factual information collected in this step will serve as a basis for assessment indicators in Steps 3 (Entity Risk Assessment) and 4 (National Vulnerability Assessment).

Common types of legal persons or arrangements that exist in many jurisdictions include Corporations, Limited Liability Companies (LLCs), Public Limited Companies (PLC), Joint-Stock Companies or Private Unlimited Companies, Companies Limited by a Guarantee, General Partnerships, Limited Liability Partnerships (LLPs), Foundations, Cooperatives, Associations, and Trusts. (General descriptions of common types of legal structures are included at the end of this guidance.)

Some jurisdictions have legal structures with special features that were created for specific business or historical purposes, for example, International Business Company (IBC), Anstalt, Fiducie, Treuhand, Fideicomiso, Usufruct, Charitable Companies, Charitable Incorporated Organizations, and others.

Using the “Step 1 - Mapping” Excel tool, compile a comprehensive list of all legal persons and arrangements that can be formed or registered under the laws of your jurisdiction. The Excel tool includes questions on each of the entity types in the following categories:

- Registration data
- Requirements for entity formation or registration
- Basic information
- Beneficial ownership information
- Nominees and bearer shares
- Common business operations.

Aside from the entity-specific information, review and complete the general questions below about your jurisdiction's legal/regulatory framework governing legal persons and legal arrangements. The same list of questions is also provided in the second tab of the "Step 1 - Mapping" Excel tool.

You can analyze the information collected for the mapping exercise in the report on this risk assessment, commenting on aspects such as gaps in registration requirements and their justification; gaps in basic information and beneficial owner disclosure requirements and their justification; percent changes in registration rates – taking note of sudden increases or contractions that may not be explained by legitimate economic drivers; sectoral analysis, for example, domestic sector vs. offshore sector; trends in rates of dormant entities and entities reactivated after dormancy, indicating possible use as "shelf companies," and other noteworthy aspects.

MAPPING: GENERAL QUESTIONS ABOUT THE LEGAL/REGULATORY FRAMEWORK GOVERNING LEGAL PERSONS AND ARRANGEMENTS IN YOUR COUNTRY

EXCLUSIONS FROM BENEFICIAL OWNER (BO) REPORTING REQUIREMENTS

- Which legal structures are excluded from a requirement to report their beneficial owners to a registry, public authority, or a regulated intermediary, if any?

SANCTIONS

- Who can be held liable for submitting false BO information (for example, only the company, also company directors, TCSPs, BOs)?
- What sanctions are available for submitting false BO information and failure to report or update BO information?
- How often have these sanctions been applied in practice in the past few years? Include any available information since BO reporting requirements have been adopted, for example, number of company officers sanctioned, number of entities sanctioned or suspended, average level of sanctions, breakdown of sanctions by type of legal entity.

BO DEFINITION

- Does your jurisdiction have a clear and uniform definition of beneficial ownership, defined in national legislation, in accordance with international standards? Does the definition state that a beneficial owner must be a natural person, and cover all relevant forms of ownership and control, including control through means other than legal ownership? Is it clear that ownership and control can be held both directly and indirectly? Please cite applicable laws and regulations.
- Thresholds for BO reporting: Is there one general threshold for equity ownership that is used to define beneficial ownership of legal persons, or does your jurisdiction apply different thresholds based on risks (for example, sectoral risk, entity type risk, geographic risks, risks related to politically exposed persons [PEPs]), agent/TCSP risks)?

NOMINEES

A nominee director or a nominee shareholder may be known by a different name in your jurisdiction, such as resident director, local director, or shareholder.²

- Do any special laws or regulations for the provision of nominee services exist? Does your jurisdiction generally allow or prohibit nominee directors and nominee shareholders? Is it clear that a nominee director/shareholder can never be a beneficial owner?

2. See FATF Glossary definitions of nominee director and nominee shareholder, as amended March 2022.
<https://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

- Do nominee directors bear the same legal responsibility for the affairs of a company (for example, in the case of fraud or corruption) as ordinary company directors? Are there dissuasive sanctions or fines for the nominee director if the legal structure is used to facilitate criminal conduct?
- What arrangements, if any, are in place to record the identity of the nominator (the individual or legal person who issues instructions to a nominee to act on their behalf in the capacity of a director or a shareholder) for nominee directors and shareholders?
- Are there any disclosure/transparency requirements for nominee directors and shareholders, for example, in the corporate registry, or other relevant registry, to the public authority recording beneficial ownership information, or to a financial institution or TCSP? (FATF Interpretative Note to Recommendation 24, 13(a), as amended March 2022)
- Are there any licensing or registration requirements for nominee directors or nominee shareholders? (FATF Interpretative Note to R24, 13(b), as amended March 2022. If yes, are any arrangements in place to identify unlicensed or unregistered nominees?
- Are there other relevant regulations or restrictions on nominee directors/nominee shareholders that aim to address criminal abuse of such arrangements, for example, a maximum number of directorships an individual can hold?

BEARER SHARES

- Does your jurisdiction generally allow or prohibit the formation of new bearer shares? Are existing bearer shares required to be converted to registered shares or share warrants?
- Have measures been taken to immobilize existing bearer shares, for example, a requirement for a regulated custodian within your jurisdiction to hold bearer shares? If yes, is the registration of the owner of the bearer share by a regulated custodian or other party conclusive to determine ownership before any rights associated therewith can be exercised, or can any person who physically presents the instrument exercise those rights?

FOREIGN LEGAL STRUCTURES

- Has your jurisdiction implemented any specific transparency measures for foreign legal structures that were created in another jurisdiction and wish to operate in your jurisdiction, purchase assets or own shares in a domestic company, apply for a business license, bid on public procurement contracts, or pursue other activities in your jurisdiction? If so, describe the arrangements and conditions under which foreign entities must register or otherwise disclose basic and beneficial ownership information.
- Does your jurisdiction allow a foreign bearer share entity to operate or own assets in your jurisdiction?
- Does your jurisdiction have any agreements with other jurisdictions that cover expedited exchange of BO information (outside of standard mutual legal assistance processes)?



Step 2: Threat Assessment (Money Laundering)

The Excel tool provides a template for a threat assessment of money laundering abuse of legal structures. To the degree possible, the Working Group should try to focus on more complex and sophisticated cross-border money laundering cases that involve legal structures.

This assessment focuses mainly on money laundering (ML) statistics. However, in some jurisdictions, there is insufficient enforcement against money laundering offenses, sometimes due to capacity constraints or due to policy choices. In contexts where information on enforcement of money laundering is limited, jurisdictions may perform this assessment by analyzing the data on the highest proceeds generating predicate crimes and focus on the abuse of legal structures to facilitate those predicate crimes.

In some contexts, available information on the level of ML abuse may consist largely of simpler ML schemes that involve cash purchases, for example. This may be because competent authorities face challenges to investigate complex and sophisticated money laundering cases involving large networks of legal structures. In these cases, jurisdictions may also decide to supplement data on ML offenses with data on predicate crimes involving legal structures. Further comments on the nature of the challenges to investigate complex, cross-border ML involving domestic and/or foreign legal structures will be valuable to include in the report on this risk assessment.

Terrorist Financing: If jurisdictions wish to perform a separate threat assessment of terrorist financing abuse of legal structures, the threat Excel tool can easily be adapted and completed on the basis of data on terrorist financing offenses that involve abuse of legal structures. The TF threat assessment is optional – jurisdictions can decide whether to assess TF threats separately or not, depending on their context and priorities.

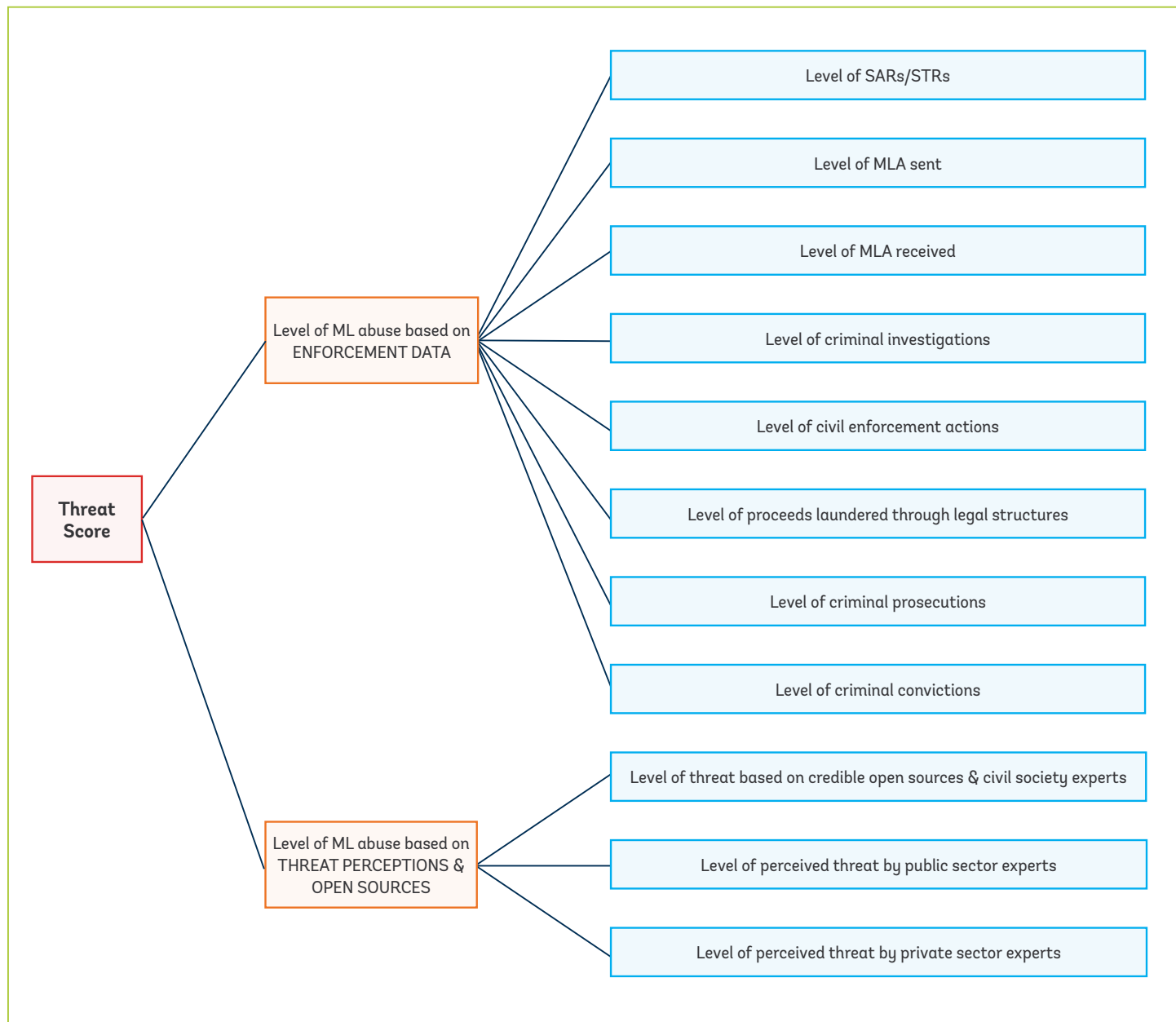
2A. Threat Score

LEVEL OF MONEY LAUNDERING ABUSE OF LEGAL STRUCTURES – BASED ON ENFORCEMENT DATA

Use the Excel tool to rate the level of abuse of legal persons and arrangements for money laundering based on enforcement data. The enforcement data to be analyzed concern Suspicious Activity Reports/Suspicious Transaction Reports, Mutual Legal Assistance Requests sent and received, criminal investigations, civil enforcement/forfeiture actions, proceeds in such cases, criminal prosecutions, and criminal convictions for the assessment period (figure 2).

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Figure 2: Network diagram for threat assessment



Note: ML = money laundering; MLA = mutual legal assistance; SARs = Suspicious Activity Reports; STRs = Suspicious Transaction Reports.

DATA COLLECTION

All variables for the indicator based on enforcement data rely on quantitative data concerning the level of detected cases where legal structures were used for money laundering purposes to support the ratings. Where available, data should be organized in a year-by-year basis, for each year covered by the assessment period. Authorities should collect data on the number of legal structures used for ML purposes in cases that have been detected by AML/CFT reporting entities, analyzed by the financial intelligence unit, investigated by competent law enforcement authorities (LEAs) and that have resulted in prosecutions and convictions, or in civil enforcement/civil forfeiture actions.

When recording the level of detected, analyzed, investigated, and prosecuted cases, or those enforced through a civil process, authorities should also consider the number of legal structures involved in these cases rather than only the overall number of cases.

The quantitative estimates for this part of the assessment should focus on any types of legal structures for which enforcement data in your jurisdiction are available, which will likely be mostly on domestic legal structures. If the enforcement data include information on abuse of foreign legal structures, please record the types of structures, jurisdictions of formation, jurisdictions of corporate service provider, and any other relevant information that will be needed for the qualitative threat analysis (2B – Nature of Abuse & Typology Analysis).

Importantly, this assessment should not be limited to only those cases where the legal structure itself is the subject of an SAR/STR, mutual legal assistance request, civil enforcement action, investigation, or prosecution. To the degree that information is available, please be sure to include cases in the assessment where the subject of an SAR/STR, mutual legal assistance request, civil enforcement action, and so forth, are persons associated with a legal structure (for example, directors, officers, members, shareholders, beneficial owners, attorneys, accountants, notaries, TCSPs, bankers) and where other case information suggests that the legal structure was used for money laundering purposes – even if no actions targeting the legal structure directly were taken.

It is understood that the availability of detailed information on the involvement of legal structures in ML offenses and predicate crimes may pose challenges, and that information at the level of detail outlined in the list below may not be available.

Data deficiencies can be used to identify actions for the action plan. Authorities should not feel discouraged if they have not been able to fully collect the suggested quantitative data. The objective of this assessment is, in part, to act as a guide for authorities for establishing a systematic and strong legal and organizational framework for future data collection. If the jurisdiction does not yet have detailed data collection procedures in place, establishment of a data collection framework should be included in their action plan. By initiating this data collection at the time of the first assessment of legal structures, it is expected that more data will be collected in the next assessment. This will support the authorities in conducting a more robust ML risk assessment of legal structures in the future. Such a database can also serve as a valuable data source for research and policy purposes.

POSSIBLE SOURCES OF INFORMATION FOR ENFORCEMENT DATA

If possible, please include in your data collection information on number (percentage) of cases that also involve foreign legal persons or foreign intermediaries (lawyers, TCSPs, and so forth) and their location or jurisdiction of incorporation.

If statistics are not available, consider collecting and analyzing any relevant available data on legal structures suspected of being abused for money laundering.

Financial intelligence unit (FIU):

- Statistics on legal structures suspected of being abused for money laundering or predicate offenses that are included in SARs/STRs reported to the FIU, analyzed by the FIU, or disseminated to LEAs
- Statistics on cases that involve legal structures abused for ML, opened by the FIU based on other data.

Central authority responsible for mutual legal assistance in criminal matters (and, if applicable, mutual legal assistance in non-conviction-based confiscation) (Ministry of Justice, Ministry of Interior, Prosecution Office):

- Statistics on legal structures included in incoming and outgoing requests for mutual legal assistance related to ML.

Law Enforcement Authorities, financial regulators, and tax authorities:

- Statistics on legal structures investigated or otherwise abused for ML, including in connection with any examination of a financial institution and any tax matter
- Statistics on amounts of proceeds suspected to be laundered through legal structures in cases investigated for ML.

