

Fact Sheet: “The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It”

The Significance of the Study

“The Puppet Masters” is a comprehensive study that examines the links between large-scale corruption by high-level public officials and the concealment of stolen assets through opaque shell companies, foundations, and trusts.

Examples

- **Anglo-Leasing case (Kenya).** In 2002, the government of Kenya invited bids to replace its passport printing system. Despite receiving a bid for €6 million from a French firm, the Kenyan government signed a contract for five times that amount (€31.89 million) with Anglo-Leasing and Finance Ltd., an unknown U.K. shell company, with a post office box in Liverpool. The Kenyan government’s decision was taken despite the fact that Anglo-Leasing proposed to subcontract the actual work to the French company.
- In March 2010, **DaimlerChrysler Automotive Russia SAO (DCAR)**, pleaded guilty to one count of conspiracy to bribe foreign officials and one count of bribery of foreign officials. The Statement of Facts agreed to by Daimler details 25 sets of improper payments to bank accounts held in Latvia, Switzerland, the United States and unnamed jurisdictions; the accounts were held in the name of some of the 27 involved companies registered or having addresses in 7 different jurisdictions: the Bahamas; Costa Rica; Cyprus; Ireland; Seychelles; United Kingdom; as well as in California, Delaware and Florida.

Main Recommendations of the Study

- **Governments should adopt a strategy to combat the misuse of companies and foundations to conceal ill-gotten funds.** The strategy should determine what types of companies are being used within the jurisdiction to hide proceeds of crime and how to make such entities and structures more transparent. Bearer shares (an equity security that is wholly owned by whoever holds the physical stock certificate) should be abolished or immobilized.
- **All providers of financial and corporate services to companies should collect beneficial ownership information about the company and continue to monitor whether this information is accurate.** Providers of legal, financial and administrative (incorporation and management) services to legal entities are often in the best position to understand their clients and distinguish between legal fiction and reality. They should be required to identify beneficial ownership and provide information to law enforcement when necessary.
- **All corporate registries should provide a certain minimum standard of information on registered entities and allow for easy (on-line) searches of this information.** At a minimum this should include information on shareholders, members and directors, as well as historical background.
- **Strengthen investigative skills and capacity.** Expand training and ensure adequate manpower and budgetary resources to conduct complex, transnational investigations.

How Data for the Report Were Gathered

Using public official and secondary sources, 150 grand corruption cases involving senior public officials that span 1980 to the present were documented and analyzed. Additionally, the study features the results of questionnaires, investigative research (“mystery shopping”), survey of legislation, roundtable discussions, one-on-one interviews and other research methods that were employed to validate the findings of the study.

“The Puppet Masters” is a project of [the Stolen Asset Recovery \(StAR\) Initiative](http://www.worldbank.org/star), a partnership formed by the World Bank and the United Nations Office on Drugs and Crime (UNODC) to help end safe havens for proceeds of corruption and to facilitate more systematic and timely return of stolen assets.

For more information, please visit: www.worldbank.org/star