

2nd KLEPTOTRACE TRAINING

How to trace complex forms of ownership and control of assets related to 'kleptocrats' and sanctioned entities

April 8, 2024 | h. 12.30 – 17.45 CET

Online

By participating in the training you accept the privacy policy: <https://transcrime.it/kleptotrace/event-privacy-policy/>



Co-funded by
the European Union

KLEPTOTRACE

Strengthening EU asset recovery and sanction tracing against transnational high-level corruption

2nd Training – How to trace complex forms of ownership and control of assets related to ‘kleptocrats’ and sanctioned entities

8 April 2024 - Milan

Transcrime – Joint Research Centre on Innovation and Crime
Università Cattolica del Sacro Cuore

RESEARCH



TRAINING



TOOLBOX DEVELOPMENT



POLICY RECCOMANDATION



AWARENESS



What is KLEPTOTRACE?

KLEPTOTRACE is a project co-funded by the ISF – Internal Security Fund of the European Commission

It will strengthen the EU's capacity for asset recovery and **sanction** tracing, combating transnational high-level **corruption**.

It will **monitor** corruption and EU sanctions evasion, by also developing a data-driven **toolbox**. It will provide **training** and offer **policy** recommendations to strengthen EU authorities' capabilities and raise **awareness** of transnational corruption risks.

www.transcrime.it/kleptotrace

RESEARCH



Analysis of **new forms of transnational high-level corruption** and schemes of **sanctions circumvention**. The findings are disseminated and validated by EU competent authorities and agencies.

TRAINING



Five dedicated training programs for **EU authorities, AML/CTF obliged entities, supranational authorities, and civil society organizations** to bolster anti-corruption investigation capabilities.

TOOLBOX



A **platform** will be developed to effectively **investigate, analyse, and understand connections, risks, and anomalies** linked to **designated entities** and their assets.

POLICY



Evaluate current **EU sanction regime limitations** and make **policy and legal recommendations** for improvement.

AWARENESS



Increase awareness among EU authorities and civil society about transnational high-level corruption risks through online and offline communication.

CONSORTIUM

Partners



UNIVERSITÀ
CATTOLICA
del Sacro Cuore

crime&tech



Finanšu izlūkošanas dienests

MFSA MALTA
FINANCIAL
SERVICES
AUTHORITY



ΧΑΡΟΚΟΠΕΙΟ ΠΑΝΕΠΙΣΤΗΜΙΟ
HAROKOPIO UNIVERSITY

context®

I RPI



ANAC AUTORITÀ
NAZIONALE
ANTICORRUZIONE



FACULTY OF LAW,
ECONOMICS AND FINANCE

External supporter



open sanctions

Associated Partners

EUROPEAN
BUSINESS
REGISTRY
ASSOCIATION



NETWORK OF CORRUPTION
PREVENTION AUTHORITIES



2nd KLEPTOTRACE training

**How to trace complex forms
of ownership and control of
assets related to
'kleptocrats' and sanctioned
entities**



Rationale and relevance

- ‘Kleptocrats’ and high-level corruption employ **complex schemes of asset ownership and control**
- **Understanding in-depth** these ownership/control schemes is crucial for many purposes:
 - Asset recovery
 - Asset freezing
 - Tracing of sanctions
 - Identification of sanction circumvention schemes
 - Application of «Sanctioned by extension» principle
- Wide variety of stakeholders are interested: **AROs, FIUs, other public authorities, obliged entities and other economic operators**
- **Asset ownership** (and protection of personal property) is a fundamental principle of the EU Charter of Fundamental Rights



Training agenda - 1

Time in CET	Description of the activities	Speaker
12:30 – 12:40	Welcome and introduction	Michele Riccardi and Giovanni Nicolazzo - UCSC-Transcrime
12:50 – 13:10	Fundamentals of Sanctions and their impact	Matthew Happold and Iryna Bogdanova – University of Luxembourg
13:10 – 13:30	Sanctions and asset ownership and control	Matteo Anastasio – UCSC-Transcrime
13:30 – 13:50	Coffee break	
13:50– 14:20	Interactive session to assess ownership and control	Giovanni Nicolazzo - UCSC-Transcrime
14:20 – 14:40	European financial and economic crime threat assessment	Orsolya Erdélyi - Europol
14:40 – 15:00	European companies and sanction entities: a mapping	Giovanni Nicolazzo - UCSC-Transcrime



Training agenda - 2

Time in CET	Description of the activities	Speaker
15:00 – 15:45	Case-studies of sanction evasion and sanction circumvention: the perspective of national authorities	Roberto Ribaudo , Head of ARO – Ministero dell’Interno (Italy) Kārlis Līmežs - Financial Intelligence Unit (FIU) (Latvia) Sergej Chaniutko , Financial Crime Investigation Service (FNIT) (Lithuania)
15:45 – 16:15	Case-studies of sanction evasion and sanction circumvention: the perspective of investigative reporters	Lorenzo Bagnoli – IRPI (Italy) Attila Biro – CONTEXT.RO (Romania)
16:15 – 16:40	Coffee break	
16:40– 17:00	Data on sanctions	Friedrich Lindenberg - OpenSanctions (Germany)
17:00 – 17:20	Data and tools on asset control/ownership	Antonio Bosisio - UCSC-Transcrime
17:20 – 17:35	Q&A and Open Discussion	All participants
17:35 – 17:45	Closure of the meeting and key takeaways	Michele Riccardi and Giovanni Nicolazzo - UCSC-Transcrime



Co-funded by
the European Union



TRANSCRIME

Joint Research Centre on Innovation and Crime



**UNIVERSITÀ
CATTOLICA**
del Sacro Cuore

THANK YOU

Website: www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.

Sanctions: fundamentals and impact

What are sanctions and what to they do?

Milan, 8 April

Prof. Matthew Happold and Dr Iryna Bogdanova
Matthew.Happold@uni.lu, Iryna.Bogdanova@uni.lu

Faculté de Droit, d'Economie et de Flnance, Université du
Luxemboug



What are economic sanctions?

Economic/financial sanctions: not terms of art. Other regimes use other terms (restrictive measures, unilateral coercive measures).

‘the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries’ (Article 215, Treaty on the Functioning of the European Union).

In international law, a distinction between collective (United Nations Security Council) sanctions vs autonomous/unilateral sanctions (i.e. imposed by the EU or the USA).

Because they affect individuals and entities, sanctions usually need to be implemented at the national level.

More than one national regime (which may differ) may be applicable to particular conduct, or one regime may permit certain conduct while another prohibits it.



Article 215 TFEU (Restrictive Measures)

1. Where a decision, adopted in accordance with Chapter 2 of Title V of the Treaty on European Union, provides for the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries, the Council, acting by a qualified majority on a joint proposal from the High Representative of the Union for Foreign Affairs and Security Policy and the Commission, shall adopt the necessary measures. It shall inform the European Parliament thereof.
2. Where a decision adopted in accordance with Chapter 2 of Title V of the Treaty on European Union so provides, the Council may adopt restrictive measures under the procedure referred to in paragraph 1 against natural or legal persons and groups or non-State entities.
3. ...

See also Article 75 TFEU (on actions to prevent and combat terrorism)



Article 21 TEU

1. *The Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.*
2. The Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations which share the principles referred to in the first subparagraph. *It shall promote multilateral solutions to common problems, in particular in the framework of the United Nations.*

The EU does not, however, consider that it cannot act when the United Nations does not, either because it is a matter of only 'local' interest or because action at the UN level is blocked.

Like the USA, it does not consider autonomous/unilateral sanctions to be unlawful *per se*.



Types of EU restrictive measures

EU sanctions can target governments of third countries, as well as companies, groups, organisations, or individuals through measures such as:

- arms embargoes
- restrictions on admission (travel bans)
- asset freezes
- other economic measures such as restrictions on imports and exports.

This last category has taken broad dimensions in recent years.



Types of EU restrictive measures: the case of Russia

EU restrictive measures against Russia include prohibitions on the export of quantum computers and advanced semiconductors, electronic components and software; certain types of machinery and transportation equipment; goods and technology needed for oil refining; energy industry equipment, technology and services; aviation and space industry goods and technology; maritime navigation goods and radio communication technology; a number of dual-use goods (such as drones and software for drones or encryption devices); luxury goods; civilian firearms and other army materials; chemicals, lithium batteries and thermostats, and other goods which could enhance Russian industrial capacities.

Russian products that cannot be imported into the EU include crude oil, coal, steel, gold and diamonds.

In addition, the EU has prohibited the provision of certain business-relevant services to the government of Russia or to any legal persons, such as companies and other entities or bodies, established in Russia. It has also imposed sanctions on road and maritime transport and the aviation sector.

And it has suspended the broadcasting activities and licenses of several “Kremlin-backed disinformation outlets”.



Are sanctions effective?

“Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside of the nation boycotted, but it brings a pressure upon that nation which, in my judgment, no modern nation could resist.” (US President Woodrow Wilson in 1919)

Sanctions are imposed for political reasons, usually in pursuit of foreign policy goals, but their specific purpose is often ambiguous, which means it can be difficult to assess their effectiveness. Against whom are they directed? Do they seek to coerce, punish, incapacitate or simply shun?

In addition, different perspectives have different views of success (political scientists v economists).

The move from targeted sanctions in the 1990s was a result of a view that comprehensive sanctions were both damaging and ineffective. But today's targeted sanctions are ever-wider.



Sanctions today

If the UN Security Council will not impose sanctions, how effective can unilateral sanctions be in a multipolar world?

To what extent are ‘extraterritorial’ sanctions lawful?

The USA can leverage the dollar’s position as the global currency, What can the EU do? Belgium-based SWIFT is prohibited from providing services to EU-sanctioned banks from Iran, Russia, and Belarus.

Dealing with circumvention. Prohibitions on the re-export of goods (“No Russia clause”); prohibitions of export to third countries allowing re-exportation; imposing financial sanctions on persons/entities involved in circumvention.

Criminalisation (Directive on the definition of criminal offences and penalties for the violation of Union restrictive measures).

THANK YOU

Prof. Matthew Happold

Matthew.Happold@uni.lu

Dr Iryna Bogdanova

Iryna.Bogdanova@uni.lu



Co-funded by
the European Union

Sanctions and Asset Ownership and Control

Panel 1 – Sanction Tracing, Asset Ownership
and Control

8 April 2024

Matteo Anastasio

matteo.anastasio@unicatt.it

Transcrime – Università Cattolica del Sacro Cuore



A Recap and a Golden Rule

The asset freezes imposed against Russian individuals and entities consist of two main obligations to be performed by obliged entities:

Freezing of funds and economic resources: All funds and economic resources belonging to, owned, held or controlled by any designated natural or legal person, entities or bodies associated with them shall be frozen.

Prohibition to make funds or economic resources available: No funds or economic resources shall be made available, directly or indirectly, to or for the benefit of designated natural or legal persons.

*“Assessing the beneficial ownership of a business counterpart is a due diligence duty. There is **no one-size-fits-all model of due diligence**. It may depend – and be calibrated accordingly – on the business specificities and the related risk exposure. **It is for each operator to develop, implement, and routinely update an EU sanctions compliance programme** that reflects their individual business models, geographic and sectoral areas of operations and related risk assessment”.*

(European Commission, Consolidated FAQs on the implementation of Council Regulation No 833/2014 and Council Regulation No 269/2014, p. 16, FAQ no. 4)



Sanctions “by extension”

The mechanism of **sanctions “by extension”** implies that the effects of sanctions **do not just involve the designated individuals, but also entities connected to them through ownership and control relationships**. The EU's best practices describe such connections as follows:

*“If the **ownership or control** is established [...], the making available of funds or economic resources to non-listed legal persons or entities which are owned or controlled by a listed person or entity **will in principle be considered as making them indirectly available to the latter**, unless it can be **reasonably determined** [...] that the funds or economic resources concerned will not be used by or be for the benefit of that listed person or entity.”*

(Council of the EU, [EU Best Practices for the effective implementation of restrictive measures](#), p. 24, BP no. 66)



Ownership and Control

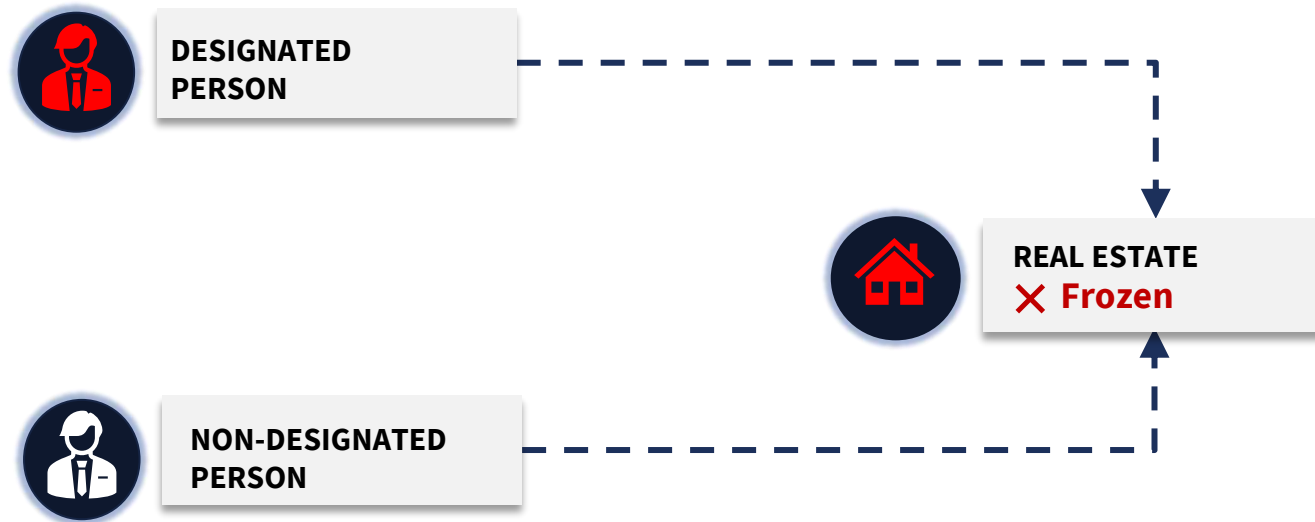
	EU	USA	UK
Frozen assets	Funds and Economic Resources	Any property or interest in property , tangible or intangible, including present, future or contingent interests.	Funds and Economic Resources
Sanction by extension	✓	✓	✓
Ownership	✓	✓	✓
Control	✓	✗	✓
Ownership definition	The possession of more than 50% of the proprietary rights of an entity or having a majority interest in it (BP no. 62).	Property and interests in property of an entity in which a blocked persons own, whether individually or in the aggregate, directly or indirectly, a 50 percent or greater interest.	Holding more than 50% of the shares or voting rights in an entity



Joint Ownership

	EU	USA	UK
Joint Ownership	✓	✓	✓

Definition: Funds and economic resources jointly owned by a designated and a non-designated individual or entity are **entirely subject to freezing**.

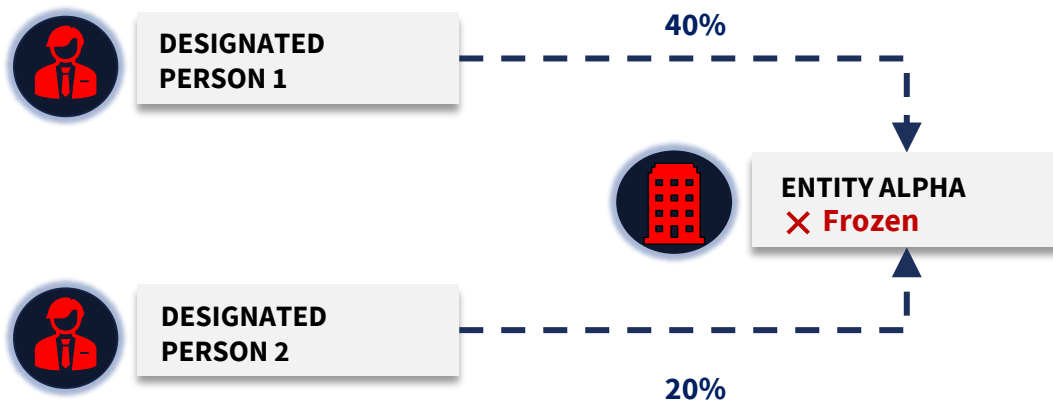




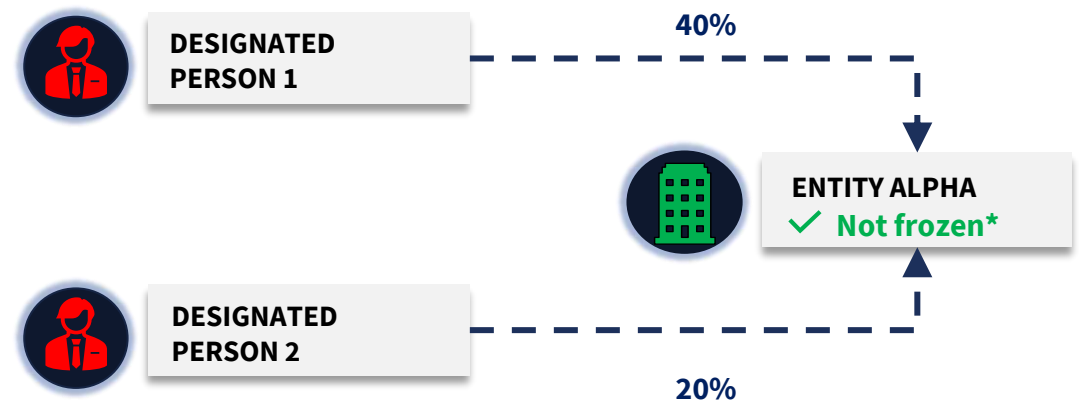
Aggregate Ownership

	EU	USA	UK
Aggregate Ownership	✓	✓	✗
Additional Info	If the aggregate ownership by two or more listed persons amounts to more than 50% of that entity, the entity is considered as owned by a listed person (FAQ8).	Aggregation ONLY works for similar types of sanctions , that is: stakes owned by an SDN (e.g. Igor Sechin) & an SSI (e.g. Rosneft) are NEVER aggregated.	OFSI will aggregate different designated persons' holdings in a company only if the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another .

EU and USA



UK



*Unless there is a joint arrangement between DP 1 and 2



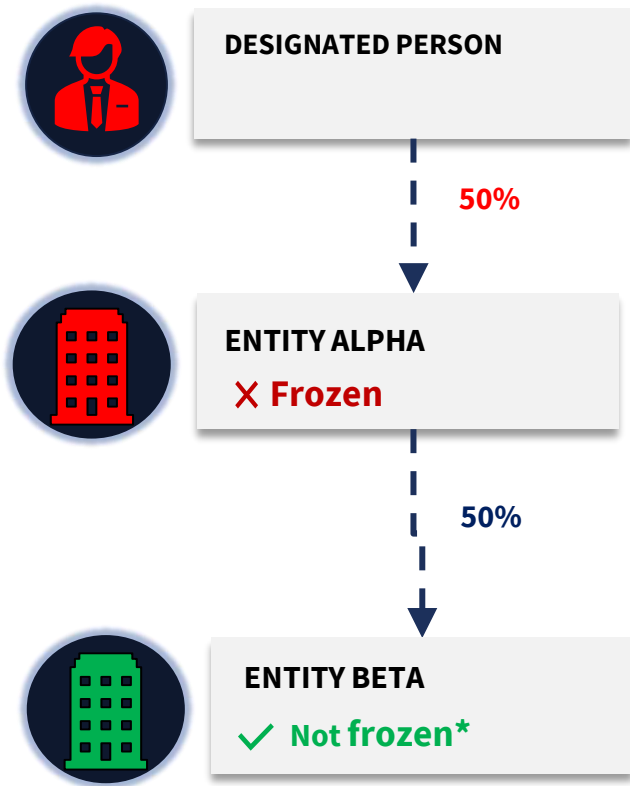
Indirect Ownership

	EU	USA	UK
Sanction by extension	✓	✓	✓
Ownership	✓	✓	✓
Control	✓	✗	✓
Ownership definition	The possession of more than 50% of the proprietary rights of an entity or having a majority interest in it (BP no. 62).	Property and interests in property of an entity in which a blocked persons own, whether individually or in the aggregate, directly or indirectly, a 50 percent or greater interest .	Holding more than 50% of the shares or voting rights in an entity
Criteria for assessing indirect ownership	Contrary to the USA, the EU lacks specific guidelines in the FAQs and best practices regarding the calculation of indirect ownership . Since the definition of ownership is linked to " proprietary rights ", it suggests that there should be a calculation of the shares held by the sanctioned party .	The US approach applies the principle of direct control, irrespective of the number of intermediary ownership layers . This means that any significant ownership (50%) by a sanctioned entity in another asset translates into the same level of control over any further assets that the directly owned asset controls .	Like the EU, the UK lacks specific guidelines regarding the calculation of indirect ownership . Since the definition of ownership is linked to " shares or voting rights ", it suggests that there should be a calculation of the shares held by the sanctioned party .