Prosecutor's Office, Courts, Ministry of Justice, and/or other state authority responsible for collecting crime-related statistics, agencies dealing with asset management, and civil forfeiture and confiscation:

- Statistics on legal structures prosecuted and convicted or otherwise abused for ML in cases prosecuted and convicted for ML
- Statistics on legal structures abused for ML in civil enforcement actions, such as civil forfeitures/confiscations, tax cases, financial institution civil enforcement or regulatory proceedings, actions against lawyers, accountants, or other financial professionals, and civil litigation cases
- Statistics on amounts of proceeds suspected to be laundered through legal structures in cases investigated for ML, cases prosecuted for ML, and in civil cases involving ML abuses.

Professional organizations such as bar associations, accounting oversight bodies, and other similar organizations that oversee conduct by licensed members:

- Statistics on number of matters or cases against lawyers, accountants, notaries, bankers, or other professionals suspected of being involved in laundering criminal proceeds through legal structures or facilitating predicate offenses
- Statistics on number of civil or criminal enforcement actions against lawyers, accountants, notaries, bankers, or other professionals suspected of being involved in laundering criminal proceeds through legal structures or facilitating predicate offenses
- Statistics or other information on amounts of proceeds suspected to be laundered through legal structures in civil or criminal cases involving lawyers, accountants, notaries, bankers, or other professionals as enablers of money laundering.

When assessing the estimated level of proceeds laundered through legal structures, the Working Group should consider estimates of overall amounts of detected proceeds of crime involved in money laundering cases and should not rely solely on amounts of seized, frozen, or confiscated proceeds.

The indicator on civil enforcement refers to civil enforcement actions, such as civil asset forfeiture, in rem confiscation³ (if available in your jurisdiction), as opposed to criminal enforcement actions. Civil enforcement also includes tax cases and legal actions taken against financial institutions, lawyers, accountants, notaries, TCSPs, bankers, or other professionals for involvement with legal structures abused for ML.

3. In rem = against the property. A confiscation action that targets a specific thing or asset found to be the proceeds or instrumentalities of crime.

LEVEL OF ML ABUSE OF LEGAL STRUCTURES – BASED ON THREAT PERCEPTIONS + OPEN SOURCES

Given the opaque nature of criminal behavior, enforcement data will rarely reflect a representative or comprehensive picture of money laundering through legal structures in a given jurisdiction, even in jurisdictional contexts where enforcement and mitigating measures are effective. A key methodological difficulty in these types of assessments is that SARs/STRs are particularly unreliable sources of information to estimate actual underlying threat levels. A low level of STRs could be a good sign, indicating a low level of criminal activity, or it could be a bad sign, indicating a low rate of detection or enforcement. The same complication is true, though to a lesser degree, for other types of enforcement data, such mutual legal assistance requests, number of criminal investigations, prosecutions, convictions, civil enforcement actions, and actions taken against professionals.

For this reason, the threat assessment includes a second indicator based on an analysis of credible open-source information and threat perceptions by public and private sector experts (see table 3). While these assessments are of a more subjective nature, the objective of this indicator is to conduct a “common sense” validation of the analysis of enforcement data: Do the enforcement data represent a reasonably accurate reflection of the actual threat posed by the abuse of legal structures, or do the data merely indicate low levels of detection and/or low levels of enforcement?

Credible open-source information on the involvement of legal persons and trusts in financial crime, including news reports, civil society reports, investigative journalism, academic studies, and reports by government agencies or multilateral institutions should be considered in this light.

Also, in the absence of quantitative data, or as an additional source of data, expert consultations are a valuable addition to provide a deeper understanding of frequency, extent, and nature of abuse of legal structures for money laundering.

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Table 3. Variable descriptions for the threat assessment

Variables	Description
Level of threat based on credible open sources and perceived threat by civil society/academic experts	Analyze credible open sources to determine the level of threat that arises from these sources. This may include academic reports, investigative journalism research, and nonprofit organizations, as well as reports by international organizations and foreign governments. Information may be obtained through consultations with civil society and academic experts, and review of open sources.
Level of perceived threat by public sector experts	Assess the level of threat as perceived by public sector experts, such as relevant financial intelligence unit officers, law enforcement officials, officials responsible for mutual legal assistance, competent prosecutors, judges, Ministry of Justice and other competent agencies’ staff, and tax authority officials. Expert opinion may be obtained through, e.g., consultation meetings, structured interviews, or surveys.
Level of perceived threat by private sector experts	Assess the level of threat as perceived by public sector experts, such as tax advisors and bank representatives (compliance and fraud analysts). Expert opinion may be obtained through, e.g., consultation meetings, structured interviews, or surveys.

POSSIBLE SOURCES OF OPEN-SOURCE INFORMATION

We recommend considering both local and international sources of information to account for differences in perspectives. Depending on national and regional contexts, the degree of freedom of speech for media, academia, and civil society to cover money laundering and predicate crimes impacts the quality and credibility of available open sources. Please cite all sources reviewed for this indicator in the report. In addition to relevant local open sources, the following sources that take an international perspective could be considered, among others:

- Investigations by the International Consortium for Investigative Journalists (ICIJ): <https://www.icij.org/investigations/>
- Financial Action Task Force/Egmont Group, *Concealment of Beneficial Ownership*, Paris, 2018. www.fatf-gafi.org/publications/methodandtrends/documents/concealment-beneficial-ownership.html
- Mystery shopping experiments with corporate service providers conducted by a group of academics: Michael G. Findley, Daniel L. Nielson, and J. C. Sharman, *Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism*, Cambridge University Press, 2014. <https://doi.org/10.1017/CBO9781107337848>, <http://www.globalshellgames.com/>
- Report by the Stolen Asset Recovery Initiative on abuse of legal structures in corruption cases: *The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It*, World Bank and United Nations Office on Drugs and Crime, Washington, DC, 2011. <https://star.worldbank.org/resources/puppet-masters>
- Report by the Stolen Asset Recovery Initiative: Nielson and Sharman, *Signatures for Sale: How Nominee Services for Shell Companies Are Abused to Conceal Beneficial Owner*, World Bank, Washington, DC, 2022. <https://star.worldbank.org/publications/signatures-sale-how-nominee-services-shell-companies-are-abused-conceal-beneficial>
- Analysis of global corporate ownership networks in the ORBIS database conducted by academics at University of Amsterdam. <https://www.ofcmeter.org/>. J. Garcia-Bernardo, J. Fichtner, F. W. Takes, and E. M. Heemskerk, “Uncovering Offshore Financial Centers: Conduits and Sinks in the Global Corporate Ownership Network,” *Scientific Reports* 7, article number 6246, 2017. <https://doi.org/10.1038/s41598-017-06322-9>
- Organisation for Economic Co-operation and Development, *Behind the Corporate Veil – Using Corporate Entities for Illicit Purposes*, Stolen Asset Recovery (StAR) Initiative, Paris, 2001. <https://www.oecd.org/daf/ca/43703185.pdf>

The threat level generated by the Excel tool is composed of a combination of the variables related to (i) level of ML abuse based on enforcement data, and (ii) level of ML abuse of legal structures based on threat perceptions + open sources. In the tool, the perceptions/open sources score can increase the score based on enforcement data but cannot lower it. This was done so that the more subjective indicator can lead to a higher overall threat score, but in a scenario where enforcement data indicate a high level of abuse, but the Working Group’s threat perceptions are for some reason low, the overall score is capped at the (higher) level based on enforcement data.

2B. Qualitative Analysis of Threat: Nature of Abuse & Typology Analysis

NATURE OF ABUSE

Based on the information analyzed in the previous step, please review and complete the following questions:

1.	How do you evaluate the quality of available ML statistics that were analyzed in section 2A? Please comment on availability and quality of information on ML enforcement. Any caveats regarding the enforcement data?
2.	Is the overall level of evidence of abuse of legal structures higher based on overall enforcement data or based on open sources and perceptions? Are there any caveats regarding open sources and perceptions on abuse of legal structures?
3.	What are the main challenges for authorities to investigate cross-border ML crimes that may prevent authorities from pursuing complex investigations involving certain legal structures?
4.	Which types of legal structures have been most frequently abused for ML purposes based on the overall enforcement data? <i>If there are meaningful differences among different categories of enforcement data, indicate separately which types of legal structures have been most frequently abused based on: SARs/STRs, criminal investigations, criminal prosecutions, criminal convictions, civil enforcement actions.</i>
5.	Which types of legal structures have been most frequently abused for ML purposes based on credible open-source allegations?
6.	Which types of legal structures are suspected to be frequently abused for ML purposes (and/or predicate crimes), but do not feature prominently in enforcement data?
7.	What are the ownership/control arrangements of legal structures that have been most frequently abused for ML purposes? In what ways is effective control over the legal structure exercised?
8.	What are the top 10 home jurisdictions of foreign legal structures that have been most frequently involved in the detected ML cases?
9.	For the 10 jurisdictions listed in Question 8, please assess the availability of beneficial owner (BO) data in investigations of foreign legal structures. BO data can be made available to your country's authorities via public registers, informal data sharing arrangements between LEAs and FIUs (e.g., Egmont Group), bilateral information sharing treaties, or formal mutual legal assistance requests. Indicate from which jurisdictions BO information is most easily and quickly available, and from which jurisdictions obtaining BO information is the most challenging.
10.	Based on your review of cross-border ML cases involving legal structures, is your jurisdiction most commonly used as a "conduit" jurisdiction or a "sink" jurisdiction for illicit funds, neither, or in a different way? ⁴
11.	What are the top 10 origin jurisdictions for proceeds of crime in cross-border cases where legal structures have been abused for money laundering purposes?

4. Conduit = jurisdictions that are attractive intermediate destinations in the routing of international investments toward "sink" jurisdictions. Sink = jurisdictions that attract and retain foreign capital, including illicit funds. Also see Glossary.

12.	What are the top 10 destination jurisdictions for proceeds of crime in cross-border cases where legal structures have been abused for money laundering purposes?
13	What are the most popular jurisdictions of bank accounts (or other financial accounts) of legal structures that have been abused for money laundering purposes?
14.	What are the most popular business purposes/functions of legal structures that have been abused for money laundering purposes?
15.	What are the most common sectors of operation or asset ownership of legal structures that have been abused for money laundering purposes based on the enforcement data? ⁵
16.	What is the level of involvement of politically exposed persons (PEPs) in the identified cases? How frequently were legal structures used to conceal ownership/control by a PEP? Does the information analyzed suggest more frequent abuse by domestic PEPs or by foreign PEPs?
17.	What is the level of involvement of lawyers, accountants, TCSPs, bankers, or other professionals in the legal structures that have been abused for ML purposes?

TYPOLGY ANALYSIS

Identify the most common typologies of abuse of (domestic or foreign) legal structures that have a nexus to your jurisdiction and assess their level of incidence based on the information collected for the threat assessment. In your analysis, consider the different uses of legal structures for illicit purposes mentioned in the introduction. The Excel tool provides the option to add additional typologies identified by the Working Group that are not included in the list of typologies.

The list of typologies shown in figure 3 includes activities and products that are commonly used for legitimate business purposes, for example, complex ownership chains, use of power of attorney, use of nominee directors or shareholders, and some activities that are illegal in most jurisdictions, for example, use of fake IDs, use of strawmen/frontmen. In the assessment, please evaluate whether you have seen evidence that these typologies have been used/abused to conceal the identity of the beneficial owner of a company or asset; conceal illicit wealth held by a legal structure; or to circumvent due diligence, sanctions, or jurisdictional AML controls. Table 4 describes the various typologies.

Company registry data: Jurisdictions can complement the enforcement data, review of open-source information, and expert consultations conducted in the previous steps with data held by the company registry to identify typologies of misuse of legal structures.⁶

5. Does the review of enforcement data and other sources show that abuse of legal structures for ML purposes is more frequently detected in certain sectors of the economy, for example, legal structures owning real estate assets, legal structures performing consultancy services, legal structures engaged in export or import of goods, legal structures engaged in offshore activities abroad, and so forth?

6. For countries that operate paid/restricted/monitored access for corporate registries, you could review how many information requests come from foreign registry users/customers compared to domestic ones. This information could provide an input into how and from where domestic legal structures are being used abroad for banking, asset holding, and other purposes.

Figure 3. Network diagram for money laundering typologies assessment

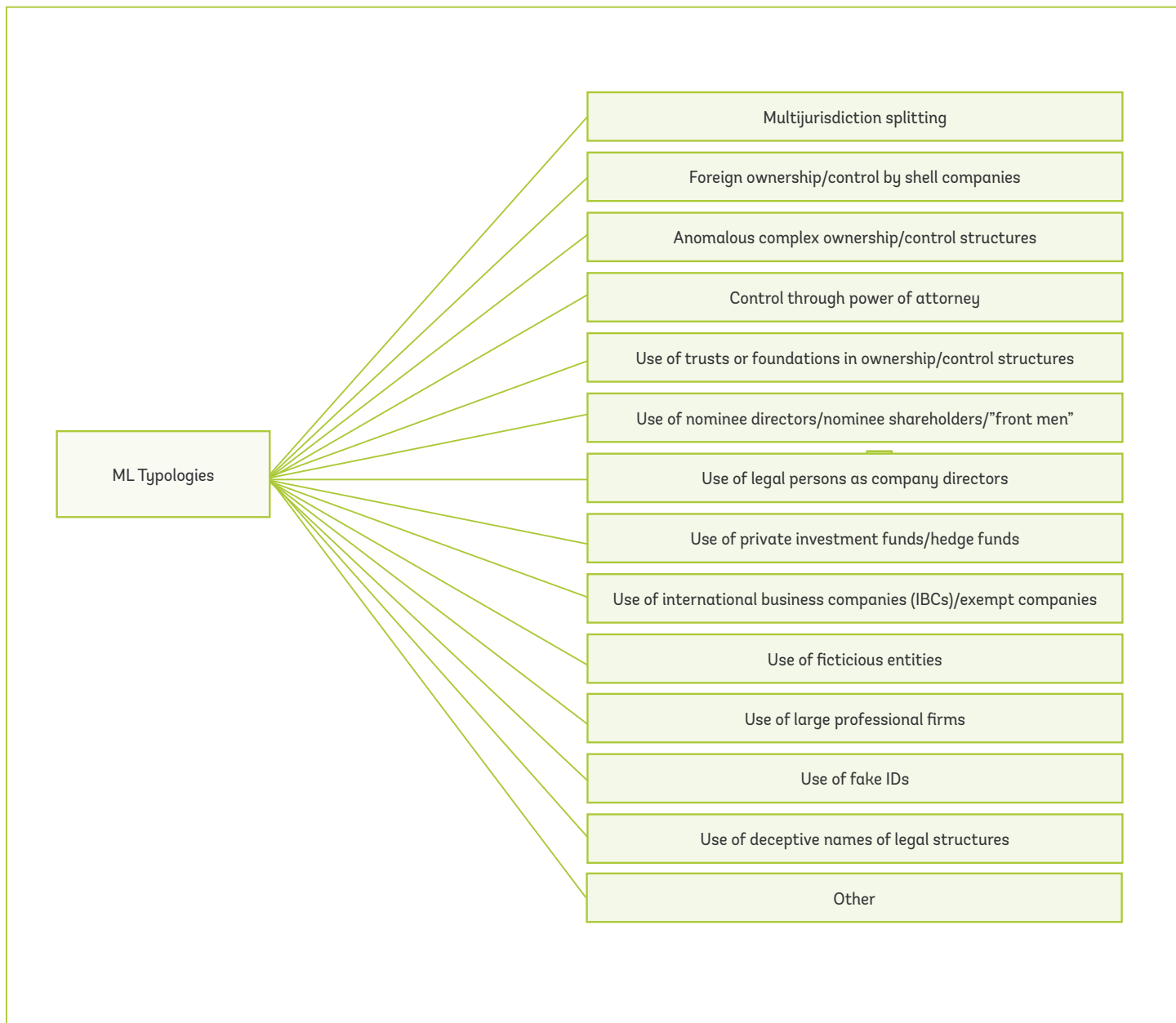


Table 4. Typologies descriptions

Typology	Description
Multijurisdiction splitting	Networks of legal structures that split entity formation, asset ownership/administration, location of professional intermediaries, and location of bank account across different countries in order to prevent detection of illicit activity and to evade regulations.
Foreign ownership/control by shell companies	Cross-border ownership/control structures of domestic legal structures that are owned or controlled by foreign-registered legal structures. Ownership is held by legal structures, rather than by foreign natural persons.
Anomalous complex ownership/control structures	Anomalous, complex, and opaque chains of ownership/control structures that involve many intermediate layers with shares often registered in the name of other legal structures. This can include circular ownership structures and fragmented ownership structures. ⁷
Control through power of attorney	Criminals avoiding identification as beneficial owners by exerting effective control over legal structures through a power of attorney. If the typology analysis detects that control over legal structures is commonly exerted through other means, e.g., through debt instruments or derivative securities or through minority shareholders acting in concert, please use space provided in the Excel tool to add a new typology.
Use of trusts or foundations in ownership/control structures	Legal structures that are owned by trusts or foundations that provide for the separation of legal ownership from beneficial ownership, and often have low transparency of ownership/control.
Use of nominee directors/nominee shareholders/"frontmen"	Nominee directors or nominee shareholders can be used to conceal the identity of the beneficial owner of a company or asset (circumventing due diligence, AML controls, or sanctions), as well as to conceal illicit wealth (by concealing beneficiary of income), overcoming jurisdictional controls on company ownership (e.g., those requiring citizens to be directors), and circumvent directorship or shareholder bans imposed due to misconduct. A "front man" or "straw man" will purport to be the beneficial owner of a legal structure to hide the identity of the actual beneficial owner. ⁸
Use of legal persons as company directors	Absent an effective framework for identification of beneficial owners, using legal persons as company directors, i.e., nominee directors, can be used to conceal the identity of the beneficial owner on whose behalf the company director is acting.
Use of bearer shares	Criminals using legal entities with ownership held in the form of bearer shares to conceal beneficial ownership. Bearer shares accord legal ownership to the person who physically possesses the share certificate.

