



# **INTER-GOVERNMENTAL ACTION GROUP AGAINST MONEY LAUNDERING IN WEST AFRICA**

## **GIABA REPORT**



# **MONEY LAUNDERING AND TERRORIST FINANCING LINKED TO THE MISUSE OF LEGAL PERSONS AND LEGAL ARRANGEMENTS IN WEST AFRICA**

June, 2025



The Intergovernmental Action Group against Money Laundering in West Africa (GIABA) is a specialized institution of ECOWAS and an FATF-style regional body that promotes the implementation of national policies against money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction for the benefit of its member states. The FATF Recommendations are recognized as the international standard of reference for Anti-Money Laundering, Counter Financing of Terrorism, and Counter Proliferation (AML/CFT/CPF).

For more information on GIABA, you are invited to consult the website: [www.giaba.org](http://www.giaba.org)

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**GIABA Secretariat**

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## LIST OF ACRONYMS

<b>AES:</b>	Alliance for Sahelian Countries
<b>AML/CFT&amp;P:</b>	Anti Money Laundering, Combating the financing of Terrorism and Proliferation of weapons of mass destruction
<b>BO:</b>	Beneficial Owner
<b>CAC:</b>	Corporate Affairs Commission
<b>CC:</b>	Commercial Court
<b>CENTIF:</b>	National Financial Intelligence Unit
<b>CFE:</b>	Togo Business Formality Centre
<b>CTR:</b>	Cash transaction reports
<b>DGI:</b>	Directorate-General of Taxation
<b>DNFBPs:</b>	Designated Non-Financial Businesses and Professions
<b>ECOWAS</b>	Economic Community of West African States
<b>EDD:</b>	Enhanced Due Diligence
<b>EEZ:</b>	Exclusive Economic Zones
<b>EFCC:</b>	Economic and Financial Crimes Commission
<b>EITI:</b>	Extractive Industry Transparency Initiative
<b>FATF:</b>	Financial Action Task Force
<b>FIs:</b>	Financial Institutions
<b>FIU:</b>	Financial Intelligence Unit
<b>GIABA:</b>	Intergovernmental Action Group against Money Laundering in West Africa
<b>GIPC:</b>	Ghana Investment Promotion Centre
<b>GP:</b>	General Partnership
<b>IFF:</b>	Illicit Financial Flows
<b>IFU:</b>	Unique Tax ID
<b>IMF:</b>	International Monetary Fund
<b>JV:</b>	Joint Venture
<b>KYC/CDD:</b>	Know Your Customers/Customer Due Diligence
<b>LA:</b>	Legal Arrangements
<b>LLP:</b>	Limited Liability Partnership
<b>LP:</b>	Legal Persons
<b>LPLA:</b>	Legal Persons and Legal Arrangements
<b>LTD:</b>	Limited Liability Company

<b>ML/TF&amp;PF:</b>	Money Laundering, Terrorism Financing and Proliferation Financing
<b>NFIU:</b>	Nigerian Financial Intelligence Unit
<b>NGO</b>	Non-Governmental Organisation
<b>NPO</b>	Non-Profit Organisation
<b>NRA</b>	National Risk Assessment
<b>OECD:</b>	Organization for Economic Co-operation and Development
<b>OHADA:</b>	Organization for the Harmonization of Business Law in Africa
<b>ORC:</b>	Office of the Registrar of Companies
<b>ORG:</b>	Office of the Registrar General
<b>PEPs:</b>	Politically Exposed Persons
<b>PLC:</b>	Public Limited Company
<b>RCCM:</b>	Trade and Movable Credit Register
<b>SAS:</b>	Simplified Joint Stock Companies under French Law
<b>SCI:</b>	Real Estate Cooperative Corporation
<b>SEC:</b>	Securities & Exchange Commission
<b>STR:</b>	Suspicious Transaction Reports
<b>TCSP:</b>	Trust Company Service Providers
<b>VASPs</b>	Virtual Asset Service Providers
<b>WAEMU:</b>	West African Economic and Monetary Union

## EXECUTIVE SUMMARY

The context of West African economies is characterized by a significant informal sector and widespread cash usage. This economic landscape poses systemic challenges for tracking financial flows and monitoring transactions, making transparency a critical priority for regional governments. To address these challenges, countries in West Africa have adopted transparency frameworks influenced by international standards such as the Extractive Industries Transparency Initiative (EITI), the Global Forum (on Transparency and Exchange of Information for Tax Purposes), the United Nations Convention against Corruption (Merida Convention), and the Financial Action Task Force (FATF) Standards on Anti-Money Laundering and Countering the Financing of Terrorism.

These frameworks collectively emphasize the disclosure of beneficial ownership information for legal persons and arrangements. However, the practical implementation and objectives of such transparency measures vary among the frameworks.

The EITI focuses on enhancing governance in resource-rich countries by ensuring public access to data on payments made by companies in the extractive industries. The Global Forum's Exchange of Information on Request (EOIR) standard seeks to combat tax evasion and other illicit financial activities by promoting international cooperation and transparency.

The Merida Convention establishes<sup>1</sup> a comprehensive domestic framework for the regulation and supervision of financial institutions, both banking and non-banking, as well as entities involved in formal or informal fund transfers. It emphasizes client identification, beneficial ownership disclosure, record keeping, and the reporting of suspicious activities to prevent and detect money laundering.

The FATF standards aim to prevent the misuse of legal entities for financial crimes by ensuring transparency and the identification of beneficial owners. The FATF highlights that the inherent legal status and characteristics of legal persons or arrangements can pose significant risks for money laundering (ML), terrorist financing (TF), and proliferation financing (PF). **In West Africa, legal entities can create and own other legal entities, transfer assets, maintain relationships with financial institutions, hold multiple bank accounts, and operate in sectors with high transaction volumes. Moreover, in many ECOWAS countries, legal entities can issue bearer shares and bearer share warrants, further complicating efforts to trace ownership.**

This study reviewed the transparency frameworks for legal persons and arrangements in the target countries to identify compliance challenges with the FATF standards. It also examined the ML/TF/PF risks of these entities. A key outcome of the study was the identification of methods and trends related to the misuse of corporate structures for ML/TF/PF purposes, as well as best practices for improving compliance and mitigating risks.

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<sup>1</sup> Articles 9 and 14 of the United Nations Convention against Corruption (Merida Convention), 2003.



## KEY FINDINGS

### Challenges and vulnerabilities

In West Africa, a few countries such as **Cabo Verde, Ghana, Nigeria and Senegal** have established legal and institutional frameworks in relation to transparency and beneficial ownership of legal persons that largely align with FATF standards<sup>2</sup>. These countries have assessed the ML/TF risks associated with various categories of legal persons within their territories and have taken significant steps to implement reforms, including the creation of beneficial ownership registers and the development of mechanisms for information collection. These measures ensure the regular updating of basic information on legal persons and their beneficial owners and introduce proportionate and dissuasive sanctions for non-compliance with FATF Recommendation 24. However, even in these countries, significant challenges persist in achieving full compliance.

Regarding Legal Persons:

#### ♣ **Creation & Management:**

- **Lack of AML/CFT Considerations:** Most legislative frameworks governing the creation and management of legal persons across West African countries are often devoid of AML/CFT considerations. This omission fosters a lack of transparency within certain categories of entities (e.g., SAs, SARLs, SCSs, and joint ventures), particularly in relation to beneficial ownership disclosure.
- **Inadequate Verification Measures:** The conditions for creating legal persons often do not include requirements for due diligence checks on the owners, partners, or appointed administrators. Obligations related to registered office addresses, bank domiciliation, or tax identification often lack robust verification mechanisms, posing significant money laundering risks, particularly in environments where document fraud is prevalent. Furthermore, while the processes for establishing companies are typically uniform across different categories of legal entities the information submitted at the time of company creation is often based on self-declaration, with minimal to no mechanisms to verify its accuracy.
- **Fragmented Oversight and Infrastructure Limitations:** In many countries, the agency responsible for company formation is distinct from the one tasked with maintaining basic and beneficial ownership information. While a centralized system is often implemented for data collection, insufficient infrastructure for proper data storage presents significant obstacles.
- **Weak Licensing/Registration Regimes:** The licensing/registration frameworks for companies operating in high-risk sectors, such as mining and gambling, are often not sufficiently robust. This deficiency facilitates the injection of illicit funds into the capital of companies operating in these industries, undermining AML/CFT efforts.

#### ♣ **Understanding risks and mitigation measures**

**Weak Understanding of ML/TF Risks of Legal Entities:** Although some countries have assessed the risks associated with the misuse of legal persons and legal arrangements for ML/TF&P (Money Laundering, Terrorist Financing, and Proliferation Financing) purposes, there is a significant lack of typology studies and in-depth analyses. These studies are essential for competent authorities to understand the specific methods and techniques used to exploit the most vulnerable categories of legal entities.

**Lack of Dissemination Policies:** Information on the ML/TF risks related to different categories of legal persons is not routinely shared with relevant reporting entities, such as financial institutions (FIs), DNFBPs (Designated Non-Financial Businesses and Professions), and virtual asset service providers (VASPs). This hinders these entities' ability to effectively apply a risk-based approach when establishing business relationships.

<sup>2</sup> Cabo Verde and Ghana achieved an LC rating for Recommendation 24 in the second round of GIABA mutual evaluations. Senegal and Nigeria moved up from PC to LC following a re-rating.

**Inadequate mitigating measures regarding use of nominee Directors/Shareholders:** There are inadequate measures to prevent the misuse of corporations where directors or shareholders may be acting on behalf of another party and this compromises transparency and accountability.

**Transparency Challenges with Bearer Instruments:** One major obstacle to transparency is the legal provision for legal persons to issue bearer shares and bearer share warrants, sometimes involving nominees in some countries. While West African Economic and Monetary Union (WAEMU) countries have opted for an authorization approach accompanied by due diligence measures, in a few other countries, such as Cabo Verde, Nigeria, and Ghana, the issuance of bearer shares is prohibited. In Nigeria, the repealed 1990 Companies and Allied Matters Act (CAMA), in particular section 149 provided for share warrants to be converted to registered shares within 30 days of the enactment of the Act. The 2020 CAMA also expressly prohibits the issuance of bearer shares.

#### ♣ **Disclosure of Information and Retention**

- **Disclosure of information and retention present several challenges:** Corporate structures generally lack a comprehensive understanding of the concept of beneficial ownership, which results in the collection of inadequate or inaccurate information. In terms of beneficial ownership declarations, many countries face issues such as late declarations and the submission of false or incomplete information to obscure the identity of beneficial owners. There is also the failure to maintain records properly in some competent commercial courts.
- **The information collected during company registration is often unverified:** Verification mechanisms primarily ensure that all required fields are completed but do not assess the accuracy or adequacy of the information or confirm the authenticity of the attached documents. In nearly all countries, updates to registers to reflect changes in partners or shareholders information are infrequent. Additionally, in all countries, legal entities that establish business relationships with financial institutions are required to provide basic information and details of their beneficial owners. However, this information is generally not verified and is only retained as part of KYC/CDD documentation for corporate account openings in most countries. Consequently, it is not regularly updated.
- **Challenges regarding Access to BO Registers:** Access to beneficial ownership data in central or local registers in most countries is not delineated according to the nature or profile of the applicant (competent authority, reporting entity and general public), leading to concerns about the ability of countries to secure this data in the face of significant threats such as cyber fraud and large-scale corruption. The longstanding use of manual classification and archiving systems in many countries further complicates the understanding of ownership structures and impedes efforts to identify beneficial owners of companies, trusts, and foundations.

#### ♣ **Control and Supervision**

- In countries that have established beneficial ownership (BO) registers, a supervisory authority is typically designated to oversee the data collection process by legal persons and ensure quality control. However, control procedures or tools to detect irregularities are not effective in most instances.
- Generally, there are ineffective mechanisms to monitor or assess the quality of assistance received from other countries in response to requests for basic and beneficial ownership information, nor for assistance in locating beneficial owners residing abroad.

#### ♣ **Investigations and Prosecutions**

- The availability of adequate, accurate, and reliable information on beneficial ownership is limited, which undermines the ability of competent authorities to effectively investigate, prosecute, and adjudicate money laundering and terrorist financing cases involving legal persons in some countries. Few investigations into money laundering or terrorist financing involving legal persons have led to judicial outcomes.
- In most countries that have a beneficial ownership reporting regime, access to this information- by LEAs is not rapid and timely.
- There are also no established communication pathways between the beneficial ownership data held by reporting entities under Recommendations 10 and 22 and the data maintained by national registers. ~~Ensuring this can~~ Addressing this will go a long way in enhancing the accuracy of the beneficial ownership disclosure regime (eg. discrepancy reporting). The accuracy of the beneficial ownership register is critical to users particularly LEAs for investigations and prosecutions.

## ♣ Sanctions

- Failure to provide beneficial ownership information or submitting false or misleading information to the competent authority is considered an offense in several countries and can result in administrative or criminal sanctions. However, the detection of such offenses remains challenging due to lack of adequate resources. Moreover, there is weak enforcement of the sanctions regime.
- The responsibility of the Central Register of Companies varies across countries. Since the control and monitoring of the quality of reported information rely on individuals rather than a standardized national mechanism, identifying shortcomings or inconsistencies remains difficult.
- Regulators in both financial and non-financial sectors are generally required to impose administrative penalties for non-compliance, but cases where penalties have been applied are rare or non-existent.

Regarding legal arrangements:

- ECOWAS Member States with civil law systems do not recognize legal arrangements as common arrangements. Consequently, such arrangements are not recorded in public registers in any of these countries. However, it is possible for those created in common law jurisdictions to hold assets or have legal effects within civil law countries. These countries have not taken initiatives, such as conflict rules, to address this issue or to identify money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks related to legal arrangements.
- No ECOWAS Member State is a party to the Convention of 1 July 1985 on the Law Applicable to Trusts and their Recognition (HCCH Trust Convention of 1985). This Convention, effective since January 1992, aims to bridge the gap between common law and civil law systems by equipping judges with tools to understand trusts, particularly in determining applicable laws.
- While this study did not find strong evidence of the misuse of trusts within the region, it identified a high level of risk in many countries, especially those that do not recognize or have legal frameworks for trusts. This risk arises from the inherent complexity of legal arrangements, involving entities such as settlors, trustees, and beneficiaries—all potentially legal persons capable of facilitating operations involving investment, concealment, or conversion of illicitly acquired funds. Additionally, varying legislation may govern different aspects of a trust, adding to the uncertainty associated with these entities.

## New trends and emerging risks

- Case studies provided by jurisdictions as part of this study highlight various forms of abuse involving legal persons and legal arrangements for money laundering and terrorist financing. These include:
  - The use of nominee directors or shareholders to bypass due diligence processes and obscure the true identity of beneficial owners.
  - Incorporating trusts or foundations within ownership/control structures to receive illicit funds.
  - The misuse of accountants to create intricate legal arrangements, reflecting abuse within the professional sector.

## Risk indicators/Red flags

Indicators of money laundering or terrorist financing serve as warning signs for reporting entities and law enforcement agencies to notify the Financial Intelligence Unit of suspicious transactions (or attempted suspicious transactions) or to initiate a money laundering or terrorist financing investigation.

Risk indicators are objective, factual circumstances surrounding the execution of a transaction that provide reasonable grounds for suspecting potential money laundering or terrorist financing. These indicators typically relate to behaviors or actions that facilitate the investment, concealment, or conversion of illicitly acquired funds. They can also stem from assessments of fabricated justifications for the origin of funds, such as false invoices or manipulated financial statements.

Investigations conducted by competent authorities in Member States involving legal persons and legal arrangements have identified several risk indicators, including:

- Transactions involving politically exposed persons (PEPs)
- Legal entities holding multiple bank accounts without justifiable reasons
- Numerous bank accounts linked to an individual with no apparent connections with the company
- Activities inconsistent with the declared purpose and profile of the account at opening
- Sudden or repeated purchases of high-value stocks in rapid succession
- Payments made to related companies owned by the same beneficial owner(s)
- Payments received from offshore accounts
- Operations inconsistent with a company's stated corporate purpose
- Setting up accounts with Fintech companies to bypass strict KYC requirements of other financial institutions
- Misuse of Fintech companies to facilitate unauthorized foreign exchange and other transactions
- Companies with PEPs as beneficial owners
- Accounts receiving payments linked to government or public contracts without adequate documentation
- Frequent and structured cash withdrawals or transfers from corporate bank accounts
- Recurrent payments to specific exchange operators
- Incomplete, inadequate or irregular documentation during KYC processes
- Registering trade names to obtain point-of-sale devices used for laundering illicit funds
- Payments of significant amounts without justifiable legal grounds
- Using corporate accounts to accept and disburse large sums in a short period
- Excessive payments to PEPs for legal services rendered
- Frequent or recurrent payments made into a lawyer's account
- Use of unregistered exchange operators
- Large movements of money unrelated to the objectives of an NGO

## RECOMMENDATIONS

The competent authorities of the Member States, in collaboration with GIABA and the network of technical and financial partners, should take appropriate measures to prevent criminals from using legal persons and arrangements as vehicles for laundering funds of illicit origin or for financing terrorism.

### Short-Term:

- a) Put in place adequate verification measures to ensure basic and beneficial ownership information is adequate, accurate and up to date.
- b) Adopt measures to ensure the basic and beneficial ownership information is regularly updated any time there is a change.
- c) Put in place effective, proportionate and dissuasive sanctions, applicable to both legal and natural persons, to enforce beneficial ownership disclosure regime.
- d) Adopt measures in line with the FATF Recommendations to prevent the misuse of bearer shares, bearer share warrants and nominee shareholders and directors.
- e) Sensitise OHADA legislators to reflect AML/CFT transparency requirements in Community texts as far as possible.
- f) Require the establishment of a national register of beneficial owners in all Member States.
- g) Encourage competent authorities to revise rules and policies regarding business formation to incorporate AML/CFT considerations, to enable the Registre de Commerce et de Crédit Mobilier (RCCM) in UEMOA countries to receive declarations of registration, amendment and deletion of legal arrangements, and require the directors of LPLAs to declare their beneficial owners (BEs) as soon as they are registered, and to update the information concerning them by making an amending entry in the said register.
- h) Support the legal and institutional reform initiatives under way in the Member States by providing legal assistance in the form of mentoring with a view to bringing national texts more closely into line with international requirements.
- i) Provide financial and technical support to all its Member States at national level for the timely completion of specific risk assessments related to the misuse of LPLAs.

### Medium-Term:

- a) Interconnect national registers of beneficial owners with FIUs and tax authorities.
- b) Strengthen the capacity of law enforcement officers to analyse opaque structures.
- c) Conduct comprehensive risk assessments and detailed typology studies to identify how deficiencies in their frameworks allow for the misuse of specific categories of legal persons for money laundering (ML) and terrorist financing (TF) purposes.
- d) Strengthen the capacity of all stakeholders within the public and criminal justice architecture to understand the implications of beneficial ownership requirements for the security, integrity, and stability of financial systems.
- e) Adhere to the principles of coordination, cooperation, and collaboration (the 3Cs) in the collection and management of basic and beneficial ownership information of legal persons and legal arrangements.

### Long-Term:

- a) Standardize the transparency regime for legal entities to ensure consistency with legal, institutional, and operational responses to the requirements of the FATF, the Global Forum, the Merida Convention, and the EITI concerning beneficial ownership.
- b) Consider making a prior assessment of money laundering (ML) and terrorist financing (TF) risks associated with different types of legal persons and legal arrangements as a condition for any form of technical assistance to company registries.
- c) Collaborate with member States to support the establishment of a West African network for cooperation and information exchange on the beneficial owners of legal persons and legal arrangements.



# CHAPTER I:

## INTRODUCTION

### 1. Background

1. Companies, trusts, and other legal arrangements play a crucial role in economic growth and development. However, they have attracted increasing international and regional scrutiny due to their significant links to the expansion of the informal economy.
2. In March 2019, the Global Forum on Transparency and Exchange of Information for Tax Purposes, in collaboration with the Inter-American Development Bank and the Organization for Economic Co-operation and Development (OECD), published a policy document focused on the implementation of beneficial ownership as part of the Exchange of Information on Request (EOIR<sup>3</sup>) standard.
3. Additionally, in March 2023, the Financial Action Task Force (FATF) released an updated guidance document on the transparency of beneficial ownership of legal persons, aimed at equipping countries with an understanding of its implications and challenges under its AML/CFT&P (Anti-Money Laundering/Combating the Financing of Terrorism and Proliferation) standards.
4. Similar to these initiatives, numerous international commitments (e.g., G7, G20, OECD, IMF, World Bank) and publications (e.g., directives, manuals, guidelines) highlight the importance of transparency in countering the misuse of corporate structures for tax evasion, money laundering, terrorist financing, and the proliferation of weapons of mass destruction.
5. In West Africa, the regulatory landscape for legal persons and arrangements face significant challenges related to compliance and structural issues. The regional security context, marked by increasing terrorism and organized crime, exacerbates these challenges by encouraging reactive military measures that limit the scope for preventive approaches. Additionally, national AML/CFT regimes are weakened by widespread corruption, opaque governance systems, and minimal participation from some private sector actors in reporting suspicious activities.

### 2. Motivation for the Study

6. Compliance is essential for an effective AML/CFT &P regime. Despite significant technical assistance from GIABA and its partners, Member States have shown poor performance at the conclusion of the second round of mutual evaluations. Specifically, 78.57% of countries in the region were rated as partially compliant (PC) with FATF Recommendation 24, and 71.43% with Recommendation 25. These recommendations form the foundational framework for transparency in legal persons and arrangements. Enhancing this transparency is crucial for maintaining financial stability, fostering sustainable growth, and building public trust in public institutions<sup>4</sup>.

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<sup>3</sup> This is the standard for the exchange of information on request (ERD). The DTI standard requires a tax administration to provide, upon request, information to another tax administration that is relevant to that administration's investigation and enforcement of its tax laws or tax agreement provisions. This standard is implemented by all 162 members of the Global Forum.

<sup>4</sup> World Bank, Press Release, Washington, April 20, 2020

7. Moreover, as the private sector's adherence to FATF requirements has strengthened, experience shows that opportunities for criminals to exploit traditional sectors such as banking and insurance have decreased. This shift has led to an increased risk of criminals using new techniques, such as disguising the origin of funds and concealing the identities of beneficial owners through companies, foundations, and trusts.
8. Another key reason why West Africa must prevent the misuse of legal entities and arrangements for money laundering, terrorist financing, and proliferation financing is the inherent vulnerabilities in the legal regimes governing these entities, which make them susceptible to exploitation.
9. Given these challenges, the lack of technical compliance among GIABA Member States with FATF transparency requirements for corporate structures, and the significant implications for security, financial stability, and governance, the GIABA Secretariat has recognized the importance and timeliness of conducting a regional study on the vulnerabilities of legal persons and arrangements in relation to money laundering, terrorist financing, and proliferation financing.

### **3. Target Audiences and Objectives**

10. The primary objective of this study is to evaluate the vulnerabilities associated with the various types of legal persons and arrangements that can be established in GIABA Member States.
11. The study specifically assessed the ability of countries to collect and maintain accurate basic and beneficial ownership information and determine the extent to which these structures can be misused for ML/TF purposes, particularly with respect to complex ownership and management arrangements.
12. The recommendations from this study will provide GIABA and its partners with opportunities to deliver targeted technical assistance, aiding Member States in preparing for the third round of mutual evaluations.
13. This report is intended primarily for all national actors involved in the fight against money laundering, terrorist financing, and proliferation financing. It aims to enhance the understanding of the main transparency challenges in corporate structures. Agencies responsible for company, association, and trust creation, trade and movable credit registries, cadastral records, tax and customs authorities, law enforcement agencies (police and gendarmerie), and financial intelligence units are encouraged to use this report as a resource. It aims to inspire improvements in transparency during the creation, operation, and management of corporate structures, and ensure the accuracy, reliability, and accessibility of basic and beneficial ownership information.

### **4. Research Questions**

14. The issue of Legal Persons and Legal Arrangements (LPLA) raises a range of legal, economic, and social questions. While the impact of this sector on economic growth can be explored, it is also essential to question why national and foreign investors are drawn to specific types of legal entities. To better understand the connections between money laundering/terrorist financing/proliferation financing (ML/TF/PF) and LPLA, and to conduct an in-depth analysis of the situation in West Africa, this study aims to answer the following questions:

#### **Central Question:**

- What characteristics of legal persons and legal arrangements in the region make them attractive to money launderers, terrorist financiers, and other criminals?

**Secondary Questions:**

- To what extent do the processes and procedures for creating, managing, and dissolving LPLA expose exploitable gaps for ML/TF/PF?
- How can the various forms of LPLA be misused for ML/TF/PF purposes?
- To what extent can countries collect, verify, maintain, and update basic and beneficial ownership information on LPLA?

## 5. Research Hypotheses

**15.** The initial hypotheses proposed in response to the research questions are as follows:

**General Hypothesis:**

- The legal frameworks governing the creation and management of legal entities and arrangements in West Africa allow for their misuse for money laundering, terrorist financing, and proliferation financing.

**Secondary Hypotheses:**

- LPLA can be structured to create complex legal frameworks that conceal the true beneficial owners and the real purposes of asset ownership and transactions.
- LPLA can facilitate illicit activities such as trafficking, corruption, insider trading, tax and customs evasion, terrorist financing, sanctions evasion, and other illegal conduct.
- LPLA can be utilized to issue bearer shares and bearer share warrants, disrupting the chain of custody of illicit financial flows and enabling manipulation of the financial system.

## 6. Implications and Challenges

**16.** Enhancing the transparency of Legal Persons and Arrangements makes them less appealing to criminals. The misuse of LPLA can be substantially reduced if authorities have timely access to information regarding ownership, beneficial ownership, asset origin, and activities of these corporate structures<sup>5</sup>. The absence of satisfactory, accurate, and current beneficial ownership information enables money laundering and terrorist financing by concealing the identities of known or suspected criminals, obscuring the true purpose of accounts or assets held by companies, and hiding the source or use of associated funds.

**17.** Beneficial ownership information may be concealed through tactics such as shell companies, complex ownership structures with multiple levels of shares registered under other legal entities, bearer shares, legal entities acting as directors or shareholders, proxy arrangements with undisclosed nominators, and informal representatives acting on behalf of others, including close associates and family members.

**18.** Ownership and beneficial ownership information aids competent authorities, such as investigative and prosecutorial agencies and financial intelligence units (FIUs), by identifying individuals potentially responsible for underlying activities or holding relevant information to advance investigations. This enables authorities to “follow the money” in financial investigations involving suspicious accounts or assets linked to corporate structures and helps locate assets owned by individuals within a country.

**19.** Moreover, the FATF standards emphasize the role of legal persons, such as financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs), in enhancing transparency by obtaining beneficial ownership information during business relationships and applying customer due diligence (CDD) measures. This helps prevent their misuse within the financial system. However, ensuring that beneficial ownership information is accurate, up-to-date, and satisfactory can be challenging, particularly when ownership chains involve legal

<sup>5</sup>The term “corporate structure” is used in accordance with the FATF lexicon to refer to both legal entities and legal arrangements. Cf. Guidelines on beneficial ownership of legal persons and arrangements, pg. 4



entities and arrangements spanning multiple countries or complex networks with multiple corporate layers. The absence of such information hinders investigations and the production of financial intelligence by competent authorities, including FIUs and law enforcement. This study aims to contribute valuable knowledge for AML/CFT practitioners and researchers.

## 7. Methodology

20. While the context of each country is unique, this study focused on the realities of six (6) ECOWAS Member States: **Benin, Cabo Verde, Côte d'Ivoire, Ghana, Nigeria, and Senegal**. These countries share structural (e.g., dominance of the informal sector, high cash usage, porous borders, inadequate street addressing, weak identification infrastructure, and limited resources) and cyclical (e.g., political crises, dependency on foreign aid) similarities with the other nine (9) Member States.
21. Legally, the selected sample reflects the legal traditions of French- and Portuguese-speaking countries (Civil Law) and English-speaking countries (Common Law) within West Africa.
22. This project was supervised by **Mr. Mu'azu Umaru, Director of Policy and Research**, and coordinated by **Mr. Idrissa Ouattara** of the GIABA Secretariat. It was carried out in four major phases:
  - a) **Phase I: Desk Review:** This phase involved exploring and analyzing available documents, including Mutual Evaluation Reports (MERs), National Risk Assessment Reports, FATF and RTMG reports, OECD manuals, and publications from the World Bank and IMF. The review helped assess relevant standards for transparency in legal entities and structures and identify major challenges. This phase ran from June to August 2023.
  - b) **Phase II: Methodological Framework:** Six (6) national consultants were recruited:
    - Mr. F. G. Serge Houédanou, AML/CFT Consultant, Republic of Benin
    - Mr. Koffi Goua, Divisional Commissioner of Police, Republic of Côte d'Ivoire
    - Ms. Almada Fernandes, Public Prosecutor and Director, DCIAP, Republic of Cabo Verde
    - Mr. Mor Ndiaye, Magistrate, Republic of Senegal
    - Mr. Sean Henry Kwame Osei, Deputy Manager, FIU, Republic of Ghana
    - Aluko & Oyebo, Independent Firm, Federal Republic of Nigeria
  23. The consultants conducted field visits and produced national reports. A regional scoping workshop was held in Saly Portudal, Senegal, from October 9-13, 2023, to provide national consultants with guidance on the study's implications, challenges, and comparative analysis of legal structures in ECOWAS. The workshop finalized a questionnaire and case study template, shared with both sampled and non-sampled countries.
  24. The main objective of the workshop was to discuss relevant issues related to the transparency of legal persons and legal arrangements (LP&LA) within the framework of the FATF standards and their cascading effects on AML/CFT compliance. It also aimed to examine countries' practices in developing and implementing the required transparency mechanisms regarding the collection, verification, retention of basic and beneficial ownership (BO) information of LP&LA, and their accessibility to investigative and prosecutorial authorities. Ultimately, the workshop mapped the existing challenges and, more importantly, the areas of interest that the study should seek to address. At the end of the proceedings, and based on the workshop deliberations, a questionnaire and a case study form were finalized and shared with national consultants, as well as with other non-sampled countries.
  - c) **Phase III: Data Collection:** Data collection involved direct and indirect contributions from Member States. Non-sampled countries (e.g., The Gambia, Guinea-Bissau, Guinea, Liberia, Mali, Niger, Sierra Leone, Togo) provided direct input via questionnaires completed by FIUs. National consultants collected data through field visits, meetings, and informants under GIABA Secretariat guidance. This phase spanned November 2023 to August 2024.

d) **Phase IV: Drafting of the Regional Report and Validation:** This phase, from September to October 2024, involved aggregating, analyzing, and interpreting data to produce a draft regional report, followed by a validation workshop and revisions by GIABA's RTMG/PRG and global network. The final report is set for approval by Member States and publication in February 2025.

25. Overall, data collection phase encountered **significant** challenges, including limited familiarity with transparency concepts among national stakeholders, a lack of complex ML investigations involving legal entities, and insufficient reliable and accessible statistics.