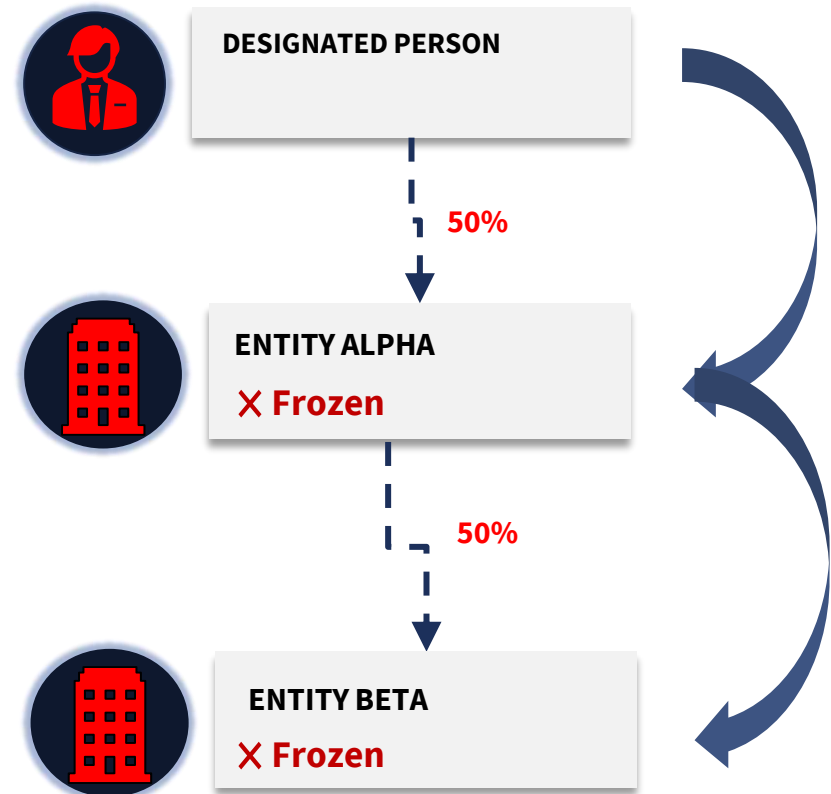
Indirect Ownership/2

Count of the shareholding (EU and UK)



$$50 \times 0.5 = 25\%$$

OFAC's 50 Percent Rule (USA)



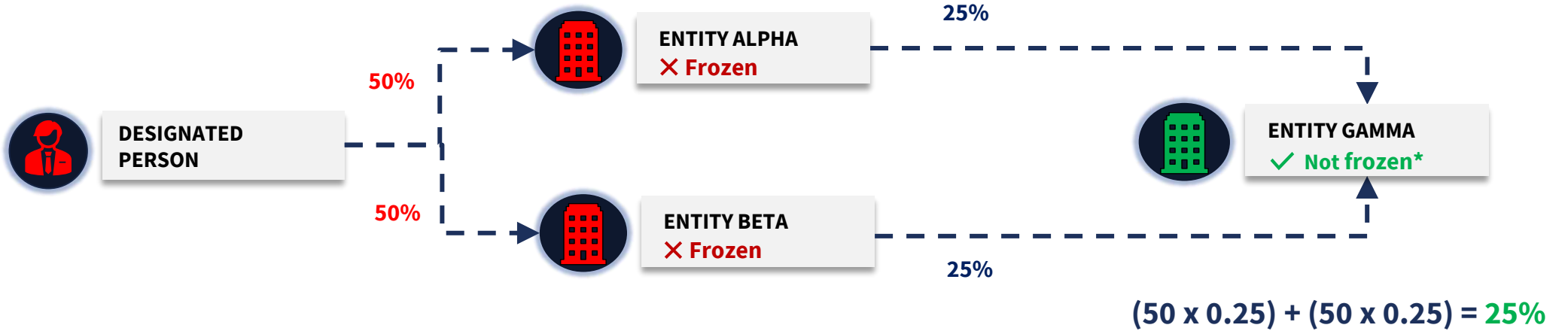
Entity Beta is frozen for two reasons: because it is 50% controlled by DP, and because it is 50% controlled by a frozen asset.

*Unless control is established

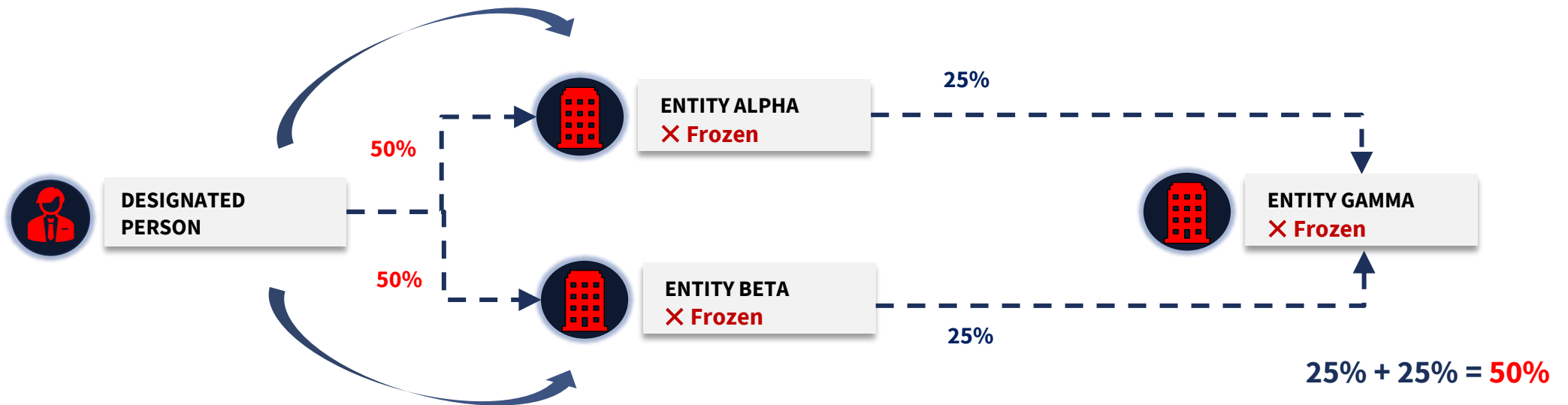


Ownership: example

Count of the shareholding (EU and UK)



OFAC's 50 Percent Rule (USA)





What is Control?

The notion of control is much more **blurred**. The European Best Practices provide the following indicators:

- I. The power to **appoint or remove** a majority of the **members of the administrative, management or supervisory body** of such legal person or entity;
- II. **Using** all or part of the **assets** of a legal person or entity;
- III. **Sharing jointly and severally the financial liabilities** of a legal person or entity, or guaranteeing them;
- IV. Having **influence** as regards **corporate strategy, operational policy, business plans, investment, capacity**, provision of finance, human resources and legal matters;
- V. Putting in place or maintaining mechanisms **to monitor the commercial conduct** of the legal person or entity;
- VI. Other indicia such as **sharing a business address** or **using the same name** which could cause third parties to have the impression that the two entities are in fact part of the same undertaking.

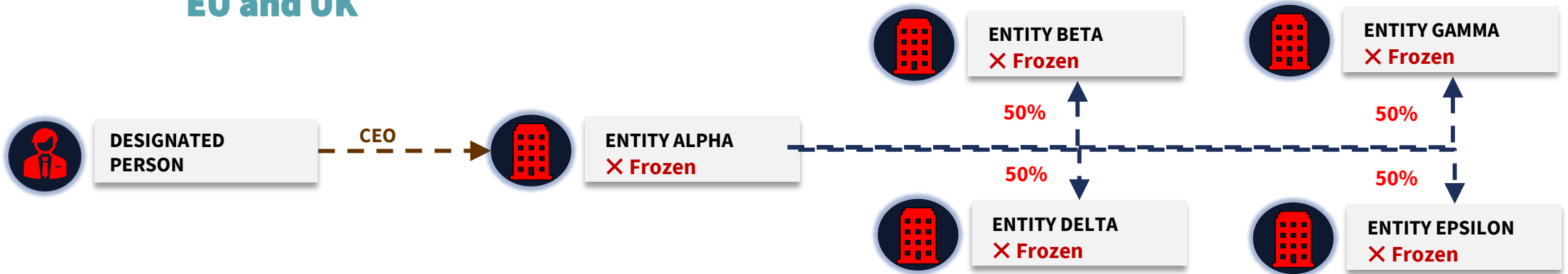
The OFSI Guidance includes the following indicator:

- I. An entity is frozen if **it is reasonable to expect** that the designated person would be able to ensure that the affairs of the entity are conducted **in accordance with their wishes**.

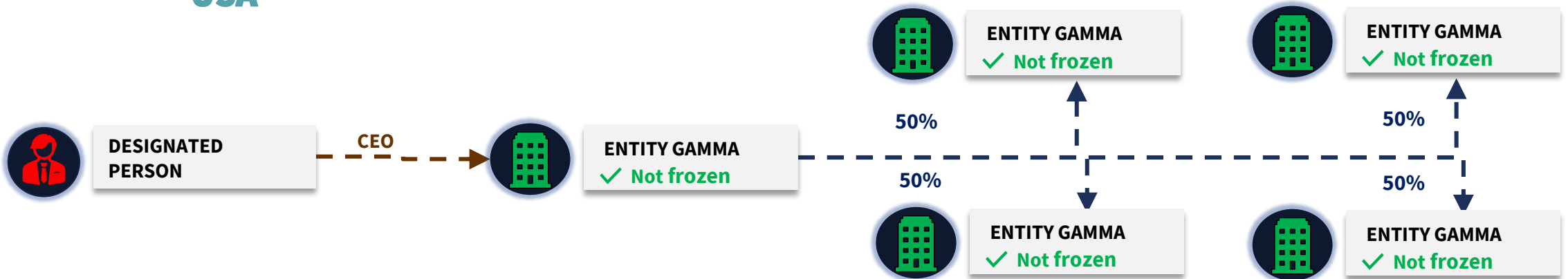


Control: Example

EU and UK



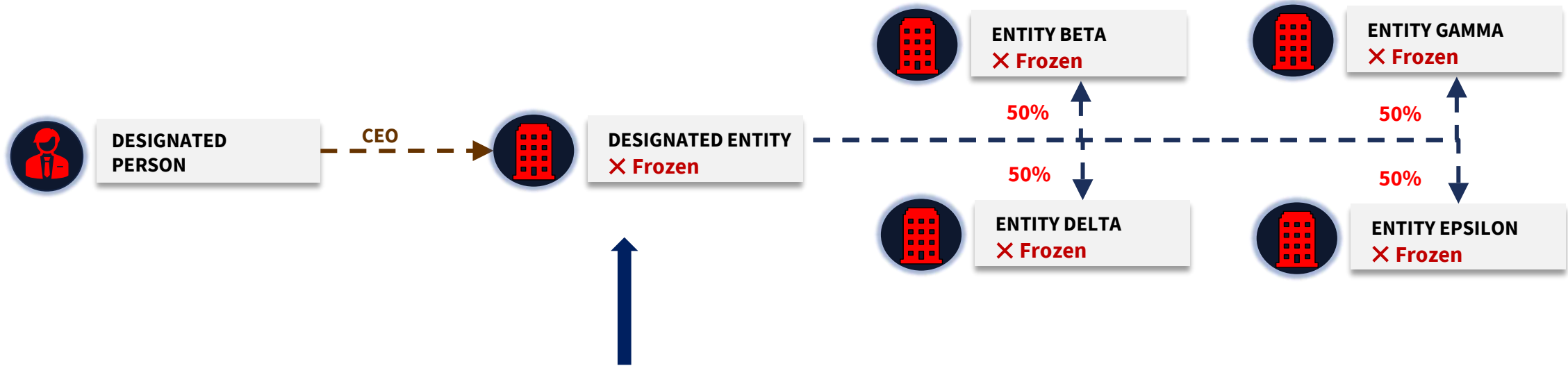
USA





Alternatives to control in the US sanctions regime

USA



The OFAC 50 Percent Rule focuses only on ownership, not control. However, OFAC could still choose to designate an entity based on specific sanctions criteria, adding it to the List of Specially Designated Nationals and Blocked Persons (SDN List). In addition, economic operators should be cautious in dealing with such a non-blocked entity to ensure that they are not, for example, dealing with a blocked person representing the non-blocked entity, such as entering into a contract that is signed by a blocked person.



Persons acting “on behalf or at the direction of” a DP

How to identify entities and bodies acting “on behalf or at the direction of” designated persons?

Art. 5(1)(c) of Council Regulation (EU) 833/2014 states that it is prohibited to purchase, sell, or transfer **transferable securities and money market instruments** to legal persons, entities, or bodies **acting “on behalf or at the direction of”** a designated entity. The Court of Justice of the EU clarified the ratio of this clause.

“Acting on behalf or at the direction of a targeted entity and acting under the ownership or control might thus be equated for what it concerns the effects, but the former relation should be determined in and of itself. Ownership or control of the latter entity over the former is an element that can be considered by the NCA to increase the likelihood of such conduct, but cannot suffice in determining whether the conduct did occur” (Grand Chamber in HTTS Hanseatic Trade Trust & Shipping GmbH v Council).

The **Commission Opinion of 17.10.2019** listed the **criteria** that the NCAs should consider to ascertain whether an entity acted on behalf or at the direction of a targeted entity, such as:

- I. The **precise ownership/control structure**, including links between natural persons.
- II. The **nature and purpose of the transaction**, coupled with the stated business duties of the entity that is owned or controlled.
- III. **Previous instances of acting on behalf or at the direction of** the targeted entity.
- IV. **Disclosure made by third parties** and/or factual evidence indicating that directions were given by the targeted entity.



Entities and bodies associated with DPs

How to identify entities and bodies associated with designated persons?

Art. 2(1) of Council Regulation (EU) 269/2014 states that “All funds and economic resources belonging to, owned, held or controlled by any natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies **associated with them**, as listed in Annex I, shall be frozen” (art. 2(1) Reg. (EU) 2014/269).

NB! Some entities or bodies associated with DP are mentioned in the ‘Identifying information’ and/or ‘Reasons’ columns of Annex I to Council Regulation (EU) 269/2014.

Who is responsible for determining whether a designated entity controls an asset?

It is the competence of the NCA to determine, taking into account all the elements at their disposal and the specific circumstances of the case, whether the designated person has control over the Entity (Commission Opinion of 19.6.2020 on Article 2 of Council Regulation (EU) No 269/2014).



Transfer of assets immediately before sanctions take effect

What happens if the designated entity transfers the assets that it owns or controls to other individuals just before the sanctions take effect?

Article 2(1) of Council Regulation (EU) No 269/2014 does not apply retroactively. If, at the time of the assessment, there are reasonable grounds to believe that certain assets “belong to” or are “controlled by” the listed person, even if they are nominally owned by someone else, then these assets must be frozen under Article 2(1). **It does not matter when the assets were transferred.**

In the FAQs, the European Commission outlines **additional criteria** for identifying transactions with close associates immediately prior to the implementation of sanctions:

- I. The **closeness of business and family ties** between the listed person and the third person.
- II. The **professional independence** of the third person now owning the assets.
- III. **Previous gifts** given to the third person and how they compare to the transaction in question.
- IV. The content of **formal agreements** between the listed person and the third person.
- V. The **nature of the assets** (e.g., whether these are shares in a company owned or controlled by the listed person).



Co-funded by
the European Union



TRANSCRIME

Joint Research Centre on Innovation and Crime



**UNIVERSITÀ
CATTOLICA**
del Sacro Cuore

THANK YOU

Website: www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.



Co-funded by
the European Union

Interactive session to assess ownership and control

Panel 1 – Sanction Tracing, Asset Ownership
and Control

8 April 2024

Giovanni Nicolazzo

giovanni.nicolazzo@unicatt.it

Transcrime – Università Cattolica del Sacro Cuore

An abstract graphic on the left side of the page, consisting of numerous thin, light blue lines radiating from the left edge towards the center. Interspersed among these lines are various sized dots and small circular patterns, some of which are also light blue, while others are white or light grey. The overall effect is a dense, starburst-like pattern that suggests a complex network or data visualization.

Case 1

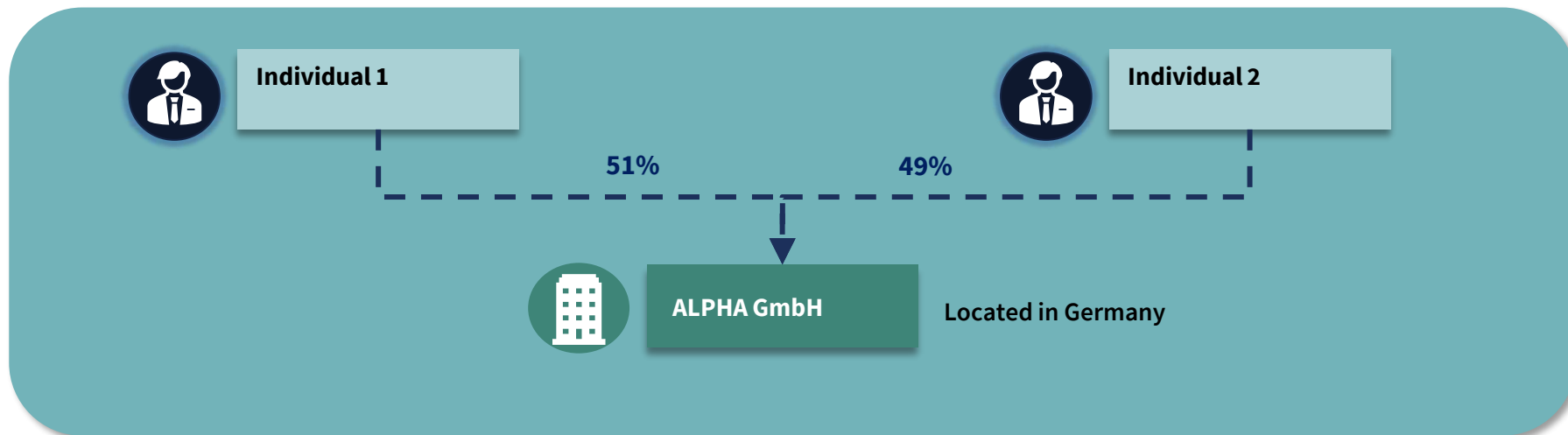


[Case 1] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an operator within the European Union, engaged with Alpha GmbH, a company registered in Germany. Alpha GmbH's ownership structure is as follows. There are no entities or individual within its management that should be classified as designated persons, or with connections to any such persons. However, the notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	 Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result






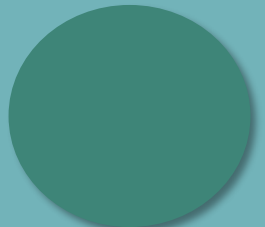
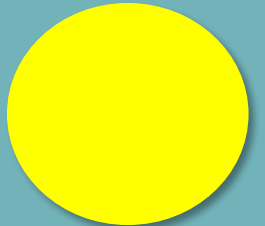
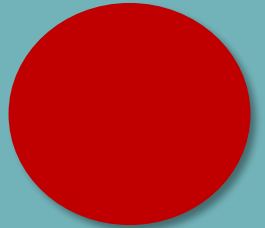
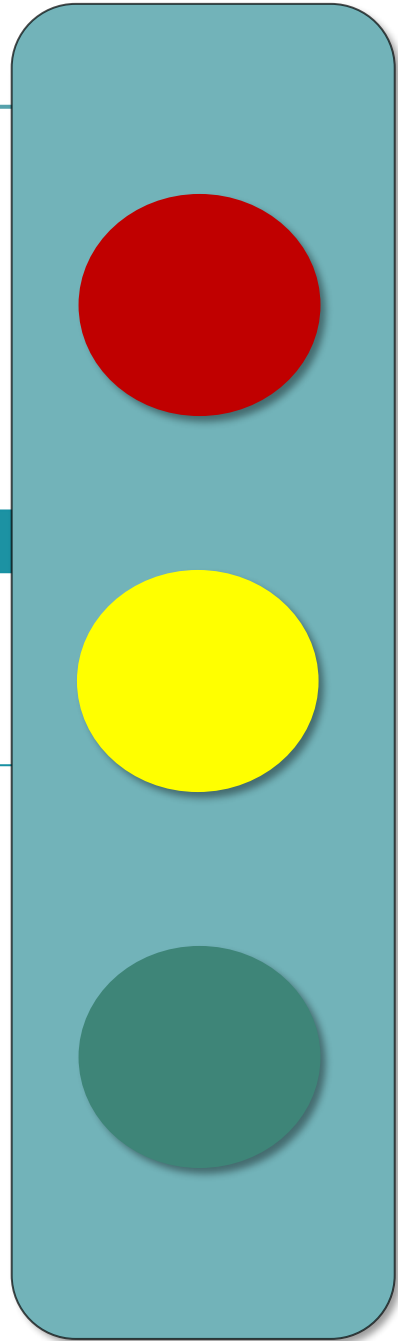
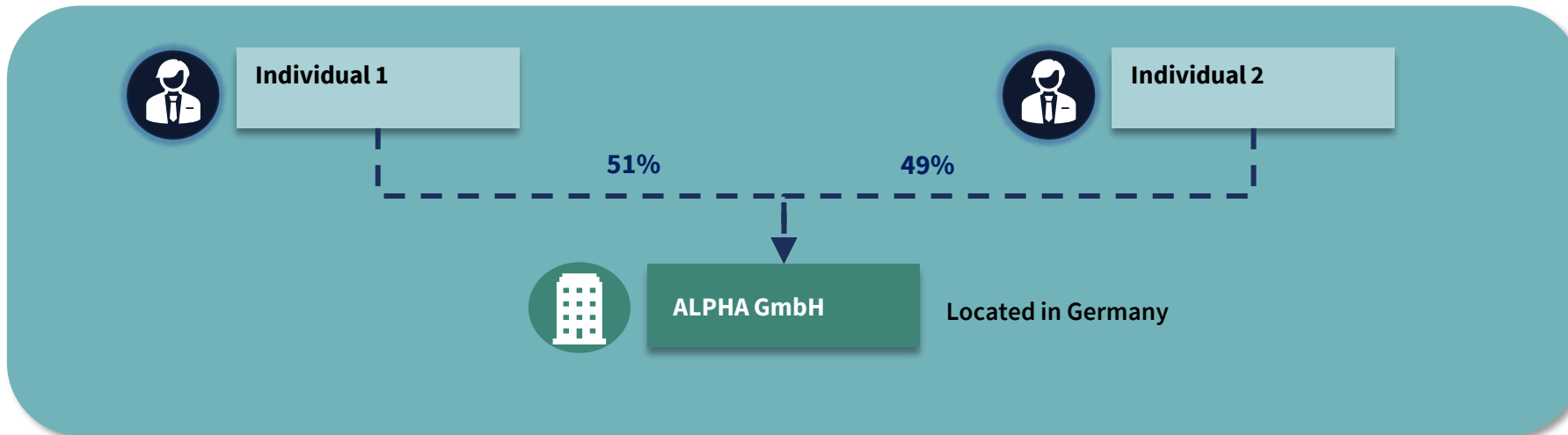


[Case 1] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an **operator within the European Union**, engaged with **Alpha GmbH**, a **company registered in Germany**. Alpha GmbH's ownership structure is as follows. There are no entities or individual within its management that should be classified as designated persons, or with connections to any such persons. However, the notable links concerning designated persons within the company are detailed below:

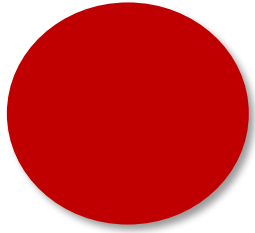
	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	 Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result





[Case 1] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.