7. Complexity in corporate ownership structures itself is not a risk factor for involvement in ML or other illicit activities. Many businesses structure their holdings in complex corporate chains for a variety of legitimate purposes including geographic reach, financial strategy, and tax strategy. However, complex corporate structures can pose challenges for identification of beneficial ownership. Anomalous complex structures here means that they do not appear to serve any legitimate business purpose but are primarily designed to conceal true ownership. (See also van der Does de Willebois et al. 2011).

8. A front or straw man is a third party that acts as a "front" (that is, one who is an agent for another) for the purpose of registering beneficial ownership, taking title to real property, breaking a joint tenancy, or engaging in some other kind of transaction where the principal remains hidden or who plans to engage in illicit activity. Contrary to formal nominee arrangements, there may not be any formal [trust] arrangement or [civil] contract with legal effect between the two. Typically, the front man and the principal have close ties based on family, friendship, or other social bonds.

Use of private investment funds/hedge funds	Criminals channeling illicit funds through private investment funds or hedge funds to circumvent AML controls, commit ML, evade sanctions, or invest illicit wealth.
Use of international business companies (IBCs)/exempt companies	Criminals using international business companies or other exempt companies to avoid jurisdictional registration or disclosure obligations and conceal illicit activity and/or beneficial ownership
Use of fictitious entities	Criminals using entirely fictitious entities that are not legally formed or registered anywhere and do not have legal personality – for ML/TF purposes or to commit predicate crimes.
Abuse of professional privilege	Using legal, accounting, notary, tax, or banking professionals to form or administer legal structures in order to benefit from professional privilege or confidentiality protections and thereby circumvent beneficial ownership disclosure obligations. This may involve listing lawyers/notaries/Trust and Company Service Providers (TCSPs)/accountants or lower-level employees as beneficial owners.
Use of large professional firms	Using large professional firms (law, accounting, TCSPs, banks) to form or administer legal structures, open accounts on behalf of clients, wire transfer funds, or perform other services – as opposed to small or medium-sized firms or individual professional service providers.
Use of fake IDs for formation/registration	Providing fake identification documents during the formation process of a legal structure or at the opening of a corporate bank account to evade due diligence and ML controls.
Use of deceptive names of legal structures	Intentionally giving legal structures deceptive names (e.g., names that imitate other well-known existing companies) to mislead business partners, compliance officers, and others dealing with the legal structure and obfuscate its true nature and its true beneficial owners.

2C. Case Studies

Provide 3 to 10 case studies of the most prominent or concerning cases of abuse of legal persons or arrangements for ML or TF, providing the following elements:

Short narrative of the case (facts of the case)
Offense(s) committed
Total value of proceeds laundered through legal structures
Describe individuals and types of legal structures involved
Describe network and ownership structure of legal structures abused in the scheme (if relevant)
Sectors involved
Origin and destination of illicit funds
Jurisdiction of formation of legal structure(s)
Jurisdiction of activity/assets
Jurisdiction of bank account(s)
Jurisdiction(s) of residence and nationality of beneficial owner
Jurisdiction of TCSP/other professional intermediaries, if any
Jurisdiction of corporate owners (if any) (a legal person or arrangement that owns/controls the legal structure)
Outcome of law enforcement investigation; indicate whether any actions against natural persons have been taken



Step 3: Entity Risk Assessment

The objective of this step of the assessment is to identify risk factors that are *specific to the type of legal structure*, for example, limited liability company (LLC), limited liability partnership (LLP), corporation, trust, and that may make one type of structure more vulnerable for abuse for ML/TF than another. The factors for the entity risk assessment are shown in figures 4 (simplified) and 5 (full).

To complete the assessment, please review the information collected on different types of structures that can be formed in your jurisdiction in the mapping exercise (Step 1) and in the threat assessment (Step 2), especially 2B – Qualitative Analysis of Threat: Nature of Abuse & Typology Analysis. Consider especially your responses to the questions about exclusions from registration requirements and exclusions from beneficial ownership reporting requirements for specific structures.

The excel tool provides two different assessment templates: a template for domestic legal structures and a simplified template for foreign structures that were formed or registered in another jurisdiction. See box below with instructions on how to use the excel tool.

Countries can also adapt the indicators for their assessment of domestic and foreign legal structures based on national context and specific risk factors that are not included in the template.

Figure 4. Simplified network diagram for entity risk assessment of domestic legal structures

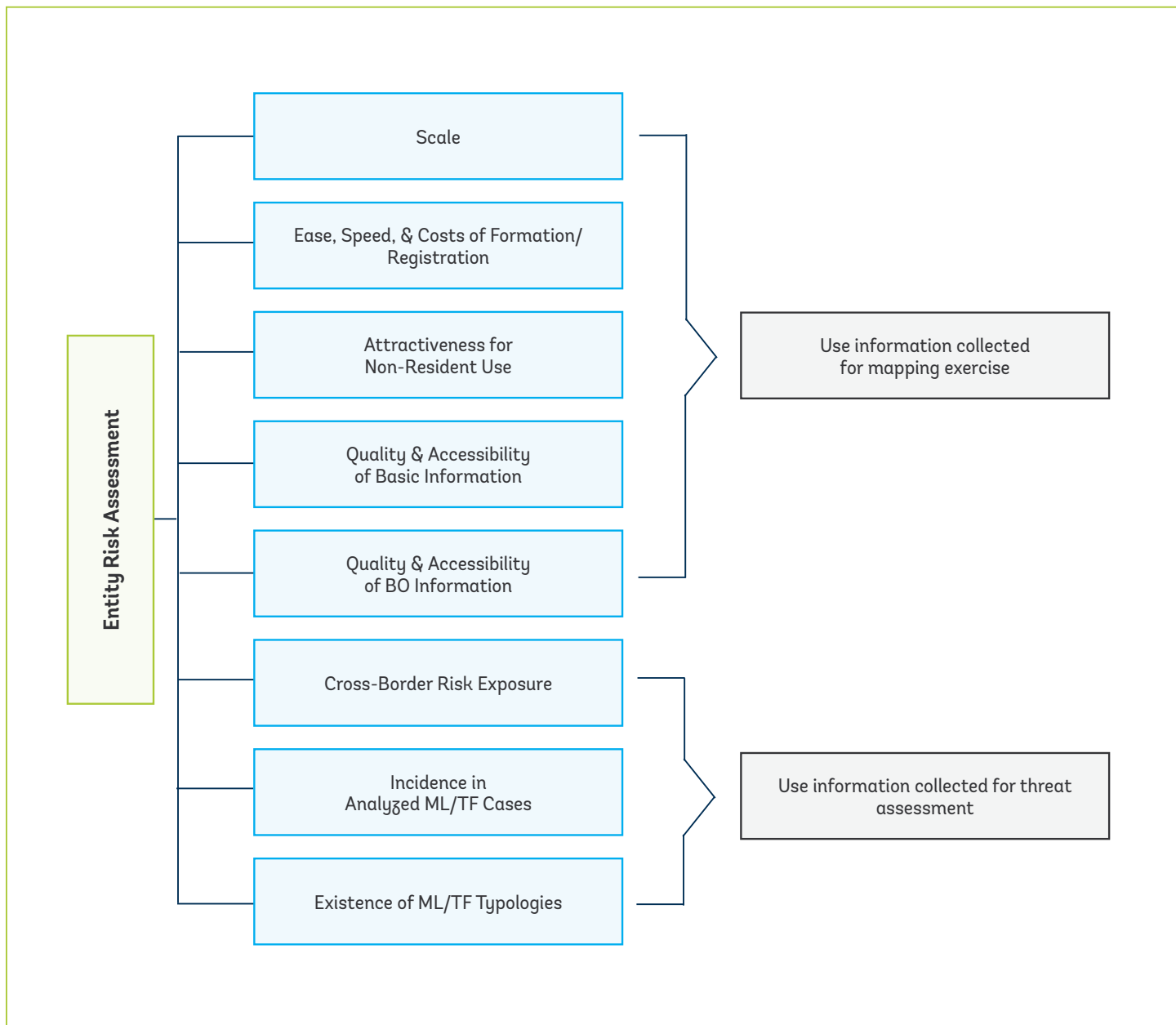
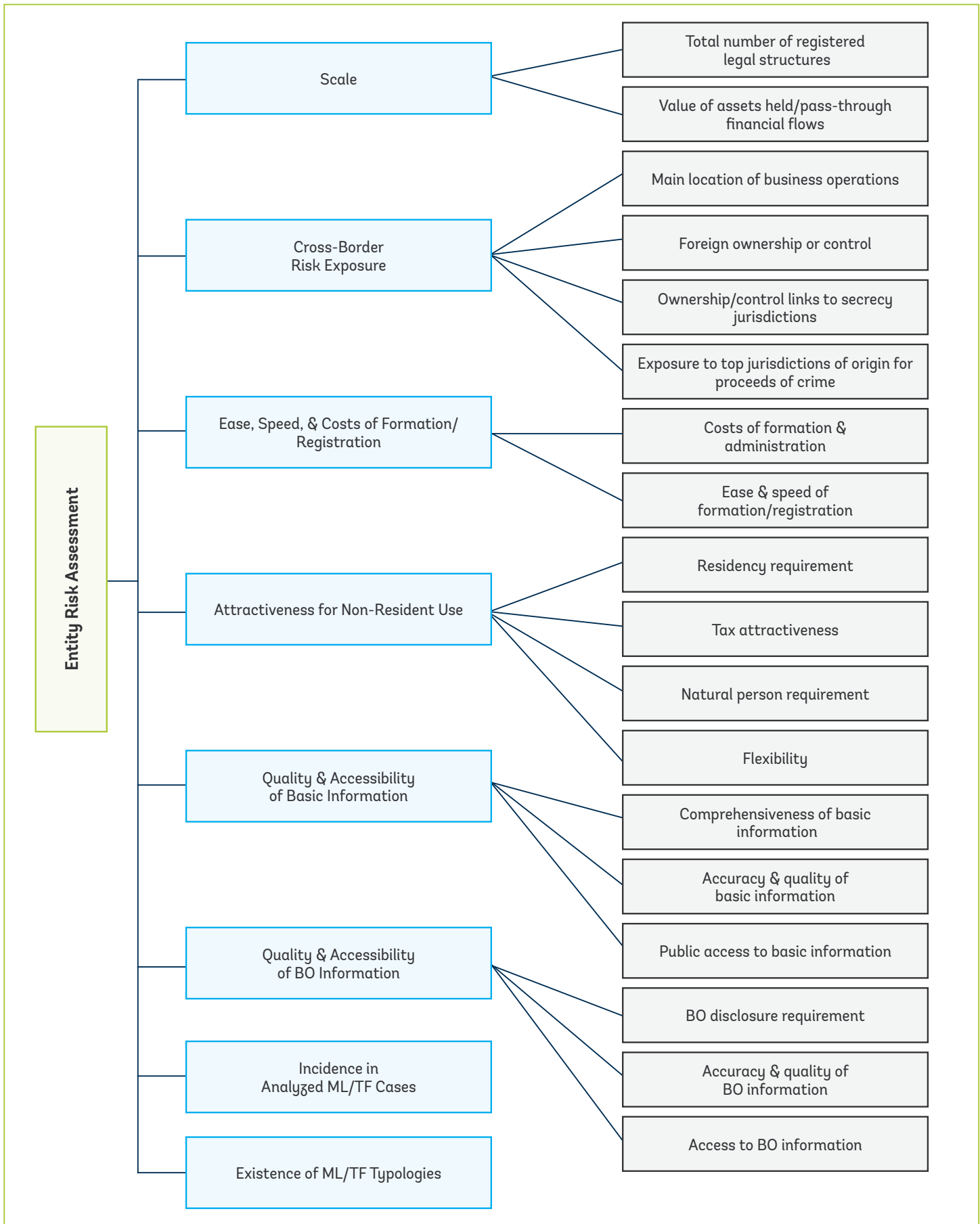


Figure 5. Full network diagram for entity risk assessment of domestic legal structures



SELECTION OF LEGAL STRUCTURES TO INCLUDE IN ENTITY RISK ASSESSMENT

(i) Domestic legal structures

The analysis of legal structures that can be created in your jurisdiction should be comprehensive, including all domestic structures that can be formed under national laws. Any exclusions of legal structures from the assessment should be limited and well-justified. Possible considerations for exclusions are presented in table 5.

>>>

Table 5. Considerations for exclusions of legal structures from assessment

Unincorporated General Partnerships	General partnerships are formed when an association of more than one person agrees to come together to pursue a business activity and may be found to exist without any legal documentation or registration. Unincorporated general partnerships necessarily vest both ownership and control in their partners, who have unlimited liability. Unless there are specific concerns about this type of entity, the lack of separation between individual and legal structure means that general partnerships do not present significant ML/TF risks and can be excluded from the assessment. An exception can be made for a narrow category of general partnerships that operate under a business name unrelated to the identity of the partners and must comply with filing requirements to do so, and these should be included. (Limited liability partnerships must be included in the assessment.)
Traded Public Companies	Publicly traded companies are usually subject to extensive disclosure and financial reporting regulations and for this reason they typically qualify for simplified due diligence measures by financial institutions. Reported cases of using public companies to hide beneficial ownership behind are rare. However, without proper oversight, public companies can be used for fraud and self-dealing, and money can be laundered through buying and selling their stock. The Working Group should decide whether to include public companies in the assessment or not depending on country context. If there are credible indications of ML/TF, corruption, fraud involving public companies, or corruption concerns at the securities commission, then they should be included.
Sole Proprietorship	In many jurisdictions, a sole proprietorship is a legal entity that can open a bank account, sue or be sued, and own property, but in other jurisdictions, it is not recognized as a separate legal entity but is simply a legal term for an individual who is conducting business activity and who is personally responsible for paying any debts and filing taxes. The sole proprietorship may conduct business under the name of the individual or may have a separate trade name. Many jurisdictions do not require sole proprietorships to register for commencement of business, but may require registration to conduct business activities under a trade name, obtain licensing, or claim a tax benefit. Jurisdictions should decide whether to include it based on their national context.