## 8. Definitions

- **Beneficial Owner:** The natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or legal arrangement.
- **Legal Person:** Any person other than a natural person that can form a business relationship with a financial institution or own property in its own name. This includes companies, foundations, partnerships, associations, and other similar entities.
- **Legal Arrangement:** A legal relationship established through a contract between two or more parties that does not result in the formation of a legal person. Examples include trusts and similar arrangements. Such arrangements typically allow for divided ownership, control, and benefits among multiple parties.
- **Settlor:** The person or legal entity that transfers ownership or control of assets to a trustee under a trust arrangement.
- **Trust:** A legal arrangement created when a settlor transfers assets to a trustee to manage or administer for the benefit of a beneficiary or for a specific purpose. These assets are distinct from the trustee's own property, and the rights to the trust assets are managed as per the trust deed.
- **Trustee:** A natural or legal person who has the legal authority, as outlined by the trust deed, to administer and manage the assets placed in the trust. The trustee acts in accordance with the terms set by the settlor or trust, ensuring the assets are managed in the interest of the beneficiaries or the specified purpose of the trust.

# CHAPTER II:

## GOVERNANCE FRAMEWORKS AND MECHANISMS OF LEGAL PERSONS AND LEGAL ARRANGEMENTS IN WEST AFRICA

- 26.** The principles of transparency for legal persons and legal arrangements are fundamentally grounded in the legal rules that govern their creation and management. In this context, the FATF standards require countries to identify and describe the various types, forms, and basic characteristics of legal entities within their jurisdiction, as well as the procedures for their establishment. This information must be accessible to the public.
- 27.** To better understand these aspects in the region, a questionnaire was distributed to Member States. The questionnaire included questions related to: (a) the creation and management of legal persons and legal arrangements (LPLA); (b) mechanisms for collecting basic and beneficial ownership information; (c) the accessibility of such information by competent authorities; (d) applicable sanctions regimes; and (e) national and international cooperation issues. The following table details the countries that responded to the questionnaire.

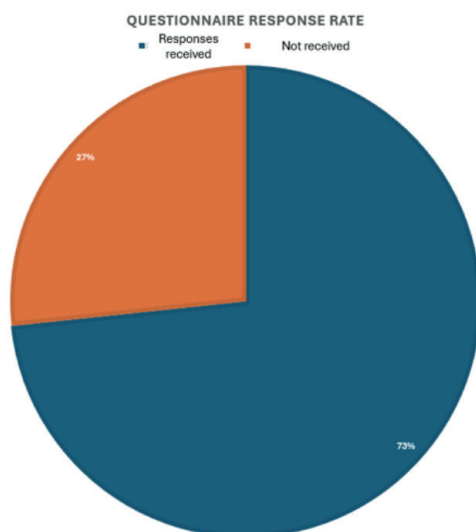
### 1.1 Evaluation of the Responses to the Questionnaire

- 28.** Out of the fifteen (15) ECOWAS countries, eleven (11) provided responses to the questionnaire, equivalent to a response rate of 73%.

*Table 1: Situation of the countries that contributed to the study*

REPONSES RECUES	REPONSES NON RECUES
BENIN	LIBERIA
CABO VERDE	SIERRA LEONE
COTE D'IVOIRE	NIGER
SENEGAL	GUINEE
BURKINA FASO	
MALI	
TOGO	
GUINEE BISSAU	
GHANA	
NIGERIA	
GAMBIE	

Chart 1: Questionnaire Response Rate



## 1.2 Creation and Management of Legal Persons and Legal Arrangements

### 1.2.1. Commercial Legal Persons in French-Speaking ECOWAS Member States (Civil Law)

- 29.** FATF standards require countries to establish mechanisms that identify and describe the various categories of legal entities that can be created and ensure that information on business formation procedures is publicly accessible.
- 30.** An analysis of the questionnaire responses, supplemented by a comprehensive review of the literature, highlighted the consistency of the legal framework for legal entities in OHADA member states, which include Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Niger, Senegal, and Togo. In these countries, the types of commercial legal entities that can be established are outlined in the OHADA Uniform Act on the Law of Commercial Companies and Economic Interest Groupings (AUSCGIE). These types include:
- Public Liability Company (PLC)
  - Limited Liability Company (LLC/SARL)
  - Simplified Joint Stock Company (SAS)
  - General Partnership (GP/SNC)
  - Limited Partnership (LP/SCS)
  - Economic Interest Grouping (EIG)
- 31.** All these company types and groupings acquire legal personality upon their registration with the RCCM (Trade and Personal Property Credit Register). Their activities can be monitored through this body, overseen by the Chief Registrar of the Commercial Court or High Court, depending on the jurisdiction. This registration, which grants legal personality to companies in the process of formation, requires the submission of numerous supporting documents and underpins the exercise of most company rights and obligations.
- 32.** However, the Uniform Act on the Law of Commercial Companies also provides for Joint Ventures (SEP) and de facto companies, which do not possess legal personality as they are not registered with the RCCM and are not subject to public disclosure. Additionally, foreign companies with branches or representative offices in these countries must apply for registration in this register.

Table 2: Mapping of commercial legal entities that can be created or recognized in French-speaking ECOWAS countries

Legal Forms	Characteristics	Management complexity	Detention Complexity
<b>Public Limited Company PLC</b>	<p>The Public Limited Company (PLC) is one of the most commonly used business structures in Senegal, likely due to the limitation of liability to the value of shares, which provides significant protection to shareholders.</p> <p>Transferability of Share Capital:</p> <p>Shares in a PLC are freely transferable, and the names of the shareholders do not need to be included in the articles of association. However, a register of registered shares must be maintained at the company's registered office to document ownership and establish the identity of shareholders.</p>	<p>The Executive Board can be composed of legal entities. In such cases, a natural person must be appointed to represent the legal entity on the board.</p>	<p>PLCs can be composed of one or more individuals or entities.</p>
<b>Simplified joint stock company (SAS)</b>	<p>Most of the rules applicable to Public Limited Companies (SAs) also apply to this type of entity. However, its distinct characteristic is the reduced number of mandatory provisions governing its operational rules.</p> <p>Transferability of Share Capital:</p> <p>The transferability of shares is determined by the provisions outlined in the articles of association.</p>	<p>The position of president or director can be held by a legal entity. When this is the case, the legal entity must designate a natural person to fulfill the role and perform the associated duties on its behalf.</p>	<p>A Simplified Joint Stock Company (SAS) must be established by at least one person, who can be either a natural or legal entity. It requires at least one shareholder, but there is no upper limit on the number of shareholders that the company can have.</p>
<b>Limited liability company—LLC/ SARL</b>	<p>The Limited Liability Company (SARL) is the most commonly formed type of legal entity in Senegal, with 36,883 SARLs established in 2021. The shares in an SARL are not freely negotiable and can only be transferred to third parties with the unanimous consent of all partners. The partners in an SARL can be either natural or legal persons.</p>	<p>An SARL can be managed by a legal entity. In such cases, a natural person must be appointed to represent the legal entity and act on its behalf in managing the company.</p>	<p>The partners of an SARL can be legal entities. The identity of the partners and the exact number of shares they hold are specified in the articles of association and are registered with the Trade and Personal Property Credit Register (RCCM). The transfer of shares requires unanimous consent from all partners.</p>
<b>Partnership limited by shares. (SCA).</b>	<p>A Société en Commandite par Actions (SCA) combines the characteristics of a Limited Partnership (SCS) with those of a Public Limited Company (SA).</p>	<p>Transferability of Capital:</p> <p>Shares in an SCA are freely transferable and negotiable.</p> <p>The company can be managed by a legal entity, in which case a natural person must be appointed to represent the legal entity in the management role.</p>	<p>The CAS must be founded by at least two individuals: a general partner and a limited partner. The shares are freely transferable and negotiable.</p>
<b>Limited Partnership SCS</b>	<p>Transferability of Share Capital:</p> <p>There is no minimum capital requirement for an SCA. The terms and conditions for the transfer of share ownership are outlined in the partnership agreement.</p>	<p>An SCA can also be managed by a legal entity. In such cases, a natural person must be designated to act on behalf of the legal entity in the management role.</p>	<p>A legal entity may also be a partner in an SCA.</p>
<b>General partnership</b>	<p>The Société en Nom Collectif (SNC) is characterized by the joint and several liability of its partners for all the company's obligations.</p> <p>Transferability of Shares:</p> <p>Shares can only be transferred with the unanimous consent of all partners. Any transfer must be formally notified to the partners and must be subject to their agreement.</p>	<p>One or more managers may be appointed to oversee the management of an SNC. A legal entity can also be appointed as a member of the body responsible for the administration of the company.</p>	<p>An SNC requires at least two partners, who may be either natural persons or legal entities.</p>

- 33.** Regarding the ability of commercial legal entities to issue bearer shares and appoint directors/managers, the study revealed that in French-speaking ECOWAS countries, only Public Limited Companies (SAs) can legally issue or hold bearer shares or bearer share subscription warrants.
- 34.** Additionally, all listed types of legal entities can appoint directors or managers as their legal representatives. The creation procedures for these entities are generally uniform, although minimum or maximum capital requirements vary depending on the type of legal entity. Required documents include identity documents, sworn declarations, criminal record extracts, articles of association, declarations of subscription or payment, bank-issued capital deposit certificates, contribution contracts (for contributions in kind), valuation reports for assets exceeding 5 million, lease agreements or land titles, location plans, RCCM forms, and deposit deeds.
- 35.** There are no specific residency requirements for company directors, shareholders, or key executives in these entities. A tax identification number is mandatory for each entity. Although using a business service provider, notary, or intermediary to register a legal entity is legally permissible, it is not obligatory.

### **1.2.2. Commercial Legal Persons in English- and Portuguese-Speaking ECOWAS Member Countries (Common Law)**

- 36. In The Gambia**, the incorporation and management of commercial legal entities are governed by the Companies Act (2013) and the Single Window for Business Registration Act. Required documents for company formation include a name reservation request, Memorandum and Articles of Association, tax identification number (TIN), shareholder identification (if shareholders/directors are non-residents), agent contact details, and the Single Window registration form, along with the payment of registration and incorporation fees.
- 37.** For foreign company branches, additional documents are necessary, such as a certified English translation of the parent company's memorandum and articles of association, identification of the directors, shareholders, and secretary, the company's TIN card, a board resolution or power of attorney appointing an agent residing in The Gambia, and an application form with registration fees.
- 38.** Limited partnerships and general partnerships require a name reservation, registered partnership deed, TIN card, identity documents (e.g., national ID or passport), and registration at the Registrar General's office. Sole proprietorships need only the completed application form, the owner's ID (e.g., national ID card, passport, or driver's license), and the TIN card. This information is publicly accessible.
- 39. In Ghana**, company formation is regulated by the Companies Act (2019). The Office of the Registrar of Companies oversees company registration and governance. The process depends on the type of legal entity but generally requires documents including the proposed business activity, registered office address, principal place of business, location of the register of members, email/website details, subscriber information, director details (minimum two directors, one resident in Ghana), statutory declaration on directors' criminal history, and information on capital structure. Companies must also disclose beneficial ownership information when registering.
- 40.** All these procedural requirements in The Gambia and Ghana are publicly available.
- 41. In Nigeria**, the Companies and Allied Matters Act (CAMA, 2020) is the primary legislation governing the formation and operation of companies. The Nigerian Corporate Affairs Commission (CAC) oversees the implementation of this Act, which includes the incorporation, management, deregistration, and liquidation of companies, as well as trust structures.



- 42.** The types of commercial organisations that can be established in Nigeria include private limited liability companies, private limited liability companies by guarantee, private unlimited liability companies, public limited liability companies, public limited liability companies by guarantee, limited liability companies, limited partnerships, sole proprietorships, incorporated trustees, and cooperative societies.
- 43.** The conditions and procedures for establishing these organisations depend on the type of legal entity. However, the CAC generally requires the disclosure of certain information, including the name and address of the organisation, the nature of its activities, and the complete identity of the partners. This information is publicly accessible.
- 44.** The issuance of bearer shares was abolished in Nigeria under CAMA 1990. The Act required that, within 30 days of its commencement, all share warrants previously issued and still valid be cancelled, and the names and contact details of the holders entered into the company's register of members. This effectively converted all bearer shares into registered shares. CAMA 2020, which repealed the 1990 Act, also prohibits the issuance of bearer shares. Share transfers must be made by deed, and companies are prohibited from registering share transfers without receiving a transfer deed. The transferor remains the share's holder until the transferee's name is recorded in the company's register of members.

*Table 3: Mapping of commercial legal entities that can be created or recognized in English-speaking ECOWAS countries*

Type	Description
Private Company Limited by Shares (Ltd)	Liability limited to the amount unpaid on shares. Cannot invite public to subscribe.
Public Company Limited by Shares (Plc)	May offer shares to the public; listed or unlisted. Higher disclosure requirements.
Company Limited by Guarantee	Mainly non-profit organizations; no share capital; members guarantee to contribute an amount if wound up.
Unlimited Company	Members' liability is not limited; relatively rare.
Sole Proprietorship	A business owned and managed by a single individual (not a company but a registered business form).
Partnership	Association of two or more persons conducting business for profit (regulated separately under partnership laws).
Incorporated Trustees (for NGOs/Charities)	Registered under special laws for non-profits (e.g., Nigeria's Part F of CAMA 2020).

- 45. In Guinea-Bissau**, while the country is not an OHADA member, the rules for company creation and operation are inspired by the Uniform Act, supplemented by the Portuguese Veiga Beirão Code of 1966. Companies that can be established include limited liability companies (SARL), public limited companies (SA), simplified joint stock companies (SAS), and joint ventures (SP). The procedures for creating these entities are similar and require documents such as meeting minutes, articles of association, identity documents (for foreign nationals, ID card and/or passport), the registered office address, corporate purpose, share capital and distribution, management or administration structure, bank affiliations, and tax identification numbers. Administrators can be appointed for these companies. Guinea-Bissau has not provided specific information regarding whether its commercial companies can issue bearer shares or bearer share subscription warrants.

**46. In Cabo Verde**, the regulation of commercial company formation and operation falls under the Commercial and Companies Code and the Commercial Registry Code. Public limited companies (SA), limited liability companies (SARL), cooperative companies, and sole proprietorships can be established. The conditions for creating these companies include the submission of a written document (private deed or public deed certificate when required for asset transfer), a Memorandum of Incorporation, a certificate of firm eligibility (CAF) for cooperative societies, a report by a chartered accountant or auditor if the share capital includes non-cash contributions (e.g., real estate or registered movable property), proof of payment of the share capital (bank deposit receipt), and copies of identification documents and VAT numbers of the promoters.\

*Table 4: Mapping of commercial legal entities that can be created or recognized in Portuguese-speaking ECOWAS countries*

Type (Portuguese)	English Equivalent	Description
Sociedade por Quotas (Lda.)	Private Limited Company	Members' liability is limited to their contributions; quotas (not shares) are used.
Sociedade Anónima (SA)	Public Limited Company	Capital divided into shares; suitable for larger businesses; can be listed.
Sociedade em Nome Colectivo (SNC)	General Partnership	Partners are jointly and severally liable.
Sociedade em Comandita (SC/SCS)	Limited Partnership	Has both general and limited partners.
Empresa Individual de Responsabilidade Limitada (EIRL)	Single-Person Limited Liability Company	A single individual forms a company with limited liability.
Associações/ONGs	Associations/Non-Governmental Organizations	Non-profit entities with or without legal personality.

**47.** The issuance of bearer shares or bearer share subscription warrants by commercial companies is prohibited in Cabo Verde, as per Article 2 of Legislative Decree No. 2/2019 of 23 July, which enacts the Securities Code.

*Table 3 : Mapping of the Most Attractive Legal Entities in West Africa*

	Benin	Cote D'Ivoire	Cape Verde	Ghana	Nigeria	Senegal
Public Limited Company						
Limited Liability Companies (SARL)						
Simplified Joint-Stock Company (SAS)					N/A	
Limited Partnership (SCS) or Limited Partnership by Shares (SCA)						
Joint Venture (JV)						
General Partnership (SNC)						
Economic Interest Grouping (EIG)					N/A	
Sociétés Cooperatives (SC)						
Sole Proprietorship/Business names						

**48.** An analysis of the data above shows that the preference for establishing limited liability companies (SARLs), public limited companies (SAs), and sole proprietorships is notably high in most countries that participated in the survey. Senegal is distinguished by a unique trend where economic interest groupings (EIGs) and general partnerships hold significant numbers.

## 1.2.3. Legal Arrangements Recognized in ECOWAS Member States

**49.** According to the survey responses, no ECOWAS Member State has ratified or signed the Hague Convention on Trusts. While this legal concept remains unfamiliar within civil law systems, some countries, such as Burkina Faso, Mali, and Togo, acknowledge that legal arrangements operating in their jurisdictions are subject to the



requirement of registration as a recognized form of legal entity. Such arrangements can be classified as de facto companies or created de facto and treated as such. In these cases, general partnership rules apply to the partners in the event of litigation.

- 50.** In Guinea-Bissau, the establishment of legal arrangements on the national territory or the undertaking of activities by such arrangements is strictly prohibited. Similarly, Cabo Verde's national legislation does not include provisions for trusts.
- 51.** However, AML/CFT regulations allow countries that do not formally recognize legal arrangements like trusts to enforce legal consequences based on the commercial activities conducted by these arrangements. For instance, any natural or legal person engaged in a business relationship with a financial institution (FI), designated non-financial businesses and professions (DNFBPs), virtual asset service providers (VASPs), or business service providers undergoes due diligence measures. These due diligence checks may lead to investigative procedures if there are suspicions of money laundering (ML) or terrorist financing (TF). This is similar to how trusts formed outside Canada are handled.
- 52.** In ECOWAS Member States with common law traditions, even though they are not signatories to the Hague Convention, legal arrangements are legally recognized but not comprehensively regulated. In The Gambia, Ghana, and Nigeria, legal arrangements include express trusts, offshore trusts, or Waqfs.. Despite this, the regulation of legal arrangements in these countries needs significant enhancement due to the absence of a central authority responsible for the registration of these arrangements. In this regard, Nigeria has taken a step towards the implementation of a framework for the regulation of trusts. The process of establishing legal structures often involves intermediary professionals such as lawyers, notaries, and accountants.

*Table 1 : Illustrative case of The Gambia*

Professionals / Service Providers	Implication Y/N	Estimated number of suppliers in- volved	Types of entities they primarily register	AML/CFT Re- porting Entity
Independent lawyers	Yes	100	Private companies	Yes
Registered Law Firms	Yes	100	Private companies	Yes
Notaries	No	Very rare		Yes
Independent accountants	No	-	Private companies	Yes
Accounting Firms	No	-	Private companies	Yes
Accounting firms	No	-	Private companies	Yes
Financial Institutions	No	-	-	-
Auctioneers	No	-	-	-
Business Service Providers	No	-	-	-
Ordinary citizens	Yes	-	Sole proprietorships	-
Other entities	-	-	-	-
Other entities (please specify)	-	-	-	-

- 53.** Similar to The Gambia, the legal profession plays a significant role in the establishment of fiduciary operations in Ghana, Nigeria, and other countries.

## 1.3 Mechanisms for Collecting and Managing Basic and Beneficial Ownership Information

- 54.** In the majority of countries, company registration procedures place key institutions, such as the Single Window for Commerce, the Commercial Court, and Land, Mining, and Tax Administrations, at the forefront of collecting and managing basic information and beneficial ownership data for legal entities and arrangements. This information is typically stored in sectoral registers and, in some cases, centralized at the national level.

### ANALYSIS

Overall, it is noted that the procedures for setting up and managing companies in the ECOWAS region are clearly transparent. Except in special cases, there are central authorities responsible for the registration of commercial companies, which ensure that the conditions necessary for the formation of each type of legal person are met, failing which registration will be refused or deregistered. However, the failure to take into account AML/CFT&P objectives in the process of setting up companies means that the nature and origin of funds and the integrity of shareholders are generally not set up as criteria of vigilance. Speed and flexibility in the context of investment promotion appear to dominate economic policy priorities. For legal constructions, there is not yet a clear governance policy for this sector.

#### 1.3.1 Legal Persons

- 55.** In March 2022, the FATF revised its standard on beneficial ownership requirements outlined in Recommendation 24. These amendments emphasized the need for countries to adopt a multidimensional approach by combining various methods to collect complete and reliable information on legal persons. The revisions also clarified the types of information to be collected and the requirement for verification. In addition to the obligations on public authorities to maintain a national register, each company is also required to keep its own register.
- 56.** The analysis of responses to the survey revealed that the legal frameworks of all participating countries need significant revision to align with these updated requirements. Although measures are in place, their implementation is inconsistent and poorly coordinated. Notably, no country has fully integrated its information collection procedures for beneficial ownership on the prior acquisition of high-quality basic information.
- 57.** While all countries acknowledged using information generated by financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) as part of their due diligence obligations (Recommendations 10 and 22), they did not explicitly clarify whether this approach supplements or serves as an alternative to the national registry method, nor the extent to which this information is integrated with other national and sectoral databases.
- 58.** The types of information required are stipulated by legislation and generally cover the areas mandated by the FATF. However, these requirements do not vary significantly based on the type of legal entity (e.g., companies with or without shares, partnerships, limited or unlimited liability companies).
- 59.** Regarding the main challenges encountered in collecting and verifying basic and beneficial ownership information, respondents highlighted several issues, including low awareness among companies, inadequate understanding of requirements by public authorities, limited control capacities, and the absence of electronic platforms for declaration during incorporation. The most structured and consistent transparency practices were found in countries with companies listed in the EITI taxpayer register and referenced in annual reports.

Table 4 : The table below maps the challenges encountered

CHALLENGES ENCOUNTERED	BASIC INFORMATION	BENEFICIAL OWNERSHIP INFORMATION
<b>COMPANY REGISTRY / INCORPORATION AUTHORITY</b>	<ul style="list-style-type: none"> <li>• Lack of a standardized form</li> <li>• Lack of verification of the information collected</li> <li>• Lack of online reporting platforms</li> <li>• Non-buy-in from stakeholders</li> <li>• Lack of awareness campaigns</li> <li>• Lack of control</li> <li>• Absence of sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of a standardized form</li> <li>• Lack of verification of the information collected</li> <li>• Lack of online reporting platforms</li> <li>• No synchronized database</li> <li>• Non-buy-in from stakeholders</li> <li>• Lack of awareness campaigns</li> <li>• Lack of control</li> <li>• Privacy and data protection;</li> <li>• Limited resources</li> <li>• Absence of sanctions</li> </ul>
<b>INCORPORATED BUSINESSES</b>	<ul style="list-style-type: none"> <li>• Lack of a standardized form for companies</li> <li>• Lack of power to request this information or to verify it if necessary</li> <li>• The lack of cooperation between companies and public authorities</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of a standardized form</li> <li>• Lack of power to request this information or to verify it if necessary</li> <li>• Lack of expertise</li> <li>• The lack of cooperation between companies and public authorities</li> </ul>

**60.** The procedures for setting up companies are generally consistent across all types of legal persons, regardless of the varying risks associated with each legal status. Furthermore, the information provided at the time of company formation is typically declarative, and subsequent verification of this information is rare.

**61.** In many countries, the authority responsible for company registration is separate from those responsible for managing beneficial ownership (BO) information of incorporated legal persons. Although data centralization systems are often used, the absence of adequate infrastructure for data storage poses a significant challenge. The licensing framework for high-risk sectors, such as mining and casinos in some countries, is often not robust, allowing operators to inject illicit funds into companies in these sectors.

### 1.3.2 Legal Arrangements

**62.** In February 2023, the FATF strengthened Recommendation 25 regarding legal arrangements, clarifying the difference between legal arrangements and legal persons. Countries are now required to identify arrangements similar to express trusts and assess their money laundering (ML) and terrorist financing (TF) risks. Trustees must also be required to obtain and maintain accurate, adequate, and up-to-date BO information on all parties involved in a trust, including the Settlor, trustee, protector, and beneficiary.

**63.** Responses from the member countries indicated significant lack of understanding between legal persons and legal arrangements. All respondents equated legal arrangements with legal entities, instead of understanding them as legal relationships where a Settlor instructs a trustee to manage assets on behalf of a third party.

**64.** This lack of understanding was most evident in civil law countries, where respondents believed that a legal arrangement engaging in commercial activities without formal registration would be considered a de facto partnership and treated as such in the event of litigation. Public registers for legal arrangements are virtually non-existent in these countries. Although their AML/CFT legislation references such arrangements, it lacks specific regulations.

**65.** Despite this, individuals in these countries can still act as settlors or beneficiaries of foreign trusts or manage trusts for third parties abroad. In some cases, national tax codes mandate that foreign trusts and legal arrangements with trustees or administrators operating locally register with tax authorities and disclose BO information.

- 66.** In common law countries, legal arrangements are generally required to disclose BO information for all involved parties. Nigeria has assessed the risk of using legal arrangements for ML/TF purposes as high.
- 67.** In May 2024, Nigeria’s Attorney-General of the Federation and Minister of Justice introduced the Legal Arrangements (Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction) Regulations (the “Legal Arrangements Regulations”) to provide guidelines to trustees for the registration of express trusts and other legal arrangements; and to hold and maintain beneficial ownership on express trusts and other legal arrangements, among others.. The Legal Arrangements Regulations mandate the disclosure of BO information to the Nigerian Financial Intelligence Unit (NFIU) and outline administrative penalties for non-compliance.
- 68.** Ghana has limited provisions for trust registration. The relevant laws are the Public Trustee Ordinance of 1952 and the Trustees (Incorporation) Act of 1962. The Public Administrators Ordinance of 1952 establishes the Public Trustee, which acts as a legal person and manages property for incapacitated individuals and serves as an ordinary trustee. However, these laws do not fully align with FATF requirements for express trusts or similar legal arrangements.

### ANALYSIS

Overall, it is observed that a few countries, namely Côte d’Ivoire, Senegal, Burkina Faso, Ghana, and Nigeria, have mechanisms in place for collecting basic and beneficial ownership (BO) information on legal entities using a multidimensional approach. However, significant challenges persist in aligning this approach with the system based on information collected by reporting entities in the context of KYC/CDD measures and in ensuring the verification of the collected information.

The national register approach, which involves public authorities such as tax, mining, land, and company registration offices, appears more developed than the approach focused on the companies themselves. In terms of legal arrangements, only Nigeria has established a robust regulatory framework that meets FATF requirements regarding the establishment of a trust registry, although its implementation is still in its early stages.

## 1.4 Accessibility of information to the competent authorities

- 69.** The FATF standards mandate that competent authorities, particularly criminal prosecution authorities and Financial Intelligence Units (FIUs), have the necessary powers to access basic and beneficial ownership (BO) information held by relevant parties in a timely manner. While the nature of this access may vary depending on the party holding the information and the national legal framework, it should be swift and effective.
- 70.** Although the principle of accessibility is embedded in the legislation of all GIABA member states, the measures to ensure its effective implementation are often inadequate in most countries. Investigating and prosecuting authorities appear to have limited awareness of how to access and consult databases maintained by various registries for basic and BO information.
- 71.** The study revealed that, in most countries, basic information held by the Registrar of Companies is accessible upon request, though it is often of poor quality. However, it remains uncertain whether financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) can access this information in a timely and effective manner. Countries with BO registries have established procedures to make this information accessible to competent authorities upon request, as well as to other legitimate parties.
- 72.** However, due to limited adherence by companies to the requirement of maintaining their own registers in collaboration with competent authorities, combined with a lack of expertise and understanding of these obligations, only a few companies can provide comprehensive details on their directors, shareholder structures, legal representatives’ residential addresses, and BOs, along with their respective roles.

- 73.** The insufficient availability of adequate, accurate, and reliable BO information significantly hampers competent authorities' ability to conduct effective investigations, prosecutions, and adjudications of money laundering (ML) and terrorist financing (TF) cases involving legal entities. Few investigations into ML/TF cases involving legal entities have led to positive judicial outcomes.
- 74.** In countries with a BO reporting regime, access to this information is typically open to the public and competent authorities. However, it is not stratified to consider data sensitivity, posing security risks related to cyber fraud, corruption, and undue interference by politically exposed persons (PEPs), which are prevalent in these jurisdictions.
- 75.** Moreover, there is an absence of communication channels between BO data held by reporting entities as required under Recommendations 10 and 22, and data held in national registries. This lack of integration can lead to gaps in information and requires duplicate efforts from competent authorities, resulting in inefficiencies in data management and use.

**Illustrative Case:**

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In Ghana, law enforcement agencies, such as the Ghana Police Service and the Economic and Organized Crime Enforcement Agency, have the power to request for beneficial ownership (BO) information from the Office of the Registrar of Companies (ORC), relevant authorities, financial institutions, and third parties to support ongoing investigations. These requests are typically made manually by submitting formal search letters. The ORC processes these requests and responds within three (3) to ten (10) business days, providing typed and printed replies to the requesting institutions. If requested, electronic copies can be sent via e-mail. The financial sector has reported that responses to such requests are generally provided within three (3) to seven (7) business days.

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The Narcotics Control Commission has noted that nearly all its investigations involve individuals involved in the use, transport, and trade of prohibited drugs. However, when investigations implicate companies, the directors and beneficial owners of those companies are included as part of the inquiry.

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When cases involve other jurisdictions, law enforcement agencies rely on established international cooperation mechanisms including the Egmont Group platform via the FIC. Mutual legal assistance treaties and Interpol are among the primary tools used for exchanging information on criminal activities across borders. However, the reliance on these international assistance mechanisms often leads to delays, which can impact on the efficiency and timeliness of the overall investigation process.

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Source: GHANA

- 76.** In the above case, the investigating authorities leveraged company registration data including BO information to conduct investigations and prosecutions, highlighting the critical role that information collected by the Office of the Registrar of Companies plays in financial investigations. Unfortunately, despite this demonstrated importance, investigations and prosecutions involving legal Persons remain rare in the region. Most cases typically focus on natural persons, limiting the broader application of these investigative resources in holding companies accountable for involvement in financial crimes.

## ANALYSIS

Overall, while most countries legally ensure that competent authorities can access basic and beneficial ownership (BO) information on legal persons and arrangements, practical application remains inconsistent. Competent authorities have the legal power to request information from Registers, either through injunction or requisition. However, the lack of comprehensive and reliable data significantly impedes the speed and effectiveness of such access, falling short of the standards' requirements.

Additionally, several countries have reported obstacles related to professional secrecy and the confidentiality of personal data, which further complicate the ability of authorities to obtain and use this information efficiently for investigations and prosecutions

## 1.5 Applicable sanction regimes

- 77.** The FATF standards mandate that effective, proportionate and dissuasive sanctions be in place for any legal or natural person who fails to provide timely access to basic and beneficial ownership (BO) information as required under Recommendations 24 and 25.
- 78.** The study found that failing to supply BO information or providing false or misleading information to the competent authority, is considered an offense in most countries and can result in administrative or criminal sanctions. However, the detection of these infractions is challenging due to weak control mechanisms and limited enforcement capacity. Moreover, the sanctions regime is poorly enforced, contributing to its limited effectiveness.
- 79.** The public authority responsible for maintaining the Central Register of BOs varies by country. Monitoring the quality of reported information remains challenging due to insufficient human resources as opposed to robust, computerized national systems. This reliance on manual oversight hampers the efficient detection of discrepancies or shortcomings.
- 80.** While regulators in both financial and non-financial sectors are generally tasked with applying administrative penalties for non-compliance by entities subject to Recommendations 10 and 22, the application of such sanctions remains infrequent or non-existent in practice.