*Under the EU's sanction policy, the presence of a relevant shareholder sanctioned by the EU affects the transaction. Therefore, the **EU operator must not engage in any transactions with Alpha GmbH** unless there are specific licenses or authorizations in place that allow such transactions under certain conditions.*

Explanation

In the context of EU sanctions, ownership interest by a sanctioned party can be a critical factor. The typical threshold for defining ownership is 50% or more in shareholding or voting rights. However, even ownership below 50% can be significant if the sanctioned party has considerable influence over the company's operations or decision-making process. **The mere presence of a sanctioned shareholder does not automatically imply that all dealings with the company are prohibited, but it does raise red flags that necessitate enhanced due diligence.**

EU sanction policy is extraterritorial; it applies to all EU nationals, any business conducted within the EU, and in some instances, to EU nationals or companies operating outside of the EU. If a sanctioned party is identified within the ownership structure, even with less than 50% ownership, risk mitigating measures may include seeking legal counsel, or consult the national competent authority.



Case 2

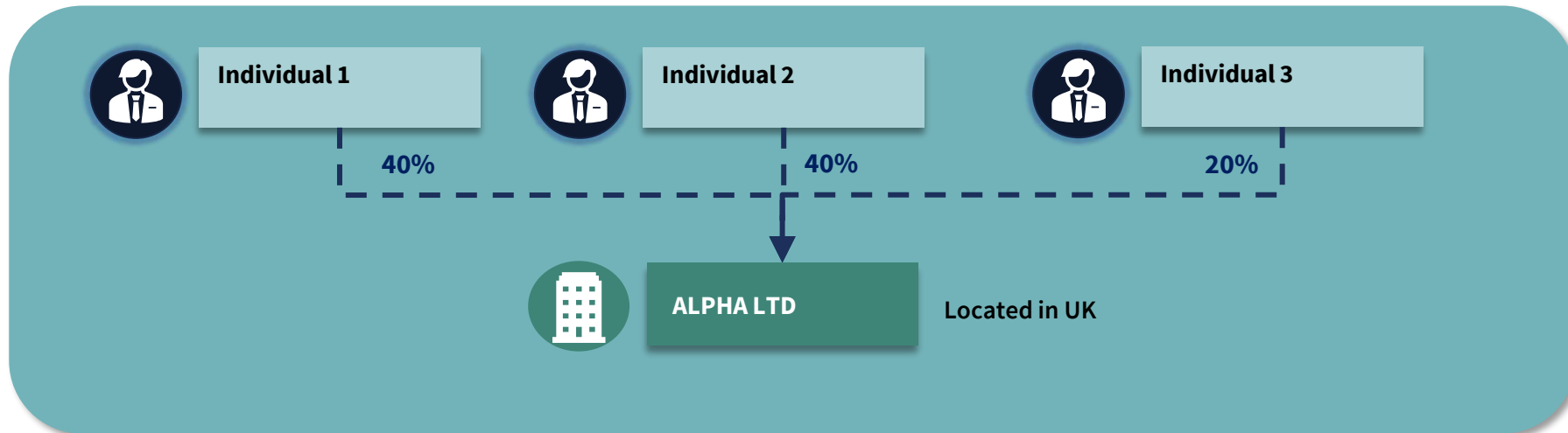


[Case 2] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an operator within the European Union, engaged with Alpha LTD, a company registered in the United Kingdom. Alpha LTD's ownership structure is as follows. There are no entities or individual within its management that should be classified as designated persons, or with connections to any such persons. However, the notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	⚠️ Council Decision (CFSP) 2024/847	⚠️ Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result
 Individual 3			







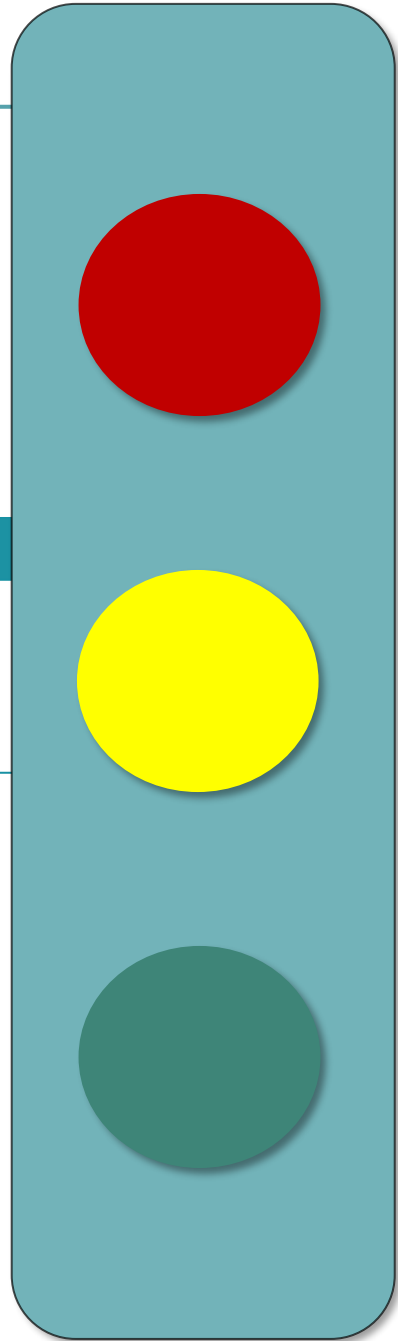
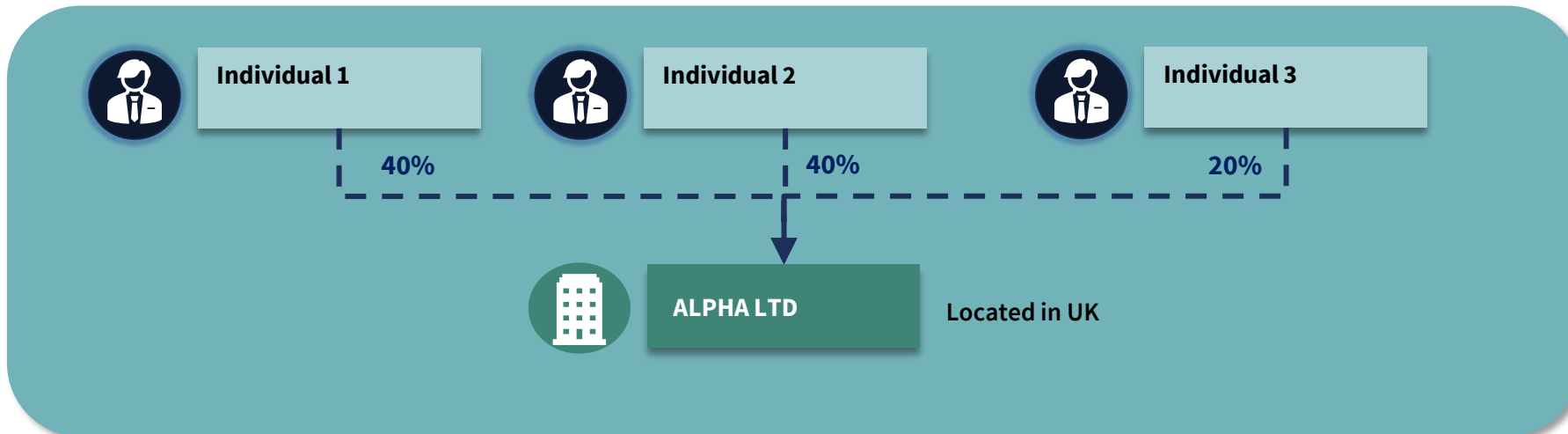


[Case 2] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an **operator within the European Union**, engaged with **Alpha LTD**, a **company registered in the United Kingdom**. Alpha LTD's ownership structure is as follows. There are no entities or individual within its management that should be classified as designated persons, or with connections to any such persons. However, the notable links concerning designated persons within the company are detailed below:

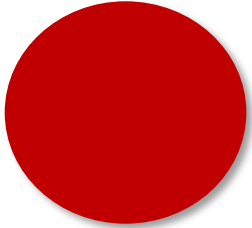
	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	 Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result
 Individual 3			





[Case 2] Sanctioned by Extention?

Review the case and determine the appropriate sanction policy application.

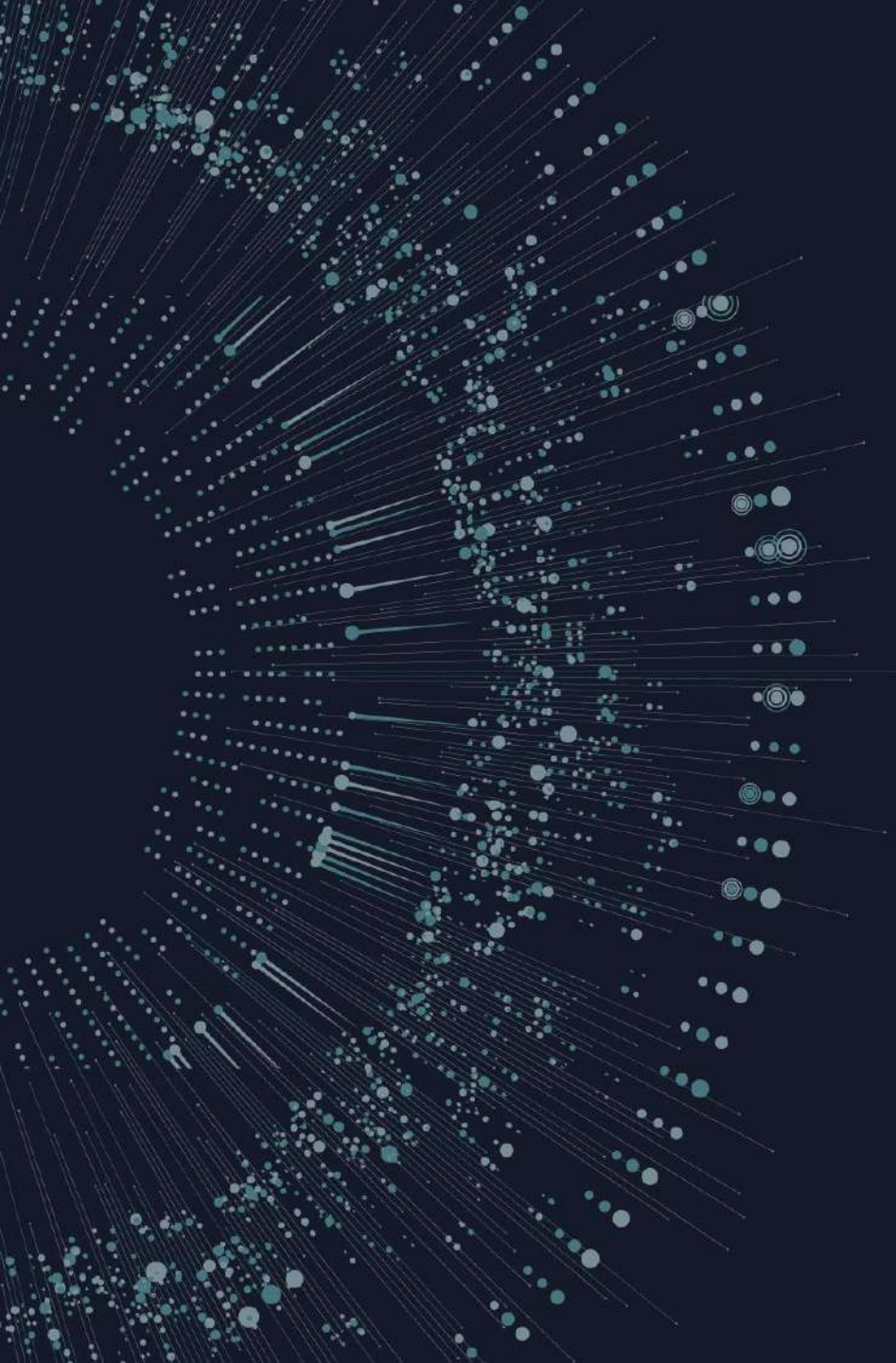


*Under the EU's sanction policy, the combined ownership of Individual 1 and Individual 3, who are sanctioned individuals, exceeds 50%. This significant control implies that Alpha LTD is sanctioned by extension. Therefore, the **EU operator must not engage in any transactions with Alpha LTD** unless there are specific licenses or authorizations in place that allow such transactions under certain conditions.*

Explanation

The EU's sanction policy aims to ensure that sanctioned individuals or entities cannot benefit from their financial or business activities within the EU's jurisdiction. By holding a combined controlling stake, Individuals 1 and 3 have the capacity to benefit from the company's operations. Hence, transactions with Alpha LTD could indirectly allow sanctioned individuals to bypass the restrictions placed upon them.

*According to FAQ8 from the EU sanctions guidance, **if two or more individuals who are on a sanctions list (referred to as 'listed persons') have a combined ownership that exceeds 50% in an entity, that entity is deemed to be owned by a listed person.** This is a straightforward and measurable criteria that leaves little room for ambiguity when assessing sanction by extentions.*



Case 3

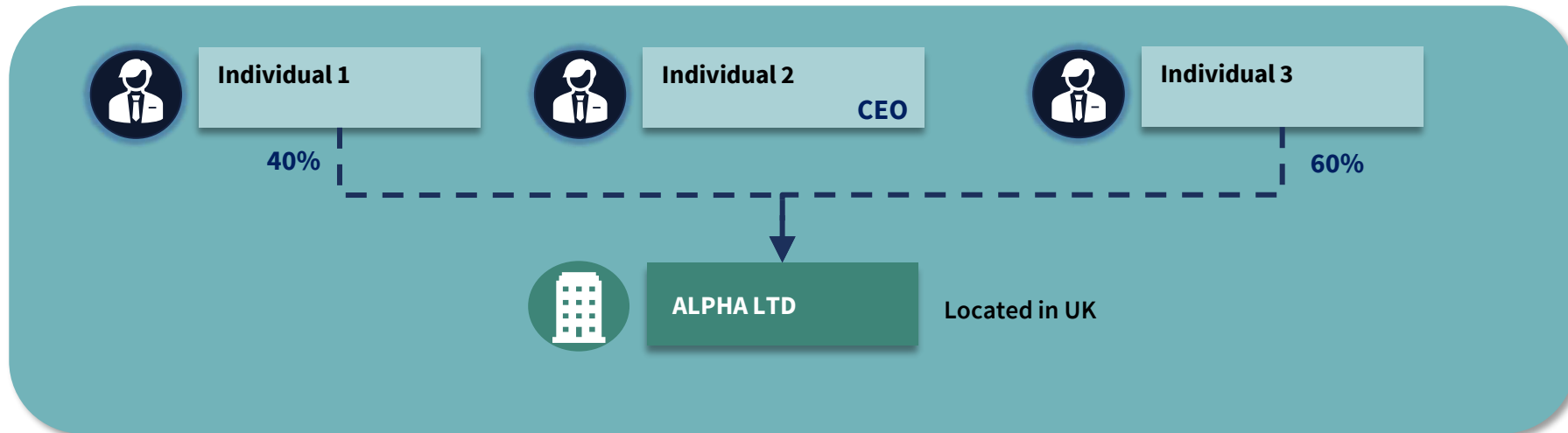


[Case 3] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an operator within the European Union, engaged with Alpha LTD, a company registered in the United Kingdom. Alpha LTD's ownership structure is as follows. There is the CEO that is a designated persons. The notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	 Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result
 Individual 2			







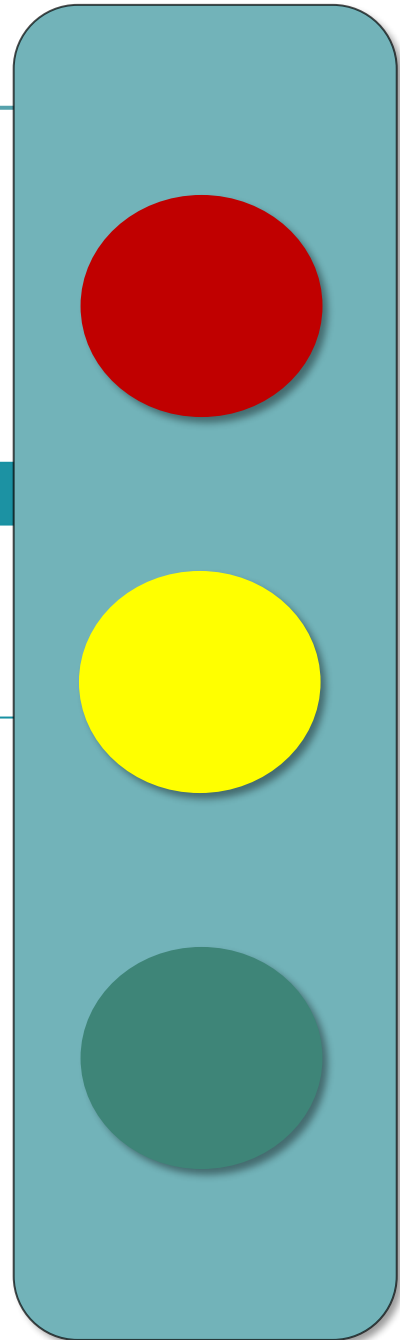
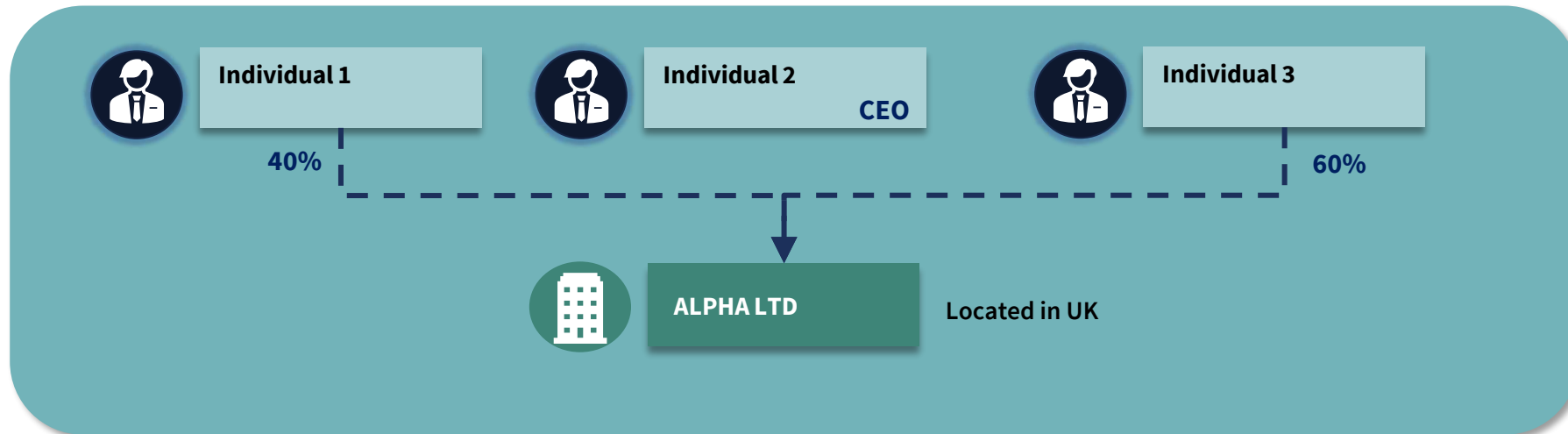


[Case 3] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are **an operator within the European Union**, engaged with **Alpha LTD**, a **company registered in the United Kingdom**. Alpha LTD's ownership structure is as follows. There is the **CEO that is a designated persons**. The notable links concerning designated persons within the company are detailed below:

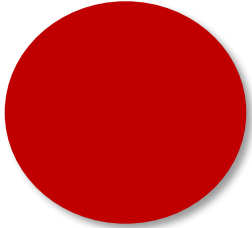
	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	 Ukraine-/Russia-Related Sanctions Regulations, 31 CFR 589.201 and/or 589.209 (individual)	No result
 Individual 2			





[Case 3] Sanctioned by Extention?