DEFINING CATEGORIES OF LEGAL STRUCTURES FOR THE RISK ASSESSMENT

Based on the information on registration requirements collected for the mapping exercise and the findings of the threat assessment, the Working Group can consider creating more specific subcategories for the entity risk assessment. Selecting narrower subcategories can in some threat landscapes allow for the identification of more specifically targeted mitigation measures. Such subcategories could be determined based on sector, business purpose, or location of operations (domestic vs. abroad). For example:

- If corporations that operate only offshore without any domestic business operations feature prominently in the threat assessment as being exposed to a higher threat of ML abuse, then these could form a separate category for this assessment, even if the legal form may be the same as corporations that have domestic operations. While some jurisdictions have a separate legal form for corporations that only operate outside the jurisdiction (IBC or similar), in other jurisdictions the same legal form is used for domestic and for offshore operations.
- If trusts, foundations, or other structures that engage in certain business activities (for example, owning real estate) are subject to special registration/reporting requirements, they could form a separate category for the assessment from general trusts/foundations.
- If general partnerships or sole proprietorships are subject to filing requirements to conduct activities under a business name rather than their personal names, they could also form a separate category distinct from general partnerships or sole proprietorships that do not file any documents with the jurisdiction.

(ii) Foreign legal structures

Due to the multijurisdictional nature of risks related to legal persons/arrangements, we recommend including foreign-created legal structures in this risk assessment that have a sufficient link to your jurisdiction and may pose risks. The excel tool provides a template to conduct such an assessment in tab 'F_Inputs'. The assessment indicators for foreign legal structures are shown in Figure 6.

To decide which types of foreign-created legal structures to include in the risk assessment, refer to the results of the threat assessment: 2B Nature of Abuse and 2C Case Studies. Which types of foreign legal structures have been most frequently implicated in analyzed ML/TF cases based on domestic enforcement data and other sources (see pg.22-23) reviewed for the threat assessment? Include the types of foreign legal structures in the risk assessment that feature most prominently in the threat assessment.

Categories of foreign structures should include entity type and jurisdiction of formation, for example, *LLC from country A*, *foundation from country B*, *trust from country C*, etc.

Information on foreign structures will be limited, however, authorities can conduct an assessment by reviewing what type of basic and beneficial ownership information on this type of structure is available to them, how exposed this type of foreign legal structure is to high-risk sectors in their jurisdiction, how effective mechanisms for exchange of information with the foreign jurisdiction where the foreign structure was created, and so on. Countries can also adapt the indicators for their assessment of foreign legal structures based on national context and specific risk factors that are not included in the template.

An objective of including foreign structures in the assessment is to assist with the identification of specific measures to mitigate ML/TF risks posed by foreign structures in your jurisdiction. Also see the indicator description "Existence and quality of BO transparency measures for foreign structures" in Step 4B on this issue (p. 57).

Under the revised FATF Recommendation 24, as amended in March 2022,⁹ countries should assess the ML/TF risks of foreign-created legal persons to which their country is exposed, and take steps to mitigate the risks that they identify.

9. See FATF Recommendations, Interpretive Note to Rec. 24, 2(e).

HOW TO USE THE EXCEL TOOL FOR THIS ASSESSMENT:

1. Open both excel files for step 3 on your computer: 'Step 3 Entity Risk (Inputs)' and 'Step 3 Master'.
2. To begin the assessment, enter the name of the type of legal structure in cell 2C, e.g. corporation, LLC, partnership, foundation, trust, etc. into the excel file 'Inputs'. For foreign structures, also enter the jurisdiction of formation or incorporation in cell 3C.
3. Select assessment inputs for each of the indicators in column C. Refer to information collected for Step 1 (Mapping) and Step 2 (Threat Assessment) to inform your selections. Refer to guidance notes in tables 6 and 7 for indicator descriptions.
4. When your assessment is completed, click button 'Send to Master' to generate a heat map that displays risk scores for different entity types. Data will be transferred to 'Master' excel file. Important: To ensure that the data transfer works correctly, do not rename the excel file "Step 3 Master".
5. Perform the same assessment for all different categories of legal structures included in your analysis. Use template in tab 'D_Inputs' for domestic legal structures and template in tab 'F_Inputs' for foreign legal structures'. To reset entries in the 'Inputs' file, click 'Reset entries' button.
6. Once you have finished the assessment for a category of legal structures and have sent the results to the master template, save the file. Then use a blank template of 'Step 3 Entity Risk (Inputs)' for the category you want to assess next. At the end of the assessment, you should have a saved template for each category of legal structures you have assessed.

Figure 6. Network diagram for foreign-registered legal structures

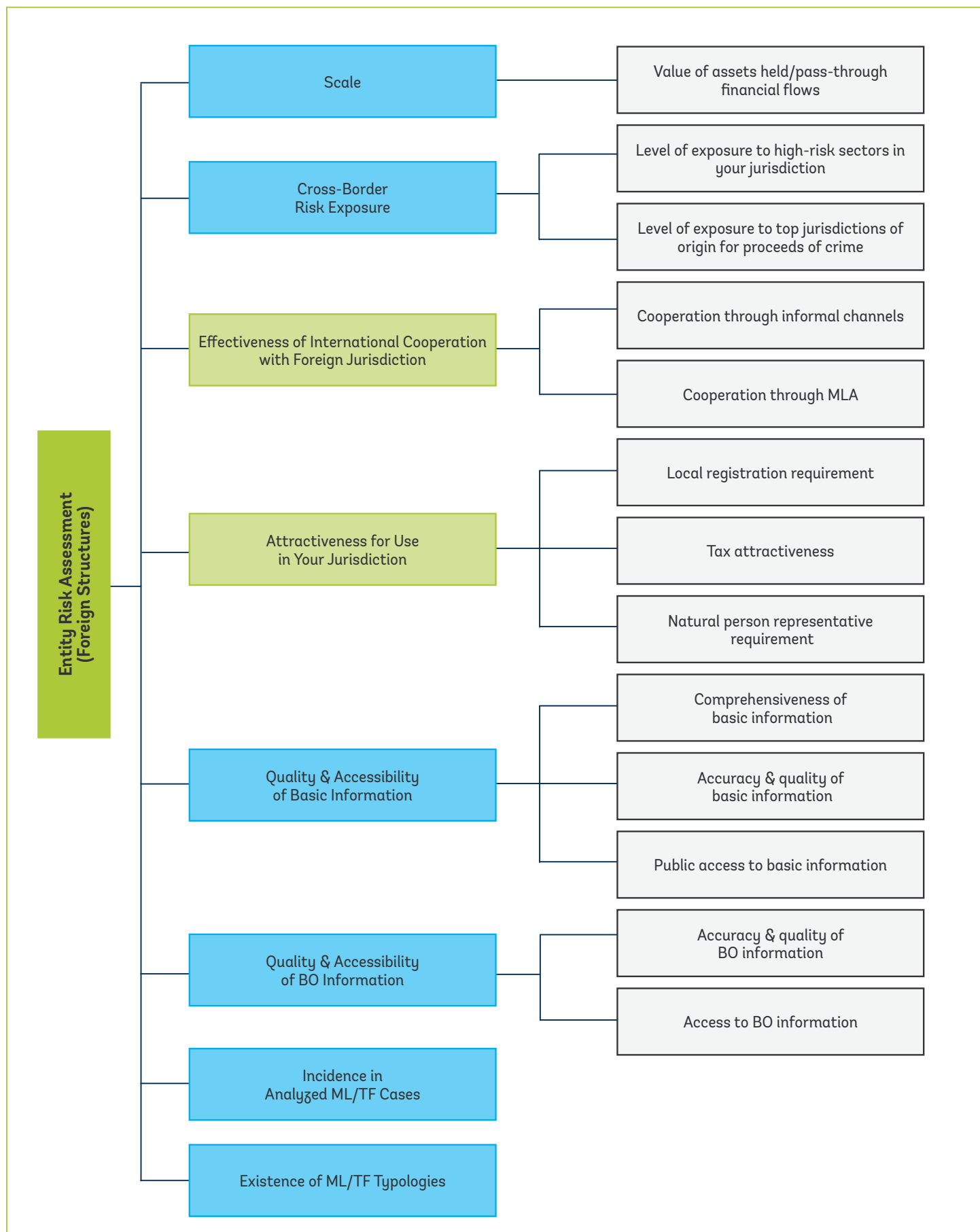


Table 6. Variable descriptions for the entity risk assessment

Intermediary Variable	Input Variable	Assessment Rating	Guidance
Scale	Total number of registered legal structures	Not analyzed Very low Low Medium High Very high	Refer to registration data collected in Step 1 – Mapping. Indicate the overall quantity of registered legal structures relative to other types of legal structures that can be created in your jurisdiction.
	Estimated value of pass-through financial flows/ assets held	Not analyzed Very low Low Medium High Very high	To the degree possible, estimate the overall level of financial flows that pass through this type of legal structure annually, in comparison to other types of legal structures that can be created in your jurisdiction. Alternatively, estimate the total value of assets in your jurisdiction that are held by this type of structure, in comparison to other types of structures.
Cross-Border Risk Exposure	Main location of business operations	Not analyzed Very low Low Medium High Very high	What are the most common locations of business operations of this type of entity? Is/are there a physical office, employees, or business operations within the jurisdiction? Refer to information collected in Step 1 – Mapping.
	Level of foreign ownership or control	Not analyzed Very low Low Medium High Very high	What is the level of ownership or control by non-resident individuals or foreign legal structures? Very high: > 80% High: 60–80% Medium: 40–60% Low: 20–40% Very low: <20%
	Level of ownership/ control links to secrecy jurisdictions	Not analyzed Very low Low Medium High Very high	What is/are the level of ownership/control links of this type of structure to foreign jurisdictions with weak corporate transparency and financial transparency rules? For this indicator, the Working Group should consider jurisdictions that were identified as popular locations for opaque offshore structures in the threat assessment of this tool, or in the World Bank Group Offshore Tax Evasion tool, if available. ¹⁰
	Level of exposure to top jurisdictions of origin for proceeds of crime	Not analyzed Very low Low Medium High Very high	Assess this type of structure's exposure to top jurisdictions of origin for proceeds of crime identified in your jurisdiction's NRA for ML/TF, if available and results still apply. Refer to your responses of the threat assessment – 2B – Nature of Abuse.

10. There is no single agreed list of jurisdictions with weak corporate transparency and financial transparency rules, and jurisdictions that are favored by illicit actors can change frequently in response to regulatory reforms. They also often depend on historical, cultural, or linguistic ties in addition to transparency regulations. Existing lists include the FATF grey list, the EU list of non-cooperative tax countries, and composite indexes such as the Tax Justice Network's Financial Secrecy Index; however, each of these lists has its own limitations or biases.

Ease, Speed, and Costs of Formation/Registration	Costs of formation and administration	Not analyzed Very low Low Medium High Very high	Assess costs of formation and administration for this type of legal structure. Consider: <ul style="list-style-type: none"> Registration fees Minimum capital requirement (if any) Estimated annual costs for administration Relative comparison to costs of formation and administration of other structures in your jurisdiction.
	Ease and speed of formation/registration	Not analyzed Very difficult and slow Difficult and slow Medium Easy and fast Very easy and fast	Assess the ease and speed of forming and registering this type of legal structure as a <i>practical matter</i> rather than according to laws and regulations. Please consult with TCSPs for this indicator. Consider factors such as processing speed, whether any in-person visits are required, whether fees can be paid electronically, whether multiple entities can easily be set up in bulk, etc. To test this in a practical way, you could also conduct a “mystery shopping” exercise and make actual inquiries with TCSPs to set up different types of entities.
Attractiveness for Non-Resident Use	Residency requirement	Yes No	Are there any residency requirements for directors or for any other officers, members, partners, etc., associated with the legal structure?
	Tax attractiveness	Not analyzed Very low Low Medium High Very high	Assess the level of tax attractiveness of this type of legal structure, especially for non-resident clients. Consider factors such as: <ul style="list-style-type: none"> Is the entity or arrangement considered as a pass-through for tax purposes? Does the entity benefit from any tax incentive (tax holiday), reduced tax rate, or preferential tax regime because of its nationality, location, or activity? Do shareholders benefit from any tax incentive, reduced rate, or participation exemption regime because of the holding period and shareholding? Are certain streams of income tax exempt because of the type of entity? Is the entity subject to any simplified regime for tax reporting purposes? Is the entity excluded from tax administration procedures (control, audit, risk) or are shareholders subject to a lower threshold of tax monitoring and audit?
	Natural person requirement	Yes No	Are there any <i>natural</i> person requirements for directors or for any other officers, members, partners, etc., associated with the legal structure? Or can all directorships (or other roles, depending on the type of legal structure) be filled by a legal person?
	Flexibility	Not analyzed Very low Low Medium High Very high	Assess the level of flexibility in the legal structure’s management structure, operating agreement, or other governance arrangements for non-resident entity management and non-resident control of assets held by this type of entity.