## 1.6 Other important issues regarding transparency of legal persons and legal arrangements

### 1.6.1 Issuance of bearer shares and bearer share warrants

- 81.** The FATF standards require countries to take measures to prevent and mitigate the risks associated with the misuse of bearer shares and bearer share purchase warrants by prohibiting the issuance of any new bearer shares and purchase warrants. In the WAEMU countries, the community legislator has chosen to permit their issuance, provided it is accompanied by measures to mitigate related AML/CFT risks. On the other hand, some countries, such as Cabo Verde and Nigeria, have opted for an outright ban on the issuance of new bearer shares and warrant.

### 1.6.2 National and international cooperation

- 82.** National and international cooperation are fundamental to the FATF's requirements in combating money laundering (ML) and the financing of terrorism (CFT). This is often encapsulated by the "3Cs theory » cooperation, collaboration, and coordination".



83. When applied to the regulation of legal entities and legal arrangements (LPLA), the 3Cs theory is anchored in FATF Recommendations 1 and 2, which advocate for the development and implementation of comprehensive national policies and strategies and having coordination mechanisms aimed at mitigating ML/TF risks.
84. One significant obstacle identified through field surveys is the absence of a strategic framework for deploying the 3Cs in the process of collecting, verifying, and updating basic and beneficial ownership (BO) information. At the legislative and regulatory levels, it was found that the stakeholders involved in drafting or updating company laws do not operate within a cohesive national consultation framework that integrates specific AML/CFT concerns related to the opacity of corporate structures. Operationally, various public authorities responsible for collecting basic and BO information—including tax authorities, company registries, mining and land registries, commercial courts, and private sector stakeholders—lack a formal interaction and collaboration framework. This hampers the interconnection of databases and complicates the verification and access to information.
85. In terms of international cooperation (Recommendations 37-40), the study highlighted the presence of multiple mechanisms across all countries, such as mutual legal assistance, extradition treaties, collaborations between financial sector supervisors and their foreign counterparts, financial intelligence units, and various bilateral agreements and arrangements. These mechanisms play a vital role in combating transnational crime, enhancing law enforcement efforts, and promoting global security and stability. However, several challenges exist in seeking mutual legal assistance from international bodies. Firstly, these processes can be complex and time-consuming due to differences in legal standards and requirements across jurisdictions. Secondly, operational constraints, such as limited financial and human resources, hinder the effectiveness of mutual legal assistance and impact countries' capabilities to manage administrative and logistical processes. Thirdly, political dynamics can influence the willingness to provide assistance, impacting diplomatic relations and raising sovereignty concerns, particularly between landlocked countries and their ECOWAS counterparts amid the political climate associated with the AES.
86. Building and maintaining capacity for international cooperation is crucial, involving expertise in legal drafting, evidence collection, and communication with foreign entities. Collecting digital evidence and sharing cross-border data present technological challenges, especially in countries with less advanced infrastructure. Ensuring fairness and protecting rights during cross-border investigations also pose persistent challenges, while delays due to bureaucratic and administrative inefficiencies can undermine the process's effectiveness and limit access to critical information and evidence. Addressing these challenges requires concerted efforts by public authorities and international partners to strengthen legal and operational frameworks, enhance technological capabilities, and foster a collaborative culture that supports effective and timely information sharing.

### **1.6.3 Risk Understanding and mitigation measures**

87. Although some countries have assessed the risks associated with the misuse of legal persons and legal arrangements for money laundering (ML), terrorist financing (TF), and proliferation financing (PF), there is a lack of typology studies or comprehensive analyses to help competent authorities understand the methods and techniques used to exploit the most vulnerable categories of legal entities.
88. Information on the ML/TF risks linked to different types of legal persons is not disseminated to reporting entities (financial institutions, designated non-financial businesses and professions, and virtual asset service providers). This deficiency hampers their ability to effectively apply a risk-based approach when establishing business relationships or in the course of ongoing business relationship, for instance determining parameters for transaction monitoring based on risks of the different types of LPLA.

- 89.** In nearly all countries, updates to the register following changes in partners or shareholders are infrequent, and little effort is made to prevent the misuse of corporations that might have directors acting on behalf of other individuals.
- 90.** Although the NRAs conducted in each MS have captured the insurance sector, most countries in the region have not conducted an in-depth assessment of ML/TF risks, methods and trends specific to the insurance sector. This gap negatively impacts on the ability of these countries to mitigate the risks associated with obscuring the beneficial owners of life insurance policies. The same issue extends to the public procurement sector, which similarly lacks focused risk assessments, impeding efforts to address vulnerabilities within this domain.

#### **1.6.4 Disclosure of Information and Retention**

- 91.** Corporate structures often lack a comprehensive understanding of the concept of beneficial ownership, which leads to the collection of inadequate or inaccurate information. Common deficiencies in beneficial ownership declarations across many countries include late submissions and the provision of false or incomplete information to obscure the true identity of beneficial owners. Additionally, in some jurisdictions, there is a failure to maintain records in the competent commercial courts.
- 92.** The information collected at the time of company registration is frequently unverified. Verification mechanisms mainly focus on ensuring that all required fields in the registration forms are completed, but they do not adequately check the accuracy and sufficiency of the provided information or the authenticity of the accompanying documents.
- 93.** Legal entities in all countries that establish business relationships with financial institutions are generally required to provide basic information and details about their beneficial owners. However, this information is often not verified and is maintained only as part of the KYC/CDD documentation during the corporate account opening process, resulting in it not being regularly updated.
- 94.** Access to data in the Central Register or local registers on beneficial ownership is not stratified according to the nature or profile of the applicant, raising concerns about the ability of countries to ensure data security in an environment where cyber fraud and large-scale corruption pose significant threats.
- 95.** Furthermore, the longstanding use of manual classification and archiving systems in all countries hinders the clear understanding of company ownership structures and complicates the process of identifying the beneficial owners of companies, trusts, foundations, and similar entities.

#### **1.6.5 Control and Supervision**

- 96.** In countries that have established beneficial ownership (BO) registers, a supervisory authority has been appointed to oversee the process of data collection from legal entities and ensure quality control. However, there are currently no effective control procedures or tools in place in most countries to detect and address irregularities within the data.
- 97.** Additionally, mechanisms to monitor the quality of assistance received from other countries in response to requests for basic and beneficial ownership information, as well as requests for help in locating beneficial owners residing abroad, are generally lacking. This absence of oversight impedes the effectiveness of international cooperation and the ability to ensure that the information exchanged is accurate and reliable.



## CHAPTER III:

### METHODS AND TRENDS OF ML/TF THROUGH LEGAL PERSONS AND LEGAL ARRANGEMENTS

- 98.** An examination of the responses to the questionnaire, combined with the findings from face-to-face interviews, revealed that over the past five years, the Financial Intelligence Units (FIUs) of GIABA Member States have produced very few strategic analysis reports on topics such as the misuse of legal entities for money laundering, trade-based money laundering (TBML), money laundering by professional third parties, laundering of proceeds from crimes committed abroad, and the misuse of dealers in precious metals and stones for AML/CFT purposes. Such data would have been critically important for identifying complex and emerging ML/TF methods involving legal Persons and legal arrangements (LPLAs) in the region.
- 99.** Despite this limitation, the study succeeded in collecting relevant cases that highlighted how the opacity of corporate structures facilitated the concealment of illicit funds through placement, layering, or integration activities. This chapter will analyze verified cases of money laundering or terrorist financing (including attempts) derived from law enforcement authorities and/or other competent authorities, as well as potential cases uncovered during the research.

#### I. Proven cases

##### 1) Use of shell or shell companies to carry out illicit financial transactions

###### *Case Study N°1: Laundering of misappropriated public funds using an LLC as a vehicle*

*A complaint was lodged with the Economic and Financial Crimes Commission (EFCC) involving a former state governor and two other individuals, alleging the withdrawal of a substantial amount of money—totalling billions of naira—from the state government's account. The funds were reportedly deposited into the account of the third defendant, SK Limited, a company in which the former governor is believed to be a shareholder and beneficial owner. The second defendant allegedly laundered the funds by converting them into bank drafts and subsequently depositing these drafts into SK Limited's account to obscure the true origin of the money and retain the illicit proceeds.*

###### *Potential Violations:*

- Fraud
- Theft
- Aiding and abetting money laundering
- Corrupt personal enrichment
- Abuse of power

###### *Red Flags/Possible Indicators:*

- Repeated transfers of similar or same amount of money into a corporate account without a justifiable basis or underlying transaction.
- Transactions involving politically exposed persons (PEPs).
- Clear indications of conflict of interest.

###### *Misuse of an LLC:*

- *Concealment of Beneficial Owner Identity:* The LLC structure was potentially used to obscure the identity of the actual beneficial owner.
- *Concealment of Conflict of Interest:* The use of an LLC may have been a strategy to mask conflicts of interest.
- *Lack of Underlying Transaction or Contract:* There were no proportional goods or services provided to justify the transaction with the government. However, the involvement of an LLC lends an appearance of legitimacy, suggesting an underlying business transaction that does not actually exist.

**SOURCE: NIGERIA**

**Overview:** The case study highlights the use of a Limited Liability Company (LLC) to launder misappropriated public funds in Nigeria. It involves a former state governor (a politically exposed person or PEP), two associates, and SK Limited, the company at the center of the laundering scheme. The case underscores how shell companies are often leveraged to conceal beneficial ownership, mask conflicts of interest, and obscure the origin of illicit funds.

Key Elements and Analysis:

**Modus Operandi:**

1. **Misappropriation of Public Funds:** The former governor misappropriated state funds by orchestrating transfers from the government account into the corporate account of SK Limited.
2. **Layering:** The funds were laundered through a series of conversions into bank drafts before being deposited into SK Limited's account, making the tracing of the original source more challenging.
3. **Use of an LLC as a Front:** SK Limited, used as a corporate vehicle, provided a layer of legitimacy that masked illicit transactions, creating the appearance of legitimate business operations.

**Potential Violations:**

1. **Fraud:** The misappropriation of public funds under false pretences.
2. **Theft:** Unauthorized removal of funds from government resources.
3. **Aiding and Abetting Money Laundering:** The act of facilitating financial transactions designed to conceal the illicit origin of funds.
4. **Corrupt Personal Enrichment:** Leveraging a position of power for personal financial gain.
5. **Abuse of Power:** Exploiting authority for personal benefits, violating public trust.

**Red Flags and Indicators:**

1. **PEP Involvement:** The involvement of a politically exposed person significantly raises the risk of corruption and money laundering.
2. **Unusual Financial Transfers:** The repeated transfer of funds into a corporate account without clear justification.
3. **Lack of Justification for Transactions:** The absence of an underlying contract or legitimate service to substantiate the payments.
4. **Beneficial Ownership Concealment:** The LLC was used to obscure the true ownership, making it harder to trace the connection to the former governor.

**Role of the LLC Structure:**

1. **Concealment of Beneficial Owner:** The opaque nature of LLC ownership allowed the governor to remain hidden as a beneficial owner.
2. **Appearance of Legitimacy:** By operating under the guise of a legitimate corporate entity, SK Limited provided an appearance of credible business activities, thus masking the illicit nature of the transactions.
3. **Shielding Conflict of Interest:** The LLC helped conceal the governor's conflict of interest and role in directing public funds for personal benefit.

**Analysis of Techniques Used in Laundering:**

- **Placement:** Initial transfer of public funds into SK Limited's account was facilitated by the second defendant.
- **Layering:** Conversion into bank drafts and re-depositing them into the same LLC's account added complexity to the financial trail, intended to obscure the origin of the funds.
- **Integration:** The funds, once laundered, likely re-entered the financial system as purported legitimate business proceeds.

Implications for AML/CFT Compliance:

- **Strengthening Due Diligence on PEPs:** This case reinforces the need for enhanced due diligence when dealing with PEPs and their associates to detect suspicious financial behaviour.
- **Transparency of Beneficial Ownership:** Measures to mandate the disclosure of beneficial ownership for corporate entities would have mitigated the use of SK Limited as a vehicle for concealment.
- **Identifying Shell Companies:** Enhanced scrutiny and cross-referencing of financial activities with known shell company characteristics (e.g., minimal business activity, significant transfers without clear purpose) can help uncover illicit uses.

Recommendations for Prevention:

1. **Implementation of Beneficial Ownership Registries:** Ensuring that corporate ownership information is easily accessible to authorities.
2. **Regular Monitoring and Auditing:** Ongoing monitoring of transactions involving state funds and high-risk individuals, such as PEPs.
3. **Strengthening Legal and Regulatory Frameworks:** Enforcing laws that prohibit abuse of LLCs for illicit activities and introduce punitive measures for non-disclosure of beneficial ownership.
4. **Public Awareness and Whistleblower Protections:** Encouraging public vigilance and protecting individuals who report suspicious activities related to corruption and money laundering.

**Conclusion:**

The case highlights a significant instance of money laundering using an LLC to conceal beneficial ownership and the true nature of financial flows. It underscores vulnerabilities within the financial and corporate regulatory systems, particularly in contexts involving PEPs. Addressing these weaknesses through robust AML/CFT measures, increased transparency, and targeted regulatory interventions is essential to deter similar schemes in the future.

## Case Study 2: Creation of shell companies to make illegal transfers of funds abroad

On August 6, 2018, an individual named D.L., presenting himself as an entrepreneur and company manager, established a single-member limited liability company, A.P. SARL. The company purportedly specialized in the purchase, sale, and distribution of building materials, as well as services such as translation, interpretation, training, lobbying, and import-export.

D.L. was also the majority shareholder in two additional companies, D.K. and N.I., which he co-founded with another individual, T.B.G., on September 1 and October 15, 2020, respectively. These companies shared the same business objectives as A.P. SARL, and accounts for all three companies were opened at the same financial institution by D.L. and T.B.G.

A few months after the accounts were opened, the bank detected unusual activity: the accounts were primarily funded by multiple cash deposits made by various foreign individuals who had no discernible connections to the companies.

A review of the credit operations revealed that, between January 2020 and October 2021, total credit transactions across the three accounts amounted to 28,868,223,596 CFA francs. Analysis showed that these funds were swiftly transferred to accounts belonging to various foreign companies, with a total of 28,253,230,181 CFA francs moved abroad.

D.L. claimed that the companies he managed with T.B.G. were tasked with collecting payments for orders of goods on behalf of their customers and handling the administrative procedures required to transfer these funds to suppliers. However, investigations by the customs administration found that these companies had imported only three containers of goods, valued at just 7,536,670 CFA francs—an amount far lower than the funds transferred abroad.

Further investigations indicated that these companies lacked registered offices and did not carry out any normal business activities, such as salary payments, bill payments, subscriptions, or tax obligations. This pointed to the conclusion that these were shell companies, created solely to facilitate the illegal receipt and transfer of financial flows abroad.

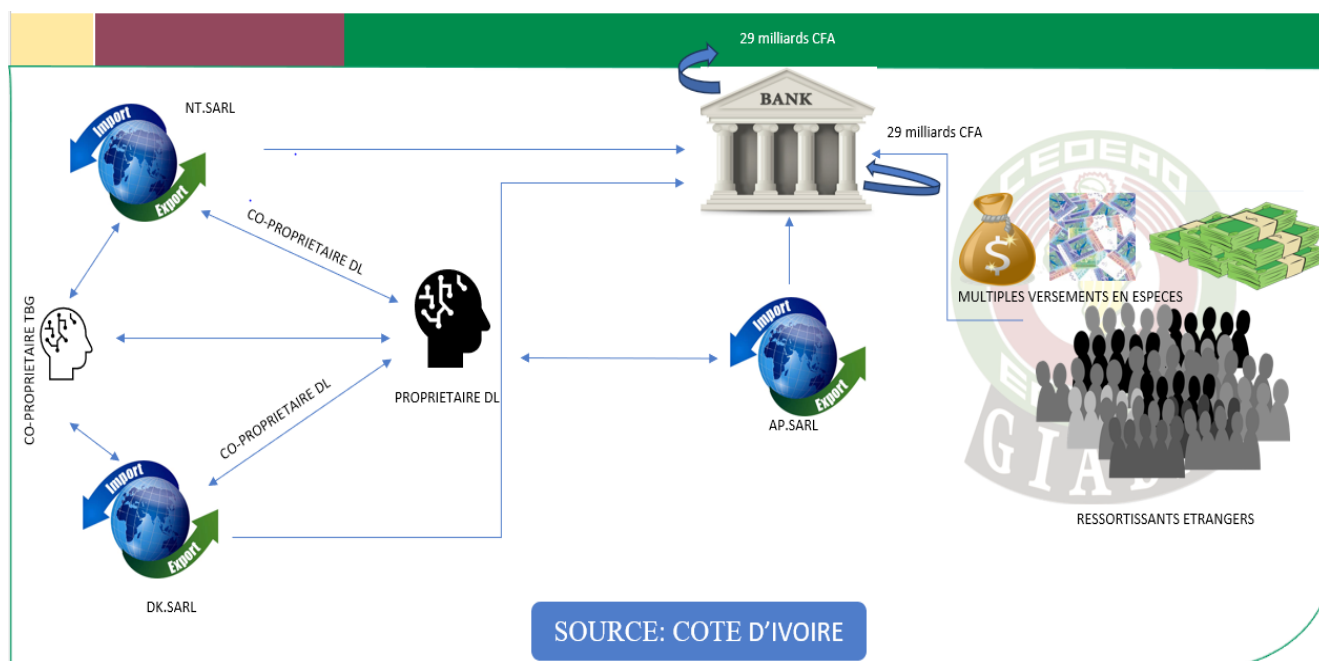
As a result, information was submitted to the Economic and Financial Criminal Unit, citing tax and customs fraud, violations of external financial regulations, money laundering, and complicity.

### Characteristic Indicators of Money Laundering:

- ✓ Multiple cash deposits by individuals of foreign origin with no apparent ties to the companies.
- ✓ Systematic transfers of large sums to accounts belonging to foreign companies.
- ✓ Minimal import activity significantly below the value of funds transferred.
- ✓ Absence of routine business management operations.
- ✓ Creation of shell companies exclusively for the purpose of illegally receiving and transferring funds without legitimate business activities.

Comment: Enhanced compliance checks by designated competent authorities, comprehensive analysis of financial flows through improved Know Your Customer (KYC) procedures, and international cooperation are crucial for identifying and monitoring newly established shell companies used solely for the illegal transfer of funds abroad.

SOURCE: COTE D'IVOIRE



**Overview:** This case from Côte d'Ivoire involves an individual, D.L., who established and managed multiple shell companies (A.P. SARL, D.K., and N.I.) to facilitate the illegal transfer of funds abroad. Despite claims that these companies were involved in legitimate business activities related to building materials and various services, the investigation revealed they lacked genuine business operations and were primarily used for laundering substantial financial flows out of the country.

Key Elements and Analysis:

#### **Modus Operandi:**

1. **Establishment of Shell Companies:** D.L. created three separate entities, A.P. SARL, D.K., and N.I., presenting them as legitimate businesses to obscure the actual purpose of fund transfers.
2. **Use of Cash Deposits:** The accounts for these companies were funded through multiple cash deposits made by foreign individuals with no clear relationship to the businesses.
3. **Rapid Outflows:** The majority of funds credited to these accounts were quickly transferred to foreign companies, suggesting layering as part of the money laundering process.

#### **Potential Violations:**

1. **Tax and Customs Fraud:** Misrepresentation of the nature and scale of the businesses to evade taxes and customs duties.
2. **Violations of External Financial Regulations:** Breaching local and international financial regulations governing fund transfers.
3. **Money Laundering:** Concealing the illicit origin of funds by routing them through a complex network of corporate entities and cross-border transfers.
4. **Complicity:** Other parties, such as T.B.G., were involved, pointing to collective complicity in facilitating these illegal transactions.

#### **Red Flags and Indicators:**

1. **Multiple Unexplained Cash Deposits:** The accounts were primarily funded by numerous deposits from foreign individuals who had no apparent business ties to the companies.
2. **Systematic Transfers Abroad:** Substantial amounts were consistently moved to foreign accounts, totaling 28,253,230,181 CFA francs, with minimal evidence of legitimate commercial transactions.
3. **Low Business Activity:** Only three containers of goods, worth 7,536,670 CFA francs, were imported—an amount disproportionately low compared to the massive funds transferred.
4. **Lack of Business Operations:** The companies did not engage in typical business activities, such as paying salaries, bills, or taxes, which highlighted their nature as shell companies.

#### **Role of the Shell Companies:**

1. **Concealment of Financial Activities:** The creation of shell companies allowed D.L. and his associates to obscure the origin and destination of funds, making it difficult for authorities to trace illicit transactions.
2. **Facade of Legitimacy:** The companies' stated business objectives lent an air of credibility, masking their true purpose and facilitating cross-border fund transfers under the guise of commercial payments.
3. **Complexity and Layering:** Using multiple shell companies complicated the financial trail, a key technique in the layering stage of money laundering.

#### **Analysis of Techniques Used in Laundering:**

- **Placement:** Initial cash deposits by individuals without verifiable connections to the companies created the appearance of legitimate business income.



- **Layering:** Rapid and systematic transfers of funds to foreign accounts created multiple layers of transactions, designed to obscure the money's origin.
- **Integration:** Although minimal evidence of integration into legitimate economic activities was present, the claim of handling payments for customers' goods was an attempt to rationalize the transfer of funds.

## Implications for AML/CFT Compliance:

- **Enhanced KYC Procedures:** Financial institutions need robust KYC measures to identify discrepancies in account activity, such as cash deposits by unrelated individuals.
- **Suspicious Transaction Reporting (STR):** Banks should flag and report unusual patterns, like high-volume cash deposits followed by large transfers abroad, for further investigation.
- **Monitoring Newly Formed Entities:** Authorities must enhance oversight of new companies, especially those claiming broad or diverse business activities but showing limited or no operational activity.
- **Cross-Border Cooperation:** This case underscores the need for international collaboration to track the flow of illicit funds and facilitate information sharing among financial intelligence units (FIUs).

## Recommendations for Prevention:

1. **Increased Financial Institution Vigilance:** Banks should adopt automated tools to detect and alert on transactions involving cash deposits with no clear business rationale.
2. **Strengthening AML Regulations:** Authorities should impose stricter requirements on verifying beneficial ownership and monitoring new companies' activities.
3. **Inter-Agency Collaboration:** Effective communication between tax authorities, customs, financial regulators, and law enforcement can help identify and address shell company abuses.
4. **International Agreements and Cooperation:** Harmonized approaches and joint operations with foreign financial regulators are essential to tackle cross-border money laundering schemes.

## Conclusion:

This case demonstrates the strategic use of shell companies to obscure financial flows and facilitate large-scale money laundering. Enhanced compliance frameworks, more rigorous KYC protocols, and stronger cross-border cooperation are vital in detecting, investigating, and disrupting such sophisticated laundering schemes. The financial system must remain proactive in identifying and addressing potential threats posed by entities with no legitimate business operations.

### Case Study 3: Money laundering through fictitious payments to a shell company

*In 2019, a telecommunications company registered in The Gambia, with operations in other countries, was flagged in a suspicious transaction report by a financial institution. The company, a private limited liability company (LLC), is a subsidiary of an offshore parent company whose shareholders are not typically disclosed. The directors of the Gambian subsidiary acted as appointed directors. The telecommunications firm was suspected of generating false invoices under the pretext of acquiring GSM equipment. Notably, the supplier mentioned on the invoices did not have an online presence. An in-depth investigation revealed that the transferred funds were directed to a shell company and another entity, both located in tax havens. This exposed an intricate scheme orchestrated by the telecommunications company to minimize its tax liabilities and engage in tax evasion. The case, involving tax evasion and money laundering, is valued at approximately USD 442,500.*

#### Additional Case Details:

- Sector Involved: Financial sector.
- Origin and Destination of Illicit Funds: The Gambia, Isle of Man, and Cyprus.
- Creation of Legal Structure: The Gambia.
- Business Activity Jurisdictions: The Gambia, Sierra Leone, the Democratic Republic of the Congo, and Angola.
- Bank Account Jurisdiction: The Gambia.
- UBO Residence and Nationality Jurisdiction: The Gambia.
- Jurisdiction of TCSPs/Professional Intermediaries: Isle of Man and Cyprus.
- Jurisdiction of Business Owners: United States of America.

*The case is currently under investigation by the Office of the Inspector General of Police and the Gambia Revenue Authority.*  
SOURCE: THE GAMBIA

**Overview:** This case involves a telecommunications company registered in The Gambia, linked to a complex money laundering and tax evasion scheme involving fictitious payments. The company, a subsidiary of an offshore parent, used false invoicing and shell companies in tax havens to move illicit funds, valued at approximately USD 442,500, from The Gambia to the Isle of Man and Cyprus.

Key Elements and Analysis:

**Modus Operandi:**

1. **False Invoicing:** The telecommunications company generated fraudulent invoices purportedly for acquiring GSM equipment from a non-existent supplier. This created a paper trail that facilitated the transfer of funds under the guise of legitimate business expenses.
2. **Use of Shell Companies:** The transferred funds were funneled to a shell company and another entity in tax havens, helping conceal the true nature of the transactions and the identities of the beneficial owners.
3. **Complex Ownership Structures:** The Gambian entity was a subsidiary of an offshore parent company with undisclosed shareholders, and the directors were appointed, indicating potential use of nominee directors to mask real control and ownership.

**Potential Violations:**

1. **Tax Evasion:** The false invoicing and routing of funds to tax havens indicate a deliberate effort to minimize taxable income and evade local tax obligations.
2. **Money Laundering:** Transferring funds under the pretext of acquiring equipment and directing them to shell companies is characteristic of laundering, aiming to obscure the origins of the money.
3. **Fraud:** Deceptive practices, including the creation of fictitious documents, to facilitate unauthorized financial benefits.

**Red Flags and Indicators:**

1. **Lack of Supplier Transparency:** The supplier mentioned in the invoices had no online presence, a strong indicator of fictitious business partners.
2. **Use of Tax Havens:** Funds were transferred to jurisdictions known for financial secrecy (Isle of Man and Cyprus), which is a common tactic to obscure money trails.
3. **Complex Corporate Structures:** The telecommunications company's status as a subsidiary of an offshore parent with undisclosed shareholders, along with appointed directors, indicates attempts to conceal true ownership and control.
4. **Absence of Business Activity:** The shell company used as the recipient of funds did not engage in legitimate business operations that could justify the transactions.

**Role of the Shell Company:**

1. **Concealment of Funds:** The shell company acted as an intermediary to obscure the flow of funds and provide a veneer of legitimacy.
2. **Tax Evasion Strategy:** By routing funds through tax havens, the telecommunications company aimed to reduce its tax liability while hiding the financial benefits derived from false invoicing.

**Analysis of Techniques Used in Laundering:**

- **Placement:** The funds were initially moved from The Gambia under the pretext of legitimate business payments for equipment.
- **Layering:** Transferring the money to a shell company and another entity in tax havens created a complex trail designed to make tracing the funds difficult.

- **Integration:** Although the case is under investigation, the intended final stage likely involved repatriating the funds in a way that would seem legitimate, integrating them back into the financial system.

Implications for AML/CFT Compliance:

- **Enhanced Due Diligence on High-Risk Jurisdictions:** Financial institutions need to implement stringent due diligence procedures, especially when dealing with transactions involving tax havens and offshore entities.
- **Verification of Supplier Legitimacy:** Banks and regulatory bodies should require verifiable proof of supplier existence and business activities to identify potentially fictitious transactions.
- **Monitoring Unusual Invoicing Patterns:** The use of repeated or unusually high invoicing for services or equipment from entities without an online presence or market reputation should be flagged.
- **Beneficial Ownership Transparency:** Authorities should mandate the disclosure of beneficial ownership to prevent abuse of shell companies and nominee directors.

Recommendations for Prevention:

- **Strengthening Beneficial Ownership Laws:** Mandatory disclosure of the true owners behind corporate entities would reduce the ability to mask ownership and control through offshore structures.
- **Interjurisdictional Cooperation:** Effective AML/CFT enforcement requires strong partnerships between jurisdictions, particularly those with financial secrecy laws, to ensure transparent sharing of information.
- **Enhanced KYC Measures:** Financial institutions should develop robust KYC protocols that include verifying corporate ownership structures, particularly when dealing with subsidiaries of offshore companies.
- **Comprehensive Transaction Monitoring:** Regular audits and advanced analytics tools can help detect patterns indicative of fictitious invoicing and rapid fund transfers to shell entities.

### Conclusion:

This case illustrates the use of shell companies and fictitious invoicing as tools for money laundering and tax evasion by exploiting offshore structures and tax haven jurisdictions. To counter these schemes, enhanced compliance mechanisms, increased beneficial ownership transparency, and interjurisdictional cooperation are essential. Monitoring high-risk financial activities and ensuring the legitimacy of corporate transactions are key to preventing similar instances of financial crime.

- 2) Use of legal entities to carry out illicit income-generating activities (fraud, forgery and use of forgeries, cyber-fraud, etc.)



#### **Case Study N° 4-A: Use of a SARL to commit forgery and use of forgery in commercial documents**

On July 6, 2020, the legal counsel representing X, the legal representative of “ALPHA SARL,” submitted a complaint to the Commander of the Research Section of the National Gendarmerie against Y, the company’s administrative and financial manager, as well as unidentified individuals, on counts of theft, embezzlement, fraud, forgery and the use of forged private business documents, breach of trust, money laundering, and complicity.

Y’s responsibilities included overseeing financial and accounting management, as well as ensuring the application of administrative procedures. However, the complainant discovered that the company’s financial records did not accurately represent the results for the financial year or the company’s financial status. An audit was conducted, albeit with significant difficulty due to the accused’s lack of cooperation, and revealed falsified accounting records. Additionally, customer checks amounting to 406,507,294 FCFA were missing from the company’s bank accounts, alongside notable discrepancies across various items, including cash, financial assets, personnel expenses, commissions, bank charges, and fees on expected bills.

The audit report covering the period from 2017 to 2019 identified suspicious transactions, including:

- **Unexplained Cash Withdrawals:** Cash withdrawals from bank accounts and collections from customers totaling 1,263,935,360 CFA francs, for which the defendant provided no documentation to justify their use within the company’s operations.
- **Unaccounted Cheques:** Cheques amounting to 75,851,667 FCFA, with a remaining unexplained amount of 20,292,700 FCFA, including three cheques in the defendant’s name totaling 8,000,000 FCFA, drawn from one of ALPHA SARL’s bank accounts.
- **Forgery for Tender:** A false certificate of good performance created in ALPHA SARL’s name, used to bid on an open tender for a contract to supply office equipment and consumables for a local company.

The investigation further revealed that the embezzled funds were used by the defendant to acquire properties and establish four (4) new companies. It was also uncovered that the defendant forged a certificate of good performance by imitating the complainant’s signature for one of the companies he established, which was then used to bid for a contract. Additionally, he purchased a “Toyota Prado” vehicle valued at 21,500,000 FCFA using a nominee, Z.

The complainant noted that, on behalf of one of the newly created companies, the defendant posted an advertisement on [sn.loopzap.com](http://sn.loopzap.com) to recruit three salespeople, offering a monthly salary of 100,000 CFA francs.

SOURCE: SENEGAL

**Overview:** This case from Senegal involves a multi-faceted financial crime within “ALPHA SARL,” where Y, the company’s administrative and financial manager, along with possible unidentified collaborators, engaged in various offenses, including forgery, embezzlement, and money laundering. The case sheds light on how company officials may exploit their positions to manipulate financial records, commit forgery, and siphon company assets for personal gain, ultimately leading to the creation of shell companies and property acquisitions.