Review the case and determine the appropriate sanction policy application.



*Under the EU's sanction policy, any entity where a designated person has a significant control, either through substantial ownership or key management roles such as a CEO, is subject to sanctions. In this case, Alpha LTD would be considered under control of a designated person due to the CEO's role. As a result, **an EU operator must not engage in transactions with Alpha LTD** unless all necessary licenses or authorizations are obtained from the competent EU authority.*

Explanation

The designation of an individual under EU sanctions has broad implications, especially when the individual holds a significant position within a company. A CEO is typically seen as having control over a company due to their ability to direct the company's activities and strategy. In the context of sanctions, control isn't limited to ownership stakes alone. It extends to the influence exerted by individuals in managerial positions. A CEO, by virtue of their role, can significantly influence a company's operations, financial transactions, and how its resources are allocated. The EU sanctions policy has an extraterritorial reach, meaning it applies to all EU citizens and entities, as well as all business conducted within the EU or by EU entities and nationals globally. The policy is designed to ensure that EU operators do not engage in business with entities that could contribute to the objectives that led to the sanctions, such as undermining democratic processes or human rights violations.





Case 4

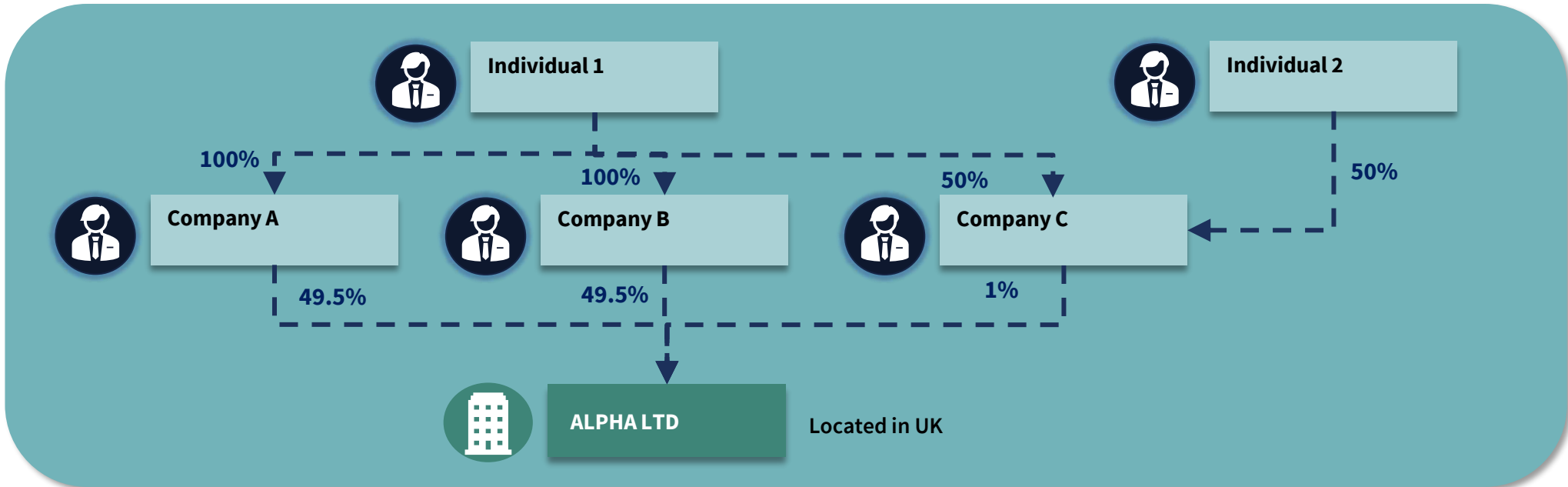


[Case 4] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an operator within the EU, engaged with Alpha LTD, a company registered in the United Kingdom. Alpha LTD's ownership structure is as follows. The notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	No result	No result





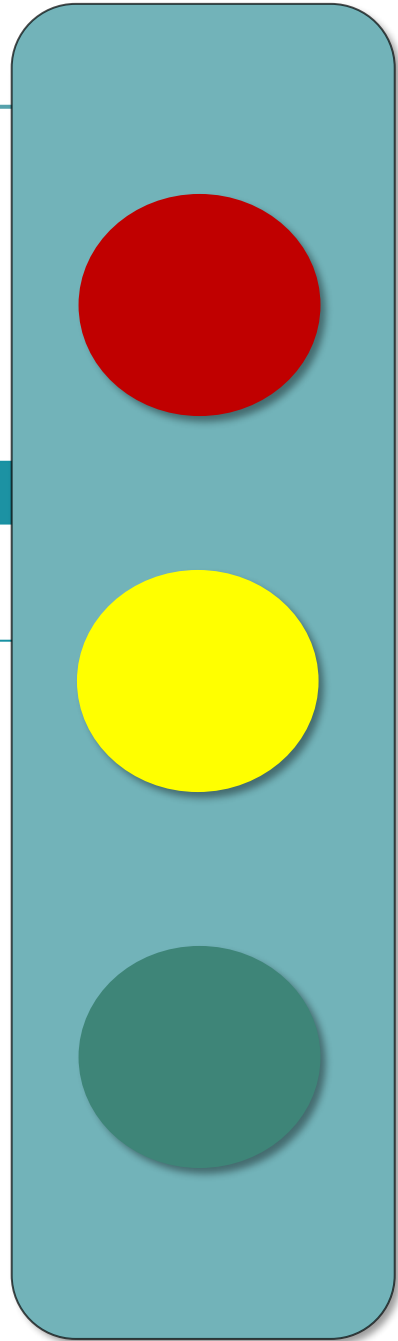
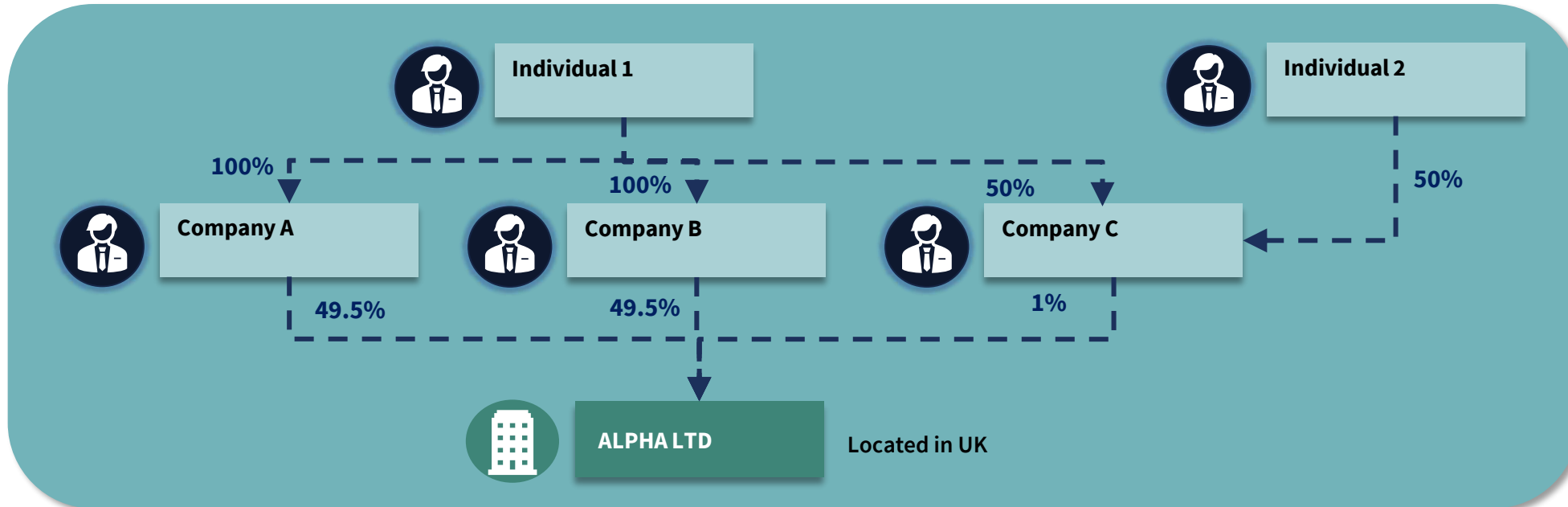


[Case 4] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are **an operator within the EU**, engaged with **Alpha LTD**, a **company registered in the United Kingdom**. Alpha LTD's ownership structure is as follows. The notable links concerning designated persons within the company are detailed below:

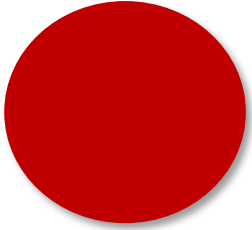
	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	No result	No result





[Case 4] Sanctioned by Extention?

Review the case and determine the appropriate sanction policy application.



*The EU considers both direct and indirect ownership when applying sanctions. In this scenario, since Individual 1, a designated person under EU sanctions, owns 100% of Company A and Company B, which in turn own 99% of Alpha LTD, the entity is considered controlled by a sanctioned person. Therefore, **an EU operator must not engage in transactions with Alpha LTD without an appropriate license or authorization from the EU authorities.***

Explanation

The European Union's legal framework for sanctions includes considerations for both direct and indirect ownership. The EU's sanctions are designed to prevent circumvention through complex ownership structures. When an individual or entity is sanctioned, any entities that they own, whether directly or indirectly, may also become subject to sanctions. The EU often applies what's similar to a "50% rule," akin to OFAC's, which considers entities to be under the control of sanctioned individuals if those individuals own more than 50% of the entity. The EU's interpretation of control extends beyond mere numerical ownership and includes the ability to exercise control or influence over an entity. In any case, the EU sanctions regulations stipulate that when calculating ownership, all percentages from various levels of ownership must be combined. This ensures that indirect ownership by sanctioned entities or individuals is properly accounted for.

An abstract graphic on the left side of the page, consisting of numerous thin, light blue lines radiating from the left edge towards the center. Interspersed among these lines are various sizes of teal and light blue dots, some appearing as small specks and others as larger, more prominent circles. The overall effect is a sense of dynamic movement and data flow.



Case 5

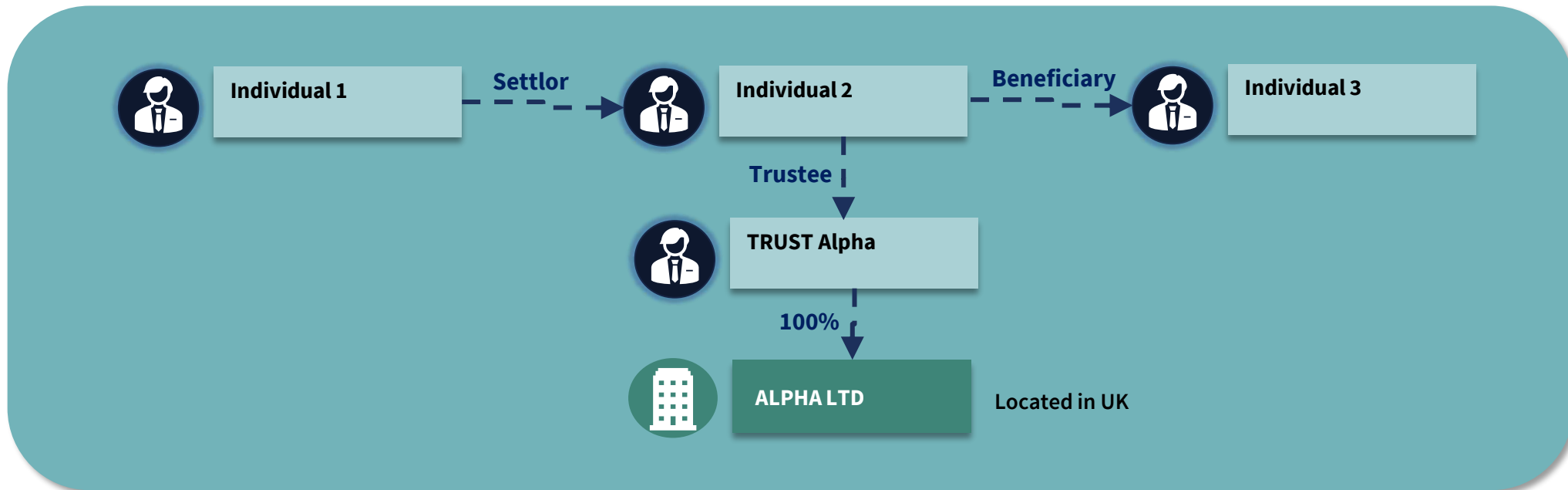


[Case 5] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are an operator within the EU, engaged with Alpha LTD, a company registered in the United Kingdom. Alpha LTD's ownership structure is as follows. The notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	No result	No result





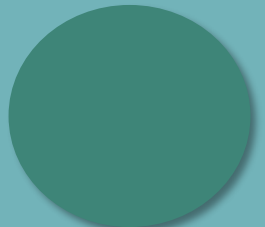
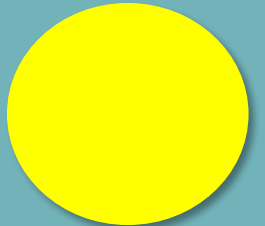
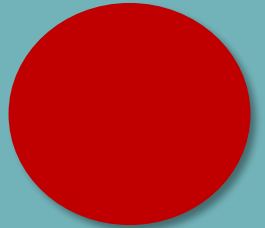
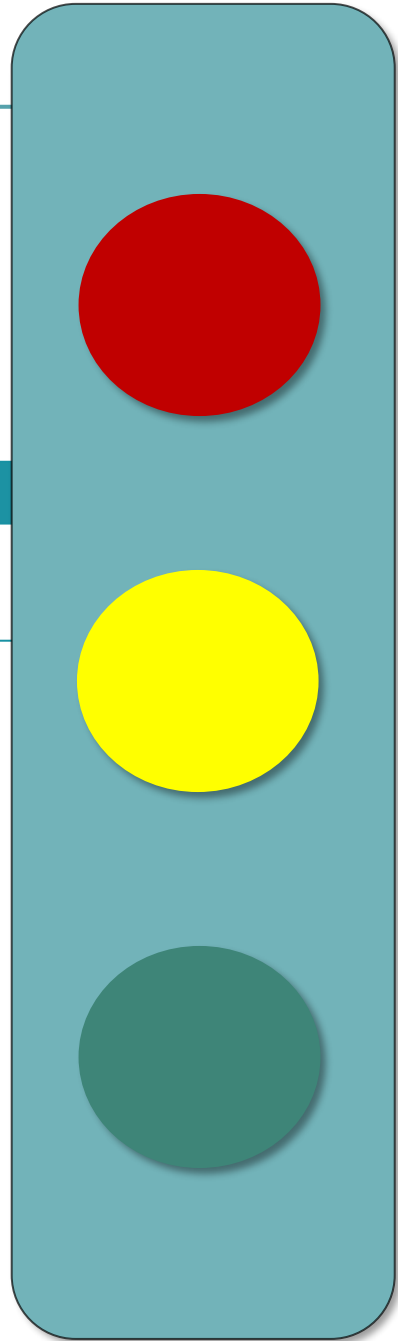
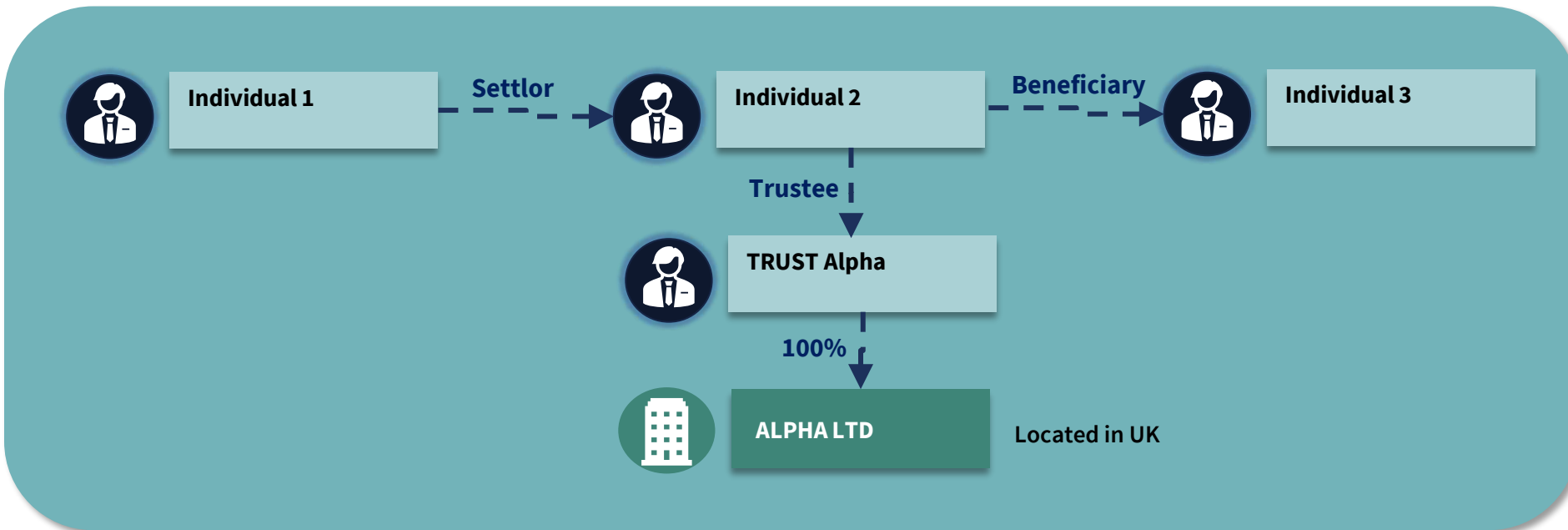


[Case 5] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

You are **an operator within the EU**, engaged with **Alpha LTD**, a **company registered in the United Kingdom**. Alpha LTD's ownership structure is as follows. The notable links concerning designated persons within the company are detailed below:

	EU	USA	UK
 Individual 1	 Council Decision (CFSP) 2024/847	No result	No result

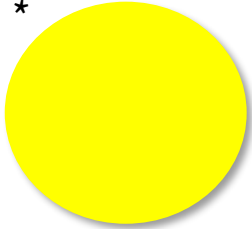




[Case 5] Sanctioned by Extension?

Review the case and determine the appropriate sanction policy application.

*



*Given that **Individual 1**, who is a designated person, is the settlor of the trust, there remains a significant link between Individual 1 and the assets and shares held in the trust. Consequently, even though Individual 1 may not have direct ownership, their control and influence over the trust's assets can be construed as beneficial ownership. Therefore, the assets held in the trust, including the shares of Alpha LTD, should be considered as belonging to Individual 1 and, as a result, are subject to freezing under EU sanctions. **The EU operator must not engage in transactions with Alpha LTD unless a specific exemption or authorization applies.***

Explanation

The Italian authority's orientation, in line with Directive 2015/849, emphasizes the broad definition of beneficial ownership. This includes those who ultimately control the customer or the natural persons on whose behalf a transaction is conducted. The settlor's role in establishing the trust, appointing trustees, and delineating the distribution of the trust's assets upon its dissolution or surrender indicates a level of control or influence that extends beyond mere formal ownership. In the EU's view, ownership is not merely a formal title but includes the actual power to exert significant influence or control, which in this case could "revert" to the settlor, particularly if the trust's assets are not definitively transferred for the benefit of the designated beneficiaries. The assets held within the trust, therefore, remain linked to Individual 1, and the link of "belonging" is not severed merely by the formal arrangement of the trust. Hence, for sanction purposes, the assets are effectively considered to belong to Individual 1, thus necessitating freezing actions under EU sanctions regulations.

**Case C-483/23, T Trust: Request for a preliminary ruling from the Tribunale Amministrativo Regionale per il Lazio (Italy) lodged on 26 July 2023 — A and Others v Ministero dell'Economia e delle Finanze and Others*





Co-funded by
the European Union

THANK YOU

www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT

Coordinator: Transcrime-UCSC



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.