Quality & Accessibility of Basic Information	Comprehensiveness of basic information	Not analyzed Very low Low Medium High Very high	<p>Assess the level of comprehensiveness of basic information that is available in the company registry (or other relevant registry). While the specific categories of information available depend on the type of structure, please consider whether information such as the following is available to authorities:</p> <ul style="list-style-type: none"> • Name of Legal Entity, including historical names, name changes • Legal Entity Number (or other identifying number) • Tax ID number (if any) • Status (active, dormant, etc.) • Date of Incorporation/Formation/Registration • Principal Business Address • Principal Purpose of Business • Articles of Incorporation/Certificate of Formation • List of directors, including historical information and changes • Shareholder Register (if any) • Annual reports, including historical filings • TCSP/registered agent information (if any).
	Accuracy and quality of basic information	Not analyzed Very low Low Medium High Very high	<p>Assess the level of accuracy and quality of basic information available about this type of structure. Is information regularly updated or frequently inaccurate/outdated? This assessment should be based on practical experience, not on “on the books” updating requirements.</p>
	Public access to basic information	Not analyzed Direct access, free of charge Small access restrictions Significant access restrictions Not accessible	<p>Assess the type and ease of public access to basic information about this type of entity – in the corporate registry or other relevant registry. Can the public access information about the entity online, free of charge, without significant bureaucratic, technical, or financial barriers? Examples of access restrictions include a nominal fee or a preregistration requirement.</p>

Quality & Accessibility of BO Information	Beneficial ownership disclosure requirement	<p>Not analyzed</p> <p>Exists, in a centralized database</p> <p>Exists, but decentralized</p> <p>Only for some entities</p> <p>Does not exist</p>	<p>Is there any requirement for this type of legal structure to report the identities of their BOs to any government agency or to an AML-regulated intermediary in a systematic way, i.e., separate from the regular CDD requirements for financial institutions at the start of a customer relationship? If so, is BO information on this type of structure held in a centralized database? The database could be maintained by a government agency or, for example, by a professional association of TCSPs.</p> <p>“Only for some entities”: BO information is only collected for a subset of entities or only under certain circumstances, e.g., when applying for a business license or a government contract.</p>
	Accuracy and quality of BO information	<p>Not analyzed</p> <p>Very low</p> <p>Low</p> <p>Medium</p> <p>High</p> <p>Very high</p>	<p>Assess the level of accuracy and quality of BO information that is available for this type of entity, if any. Consider:</p> <ul style="list-style-type: none"> Is BO information updated regularly at different stages in a legal structure’s life cycle, e.g., at registration, upon change of information? Please respond based on practical experience, not on “on the books” updating regulations. Does BO information contain sufficient detail to properly identify and disambiguate individuals? Is any information about the entity’s ownership structure available, e.g., direct parent entities including foreign owners, subsidiaries, affiliates? Does BO information include, where consistent with national laws, (i) information on “who” the beneficial owners are (identity information), and (ii) information on “how” they exercise ownership/control (information on the nature of control)? <p><i>If no BO information on this type of structure is available, select “Very low.”</i></p>
	Access to BO information	<p>Not analyzed</p> <p>Direct public access</p> <p>Public access with restrictions</p> <p>Direct access – authorities only</p> <p>Access with restrictions – authorities only</p> <p>Not accessible</p>	<p>Assess the type and ease of access to BO information about this type of structure – in the company registry or other relevant registry. Can competent authorities access information on beneficial ownership without significant bureaucratic, technical, or financial barriers? Can the public access BO information on this type of entity?</p>

Incidence in Analyzed ML/TF Cases		Not analyzed Very low Low Medium High Very high	How frequently has this type of legal structure been implicated in analyzed ML/TF cases? Please refer to the enforcement data and the ML/TF case studies that you have analyzed in the threat assessment for this module.
Existence of ML/TF Typologies		Not Applicable Not analyzed Very low Low Medium High Very high	<p>How frequently is this type of legal structure implicated in different ML/TF typologies? Review the most prominent ML/TF typologies identified in the threat assessment. For this indicator, please consider not only domestic enforcement data but – if available – also consider information from supplementary sources that could indicate involvement of this type of structure in international ML/TF cases, such as credible open sources and expert consultations (see pg.22-23).</p> <p>You can enter up to five different typologies into the Excel tool. At minimum, one typology must be entered. The sequence in which the typologies are listed in the Excel tool does not matter.</p>

ADDITIONAL INDICATORS FOR FOREIGN-REGISTERED LEGAL STRUCTURES

The template for the assessment of foreign-registered legal persons or trusts is in the Entity Risk Excel tool, tab “F_Inputs.” Please refer to the indicator descriptions in table 7 below for indicators that are reused from the assessment template for domestic legal structures.

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Table 7. Variable descriptions of the additional indicators for foreign-registered legal structures

Intermediary Variable	Input Variable	Assessment Rating	Guidance
Cross-Border Risk Exposure	Level of exposure to high-risk sectors in your jurisdiction	Not analyzed Very low Low Medium High Very high	Assess this type of foreign structure’s level of exposure to sectors that were identified as high risk for ML/TF activities in your country’s ML/TF National Risk Assessment, if available and results still apply. Refer to your responses of the threat assessment of this tool, 2B – Nature of Abuse.
Effectiveness of International Cooperation with Foreign Jurisdiction	Cooperation through informal channels	Not analyzed Very low Low Medium High Very high	Assess the effectiveness of international cooperation among authorities in your country and authorities in the country of formation/registration of this type of foreign structure, using informal cooperation channels, such as FIU-to-FIU requests via the Egmont Group’s network or other informal channels. Consider your country’s experience with sending informal requests for information about this type of foreign structure to the foreign country in the context of ML/TF investigations, and response times.
	Cooperation through MLA	Not analyzed Very low Low Medium High Very high	Assess the effectiveness of international cooperation between authorities in your country and authorities in the country of formation/registration of this type of foreign structure, using formal MLA requests. Consider your country’s experience with sending MLA requests for information about this type of foreign structure to the foreign country in the context of ML/TF investigations, and response times.
Attractiveness for Use in Your Jurisdiction	Local registration requirement	Yes No	Is there any registration requirement with a registry or a local, AML-regulated professional intermediary (e.g., TCSP, resident agent) in your jurisdiction for this type of foreign entity? Registration requirements may exist, for example, for foreign structures that wish to operate in your jurisdiction, own assets or shares in a domestic company, apply for a business license or a government contract, or have another relevant nexus to your jurisdiction, and may be specific to certain sectors or business activities.
	Tax attractiveness	Not analyzed Very low Low Medium High Very high	Assess the level of tax attractiveness of using this type of foreign structure to conduct business operations, own assets, or apply for licenses in your jurisdiction. Consider factors such as: <ul style="list-style-type: none"> Is the entity or arrangement considered as a pass-through for tax purposes? Does the entity benefit from any tax incentive (tax holiday), reduced tax rate, or preferential tax regime because of its nationality, location, or activity? Do shareholders benefit from any tax incentive, reduced rate, or participation exemption regime because of the holding period and shareholding? Are certain streams of income tax exempt because of the type of entity? Is the entity subject to any simplified regime for tax reporting purposes? Is the entity excluded from tax administration procedures (control, audit, risk)?

Note: Please note that selecting “not analyzed” for any of the indicators in the Entity Risk Excel tool is penalized in the calculation of the score. For a neutral rating, select the first option in the drop-down menu “ – ” instead. MLA = mutual legal assistance.



Step 4: National Vulnerability Assessment

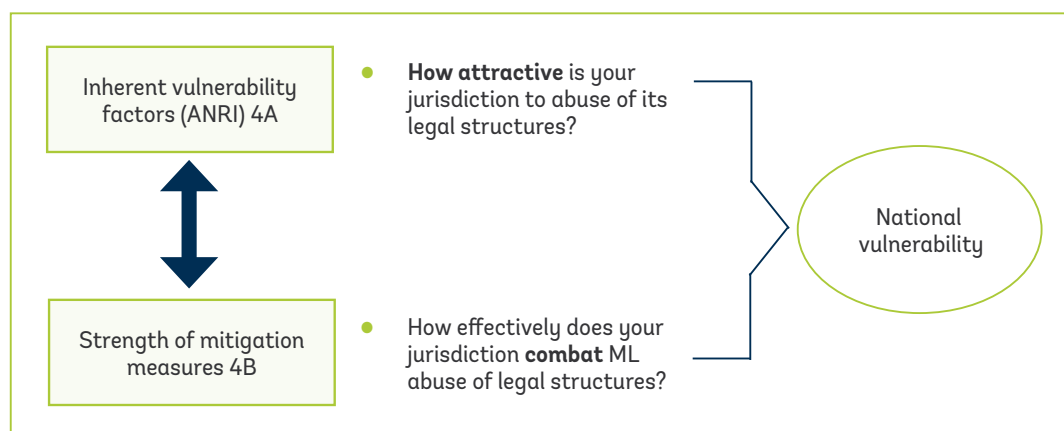
The analysis for this step of the assessment is conducted at the national level. The objectives of this step are to:

- Assess the jurisdiction's overall vulnerability to ML abuse of legal structures
- Review existing mitigation measures against abuse of legal structures
- Identify gaps and weaknesses in the jurisdiction's overall beneficial ownership framework
- Identify where additional safeguards are most urgently needed – without placing undue burden on the conduct of legitimate business in the jurisdiction.

A jurisdiction's overall vulnerability to abuse legal structures for ML purposes depends on many different factors. A highly simplified approach to categorizing them is shown in figure 7.



Figure 7. Jurisdictional vulnerabilities



In this tool, the national vulnerability assessment consists of two elements: (1) an assessment of the attractiveness of the jurisdiction as an international center for formation or registration of legal structures for non-residents – that is, “Attractiveness for Non-Resident Incorporation” (ANRI); and (2) an assessment of the strength of the jurisdiction’s mitigation measures to address risks of illicit abuse of legal structures.

Step 4A (ANRI) is most relevant for countries with an “offshore” corporate sector, that is, legal structures created in the country are commonly used by foreign, non-resident, clients, for various international business or investment purposes. It will be less useful for countries where legal structures created in the country are used only, or primarily, by nationals to conduct domestic commercial activities.

National-level analysis vs. entity-level analysis: Gaps in coverage of regulatory requirements, for example, entity registration or beneficial ownership reporting, can create significant risks of misuse that are often specific only to those types of structures that are exempt from specific regulations. A jurisdiction may have highly effective mitigation measures in place at the national level, but these measures may not apply to all high-risk sectors or all high-risk types of legal structures. For this reason, the initial “mapping exercise” requires collecting information specific to different types of structures. Building on the mapping exercise and complementing the national-level analysis in this step, the Entity Risk Assessment looks at risk factors that are specific to the type of structure (Step 3).

4A: ANRI Score (Attractiveness for Non-Resident Incorporation)

The ANRI score is a measure of a jurisdiction’s general attractiveness as a formation or incorporation center for non-residents, considering different types of legal structures – companies, partnerships, foundations, trusts, and others.

This score incorporates features related to a jurisdiction’s current scale of activities and advertising of its company formation sector. It also includes features related to a jurisdiction’s general legal, institutional, economic, regulatory, and political frameworks that impact its attractiveness for the provision of company formation services (and related professional services) to non-resident individuals and non-resident legal entities. Factors such as linguistic, historical, and cultural ties are also very important for attractiveness. They are not included in this score only because they are relative to specific pairs/groupings of countries.



Figure 8. What constitutes “attractiveness” for a jurisdiction to serve as an international center for entity formation?



Certain features that make a jurisdiction attractive for bona fide business investments may also increase its attractiveness to illicit actors seeking to form legal structures to hide or invest proceeds of crime (see figure 9 for the indicators used in the tool). While both groups share a preference for jurisdictions with a stable government, stable currency, and strong property

rights, their preferences probably differ in other respects, such as the level of enforcement of AML regulations or prosecution of financial crimes. A high level of attractiveness of a jurisdiction as a location for forming legal structures does not directly translate into a higher level of risk of abuse, but it can mean that stronger mitigation measures are needed when compared to a jurisdiction with a lower attractiveness level (that is, with a low ANRI score).

It could be helpful for authorities to simply be aware of the key factors that may make their jurisdiction attractive to non-residents, review how the legal structures of their jurisdiction are advertised by corporate service providers, identify groups of non-resident clients for whom the jurisdiction is a preferred center for entity formation, and consider associated risks.

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Figure 9. Network Diagram for the Attractiveness for Non-Resident Incorporation (ANRI)

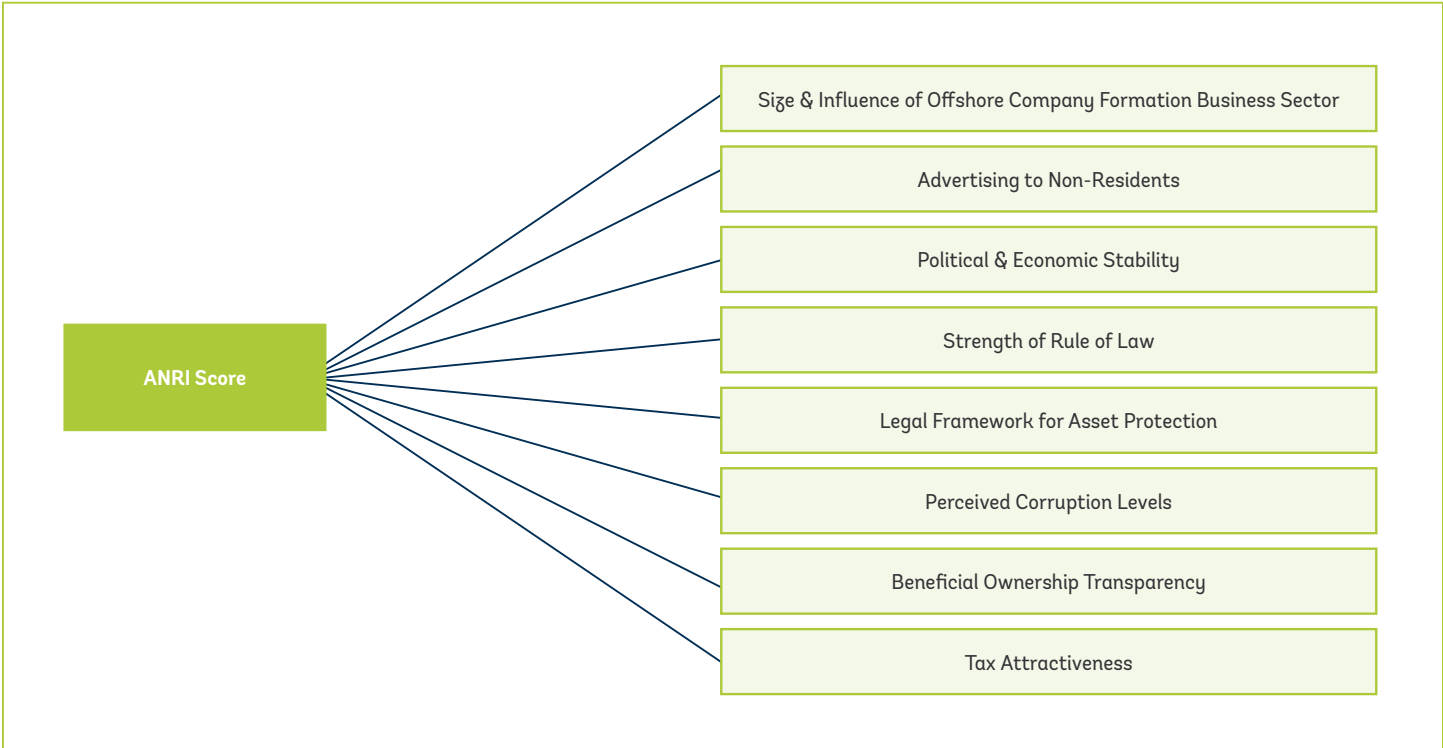


Table 8. Variable descriptions for the assessment of Attractiveness for Non-Resident Incorporation (ANRI)

Variable	Assessment Rating	Guidance
Size & Influence of Offshore Company Formation Business Sector	Very low Low Medium High Very high	<p>Evaluate the size and level of political influence of your jurisdiction's "offshore" business sector for formation of legal persons or legal arrangements.¹¹ At what scale do domestic service providers offer specialized entity formation/administration services to non-resident individuals or foreign-registered legal entities? This indicator is not limited to companies; all types of legal structures should be considered. Consider factors such as:</p> <ul style="list-style-type: none"> • Level of profitability of entity formation business sector serving non-resident clients vis-à-vis domestic clients • Level of political influence of the entity formation business sector • Existence of a large, well-developed network of professional service providers (TCSPs, law firms, accounting firms, banks) with large foreign client base • Existence of offshore licenses that restrict an entity registered in your jurisdiction to ONLY doing business abroad outside your jurisdiction (e.g., international business company license) • Number of domestic companies that provide mailing addresses for 50 or more shell entities.
Advertising to Non-Residents	Not at all Yes, but limited Yes Yes, prominently	<p>To what degree is your jurisdiction promoting itself as an international company formation center that offers specialized company formation/administration services for non-residents? Consider factors such as:</p> <ul style="list-style-type: none"> • Different advertising channels – industry publications and conferences, online advertising • Government or commercial websites promoting offshore business sector, listing financial institutions, offering guides to help non-residents incorporate or register legal structures in your jurisdiction • Existence of golden visa programs for foreign investors • Extent of company formation business generated from abroad through third-party introductions to domestic company service providers. • If the sector is focused exclusively on domestic clients, the assessment rating "Not at all" can be selected.
Political & Economic Stability	Very low Low Medium High Very high	<p>Assess the overall level of political and institutional stability in your jurisdiction using available sources and indexes, combined with expert opinion. Consider factors such as:</p> <ul style="list-style-type: none"> • Government stability; non-violent transfers of power • Stable currency; economic and financial stability • Strength and stability of public institutions • Absence of internal political violence or violent conflict (ethnic, religious, regional) • Absence of interstate conflict.