Key Elements and Analysis:

#### **Modus Operandi:**

1. **Financial Record Manipulation:** Y falsified financial records, masking the true financial performance and status of ALPHA SARL. The audit report showed discrepancies and missing funds.
2. **Unjustified Withdrawals and Unaccounted Cheques:** Unexplained cash withdrawals and customer cheques were discovered missing or used for purposes unrelated to company operations.
3. **Forgery for Personal Gain:** Y created a forged certificate of good performance, imitating the legal representative’s signature, and used it in an open tender process to win a supply contract for one of his own newly established companies.

#### **Potential Violations:**

1. **Forgery and Use of Forged Documents:** Creating and using false documents, such as certificates, to misrepresent company achievements and secure contracts.
2. **Embezzlement and Theft:** Misappropriating funds and assets from ALPHA SARL for personal use, including the purchase of properties and luxury items.

3. **Fraud:** Deliberate deception in the company's financial reporting and the misuse of company funds.
4. **Money Laundering:** Using embezzled funds to establish new companies and acquire assets, thereby integrating illicit gains into the legitimate financial system.
5. **Breach of Trust and Complicity:** Violating fiduciary responsibilities as the administrative and financial manager and potential involvement of other unnamed parties.

**Red Flags and Indicators:**

1. **Unexplained Financial Discrepancies:** Large cash withdrawals and missing cheques without supporting documentation.
2. **Creation of Shell Companies:** The defendant established four new companies, which could serve as vehicles for laundering stolen funds and obscuring their origins.
3. **Personal Asset Purchases:** The acquisition of a high-value vehicle using a nominee suggests attempts to hide the true ownership and avoid detection.
4. **Use of Forged Business Documents:** The use of a falsified certificate in tender processes points to deliberate attempts to secure business advantages under false pretenses.
5. **Recruitment for New Companies:** The hiring of employees for a newly formed entity, while appearing legitimate, could indicate a means of integrating and expanding the reach of laundered funds.

**Role of the SARL Structure:**

1. **Control and Authority:** The SARL structure provided Y with the necessary control to manipulate company finances and administrative processes.
2. **Concealment of Fraudulent Activities:** Operating within a legitimate business framework helped obscure the fraudulent use of funds and forgery.
3. **Apparent Legitimacy for Forged Documents:** The SARL's established reputation was leveraged to lend credibility to the forged certificate and facilitate business dealings.

**Analysis of Techniques Used in Fraud and Laundering:**

- **Misrepresentation:** Falsifying records and producing forged documents were used to mask the defendant's activities.
- **Diversion of Funds:** Funds intended for business operations were withdrawn and redirected for personal asset acquisition.
- **Layering:** Establishing new companies allowed Y to create additional layers of financial transactions, complicating the tracking of stolen funds.
- **Integration:** Assets acquired, such as the "Toyota Prado" vehicle and properties, were part of the process of legitimizing the proceeds from fraudulent activities.

**Implications for AML/CFT Compliance:**

- **Robust Internal Controls:** Companies must strengthen internal audit mechanisms to detect and prevent unauthorized financial transactions and document falsification.
- **Enhanced Employee Monitoring:** Higher scrutiny of individuals in key financial roles and the implementation of checks and balances can deter fraudulent behaviour.
- **Verification of Document Authenticity:** Implementing processes to confirm the legitimacy of important business documents, such as performance certificates, can mitigate forgery risks.
- **Disclosure of Beneficial Ownership:** Authorities should enforce laws that mandate the disclosure of true ownership to prevent the misuse of new companies as fronts for laundering money.

**Recommendations for Prevention:**

1. **Strengthening Corporate Governance:** Ensuring clear separation of duties, independent oversight, and routine audits can limit opportunities for financial misconduct.
2. **Mandatory Dual Signatories:** Requiring dual authorization for large transactions can act as a check against embezzlement and unauthorized withdrawals.

3. **Advanced Forensic Audits:** Using forensic audit techniques to identify financial irregularities and trace the flow of funds through multiple entities.
4. **Collaboration with Financial Institutions:** Close cooperation between businesses and banks to monitor suspicious activities and enforce transaction transparency.

### Conclusion:

This case underscores the vulnerabilities within corporate structures like SARLs, where individuals in positions of power can exploit gaps in oversight to commit significant financial crimes. The misuse of company funds, forgery of commercial documents, and subsequent laundering through asset acquisition and new business creation highlight the need for enhanced AML/CFT measures, stricter internal controls, and proactive regulatory oversight to prevent similar incidents.

#### **Case Study No. 4-B: Use of an LLC to commit illicit drug trafficking and organized crime**

The Unit responsible for container control at the port discovered during routine checks that several bags containing drugs were hidden within containers of goods belonging to Mr. Z\_ALI, an expatriate who has been residing in the country for a long time. The drugs were confirmed after standard checks. Following this, investigations initiated by the BEF (Economic and Financial Brigade) and the OCERTID (Central Office for Repression of Illicit Trafficking of Drugs and Precursors) led to searches at the home of Mr. Z\_ALI and some of his employees. These searches uncovered large quantities of drugs hidden in stores that were supposed to contain imported rice, a business activity declared by Mr. Z\_ALI's company under whose name the incriminated containers had been registered. The financial and asset investigations launched by the BEF, targeting Mr. Z\_ALI and his complicit employees, revealed the following facts:

*Summary of Findings:- Ownership of Companies:* Mr. Z\_Ali is the owner of several companies registered in his name, and he is also the beneficial owner of additional companies registered under the names of his accomplice employees. These companies are primarily involved in importing used vehicles and agri-food products such as rice and poultry.

- *Bank Accounts and Transactions:* Information requests from local banks revealed multiple current accounts under the names of Mr. Z\_Ali's companies, as well as special accounts for Mr. Z\_Ali and his accomplices. A detailed analysis of the account statements uncovered several transfer orders from the companies' accounts to suppliers, most of which were located in Mr. Z\_Ali's country of origin. These transfers were almost always preceded by significant cash payments (several hundred million CFA francs) made by the accomplices with the description "Supply with a view to payment to suppliers," just days before the transfer orders were issued. These funds were derived from criminal activities, and Mr. Z\_Ali used his companies to channel illicit funds to his accounts in his home country.
- *Discrepancies in Trade Transactions:* The amounts of the transfers significantly exceeded the total value of imports (used vehicles and rice) declared by the companies. Additionally, the commercial documents submitted to the banks in support of the transfer requests were found to contain several falsified documents, including counterfeit exchange authorizations, false invoices, and falsified bills of lading or transport documents. The supplier addresses listed on these invoices matched one of the passport addresses found during the search of Mr. Z\_Ali's home.
- *Tax and Compliance Violations:* Audits of the companies' tax records revealed that all of the businesses were registered under the GST regime for small businesses, with reported turnovers of less than or equal to 50 million CFA francs. However, the scale of their activities and the financial transactions were inconsistent with these declarations.

#### *Conclusion and Legal Findings:*

Mr. Z\_Ali and his accomplices are found to have established front companies in the second-hand vehicle and rice import sectors to conceal their involvement in drug trafficking. They exploited loopholes in the banking system to introduce illicit funds into the financial system, then used international trade to illicitly export foreign currency out of the exchange control zone.

Following hearings and confrontations, the prosecutor has presented the case, and Mr. Z\_Ali has been found guilty of several serious offenses, including:

- International drug trafficking within an organized criminal gang.
- Criminal association.
- Money laundering.
- Tax fraud.
- Violations of WAEMU financial regulations.
- Breach of banking regulations.
- Falsification of documents and forgery of public documents.

The case is now awaiting judgment.

SOURCE: BENIN

**Overview:** This case from Benin demonstrates the use of a network of companies, including limited liability companies (LLCs), by Mr. Z\_Ali to facilitate drug trafficking, money laundering, and related criminal activities. Investigations by the BEF (Bureau of Economic and Financial Investigations) and OCERTIF (Office for the Coordination of the Fight against Trafficking and Financial Crimes) revealed a sophisticated scheme involving the concealment of drugs, falsification of trade documents, and misuse of financial systems to channel illicit funds and evade financial regulations.

Key Elements and Analysis:

#### **Modus Operandi:**

1. **Concealment of Illicit Goods:** Mr. Z\_Ali's company declared legitimate business activities involving the importation of goods such as rice and used vehicles. However, containers were used to hide drugs, misrepresenting the true nature of the shipments.
2. **Front Companies and Beneficial Ownership:** Mr. Z\_Ali owned several companies and used accomplices to register additional ones in their names. This created a web of entities designed to obscure true ownership and facilitate money laundering.
3. **Financial Manoeuvring:** Significant cash deposits were made into company accounts, followed by rapid transfers to suppliers, creating a paper trail that masked the criminal origin of funds.

#### **Potential Violations:**

1. **International Drug Trafficking:** Using trade operations as a cover to move controlled substances across borders.
2. **Money Laundering:** Transferring funds derived from criminal activities through bank accounts and using international trade to integrate these funds into the legitimate financial system.
3. **Criminal Association:** Operating as part of an organized criminal gang to execute complex financial crimes and drug trafficking.
4. **Tax Fraud:** Underreporting revenues and misrepresenting financial activity to evade taxes.
5. **Banking and Financial Regulation Violations:** Breaching WAEMU (West African Economic and Monetary Union) financial regulations and using falsified documents to bypass compliance measures.

#### **Red Flags and Indicators:**

1. **Mismatch Between Trade and Financial Flows:** The value of transfers to suppliers far exceeded the value of declared imports, raising questions about the authenticity of business operations.
2. **Unusual Cash Deposits:** Large cash payments made shortly before international transfers, with vague justifications such as "supply payments," are indicative of money laundering.
3. **Falsified Documents:** The use of counterfeit invoices, bills of lading, and exchange authorizations points to document forgery aimed at deceiving banks and regulatory bodies.
4. **Address Matches:** Supplier addresses matching the passport addresses found at Mr. Z\_Ali's home signal a direct link between him and the supposed suppliers, hinting at a closed-loop laundering operation.
5. **Tax Inconsistencies:** Registering businesses under tax regimes for small companies while handling large-scale transactions inconsistent with declared turnover.

#### **Role of the LLC Structure:**

1. **Layering and Concealment:** The LLC structure allowed for a degree of anonymity and legal separation between personal and business finances, making it difficult to directly trace criminal activities to Mr. Z\_Ali.
2. **Legitimization of Operations:** By operating through registered LLCs with stated legitimate business activities, Mr. Z\_Ali and his accomplices were able to provide a cover for their criminal enterprise, facilitating drug trafficking and laundering proceeds.
3. **Financial System Exploitation:** LLCs served as a vehicle for depositing criminal proceeds into the banking system, followed by structured transfers abroad, bypassing exchange control regulations.

Analysis of Techniques Used in Laundering and Financial Crimes:

- **Placement:** The proceeds from drug trafficking were placed into the banking system as cash deposits.
- **Layering:** Through rapid transfers and the use of multiple corporate accounts, the funds were moved to create a complex trail, masking their origin.
- **Integration:** The funds were channelled through international trade and payment to suppliers, integrating them into legitimate financial activities, potentially to be repatriated to accounts in Mr. Z\_Ali's home country.

Implications for AML/CFT Compliance:

- **Enhanced Monitoring for Trade-Based Money Laundering (TBML):** Banks and regulators should implement stricter checks on trade documentation and discrepancies between declared imports and financial transactions.
- **Verification of Beneficial Ownership:** Regulatory authorities need stronger requirements for disclosing beneficial ownership, especially for companies dealing in high-risk sectors like import-export.
- **Rigorous Document Authentication:** The banking sector should improve the authentication of invoices, bills of lading, and exchange authorizations to prevent the use of falsified documents.
- **Cross-Border Information Sharing:** Strengthened collaboration among jurisdictions is crucial to detect and disrupt complex schemes involving multiple countries and banking systems.

Recommendations for Prevention:

1. **Stronger Financial and Customs Audits:** Routine audits focusing on discrepancies between declared goods and their associated financial transactions can help identify suspicious activity.
2. **Improved KYC and Due Diligence:** Financial institutions must apply enhanced due diligence on high-risk customers and their associated businesses.
3. **Targeted Training:** Training for financial institutions on identifying TBML and signs of drug trafficking activities.
4. **Regulatory Improvements:** Introducing policies that enforce stricter controls over high-risk imports and exports, as well as comprehensive background checks on owners of import-export businesses.

## **Conclusion:**

The case of Mr. Z\_Ali and his accomplices demonstrates how LLCs can be misused for large-scale criminal activities, such as drug trafficking and money laundering. By leveraging legitimate business operations and exploiting banking and regulatory systems, the perpetrators were able to conceal the true nature of their operations and integrate illicit funds. This highlights the importance of stringent AML/CFT measures, enhanced due diligence practices, and cross-border cooperation to prevent and disrupt similar cases in the future.



## Case Study N°4-C: Use of legal entities for the purpose of corruption in public procurement and abuse of office

In June 2023, Mr. ZAF was arrested by the Bureau of Economic and Financial Investigations (BEF) along with several accomplices following a denunciation regarding false certificates, the use of falsified certificates, and corruption in public procurement. The subsequent interrogations and search at the headquarters of his company, ZAF SARL, led to the discovery of numerous accounting documents and the registration certificates (RCCM) of twenty-four (24) companies, all of which were registered in his name, as well as in the names of his accomplices and other nominees.

The investigation revealed the following key facts:

1. **Ownership and Control of Companies:** Mr. ZAF is the owner and/or beneficial owner of the twenty-four discovered companies, all of which are of the SARL type, and has many other companies under his control.
2. **Corrupt Connections with Public Procurement Officials:** ZAF established a relationship with ZYE, the National Director of Public Procurement Control, and exploited this connection to forge compromising links with public officials involved in the entire public procurement process, particularly with the Persons Responsible for Public Procurement (PRMP) in nearly all government ministries.
3. **Bribery and Corruption:** ZAF maintained these corrupt public officials through a series of bribes and illicit benefits, including large sums of money and valuable goods. In return, ZAF managed to establish and consolidate a network of corrupt officials who facilitated fraudulent public procurement activities.
4. **Fraudulent Public Contracts:** Using his numerous shell companies, which were hastily established with neither the technical capacity nor financial resources to perform, ZAF systematically submitted fraudulent bids for public contracts across ministries and other state structures. These bids included falsified certificates and declarations. ZAF's companies won these contracts through a network of corruption, with the appearance of competition simulated between his own front companies. ZYE, leveraging his position, facilitated the fraud by intervening with other officials to secure favorable outcomes for ZAF.
5. **Failure to Execute Contracts but Securing Payments:** Despite not properly executing the contracts he won, ZAF managed to secure payment due to his network of corrupt officials responsible for overseeing public procurement procedures.

Investigations are ongoing, and additional individuals implicated in this widespread network of corruption in public procurement are expected to be arrested.

So far, financial and asset investigations against ZAF, ZYE, and the arrested public officials have uncovered bank accounts, properties, and other assets valued at several billion CFA francs, pointing to the significant scale of the fraud and corruption network..

SOURCE: BENIN

**Overview:** This case from Benin involves Mr. ZAF, who, with the help of accomplices and corrupt public officials, leveraged a network of 24 SARL-type companies to commit extensive fraud and corruption in public procurement. The investigation by the Bureau of Economic and Financial Investigations (BEF) uncovered systemic abuses, including the submission of falsified documents and bribery, resulting in the misallocation of state funds valued in the billions of CFA francs.

Key Elements and Analysis:

### Modus Operandi:

1. **Control Over Multiple Entities:** Mr. ZAF controlled 24 SARL-type companies, registered in the names of himself and various nominees, creating a network to simulate competition and submit fraudulent bids for public contracts.
2. **Corrupt Relationships:** He built alliances with key public procurement officials, including ZYE, the National Director of Public Procurement Control, enabling the manipulation of procurement processes.
3. **Submission of Fraudulent Documents:** ZAF's companies submitted falsified certificates and other declarations to win public contracts. The fraudulent competition between these entities created the illusion of legitimate bidding processes.
4. **Bribery and Influence:** By maintaining corrupt officials through bribes and valuable goods, ZAF secured favorable treatment in the bidding process and ensured payment for contracts, even when work was not performed.



**Potential Violations:**

1. **Corruption and Bribery:** Providing illicit benefits to public officials to influence the outcome of public procurement processes.
2. **Fraud:** Submitting falsified documents and false bids to win public contracts.
3. **Abuse of Office:** Public officials exploited their positions for personal and collective gain, breaching their duties and public trust.
4. **Money Laundering:** The use of ill-gotten gains to acquire properties and other assets points to laundering proceeds derived from corruption.
5. **Forgery and Use of Forged Documents:** Creating and submitting false certificates to simulate technical capability and meet public contract requirements.

**Red Flags and Indicators:**

1. **Ownership of Multiple Shell Companies:** The existence of 24 SARL companies registered to one individual or associates is indicative of a strategy to simulate competitive bidding.
2. **Close Ties to Public Officials:** Relationships with high-ranking officials such as the National Director of Public Procurement Control reveal potential conflicts of interest and corruption.
3. **Failure to Execute Contracts:** The companies under ZAF's control did not have the technical or financial capacity to fulfill contracts, yet payments were processed.
4. **Lack of Financial Transparency:** The presence of significant assets and properties disproportionate to the reported business activity and turnover of the companies.
5. **Simulated Competition:** Bids that appear competitive but originate from entities under common ownership signal bid-rigging practices.

**Role of the SARL Structure:**

1. **Concealment of Ownership:** The SARL structure allowed ZAF to register companies in the names of nominees, effectively concealing his control and beneficial ownership.
2. **Facilitating Fraudulent Bidding:** Using multiple SARL entities enabled ZAF to create the illusion of competition in the procurement process.
3. **Legal and Financial Shielding:** The SARL structure provided a degree of separation between personal and corporate finances, complicating the traceability of illicit transactions.

**Analysis of Techniques Used in Fraud and Corruption:**

- **Simulated Bidding:** Establishing multiple SARLs allowed ZAF to dominate the public procurement process, making it appear competitive while guaranteeing a win for one of his companies.
- **Document Forgery:** False certificates were produced and submitted to meet the technical criteria of the contracts, masking the true capabilities of the shell companies.
- **Bribery:** The flow of bribes to officials was critical for securing contract awards and ensuring payments were processed, even in the absence of project execution.
- **Asset Accumulation:** The proceeds from fraudulent activities were used to acquire assets, pointing to laundering strategies to integrate illegal funds into the legitimate financial system.

**Implications for AML/CFT Compliance:**

- **Enhanced Public Procurement Oversight:** Independent audits and stricter monitoring of public procurement processes are needed to prevent corrupt practices and collusion.
- **Verification of Beneficial Ownership:** Authorities should enforce policies that require the disclosure of true beneficial ownership to prevent the use of front companies in public tenders.
- **Strengthened KYC and Compliance:** Financial institutions should implement more rigorous checks on companies involved in high-value public contracts to detect discrepancies in account activity.
- **Monitoring Public Official Transactions:** Transactions involving public officials or politically exposed persons (PEPs) should be subject to enhanced scrutiny to detect and prevent corruption.

**Recommendations for Prevention:**

1. **Public Procurement Reforms:** Implement transparent and independent bidding processes with technology-driven checks to detect fraudulent submissions and simulated competition.
2. **Mandatory Beneficial Ownership Disclosure:** Require clear documentation of beneficial ownership for companies bidding on public contracts to prevent abuse of nominee structures.
3. **Cross-Sector Collaboration:** Enhanced collaboration between financial authorities, anti-corruption bodies, and procurement agencies can help identify red flags and conduct thorough investigations.
4. **Training and Awareness:** Regular training for officials on corruption risks and the legal consequences of bribery and collusion, coupled with incentives for whistleblowers, can act as a deterrent.

**Conclusion:**

The case of Mr. ZAF exemplifies how the use of SARL-type companies can facilitate widespread corruption in public procurement. Through a network of shell companies and a web of corrupt relationships with public officials, ZAF manipulated the bidding process, defrauded state resources, and laundered proceeds. This underscores the need for strengthened legal frameworks, enhanced due diligence, and proactive anti-corruption measures to mitigate similar risks in the future.

**3) The use of legal entities to conceal the identity of their beneficial owners, and by extension the true owners of the assets they hold****Case Study 5: Concealment of the identity of beneficial owners by the superimposition of multiple legal entities**

*In 2019, an individual orchestrated the registration of several companies, using his drivers, wife, and other individuals to conceal his identity. These individuals, including local unemployed persons and low-skilled workers, were made shareholders and directors of the many private limited liability companies the individual established. The main objective of this scheme was to open corporate bank accounts, which were done using fake signatures of the supposed directors, while the individual himself was the actual signatory for the accounts.*

*Despite being listed as directors or officers, the individuals never conducted any transactions in the accounts. The accounts were used solely by the individual to transfer illicit funds. These funds were primarily used for purchasing real estate and illicit drugs.*

*The case, which involves both drug trafficking and money laundering, is estimated at USD 238,000. However, this amount could be higher, as the individual may have purchased additional properties that are yet to be identified. This case underscores the use of shell companies and manipulated corporate structures to facilitate illegal financial activities and hide the illicit origin of funds.*

**SOURCE:** THE GAMBIA

**Overview:** This 2019 case highlights the use of multiple private limited liability companies by an individual to conceal true ownership and facilitate illicit financial activities, including drug trafficking and money laundering. By registering companies under the names of drivers, low-skilled workers, and relatives, the true owner successfully obscured his involvement and used the entities to channel funds for purchasing real estate and drugs.

## Key Elements and Analysis:

### Modus Operandi:

1. **Use of Nominee Directors:** The individual registered numerous companies, designating drivers, his wife, and unemployed or low-skilled workers as directors and shareholders to mask his true ownership.
2. **Falsified Signatures:** The corporate accounts were opened using fake signatures of the listed directors, although the individual controlled these accounts and conducted transactions.
3. **Corporate Bank Accounts:** The accounts served as conduits for illicit funds, which were then directed towards the acquisition of real estate and the purchase of drugs, enabling laundering of the proceeds.

### Potential Predicate Offences:

1. **Money Laundering:** Transferring and utilizing illicit funds through the corporate accounts managed by the individual.
2. **Drug Trafficking:** Using the funds within these accounts to finance the purchase and distribution of illicit drugs.
3. **Fraud and Forgery:** Falsifying signatures and misrepresenting the identities of company directors.

### Red Flags and Indicators:

1. **Use of Low-Skilled or Unrelated Individuals as Directors:** The registration of companies with individuals who lack the experience or capacity to manage them.
2. **Signatory Discrepancies:** Corporate accounts where the listed signatories do not conduct any financial transactions, raising questions about the true control of the account.
3. **Single Beneficiary Transactions:** Multiple accounts exhibiting similar transaction patterns linked to a single individual, despite diverse listed shareholders and directors.
4. **Real Estate and Asset Purchases:** The use of company funds for personal acquisitions that do not align with the stated business activities.

### Role of Legal Entity Structures:

1. **Concealment of Beneficial Ownership:** By using multiple legal entities with nominee directors, the true owner effectively disguised his involvement and circumvented disclosure requirements.
2. **Layering:** The creation of complex ownership structures added a level of layering to obscure the source of funds, a typical step in the money laundering process.
3. **Use of Legal Entities as Fronts:** These companies served as shell entities with no genuine business operations, existing solely to facilitate the movement and laundering of illicit funds.

### Analysis of Techniques Used in Fraud and Money Laundering:

- **Placement:** The individual deposited illicit funds into corporate bank accounts under the names of the nominee directors.
- **Layering:** Transactions between multiple accounts and the use of corporate structures helped blur the origin of the money and created a complex trail.
- **Integration:** The funds were used for purchasing real estate and other high-value assets, integrating them into the legitimate economy and further masking their illicit origin.

### Implications for AML/CFT Compliance:

- **Enhanced Due Diligence:** Financial institutions should apply rigorous KYC measures, particularly when accounts are opened under the names of individuals who may not have the profile to own or manage businesses.
- **Beneficial Ownership Verification:** Authorities and banks must enforce transparency measures that identify the real owners behind companies to prevent the misuse of shell entities.
- **Monitoring of Nominee Structures:** AML frameworks should include checks for the use of nominee directors, especially when multiple legal entities are involved in transactions indicative of layering.

#### Recommendations for Prevention:

1. **Mandatory Beneficial Ownership Disclosure:** Authorities should require public registries of beneficial ownership to reveal individuals who have significant control over a company.
2. **Stricter Controls on Shell Companies:** Implement regulations that limit the use of shell companies or require them to demonstrate actual business operations.
3. **Enhanced Transaction Monitoring:** Financial institutions should leverage advanced analytics to flag patterns where accounts are controlled by an individual not listed as an official director or officer.
4. **Training on Identifying Shell Companies:** Banks and regulatory staff should be trained to recognize red flags associated with the use of nominee directors and complex corporate structures.

#### Conclusion:

The concealment of beneficial ownership through the use of multiple legal entities, as seen in this case, presents significant challenges for AML/CFT efforts. By using nominee directors and falsified documents, the true owner masked their identity and managed to launder funds through corporate structures. Addressing these vulnerabilities requires enhanced due diligence practices, stricter beneficial ownership laws, and robust monitoring of company activities to prevent abuse in financial and real estate transactions.

#### *Case Study 6: Use of nominees to conceal the identity of beneficial owners*

*In 2017, the French law firm LAFID created the company SAS "SIL," presented as a subsidiary of the Luxembourg-based company FOX, with the assistance of the BRIC law firm in Abidjan. Initially, Mr. BRIC acted as the legal representative of SIL, but in 2018, this role was transferred to an accounting firm. At the beginning of 2021, SIL acquired a stake in the capital of the Ivorian company ETI.*

*However, an investigation triggered by a challenge from one of the involved parties uncovered numerous irregularities and inconsistencies. It was discovered that the registration documents and the articles of association presented by SIL were crude forgeries. The notarized declaration of subscription was incomplete and questionable. The Companies Registration Centre confirmed that the company had never been registered in its official records under this form. Additionally, no tangible evidence of real business activity could be found.*

*Further investigations revealed that the purported director of SIL, Mr. REAU, had never resided in Côte d'Ivoire, as confirmed by the immigration service. It emerged that he had orchestrated the creation of this "phantom" company from scratch, using forgeries, with the sole intent of fraudulently acquiring a stake in ETI's capital. His connections to the LAFID firm and the involvement of well-known lawyers raised further suspicions.*

*This case illustrates a sophisticated scheme to insert hidden interests into the capital of a legitimate company through the creation of a fraudulent shell company. The high quality of the false documents and the interpersonal connections of the individuals involved allowed them to bypass control measures and threaten the integrity of the legally established company. Such arrangements are often aimed at laundering illicit funds or legitimizing the acquisition of strategic assets.*

*Moreover, this case highlights significant flaws in the control of foreign investments and the process of company registration. Despite digital procedures and verifications by CEPICI, the RCS, and notaries, it remains possible to create "ghost" companies using false documents.*

*Mr. REAU now faces prosecution for forgery and the use of forged documents, which are serious offences under Ivorian law and are punishable by severe penalties.*

*SOURCE : COTE D'IVOIRE*

**Overview:** In 2017, a complex scheme orchestrated by Mr. REAU involved the creation of a shell company, SAS "SIL," purported to be a subsidiary of Luxembourg-based FOX. The French law firm LAFID facilitated the process, with assistance from the BRIC law firm in Abidjan. Although SIL was presented as a legitimate entity, investigations revealed forged documents, questionable registration, and a lack of real business activity. This fraudulent setup was used to acquire a stake in the Ivorian company ETI, highlighting the abuse of nominees and shell companies to conceal beneficial ownership and potentially launder illicit funds.

## Key Elements and Analysis:

### Modus Operandi:

1. **Use of Nominee Directors:** Mr. REAU used professional connections, including legal representatives and accounting firms, as nominees to establish a facade of legitimacy for SIL.
2. **Forgery of Documents:** Registration documents and articles of association were found to be forgeries, indicating premeditated fraud aimed at bypassing standard regulatory checks.
3. **Phantom Company Creation:** Despite SIL's supposed status as a subsidiary and its acquisition of capital in ETI, it lacked physical presence, real business activity, and genuine registration in the Companies Registration Centre.

### Potential Predicate Offences:

1. **Forgery and Use of Forged Documents:** Fabrication of corporate documents and fraudulent use for gaining business advantages.
2. **Fraud:** Misrepresentation of SIL's legitimacy to secure a stake in ETI.
3. **Money Laundering:** The potential use of the shell company to channel or conceal illicit funds under the guise of legitimate foreign investment.

### Red Flags and Indicators:

1. **Inconsistent Registration:** The company's registration could not be verified with the Companies Registration Centre, signalling potential forgery.
2. **Absence of Business Activity:** No evidence of operational activity or physical presence for SIL.
3. **Foreign Director Discrepancies:** The director, Mr. REAU, had never resided in Côte d'Ivoire, undermining the credibility of SIL's declared business operations.
4. **High-Quality Forgeries:** The use of well-executed false documents suggests involvement by professionals experienced in legal and corporate processes.

### Role of Legal Entities and Nominees:

1. **Concealment of Beneficial Ownership:** The use of lawyers, accounting firms, and complex corporate structures enabled Mr. REAU to obscure his true ownership and control over SIL.
2. **Bypassing Due Diligence:** The high level of sophistication in the forgeries and the involvement of reputable legal firms allowed the scheme to bypass initial controls and due diligence checks by authorities.
3. **Legitimizing Illicit Transactions:** Presenting SIL as a legitimate foreign subsidiary provided a cover for potential financial crimes such as money laundering or the fraudulent acquisition of assets.

### Analysis of Techniques Used in Fraud:

- **False Documentation:** The creation of forged company documents and articles of association was central to establishing SIL's false legitimacy.
- **Nominee Representation:** The use of professional legal representatives and an accounting firm as directors and signatories obscured the real control over SIL.
- **Strategic Asset Acquisition:** By fraudulently inserting SIL into ETI's capital, Mr. REAU attempted to gain influence or control over strategic business assets.

### Implications for AML/CFT Compliance:

- **Enhanced Verification of Corporate Entities:** Regulatory bodies need more stringent processes for verifying the registration and legitimacy of companies, including cross-referencing with foreign corporate registries.
- **Beneficial Ownership Transparency:** Authorities should require detailed disclosures of beneficial owners to prevent the use of nominees and shell companies for concealment.
- **Strengthened Digital Verification Measures:** While digital procedures exist, they must be bolstered with fraud detection systems to identify inconsistencies in documentation and background information.



#### Recommendations for Prevention:

1. **Mandatory Beneficial Ownership Registries:** Enforce laws that mandate the public disclosure of beneficial ownership for all companies operating within or investing in the jurisdiction.
2. **Increased Collaboration Among Jurisdictions:** Improve information sharing between countries to validate the legitimacy of foreign companies and detect cross-border fraud schemes.
3. **Rigorous Document Authentication:** Implement advanced technologies, such as blockchain or digital seals, to verify the authenticity of corporate documents.
4. **Monitoring and Oversight of Professional Intermediaries:** Scrutinize the role of law and accounting firms in setting up companies and ensure their adherence to anti-fraud and AML/CFT regulations.

#### Conclusion:

The case of SAS “SIL” illustrates how the use of nominees and multiple legal entities can conceal beneficial ownership and facilitate fraudulent activities, including the acquisition of stakes in legitimate companies under false pretenses. The involvement of well-known law firms and professional intermediaries highlights the need for tighter controls, improved verification processes, and greater transparency in corporate ownership. Addressing these challenges is crucial to preventing misuse of the corporate system for financial crime and preserving the integrity of business practices.