Co-funded by
the European Union

European companies and sanctioned entities: a mapping

Panel 2 – Latest trends and case studies on
financial crime and sanction evasion

8 April 2024

Giovanni Nicolazzo

giovanni.nicolazzo@unicatt.it

Transcrime – Università Cattolica del Sacro Cuore

The mapping exercise

March 2022 (public)

Inside the Matrioska: first report on the firms linked to selected sanctioned 'oligarchs' across EU

33 selected sanctioned entities
1,400 identified firms
Coverage: EU + CH + LI + NO + UA + UK

July 2022 (confidential)

Second report on the firms linked to entities sanctioned following Russia's military aggression against Ukraine

1,256 sanctioned entities from EU as of June '22
9,601 identified firms
Coverage: EU + CH + LI + NO + UA + UK

July 2023 (confidential)

Third report on the firms linked to entities sanctioned following Russia's military aggression against Ukraine

1,792 sanctioned entities from EU
2,313 sanctioned entities from US OFAC
16,676 identified firms
Coverage: EU + CH + LI + NO + UA + UK



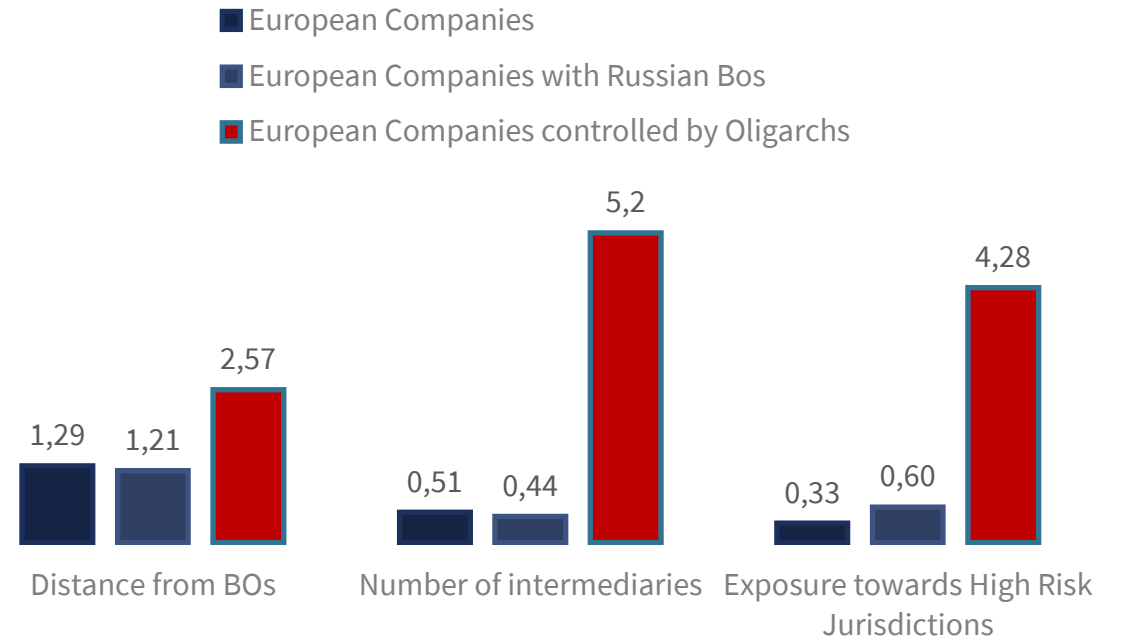
March 2022: Inside the Matrioska

Analysis on European legitimate businesses controlled by sanctioned Russian political and economic elite.

Figure 1 - Inside The Matrioska report



Figure 2 - Peculiarities of companies controlled by oligarchs



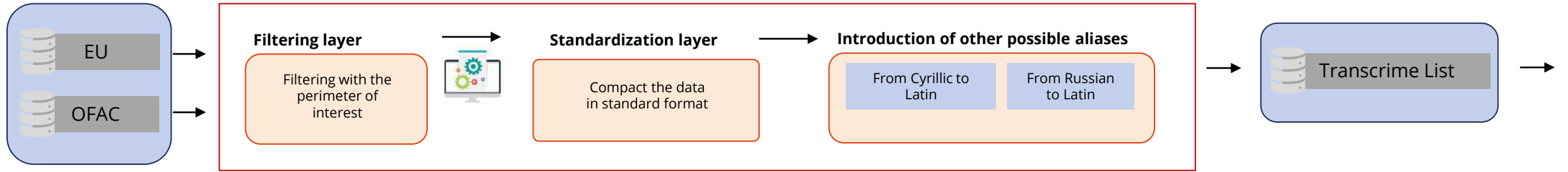
In **Inside the Matrioska**, we mapped more than 1400 European legitimate businesses controlled by **33 oligarchs**, with:

- High ownership complexity (vertically and horizontally);
- High exposure towards jurisdictions in grey and blacklists;
- High prevalence of mentions in Off-Shore Leaks;

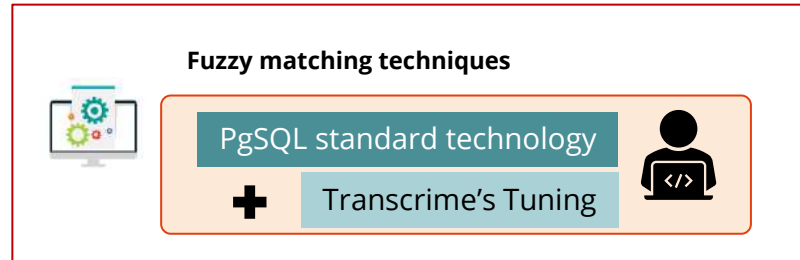


Methodology and Sources

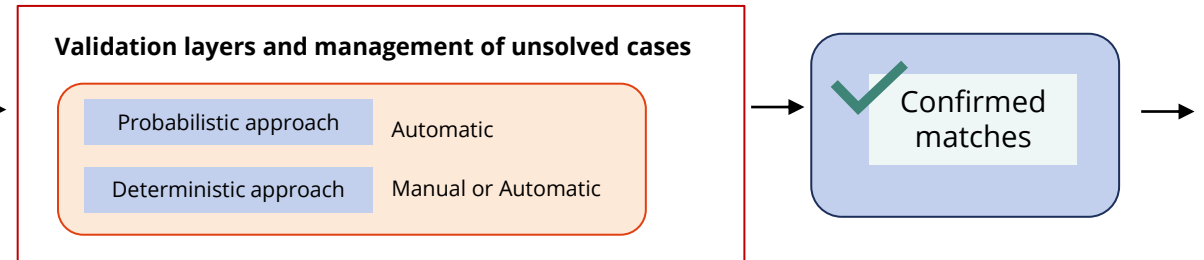
Standardization



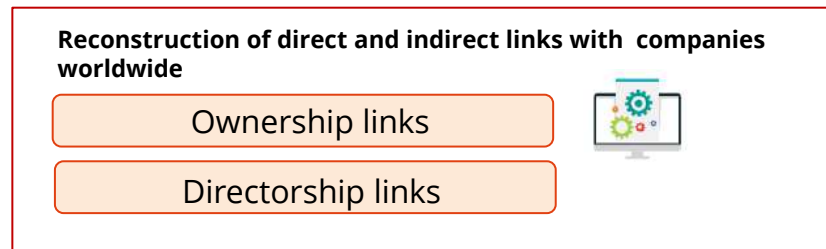
Match proposition



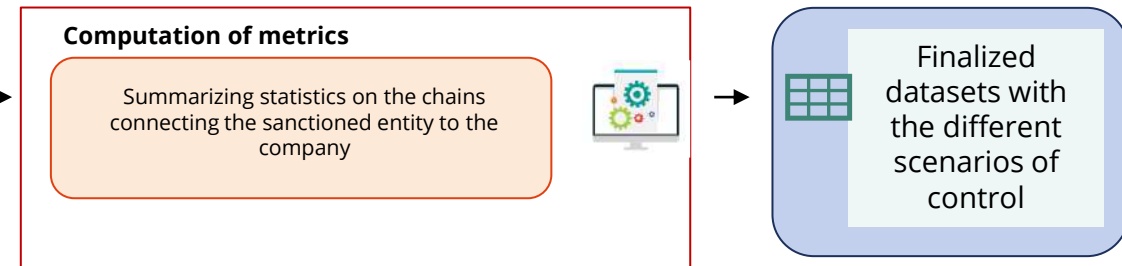
Match validation



Network reconstruction



Analytical computation





Results – All firms

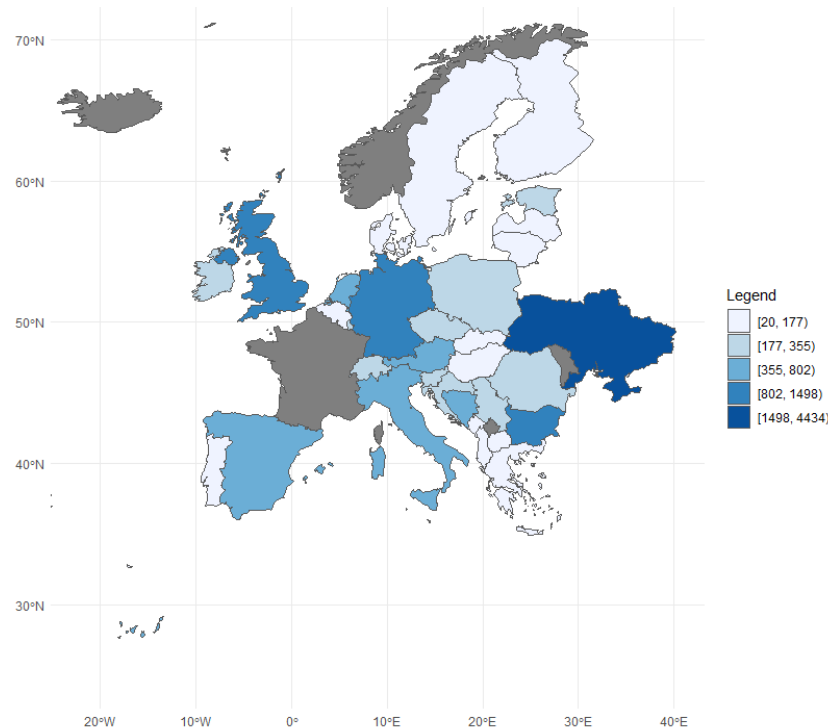
Table 5 - Sanctioned entities linked to European companies, by sanction list

Source: UCSC-Transcrime elaboration

Sanction List	Percentage of sanctioned entities with roles in European firms
EU	412 out 1,792 sanctioned entities (23%)
US OFAC	376 out 2,313 sanctioned entities (16%)

Figure 6 - Geographic distribution of European companies linked to sanctioned entities

Source: UCSC-Transcrime elaboration



Rank	Countries	Total	EU	*OFAC
1	Ukraine	4,434	4,065	369
2	United Kingdom	1,498	1,437	61
3	Bulgaria	1,464	1,246	218
4	Germany	1,400	1,109	291
5	Cyprus	996	883	113
6	Bosnia and Herzegovina	802	731	71
7	Netherlands	579	542	37
8	Austria	535	481	54
9	Spain	503	503	0
10	Italy	427	285	142
	TOTAL	16,676	14,811	1,865

*Companies connected to sanctioned entities in the OFAC list which are not sanctioned in the European list.



Table 3 - Types of links between sanctioned entities and European companies

Source: UCSC-Transcrime elaboration

Type of links (number of companies)	Total	EU	OFAC
Directorship link	47,551	19,897	27,694
Direct only	3,108	2,840	308
Indirect only	44,274	16,955	27,319
Direct and indirect	169	102	67
Ownership link	10,277	6,072	4,205
Direct only	4,309	3,645	664
Indirect only	5,863	2,388	3,475
Direct and indirect	105	39	66

Table 4 - Types of links with European companies by significance of control

Source: UCSC-Transcrime elaboration

By minimum ownership percentage	Total	EU	OFAC
Greater than 50%	10,859	5,697	5,162
Between 25% and 50%	2,037	943	1,094
Between 10% and 25%	1,821	1,045	776
Between 5% and 10%	1,429	741	688
Less than 5%	38,405	14,601	23,804



Table 6 - Sectoral distribution of companies linked to sanctioned subjects

Source: UCSC-Transcrime elaboration

Rank	NACE sector	Total	EU	*OFAC
1	G46 - Wholesale trade, except of motor vehicles and motorcycles	1,715	1,550	165
2	K64 - Financial service activities, except insurance and pension funding	1,548	1,376	172
3	L68 - Real estate activities	1,017	911	106
4	M70 - Activities of head offices; management consultancy activities	713	608	105
5	G47 - Retail trade, except of motor vehicles and motorcycles	626	576	50
6	F41 - Constructions of buildings	600	555	45
7	J62 - Computer programming, consultancy, and related activities	478	443	35
8	G45 - Wholesale and retail trade and repair of motor vehicles and motorcycles	419	357	62
9	A01 - Crop and animal production, hunting, and related service activities	372	344	28
10	N82 - Office administrative, office support and other business support activities	334	299	35

*Companies connected to sanctioned entities in the OFAC list which are not sanctioned in the European list.



Results

Table 7 - Intermediate jurisdictions appearing in links between sanctioned entities and European firms

Source: UCSC-Transcrime elaboration

Rank	Jurisdictions	N. intermediate links	% of total links
1	Russia	25,182	54.4%
2	Bosnia and Herzegovina	8,999	19.4%
3	Cyprus	8,210	17.7%
4	<i>International</i>	5,414	11.7%
5	Ukraine	5,000	10.8%
6	Netherlands	4,495	9.7%
7	Germany	3,990	8.6%
8	United Kingdom	3,790	8.2%
9	British Virgin Islands	3,773	8.1%
10	Turkey	2,741	5.9%



Next steps

Updating the list

On the basis of the newly sanction packages which have been and will be issued

Analysing ownership changes

Identification of changes in ownership structures of these firms which may suggest cases of sanction circumvention

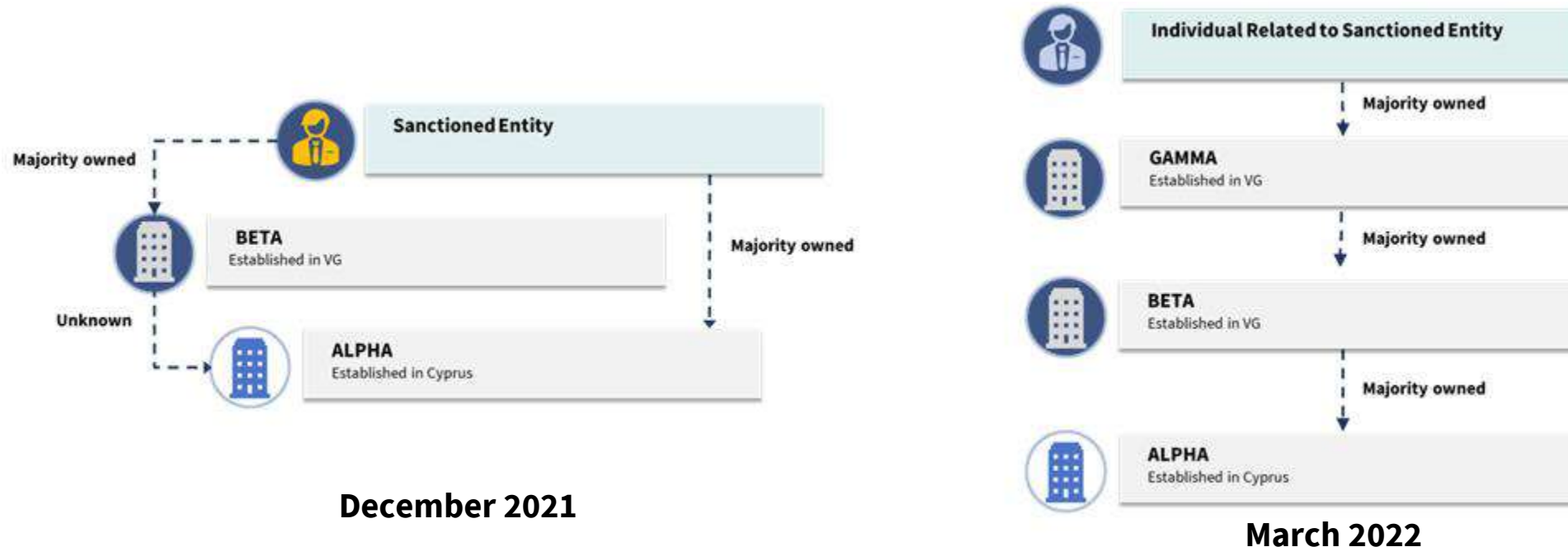


Changes in ownership structures/1

Case Study: Complex M&A process

- **Sanctioned individual:** Businessman
- **Company Location:** Cyprus
- **Background:** Originally owned by an offshore investment company linked to a sanctioned individual.
- **Change in ownership:** In March 2022, the previous majority owner was replaced by a new entity, also based in an offshore jurisdiction and linked to a business partner of the original sanctioned entity. This partner is known to keep a low profile, although it is closely linked to the influential circles to which the sanctioned entities belong.

Figure 7 - Case of changes in ownership structure



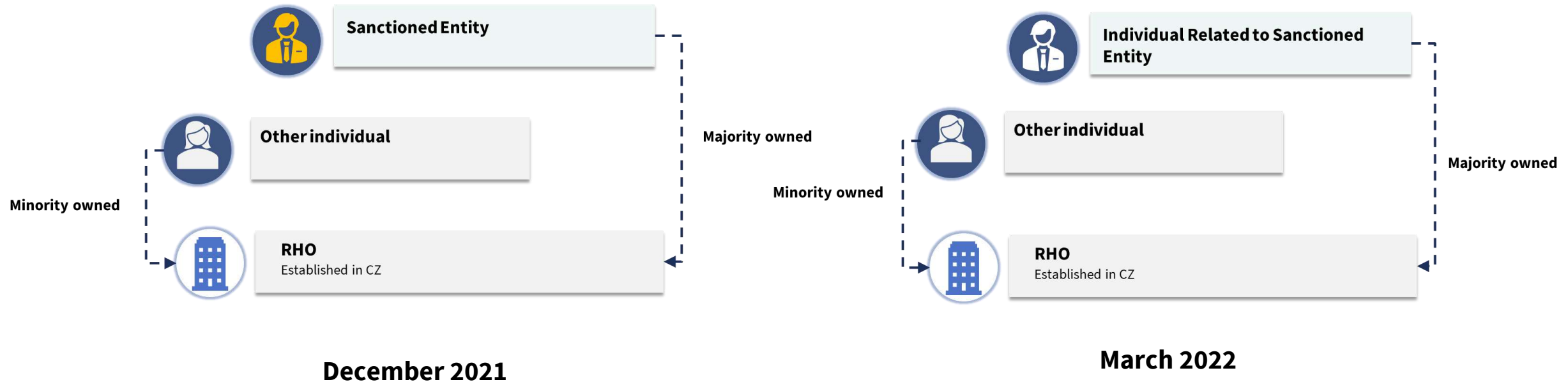


Changes in ownership structures/2

Case Study: Simple asset transfer involving PEP

- **Sanctioned individual:** Politician
- **Company Location:** Czech Republic
- **Background:** Initially controlled by a sanctioned individual with a majority ownership share, which increased over time.
- **Change in ownership:** In March 2022, full ownership was transferred to another individual.

Figure 8 - Case of changes in ownership structure





Co-funded by
the European Union

THANK YOU

www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT

Coordinator: Transcrime-UCSC



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.



Co-funded by
the European Union

Case-studies of sanction evasion and sanction circumvention: the perspective of national authorities

Case studies illustrating the use of complex ownership structures for financial crime and sanction evasion, with a focus on the challenges in investigating these complex schemes.

8 April 2024 – online

Col. t.ST (G.di F.) Roberto Ribaudo
roberto.ribaudo@dcpc.interno.it

Ministry of Interior – Department for Public Security
Central Directorate of Criminal Police - International Police Cooperation Service

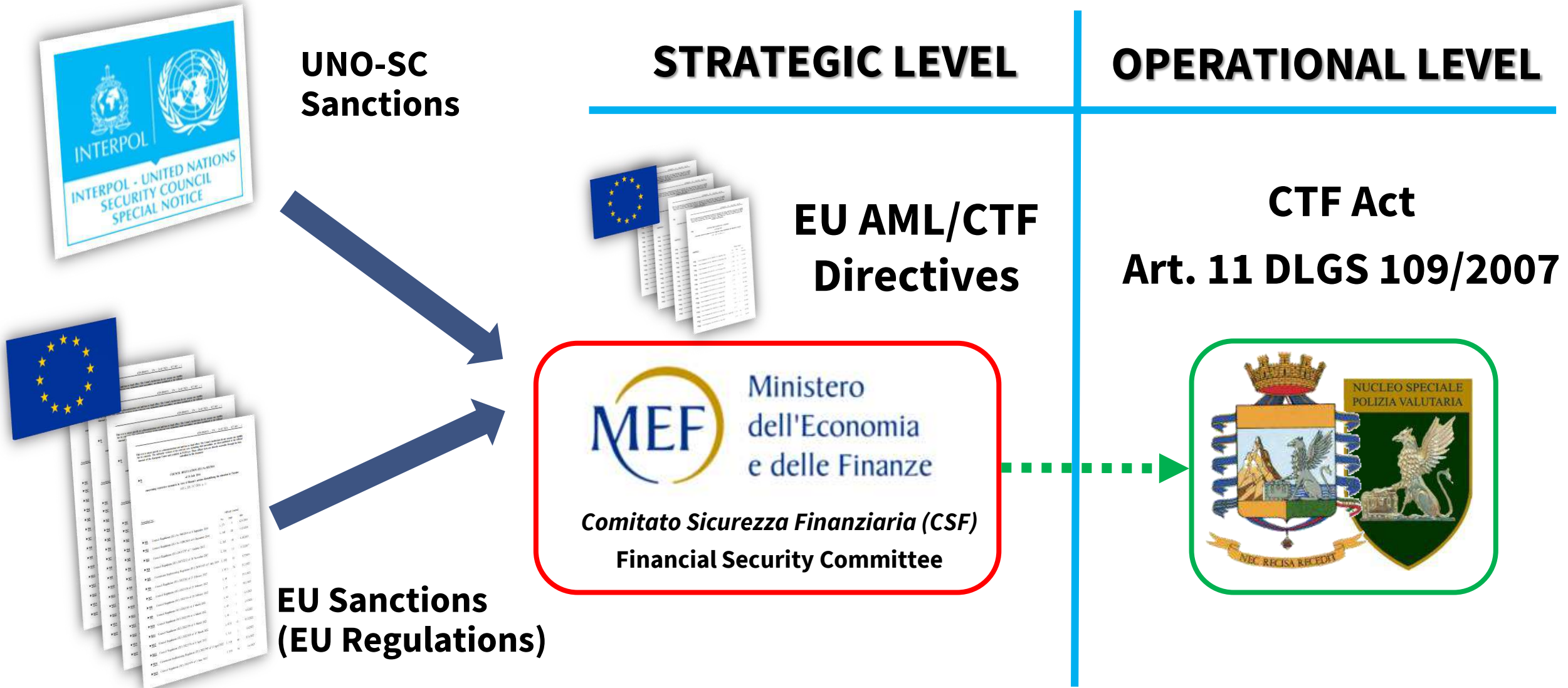
The background features a complex network of thin, light blue lines radiating from the left side, creating a sense of depth and connectivity. Interspersed among these lines are numerous small, semi-transparent blue dots of varying sizes, some of which are arranged in small clusters or patterns. The overall effect is that of a digital or data visualization, possibly representing a network or a complex system.