11. "Offshore" refers to the provision of company formation services and other related professional services to non-resident clients.

Strength of Rule of Law	Very low Low Medium High Very high	<p>Assess the overall strength of rule of law in your jurisdiction. Consider factors such as:</p> <ul style="list-style-type: none"> ● Existence of an efficient court system that enforces contractual and ownership rights ● Existence of a well-developed infrastructure of experienced legal professionals ● Existence of established legal and administrative frameworks to provide company formation/administration services to non-resident clients.
Legal Framework for Asset Protection	Very weak Weak Medium Strong/robust Very strong/robust	<p>Assess the strength of your jurisdiction's legal framework for asset protection. Consider factors such as:</p> <ul style="list-style-type: none"> ● Strength of private property laws ● Offering special trusts or foundations that are advertised as offering a high level of asset protection to international clients ● Weak civil forfeiture and confiscation statutes; or weak enforcement of them.
Perceived Corruption Levels	Very low Low Medium High Very high	<p>Assess the level of perceived corruption in your jurisdiction, considering both public corruption and private sector corruption. This indicator is about your jurisdiction's reputation and the perceptions of business executives, professional service providers, illicit actors, and the general public, rather than actual levels.¹²</p> <p>Consider factors such as:</p> <ul style="list-style-type: none"> ● Corruption perceptions of your jurisdiction in regional comparisons ● Corruption perceptions of your jurisdiction in global comparisons ● You can in addition refer to available comparative indexes, such as Transparency International's Corruption Perceptions Index (CPI).¹³
Beneficial Ownership Transparency	Very low Low Medium High Very high	<p>Considering the information collected in the mapping exercise, assess the overall level of beneficial ownership transparency of legal structures in your jurisdiction. Consider factors such as:</p> <ul style="list-style-type: none"> ● Is there a legal or regulatory requirement for the entity to disclose its beneficial owner(s) to any centralized registry (public or nonpublic)? ● How effective is the system for collecting, recording, and updating beneficial ownership information? ● How easily can law enforcement and other competent authorities access beneficial ownership information on domestic legal structures? ● How rigorous is the enforcement of BO disclosure regulations?

12. The level of actual convictions/prosecutions related to corruption offenses may diverge from a jurisdiction's international reputation or perceptions of corruption.

13. Transparency International's Corruption Perceptions Index: <https://www.transparency.org/en/cpi>

<p>Tax Attractiveness</p>	<p>Very low Low Medium High Very high</p>	<p>Assess the overall level of tax attractiveness of your jurisdiction, especially in the “offshore” sector serving non-residents. Consider factors such as:</p> <ul style="list-style-type: none"> • Corporate tax rates on income earned abroad? • Corporate tax rates on income earned domestically? • Does the jurisdiction promote tax competition through special tax rates or incentives to non-resident entities? • How many Fortune 500 corporations have minimal employees in your jurisdiction but declare substantial profits in the jurisdiction? • Level of tax transparency for business entities? • Does the jurisdiction provide tax incentives to attract foreign individuals as tax residents? • Can the jurisdiction’s citizenship or residency status be acquired against a passive investment or payment? • Does the jurisdiction have sufficient tax administration capacity to investigate, monitor, and prosecute tax evasion and collect unpaid taxes? • Does the jurisdiction provide mechanisms to guarantee corporate tax disclosure? • Does the jurisdiction require local filing of country-by-country reports whenever it does not obtain it via other means? • Does the jurisdiction require financial institutions and freeport operators to monitor tax compliance of their clients? • Do domestic tax norms apply tax withholding on payments made to non-residents? <p>You may refer to available comparative indexes, such as the Tax Justice Network’s Corporate Tax Haven Index (CTHI).¹⁴</p> <p>If your jurisdiction has completed the World Bank Group’s Offshore Tax Evasion tool, you can use the Functional Dimension “Attractive Offshore” in that tool to establish the level of tax attractiveness for the ANRI Score.</p> <p>Suggested scale:</p> <ul style="list-style-type: none"> ○ Very high: > 80% ○ High: 60–80% ○ Medium: 40–60% ○ Low: 20–40% ○ Very low: <20%.
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14. Tax Justice Network’s Corporate Tax Haven Index (CTHI) 2019 (<https://corporatetaxhavenindex.org/en/>) is composed of 20 indicators that measure a country’s laws, regulations, and mechanisms allowing or restricting corporate tax avoidance, and a global weight scale based on the International Monetary Fund’s data on foreign direct investment (FDI).

4B: Strength of Mitigation Measures

This step is aimed at determining the strength of existing mitigation measures against abuse of legal structures in your jurisdiction and can be used to identify new mitigations. In contrast, the ANRI score captures factors impacting the attractiveness of the jurisdiction for potential risk factors, which may increase a jurisdiction's inherent vulnerability to such risks. In the Excel tool, the score for strength of mitigation measures is combined with the ANRI score to give the national vulnerability score.

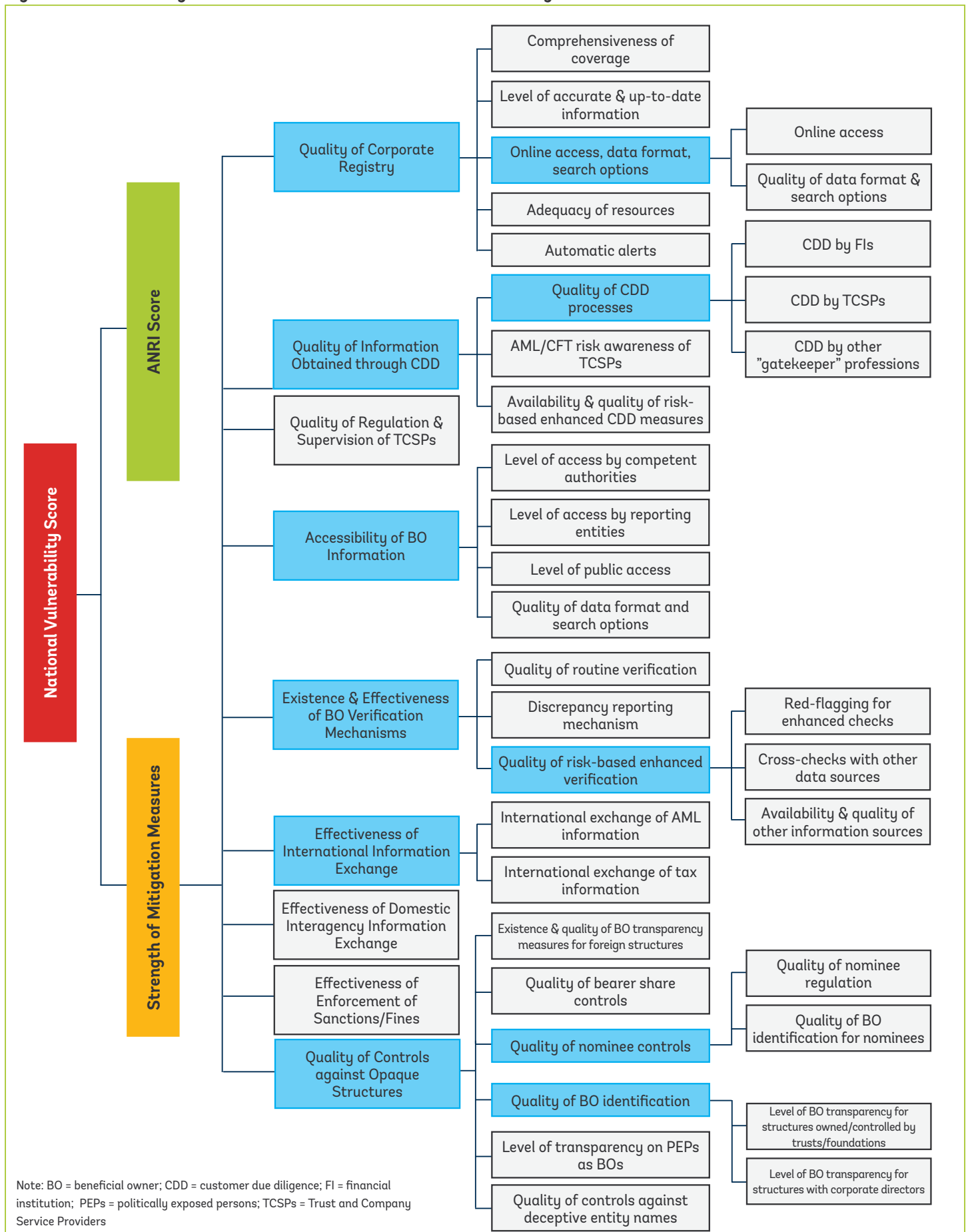
There are nine intermediate variables in this step, each covering a different area where mitigation measures may be applied:

1. Quality of Corporate Registry
2. Quality of Information Obtained through CDD
3. Quality of Regulation & Supervision of TCSPs
4. Accessibility of BO Information
5. Existence & Effectiveness of BO Verification Mechanisms
6. Effectiveness of International Information Exchange
7. Effectiveness of Domestic Interagency Information Exchange
8. Effectiveness of Enforcement of Sanctions/Fines
9. Quality of Controls against Opaque Structures.

Please note that indicators related to the jurisdiction's beneficial ownership framework appear in different parts of the tool.¹⁵ The indicators in this section refer to information on beneficial ownership of any entities or trusts that may be available to authorities in your jurisdiction. Questions about the availability of beneficial ownership information for specific different types of entities and potential exclusions from reporting requirements are covered in the Entity Risk Assessment (Step 3).

15. Indicators: accessibility of BO information, verification mechanism, enforcement of sanctions against violations of BO reporting rules, and controls against opaque structures.

Figure 10. Network diagram for the assessment of national vulnerability



Note: BO = beneficial owner; CDD = customer due diligence; FI = financial institution; PEPs = politically exposed persons; TCSPs = Trust and Company Service Providers

Table 9. Variable descriptions for the assessment of the strength of mitigating measures

Variable Level 1	Variable Level 2	Input Variable Level 3	Assessment Rating	Guidance
Quality of Corporate Registry	Comprehensiveness of coverage		Fully comprehensive Close to comprehensive Limited exemptions Many exemptions	Are all types of legal persons and legal arrangements that can be created under the laws of your jurisdiction required to register with a public authority – with the corporate registry or with another type of registry?
	Level of accurate and up-to-date information		Excellent High Medium Low Very low Does not exist	Assess the level of accuracy and up-to-date information of basic company information available in the corporate registry. Does the registry require information to be regularly updated? Is registry information regularly updated or frequently inaccurate/ outdated? Does the registry have an automatic termination process for entities that fail to update their information? This assessment should be based on practical experience, not on “on the books” updating requirements.
	Adequacy of resources		Excellent High Medium Low Very low Does not exist	Assess the level of adequacy of resources of the corporate registry – information technology (IT) equipment, staffing, financial resources. Are resources sufficient for the registry to fulfill its mandate?
	Online accessibility, quality of data format and search options	Online access	Exists, and free of charge Exists, but small access restrictions Exists, but significant access restrictions Does not exist	Is basic information about legal entities in the corporate registry accessible online, free of charge? Examples of access restrictions include a nominal fee or a preregistration requirement.

Quality of Corporate Registry	Online accessibility, quality of data format and search options	Quality of data format and search options	Excellent High Medium Low Very low Does not exist	Assess the quality of the data format and available search options in the corporate registry. Is the information searchable by a variety of entries – by legal entity name, by name of director (or secretary), partner, or other person associated with the entity – by first and last name, business address, registered agent? Is it possible to search for a combination of information (Boolean searches)? Is information in the registry held in a standardized format (e.g., dates, addresses, spellings of names)? A standardized data format facilitates exchange of information and cross-referencing information in the corporate registry with other government databases or other sources.
	Automatic alerts		Does not exist Exists	Does the registry automatically alert legal entities when an update is required? Does it inform entities of possible penalties, including termination, if information is not updated? Does the registry automatically alert regulators when updated information is required but not submitted?
Quality of Information Obtained through CDD	Quality of CDD processes	CDD by FIs	Excellent High Medium Low Very low Does not exist	Assess the overall quality of CDD processes applied to legal structures by FIs. Consider factors such as: <ul style="list-style-type: none"> Are identity verification checks of officers, directors, beneficial owners, and other persons associated with the legal structure performed? What steps are taken to identify the beneficial owners of a legal structure as part of CDD?
		CDD by TCSPs	Excellent High Medium Low Very low Does not exist	Assess the overall quality of CDD processes applied to legal structures by TCSPs. Consider factors such as: <ul style="list-style-type: none"> Are identity verification checks of officers, directors, beneficial owners, and other persons associated with the legal structure performed? What steps are taken to identify the beneficial owners of a legal structure as part of CDD?
		CDD by other “gatekeeper” professions	Excellent High Medium Low Very low Does not exist	Assess the overall quality of CDD processes applied to legal structures by other professional intermediaries in your jurisdiction (other than FIs and TCSPs). ¹⁶

16. Focus on professional intermediaries that commonly perform the most important “gatekeeper” functions in your country, defined here as those professions that provide access to financial, administrative, or other professional services that are required for – and can be abused – to move, conceal, or spend proceeds of crime. This may include real estate professionals, lawyers, notaries, accountants, arts dealers, and other professions.

Quality of Information Obtained through CDD	AML/CFT risk awareness of TCSPs		Excellent High Medium Low Very low Does not exist	<p>Assess the level of understanding and knowledge of AML/CFT risks related to legal entities among staff of TCSPs. Consider factors such as:</p> <ul style="list-style-type: none"> • Level of understanding that the BO must always be a natural person • Level of understanding that a given legal structure can have more than one BO • Level of knowledge about most common techniques used to hide the BO • Level of knowledge about common ML typologies that involve abuse of legal structures
	Quality of risk-based enhanced CDD measures		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	<p>Assess the quality of risk-based enhanced CDD requirements for legal structures based on the level of risk (geography, sector, complexity of structure, purpose of entity). Examples for higher-risk structures might include:</p> <ul style="list-style-type: none"> • Legal structures operating or holding assets in sectors identified as high-risk for ML/TF in the NRA (e.g., natural resources, extractives licensing, luxury real estate, luxury goods, trade) • Legal structures with foreign ownership • Legal structures with PEPs in the ownership/control structure • Legal structures administered by TCSPs.
Quality of Regulation & Supervision of TCSPs			Excellent High Medium Low Very low Does not exist	<p>Assess the overall quality of AML regulation of TCSPs, and their supervision. Consider:</p> <ul style="list-style-type: none"> • Are TCSPs and other intermediaries involved in forming or administering legal entities (e.g., notaries) covered by AML regulations with CDD requirements and a duty to report suspicious transactions? • Are TCSPs supervised? • Proportion of TCSPs subject to an offsite or onsite inspection over the past 5 years (indicator of active supervision) • Proportion of TCSPs identified to have serious breaches (indicator of compliance) • What is the level of enforcement against breaches of CDD and STR? Are sanctions for violations of CDD and STR rules by TCSPs rigorously applied? <p>If TCSPs are not covered by AML regulations, select “does not exist.”</p>

Accessibility of BO Information	Level of access by competent authorities		<p>Direct access</p> <p>Easy access upon request</p> <p>Some access restrictions</p> <p>Significant access restrictions</p> <p>Not accessible</p>	<p>Assess the level and quality of access to beneficial ownership information by LEAs and competent authorities. Can LEAs and competent authorities access beneficial ownership information on most domestic legal entities without significant delays or bureaucratic, technical, or financial barriers?</p> <ul style="list-style-type: none"> • Direct access = access is direct and immediate; no request necessary • Easy access upon request = information is easily accessible upon request within 48 hours • Some access restrictions = there are some bureaucratic or technical barriers to accessing information; access is usually obtained only after 48 hours • Significant access restrictions = there are larger bureaucratic or technical barriers to accessing information.
	Level of access by financial institutions and other entities subject to AML obligations		<p>Direct access</p> <p>Easy access upon request</p> <p>Some access restrictions</p> <p>Significant access restrictions</p> <p>Not accessible</p>	<p>Assess the level and quality of access to beneficial ownership information by financial institutions and other entities subject to AML obligations. Can they access beneficial ownership information on most domestic legal entities without significant bureaucratic, technical, or financial barriers? This indicator does not refer to information that financial institutions collect themselves as part of their own CDD, but to BO information that is collected in a systematic way on all entities, by a registry or by a TCSP.</p> <ul style="list-style-type: none"> • Direct access = access is direct and immediate; no request necessary • Easy access upon request = information is easily accessible upon request within 48 hours • Some access restrictions = there are some bureaucratic or technical barriers to accessing information; access is usually obtained only after 48 hours • Significant access restrictions = there are larger bureaucratic or technical barriers to accessing information.
	Level of public access		<p>Direct access</p> <p>Easy access upon request</p> <p>Some access restrictions</p> <p>Significant access restrictions</p> <p>Not accessible</p>	<p>Assess the level and quality of access to beneficial ownership information on most domestic legal entities by the general public, including journalists and civil society organizations. Can the public access beneficial ownership information without significant bureaucratic, technical, or financial barriers?¹⁷</p>

17. Some jurisdictions do not allow open access to beneficial ownership information to the general public – but they allow access to certain groups or individuals upon request, for example, by demonstrating a legitimate interest. This is an example of access restrictions.