#### 4) Abuse of professional secrecy in order to circumvent the obligations to disclose information on beneficial owners

##### **Case Study 7: Misuse of legal entities through the disclosure of false information about the identity of the true beneficial owners**

*In March 2020, Client X established an account relationship with Bank D. On July 29 and August 13, 2020, Client X received two separate cash inflows of \$69,909 and \$50,160, respectively, from U.S.-incorporated legal entity Q. Shortly after receiving the funds, Client X withdrew \$30,000 and transferred \$100 to another account held by Legal Entity R, which is solely controlled by Client X.*

*On September 9, 2020, Client X received another wire transfer of \$199,995 from the same U.S. legal entity, Q. When Bank D inquired about the legitimacy of the transaction, Client X claimed to be a U.S.-resident securities dealer and asserted that the funds came from the sale of shares. He further claimed ownership of the remitting company (Legal Entity Q) and provided a registration document, allegedly issued by U.S. authorities, to support his claim. Following this, the funds were credited to his account. However, on September 16, 2020, Bank D was informed by the Financial Intelligence Unit (FIU) that the funds received by Client X were proceeds of fraud. The FIU instructed Bank D to suspend the balance of Client X's account.*

*On September 22, 2020, the remitting bank reversed the payment of \$199,995 due to the discovery of fraud. The following day, on September 23, 2020, the FIU sent a communication to Bank D, revealing that Client X had allegedly provided false information about his identity to the remitter. The remitter had sent multiple funds with the intention of buying gold and diamonds. As a result, the FIU again instructed Bank D to suspend the balance in Client X's account, citing fraudulent activity and the provision of false information.*

*This situation highlights concerns regarding potential fraud, money laundering, and the use of false documentation to facilitate illicit transactions. The account of Client X has been frozen while the investigation into the legitimacy of the transactions continues.*

**SOURCE: GHANA**

**Overview:** In March 2020, Client X established an account with Bank D in Ghana. By mid-2020, Client X received substantial cash inflows from a U.S.-incorporated legal entity, Q, totaling \$319,064. The transactions were flagged due to their rapid inflow and subsequent cash withdrawal and fund transfers, raising suspicion about their legitimacy. An investigation by the Financial Intelligence Unit (FIU) revealed that Client X had provided false information about the true beneficial ownership and nature of the transactions, which were connected to fraud involving the purported purchase of gold and diamonds.



## Key Elements and Analysis:

### Modus Operandi:

1. **Misrepresentation of Identity:** Client X claimed to be a U.S.-resident securities dealer and the beneficial owner of Legal Entity Q, using a potentially falsified registration document to support his ownership claim.
2. **Transfer and Withdrawal of Funds:** After receiving the funds from Legal Entity Q, Client X conducted transactions including a withdrawal of \$30,000 and a transfer of \$100 to Legal Entity R, another entity under his control, suggesting attempts to obscure the fund's path.
3. **Provision of False Information:** Client X's explanations and documentation provided to Bank D were later identified as deceptive by the FIU, signalling deliberate misrepresentation.

### Potential Predicate Offences:

1. **Fraud:** The transactions were linked to fraudulent activities involving misrepresentation of beneficial ownership and intentions.
2. **Money Laundering:** The inflows and subsequent movements of funds, coupled with misleading documentation, point to attempts to launder money derived from fraudulent activities.
3. **Provision of False Information:** Falsifying documents and statements to facilitate fund transfers.

### Red Flags and Indicators:

1. **Significant Unexplained Cash Inflows:** Large sums transferred into the account without sufficient or verifiable justification.
2. **Rapid Fund Transfers and Withdrawals:** Immediate movement of substantial portions of the received funds, which can be indicative of laundering or layering stages of money laundering.
3. **False Documentation:** Use of potentially forged or misleading registration documents to establish credibility and bypass bank scrutiny.
4. **Multiple Legal Entities with Common Control:** The control over both Legal Entity Q and R by Client X suggests the use of multiple entities to create complex ownership structures, obfuscating the source and control of funds.

### Role of Legal Entities:

1. **Concealment of Beneficial Ownership:** Client X's use of different legal entities and misleading ownership claims allowed for the concealment of true control over the funds.
2. **Layering of Transactions:** The creation of entities such as Legal Entity R helped in further moving funds, contributing to the complexity of the financial trail.
3. **Misuse of Corporate Structures:** Legal entities were employed as facades to project legitimacy while facilitating fraudulent and potentially laundering transactions.

### Analysis of Techniques Used in Fraud and Money Laundering:

- **Placement and Layering:** The initial transfer of funds from Legal Entity Q into Client X's account represented the placement phase. The subsequent transfer to Legal Entity R and cash withdrawal were part of the layering, intended to make tracing the original source more difficult.
- **False Declarations:** Client X's provision of false information, including misleading documentation, supported the fraudulent activities by gaining trust and reducing the bank's suspicions during the onboarding and transaction process.

### Implications for AML/CFT Compliance:

- **Enhanced Due Diligence (EDD):** Banks must apply EDD measures when significant funds are received from foreign entities or when clients make inconsistent claims about their business activities or beneficial ownership.
- **Verification of Documents:** Financial institutions should have procedures to authenticate the legitimacy of documents provided, especially when related to foreign entities.
- **Monitoring of Transaction Patterns:** Unusual patterns, such as immediate fund movement following large inflows or the involvement of entities with overlapping control, should trigger further review and investigation.

#### Recommendations for Prevention:

1. **Mandatory Verification of Beneficial Ownership:** Require clients to provide verifiable proof of beneficial ownership, including corroboration from third-party sources or public registries.
2. **Strengthening KYC Processes:** Ensure that banks conduct thorough background checks, especially for clients claiming ties to foreign entities or with large, unexplained cash inflows.
3. **Transaction Monitoring Systems:** Implement or enhance automated monitoring systems to flag suspicious patterns that could indicate laundering activities or misuse of legal entities.
4. **Collaboration with FIUs:** Foster closer collaboration between banks and financial intelligence units to share information swiftly and respond proactively to potential fraud cases.

#### Conclusion:

This case exemplifies how legal entities can be misused to conceal beneficial ownership and facilitate fraudulent transactions. By leveraging complex structures and false documentation, Client X sought to mislead Bank D and the authorities, moving funds derived from suspected fraudulent activities. To counter such risks, robust AML/CFT measures, transparency in beneficial ownership, and comprehensive due diligence protocols are crucial for financial institutions and regulatory bodies.

#### *Case Study N°8: Use of lawyers to launder the proceeds of corruption through legal entities*

*Yahya Jammeh, who served as The Gambia's president from 1996 to 2017, established several companies that operated beyond the agricultural activities permitted by the Constitution. These entities included Kanilai Group International (import trade), Green Industries (clothing manufacturing), GAMVEG (vegetable oil production), Sindola Safari Lodge (hospitality), and Westwood Gambia (timber export). These ventures were instrumental in embezzling public funds and laundering the proceeds of corruption. In 2019, TRIAL International filed a criminal complaint against Swiss businessman Nicolae Bogdan Buzaianu, alleging his involvement in the illegal export of rosewood from The Gambia. Buzaianu co-founded Westwood Company Ltd with Jammeh, which had a monopoly on rosewood exports. The timber was illegally logged in Senegal's Casamance region and subsequently smuggled into The Gambia*

*These cases highlight the misuse of corporate structures for illicit activities as most of these companies were created to serve as the vehicle of the illegal act, underscoring the need for robust mechanisms to prevent the abuse of legal entities for money laundering and corruption.*

SOURCE: THE GAMBIA

**Overview:** Yahya Jammeh, The Gambia's president from 1996 to 2017, leveraged multiple companies to launder proceeds of corruption and engage in activities that exceeded constitutional limitations. Entities such as Kanilai Group International and Westwood Gambia served as fronts for laundering embezzled public funds and proceeds from the illegal timber trade. The involvement of lawyers and foreign businessmen, including Nicolae Bogdan Buzaianu, facilitated these schemes and underscores the vulnerabilities in legal and corporate frameworks that can be exploited for money laundering.

#### Key Elements and Analysis:

##### Modus Operandi:

1. **Creation of Legal Entities:** Jammeh established various companies beyond those allowed under Gambian law, using them as vehicles to mask the movement and laundering of public funds.
2. **Lawyers and Legal Professionals:** The misuse of lawyers to create and manage these corporate structures enabled the concealment of beneficial ownership and facilitated the laundering process.
3. **Illegal Trade Operations:** Westwood Gambia, co-founded by Jammeh and Buzaianu, secured a monopoly on rosewood exports, which involved illegal logging in Senegal's Casamance region and smuggling into The Gambia. The proceeds were funneled through corporate accounts and used for personal enrichment and further corruption.

### Potential Predicate Offences:

1. **Embezzlement:** Misappropriation of state funds for personal use through business fronts.
2. **Money Laundering:** Movement of funds through complex corporate structures to obscure their illicit origin.
3. **Corruption:** Abuse of power and involvement in bribery or illicit gains through state-controlled ventures.
4. **Environmental Crimes:** Illegal felling and exportation of rosewood from Senegal.

### Red Flags and Indicators:

1. **Politically Exposed Persons (PEPs):** The involvement of a PEP, such as Jammeh, raises inherent risks related to corruption and money laundering.
2. **Lawyer-Assisted Complex Structures:** Use of legal professionals to create multi-layered corporate entities that obscure the true ownership and source of funds.
3. **Monopolies on Valuable Commodities:** Exclusive control over sectors like timber exports, especially in jurisdictions known for high levels of corruption.
4. **Cross-Border Activities:** Smuggling and cross-border trade between The Gambia and Senegal for rosewood indicated illicit activities tied to environmental crimes and fraud.

### Role of Legal Professionals and Corporate Structures:

1. **Facilitation of Concealment:** Lawyers played a crucial role in establishing and managing the corporate entities, ensuring that beneficial ownership remained hidden.
2. **Shielding of Beneficial Owners:** By creating layers of ownership and offshore registrations, legal professionals helped protect Jammeh and Buzaianu from direct association with the crimes.
3. **Legitimization of Illegal Operations:** The companies, positioned as legitimate businesses, allowed for the seamless integration of embezzled funds into the formal economy.

### Analysis of Techniques Used in Money Laundering and Corruption:

- **Layering Through Corporate Structures:** Establishing companies like Kanilai Group International and Westwood Gambia helped launder funds by creating multiple layers of transactions and asset ownership.
- **Use of Front Companies:** These entities engaged in a mix of legal and illegal activities, complicating the detection of illicit financial flows.
- **Cross-Border Smuggling and Trade:** The illegal export of rosewood from Senegal to The Gambia through corporate channels provided a means of generating significant unmonitored revenue.

### Implications for AML/CFT Compliance:

- **PEP Due Diligence:** Financial institutions and authorities must apply enhanced due diligence (EDD) when dealing with accounts or transactions involving PEPs to mitigate risks associated with corruption.
- **Role of Gatekeepers:** Lawyers, accountants, and other professional intermediaries need to be subject to stricter oversight and regulations to prevent them from facilitating money laundering through corporate structures.
- **Cross-Border Cooperation:** Collaboration between affected countries (e.g., The Gambia and Senegal) and international agencies is essential for tracking and curbing cross-border financial crimes and environmental offenses.

### Recommendations for Prevention:

1. **Stricter Oversight on Legal Professionals:** Implement regulations that require lawyers and other professionals involved in the formation and management of companies to conduct thorough due diligence and report suspicious activities.
2. **Transparency in Beneficial Ownership:** Enforce laws mandating the disclosure of beneficial owners for all legal entities to prevent misuse for money laundering.
3. **Robust Monitoring of High-Risk Sectors:** Focus on sectors prone to corruption, such as natural resource exports, to prevent monopolies and illegal trade operations.
4. **Strengthening PEP Monitoring:** Apply enhanced monitoring and control measures on transactions involving PEPs, with regular audits and investigations to detect signs of corruption and misuse of power.
5. **Cross-Border AML Initiatives:** Encourage regional cooperation in West Africa to address shared issues like environmental crimes and smuggling that facilitate money laundering.

## Conclusion:

The case of Yahya Jammeh and the misuse of corporate structures underscores the critical role lawyers and other professionals can play in facilitating large-scale money laundering and corruption. It highlights the importance of transparency in ownership, stringent AML/CFT regulations for PEPs, and tighter oversight of legal and corporate entities. By strengthening these measures, authorities can better prevent and detect the exploitation of legal entities for illicit purposes, ensuring greater accountability and protection against corruption and financial crime.

### *Case Study N°9-A: Misuse of professional secrecy to circumvent the obligation to justify the origin of funds*

#### *Case Study No. 9-A: Suspicious Funds in Lawyer's Personal Account*

*In December 2012, Client B opened a domiciled account with Bank F, claiming to practice as a lawyer during the bank's due diligence process.*

*A review of Client B's Know Your Customer (KYC) profile revealed that they are a legal professional and own a legal entity registered as an unlimited company.*

*On June 27, 2023, Client B received multiple transfers totalling \$65,000 into their personal account. Client B claimed that these funds were legal fees for services rendered to a client.*

#### *Indicators:*

- *Use of Personal Account for Business Transactions: Client B received payments for professional services in a personal account, which is typically not recommended for business transactions.*
- *Potential Tax Fraud: The use of a personal account and lack of additional supporting documentation raise concerns about potential tax evasion or improper reporting of income.*

**Overview:** This case involves Client B, a lawyer with a personal account at Bank F, who received multiple transfers totaling \$65,000 in June 2023, citing these as legal fees. The use of Client B's personal account for business transactions, rather than a dedicated business account linked to their legal practice, raises significant concerns about transparency, potential tax evasion, and money laundering. The case highlights the risk of misusing professional secrecy to obscure the origin of funds.

## Key Elements and Analysis:

### Modus Operandi:

1. **Use of Personal Account:** Client B received substantial payments for services rendered through their personal account rather than a business account. This circumvents common financial best practices and raises questions about the transparency of these funds.
2. **Claim of Professional Secrecy:** As a legal professional, Client B could use the principle of attorney-client privilege to deflect deeper inquiries into the nature and source of the funds.
3. **Lack of Supporting Documentation:** The absence of invoices or detailed records to substantiate the receipt of funds increases suspicion and complicates tax reporting and due diligence processes.

### Potential Predicate Offences:

1. **Money Laundering:** The use of personal accounts to move funds without proper documentation suggests attempts to obscure the true origin and flow of money.
2. **Tax Fraud:** Using a personal account may facilitate the underreporting of income, resulting in potential tax evasion.
3. **Violation of Financial Regulations:** Accepting business payments in a personal account may breach laws related to professional conduct and financial reporting.

### **Red Flags and Indicators:**

1. **Business Transactions in Personal Accounts:** Receiving large sums in a personal account under the pretext of legal fees without further documentation.
2. **Absence of Invoices or Contracts:** No supporting documents provided to corroborate the legitimacy of the funds as fees for services rendered.
3. **Pattern of Unusual Transfers:** Multiple transactions that deviate from typical personal or business account activities, indicating potential layering in a money laundering scheme.

### **Role of Professional Secrecy:**

1. **Shield for Concealing Transactions:** Client B's professional status as a lawyer could be used to claim privilege and resist inquiries into client details or the purpose of the funds, exploiting professional secrecy to avoid scrutiny.
2. **Potential Abuse of Trust:** The legal profession's privilege is essential for confidentiality, but it can be misused to impede financial investigations or evade regulatory obligations.

### **Analysis of Techniques Used in Financial Misconduct:**

- **Structuring of Transactions:** The use of personal accounts allows for layering, where the movement of funds between accounts complicates the traceability of their source.
- **Exploitation of Professional Secrecy:** By invoking confidentiality and the attorney-client privilege, Client B could deter deeper investigations, making it challenging for banks and regulators to ascertain the legitimacy of the funds.

### **Implications for AML/CFT Compliance:**

- **Enhanced Due Diligence (EDD) for High-Risk Professions:** Financial institutions should apply EDD when dealing with clients who hold positions of trust, such as lawyers, to prevent misuse of professional privileges.
- **Transaction Monitoring:** Banks should flag and review accounts that receive substantial business-related transactions, especially in personal accounts not registered for business purposes.
- **Requirement for Supporting Documentation:** Institutions should insist on detailed documentation for large inflows labelled as business payments, even if received by legal professionals.

### **Recommendations for Prevention:**

1. **Clarification of Professional Account Use:** Legal and financial regulations should mandate that professionals such as lawyers use business accounts for receiving fees related to their practice, ensuring transparency and proper tax reporting.
2. **Training on Red Flags:** Financial institutions should train employees to recognize patterns indicating potential abuse of professional secrecy for money laundering or tax fraud.
3. **Mandatory Documentation for Transfers:** Banks should require supporting documentation (e.g., invoices, contracts) for significant inflows, regardless of the client's professional status.
4. **Policy for Privilege Exceptions:** Authorities should establish clear policies on when professional privilege can be overridden in the interest of AML/CFT investigations.

### **Conclusion:**

This case demonstrates how professional secrecy can be misused to obscure financial transactions and potentially facilitate money laundering or tax evasion. By using a personal account for business payments and invoking professional privilege, Client B exploited systemic weaknesses in financial oversight. Strengthening regulations around the use of business accounts, reinforcing due diligence measures for high-risk professions, and clarifying the limits of professional secrecy are essential steps to prevent similar abuses in the future.



**Case Study No. 9-B: Misuse of Solicitor-Client Privilege to Circumvent the Obligation to Justify the Origin of Funds**

In March 2023, Client P established a business relationship with Bank G, stating that they were practicing lawyers during the due diligence process. Client P also indicated that they were a director of legal entity H.

On August 8, 2023, Client P made a cash deposit of \$100,000 into their account, which raised suspicions at Bank G regarding the source of the funds. When asked about the source, Client P claimed the funds were payments for legal services rendered to a client. Client P was unable to provide any documentary evidence to substantiate the origin or purpose of the funds.

Indicators:

- *Use of the Legal Profession:* Client P's use of the legal profession to justify the receipt of large sums of money without sufficient documentation or transparency raises concerns about potential misuse of solicitor-client privilege.
- *Cash Deposit:* The large cash deposit raises red flags, as cash transactions can often be linked to illicit activities such as money laundering.
- *Use of Personal Account for Business Transactions:* Similar to Case 9-A, the use of a personal account for receiving business payments is suspicious and could indicate attempts to bypass proper financial reporting and oversight.
- *Potential Tax Fraud:* The inability to provide proper documentation to substantiate the legal services rendered or the funds' origin points to the possibility of tax fraud or money laundering.

These case studies highlight the risks associated with the misuse of the legal profession to conceal the origin of funds, evade taxes, or launder illicit money. Both cases demonstrate the importance of maintaining transparency and providing proper documentation to ensure compliance with financial regulations.

SOURCE: GHANA

**Overview:** In March 2023, Client P, claiming to be a practicing lawyer and director of Legal Entity H, opened an account with Bank G. In August 2023, a suspicious \$100,000 cash deposit was made into Client P's account. When Bank G inquired about the source, Client P cited payment for legal services but failed to provide any supporting documentation. This raised concerns about potential misuse of solicitor-client privilege to obscure the origin of the funds, evasion of tax reporting, and potential money laundering.

Key Elements and Analysis:

**Modus Operandi:**

1. **Use of the Legal Profession for Justification:** Client P leveraged their status as a lawyer to claim that the substantial cash deposit was legitimate payment for legal services, invoking solicitor-client privilege to resist further disclosure.
2. **Lack of Supporting Evidence:** Despite inquiries, Client P did not provide invoices, contracts, or any documentation to substantiate the deposit, raising red flags.
3. **Cash Transaction:** The large cash deposit into an account without clear documentation points to possible attempts to circumvent anti-money laundering (AML) controls and proper financial reporting.

**Potential Predicate Offences:**

1. **Money Laundering:** The nature of the cash deposit and lack of transparency suggest that the funds could be part of an attempt to launder proceeds from illicit activities.
2. **Tax Fraud:** The absence of detailed records and failure to justify the funds' origin could indicate an attempt to evade taxes or underreport income.
3. **Violation of Financial Regulations:** Using personal accounts for substantial business transactions undermines the transparency required by AML/CFT laws.



### **Red Flags and Indicators:**

1. **Large, Unexplained Cash Deposits:** A significant cash transaction with no documentation is a common indicator of potential laundering or tax evasion.
2. **Invocation of Professional Privilege:** The claim of solicitor-client privilege as a reason to withhold documentation or explanation regarding large financial movements can signal an attempt to shield illicit activity.
3. **Use of Personal Accounts for Business-Related Transactions:** As in Case 9-A, this raises questions about why funds related to legal services would bypass the appropriate business account.

### **Role of Solicitor-Client Privilege:**

1. **Shield for Concealing Fund Origins:** While solicitor-client privilege is a cornerstone of the legal profession, it can be misused to prevent scrutiny over the source of funds and financial transactions.
2. **Challenges for Financial Institutions:** Banks may face difficulties in conducting thorough due diligence when clients invoke privilege to limit the scope of inquiry.

### **Analysis of Techniques Used in Financial Misconduct:**

- **Cash-Based Placement:** The use of a substantial cash deposit allows for placement in the financial system, potentially initiating the money laundering process.
- **Misrepresentation of Transactions:** Citing payments for legal services without supporting documentation allows for ambiguity that can be exploited to conceal illicit financial flows.
- **Professional Status Exploitation:** Lawyers and legal professionals may use their position and the associated privilege to create barriers to investigation, complicating the oversight of large or suspicious transactions.

### **Implications for AML/CFT Compliance:**

- **Enhanced Due Diligence (EDD):** Financial institutions must implement EDD for high-risk professions such as lawyers, especially when dealing with large, unexplained transactions.
- **Documentation Requirements:** Banks should require clear documentation for significant cash deposits, even from clients who are legal professionals, to ensure compliance with AML regulations.
- **Clarification of Professional Privilege Limits:** While solicitor-client privilege is important, clear boundaries are needed to prevent its misuse for shielding financial transactions from proper oversight.

### **Recommendations for Prevention:**

1. **Mandatory Business Account Use:** Regulations should require legal professionals to use dedicated business accounts for receiving payments related to their practice, improving transparency and traceability.
2. **AML Training for Legal Professionals:** Legal professionals should receive training on their obligations under AML laws and the risks associated with misusing solicitor-client privilege.
3. **Supporting Documentation Policies:** Financial institutions should have clear policies that require all clients, including legal professionals, to provide evidence of the origin of substantial cash deposits.
4. **Clear Protocols for Privilege Exceptions:** Establish legal frameworks that outline when and how solicitor-client privilege can be overridden in cases involving AML/CFT concerns.

### **Conclusion:**

Case 9-B illustrates the potential for solicitor-client privilege to be misused, allowing legal professionals to circumvent scrutiny on the source of funds. Large, unexplained cash transactions, coupled with the refusal to provide documentation, highlight risks related to money laundering and tax fraud. Enhancing due diligence, mandating the use of business accounts, and establishing clearer boundaries for solicitor-client privilege are essential measures to mitigate these risks and uphold financial integrity.

## 5) Use of legal entities to acquire Electronic Payment Terminals (EPTs) for criminal purposes

### **Case Study N°10: Fraudulent use of an Electronic Payment Terminal (EPT) by a sole proprietorship**

*In June 2020, K.K. created and registered a sole proprietorship (C.S.) with the RCCM, specializing in the purchase and resale of mobile phones and computers. The company opened a business account and requested an Electronic Payment Terminal (EPT) from its banking institution. Over time, the account was primarily credited through transactions carried out via the POS terminal using bank cards.*

*In August 2021, Bank D was alerted by its partner, MasterCard, about fraudulent activities involving the POS terminals, including transactions linked to C.S. These frauds were carried out via debit transactions on foreign bank cards, particularly those held by cardholders in the United States, France, England, and Italy.*

*The specialized investigation unit was assigned to the case. Initial investigations revealed a significant discrepancy between the company's reported financials and its actual income. While C.S.'s declared turnover for 2021 was 12,108,990 CFA francs, the actual annual income was found to be 558,883,720 CFA francs—a difference of 4,615%. Of the 744 credit transactions, 693 (or 93.15%) were conducted using foreign bank cards, with 97.87% of the total income originating from these transactions. This raised substantial concerns about the legitimacy of the company's operations.*

*When questioned about the transactions, K.K. provided vague explanations, claiming that the foreign customers had made the transactions during their stays in Côte d'Ivoire. However, investigators found it implausible that a business specializing in mobile phones and computers would primarily have foreign customers, which prompted further investigations.*

*Ivorian customs confirmed that C.S. had never carried out any import operations for goods, casting doubt on K.K.'s explanations. Further investigation revealed that the credit transactions were systematically followed by withdrawals made by K.K. These withdrawals were either in cash, via cheques at bank counters, or through transfers to third parties. This behavior strongly suggested that K.K. was the beneficial owner of the company's activities.*

*The investigation's modus operandi led to the conclusion that K.K. had created C.S. with the sole purpose of acquiring an Electronic Payment Terminal (EPT). The POS terminal was then used to fraudulently debit bank cards held by individuals abroad, which is consistent with money laundering activities.*

*Given the anomalies, the insufficient explanations provided by K.K., and the significant discrepancies in the financial records, the investigation raised suspicions of fraudulent activities and money laundering within C.S. As a result, K.K. was brought before the Public Prosecutor, who initiated legal proceedings.*

*This case highlights the risks associated with the misuse of electronic payment systems, particularly POS terminals, and the need for vigilant oversight to detect and prevent fraudulent activities and money laundering.*

SOURCE: COTE D'IVOIRE

**Overview:** In 2020, K.K. registered a sole proprietorship named C.S. in Côte d'Ivoire, purportedly engaged in the purchase and resale of mobile phones and computers. The business requested and was granted an Electronic Payment Terminal (EPT) from its bank, which soon became a conduit for fraudulent activities. By 2021, the company's account showed significant discrepancies between reported financials and actual income, with transactions predominantly involving foreign bank cards. The investigations concluded that K.K. had set up C.S. to facilitate fraudulent transactions and money laundering.

### Key Elements and Analysis:

#### **Modus Operandi:**

1. **Creation of the Sole Proprietorship:** K.K. established C.S. as a legitimate business front to secure an EPT from the bank.
2. **EPT-Facilitated Fraud:** The EPT was used to process credit transactions involving foreign bank cards from the U.S., France, England, and Italy. These debit transactions were flagged by MasterCard for irregular activity.
3. **Significant Financial Discrepancies:** The declared turnover for 2021 was 12,108,990 CFA francs, but the actual income reached 558,883,720 CFA francs, highlighting a discrepancy of 4,615%.
4. **Cash Withdrawals and Transfers:** Following the credit transactions, K.K. withdrew funds in cash, via cheques, or through transfers, indicating an attempt to integrate laundered funds into the financial system.

#### **Potential Predicate Offences:**

1. **Fraud:** Using the EPT to process unauthorized or fraudulent transactions involving foreign bank cards.
2. **Money Laundering:** Systematic withdrawal and movement of funds that originated from suspicious EPT transactions.
3. **Tax Evasion:** The significant underreporting of actual income suggests attempts to avoid paying taxes on fraudulent revenue.

#### **Red Flags and Indicators:**

1. **High Volume of Foreign Transactions:** The overwhelming percentage (93.15%) of credit transactions from foreign bank cards is unusual for a local mobile phone and computer business.
2. **Lack of Import Activity:** Customs records confirmed that C.S. had not imported any goods, contradicting K.K.'s claim of engaging in the purchase and resale of electronics.
3. **Significant Discrepancy in Financials:** A 4,615% difference between reported turnover and actual income raised immediate concerns about fraudulent activity.
4. **Unexplained Withdrawals:** Frequent cash withdrawals following the EPT transactions indicated efforts to obscure the trail of the illicit funds.

#### **Role of the EPT and Sole Proprietorship:**

1. **EPT as a Facilitator of Fraud:** The EPT was critical in processing unauthorized card transactions, making it possible for C.S. to channel funds from foreign accounts without proper oversight.
2. **Sole Proprietorship Structure:** The use of a sole proprietorship, controlled solely by K.K., facilitated personal control over the funds and made it easier to obscure beneficial ownership.
3. **Disguised Operations:** The sole proprietorship served as a front to present C.S. as a legitimate business, while its primary purpose was to execute fraudulent transactions.

#### **Analysis of Techniques Used in Financial Misconduct:**

- **Placement of Funds:** The fraudulent transactions via the EPT introduced illicit funds into the business account.
- **Layering:** Withdrawals through cash, cheques, and transfers were used to create complexity in the financial trail, concealing the origin of the money.
- **Integration:** The funds were potentially reintegrated into the economy through these cash withdrawals and transfers, completing the money laundering cycle.

#### **Implications for AML/CFT Compliance:**

- **Enhanced EPT Oversight:** Financial institutions should implement stricter monitoring and verification for EPT usage, particularly when transactions involve foreign bank cards.
- **KYC and Client Profile Updates:** Banks must conduct regular reviews of client activities to ensure alignment with the declared nature of the business and turnover.
- **Transaction Monitoring:** Red flags should be automatically triggered when a local business conducts an unusually high volume of foreign transactions or shows large, unexplained income surges.

#### **Recommendations for Prevention:**

1. **Strengthening EPT Regulations:** Implement regulatory controls that require businesses to demonstrate legitimate transactions through EPTs, particularly for foreign card payments.
2. **Enhanced Due Diligence:** Apply rigorous due diligence processes for businesses requesting EPTs, including checks for consistency between business activities and transactions.
3. **Customs and Trade Verification:** Align data from customs and financial institutions to verify whether businesses that claim to engage in trade actually import goods.
4. **Transaction Pattern Analysis:** Use automated monitoring systems that can flag unusual patterns, such as disproportionate income growth or high foreign card usage in local businesses.

## Conclusion:

The misuse of an EPT by K.K. and the sole proprietorship C.S. illustrates how electronic payment systems can be exploited for fraud and money laundering. The case demonstrates the importance of comprehensive due diligence, robust transaction monitoring, and alignment of financial reporting with business activities to detect and prevent financial crime. Regulatory oversight and collaborative approaches involving financial institutions, payment networks, and customs authorities are crucial to mitigating such risks and maintaining financial system integrity.