**The recovery of assets
in the framework of
sanction tracing: the
Italian experience**

The recovery of assets in the framework of sanction tracing: the Italian experience



ASSET TRACING AND RECOVERY: HOW IT STARTS





The recovery of assets in the framework of sanction tracing: the Italian experience

ASSET TRACING AND RECOVERY: INFORMATION GATHERING



AT EUROPEAN LEVEL:
Council Decision 2007/845/JAI



2007: EU ASSET RECOVERY OFFICES NETWORK

information gathering limited to proceedings in criminal matters,
(criminal investigations by the police and other law enforcement
authorities)



ASSET TRACING AND RECOVERY: INFORMATION GATHERING

- › **EU Proposal for a new asset recovery directive (2022)**
- › **Article 5, § 3: Asset recovery offices shall be empowered to trace and identify property of persons and entities subject to EU targeted financial sanctions where necessary to prevent, detect or investigate criminal offences. To that effect, they shall cooperate with asset recovery offices and other relevant competent authorities in other Member States and exchange relevant information.**



ASSET TRACING AND RECOVERY: ONGOING INITIATIVES



FREEZE AND SEIZE TASK FORCE: March 2022



OPERATION OSCAR April 2022

- supports financial investigations by EU MS targeting criminal assets owned by sanctioned individuals and legal entities;

- supports criminal investigations by EU MS in relation to the circumvention of EU-imposed trade and economic sanctions.





ASSET TRACING AND RECOVERY: FACTS AND FIGURES

> **Russian frozen assets in EU after the invasion of Ukraine (Feb. 2022)**



banking accounts.....€ 196 billion

Real estate, boats, cars,
aircrafts, artworks.....€ 29.5 billion

banking accounts.....€ 341 million

Real estate, boats, cars,
aircrafts, artworks.....€ 2.5 billion



The recovery of assets in the framework of sanction tracing: the Italian experience

ASSET TRACING AND RECOVERY: A SUCCESSFUL GAME

Italy Is Leading the World in Seizing Oligarchs' Assets

The Guardia di Finanza acted quickly to confiscate Russian-owned property on Italian territory. Other nations should learn from the force.

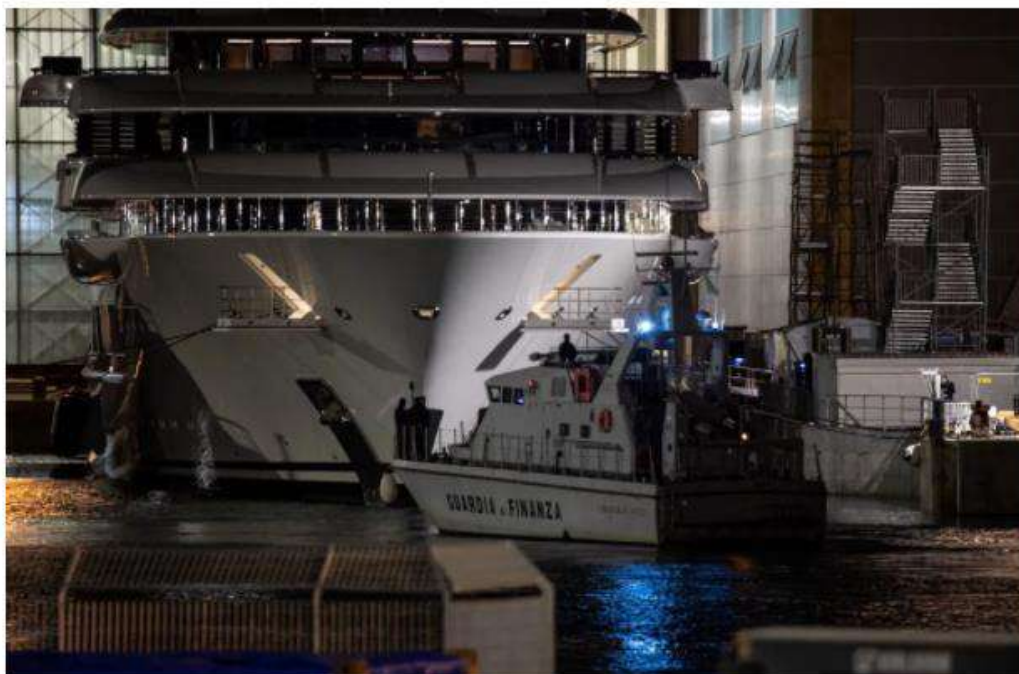


By [Elisabeth Braw](#), a columnist at Foreign Policy and a senior fellow at the Atlantic Council.

**Sheherazade
(€700 mln)**



**Lady M
(€70 mln)**





SOURCES

- › <https://www.eurojust.europa.eu/eu-freeze-and-seize-task-force>
- › https://ec.europa.eu/commission/presscorner/detail/cs/ip_22_2373
- › <https://uif.bancaditalia.it/pubblicazioni/rapporto-annuale/2023/Rapporto-UIF-anno-2022.pdf>
- › <https://www.europol.europa.eu/media-press/newsroom/news/eu-wide-operation-targeting-criminal-assets-in-relation-to-russian-invasion-of-ukraine>
- › <https://foreignpolicy.com/2022/08/17/italy-is-leading-the-world-in-seizing-oligarchs-assets/>



Co-funded by
the European Union

THANK YOU

Col. t.ST (G. di F.) Roberto RIBAUDO
Head of the 5th Division – Supervisor of the Italian Asset Recovery Office
National Coordinator of Police and Customs Cooperation Centers
Ministry of Interior – Department for Public Security
Central Directorate of Criminal Police
International Police Cooperation Service
Phone: +39 06 46542194
Mobile +39 334 8198890
E-Mail: roberto.ribaudo@dcpc.interno.it
ribaudo.roberto@gdf.it



Co-funded by
the European Union

Sanction Evasion Case of the Latvian FIU

08.04.2024, Milan

Kārlis Līmežs

Financial Intelligence Unit of Latvia



The role of the FIU Latvia in the field of sanctions

- › The FIU Latvia is the competent authority in combating the circumvention of international or national sanctions or a circumvention attempt in the enforcement of financial restrictions in accordance with the procedures laid down in the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing (the AML Law).
- › Since 01.04.2024, the FIU Latvia has become the competent authority for the implementation of sanctions in Latvia.
- › The new role of the FIU Latvia includes various aspects of sanctions' implementation, including decision making on derogations, freezing of assets, issuing permits for transactions, organizing and conducting trainings, developing and publishing guidelines, information materials on the implementation and enforcement of sanctions, etc.



› **Article 84(1) of the Criminal Law**

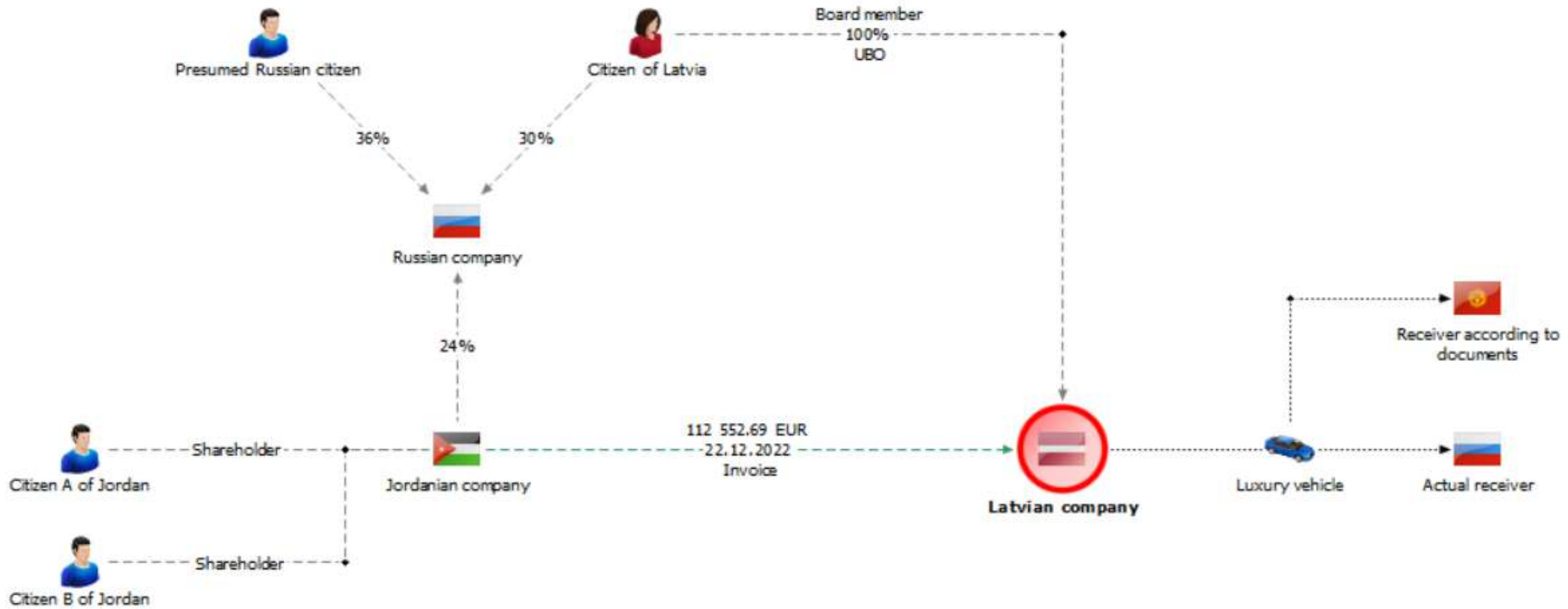
- For the violation of sanctions imposed by the UN, EU, and other international organisations or sanctions imposed by the Republic of Latvia – the applicable punishment is the deprivation of liberty for a period of up to four years or temporary deprivation of liberty, or community service, or a fine.

› **Article 17 of the Sanctions Law**

- Obligation to report suspicions of sanctions circumvention and sanctions violations.



Schematic view of transactions





Violation, circumvention of sanctions

- › Council Regulation (EU) 2022/428 of 15 March 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine
 - Article 3h part 1 It shall be prohibited to sell, supply, transfer or export, directly or indirectly, luxury goods as listed in Annex XVIII, to any natural or legal person, entity or body in Russia or for use in Russia.
 - (17) Vehicles, except ambulances, for the transport of persons on earth, air or sea of a value exceeding EUR 50 000 each



The car





Initial indicators

- › Complicated structure for payments and ownership.
- › Transaction not related to the declared business activity of the Latvian company.
- › Fictitious transaction supporting documents (discrepancies in documents and publicly available information).
- › Public information linking the specific luxury vehicle with permit issued in Russia.



The document

 **КЫРГЫЗ РЕСПУБЛИКАСЫ**
КЫРГЫЗСКАЯ РЕСПУБЛИКА
THE KYRGYZ REPUBLIC **KG**

КАТТОО НОМЕРИ
РЕГИСТРАЦИОННЫЙ НОМЕР
REGISTRATION NUMBER **08KG229ACC**

УНИКАЛДУУ ИДЕНТИФИКАТОРУ (VID)
УНИКАЛЬНЫЙ ИДЕНТИФИКАТОР (VID) / VEHICLE ID **1000132240120**

ЭЭСИ
СОБСТВЕННИК
OWNER [REDACTED]

ИЖН / ПИН, ИСН / ИНН
PERSONAL NUMBER **20811198700719**

ЭЭСИНИН ДАРЕГИ
АДРЕС СОБСТВЕННИКА
OWNER'S ADDRESS **Г. БИШКЕК, ЛЕНИНСКИЙ Р-Н,
УЛИЦА ТАБЫШАЛМЕВА,
ДОМ 55А, КВ. 25**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ **418061**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ **22.09.2022**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ

AA 0626166

© Издательство ГСЭИ НК 2021

 **КЫРГЫЗ РЕСПУБЛИКАСЫ**
КЫРГЫЗСКАЯ РЕСПУБЛИКА
THE KYRGYZ REPUBLIC **KG**

КАТТОО НОМЕРИ
РЕГИСТРАЦИОННЫЙ НОМЕР
REGISTRATION NUMBER **01KG309АНН**

УНИКАЛДУУ ИДЕНТИФИКАТОРУ (VID)
УНИКАЛЬНЫЙ ИДЕНТИФИКАТОР (VID) / VEHICLE ID **1000132240120**

ЭЭСИ
СОБСТВЕННИК
OWNER [REDACTED]

ИЖН / ПИН, ИСН / ИНН
PERSONAL NUMBER **20409198100796**

ЭЭСИНИН ДАРЕГИ
АДРЕС СОБСТВЕННИКА
OWNER'S ADDRESS **Г. БИШКЕК, ЛЕНИНСКИЙ Р-Н, ПГТ.
ЧОН-АРЫК, УЛИЦА ТЫНАЛМЕВА К.,
ДОМ 9/1, КВ. 04**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ **418061**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ **17.07.2021**

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН
ГОСУДАРСТВЕННОЕ АГЕНТСТВО
ПО ТЕХНИЧЕСКОМУ РЕГУЛИРОВАНИЮ
И МЕТРОЛОГИИ
ИССУЮЩАЯ АУДИТОРИЯ

AA 0626166



Further actions

- › Funds for the total amount of 112 552,69 EUR were frozen in February of 2023 by the order of the Latvian FIU.
- › Conclusion of a competent authority was prepared and information was disseminated to law enforcement entities.
- › Criminal proceeding was initiated.
- › In October of 2023 court judgment entered into legal effect, confiscating the criminal proceeds and fining the beneficial owner of the Latvian company.



Co-funded by
the European Union

THANK YOU

www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT

Coordinator: Transcrime-UCSC



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.



Co-funded by
the European Union

On the front line of sanctions implementation

April 8th - Milan

Financial Crime Investigation Service
Lithuania



Financial Crime Investigation Service



Financial Crime Investigation Service



› Investigations

› Anti-Money
Laundering (FIU)

› International
Financial Sanctions
Implementation



Financial sanctions implementation (FCIS)

National list

17 legal entities are included

Permissions

Issuance of permits /
granting of exemptions

Investigations

Pre-trial investigations and
administrative offense proceedings have
been initiated

Activities

Participates in judicial processes related
to the implementation of international
sanctions





AMOUNT OF FROZEN FUNDS

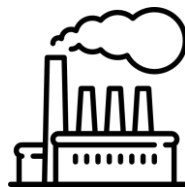
37,856 mln. €



739K \$



11



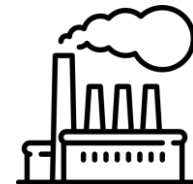
23,431 mln. €



7,680 mln. \$



6



1



Regulation Nr. 269/2014

RU

Regulation Nr. 765/2006

BY

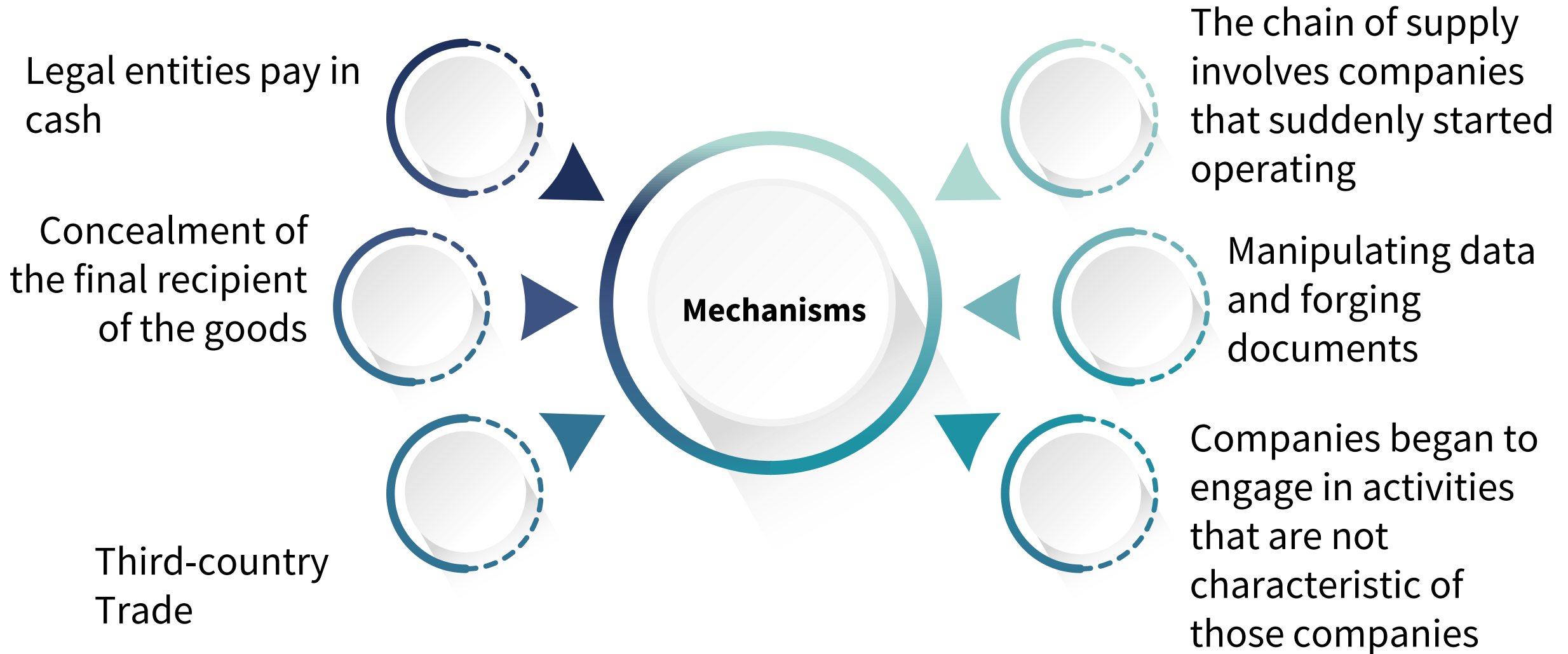


**Sanctions
circumvention
mechanisms**





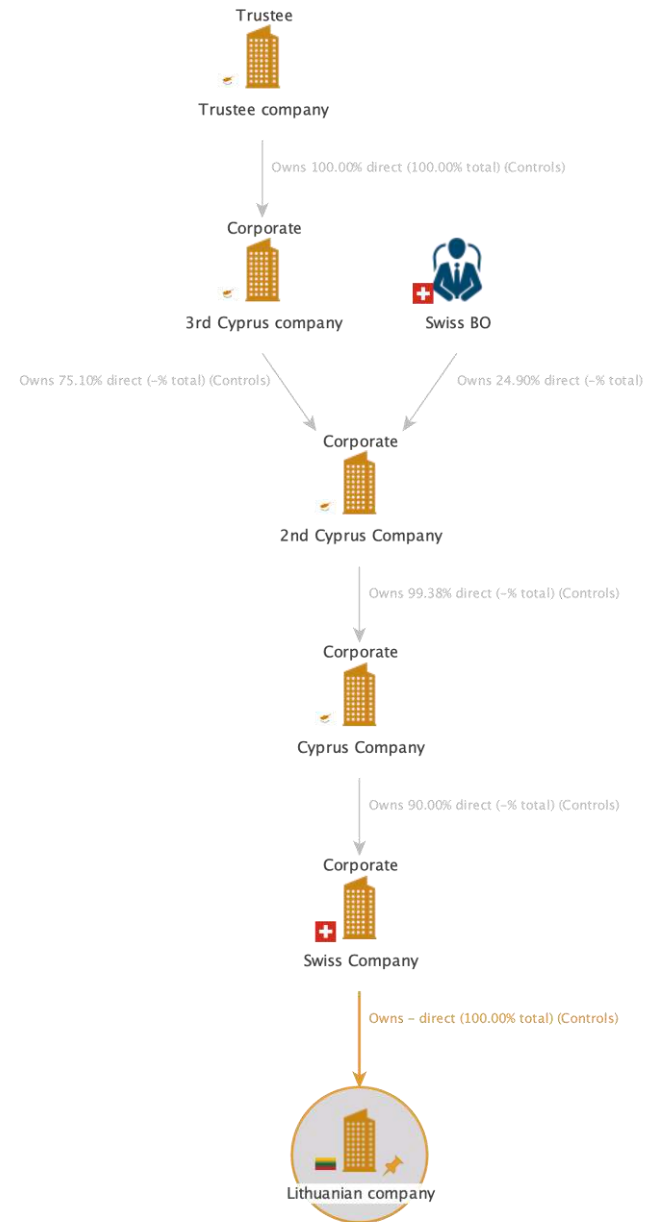
Sanctions circumvention mechanisms



Sanctions circumvention

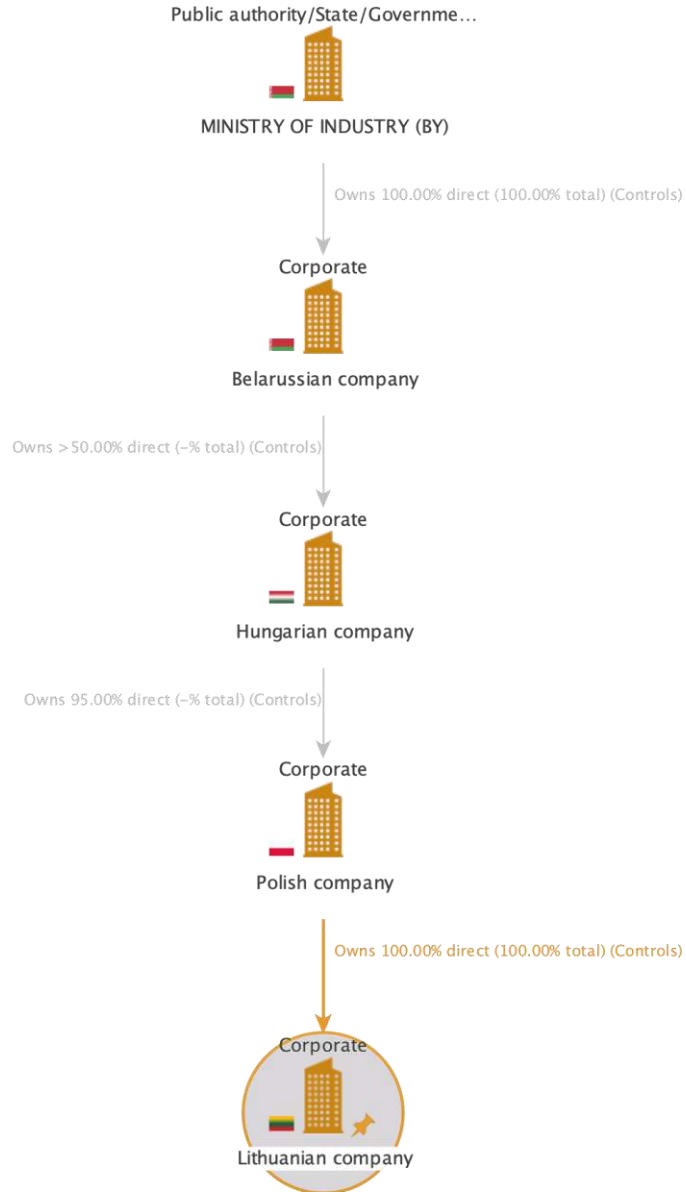
Concealment
of Beneficial
Ownership

Use of Nominees
(Directors and
Shareholders)





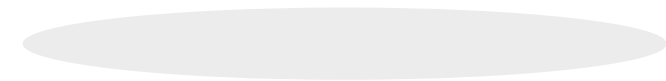
Sanctions circumvention




Divesting
investments to
reduce
ownership



Complex
ownership and
control
structures



The background features a complex, abstract pattern of thin white lines and small blue and white dots, creating a sense of depth and movement, reminiscent of a starburst or a data visualization. The overall color palette is dark blue with accents of light blue and white.