Accessibility of BO Information	Quality of data format & search options		Excellent High Medium Low Very low Does not exist	<p>Assess the quality of the data format and search options of BO information. Consider:</p> <ul style="list-style-type: none"> Are data on beneficial owners held in a standardized, machine-readable format (e.g., dates, addresses, spellings of names)?¹⁸ Are the data structured and interoperable?¹⁹ Is the information searchable by a variety of entries – by legal entity name, by name of beneficial owner, by business address, by registered agent? Is it possible to search for a combination of information (Boolean searches)?
Existence & Effectiveness of BO Verification Mechanisms	Quality of routine verification		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	<p>Are any verification checks of beneficial ownership information submitted by the entity conducted on a routine basis? Such checks can happen before information submission in systems where a “gatekeeper” (TCSP/notary/lawyer) is required to form an entity and vet information, or they can happen at the point of submission, integrated into the design of the data infrastructure of the registry, depending on country context. Routine checks can be conducted at different stages in a legal structure’s life cycle: at registration, upon change of information, etc. They often involve data conformance checks, e.g., address format, DOB, and may involve a review of identity documents of the beneficial owners. Routine verification checks typically do not include enhanced verification checks of a more proactive/investigative nature using independent sources.</p>

18. A standardized data format facilitates exchange of information across databases and cross-referencing information in the corporate registry with other sources.

19. Specific guidance on beneficial ownership data was developed by Open Ownership. See, for example, Open Ownership’s Principle on Structured and Interoperable Data: <https://www.openownership.org/principles/structured-data/>; Beneficial Ownership Data Standard: <http://standard.openownership.org/en/0.2.0/index.html>.

Existence & Effectiveness of BO Verification Mechanisms	Quality of risk-based enhanced verification	Red-flagging for enhanced checks	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Do mechanisms for red-flagging of potential risk factors that trigger enhanced checks for sectors or entities assessed as higher risk for ML/TF exist, and if so, how effective are these processes? These mechanisms can be automatic or manual, or a combination of automatic red-flagging followed by manual checks. Enhanced verification checks may include, for example, a review of documents submitted by the entity to confirm the means and mechanisms through which the BOs exercise ownership or control, e.g., company charter, copies of share registries, partnership agreement, etc.
		Cross-checks with other data sources	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Are cross-checks of BO information supplied by legal entities with other data sources ²⁰ conducted for verification purposes? Cross-checks can be performed manually or automatically, or a combination of automatic red-flagging followed by manual checks.
		Availability & quality of other information sources	Excellent High Medium Low Very low Does not exist	Assess availability and quality of other information sources in your jurisdiction that can assist with identification of beneficial owners. Consider, for example: <ul style="list-style-type: none"> Central registry of real estate ownership Land registry Central registry of bank accounts.
	Discrepancy reporting mechanisms		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Does a mechanism for reporting discrepancies and errors in collected BO information exist, and if so, how effective is it? Are discrepancies corrected in a reasonably prompt manner? Are disputes over discrepancies or failures to correct discrepancies addressed and adjudicated in a timely and fair manner? Are sufficient resources devoted to correcting data discrepancies?

20. Other data sources depend on availability of other sources in your jurisdiction and in foreign jurisdictions, as well as on the country's mechanism to collect BO information. They can include government-held databases (e.g., tax databases, land registry, national register), commercial databases with company information, Google searches, open-source databases with company information (e.g., OpenCorporates), and internal databases maintained by FIs and DNFBPs.

Effectiveness of International Information Exchange	International exchange of AML information	Cross-checks with other data sources	Excellent High Medium Low Very low Does not exist	<p>Assess the <i>effectiveness</i> of international exchange of AML information on legal structures, including BO information. Consider:</p> <ul style="list-style-type: none"> ● Existence and effectiveness of expedited informal channels for sharing of BO information (pre-MLA), e.g., FIU-to-FIU via Egmont network or via bilateral agreements between countries ● Effectiveness of exchange of BO information via formal MLA process ● Time of responses to foreign requests related to domestic legal structures.
	International exchange of tax information		Excellent High Medium Low Very low Does not exist	<p>Assess the <i>effectiveness</i> of international exchange of tax information on legal structures, including BO information as part of exchange of tax information. Consider:</p> <ul style="list-style-type: none"> ● Does your jurisdiction participate in automatic exchange of information (AEOI) under CRS or FATCA? ● Existence and effectiveness of channels for direct exchange of tax information between your jurisdiction's tax authority and other countries' tax authorities? ● Time of responses to foreign requests related to tax information on domestic legal structures.
Effectiveness of Domestic Interagency Information Exchange			Excellent High Medium Low Very low Does not exist	<p>Assess the <i>effectiveness</i> of domestic interagency exchange of information about legal structures. Barriers to exchange of information may be institutional, political/cultural, or technical. Consider:</p> <ul style="list-style-type: none"> ● Exchange of information between tax authority and LEAs in the context of investigations involving legal structures ● Exchange of information between corporate registry and other available government databases, such as land registry, real estate registry, national register ● Exchange of information between corporate and beneficial ownership registries and agencies handling sanctions lists ● Interoperability of basic and BO information on legal structures to facilitate interagency exchange of information.

Effectiveness of Enforcement of Sanctions/ Fines			Excellent High Medium Low Very low Does not exist	<p>Assess the <i>effectiveness</i> of enforcement of available sanctions/fines for noncompliance with disclosure requirements of basic and beneficial ownership information for legal entities in your jurisdiction, e.g., failure to disclose or update information or reporting inaccurate beneficial ownership information.</p> <p>Consider:</p> <ul style="list-style-type: none"> Do fines/sanctions exist for failure to file required BO information or failure to correct data discrepancies? How often have they been applied? If no statistics, are sanctions rarely, occasionally, or routinely imposed? Are the sanctions proportionate to the severity of the offense? Are there different sanctions for administrative errors vs. deliberate concealment? Are the sanctions sufficiently dissuasive, i.e., aimed at incentivizing compliance with regulations? Can an entity be terminated for failure to file updated information? Do sanctions apply to legal entities and also to individuals associated with the legal structure, such as directors, officers, partners, BOs? Is there liability for professional intermediaries (TCSPs, agents) for submitting inaccurate/ outdated information?
Quality of Controls against Opaque Structures	Existence and quality of BO transparency measures for foreign structures		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	<p>Has your jurisdiction implemented any specific transparency measures for foreign legal structures that operate in your jurisdiction, own assets, or own shares in a domestic LP, apply for business licenses or government contracts, or have another relevant nexus to your jurisdiction? If so, how effective are they in terms of providing access to BO information of the foreign structure? For example:</p> <ul style="list-style-type: none"> Local registration requirements with a registry or regulated professional intermediary that require BO disclosure? Agreements with other jurisdictions for expedited exchange of BO information (outside of MLA process) Such measures may be risk-based and may apply only to certain sectors or business purposes, e.g., bidding on public tenders or obtaining business licenses.

Quality of Controls against Opaque Structures	Quality of bearer share controls		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist Does not apply	<p>Assess the quality and effectiveness of controls against misuse of bearer shares to hide the identity of the beneficial owner. Consider:</p> <ul style="list-style-type: none"> Have measures been taken to ban or dematerialize bearer shares (e.g., through a requirement for conversion into ordinary shares)? Have measures been taken to immobilize bearer shares (e.g., requirement for regulated custodian to hold bearer shares)? If yes, is the registration of the owner of the bearer share by a regulated custodian or other party conclusive to determine ownership (rather than the person who physically presents the instrument)? Does the corporate or beneficial ownership registry prohibit registration of a bearer share entity, whether formed under domestic or foreign law? Are there other relevant restrictions to prevent the misuse of bearer shares to hide the identity of the BO?
	Quality of nominee controls	Quality of BO identification for structures with nominees	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist Does not apply	<p>Assess the quality of BO identification for structures with nominee directors or nominee shareholders. Are nominee directors and shareholders required to disclose the identity of the natural person(s) on whose behalf they are acting (their “nominator”) to the relevant registry, public authority, or other body collecting BO information? How effectively is this requirement implemented? See FATF Recommendations, Interpretive Note to Recommendation 24, 13.</p>

Quality of Controls against Opaque Structures	Quality of nominee controls	Quality of nominee regulation	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist Does not apply	<p>Assess the quality and effectiveness of measures to mitigate the risk of misuse of nominees to hide beneficial ownership in your jurisdiction. Consider:</p> <ul style="list-style-type: none"> Are there transparency requirements for nominee directors and shareholders? (FATF Recommendations, Interpretive Note to Recommendation 24, 13a) Are there licensing or registration requirements for the provision of nominee services? (FATF Recommendations, Interpretive Note to Recommendation 24, 13b) If yes, what steps are taken to identify unlicensed or unregistered nominees? Are there other relevant restrictions, e.g., a maximum number of directorships an individual can hold? Do nominee directors bear the same legal responsibility for the affairs of a company (e.g., in the case of fraud) as (non-nominee) directors? Is this enforced? Are there dissuasive sanctions or fines for the nominee if the legal structure is used to facilitate criminal conduct? Is the status of the nominee (as a nominee) and the identity of the nominator who issues instructions to the nominee recorded in the corporate registry or other relevant registry?
	Quality of BO identification	Level of BO transparency for structures owned/controlled by trusts or foundations	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	<p>Assess quality of BO identification for legal entities with trusts or foundations in ownership/control structures.</p> <ul style="list-style-type: none"> Are trusts or foundations in the ownership/control structure of an LP required to disclose the identities of the settlor, trustee, protector (if any), and beneficiaries or founder and board of directors as part of its BO identification for CDD by reporting entities and/or to relevant registry (if available)? Do these disclosures apply even if the trust or foundation does not exist under the laws of your jurisdiction? Does your jurisdiction allow the trust or foundation in the ownership/control structure of a legal entity to register in a foreign jurisdiction or in the same jurisdiction as the entity it owns/controls?

Quality of Controls against Opaque Structures	Quality of BO identification	Level of BO Transparency for structures with corporate directors ²¹	Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Assess the level of BO transparency for legal persons with corporate directors in your jurisdiction. In practice, is beneficial ownership information on legal persons with corporate directors available to authorities?
	Level of transparency on PEPs as BOs		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Assess the level of transparency of PEPs as BOs in your jurisdiction. Consider measures such as: <ul style="list-style-type: none"> Does your jurisdiction's income and asset disclosure framework for government officials include beneficial ownership of legal entities (domestic or foreign legal entities)? Is there any requirement to record and disclose PEP status for company officers, directors, BOs, etc. in the corporate registry and/or BO registry (if available)? Does this include foreign PEPs? Does the registry or relevant regulated TCSP conduct cross-checks of BO information with global PEP lists? Do reporting entities identify PEPs as part of their CDD processes? If so, what is the level of compliance with CDD rules for PEPs?
	Quality of controls against deceptive entity names		Exists, and highly effective Exists, and mixed effectiveness Exists, but low effectiveness Does not exist	Evaluate restrictions, if any, on names of legal entities to prevent deceptively named legal structures, e.g., those that imitate established, unconnected companies. ²²

21. where one company serves as director or owner of another company.

22. Note: AML = anti-money laundering; BO = beneficial owner; CDD = customer due diligence; CFT = combating the financing of terrorism; CRS = OECD's common reporting standard for the automatic exchange of tax information; FATCA = Foreign Account Tax Compliance Act; FATF = Financial Action Task Force; FIs = financial institutions; FIUs = financial intelligence units; INR = Interpretive Note to an FATF Recommendation; LEAs = law enforcement authorities; LP = legal person; MLA = mutual legal assistance; STR = suspicious transaction report; TCSPs = Trust and Company Service Providers.

Glossary

<i>Automatic exchange of information (AEOI)</i>	The global standard that provides for the exchange of non-resident financial account information with the tax authorities in the account holders' country of residence. Participating jurisdictions that implement AEOI send and receive pre-agreed information each year on an automated basis, without having to send a specific request.
<i>Bearer share</i>	<i>FATF Glossary definition:</i> "Bearer shares refers to negotiable instruments that accord ownership in a legal person to the person who possesses the bearer share certificate." A bearer share entity is an entity whose ownership is established by one or more certificates, securities, or other documents, none of which name a specific person as the owner of the entity or is registered in any jurisdiction but deems the owners of the entity to be anyone with physical possession of an ownership document. The issuing entity neither registers its owners nor tracks transfers of ownership; it disperses dividends to bearer shares when a physical coupon is presented. Because no ownership document is registered with any authority, transferring ownership of the entity involves only delivering the physical ownership document to a new person.
<i>Beneficial owner</i>	<i>FATF Glossary definition:</i> "Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Only a natural person can be a beneficial owner, and more than one natural person can be the owner of a given legal person or arrangement."
<i>Common reporting standard (CRS)</i>	The global information standard for the automatic exchange of information (AEOI) that was created under a multilateral competent authority agreement involving more than 100 jurisdictions and that sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, and common due diligence procedures to be followed by financial institutions.
<i>"Conduit" jurisdiction</i>	Jurisdictions that are attractive intermediate destinations in the routing of international investments toward "sink" jurisdictions. Conduits typically have low or zero taxes imposed on the transfer of capital to other countries, either via interest payments, royalties, dividends, or profit repatriation. ²³
<i>Corporate veil</i>	A legal concept that separates the actions and liabilities of an entity, usually a corporation, from those of its owner. Traditionally, the phrase was used to refer to the legal principle that a corporation's owner cannot be held liable for the corporation's actions, but more recently it has also been used to refer to concealment of the identity of the corporate owner.
<i>Custodian</i>	An entity that holds customers' securities or other assets for safekeeping to prevent them from being lost or stolen. A custodian may hold stocks or other assets in electronic or in physical form.
<i>Customer due diligence</i>	The process of gathering and analyzing information about a customer to verify the customer's identity and evaluate the potential risk that the customer is involved in money laundering, terrorist financing, or other misconduct.