### **Case Study 11: Use of a point-of-sale terminal for the suspected financing of terrorism**

#### *Case Study: Suspicious Activity and Possible Terrorist Financing Involving POS Operator*

*A financial institution filed a suspicious transaction report (STR) with the Nigerian Financial Intelligence Unit (NFIU) regarding a customer suspected of engaging in terrorist financing. The customer is a Point of Sale (POS) operator operating in an area without a bank counter. This individual typically collects money from many people and deposits it at the nearest banking institution in the city.*

*In 2021, the account linked to this POS terminal received a total of 1,601,635,500 naira (approximately one billion six hundred one million six hundred thirty-five thousand five hundred naira) through 237 deposit operations. These funds were received from various unknown depositors. Most of the deposits were made in cash by the POS operator and then immediately paid out to others. The transaction descriptions used to identify the depositors included references to names such as "Alkaida" and "Gun," raising suspicions of a possible connection to extremism and terrorist financing.*

*Upon receiving this information, the NFIU conducted an analysis and forwarded an intelligence report to a law enforcement agency for further investigation.*

#### *Red Flags / Possible Indicators:*

- *Large and Multiple Cash Inflows and Fast Transfers: A high volume of cash deposits followed by rapid transfers, a common characteristic of illicit financial activity, especially money laundering or terrorist financing.*
- *Related Transactions: The deposits were interrelated, suggesting a coordinated effort to move money, often associated with illegal or suspicious activities.*
- *Suspicious Names: "Alkaida" and "Gun": These names are indicative of possible links to extremist groups or terrorist organizations, raising concerns about the source and purpose of the funds.*
- *Mixing Legitimate and Illegitimate Transactions: The probability of legitimate transactions being mixed with illicit ones suggests a method to obscure the true origin and purpose of the funds.*

#### *Potential for Misuse of the Trade Name:*

- *Registering a Business Name to Obtain an EPT: The POS operator may have registered the business to obtain an Electronic Payment Terminal (TPE), which was then used to facilitate the movement of illicit funds. This is a common tactic to launder money and obscure the funds' origin.*
- *Abuse of POS Terminal Anonymity: The POS system allows for transactions to occur without the need for customer identification, providing a convenient tool for suspected terrorists to transfer funds to associates while remaining anonymous.*
- *Abuse of Financial Inclusion Initiatives: This case highlights how financial inclusion programs, which aim to broaden access to banking services, can be exploited by criminals and terrorists to carry out illicit financial transactions without detection.*

#### *Comments:*

*The use of a POS terminal in this scenario demonstrates how financial systems, while designed to enhance access and inclusion, can also be misused to facilitate illegal activities. This case underscores the importance of vigilance in monitoring transactions, especially in sectors where anonymity can be exploited, and the necessity of robust systems to detect and prevent the misuse of financial services for terrorist financing or other illicit activities. Further investigation by law enforcement is crucial to understand the full scope of these transactions and to prevent potential security threats.*

**SOURCE: NIGERIA**

**Overview:** In 2021, a POS operator in Nigeria attracted attention due to suspicious activities indicative of potential terrorist financing. The operator's account received significant cash inflows totalling approximately 1,601,635,500 naira through 237 deposit operations. Funds were rapidly transferred out following the deposits, raising red flags for the financial institution that filed a suspicious transaction report (STR) with the Nigerian Financial Intelligence Unit (NFIU). Notably, references like "Alkaida" and "Gun" appeared in transaction descriptions, further suggesting potential connections to extremist activity.

Key Elements and Analysis:

#### **Modus Operandi:**

1. **Use of a POS Terminal:** The operator used a POS terminal in a rural area with limited banking facilities, making it an attractive tool for conducting large cash transactions without standard bank oversight.
2. **Large and Repeated Cash Deposits:** The account received significant cash amounts from various unknown sources, which were immediately transferred to other parties, creating a rapid turnover pattern typical of money laundering or terrorist financing.
3. **Suspicious Transaction Descriptions:** References to terms like "Alkaida" and "Gun" in the deposit descriptions hinted at a possible connection to extremist groups and raised significant concerns.

#### **Potential Predicate Offences:**

1. **Terrorist Financing:** The transaction patterns and references in the account descriptions suggested that the funds could be used to support extremist groups or activities.
2. **Money Laundering:** The mixing of potentially legitimate and illicit transactions through the POS system points to attempts to obscure the true origin of the funds.
3. **Financial System Abuse:** Exploiting financial inclusion mechanisms to conduct anonymous or under-scrutinized transactions, potentially circumventing anti-terrorism and anti-money laundering controls.

#### **Red Flags and Indicators:**

1. **High Volume of Cash Transactions:** Receiving substantial amounts in a short timeframe through numerous deposits is a common red flag for money laundering or terrorism financing.
2. **Rapid Fund Movement:** Quick withdrawal or transfer of deposited funds without a clear business rationale suggests layering, a step in money laundering to create complex transaction trails.
3. **Suspicious Names in Descriptions:** The appearance of terms associated with violence or extremist groups in transaction notes is highly indicative of potential links to terrorist financing.
4. **Geographical Indicators:** Operating in an area without conventional banking services may suggest the use of financial technology to bypass stricter regulatory scrutiny.

#### **Role of the POS Terminal:**

1. **Ease of Anonymity:** POS systems can facilitate anonymous transactions, allowing operators to receive and transfer funds without stringent identification requirements.
2. **Financial Inclusion Exploitation:** While POS terminals help extend banking services to underserved regions, their misuse for high-volume cash handling poses significant AML/CFT risks.
3. **Registration for Illicit Purposes:** The operator may have established the business solely to acquire a POS terminal, using it as a vehicle for moving suspicious funds.

#### **Analysis of Techniques Used in Financial Misconduct:**

- **Placement and Layering:** The deposits represent the placement of funds into the financial system, while rapid transfers suggest layering to conceal their origin.
- **Abuse of Trade and Technology:** Using a POS terminal provides a legitimate-looking platform for transactions, while cash inflows and outflows obscure the audit trail.
- **Anonymous Transactions:** By processing numerous deposits from unknown sources, the operator enabled transactions that lacked transparency and traceability, a potential asset for terrorist cells seeking financial anonymity.



**Implications for AML/CFT Compliance:**

- **Enhanced Monitoring of POS Operators:** Financial institutions should enhance due diligence on high-risk POS operators, particularly those in regions susceptible to financial misuse or terrorism-related activities.
- **Transaction Pattern Analysis:** Monitoring systems must be configured to flag irregular and high-volume cash transactions, especially those with rapid outflows and suspicious descriptions.
- **Collaboration with Authorities:** Financial intelligence units and banks should work closely to share data and intelligence on suspicious activities involving financial technologies and point-of-sale terminals.

**Recommendations for Prevention:**

1. **Stricter KYC for POS Operators:** Banks should require more rigorous identity verification and business justifications from POS operators before approving accounts or high-limit terminals.
2. **Advanced Transaction Monitoring Systems:** Implement automated systems capable of detecting unusual patterns, such as high-volume cash inflows followed by swift transfers or suspicious transaction descriptions.
3. **Awareness and Training:** Financial institutions should train staff on detecting and responding to red flags associated with terrorist financing and the misuse of financial technologies.
4. **Regulatory Audits:** Authorities should periodically audit POS terminals and financial institutions' compliance with AML/CFT requirements to ensure that proper monitoring and reporting procedures are in place.
5. **Cross-Border Cooperation:** Given the international nature of terrorist financing, collaboration with international financial intelligence units and organizations is essential for identifying and disrupting funding channels.

**Conclusion:**

The misuse of a POS terminal by a sole operator in Nigeria demonstrates the potential vulnerabilities in the financial system, particularly with financial technology meant to promote inclusion. This case underscores the need for robust AML/CFT controls, vigilant monitoring of high-risk accounts, and coordination between financial institutions and regulatory bodies to prevent the financing of terrorism and related illicit activities.



### **Case Study 12: Massive fraud involving a money transfer sub-agent and the misuse of a POS terminal**

#### **Background:**

D.S.A.K. is the majority shareholder of two SARL companies, G.I and ETS D.G. (now ETS DX.G). As the manager of these companies, he opened several bank accounts and obtained licenses as a sub-agent for a company specializing in money transfer services. However, several anomalies have been detected in the transactions conducted by these companies, leading to a suspicion of fraudulent activities and money laundering.

#### **Key Findings:**

##### **1. Suspicious Identification Documents:**

The identification documents used by recipients of the money transfers were French passports. More alarmingly, several transfers were processed based on IDs that had the same photo but different names. The majority of the beneficiaries appeared to be young, and most were born after 1990. There were also inconsistencies in the names, with spelling variations between the names on the receipts and the IDs.

##### **2. Fraudulent Practices:**

The sub-agent (D.S.A.K.) intentionally entered incorrect data to authorize payments for the funds received, thereby circumventing proper identification procedures.

##### **3. Significant Financial Movements:**

The total amount of funds involved in these transactions amounted to 2,089,573,317 CFA francs. In addition, the Electronic Payment Terminal (EPT) provided to ETS DX.G was used for fraudulent transactions involving foreign bank card debits, totaling 547,000,130 CFA francs. These transactions were mainly justified by D.S.A.K. as being conducted by foreigners visiting Côte d'Ivoire for holidays.

##### **4. Business Anomalies:**

Despite the large volume of transactions, the company had never conducted any import operations. The analysis of the credit transactions revealed that all the funds credited to the companies' accounts were systematically followed by withdrawals—either by cheques written to D.S.A.K. (identified as the beneficial owner) or transfers from third-party accounts. These withdrawals left the account balances almost nil.

##### **5. Indicators of Illicit Activity:**

- The use of fraudulent or falsified IDs to process payments.
- Abnormal credit and withdrawal patterns, with little to no justification for the source of the funds.
- The justification provided by D.S.A.K. (funds from foreigners passing through Côte d'Ivoire) was inconsistent with the business model and operational activities of the company.
- Large amounts of money being moved quickly and withdrawn without clear, legitimate business operations to justify them.

#### **Suspicion of Fraud and Money Laundering:**

The investigation highlighted multiple indicators of money laundering, fraud, and possibly cybercrime. The use of foreign bank cards in suspicious transactions, the failure to conduct legitimate business operations despite significant turnover, and the large-scale use of incorrect identification data all point to a coordinated effort to launder funds, possibly by using shell companies and misrepresented transactions.

#### **Conclusion and Legal Action:**

An investigation report has been forwarded to the Economic and Financial Criminal Division for further action. The report includes allegations of forgery, use of forged documents, cybercrime, and money laundering with complicity. Given the scale of the operation and the fraudulent practices involved, this case raises significant concerns about the abuse of financial systems and the misuse of money transfer services for illicit financial transactions.

SOURCE : COTE D'IVOIRE

**Overview:** This case involves D.S.A.K., the majority shareholder of two SARL companies, G.I and ETS D.G. (re-named ETS DX.G), who engaged in fraudulent activities using money transfer services and POS terminals. The investigation revealed significant financial irregularities, use of falsified documents, and suspicious financial transactions that point to large-scale money laundering and potential cybercrime.

Key Elements and Analysis:

**Modus Operandi:**

1. **Fraudulent Identification:** The use of French passports with identical photos but different names to authorize payments, and spelling inconsistencies in beneficiaries' details, suggests deliberate manipulation to bypass due diligence.
2. **Intentional Data Manipulation:** D.S.A.K. entered incorrect data to facilitate unauthorized transactions, exploiting weaknesses in the identification process.
3. **Misuse of POS Terminal:** The POS terminal at ETS DX.G was used for foreign bank card transactions totaling 547,000,130 CFA francs, which were explained as payments from tourists, an implausible justification given the business operations.

**Significant Financial Movements:**

1. **High Volume and Rapid Transfers:** Over 2 billion CFA francs flowed through the accounts, followed by quick withdrawals that left balances near zero. This rapid movement of funds, without evidence of legitimate business activity such as imports or operational expenses, is characteristic of money laundering.
2. **Withdrawals and Beneficial Ownership:** Funds were withdrawn via cheques to D.S.A.K. or through third-party transfers, indicating his control as the true beneficial owner.

**Indicators of Fraud and Money Laundering:**

1. **Falsified Documents:** Use of IDs with inconsistent or repeated photographs and false information to process transactions.
2. **Unjustified High Turnover:** The volume of transactions was disproportionate to the company's stated business model.
3. **Pattern of Credit and Withdrawal:** Consistent patterns of large deposits followed by immediate withdrawals, with no residual funds remaining in the accounts.
4. **Lack of Legitimate Operations:** Absence of imports or tangible business activities, despite significant financial turnover, pointed to a shell company setup.

**Role of POS Terminals and Money Transfer Services:**

1. **Financial System Abuse:** POS terminals facilitated high-volume, foreign card transactions that were inconsistent with the business profile. The misuse of the terminal allowed for the processing of funds under the guise of legitimate business operations.
2. **Sub-Agent License:** The money transfer license was used not for typical remittance services but as a tool for laundering large amounts of cash, raising concerns about regulatory oversight in the licensing process.

**Analysis of Techniques Used in Financial Misconduct:**

- **Falsification of Identification:** Creating or using false identification documents allowed unauthorized transactions to be processed without detection.
- **Placement and Layering:** The initial receipt of funds through money transfers and POS transactions was the placement stage, while the systematic withdrawals represented layering, creating a complex transaction chain that obscured the source of funds.
- **Use of Shell Entities:** The SARL companies served as facades for financial activities unrelated to their stated business purpose, complicating the audit trail.

Implications for AML/CFT Compliance:

- **Enhanced KYC and CDD Requirements:** Financial institutions must strengthen Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures, especially when working with sub-agents and entities engaged in money transfer services.
- **Monitoring of POS Terminal Use:** Financial regulators should increase scrutiny of POS terminals used by sub-agents, particularly those with high foreign card usage and patterns inconsistent with declared business activities.
- **Transaction Monitoring and Reporting:** Automated systems should flag unusual transaction volumes, rapid fund withdrawals, and suspicious descriptions that suggest fraudulent activities.

Recommendations for Prevention:

1. **Stricter Verification of Identification:** Implement advanced technologies, such as biometric verification, to prevent the use of fraudulent IDs in financial transactions.
2. **Auditing and Oversight of Sub-Agents:** Regular audits of sub-agents involved in money transfer services can help identify anomalies early and ensure compliance with regulations.
3. **Comprehensive POS Terminal Regulation:** Require detailed justifications for high-value transactions processed via POS terminals and mandate periodic review of POS operations for consistency with business models.
4. **Training on AML/CFT Risks:** Financial institutions and their partners should receive targeted training on identifying red flags in financial transactions and recognizing methods used to obscure the source of funds.

**Conclusion:**

The case involving D.S.A.K. demonstrates the complexities of money laundering schemes involving money transfer sub-agents and POS terminals. The combination of fraudulent identification documents, suspicious transaction patterns, and rapid fund movements highlights vulnerabilities within the financial system that can be exploited for illicit purposes. Strengthening due diligence practices, enhancing oversight of financial service providers, and improving regulatory frameworks are essential to prevent and detect such fraudulent activities.

**6) Misuse of appointed directors of legal entities and legal arrangements to hide the identity of beneficial owners****Case Study N°13: Use of a subordinate to create a business on behalf of a government official****Background:**

In 2022, an audit report uncovered a fraudulent scheme involving an accountant working for a government agency. The accountant registered a sole proprietorship by using a junior agent to submit the business registration. Subsequently, the accountant applied for and was granted registration with the Gambia Public Procurement Authority (GPPA) to participate in government tenders. The company was then awarded multiple public contracts by the government agency where the accountant worked.

**Key Findings:****1. Fraudulent Registration and Conflict of Interest:**

The accountant, who was working for a government agency, used the junior agent to register the business, creating a conflict of interest. Despite the junior agent being the official signatory of the bank account, the accountant retained control over the company and manipulated the situation to secure government contracts for the business.

**2. Financial Transactions and Distribution of Funds:**

Payments made to the company's bank account were split between the junior agent and the accountant. A 20% share of the funds was allocated to the junior staff member, while the remaining 80% went to the accountant. This arrangement indicates a clear scheme to embezzle government funds through fraudulent contracts and a fraudulent business registration.

**3. Estimated Financial Impact:**

The total value of the funds involved in this case is estimated to be USD 158,000 (one hundred and fifty-eight thousand US dollars). The actual amount could be higher, as it is suspected that some of the funds were used to purchase properties, which have not yet been identified.

**Indicators of Illicit Activity:**

- **Conflict of Interest:** The accountant's role in both the government agency and the private business created a direct conflict of interest, leading to the fraudulent awarding of government contracts.
- **Corruption and Misappropriation of Funds:** The distribution of funds between the accountant and the junior agent demonstrates a classic case of corruption and embezzlement within the government procurement process.
- **Use of a Junior Staff Member:** The use of a subordinate employee to register the business and act as the sole signatory to the account was a deliberate attempt to conceal the accountant's direct involvement in the illicit activities.
- **Undisclosed Property Purchases:** The possibility of assets being purchased with illicit funds indicates an attempt to launder the money and obscure the true origin of the embezzled funds.

**Conclusion and Legal Action:**

This case highlights a serious abuse of power within the public procurement process and the misuse of government funds for personal enrichment. The accountant and the junior agent are at the center of a corruption and money laundering scheme that exploited the government procurement system. The value of the embezzled funds may be higher than currently identified, and further investigation is necessary to trace any undisclosed assets purchased with the stolen funds.

Legal action is expected to follow, as the case involves multiple serious charges, including corruption, theft, and economic crime. The relevant authorities should prioritize this investigation to uncover the full extent of the financial misconduct and identify any further illicit assets tied to the case.

SOURCE: GAMBIA

**Overview:** This 2022 case from The Gambia reveals how an accountant at a government agency exploited their position to create a sole proprietorship using a junior agent as a front. The business was then registered with the Gambia Public Procurement Authority (GPPA) and awarded public contracts by the same agency where the accountant worked. The fraudulent scheme involved embezzling government funds and potentially laundering them through property acquisitions.

## Key Elements and Analysis:

### Modus Operandi:

1. **Proxy Business Registration:** The accountant used the junior agent to register the business, concealing their own involvement. This created a facade of legitimacy and avoided immediate scrutiny.
2. **GPPA Registration and Contracts:** By registering with the GPPA, the accountant secured public contracts, bypassing fair competition and ethical guidelines.
3. **Control Over Funds:** Although the junior agent was the nominal signatory, the accountant retained real control, ensuring that funds were directed as planned.

### Potential Predicate Offences:

1. **Corruption and Abuse of Office:** The accountant leveraged their position to secure government contracts, creating a significant conflict of interest.
2. **Embezzlement of Public Funds:** The manipulation of public procurement to direct funds into the business they controlled constituted theft and misappropriation of resources.
3. **Money Laundering:** Suspicions of undisclosed property purchases point to laundering proceeds of the fraud to conceal their origin.

### Red Flags and Indicators:

1. **Conflict of Interest:** The dual involvement in a government role and a private business that receives public contracts is a strong indicator of corruption.
2. **Use of Nominee (Junior Agent):** Registering the business under a subordinate's name was likely an attempt to obscure the accountant's connection to the company.
3. **Disproportionate Fund Distribution:** The allocation of 80% of the proceeds to the accountant and only 20% to the junior agent is a clear sign of orchestrated profit-sharing.
4. **Unexplained Wealth:** Potential property acquisitions that are inconsistent with the known income of the accountant could indicate laundering attempts.

### Role of the Junior Agent:

1. **Nominee Status:** The junior agent acted as a nominee, which is often a tactic used to mask the true beneficial ownership of a business and create distance from the individual orchestrating the scheme.
2. **Complicity:** While the junior agent may have played a passive role, their involvement was necessary for the accountant's plan to function, indicating potential complicity.

### Analysis of Techniques Used in Financial Misconduct:

- **Layering and Obfuscation:** The use of a subordinate to register the business added a layer to obscure the accountant's involvement and made tracing the flow of funds more difficult.
- **Misuse of Public Procurement:** Securing contracts for personal enrichment by exploiting an insider's knowledge and position within the government agency.
- **Potential Integration:** The suspected purchase of properties could be an example of integrating illicit funds into the legitimate economy, completing the money laundering cycle.

### Implications for AML/CFT Compliance:

- **Due Diligence in Public Procurement:** Authorities must apply stricter checks and controls to ensure no conflicts of interest exist between government officials and contract bidders.
- **Beneficial Ownership Transparency:** Regulations requiring full disclosure of beneficial ownership for businesses involved in public contracts would make it harder for officials to hide behind proxies.
- **Enhanced Monitoring of High-Risk Roles:** Financial institutions should apply enhanced due diligence to accounts linked to government officials or known associates.

### Recommendations for Prevention:

1. **Stricter Procurement Controls:** Enforce robust vetting and verification processes to ensure that public officials do not have undisclosed ties to contracting businesses.



2. **Mandatory Disclosure of Interests:** Government employees should be required to disclose any potential conflicts of interest before contracts are awarded.
3. **Audits and Cross-Agency Coordination:** Routine audits and collaboration between financial regulators, anti-corruption bodies, and the procurement authority can uncover such schemes early.
4. **Training and Awareness:** Educate government employees about ethical conduct and the consequences of engaging in corrupt activities.
5. **Asset Tracing and Recovery:** Enhance capabilities to trace and recover assets purchased with embezzled funds to ensure full restitution.

## Conclusion:

This case illustrates how a government official manipulated the public procurement process for personal gain by using a subordinate as a nominee. The scheme highlights vulnerabilities in procurement oversight and the importance of transparency and stringent compliance measures. Addressing such abuses requires strengthened regulatory frameworks, thorough due diligence, and coordinated oversight to ensure that public resources are safeguarded and used for their intended purposes.

### **Case Study 14: Using directors or shareholders appointed as intermediaries to circumvent due diligence procedures and conceal the true identity of beneficial owners**

#### Background:

A legal person, identified as company Q, expressed an interest in opening an account with Bank F. The legal entity was registered as a limited liability company, with the stated business activity of selling African cultural objects, clothing, and general merchandise.

#### Key Findings:

##### 1. Ownership and Management Discrepancies:

According to the registration documents, company Q was owned by a Ghanaian national, who also served as the director and secretary of the entity. However, upon reviewing the application, Bank F discovered that the legal entity had designated a foreign national as the sole signatory for the company's account.

##### 2. Irregularities in Documentation:

The legal entity submitted a written request to Bank F, formally designating the foreign national as the sole signatory of the account. However, a background check conducted on the foreign national revealed that his residence permit was no longer valid at the time of the application, raising concerns about his legal standing in the country.

##### 3. Action Taken by Bank F:

Due to the discrepancies in the ownership and signatory information, as well as the invalid residency permit of the designated signatory, Bank F decided to reject the legal entity's application to open the account. In addition, the bank filed a suspicious transaction report (STR) with the relevant authorities.

#### Indicators of Illicit Activity:

- **Ownership and Management Conflicts:** The discrepancy between the ownership (Ghanaian national) and the signatory (foreign national) suggests potential misrepresentation or attempts to conceal the true ownership structure of the legal entity, which is a common tactic in money laundering or other illicit activities.
- **Invalid Residency Status:** The invalid residency permit of the foreign national who was named as the sole signatory is a red flag, as it may indicate the use of a false or expired document to facilitate fraudulent activities.
- **Suspicious Signatory Appointment:** The decision to appoint a foreign national with questionable legal status as the sole signatory could point to an attempt to obfuscate the ownership and control of the company, potentially for illicit financial transactions.

#### Conclusion and Action Taken:

In response to the discrepancies and concerns raised during the due diligence process, Bank F made the appropriate decision to reject the account opening request from company Q. Additionally, by filing a suspicious transaction report (STR), the bank has taken steps to alert the authorities to potential risks associated with the legal entity and its foreign signatory.

This case highlights the importance of conducting thorough background checks and adhering to regulatory compliance measures when reviewing applications for accounts by legal entities, particularly those with discrepancies in ownership and management, or irregularities in documentation. The actions of Bank F demonstrate the importance of vigilance in preventing the use of financial institutions for illicit activities such as money laundering or fraud.

SOURCE: GHANA



**Overview:** Company Q, a limited liability company in Ghana engaged in selling African cultural objects, clothing, and general merchandise, sought to open an account with Bank F. During the due diligence process, Bank F identified discrepancies in ownership and management that raised concerns about potential attempts to conceal the true beneficial owners. The application was ultimately rejected, and a suspicious transaction report (STR) was filed with authorities.

Key Elements and Analysis:

#### **Modus Operandi:**

1. **Discrepancy in Ownership and Control:** The registration documents indicated that company Q was owned and managed by a Ghanaian national. However, the application named a foreign national as the sole signatory of the account, suggesting a mismatch between the official ownership and operational control.
2. **Suspicious Signatory Designation:** The appointment of a foreign national with an invalid residency permit as the sole signatory is an unusual practice that can be a red flag for potential attempts to obscure the identity of the true beneficial owner.
3. **Use of Intermediaries:** Appointing intermediaries such as directors or signatories who are not the real controllers of a company is a common tactic used to circumvent due diligence procedures and avoid detection in money laundering schemes.

#### **Potential Predicate Offences:**

1. **Money Laundering:** The use of a foreign national with questionable residency status as a signatory could indicate an attempt to launder money by distancing the true owners from the financial transactions.
2. **Fraud:** Submitting potentially misleading documentation to open a bank account might point to fraudulent intent.
3. **Document Misrepresentation:** The use of expired or invalid documents for financial activities can suggest a broader scheme involving false representation.

#### **Red Flags and Indicators:**

1. **Ownership and Management Conflicts:** The inconsistency between the listed owner (Ghanaian national) and the operational signatory (foreign national) hints at a hidden relationship or attempt to conceal the true controllers of the company.
2. **Expired or Invalid Documentation:** The designated signatory's invalid residency permit raises questions about the legality of their involvement and signals potential fraudulent behavior.
3. **Foreign National as Sole Signatory:** The appointment of a non-resident or individual with unclear legal standing as the sole account signatory is a strong indicator of potential concealment tactics.

#### **Risk Implications for Financial Institutions:**

1. **Due Diligence Challenges:** Cases involving conflicting information about company ownership and management require enhanced due diligence to ensure regulatory compliance and mitigate financial crime risks.
2. **Compliance and Reporting:** Financial institutions must be vigilant in detecting and reporting suspicious activities to relevant authorities. The filing of an STR by Bank F is an example of appropriate action taken when facing potential risk.

#### **Analysis of Techniques Used in Financial Misconduct:**

- **Use of Proxies:** Appointing individuals as directors or signatories who are not the actual controllers of a company is a common method used to shield the true identity of beneficial owners.
- **Exploitation of Documentation Gaps:** Leveraging expired or invalid documents to facilitate account openings or financial transactions can be indicative of an attempt to bypass standard due diligence checks.
- **Complex Ownership Structures:** By introducing intermediaries, the true ownership and control of the company can be obfuscated, making it harder for financial institutions to trace the source of funds and identify illicit activities.

### Implications for AML/CFT Compliance:

- **Enhanced Due Diligence (EDD):** Financial institutions should apply EDD measures when faced with discrepancies in ownership and management, especially when foreign nationals are involved as signatories without clear legal standing.
- **Verification of Legal Status:** Banks must ensure that all signatories have valid documentation and legal status in the country to prevent misuse.
- **Monitoring of High-Risk Entities:** Companies with a foreign management component or complex ownership structures should be subject to continuous monitoring and reassessment.

### Recommendations for Prevention:

1. **Mandatory Verification of Beneficial Ownership:** Financial institutions should require detailed documentation and evidence of beneficial ownership, ensuring alignment between listed owners and operational signatories.
2. **Comprehensive Background Checks:** Implement systems that cross-reference residency permits, passports, and other relevant documents to confirm validity.
3. **Training for Bank Staff:** Equip bank employees with the knowledge to identify red flags related to the misuse of intermediaries and foreign nationals in corporate structures.
4. **Regulatory Coordination:** Strengthen collaboration between banks and regulatory bodies to facilitate the sharing of information and best practices for detecting concealed ownership.

### Conclusion:

The case of company Q underscores how intermediaries can be used to bypass due diligence and conceal the identity of true beneficial owners, presenting significant risks for financial institutions. The proactive measures taken by Bank F, including rejecting the application and filing an STR, highlight the importance of vigilance and adherence to AML/CFT standards. To prevent such misuse, financial institutions must implement robust verification processes, conduct thorough due diligence, and stay alert to red flags that may indicate attempts to obscure ownership and control for illicit purposes.

## II. Possible cases

### 1) Laundering the proceeds of crime through a shell import-export company

#### **Case Study 15: Money Laundering Scheme through Fictitious Import and Export Company**

##### *Background:*

A group of organized criminals involved in illicit activities, such as drug trafficking and smuggling, seeks to launder their illegally obtained funds and integrate them into the financial system in a manner that appears legitimate. The criminals use various stages to conceal the illicit origin of the funds, thereby disguising the proceeds of crime.

##### *Stages of the Money Laundering Scheme:*

##### *1. Creation of a Fictitious Company:*

- The criminals establish a fake import and export company by registering it with fraudulent documents. These documents include fake credentials and manipulated information about front individuals, also referred to as “discreet people,” to avoid drawing attention or suspicion from authorities. The company’s purpose is to serve as a cover for laundering the criminal proceeds through the guise of legitimate business operations.

##### *- 2. Fake Import and Export Transactions:*

- Once the company is operational, it engages in fictitious transactions, issuing fraudulent invoices for goods or services that were never actually imported or exported. These fake invoices are used to justify the movement of large sums of money into and out of the financial system, making it appear as though the company is conducting legitimate international trade. The goods and services listed on the invoices are entirely fabricated, but the criminals ensure that they are properly documented to give the illusion of authenticity.

##### *3. Movement of Funds:*

- The criminals transfer the profits obtained from their illegal activities (such as drug trafficking) into the bank account of the fictitious company. To disguise the true origin of the funds, they mix the illicit proceeds with the funds purportedly obtained from the fake import/export transactions. This blending of criminal money with seemingly legitimate business funds helps to obscure the illegal source and integrate the money into the financial system.

##### *4. Investing in Tangible or Financial Assets:*

- Once the funds have been laundered and appear to be legitimate, the criminals move to invest the money in tangible or financial assets. These assets include high-value items such as luxury vehicles, jewelry, and real estate. Additionally, they may invest in financial instruments like stocks, bonds, or bank accounts. By purchasing these assets, the criminals further legitimize the illicit money, increasing the difficulty of tracing it back to its illegal origins.

##### *5. Dispersal of Funds:*

- To further obscure the trail of the laundered funds, the criminals disperse the money across various channels. They transfer funds to offshore bank accounts located in jurisdictions with less stringent financial regulations. They may also purchase movable or immovable property in the name of third parties, thereby distancing themselves from the assets. In some cases, the criminals might invest in legitimate businesses, further integrating the illicit funds into the economy. These actions help to conceal the money’s origins, making it harder for authorities to trace.

##### *Conclusion and Indicators of Suspicious Activity:*

- This money laundering scheme relies on the creation of a fictitious business that serves as a front for moving illicit money into the financial system. The fraudulent use of import/export transactions, the movement of funds through multiple channels, and the eventual investment in high-value assets are all red flags that indicate a high likelihood of money laundering. Key indicators of suspicious activity in this case include:

- **Fictitious Business Registration and Fraudulent Transactions:** The creation of a shell company and the issuance of fake invoices for non-existent trade.

- **Suspicious Movement of Funds:** Large sums of money being moved into and out of bank accounts with no clear business purpose or legitimate explanation.

- **Investment in High-Value Assets:** The purchase of luxury items and real estate with funds that appear to be from legitimate business activities.

- **Dispersal of Funds Across Multiple Jurisdictions:** The use of offshore accounts, third-party property ownership, and investments in legitimate businesses to conceal the origins of the money.

Source: Cabo Verde

This case highlights the importance of due diligence and monitoring of financial transactions and businesses, particularly those involved in international trade and large financial movements. It also underscores the need for effective cross-border cooperation between financial institutions and law enforcement to prevent and detect money laundering and related criminal activities.

**Overview:** A group of organized criminals engaged in illicit activities such as drug trafficking and smuggling developed a sophisticated money laundering scheme using a fictitious import and export company. This front company was designed to integrate criminal proceeds into the legitimate financial system through staged transactions and asset purchases. The goal was to disguise the origin of the funds, making them appear legitimate.

Stages of the Money Laundering Scheme:

**Creation of a Fictitious Company:**

1. **Setup:** The criminals established a fake company with fraudulent documents, using front individuals, or “discreet people,” as nominees. These individuals posed as the company’s directors or shareholders to divert suspicion away from the true operators.
2. **Documentation:** The registration involved forged documents and falsified credentials to create an entity that appeared legitimate on paper.