**Let's make this World
better together!**



Co-funded by
the European Union

Case-studies of sanction evasion and sanction circumvention

IrpiMedia investigations

8th April 2024

Lorenzo Bagnoli
lorenzo.bagnoli@irpi.eu

IrpiMedia



- › **Main research questions about sanctions against Russia:**
- What does “circumvention/evasion” mean?
 - Who is helping evading the sanctions?
 - Are there business still run “as usual”?
 - What is the role of companies (eg. trusts, charters, ManCo) and financial institutions (banks, accountant, insurance companies) in implementing/evading sanctions?



Case studies of sanction evasion
and sanction circumvention:

The Avcon Jet Case



- › **Avcon Jet, the jet charter the oligarchs love**

- › Risky business because:
 - Beneficiary of the Troika Laundromat
 - Controversial operations (i.e. Armenian PM; Italy-Kazakhstan State returning flight)
 - Russian exposure (Sberbank loans)

- › Sale contracts reveal how Russian oligarchs have been using the assets thanks to leasing contract



- › 1. Embraer Legacy 600 OE-IRK:
 - Controversy following chancellor Kurtz's State visit to Tel Aviv via private jet on March, 4th 2021
 - The Chancellery to media reports: «[...] normal standard procedure to book individual flights through companies like Avcon Jet»



Case Study/1



- › Who is the charter of the flight?
 - Avcon Jet Ag
 - Source: flight-tracking websites

- › Who is the owner of the jet?
 - Dmytro Firtash



- › How to prove Firtash's ownership?
 - Official owner: Raiffeisen Aircraft Finance GmbH
 - Contract between Ukrinvest Holding AG and Avcon Jet AG
 - Leasing contract under the name of Ukrinvest Holding AG for the engines of the jet



- › 2. Embraer Legacy 600 M-ESGR sale (2016):
 - Suspect brokering contract given to Pyxis Aviation Group
 - Final acquisition price lower than another the one of another bidder



Case Study/1



- › Who is the owner of the flight?
 - UniCredit Global Leasing Export GmbH
 - Source: sale documents from 2016

- › Who is the UBO of the jet who is selling?
 - Konstantin Grigorishin (already sanctioned in 2014)



- › Why the sale brokered by Pyxis Aviation Group is controversial:
 - Three bidders, the winner has a proposal 1.5 mln € lower than the others
 - Internal email from the Bank Austria (UniCredit Global Leasing Export GmbH) supporting Pyxis as broker despite a previous contract with another broker



Case Study/1



- › 3. Gulfstream G280 OE-HKT:
 - Three sales on the same date, July 2022
 - Pyxies as broker despite there was already the buyer two months before their contract
 - Bank Austria again last owner



Case-studies of sanction evasion
and sanction circumvention:

The Rotenberg Files Case



› Rotenberg Files

- › Maxim Viktorov → Legal Intelligence Group and Evocorp Management Company LLC
- › Since 2013 he has been managing the family assets through a web of companies and proxies
- › In Italy: Vitaly Khomyakov (former rental-with-driver employee)



Case study/2



- › In Italy: Vitaly Khomyakov (former rental-with-driver employee)



- › Internal emails shows contrasts with the Rotenberg starting from 2015 → Arkady was already sanctioned
 - Main ManCo for the Italian assets: **Aurora 31 srl**
 - Inc. in 2002: BOs → Arkady Rotenberg and Konstantin Veniaminovich Goloshchapov
 - Since 2004: run through Cypriot companies now known as Rotenberg's proxies → *villas and hotel not frozen when we wrote*



- › How did the family keep control of the Italian assets?
 - loans from Cyprus to pay Aurora 31
 - rental fee paid to another ManCo for a hotel in Rome
 - new Cypriot company receiving loans from the same entities to manage a new villa in Sardinia
 - new trustee/manager in 2018 for Aurora 31



Co-funded by
the European Union

THANK YOU

lorenzo.bagnoli@irpi.eu

Lorenzo Bagnoli

IRPI MEDIA



Co-funded by
the European Union

Investigating Sanction Avoidance In Romania

BIRO ATTILA
E-mail attila.biro@context.ro

Institution Context.ro (Context Investigative Reporting Project)

From data to story

situatie_statistica_2014_2022 (1) .XLS

File Edit View Insert Format Data Tools Help

100% 123

A1:B1 Situația statistică a firmelor cu participare rusească la capitalul social, existente la sfârșitul fi

	A	B	C	D	E
1	Situația statistică a firmelor cu participare rusească la capitalul social, existente la sfârșitul fiecărui an din perioada 2014 - 2022				
2					
3	An de referință	Nr. firme cu participare rusească la capitalul social			
4	2014	250			
5	2015	253			
6	2016	256			
7	2017	264			
8	2018	273			
9	2019	300			
10	2020	300			
11	2021	309			
12	la 21.10.2022	296			
13					
14	Situația statistică a firmelor cu participare rusească la capitalul social, nou înmatriculate în fiecare an din perioada 2014 - 2022				
15					
16	An de referință	Nr. firme cu participare rusească la capitalul social nou înființate			
17	2014	23			
18	2015	21			
19	2016	22			
20	2017	20			
21	2018	22			
22	2019	24			
23	2020	14			
24	2021	30			
25	01.01.2022 - 21.10.2022	14			
26					
27					
28					
29					
30					
31					

firmes_neradiate_cu_BR_rusi_in_starea_la_zi .XLSX

File Edit View Insert Format Data Tools Help

100% 123 Calibri 11

A1 Firme neradiate care au in starea la zi beneficiari reali pentru care s-a declarat tara de nastere Rusia

	A	B	C	D
1	Firme neradiate care au in starea la zi beneficiari reali pentru care s-a declarat tara de nastere Rusia			
2	CUI	COD_INMATRICULARE	DENUMIRE	
3	32260092	J23/467/2015	VISUS CLINIC SRL	
4	34262596	J22/490/2015	D.N.S. COMPANY SRL	
5	5083309	J40/141/1994	VERED 2010 INTERNATIONAL SRL	
6	17215683	J40/2400/2005	ARSU DEVELOPMENT SRL	
7	41574507	J40/11413/2019	TAITUY DESIGN S.R.L.	
8	35191787	J40/13442/2015	BANNOR ENTERPRISES SRL	
9	35232364	J40/13976/2015	SOFTLINE CORPORATE SOLUTIONS SRL	
10	35352620	J40/15583/2015	CASINO PALACE SRL	
11	36680013	J23/4301/2016	VOLUME LASHES PROFESIONAL SRL	
12	36773139	J40/15484/2016	WEATHER CONTROL ENGINEERS SRL	
13	37006371	J40/1205/2017	PRIZMA RELATIONS SRL	
14	37259803	J40/3916/2017	SUN WAVE PHARMA S.R.L.	
15	20629847	J40/4550/2017	B.M. ATRIUM CENTER SRL	
16	24534529	J40/5322/2017	BOARD OF BEANS SRL	
17	37372577	J40/5055/2017	PASS PROPERTY SRL	
18	37381427	J15/429/2017	DJONNI DENT S.R.L.	
19	37956088	J3/1823/2017	LE TIER BUCHAREST SRL	
20	38075035	J40/14074/2017	POLYGRAIN TRADING SRL	
21	38096461	J40/14373/2017	SUPER POSTER PRINTING SRL	
22	13850097	J05/358/2001	MALACHIT COM SRL	
23	21697297	J08/1260/2007	SEVEROM PROD SRL	
24	712939	J33/118/1991	SOCIM SA	
25	13485897	J02/573/2000	HIGH TECHNICS RA SRL	
26	5751661	J40/10281/1994	CONSULTANTA & DEZVOLTARE SRL	
27	16633785	J40/12160/2004	UNITA INVEST SRL	
28	19212462	J40/18731/2006	DELTA IRON SRL	
29	21541343	J40/7291/2007	ARGO INVESTMENTS SRL	
30	22778039	J35/4273/2007	IGK SRL	
31	18856643	J19/619/2006	MELOR DISTRIBUTION COMPANY SRL	
32	28646738	J23/1619/2011	TIME CRITICAL LINE SRL	
33	10851667	J29/1927/2008	TRAUN GUARD HMS SRL	
34	26587376	J29/286/2010	DARIA CAMPERS S.R.L.	
35	29963556	J29/462/2012	RESTAURANT CASTELUL CANTACUZINO SRL	
36	30737170	J12/2656/2012	EXTASY APP S.R.L.	
37	45031104	J40/17301/2021	BUILDMAT ENTERPRISE S.R.L.	

From data to story



INVESTIGATIONS

UPDATE

CONTEXT

TV SERIES

VIDEO

ABOUT US

ENGLISH




Investigations | **Mihaela Tanase** | December 21, 2023


Unsanctioned Russian oligarchs


Russian oligarchs from Vladimir Putin's close circle are doing open business in Romania even after the outbreak of the war in Ukraine.

Although they supported the Kremlin war machine, they continue to make millions in our country from public money, with impunity. This series of materials was made in collaboration with [45north.ro](https://www.45north.ro)

From data to story




context INVESTIGATIONS UPDATE CONTEXT TV SERIES VIDEO ABOUT US ENGLISH 



The Romanian state pumped millions of euros into the accounts of Lukoil and oligarch Deripaska's companies, the strategic suppliers of the Russian army

featured, Investigations, Russian oligarchs | Mihaela Tănase Jan 25, 2024


Lukoil supplied kerosene for Russian fighter jets used in the war in Ukraine. In parallel, the Romanian authorities bought hundreds of



Vitamins for Putin. The Russian oligarch who makes millions from food supplements sold to Romanians

featured, Investigations, Russian oligarchs | Mihaela Tănase Jan 16, 2024

Romanians buy food supplements worth hundreds of millions of euros from the company of a Russian oligarch close to Vladimir Putin. Andrey Kosogov is the beneficial owner of Sun



The Romanian state gives money to a Russian oligarch involved in the production of missiles used in the massacres in Ukraine

Context, featured, Investigations, Russian oligarchs | Mihaela Tănase Dec. 21, 2023

A Russian oligarch from Putin's close circle, involved in three of Russia's bloodiest attacks in Ukraine, is doing open business in Romania. A state institution pumped millions of euros into a



Do sanctions work in Romania ? – Big picture

- **457 unique companies** fit the definition and methodology described in this report – they either have a Russian citizen as an ultimate beneficiary and/or have at least one shareholder/stakeholder that is a Russian citizen / Russian-based legal person;
- **The total turnover for 2022, for all 457 companies was approximately 3,4 billion euros** (3,412,295,416 EUR). **That amounts to roughly 1,2% of Romania's GDP** (for 2022, as measured by the World Bank);
- **In the 2014-2022 interval, Lukoil averaged 79% of the total yearly turnover of the 457 companies dataset**, being, by far, the biggest Russian company present in Romania;
- **By year of incorporation, 57% of the companies were incorporated in the 2014-2023 interval (10 years), while only 43% in the 1990-2013 (24 years) interval;**
- When excluding the Lukoil group companies, **the top ten companies by turnover in 2022 accumulated 505 million euros, 73% of the total turnover for 2022;** The same ten companies registered a total yearly profit for 2022 of 32,6 million euros, with 3077 employees.
- Excluding Lukoil, **the number one spot by turnover for 2022 is held by Strabag SRL, with 185 million euros.** Other companies present in the top ten: **Sun Wave Pharma** SRL (pharmaceutical company, ultimately owned by London-based company LetterOne, co-founded by Russian oligarchs Petr Aven and Mikhail Fridman; in a statement, the investment firm said that the two shareholders rights and funds “are frozen”, but it does not mean that they do not still legally own said shares); **Antrepriza de Lucrări și Reparații A R L Cluj S.A.** (where Strabag AG owns 99% of the shares and the Romanian Ministry of Transport owns 1%); **Torgservice RM SRL** (the Romanian branch of the Russian company Svetofor, a hard discounter chain of supermarkets owned by the Shnaider family; The owners and related companies are under sanctions in Ukraine); **SAT Reabilitare Reciclare SRL** (100% owned by Strabag SE).(45North.ro)



Do sanctions work in Romania ?

- No sanctions imposed on companies owned **by Russian oligarchs in Romania.**
- The rate of new registered Russian controlled companies has risen in recent years, with 57% of them incorporated in the last ten years, after the Crimean invasion.
- Taking into account the volatile evolution of Russia's economy in the same interval, Romania **may have been perceived as a safe haven**, with an apathetic Romanian government when it comes to sanctions implementation;
- This apathy, **seen in the relative small number (7) of orders to block assets and accounts for sanctioned entities**, enacted only after February 2022, may stem from the lack of legal and regulatory clarity regarding which authority should initiate a discussion within relevant bodies for enacting sanctions, a gray area that discourages action;



Co-funded by
the European Union

THANK YOU

Contacts

Attila.biro@context.ro

+40754069092



Co-funded by
the European Union

What role can open data play in fighting sanctions circumvention?

Friedrich Lindenberg
friedrich@opensanctions.org

OpenSanctions Datenbanken GmbH



What is OpenSanctions?

- › OpenSanctions is an open source **global watchlist**
 - Completely **free for non-commercial use**, academic research
 - Data subscriptions for commercial users
- › Data is ...
 - aligned into **common data structure**
 - de-duplicated into **profiles of persons and companies**
 - provided as a rich **network of relationships**
 - **fully lineaged** and transparent
- › Based on parts of OCCRP Aleph, open source code
- › Sustained by a small company and team



How we build it

- › We aggregate 160 data sources:
 - Government **sanctions lists**
 - Regulatory **watchlists**
 - **Persons of interest** databases from civil society
 - **PEP** registers, asset declarations
 - Reference data (e.g. SWIFT, GLEIF)
- › Updated 4 x day
- › Bulk data downloads, entity profiles & search tool



OSINT public resource

OpenSanctions: Find sanctions targets and persons of interest

OpenSanctions helps investigators find leads, allows companies to research and enables technologists to build data-driven products.

Search people and companies in our database...

1,359,731 entities · 159 data sources · updated 2024-04-06 · bulk data · screening

People and companies that Clean data and transp

Advanced screening search

opensanctions.org/advancedsearch/?algorithm=logis-v1&birthDate=1996&dataset=default&...

Name:

Nationality:

Birth date:

- Press the icon next to a result score to see an explanation for the score.
- The matcher will return a maximum of five results.

This search uses the `/match` API function which we also recommend to use when implementing bulk screening. When [querying the API](#), you can include additional search criteria such as addresses.

75%

Data in [OpenSanctions Default](#) is current as of 2024-04-06. It last changed 2024-04-06.

We do not store the data submitted to this tool, except for logs and analytics needed to ensure proper operation.

Vladimir Vladimirovich Putin

[Person of interest](#) · [Political](#) · [Spy](#) · [Sanctioned entity](#)

Names PUTIN Vladimir Vladimirovich · PUTIN, Vladimir Vladimirovich · Platov · [92 more...](#)

Nationality Russia · Soviet Union

Birth date 1952-10-07

[Full profile](#) · ID 07747 · in 21 data sources · last change 2024-04-05

Match explanation	Score	Weight
person_name_jaro_winkler Compare two persons' names using the Jaro-Winkler string similarity algorithm.	89%	80%
person_name_phonetic_match Two persons have similar names, using a phonetic algorithm.	100%	90%
dob_year_disjoint The birth date of the two entities is not the same.	100%	-15%



Shadow sanctions vs. beneficial ownership privacy

- › 6000 Persons/Companies on EU consolidated list.
 - These will rarely (!) show in the EU's financial system directly
- › Their subsidiaries/assets are also targeted.
 - Plenty of companies in Cyprus, Malta, and all over Europe.
 - Who are they?
- › EU Beneficial Ownership regime was going to give data access
 - Blocked by ECJ verdict in November 2022



Data enrichment

- › Every entity in our database is turned into a query against broader sources, e.g.
 - ICIJ OffshoreLeaks
 - Russian tax register of companies
 - Company registers for UK, Czechia, Estonia, Latvia, Ukraine, Moldova etc.
 - OpenCorporates.com and Wikidata
 - GLEIF, ESMA, ...
- › We find candidate matches and manually review them
- › If accepted, they become part of the next build of the database
- › Limitation: BO data availability in the EU



Enrichment validation

Score: 0.971	Company [NK-6g8R2XWcPoza5wY79y9fgn]	Company [icijol-55020369]
Name	BANK OF VALLETTA P.L.C.	BANK OF VALLETTA P.L.C.
Registration number	C 2833 · C2833	C2833
Incorporation date	1974-03-21	1974-03-21
Jurisdiction	Malta	Malta
LEI	529900RWC8ZYB066JF16	
SWIFT/BIC	VALLMTMT	
Country	Malta	Malta
ICIJ ID		55020369
Legal form	kumpanija pubblika	
Publishing source	The Malta Business Registry	Paradise Papers - Malta corporate registry
Status	ACTIVE	
Address	58, ZACHARY STREET, VALLETTA · 58, Zachary Street, Valletta, VLT 1130 · Cannon Road, Zone 4, Central Business District, Santa Venera, CBD 4060	
OpenCorporates URL	https://opencorporates.com/companies/mt/C2833	
Topics	Public listed company	Offshore
Notes		Malta corporate registry data is current through 2016
Sources	ext_gleif, opencorporates	ext_icij_offshoreleaks
URL	https://opensanctions.org/entities/NK-6g8R2XWcPoza5wY79y9fgn/	https://opensanctions.org/entities/icijol-55020369/

X Match N No match U Unsure L Latinize S Save W Quit & save Q Quit

[0] 0: bash* 1: http- 2: bash "root@work: /opensanct" 14:20 06-Apr-24



Privatised sanctions mapping

- › **Sanctions ownership links** are collected by private entities
 - Dow Jones, Moody's, Kharon
- › Provenance of their data is unclear, often illicit.
- › European law enforcement and banks then purchase this data (to circumvent cooperation challenges)
- › Journalists and anti-corruption activists are priced out
- › Many smaller financial services businesses, too
- › Two-class sanctions compliance (**list-based vs. research-based**)



Recommendations

- › Publish **sanctions-linked company information as open data.**
 - Included in sanctions list, or secondary mechanism
 - Create duty for national governments to proactively and repeatedly enrich that registry.
- › Continue to protect personal data as mandated by ECJ



Co-funded by
the European Union

THANK YOU

Friedrich Lindenberg
friedrich@opensanctions.org
opensanctions.org/research



Co-funded by
the European Union

Data and tools on asset control/ownership

KLEPTOTRACE training – Panel 3

8 April, 2024 - Milan

Antonio Bosisio, Senior Researcher
(antonio.bosisio@unicatt.it)

Transcrime – Università Cattolica



1. How to trace ownership of assets: **Data sources** available
 - *Overview*
 - *Benefits*
 - *Limitations*
 - *Accessibility*
2. Combining different sources: **analyses and tools – examples from *Transcrime research and development projects***



1. Data sources



The importance of data for tracing ownership/control of assets

- Ownership links are getting more complex and transnational, but **data are getting richer and more easily accessible**
- **Debate on global asset registries** (Piketty, Tax Justice Network)
- **However** -> landscape of data sources is **scattered and differentiated**

- *Type of End-User*
- *Legal Bases*

Various types of data on asset ownership/control...