23. Based on Garcia-Bernardo et al. 2017

<i>Discrepancy reporting mechanism</i>	A mechanism for reporting a difference between information held in a government registry and information held by a registry user or information held in the public domain. Jurisdictions may allow voluntary reporting of discrepancies by registry users or obligate certain registry users to report all or some discrepancies to authorities. The registry authority must ensure reported discrepancies are resolved to ensure accurate registry information.
<i>Financial intelligence unit (FIU)</i>	The central, national agency responsible for receiving (and as permitted, requesting), analyzing, and disseminating to competent authorities, disclosures of financial information (i) concerning suspected proceeds of crime and potential financing of terrorism, or (ii) required by national legislation or regulation, in order to combat money laundering and terrorist financing.
<i>Foreign account tax compliance act (FATCA)</i>	U.S.-enacted law that requires non-resident financial institutions to provide automatic annual information to the U.S. Internal Revenue Service about accounts opened by U.S. persons.
<i>Foreign legal person or arrangement</i>	Legal person or arrangement that was created or registered in a different jurisdiction. It may be allowed to conduct business or own assets in your jurisdiction, or own domestically registered legal persons.
<i>“Front man” or “straw man”</i>	A natural or legal person that acts as an agent for a concealed party but does not disclose their agency role. The agent may take on the role for the purpose of registering beneficial ownership, taking title to real property, opening an account, or engaging in some other kind of transaction or activity for a hidden principal who has engaged or plans to engage in illicit activity. Contrary to a formal nominee arrangement, there may not be any formal [trust] arrangement or [civil] contract with legal effect between the two. Typically, the front man/ straw man and the principal have close ties based on family, friendship, or other social, business, or criminal connections.
<i>Legal arrangement</i>	<i>FATF Glossary definition:</i> “Legal arrangements refers to express trusts or other similar legal arrangements. Examples of other similar arrangements (for AML/CFT purposes) include fiducie, treuhand and fideicomiso.” Trusts, express trusts, or similar legal relationships that provide for the separation of legal ownership from beneficial ownership. The settlor (a natural or legal person) places property (including real, tangible, and intangible) under the control of a trustee for the benefit of a beneficiary or for a specified purpose. The trustee who holds legal title owes a fiduciary duty to the beneficiary who is the beneficial owner of the trust property. In many jurisdictions, trusts do not have a separate legal personality and cannot enter into contracts, sue or be sued, or own property; in other jurisdictions, statutory or common law business trusts are treated as having a separate legal personality.
<i>Legal entity</i>	Refers to legal persons with separate legal personality.
<i>Legal person</i>	<i>FATF Glossary definition:</i> “Legal persons refers to any entities other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include companies, bodies corporate, foundations, anstalt, partnerships, or associations and other relevantly similar entities.” Legal persons have a separate legal personality and can sue and be sued, and can enter into contracts.

<i>Legal structure</i>	Used as an umbrella term in this tool to refer to both legal persons and legal arrangements through which a wide variety of commercial activities can be conducted and assets can be held.
<i>Multijurisdictional splitting</i>	Networks of legal structures that split entity formation, asset ownership, employees and administration, location of professional intermediaries, and location of bank account across different countries to prevent detection of illicit activity and to evade regulations.
<i>Mutual legal assistance</i>	The process by which jurisdictions seek and provide assistance to another jurisdiction in gathering information, intelligence, and evidence for investigations; in implementing provisional measures; and in enforcing foreign orders and judgments.
<i>Nominator</i>	<i>FATF Glossary definition:</i> “Nominator is an individual (or group of individuals) or legal person that issues instructions (directly or indirectly) to a nominee to act on their behalf in the capacity of a director or a shareholder, also sometimes referred to as a “shadow director” or “silent partner.”
<i>Nominee</i>	<i>FATF Glossary definition:</i> “Nominee is an individual or legal person instructed by another individual or legal person (“the nominator”) to act on their behalf in a certain capacity regarding a legal person.”
<i>Nominee director</i>	<i>FATF Glossary definition:</i> “A nominee director (also known as a “resident director”) is an individual or legal entity that routinely exercises the functions of the director in the company on behalf of and subject to the direct or indirect instructions of the nominator. A nominee director is never the beneficial owner of a legal person.”
<i>Nominee shareholder</i>	<i>FATF Glossary definition:</i> “A nominee shareholder exercises the associated voting rights according to the instructions of the nominator and/or receives dividends on behalf of the nominator. A nominee shareholder is never the beneficial owner of a legal person based on the shares it holds as a nominee.”
<i>Politically exposed person (PEP)</i>	<p>Individuals who are or have been entrusted with prominent public functions and are typically subject by law or regulation to heightened customer due diligence reviews and monitoring by financial institutions.</p> <p><i>FATF Glossary definition:</i> “<i>Foreign</i> PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.”</p> <p>“Domestic PEPs are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.”</p> <p>“Persons who are or have been entrusted with a prominent function by an international organisation refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions. The [FATF] definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing categories.”</p>

<i>Registered agent</i>	An individual or entity which has been designated by the legal person to receive service of process notices, government correspondence, and compliance-related documents on behalf of the legal person. Sometimes also called “registered agent for service.”
<i>Shelf company</i>	Company that is already registered with a jurisdiction and may have paid fees or taxes but has never conducted business and holds no assets or liabilities other than a bank account with limited funds. Essentially, the company is established to sit on a “shelf” awaiting transfer to a third party at a later time, possibly in anticipation of attracting a higher price for an “aged” entity.
<i>Shell bank</i>	<i>FATF Glossary definition:</i> “Shell bank means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.”
<i>Shell company</i>	An incorporated company with no independent operations, significant assets, ongoing business activities, or employees (FATF/Egmont 2018 Concealment of Beneficial Ownership Report). The term describes a legal entity that exists only on paper and has no office and no employees but may have a bank account or may hold passive investments or be the registered owner of assets. Shell companies may be registered to the address of a company that provides a service setting up shell companies, and which may act as the agent for receipt of legal correspondence (such as an accountant or lawyer). The company may serve as a vehicle for business transactions without itself having any significant assets or operations. Sometimes, shell companies are used for tax evasion, tax avoidance, and money laundering, or to achieve a specific goal such as anonymity. Anonymity may be sought to shield personal assets from others, such as a spouse, creditors, government authorities, or others.
<i>“Sink” jurisdiction</i>	Jurisdictions that attract and retain foreign capital, including illicit funds. Territories in this category often have large values of foreign assets, which are attracted through low corporate taxes or other attractive features. ²⁴
<i>Suspicious transaction report (STR) or suspicious activity report (SAR)</i>	A report made by an anti-money-laundering-regulated entity about suspicious or potentially suspicious financial activity. The report is filed with that country’s financial intelligence unit, which is typically a specialist agency designed to collect and analyze suspicious transactions and alert relevant law enforcement authorities and regulators.

24. Adapted from Garcia-Bernardo et al. 2017.

Common Types of Legal Structures

Provided below are general descriptions of several different types of legal structures that exist in many jurisdictions. The precise specifications vary by jurisdiction, and the general descriptions may not be fully applicable to similarly named legal structures in your jurisdiction.

<i>Anstalt</i>	A flexible corporate form closely related to a trust but unlike a trust, it has legal personality like a company or foundation. Its capital may be divided into shares. It can be formed when the founder, a legal or natural person, transfers rights to assets to a board of directors by an act of assignment.
<i>Association</i>	A membership-based organization whose members (legal or natural persons) or their elected representatives constitute the highest governing body of the organization. An association may be formed to serve the public benefit or the mutual interest of members. Whether an association is a legal entity often depends on registration. Registered associations may enjoy the same benefits as other legal entities.
<i>Company limited by a guarantee</i>	Type of corporation used primarily (but not exclusively) to constitute a nonprofit organization that has legal personality. It does not usually have a share capital or shareholders, but instead has members who act as guarantors of the company's liabilities: each member undertakes to contribute an amount specified in the articles (typically very small) in the event of insolvency or of the winding up of the company. It can distribute its profits to its members, if allowed to by its articles of association, but then it may not be eligible for charitable status.
<i>Cooperative</i>	An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned enterprise.
<i>Corporation</i>	A legal entity that is separate and distinct from its owners who hold shares in the entity. Corporations can enter contracts, loan and borrow money, sue and be sued, hire employees, own assets, and pay tax.
<i>Fideicomiso</i>	An arrangement, generally used in inheritance law, to leave an estate to one person, entrusting them to pass it on to another person.
<i>Foundation</i>	A legal entity established by a founder who transfers property to the entity to serve a particular purpose. The foundation often has no owners or shareholders and is managed by a board of directors or controlling person, according to the terms of a foundation document or constitution. Some jurisdictions restrict foundations to public purposes (public foundations); others allow foundations to be established to fulfill private purposes (private foundations). Foundations may engage in charitable, business, or other activities and may or may not be required to file formation or registration documents with the jurisdiction where it is organized. Common law jurisdictions generally permit the formation of companies limited by guarantee (essentially equivalent to a civil law foundation) but regulated by company law. Some of these jurisdictions also permit companies to be limited by guarantee and have shares (hybrid companies). A hybrid functions as a foundation but issues shares like a company.

<i>General partnership</i>	A legal entity formed when two or more persons agree to manage and operate a business and share its profits. In most jurisdictions, general partnerships may be found to exist without any legal documentation or registration. A partnership may be recognized in law as a legal person, a legal relationship between individuals, or a hybrid of the two. Unincorporated general partnerships necessarily vest both ownership of and control in their partners, who have unlimited liability. Partners may be natural persons or legal entities. In some jurisdictions, a general partnership may file with a jurisdiction to obtain permission to conduct activities under a business name rather than under the names of its partners.
<i>Hedge fund</i>	An entity in which investors pool their funds and engage in investment activities. A hedge fund may take the form of a corporation, partnership, or other business entity. Hedge funds may be aggressively managed and make use of derivatives, complex financial products, and leverage in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark). In some jurisdictions, due to their complex, higher risk investment strategies, hedge funds may accept funds only from accredited or sophisticated investors. Hedge funds are often subject to fewer disclosure requirements and less regulation than mutual funds and other regulated investment vehicles.
<i>Holding company</i>	A corporation or limited liability company that owns the outstanding stock of other companies. A holding company usually does not produce goods or services itself. Its purpose is to own shares of other companies to form a corporate group. However, in many jurisdictions, holding companies may be called parent companies which, besides holding stock in other companies, may conduct business activities themselves and hold other types of assets. Holding companies enable their shareholders to indirectly own and control multiple entities.
<i>International business company (IBC) or exempt company</i>	A primary corporate entity employed by non-residents in many offshore financial centers. It has the features of a corporation but is not permitted to conduct business within the incorporating jurisdiction and is generally exempt from local corporate income taxes. In most jurisdictions, it is not permitted to engage in banking, insurance, or other financial services.
<i>Joint-stock company or private unlimited company</i>	A hybrid company (corporation) incorporated with or without a share capital (and similar to its limited company counterpart) but where the legal liability of the members or shareholders is unlimited: that is, its members or shareholders have a joint, several, and non-limited obligation to meet any insufficiency in the assets of the company to enable settlement of any outstanding financial liability in the event of the company's formal liquidation.
<i>Limited liability company (LLC)</i>	A business entity that provides limited liability to its owners (known as members). Unlike a corporation that has a legal personality separate from its owners, an LLC is deemed to be a flow-through vehicle for tax purposes. Therefore, it permits profits and losses to be allocated to, and taxed at, the member level. An LLC may be managed either by members themselves or by one or more separate managers engaged by the LLC under the terms contained within its articles of organization.

<i>Limited liability partnership (LLP)</i>	A type of partnership that combines the advantages of corporate and partnership forms of business. In some countries it may be constituted as a corporate entity rather than as a partnership. It conveys limited liability status on all partners in most jurisdictions. Unlike a company where shareholders must elect a board of directors, in an LLP, the partners have the right to manage the business directly. An LLP differs from traditional partnership structures that require one partner without limited liability.
<i>Partnership</i>	A legal entity formed when two or more persons agree to manage and operate a business and share its profits. There are several types of partnerships. In particular, all partners may share liabilities and profits equally, or some partners may have limited liability. Some also include a so-called “silent partner,” in which one party provides funding and shares in the profits, but is not involved in the day-to-day operations of the business. Partners can be individuals or legal entities.
<i>Pass-through entity</i>	A pass-through entity, also known as a flow-through entity, is a business entity that, for tax purposes, attributes its income to its owners or investors and is not taxed at the entity level. Flow-through entities are a common device used to limit taxation by avoiding taxation at both the entity and owner levels.
<i>Private investment fund</i>	An investment vehicle, which may be organized as a corporation, partnership, or other entity, that does not solicit capital from retail investors or the general public. Private investment fund advisors, which typically service high-net-worth individuals and their families, may engage in complex investment activities using pooled funds. They may operate as hedge funds, private equity funds, venture capital funds, or family offices. Private investment funds are often subject to fewer disclosure requirements and less regulation than what is required for funds that are traded publicly.
<i>Public limited company (PLC)</i>	A company that has limited liability and offers shares to the general public. It is usually required to publish accurate financial information to its shareholders, potential investors, and the public. It is typically subject to regulation.
<i>Sole proprietorship</i>	In many jurisdictions, a sole proprietorship is a legal entity that can open a bank account, sue or be sued, and own property, but in other jurisdictions, it is not recognized as a separate legal entity but is simply a legal term for an individual who is conducting business activity and who is personally responsible for paying any debts and filing taxes. A sole proprietorship may conduct business under the name of the individual or may have a separate trade name. Many jurisdictions do not require sole proprietorships to register for commencement of business, but may require registration to conduct business activities under a trade name, obtain licensing, or claim a tax benefit.

<i>Trust</i>	<p>A vehicle that provides for the separation of legal ownership from beneficial ownership. It is an arrangement whereby property (including real, tangible, and intangible) is managed by one person for the benefit of others. A trust is created by one or more settlors who entrust property to the trustee or trustees. The trustees hold legal title to the trust property but are obliged to hold the property for the benefit of the beneficiaries (usually specified by the settlors who hold what is termed equitable title). The trustees owe a fiduciary duty to the beneficiaries, who are the beneficial owners of the trust property. In many jurisdictions, the trust is not, of itself, an entity having legal personality. However, in some jurisdictions (including in some U.S. states), certain statutory or common law business trusts are treated as legal entities and sometimes even characterized as a corporation or partnership. Any transactions undertaken by the trust are generally undertaken in the name of the trustees. Although the trustees are the legal owners, the trust property constitutes a separate fund that does not form part of the trustees' personal estates. Thus, neither the personal assets nor the personal liabilities of the trustees attach to the trust, and the trust assets are accordingly insulated from any personal creditors of the trustees. Trusts may engage in charitable or business activities, or both types of activities.</p>
<i>Unincorporated entity</i>	<p>An organization or artificial legal person that either has a separate legal existence or has the power to acquire an estate in real property in its own name and that is not any of the following: a domestic or foreign business or nonprofit corporation, an estate, a trust, or a government. The term includes a general partnership, limited liability company, limited partnership, business trust, joint stock association, and unincorporated nonprofit association.</p>
<i>Usufruct</i>	<p>A legal right accorded to a person or party that confers the temporary right to use and derive income or benefit from someone else's property. It is a limited real right that can be found in many mixed and civil law jurisdictions. A usufructuary is the person holding the property by usufruct. A usufruct combines the two property rights of usus and fructus. Usus refers to the right to use something directly without damaging or altering it, and fructus refers to the right to enjoy the fruits of the property being used – that is, to profit from the real property by leasing it, selling crops produced by it, charging admission to it, or similar. Usufruct is usually conferred for a limited period.</p>

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