**Fake Import and Export Transactions:**

1. **Issuing Fraudulent Invoices:** The company engaged in fictitious trade, generating invoices for goods and services that were never imported or exported. This stage involved creating a trail of paperwork, including shipping documents and contracts, to simulate real transactions.
2. **Illusion of Authenticity:** The documentation was thorough enough to pass as legitimate, reinforcing the appearance of genuine business activities and justifying large money transfers.

**Movement of Funds:**

1. **Deposit of Illicit Proceeds:** Criminal proceeds from activities such as drug trafficking were funneled into the company’s bank accounts.
2. **Blending of Funds:** The funds from illegal activities were combined with purportedly legitimate revenues from the fake transactions, making it harder to distinguish their true origin.

**Investing in Tangible or Financial Assets:**

1. **Asset Purchases:** Once laundered, the funds were used to buy high-value assets such as luxury cars, jewelry, and real estate. This not only legitimized the funds but also provided an avenue to store value.
2. **Investment in Financial Instruments:** The criminals might also invest in stocks, bonds, or deposit the funds into bank accounts to integrate the money into the financial system further.

**Dispersal of Funds:**

1. **Offshore Transfers:** Funds were transferred to offshore accounts in countries with weak financial regulations to further obscure the trail.
2. **Third-Party Property Ownership:** The purchase of property in the names of associates or family members helped distance the actual perpetrators from the assets.
3. **Legitimate Business Investments:** Investing in legitimate businesses added another layer of legitimacy and complexity, making the tracking of funds more challenging.

Indicators of Suspicious Activity:

**Fictitious Business Registration and Fraudulent Transactions:**

1. Shell companies registered with minimal documentation and lacking a physical presence or verifiable operations.
2. Issuance of invoices for high-value trade without corresponding physical shipments or customs records.

**Suspicious Movement of Funds :**

1. Frequent, large deposits followed by rapid withdrawals or transfers, especially when lacking a clear business rationale.
2. Discrepancies between the declared business activity and the actual financial behavior.

**Investment in High-Value Assets:**

1. Unexplained purchases of luxury items and real estate by individuals or companies that do not have a clear source of income to support such expenditures.

**Dispersal of Funds Across Multiple Jurisdictions:**

1. Transfers to offshore accounts or jurisdictions known for lax regulatory oversight.
2. Property and asset registrations under third-party names to conceal true ownership.

Implications for AML/CFT Compliance:

- **Enhanced Due Diligence (EDD):** Financial institutions must apply EDD when dealing with high-risk businesses, especially those involved in import/export with significant financial movements but minimal tangible operations.
- **Verification of Trade Transactions:** Banks and regulators should cross-check invoices with shipping and customs records to ensure the authenticity of trade activities.
- **Monitoring of High-Value Purchases:** Financial institutions should scrutinize purchases of high-value assets, especially when conducted by individuals or entities with unclear income sources.
- **Cross-Border Cooperation:** Effective collaboration between international financial institutions and law enforcement is essential for tracking and disrupting cross-border money laundering activities.

Recommendations for Prevention:

1. **Improved Business Verification:** Strengthen the verification process for company registrations, including confirming the legitimacy of business activities and verifying the identities of directors, shareholders and beneficial owners.
2. **Enhanced Transaction Monitoring:** Use advanced algorithms and AI to detect patterns indicative of layering, such as frequent high-value transfers between accounts.
3. **Inter-Agency Information Sharing:** Foster communication between customs authorities, financial regulators, and banks to identify discrepancies in trade documentation.
4. **Training on Red Flags:** Train financial institution staff to identify indicators of trade-based money laundering (TBML) and suspicious investment behaviours.
5. **Asset Tracing Measures:** Implement systems to trace ownership of assets and ensure transparency in property and asset registration.

**Conclusion:**

The use of a fictitious import and export company in money laundering highlights the adaptability of criminal networks in concealing illicit funds. By employing fraudulent documents, fictitious trade, and asset diversification, these schemes create complex layers that hinder detection. Effective AML/CFT measures, thorough due diligence, cross-border cooperation, and the use of technology are critical for identifying and disrupting these sophisticated money laundering schemes.

## **2) Misuse of cross-border transport of cash and bearer negotiable instruments in trade-based money laundering**

In most countries in the region, a natural person managing a company may fail to declare the amount of cash they are carrying at border crossings, especially if it exceeds the established legal limit. This is often due to the vastness of borders, porous borders, weak cross-border controls, limited enforcement capacity, poor implementation of FATF Recommendation 32, low levels of international cooperation, and corruption. Such scenarios are often associated with efforts to launder proceeds from tax evasion by legal entities.

## **3) Possible abuse of legal entities for the purpose of financing proliferation**

Although no suspicious transaction reports or strategic analyses have been received from competent authorities regarding the misuse of legal entities for proliferation financing, the risk profiles of countries in the region suggest potential risk scenarios. All ECOWAS Member States exhibit strategic deficiencies in meeting the requirements outlined in FATF Recommendation 7 and Immediate Outcome 11. In addition, majority of countries are yet to conduct risk assessment in relation to proliferation financing. A lack of awareness and understanding of the risks means that many commercial legal entities in the region may have links to branches of foreign companies or offshore companies based in high-risk countries. Additionally, it is not uncommon for Limited Liability Companies (LLCs) and sole proprietorships to be involved in the trade of dual-use items, including chemicals, petrochemicals, petroleum chemicals, medical and surgical items, radioactive materials, and high-end unmanned aerial vehicles (drones), among others. Member States are therefore encouraged to undertake risk assessments regarding the misuse of legal entities for purposes of proliferation financing.

## **4) Possible abuse of legal entities to circumvent TF and PF sanctions**

The desk review revealed potential cases of sanctions evasion involving business relationships between legal entities established in MENAFATF countries and high-risk jurisdictions. The transaction patterns observed in these typologies are characterized by rapid fund movement and excessive layering of transactions through various local bank accounts by the account owners. Additionally, payments are often routed to entities with connections to sanctioned individuals or jurisdictions. This scheme is further compounded by the use of Trade-Based Money Laundering (TBML) techniques, such as fictitious business transactions and the misrepresentation of shipping documents to conceal the actual destinations or routes of vessels, thereby circumventing sanctions. It is suspected that local legal entities, typically Limited Liability Companies (LLCs), are being used as intermediaries on behalf of sanctioned persons or entities. This scenario is highly possible in ECOWAS countries due to the low level of compliance with beneficial ownership (BO) information disclosure regime, challenges faced by competent authorities in accessing BO information in a timely manner, coupled with gaps in compliance with Know Your Customer (KYC) by legal persons. Member States are encouraged to undertake risk assessments regarding the abuse of legal entities to circumvent TF and PF sanctions.



- 100.** In summary, the ML/TF&P cases collected and analyzed in this chapter illustrate the wide range and complexity of economic and financial crimes that specialized investigators may encounter. These cases reveal the techniques used by perpetrators to conceal their illicit activities, as well as the indicators and warning signs that can help detect such crimes.
- 101.** The classifications used, from the misuse of company assets to money laundering, corruption, and tax fraud, reflect the seriousness of these offenses and the severe criminal penalties imposed on the perpetrators, including both custodial sentences and financial fines.
- 102.** Ultimately, these examples emphasize the importance of close collaboration between investigative agencies, judicial authorities, and other key actors such as regulators and financial institutions, to effectively combat economic and financial crime. The training and specialization of investigators, along with the continuous adaptation of legal frameworks and investigative techniques, are crucial in addressing the ingenuity of white-collar criminals and the ever-evolving nature of fraudulent activities.

## **CHAPTER IV:**

### **NEXUS BETWEEN LEGAL PERSONS, LEGAL ARRANGEMENTS AND ML/TF&P**

**103.** This chapter seeks to draw lessons from the case studies collected, highlighting the interconnections between Legal Persons and Legal Arrangements (LPLA) and Money Laundering, Terrorist Financing, and Proliferation Financing (ML/TF&P). It also aims to analyze the issues surrounding corporate governance to ensure better protection of the sector against abuses related to ML/TF&P.

**104.** While the ML/TF&P risk landscape appears largely homogeneous across ECOWAS countries, this study reveals that criminals tend to exploit specific categories of offenses through commercial legal entities. In addition to these threats, the weaknesses in national frameworks demonstrate similar patterns across countries, from inherent vulnerabilities to weak AML/CFT compliance regimes. These findings emphasize the need for stronger regulatory frameworks and enhanced enforcement to address the exploitation of legal entities for illicit purposes.

#### **I. Risks of ML/TF&P for legal persons and legal arrangements in GIABA Member States**

##### **♣ REPUBLIC OF BENIN**

**105.** In Benin, sole proprietorships and Limited Liability Companies (SARLs) are the most prevalent forms of legal entities. Over 95% of legal entities established in Benin are either single-member or multi-person Limited Liability Companies. Between 2018 and 2023, a total of 24,385 SARLs were created, out of a total of 25,601 legal entities of various categories, including commercial companies, real estate companies, and professional civil companies.

**106.** Investigations by the Economic and Financial Brigade (BEF) involving legal entities or their managers have identified several predicate offenses that generate significant revenue, including tax fraud, customs fraud, corruption in public procurement, misuse of company assets, abuse of office, fraud, document falsification, financial statement manipulation, smuggling, and drug trafficking.

**107.** In 2021, 2022, and 2023, the BEF investigated 103, 105, and 162 legal entities and/or their managers, respectively, for these offenses. The financial damages assessed by the BEF amounted to 33,132,415,446 FCFA in 2021, with 389,344,253 FCFA recovered, and 13,782,975,393 FCFA in 2022, with 8,334,464,068 FCFA recovered. Although investigations are still ongoing for 2022, 1,349,283,330 FCFA has already been recovered. It is important to note that all the legal entities involved are SARLs, and the amounts recovered are related solely to tax and customs fraud offenses.

**108.** Regarding the Suspicious Transaction Reports (STRs) received and processed by the CENTIF involving legal entities or their managers, almost all are related to tax fraud, often involving various maneuvers by the entities or their managers. Between 2021 and 2023, the CENTIF received 1,326 STRs, of which 908 were processed. Of those processed, 154 revealed suspicions of tax fraud as a predicate offense involving multiple companies.

**109.** The investigations by the BEF reveal that criminals use various trade-based money laundering techniques to move or introduce illicit funds into the formal financial and economic system via commercial legal entities, particularly SARLs specializing in import-export. These techniques include criminal financing of imports and exports, the inclusion of illicit goods in financial regulations, the use of multiple shell or front companies, multiple billing, over- or under-invoicing, over-shipping or under-shipping, false statements, fictitious transactions, and the use of intermediaries or third parties to facilitate the payment of invoices.

## ♣ REPUBLIC OF CÔTE D'IVOIRE

**110.** In Côte d'Ivoire, the most common types of legal entities include public limited companies (SA), limited liability companies (SARL), real estate companies (SCI), and sole proprietorships. The number of SARLs currently in operation is significantly higher, with 66,982 SARLs compared to 2,618 SAs and 792 SCIs. However, a concerning trend is the high proportion of inactive entities across all legal forms of companies, as revealed by data analysis. Inactivity rates for each company structure are as follows:

- SARL (Limited Liability Company): 47.4% inactivity (60,417 out of 127,399)
- SA (Société Anonyme): 50% inactivity (2,623 out of 5,241)
- SCI (Société Civile Immobilière): 46% inactivity (675 out of 1,467)
- Cooperatives: 48% inactivity (5,602 out of 11,665)

**111.** According to stakeholders interviewed, including tax authorities and other professional actors, the high rate of inactivity among these entities can be attributed to several factors as provided below.

### Potential Causes for Inactivity:

1. **Shell Companies for Money Laundering:** Many inactive companies are suspected to be shell companies established for the sole purpose of laundering illicit funds. These entities are often set up to facilitate illegal financial transactions and are not intended for legitimate business operations.
2. **Tax Evasion:** Some companies are created to exploit tax loopholes or to evade taxes. Once their purpose is achieved, they remain inactive.
3. **Public Procurement Fraud:** Certain companies are established specifically to participate in public tenders, only to embezzle funds after receiving contracts. Once this is done, these companies are left inactive.
4. **Illicit Enrichment:** Inactive entities may be linked to illicit enrichment practices, especially by public officials or politically exposed persons (PEPs) who use these companies to conceal fraudulent activities.
5. **Economic Instability:** In an unstable economic environment, many companies may fail to survive, becoming inactive as a result.
6. **Poor Management or Internal Conflicts:** Companies may be established for specific projects that ultimately do not materialize, or poor internal management may result in inactivity.

### Vulnerabilities of Legal Entities to ML/TF Risks:

**112.** Regarding the involvement of legal entities in money laundering (ML), the most common types under investigation, both at the national and international levels, are public limited companies (SA), limited liability companies (SARLs), and real estate companies (SCIs). Public limited companies, particularly those that raise public funds, are particularly vulnerable to ML/TF risks. SARLs are particularly concerning due to their flexible structure and ability to issue bearer shares, which creates ML/TF risks through opaque ownership and management structures.

### LLCs as Vulnerable Entities:

**113.** The registration procedures for SARLs in Côte d'Ivoire are relatively simple and fast, and the requirements for identity checks and background checks are often insufficient. Additionally, single-member SARLs, which are often created with nominees, allow the true owners to remain anonymous, making it difficult to identify and control ownership. This flexibility in management and reporting formalities further contributes to the ease with which suspicious transactions can be concealed. Furthermore, these companies often deal in cash transactions through informal channels, which exacerbates the problem. The informal sector in Côte d'Ivoire is predominant, and such practices allow transactions to bypass traceability and regulatory oversight.

**Real Estate Companies and PEP Involvement:**

**114.** Real estate companies are particularly attractive for illicit activities, especially when PEPs or public officials are involved. Common practices include the use of nominees to conceal the true ownership of real estate, or the listing of only family members (spouse, children, relatives) in the company's articles of association. This further enables the concealment of illicit wealth, contributing to the vulnerabilities of SCIs to money laundering and terrorist financing.

**Criminal Associations with Legal Entities:**

**115.** In Côte d'Ivoire, commercial legal entities are often linked to various serious offenses, including money laundering, corruption, illicit enrichment, embezzlement of public funds, tax fraud, misuse of company assets, and forgery. These activities are facilitated by structural weaknesses in the regulatory framework, insufficient enforcement of anti-money laundering (AML) measures, and the widespread use of informal payment channels that make it easier for criminals to hide illicit activities.

**116.** In conclusion, the vulnerabilities of SARLs, SCIs, and other legal entities in Côte d'Ivoire highlight the need for enhanced corporate governance, stricter enforcement of AML/CFT regulations, and better monitoring of business activities to address the risks posed by money laundering, tax evasion, and financial crimes.

**♣ REPUBLIC OF CABO VERDE**

**117.** Between January 2019 and January 2024, over 800 commercial companies were registered in Cabo Verde, with sole proprietorships, public limited companies (SAs), and limited liability companies (LLCs) being the most prevalent. These entities are notably susceptible to money laundering, terrorist financing, and proliferation financing (ML/TF&P) risks.

**118. Common Economic and Financial Crimes:** Investigations have identified several prevalent crimes associated with these legal entities:

- **Tax Evasion:** Entities often engage in practices to evade tax obligations undermining national revenue mobilisation.
- **Trade-Based Money Laundering (TBML):** Illicit funds are laundered through fraudulent import-export transactions, involving over- or under-invoicing and misrepresentation of goods.
- **Forgery and Use of Forgeries:** The creation and use of counterfeit documents to facilitate illegal activities.

**119. Reinvestment of Illicit Proceeds:** The proceeds from these crimes are typically reinvested in sectors such as:

- Real Estate: Purchasing properties to legitimize illicit funds.
- Consumer Goods: Acquiring luxury items like vehicles and jewelry.
- Financial Instruments: Investing in stocks, bonds, or bank accounts to further integrate illicit funds into the financial system.

**120.** These activities highlight the need for robust regulatory frameworks and vigilant enforcement to mitigate ML/TF&P risks associated with commercial entities in Cabo Verde.

**♣ REPUBLIC OF GHANA**

**121.** Sole proprietorships (business names) and companies limited by shares are the most prevalent types of commercial legal entities in Ghana. Over 190,000 sole proprietorships are registered with the Office of the Registrar of Companies (ORC) compared to more than 80,000 companies limited by shares. Limited Liability Companies are most commonly involved in various predicate offenses, including document fraud, identity theft, illicit trafficking of precious metals and stones, tax evasion, and breach of trust. The proceeds from these crimes are typically laundered through real estate and the informal sector.

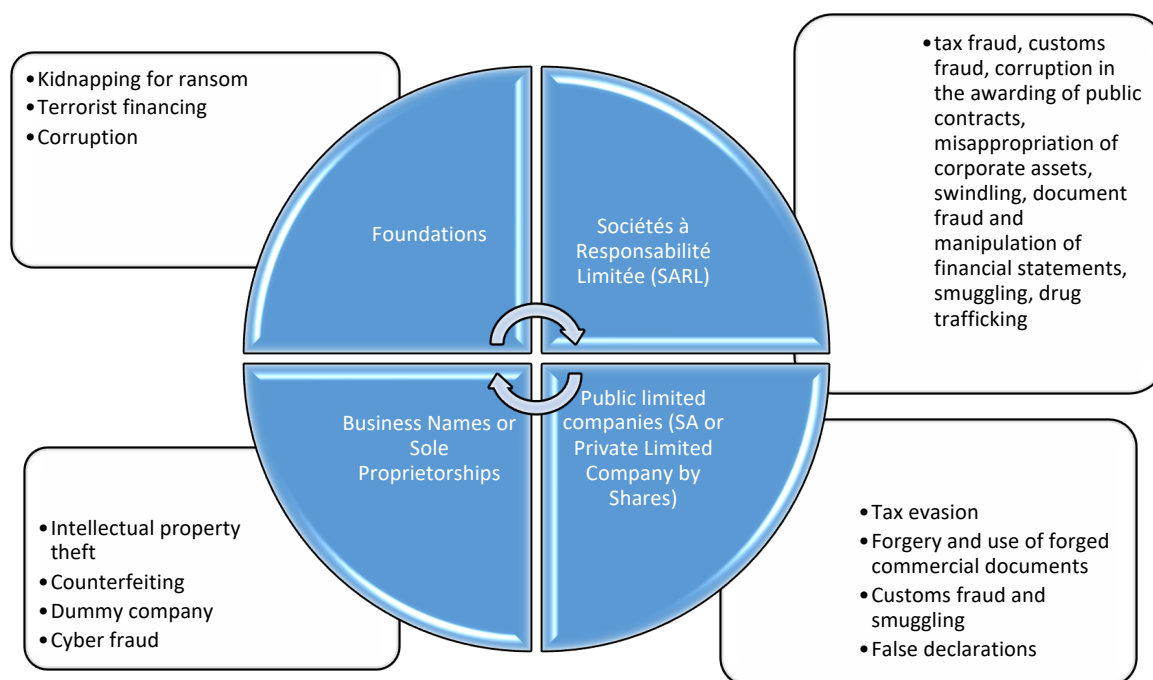
## ♣ **FEDERAL REPUBLIC OF NIGERIA**

- 122.** Private companies limited by shares and sole proprietorships (business names) are the most common types of commercial entities in Nigeria, and they are considered to be at high risk for money laundering or terrorist financing. Between 2019 and 2021, 355,312 private companies limited by shares (SARLs) were created, compared to 928,126 sole proprietorships. In contrast, subsidiaries of foreign companies operating in Nigeria's Free Trade Zones, as well as companies in the oil and gas sector, are also assessed as high-risk for money laundering and terrorist financing.
- 123.** The most common predicate offenses associated with commercial legal entities in Nigeria, based on collected case studies, include corruption related offenses, forgery and use of commercial documents, fraud, tax evasion, and illicit drug trafficking. The proceeds from these crimes are typically laundered through trade, the mining sector, the informal sector, and the real estate market.

## ♣ **REPUBLIC OF SENEGAL**

- 124.** In Senegal, Economic Interest Groupings (EIGs) and Limited Liability Companies (SARLs) dominate the landscape of commercial legal entities, with proportions of 53.7% and 20.3%, respectively. Sole proprietorships are also prevalent, similar to other countries in the region.
- 125.** Senegal reports that criminals often exploit legal entities to facilitate fraud, including false invoicing, falsified or double accounting, and money laundering related to drug trafficking, swindling, corruption, and organized crime. These offenses can occur in any sector of the economy. Criminals may also orchestrate fraudulent bankruptcies to avoid public charges.
- 126.** The 2016 OFNAC report highlighted that Senegal loses approximately forty (40) billion CFA francs, or 65,764,800 USD, annually due to fraud, tax evasion, and money laundering. Specifically, in relation to legal entities, Senegal identifies two major types of tax evasion that contribute to both revenue loss and the commission of offenses, often connected with money laundering or financing terrorism:
- Tax fraud related to commercial companies, primarily focused on VAT, corporate income tax, capital gains tax, and transfer pricing.
  - Tax fraud by individuals, primarily concerning income tax, real estate wealth tax, and inheritance or transfer tax.
- 127.** After analysis, three main categories of predicate offenses emerge as most prevalent, particularly affecting legal entities and structures in Senegal: tax offenses, corruption and bribery, and fraud and forgery. To a lesser extent, drug trafficking, participation in organized crime, and racketeering are other threats.
- 128.** The findings from the case studies, questionnaire responses, and interviews with country researchers have helped summarize the trends in the graph below.

Figure 1 : ML/TF Threats by Class of Legal Entity



## II. Vulnerabilities in the inherent characteristics of legal persons most common in countries

**129.** In most countries in the region, prosecuting authorities have never convicted a legal person for money laundering or financing of terrorism (AML/CFT), despite the extensive investigations carried out by the police, gendarmerie, and the financial intelligence provided by Financial Intelligence Units (FIUs) for judicial authorities. The lack of sanctions is generally viewed by experts as a key factor contributing to the attractiveness of criminal activities and a systemic vulnerability, particularly in a regional context heavily influenced by corruption.

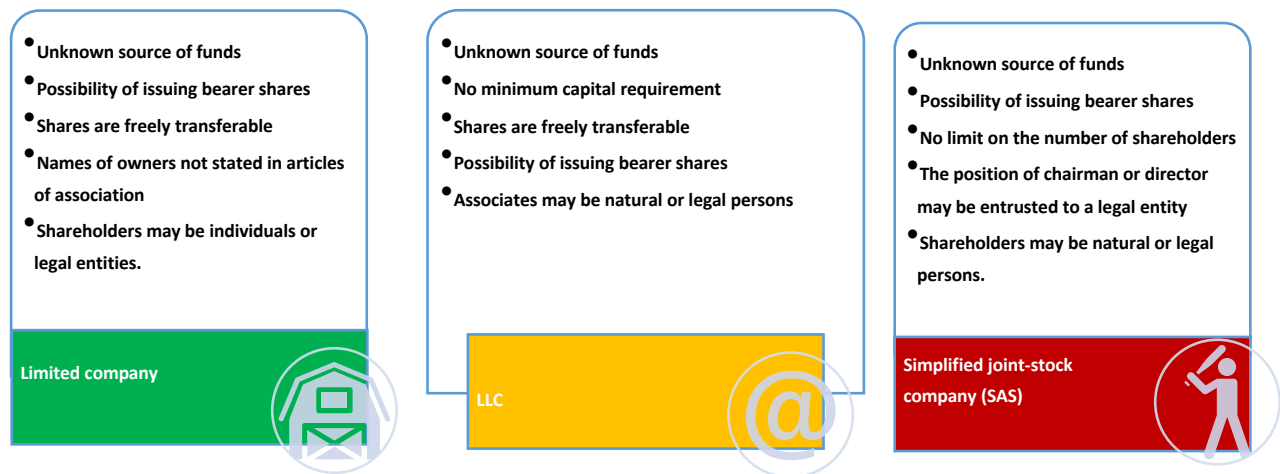
**130.** There are also inherent vulnerabilities that are opportunistically exploited, stemming from the legal conditions governing the creation, management, and liquidation of companies. These vulnerabilities can be summarized as follows:

- Speed and simplicity of creation: The ease of establishing companies is often supported by digitized procedures that lack sensitivity to the risk of misuse.
- Ability of LPs & LAs to create other LPs & LAs or hold stakes: Legal entities can easily create new companies or acquire stakes in others, enabling complex structures that are difficult to trace.
- Issuance of bearer shares and bearer share purchase warrants: The capacity of LPs (public or private companies) to issue bearer shares and purchase warrants allows for anonymous ownership, complicating ownership transparency.
- Holding multiple bank accounts: LPs can open numerous accounts across different financial institutions, facilitating the movement of illicit funds without triggering suspicion.
- Absence of control over company operations: Companies are often not subject to effective scrutiny regarding whether their activities align with their declared business objectives.
- Transfer of share capital: There is a lack of oversight on the transfer of share capital to other individuals or legal entities, which can be exploited to obscure beneficial ownership and ownership structures.

**131.** These vulnerabilities related to the legal status of companies are further illustrated in the chart below:



Figure 2 : Vulnerabilities inherent in the characteristics of the most attractive legal entities in the region



**132.** In addition to the vulnerabilities associated with the intrinsic characteristics of the various categories of commercial legal entities and legal arrangements in the Member States, it is important to note that there are significant compliance challenges with the FATF requirements outlined in Recommendations 24 and 25. These challenges contribute to a low level of transparency, particularly in terms of the disclosure, retention, verification, and updating of basic and beneficial ownership information for legal persons and arrangements, as well as their accessibility by competent authorities. The key challenges are summarized as follows:

- *Lack of understanding of beneficial ownership:* There is a general lack of understanding of the concept of beneficial ownership by companies, leading to the provision of inadequate or inaccurate information.
- *Absence of AML/CFT objectives in legal frameworks:* While there is a legal and institutional framework for the registration of legal entities in all countries, it does not have specific objectives related to anti-money laundering and combating the financing of terrorism (AAML/CFT).
- *Unverified information in company registers:* The information collected at the time of registration in the Companies Register is often largely unverified, raising concerns about its accuracy.
- *Weak verification mechanisms:* The mechanisms for verifying the information provided in company registration forms are generally focused on ensuring that all required fields are completed, but they do not assess the accuracy, adequacy, or authenticity of the provided information or attached documents.
- *Lack of verification for KYC information:* In some countries, legal entities that establish relationships with financial institutions are required to provide basic and beneficial ownership information. However, this information is not verified and is kept only as part of the Know Your Customer (KYC) documentation for opening corporate accounts, meaning it is not updated regularly.
- *Limited capacity of competent authorities:* Some jurisdictions lack the necessary capacity to effectively investigate, prosecute, and adjudicate money laundering and terrorist financing cases related to legal entities and legal arrangements.
- *Weak licensing or contracting regimes:* In certain high-risk sectors such as mining, casinos, and public procurement, the licensing or contracting regimes are not robust, which encourages operators to inject illegal funds into these sectors.
- *Inadequate application of penalties for non-compliance:* While failing to provide beneficial ownership information or providing false or misleading information to the registrar is considered an offense in all countries, these offenses are often not enforced. Financial sector regulators have provisions in their laws to apply administrative penalties for non-compliance, but these have not been effectively implemented.

**133.** These challenges, when combined, create significant barriers to achieving the transparency required by FATF standards and hinder the effectiveness of efforts to combat money laundering and terrorism financing across the region.

## **CHAPTER V:**

### **RISK INDICATORS FOR ML/TF**

- 134.** Money laundering (ML) or terrorist financing (TF) indicators are crucial warning signs that help taxable persons and law enforcement agencies identify suspicious transactions (or attempted suspicious transactions) and report them to the Financial Intelligence Unit (FIU) or initiate an immediate ML or TF investigation.
- 135.** Risk indicators are objective, factual circumstances surrounding a transaction that provide reasonable grounds to suspect the likelihood of money laundering or terrorist financing. These indicators generally relate to actions or conduct that facilitate the investment, concealment, or conversion of illicitly acquired funds. They may also arise from attempts to falsify the origin of funds, such as through false invoices, manipulation of financial statements, or other deceptive practices.
- 136.** To assist law enforcement and regulated entities in identifying potential ML/TF activities, the study compiled warning indicators or red flags based on scenarios that have already occurred or are likely to happen. While a single red flag may not necessarily indicate abuse, a combination of these red flags, along with a thorough analysis of the entity's overall financial activity and business profile, may suggest that the legal entity is being misused for money laundering or terrorist financing.
- 137.** The case studies collected from the competent authorities of Member States, involving legal persons or legal arrangements, revealed numerous risk indicators, including:

#### **Customer behaviors**

- a. Where a legal person, its beneficial owner, any associated natural persons, or related transactions originate from a high-risk jurisdiction that the FATF has flagged for countermeasures or enhanced customer due diligence, or from a jurisdiction known for inadequate measures to prevent money laundering and terrorist financing.
- b. A legal person linked to terrorist activities or a legal person that has been sanctioned in the past.
- c. When a natural person associated with the legal person is subject to sanctions due to activities related to terrorism or terrorist financing.
- d. The legal entity is suspected of using falsified, fraudulent, or false identity documents for due diligence and record-keeping purposes.
- e. An employee, director, signatory, or beneficial owner of the legal entity shows unusual concern or hesitancy regarding the reporting threshold or compliance with AML/CFT policies.
- f. The legal entity is associated with negative or adverse news, such as being named in media reports regarding criminal activity, investigations, or law enforcement scrutiny.
- g. The legal entity or any of its individuals/entities has been positively matched against United Nations Security Council (UNSC) resolutions.
- h. The legal entity attempts to establish a business relationship but fails to provide adequate documentary evidence regarding its beneficial owners, as required by financial institutions or DNFBPs.
- i. The beneficial ownership of the legal entity is questionable when there is evidence of a family relationship among the owners or key individuals.
- j. The legal entity has a complex formation structure that does not align with its business activities or profile or fails to disclose its beneficial owners.
- k. Multiple legal entities are registered at the same address or share similar contact details without a plausible business reason.
- l. Several legal entities are established with similar names and identical beneficial ownership.
- m. A legal entity owned by foreign nationals or a group of companies registered in a foreign jurisdiction has not

fulfilled CDD/KYC requirements regarding the disclosure of final beneficial ownership.

- n. There is difficulty in establishing a connection between the beneficial owner and the company's signing authority.
- o. The legal entity uses influential names (e.g., related to government or high-level entities) but the connection to the high-level entity cannot be directly validated.
- p. The legal entity is registered by organizations based in offshore jurisdictions that lack adequate anti-money laundering laws and are known for their secrecy and use of corporate tax havens.
- q. The company consistently reports sales below cost, resulting in a loss, yet continues to operate without a reasonable explanation for the ongoing losses.
- r. The company remains inactive for a long period after its incorporation, followed by a sudden and unexplained surge in financial activities.
- s. The company is registered at an address that also houses numerous other companies or legal arrangements, suggesting the use of a mailbox service.
- t. The beneficial owners, shareholders, or directors of the company are also listed as beneficial owners, shareholders, or directors of multiple other companies.