1. Company data
2. Real estate
3. Vessels
4. Other (*bank accounts, asset declarations, etc.*)

... with different attributes/quality

- *Access*: Public/Private/**Restricted**
- *Cost*: Free of charge/Price charged
- *Coverage*: National/Transational
- *Format*: Structured/unstructured

Gaining knowledge of available data can help tracing ownership and identify red-flags and anomalies



1- Company data

Main data sources:

Company registers



IC
InfoCamere

KVK



UNTERNEHMENSREGISTER

Die zentrale Plattform für die Speicherung von Unternehmensdaten

BO registers

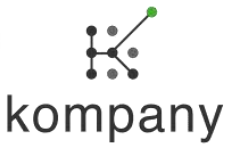


Datasets by private data providers

opencorporates

MOODY'S

dun & bradstreet



› **Type of info included**

- › Companies' characteristics (name, sector, location, identifiers)
- › Ownership (current and previous)
- › Directors and Management (current and previous)
- › Financials



1- Company data – Company registers: benefits

- **Characteristics:** Registers including information on legal entities operating in a jurisdiction
- **Scope:** representation, protection, accountability, and control of legal entities
- **Management of info:** Usually maintained by a state authority, such as a government agency, or a court of law. In some cases devolved to self-governing bodies (e.g. a chamber of commerce)

Benefits

- *Availability of original documents*
- *Most frequent update*
- *Limited cost of access (free in some cases)*



Developments

- **European Business register** -> Single point of access for company registers in 28 countries (**Business Registers Interconnection System - BRIS**)



1- Company data – Company registers: *potential limitations*

Potential limitations

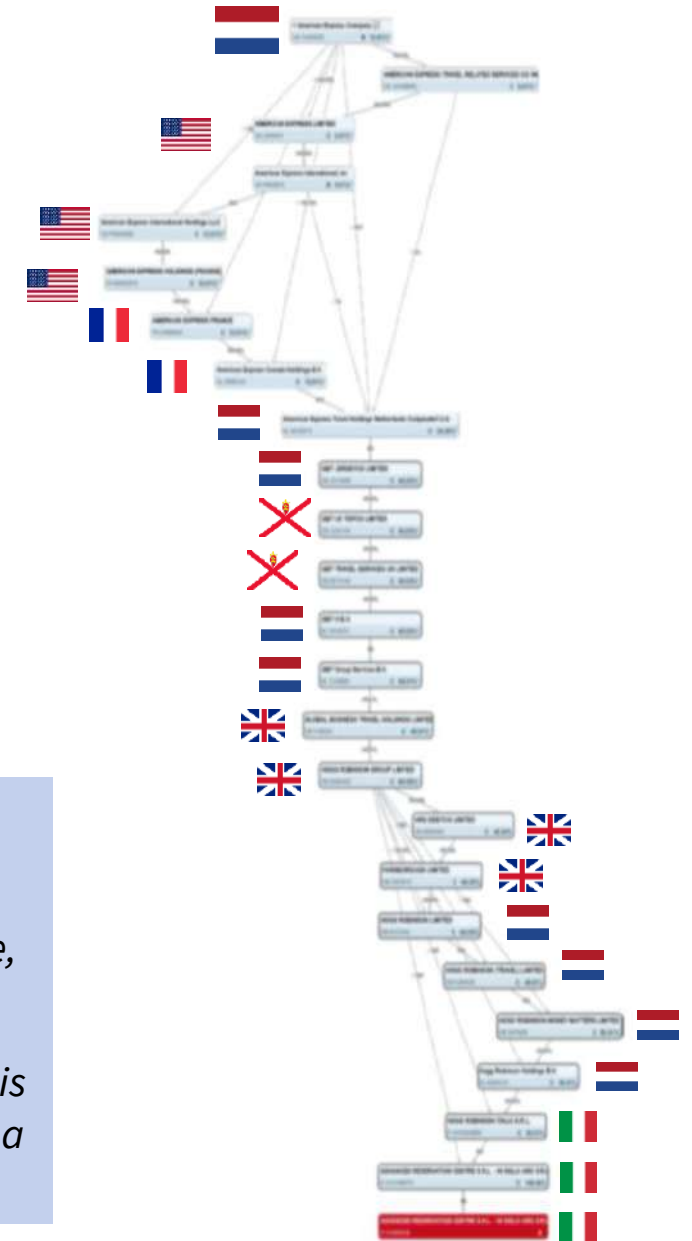
- Coverage: mostly national (difficult in cross-border context)
- Cost: Can grow for multiple searches
- Lack of harmonisation
- Shareholding information: often 1° level only

-> no complete on ownership structure and BOs

-> the higher the number of levels in the ownership structure, the harder for LEAs to investigate them

“Fun” facts:

- On average, companies in Europe have 1.2 levels of shareholding up to the Beneficial Owner. However, some companies can **reach up to 27 consecutive levels of shareholding** (Transcrime, 2021)
- London Metropolitan Police (2015) estimated that “in cases where hidden beneficial ownership is an issue, **30-50% of an investigation** can be spent in identifying the beneficial owners through a chain of ownership ‘layers’”





1- Company data – BO registers: Benefits and limitations

- The 5th AMLD established that MSs should create public **BO registers**
- **Status of BO registers globally** -> 80+ jurisdictions have approved laws requiring BO information to be registered with a government authority

Benefits

- *Info on BO identity available*
- **Central** registers -> all info in one place

Potential limitations

- **Legitimate interest** for accessibility
- *Limited accessibility in some cases (cost, registration, language barriers)*
- *BO definitions and data format not homogeneous*
- **Accuracy of information provided by companies?**
- **No complete info on ownership chain**

Concerns

- > *Possible inconsistencies between BO information obtained by company registers and BO registers*
- > *Data on the WHO, but not on the HOW: Need for data on full ownership structure*



1- Company data – BO registers: Accessibility

- **November 2022** -> decision of the Court of Justice of the European Union (CJEU) -> Annulled provisions of the AMLD5 that required public access to beneficial ownership information
- **January 2024** -> EU Council and Parliament agreement -> in addition to supervisory, public authorities and obliged entities, also **persons of the public with legitimate interest may access the registers**
- **Specification of legitimate interest and modality of access is still unclear and left to national authorities**

One week before the ruling



One year after the ruling



Source: Transparency International, November 2023

Company data – Datasets by private data providers

- › Several providers of company data collated from different sources (company and BO registers, other)

opencorporates



dun & bradstreet

ubo
service

kompany

SAYARI

Benefits

- Transnational **coverage**
- Full information on **ownership layers**
- **Standardised** information (language, classification)
- Multiple information (financials, compliance lists)
- Different **formats** (dashboards, API accesses, datafeeds)

Potential limitations

- **Cost**
- **Detail:** *Original documents not always available (Challenges for treating it as proof of evidence in courts)*
- **Coverage:** *different for each provider*
- **Update:** *different in every country*
- **Missing info:** *reason?*

2- Real estate registers

- Cadastry and registration systems record **ownership, possession**, or other rights in **land** and **real estate**
- **Aim:** facilitate transactions, prevent unlawful disposal
- **Information:**
 - Usually kept by a government agency or department
 - Varies widely by **jurisdiction (no standardization)**

Benefits

- *Availability of original documents*
- *Most frequent update*
- *Limited cost of access*

Potential limitations

- *Coverage:* mostly national (difficult in cross-border context)
- *Cost:* Can grow for multiple searches
- *Limited accessibility:*
 - Authentication often required
 - Rare options for API/datafeed connections
- *Lack of harmonisation*
- *Ownership by companies -> need to merge/cross with company data*


3- Vessels registers

- **Increasing use of opaque vessels for sanction evasion / illicit trade** (Global Financial Integrity, 2023): 70% of vessels without owners listed by the International Maritime Organization (IMO), have:
 - Connections to sanctions
 - Switched off or manipulated location signals
 - carried out ship-to-ship transfers in high-risk jurisdictions
- **Available registers**
 - **National/Local registers** (governmental or private agencies): covering info on ownership of vessels by flag state (problem: *transparency of flag-of-convenience registers*)
 - **IMO**: identification and coverage of vessels above a certain tonnage
 - **EU Fleet Register**: all the fishing vessels flying the flag of an EU country
- **Private providers**
 - Buying and collating data from different registers
 - Including other info (e.g. AIS/vessel behaviours)
 - Limitation: ownership often only for 1° level SH



4- Other assets data

- **Bank account registers** ->
 - *CBAR* -> purpose: hold information on accounts identifiable by IBAN, account holders, beneficial owners, signatories
- **Vehicles registers, aircraft** -> similar considerations to vessels
- **Asset declarations registers**
 - Check consistency with other data – e.g. value, ownership of assets (GTI, 2022)
- **Other:** cryptocurrencies, works of art, gold



2. Combining different sources: analyses and tools



Exploiting ownership data – Applications

Macro-level applications



- › *Risk assessment of territories/sectors*
- › *Monitoring of trends and evolution*
- › *Hot-spots identification*

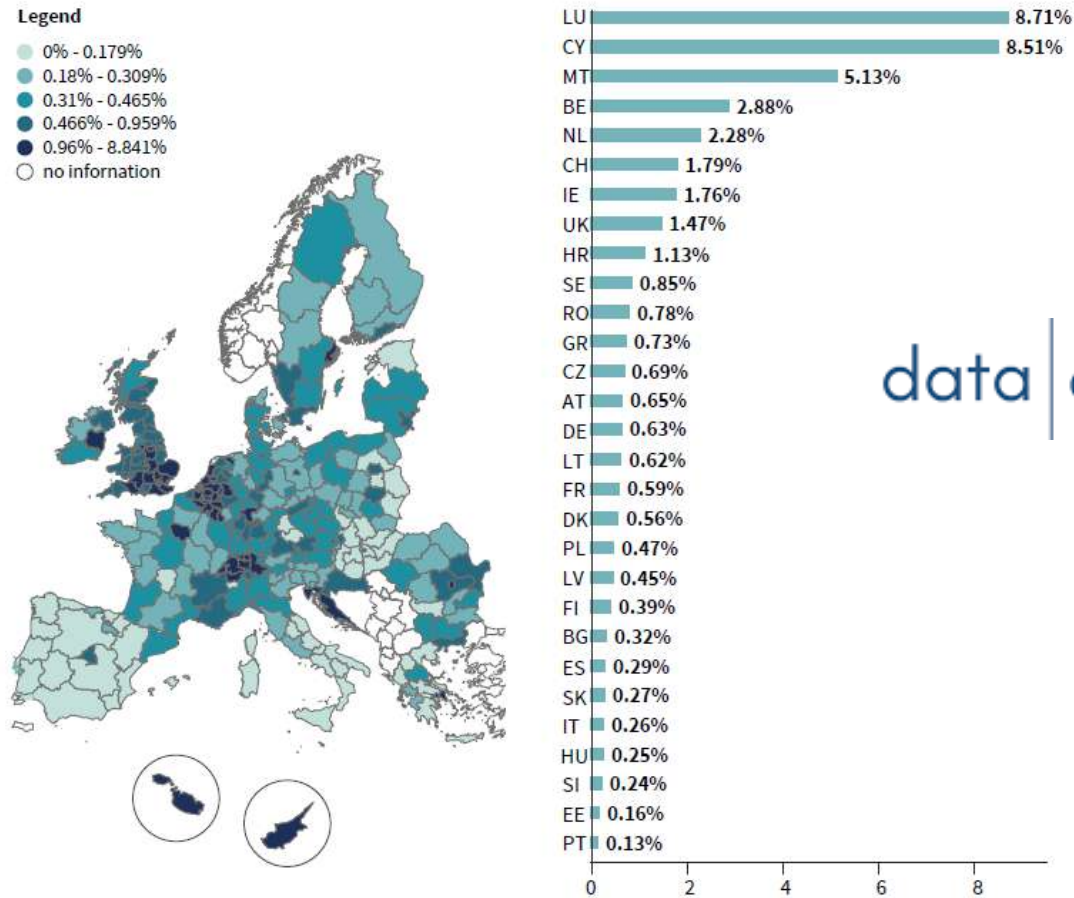
Micro-level investigations



- › *Investigation & Asset tracing*
- › *Risk assessment & profiling*
- › *Due diligence*
- › *Exploration*

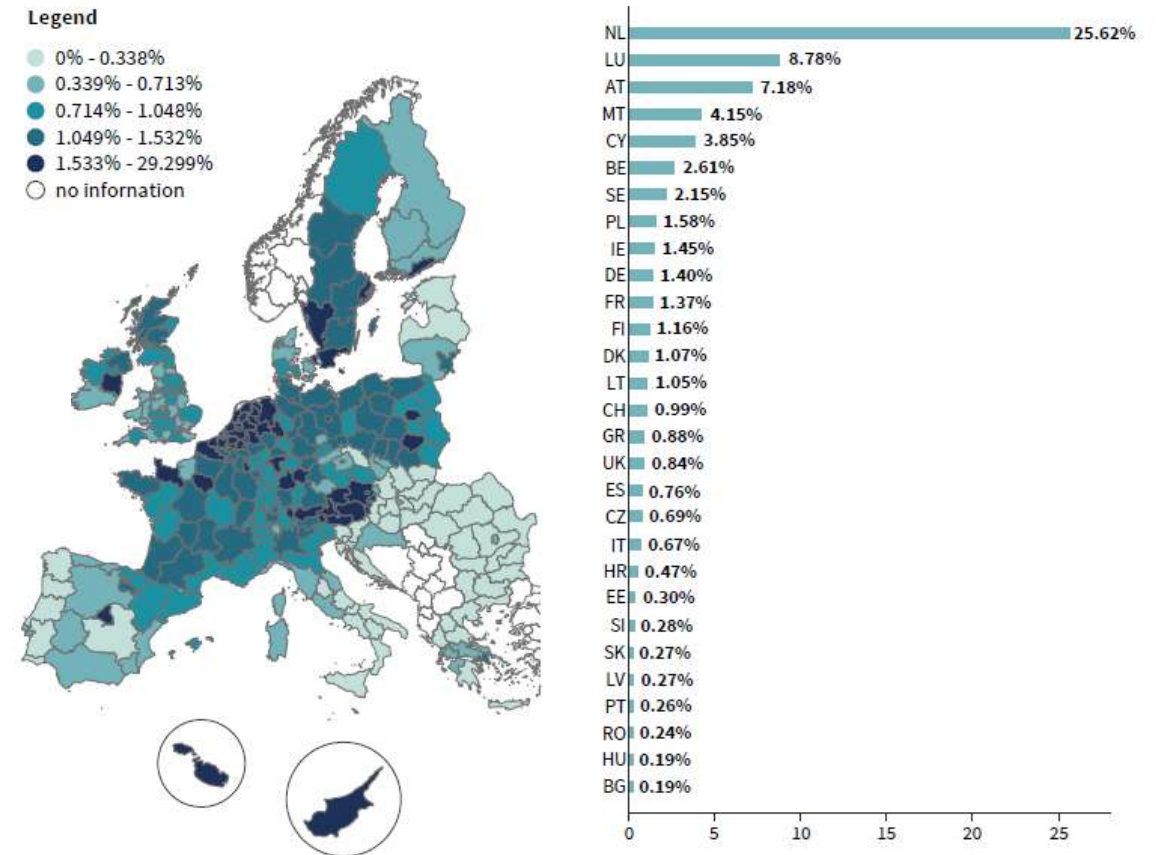
Macro level application – company ownership in EU

Ownership links with blacklisted countries



On average, **1% of European firms**
(some regions up to 8%)

Links with trusts, fiduciaries, foundations, funds



On average, **1.2% of European firms**
(some regions up to 25%)

data | cros

Macro level application – real estate ownership in Paris

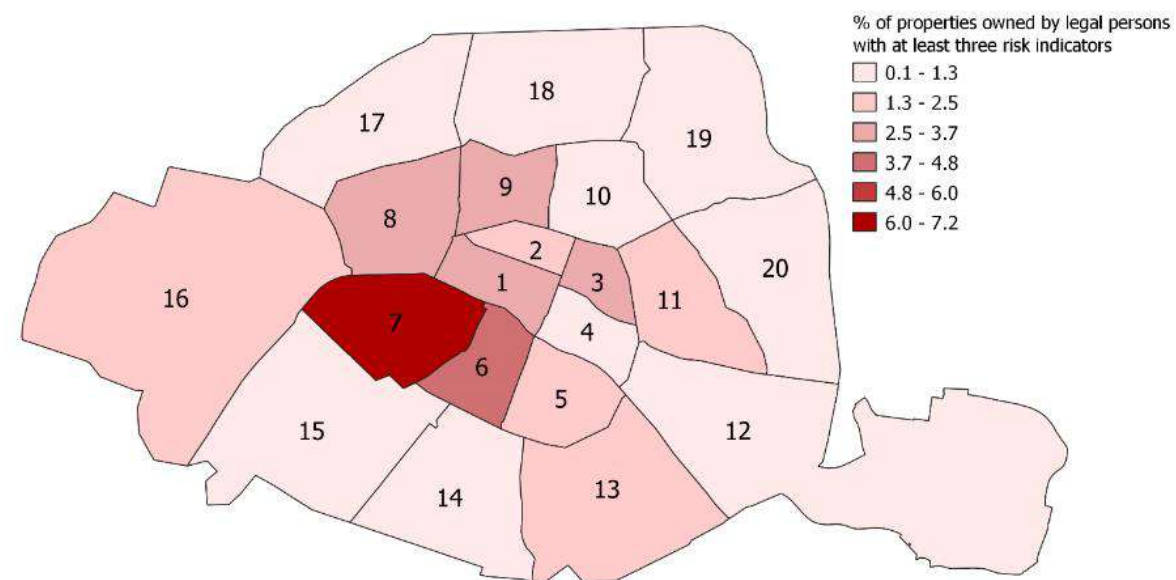


4,499

Legal persons with information on the ownership structure, **owning 504,975 properties**

48% of companies presents at least 1 risk indicator among:

- Complexity of the ownership structure
- Employment of opaque legal vehicles
- Ownership links with high-risk jurisdictions
- Anomalous age (BO 'too old' or 'too young')
- Ownership links with Politically Exposed Persons



1. Louvre; 2. Bourse; 3. Temple; 4. Hôtel-de-Ville; 5. Panthéon; 6. Luxembourg; 7. Palais-Bourbon; 8. Elyseo; 9. Opéra ; 10. Entrepôt; 11. Popincourt; 12. Reuilly; 13. Gobelins; 14. Observatoire; 15. Vaugirard; 16. Passy; 17. Batignolles-Monceau; 18. Buttes-Montmartre; 19. Buttes-Chaumont; 20. Ménilmontant.



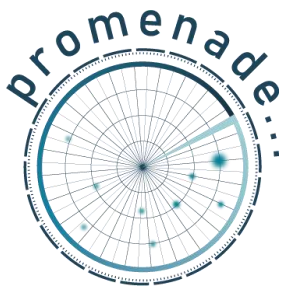
Exploiting ownership data for investigative tools- Examples from Transcrime research



- › Macro analysis + Investigative tool for investigating **complex corporate structures** (OC infiltration, financial crime investigations, cartel detection)



- › Investigative tool for tracing assets related to **sanctioned entities** + mapping 'sanction by extension' firms



- › AI-based Toolkit for assessing **risk of vessels** based on several risk dimensions / information sources

- › Leonardo, ISDEFE, GMV
- › NATO CMRE
- › Maritime authorities from: France, Greece, Lithuania, Portugal, Spain
- › Data providers: Marine Traffic, Lloyds
- › Others



Conclusions

- › **Increasing need for mapping ownership and control of asset in different contexts**
- › **Schemes are getting more complex** (cross-border, use of opaque vehicles and complex ownership schemes), **but information is getting richer (but scattered sources)**
- › It is fundamental to develop **knowledge of available data** for:
 - › Gathering information on assets and related entities/individuals
 - › Developing indicators and models to identify high-risk companies/assets
 - › Developing and customizing tools for investigation/risk assessment
- › **Data quality**



Co-funded by
the European Union

THANK YOU

Antonio Bosisio (antonio.bosisio@unicatt.it)



Co-funded by
the European Union

THANK YOU

www.transcrime.it/kleptotrace/



KLEPTOTRACE



@kleptotrace

Call: ISF-2022-TF1-AG-CORRUPT

Coordinator: Transcrime-UCSC



Via San Vittore 43, 20123 Milan (Italy)



+39 02 7234 3715



transcrime@unicatt.it

Co-funded by the European Union. Views and opinions expressed are however of the author(s) only and do not necessarily reflect those of the European Union or the European Commission. Neither the European Union nor the granting authority can be held responsible for them.