## **Transactional Schemes**

- a. Transactions involving politically exposed persons (PEPs).
- b. Frequent and split cash withdrawals or transfers from corporate bank accounts.
- c. Payments made to related companies owned by the same beneficial owner(s).
- d. Payments received from offshore accounts.
- e. Accounts receiving payments or linked to government/public contracts.
- f. Holding multiple bank accounts by a legal entity.
- g. Many bank accounts linked to a person without a plausible justification.
- h. Activity that is inconsistent with the intended purpose and profile of the account submitted at registration.
- i. Sudden or frequent purchase of high-value stocks in quick succession.
- j. Operations and activities inconsistent with the corporate purpose of the company.
- k. Setting up accounts with fintech companies to bypass the stringent KYC requirements of traditional financial institutions.
- l. Misuse of fintech companies as a channel or platform to facilitate foreign exchange and other unauthorized transactions.
- m. Companies with politically exposed persons (PEPs) as beneficial owners.
- n. Frequent payments to specific exchange operators.
- o. Registration of trade names to obtain a point-of-sale (POS) device, which is then used as a channel for laundering illicit funds.
- p. Payment of large sums without a legitimate legal basis.
- q. Using the company's account to accept and disburse large sums of money in quick succession.
- r. Excessive payments to PEPs for legal services rendered.
- s. Payments into a lawyer's account to launder illicit funds.
- t. Use of unregistered exchange operators.
- u. Movement of large sums of money unrelated to the NGO's objectives.
- v. Fraud involving foreign credit card debits (e.g., from the United States, France, England, Italy).
- w. Incomplete or irregular documents during the KYC process or ineffective KYC procedures.
- x. Transactions that do not align with the legal person's usual business profile.
- y. Transactions that appear to exceed the legal entity's means, considering its nature of activity or declared business profile.
- z. Transactions that appear to be higher than the usual amount for a business type in which the company operates.
- aa. Frequent/multiple transactions involving entities with the same beneficial ownership that do not make economic sense.

- bb. The legal entity engages in activities not typically liquidity-intensive but processes significant cash transactions.
- cc. The legal entity deliberately avoids traditional banking services without a legitimate reason.
- dd. Transactions are structured to avoid reporting threshold requirements.
- ee. Large or frequent cash transactions that do not match the stated business activities of the legal entity.
- ff. Numerous transactions carried out by a legal entity over a short period, with each transaction being small, but the cumulative total is substantial—this transaction pattern does not correspond to the declared business profile.
- gg. Mixing corporate and personal funds without a reasonable explanation.
- hh. Export/import products and receipts or payments from/to unrelated counterparties, which are not in line with the commercial nature of the legal entity.
- ii. A back-and-forth pattern of transactions that create confusion about legitimate business and provide no economic benefit to the legal entity.
- jj. High turnover of funds in a relatively short period without any plausible justification.
- kk. Unclear relationships between related companies or transactional counterparties.
- ll. Depositing or attempting to deposit funds via drafts or checks issued to a different legal entity with a similar name.
- mm. Products received from an unrelated foreign buyer or payments sent to an unrelated foreign buyer with no corresponding export or import shipment.
- nn. Products received or sent against dumped or overvalued invoices for exported/imported goods.

## CHAPTERS VI: GENERAL CONCLUSION AND RECOMMENDATIONS

- 138.** Tracking the flow of funds is essential for preventing criminal activity, and countries must have the capacity to track and document financial movements through the accounts and transactions of legal persons and legal arrangements (LPLAs) to detect suspicious or non-compliant activity.
- 139.** In a nutshell, the abuse of legal persons and legal arrangements for money laundering (ML) and terrorist financing (TF) purposes presents a complex challenge within a fragile economic and regulatory context. The study found that the concealment of the true owners of a company and the parties involved in a transaction is a significant vector for money laundering, terrorist financing, and proliferation financing. The unavailability, inaccuracy, and inaccessibility of basic and beneficial ownership information of legal persons and legal arrangements create serious barriers to investigations and successful prosecutions in ML/TF matters.
- 140.** This report provides an analysis of the landscape of corporate structures in West Africa, highlighting the growing risks associated with the abuse of legal entities and legal arrangements for AML/CFT purposes. These risk factors, exacerbated by a particularly vulnerable economic and regulatory environment, are characterized by the following:
- **Dominance of the informal sector:** The pervasive informal sector limits the visibility of financial transactions and provides fertile ground for illicit activities, making it easier to conceal the origin and destination of illicit funds.
  - **Widespread use of cash transactions:** Cash transactions, which are widespread, hinder the traceability of financial flows and complicate efforts to combat ML/TF. They provide criminals with a means to hide their illegal activities and evade detection.
  - **Weak legal and institutional framework:** Loopholes in the legal and regulatory framework governing legal entities, combined with inadequate enforcement of existing laws, create opportunities for malicious actors to exploit these structures for illegal purposes.
- 141.** Considering these significant challenges, urgent and multidimensional measures must be taken to strengthen mechanisms to combat AML/CFT in GIABA member States. These measures must address the underlying structural factors that enable the misuse of legal entities and legal arrangements. The study recommends the following actions:

## RECOMMENDATIONS

### GENERAL

#### **GIABA and its technical and financial partners should:**

- a. Raise awareness among the legislators to revise its rules and policies on business creation to incorporate specific objectives of AML/CFT, ensuring that these frameworks address the vulnerabilities of legal entities and legal arrangements in relation to money laundering and terrorist financing.
- b. Provide financial and technical support to all member states at the national level to enable the timely and effective conduct of specific risk assessments related to the misuse of legal persons and legal arrangements. This support should focus on identifying and mitigating risks associated with legal entities and legal arrangements.
- c. Support legal and institutional reform initiatives currently underway in member states by providing legal assistance and mentorship to help adapt national legislation to align with international AML/CFT requirements. This can include offering guidance on drafting and implementing laws that address the misuse of corporate structures.
- d. Condition technical assistance to countries on a prior assessment of the ML/TF risks associated with different categories of legal entities and legal arrangements. This ensures that any technical support provided is targeted and tailored to address the specific risks identified in each jurisdiction.
- e. Collaborate with member States to create a West African network for the cooperation and exchange of information on the beneficial owners of legal persons and legal arrangements. This network would facilitate regional collaboration, improve transparency, and strengthen the ability of authorities to track beneficial ownership information, enhancing the fight against money laundering and terrorist financing across West Africa.

#### **Member States' competent authorities should:**

- a. Ensure that Financial Intelligence Units (FIUs) regularly produce strategic analysis reports on the misuse of legal entities for money laundering purposes, money laundering through trade (TBML), money laundering by professional third parties, laundering the proceeds of crime committed abroad, and the misuse of dealers in precious metals and stones for the purpose of ML/TF.
- b. Conduct Typology Studies:
  - Authorities should prioritize in-depth analyses to better understand ML/TF&P methods and techniques used to misuse legal persons and legal arrangements.
  - Develop Dissemination Policies: Implement policies that ensure information on AML/CFT risks are shared with financial institutions, DNFBPs, and VASPs to support the application of risk-based approach practices.
  - Ensure Regular Register Updates: Enforce regulations requiring timely updates to registers to reflect changes in ownership or partnerships and prevent directors from acting as proxies.
  - Mitigate Risks from Bearer Instruments: Introduce measures to address AML/CFT risks related to bearer shares and warrants already issued to enhance transparency and traceability.
  - Assess Insurance Sector Risks: Carry out detailed ML/TF risk assessments specific to the insurance sector to identify and mitigate potential vulnerabilities, particularly those related to beneficial ownership.
- c. Sign and ratify the Hague Convention on Trusts to establish regulatory conditions for the supervision of fiduciary transactions in line with FATF requirements, enhancing the legal framework for the governance of trusts.
- d. Unify the transparency regime for legal entities by ensuring consistency in legal, institutional, and operational responses to FATF requirements, the Global Forum, the Merida Convention, and the EITI in terms of beneficial ownership, to ensure a more cohesive approach to financial transparency across jurisdictions.
- e. Conduct risk assessments and detailed typology studies to understand how gaps in legal frameworks allow criminals to exploit specific categories of legal entities for ML/TF purposes and develop targeted interventions to address these vulnerabilities.
- f. Ensure capacity building of all stakeholders within the public management (PM) and criminal justice (LA) architecture on the implications of beneficial ownership (BO) requirements for the security, integrity, and stability of financial systems, ensuring effective enforcement and compliance.



- g. Train and equip supervisory authorities and AEPPs on the typologies of ML/TF associated with legal entities and legal arrangements to enhance detection, monitoring, and enforcement capabilities in combating financial crimes.
- h. Enhance capacity development by strengthening human, material, and technological resources, developing continuous training and specialization programs, and promoting the use of beneficial ownership data in the context of investigations and prosecutions to improve the effectiveness of AML/CFT measures.
- i. Adhere to the principles of the 3Cs (coordination, cooperation, and collaboration) in the process of collecting and managing basic information and beneficial ownership (BO) data. Identify and interconnect relevant stakeholders in the country's BO architecture within an IT system to ensure timely access to relevant information by the competent authorities, facilitating efficient AML/C investigations and enforcement actions.

**Companies, particularly those operating in sectors with a high risk of money laundering, terrorist financing or proliferation financing, should:**

- a. Improve their culture of compliance and business ethics by integrating regulatory requirements regarding beneficial ownership into their operational framework, ensuring that businesses understand and adhere to the necessary standards to prevent misuse.
- b. Ensure that they have the authority to collect and verify information on their beneficial owners within the scope of national AML/CF&P requirements, strengthening the capacity to monitor and regulate compliance effectively.
- c. Cooperate with the competent authorities to establish internal registers of beneficial owners (BOs) that meet the criteria set out by relevant regulations and texts, enhancing transparency and ensuring compliance with legal obligations.

## COUNTRY SPECIFIC

### BENIN

#### To the competent authorities

- a. Provide the country with a regulatory framework that clearly outlines the rules and procedures for the creation of legal arrangements in Benin. This should include the types, forms, and basic characteristics of legal arrangements that can be established, along with the methods of their creation. Additionally, establish procedures for obtaining, storing, and updating basic and beneficial ownership information concerning legal persons and legal arrangements.
- b. Establish a national mechanism for the collection, storage, updating, and access to basic and beneficial ownership information of legal persons and legal arrangements. This mechanism should support the work of investigating and prosecuting authorities, as well as the obliged entities, in carrying out their respective tasks and responsibilities.
- c. Promote awareness through training workshops, seminars, or round tables on the relevant provisions related to the transparency of legal persons, legal arrangements, and their beneficial owners. This will ensure effective implementation by all stakeholders involved in complying with the required measures and obligations.
- d. Establish an operational framework for cooperation and the exchange of information on the transparency of the beneficial owners of legal persons and legal arrangements.
- e. Set up and operationalize national registers for the beneficial owners of legal persons and legal arrangements operating within the country.
- f. Implement regulatory measures to define specific sanctions for violations related to the declaration of beneficial ownership information by legal persons and legal arrangements.
- g. Provide training for CENTIF staff, investigative authorities, and CRIET magistrates on the typologies, techniques, and methods of trade-based money laundering (TBML) to enhance their operational capacity in combating the misuse of legal entities and legal arrangements for money laundering and terrorist financing (AML/CFT).

#### To Legal Persons and Legal Arrangements:

- a. Participate effectively in AML/CFT efforts by implementing the following obligations:
- b. Maintain internal records to ensure the collection and maintenance of accurate, relevant, and up-to-date information. This will facilitate the timely identification of shareholders, members, and beneficial owners of legal persons and legal arrangements operating within the national territory.
- c. Establish an internal mechanism to cooperate with the competent authorities regarding the transparency of beneficial ownership, ensuring timely access to information about their beneficial owners.

#### To Reporting Entities:

- a. Rigorously adhere to the obligations of client identification and due diligence before entering into a relationship with clients who are legal entities or legal arrangements. This includes understanding the nature of the client's business, as well as their ownership and control structure.
- b. Take reasonable measures to verify the identity of the beneficial owners, obtaining all relevant information, including details about managers and natural persons who ultimately hold a controlling interest or exercise control by other means.
- c. For trusts, identify the settlor, trustee(s), protector, beneficiaries, and any other natural persons exercising control over the trust, including through a chain of control or ownership.
- d. Maintain a register of all beneficial ownership information for clients that are legal persons or legal arrangements, ensuring the information is accessible to the competent authorities in a timely manner.

## BURKINA FASO

- a. Establish a single national file for all LPs (natural and legal persons) and LAs (corporate entities) to centralize and streamline data management.
- b. Adopt legislation requiring offshore companies to use a notary for their creation, ensuring greater transparency and compliance with national regulations.
- c. Ratify the Hague Convention on the Recognition of Trusts, aligning the country's legal framework with international standards for trusts and fiduciary arrangements.
- d. Adopt national legislation on trusts and similar legal arrangements, providing clear regulatory guidelines for the recognition, management, and supervision of trusts and fiduciary relationships.
- e. Adopt national legislation governing the use of nominees to enhance transparency and prevent the misuse of intermediaries in concealing beneficial ownership.
- f. Harmonize the texts governing the various registers of legal entities, including the Uniform Act on General Commercial Law, the Uniform Act on Commercial Companies, and the Decree on the Maintenance of the Register of Civil Companies, to create a consistent and clear regulatory framework.
- g. Adopt a text establishing a single national file for all LPs and LAs, consolidating data to facilitate more efficient monitoring and compliance.
- h. Adopt a text on the obligation of residence/election of domicile for company officers or appointed directors to ensure accountability and ease of legal action in case of non-compliance.
- i. Adopt a text limiting the possibility of being managers of multiple companies in the BF, reducing conflicts of interest and potential misuse of corporate structures.
- j. Interconnect the different platforms involved in business creation to ensure seamless data exchange and improve regulatory oversight.
- k. Establish statistical data collection tools that account for legal entities by their forms, purpose, capital, nationality of partners/shareholders, registered office, and place of activity, to improve transparency and analysis.
- l. Electronically document all PM or LA registration or registration records to modernize and streamline the registration process, ensuring accuracy and accessibility.
- m. Set up a department specialized in the creation of offshore companies to monitor and regulate the establishment of foreign-based entities operating domestically.
- n. Disseminate the national risk assessment report on the use of LPs and LAs for ML/TF purposes to relevant stakeholders, ensuring informed decision-making and awareness.
- o. Implement the interconnection between the RSCOOP and the FN RCCM to facilitate the transfer of data and improve the accessibility of corporate records.
- p. Digitize all registration records for LPs or LAs to ensure secure, accessible, and up-to-date information.
- q. Strengthen the skills of record-keeping staff to ensure the proper handling and management of business records and compliance data.
- r. Train and equip Supervisory Authorities and EPCAs on ML/TF typologies involving LPs and LAs, enhancing their ability to detect and prevent financial crimes.
- s. Raise awareness among stakeholders (AEPP) about the importance of systematically prosecuting LPs and LAs for offenses committed during their creation or operation, particularly those linked to ML/TF.
- t. Conduct thorough investigations prior to granting preferential regimes to ensure the legitimacy of businesses benefiting from special tax or legal statuses.
- u. Train and equip AEPPs and supervisory authorities on the value of beneficial ownership information in detecting ML/TF offenses, improving their investigative capabilities.
- v. Move towards an automatic exchange of information system for tax matters to enhance international cooperation and ensure compliance with tax regulations.

## COTE D'IVOIRE

- a. Establish a centralized and interconnected database for legal entities, ensuring that all relevant information about these entities is easily accessible and up to date.
- b. Continue raising awareness and providing training on understanding the risks of money laundering and terrorist financing (ML/TF) and take proactive steps to ensure all stakeholders adopt preventive measures.
- c. Ensure direct access to beneficial ownership (BO) information for criminal investigation, prosecution, and other relevant authorities to facilitate timely and effective action.
- d. Operationalize the centralized register of beneficial owners (BEs) and streamline access to this data for competent authorities, ensuring that the information is accurate, regularly updated, and easy to retrieve when needed.
- e. Improve inter-agency coordination by strengthening the collaboration between agencies responsible for managing and applying beneficial ownership data. This will enhance the accessibility and accuracy of the information and support AML/CFT efforts more effectively.
- f. Strengthen verification and monitoring mechanisms for beneficial ownership information by implementing stricter verification processes and conducting regular inspections to improve compliance with AML/CFT regulations.
- g. Build the capacity of Economic and Financial Prosecutors (EPAs) and other relevant personnel in using information related to beneficial ownership to ensure effective investigations and prosecutions.
- h. Strengthen the sanctions framework by ensuring that Côte d'Ivoire applies effective, proportionate, and dissuasive sanctions for non-compliance with beneficial ownership transparency requirements. Empower the RCCM (Registre du Commerce et du Crédit Mobilier) to impose sanctions for failure to comply with transparency obligations.
- i. Establish a regional database of beneficial ownership information in the ECOWAS region to foster cooperation and enhance the sharing of data across borders to prevent ML/TF activities.

## GHANA

To promote transparency and accountability, and to combat financial crimes such as money laundering and terrorist financing, legislative and regulatory measures must be swiftly implemented in Ghana. The following recommendations outline the critical steps that need to be taken to strengthen the regulatory framework governing trusts, business service providers, and beneficial ownership disclosure:

- a. **Pass the Trusts Bill:** The Trusts Bill, which aims to provide for the creation and regulation of trusts and corporate service providers, should be swiftly passed to ensure proper regulation and oversight of these entities.
- b. **Develop a Risk-Based Approach Manual:** The Office of the Registrar of Companies (ORC) should develop a risk-based approach manual for company inspectors. This manual will guide inspectors in conducting periodic, targeted audits to identify companies that have not provided or updated their beneficial ownership information and apply necessary sanctions.
- c. **Strengthen Collaborative Partnerships:** There should be a collaborative partnership between the ORC and the Ghana Investment Promotion Centre (GIPC) to ensure effective regulation and monitoring of the business sector.
- d. **Ensure Adequate Resources for Supervisory Bodies:** Supervisory bodies and competent authorities must be adequately resourced to supervise the activities of business actors and ensure effective follow-up on beneficial ownership information.
- e. **Raise Public Awareness:** The ORC, in collaboration with relevant stakeholders, should continue to raise public awareness about the importance of full disclosure of beneficial ownership information and encourage the public to regularly update the ORC's beneficial ownership registries.
- f. **Review Access to Beneficial Ownership Information:** The Commission should review the processes available for financial institutions to access beneficial ownership information, ensuring that it is efficient and effective for their due diligence needs.

- g. **Advocacy for Sanction Regimes:** “ ORC should enhance the enforcement of applicable sanctions to ensure compliance to BO reporting obligations.
142. These measures are collectively aimed at improving transparency, deterring illicit financial activities, and preserving the integrity of Ghana’s financial system.

## GUINEA

- a. **Interconnect Commercial Court and One-Stop Shop:** Proceed with the interconnection between the commercial court and the one-stop shop responsible for the creation of legal entities to streamline and improve the process of business registration.
- b. **Conduct Due Diligence Prior to Legal Entity Creation:** Ensure due diligence is conducted before the creation of legal entities to assess the legitimacy and compliance of potential business registrations.
- c. **Adopt Legal Framework for Legal Constructions:** Establish clear regulations for legal constructions and entities to ensure that they are subject to appropriate oversight and comply with AML/CFT requirements.
- d. **Digitize Legal Entity Creation Files:** Digitize all files related to the creation of legal entities to facilitate more efficient and transparent tracking, monitoring, and management.
- e. **Centralize Beneficial Ownership (BO) Registry:** Establish a centralized registry of beneficial owners to improve the accessibility, accuracy, and transparency of information on the ownership and control of legal entities.
- f. **Unify NGO and Association Registers:** Unify and streamline the registration processes for non-governmental organizations (NGOs) and associations to ensure consistency and oversight.
- g. **Sectoral Risk Assessment for ML/TF:** Conduct sectoral assessments of money laundering (ML) and terrorist financing (TF) risks associated with legal entities, including the informal sector, to better understand the vulnerabilities in different sectors.
- h. **Publicize Sectoral Risk Assessment Results:** Promote the findings of the sectoral risk assessments on the misuse of legal persons and legal arrangements for ML/TF purposes to raise awareness and inform policy.
- i. **Encourage Formalization through Campaigns:** Launch formalization campaigns at the one-stop shop for business creation to increase the number of legally registered entities and reduce informality in the business sector.
- j. **Raise Awareness Among Staff:** Provide training for the staff at the Single Window and Commercial Court on identifying the misuse of legal persons and legal arrangements for money laundering and terrorist financing purposes.
- k. **Implement Accurate Data Collection and Periodic Assessments:** Establish mechanisms for accurate data collection, conduct regular assessments, and set up targeted surveillance to mitigate sector-specific risks related to ML/TF.
- l. **Create Uniform Guidelines for Data Collection and Retention:** Develop and implement guidelines for the consistent collection, retention, and management of data related to legal entities and beneficial ownership.
- m. **Identify and Classify NGOs:** Develop a system to identify and classify non-profit organizations (NPOs) to ensure that they are monitored for potential misuse in illicit activities.
- n. **Revise Laws on NGOs and Associations:** Review and revise national laws on the establishment and operation of NGOs and associations to ensure better regulation and prevent their misuse for illicit activities.
- o. **Conduct Risk Assessment for NPOs:** Undertake a sectoral risk assessment to analyze the potential misuse of NPOs for illicit activities such as terrorism financing and money laundering.
- p. **Make the BO Register Online:** Ensure that the register of beneficial owners is available online to facilitate easy access for authorities, businesses, and the public.
- q. **Provide Access to Competent Authorities:** Ensure that the register of beneficial owners is accessible to competent authorities for efficient monitoring and enforcement of AML/CFT regulations.
- r. **Adopt Legislation for a Central BO Register:** Adopt the necessary legislative texts to establish and manage the central register of beneficial ownership information.
- s. **Interconnect National Databases:** Interconnect all national databases related to beneficial ownership to improve data sharing and ensure timely access for relevant authorities.



- t. **Designate a Supervisory Authority:** Assign a supervisory authority responsible for overseeing the creation, management, and compliance of legal entities to ensure adherence to regulatory standards.
- u. **Develop an Oversight Framework for LPs and LAs:** Create a robust oversight framework to monitor and ensure the compliance of Legal Persons (LPs) and Commercial Jurisdictions (LAs) with relevant AML/CFT regulations.
- v. **Increase Transparency for NPOs:** Enhance transparency and oversight of non-profit organizations (NPOs), with a focus on entities at risk of being exploited for terrorism financing.
- w. **Train AEPP on Identifying ML/TF Risks:** Provide training to Anti-Money Laundering/Countering the Financing of Terrorism (AAML/CFT) experts (AEPP) on how to identify potential ML/TF activities related to legal entities and arrangements.
- x. **Establish Inter-Agency Cooperation:** Foster inter-agency cooperation and allocate resources to the National Coordination Committee to improve coordination and implementation of AML/CFT initiatives.

## NIGER

- a. **Establish a Single National record for LPs and LAs:** Create a centralized national file for all Legal Persons (LPs) and legal arrangements (LAs) to improve transparency and oversight.
- b. **Mandate Notary Use for Offshore Companies:** Implement a regulation that requires offshore companies to use a notary for their creation, ensuring greater legal accountability.
- c. **Ratify the Hague Convention on the Recognition of Trusts:** Ratify the Hague Convention to provide a clear regulatory framework for the supervision of fiduciary transactions, in line with international standards.
- d. **Adopt National Legislation on Trusts and Similar Legal Arrangements:** Establish national legislation specifically addressing trusts and similar legal arrangements to ensure proper regulation and oversight.
- e. **Enforce National Legislation on the Use of Nominees:** Enact laws that regulate the use of nominees in legal entities, ensuring transparency and preventing misuse.
- f. **Harmonize Legal Texts Governing Registration of Legal Entities:** Harmonize and unify the texts governing the registration of legal persons, including the Uniform Act on General Commercial Law, the Uniform Act on Commercial Companies, and the Decree on the Maintenance of the Register of Civil Companies.
- g. **Adopt a Unified Text for LP and LA Registries:** Enact a comprehensive regulatory framework to establish a unified national registry for LPs and LAs, improving oversight and regulation.
- h. **Mandate Residency/Election of Domicile for Company Directors:** Introduce a legal requirement that directors of companies must have a registered domicile or residence within the jurisdiction, enhancing transparency and accountability.
- i. **Limit the Possibility of Managing Multiple Companies:** Implement a regulation that restricts the ability to manage multiple companies, especially for directors or managers of certain legal entities, to reduce the risk of abuse.
- j. **Interconnect Platforms for Business Creation:** Develop and implement an interconnected digital platform to streamline and enhance the process of business creation across different authorities.
- k. **Establish Statistical Data Collection Tools:** Create tools for collecting and analyzing data on legal entities, including their form, purpose, capital, main partners/shareholders, registered office, and operational location.
- l. **Digitize PM or LA Registration Records:** Ensure all legal entity registration records are electronically documented to improve tracking, accessibility, and data management.
- m. **Establish a Department Specializing in Offshore Companies:** Create a dedicated department to manage and regulate the creation of offshore companies to ensure proper scrutiny and compliance.
- n. **Conduct a Detailed Typology Study on the Misuse of PM and LA for ML/TF:** Carry out an in-depth typology study to examine how PMs and LAs may be misused for money laundering and terrorist financing, identifying common practices and risk areas.
- o. **Establish a Register for MP and LA Beneficial Owners:** Set up a register to capture and manage the beneficial ownership information for LPs and LAs, ensuring transparency.



- p. Implement Disclosure Mechanism for YSAs in the Register:** Develop and establish a clear mechanism for disclosing and maintaining information on the Youth Savings Accounts (YSAs) within the registry.
- q. Ensure Effective Control of Information:** Put in place procedures to regularly control and verify the accuracy of information contained in the legal entity registries.
- r. Systematize Investigations and Prosecutions of Legal Entities for BC:** Create systems and protocols for consistently investigating and prosecuting legal entities involved in financial crimes such as money laundering and terrorist financing.
- s. Train and Raise Awareness Among Criminal Justice Actors:** Provide training and awareness programs for all stakeholders in the criminal justice system on the importance of using beneficial ownership information in the investigation and prosecution of legal persons engaged in illicit activities.

## NIGERIA

### a. Improve Regulatory Oversight of Information Provided by the LPLA

- 143.** Legal entities are permitted to create and own other legal entities, resulting in the creation of complex corporate structures. This practice often undermines the transparency of corporate structures, particularly in relation to beneficial ownership (BO). Moreover, some legal entities fail to provide complete or any beneficial ownership information.
- 144.** To address this issue, the Corporate Affairs Commission (CAC) and other supervisory and regulatory authorities responsible for maintaining beneficial ownership registers should enhance the procedures and protocols for collecting, validating, and updating beneficial ownership information. Additionally, robust verification processes should be established to ensure the accuracy of beneficial ownership data. This should include cross-referencing information with other reliable sources and ensuring that legal entities disclose their beneficial owners in full compliance with legal requirements.

### b. Outreach, campaigns and public education on BO disclosure

- 145.** The results of the Corporate Workforce Compliance (CWC) survey conducted by the Corporate Affairs Commission revealed a significant gap between the total number of legal entities registered in Nigeria (around 2,072,226 ) and those that complied with the beneficial ownership (BO) disclosure requirement (1,450,014 ). This disparity highlights a lack of awareness regarding the legal obligation to disclose beneficial ownership, among other factors. The Corporate Affairs Commission (CAC) further indicated that a major challenge in collecting information from reporting entities stems from limited awareness and a low level of understanding of the newly introduced legislative responsibilities.
- 146.** To address this issue, it is crucial for regulatory and supervisory authorities such as the CAC, NEPZA, and NEITI to initiate targeted public awareness campaigns. These efforts should focus on educating and engaging legal entities and legal arrangements about these new requirements and the broader anti-money laundering (AML) and countering the financing of terrorism (CFT) measures across all sectors.

### c. CAC-accredited agents (the “Agents”)

- 147.** Agents are classified under DNFBPs and a review of the questionnaire responses indicates that they have a general understanding of money laundering, terrorist financing, and proliferation financing (ML/TF&P) concepts, as well as the potential risks associated with the misuse of legal structures. However, there is a gap in understanding their role in enabling such misuse.

- 148.** Agents can play a crucial role in preventing the misuse of legal entities and legal arrangements. Therefore, it is essential to implement ongoing training and awareness programs to help officers recognize and mitigate the risks associated with the misuse of corporations and arrangements. Additionally, the Corporate Affairs Commission (CAC) could establish a dedicated channel for officers to report suspicious activities or red flags identified during their work. The CAC may also consider issuing a Code of Conduct for agents, which would outline their responsibilities and ethical standards in both incorporated and post-incorporation matters.

#### **d. Enhanced Due Diligence on PEP transactions**

- 149.** The results of the investigations highlight the significant risk of misuse of legal persons and legal arrangements, particularly by Politically Exposed Persons (PEPs), to conceal beneficial ownership and engage in various illegal activities, including the misappropriation of public funds. Although existing regulations require enhanced due diligence for PEPs, ongoing misuse by PEPs indicates the need for additional oversight to ensure that Enhanced Scrutiny and Due Diligence (ESD) are consistently applied to PEP-related transactions.
- 150.** Regulators of Financial Institutions (FIs), Designated Non-Financial Businesses and Professions (DNFBPs), and other relevant sectors should ensure that legal persons in all sectors implement effective risk identification and management systems specifically targeting PEPs. This will help mitigate the risk of PEPs exploiting legal entities for illicit purposes.

#### **e. Law Enforcement**

- 151.** Law enforcement plays a critical role in ensuring compliance with AML/CFT measures. While progress has been made, the current number of convictions and prosecutions related to predicate offenses could be further enhanced to better reflect the assessed risks associated with the potential misuse of legal entities and arrangements in Nigeria. Strengthening enforcement efforts in this area would support ongoing initiatives to bolster the effectiveness of the AML/CFT framework.

#### **f. Collaboration, coordination and information sharing among law enforcement agencies**

- 152.** To ensure ongoing compliance with AML/CFT &P measures, it is essential for law enforcement agencies to collaborate and leverage modern technologies and methods for sharing information and coordinating actions. This approach will enhance the enforcement of AML/CF&P obligations and improve the effectiveness of efforts to combat money laundering, terrorist financing, and proliferation financing.

#### **g. Registration and Regulation of Trusts**

- 153.** The frameworks governing trusts in Nigeria are primarily based on Common Law, and the Trustee Investment Act 1957. These laws are outdated and fail to address current realities or the risks associated with money laundering, terrorist financing, and proliferation financing (ML/CF&P) related to legal arrangements.
- 154.** To strengthen the legal arrangements regime, Nigeria has enacted the Legal Arrangements Regulations in 2024 applicable to all express trusts and other legal arrangements made and administered in Nigeria or made under the law of another country but administered in Nigeria or where the trustee resides in Nigeria. It also applies to foreign express trusts and other legal arrangements with sufficient links with Nigeria as well as agents and other service providers to trusts.

#### **h. Maintaining Beneficial Ownership information of Trusts**

- 155.** Capital market operators (CMOs) establish various trust relationships, and SEC regulations require CMOs to audit the trustees, the settlor, anyone depositing assets into the trust, as well as any protector, beneficiary, and signer. However, the SEC does not maintain a register of trusts, which creates a gap in monitoring these arrangements.
- 156.** To address this gap, the Legal Arrangements Regulations provide for the establishment of a trust registry for the registration of express trusts and other legal arrangements. This registry will be domiciled with the NFIU.

## **TOGO**

- a.** Establish a legal framework for maintaining a register of the beneficial owners (BEs) of legal persons.
  - b.** Strengthen the AML/CFT capacities of the Centre for Corporate Formalities (CFE) and the RCCM to integrate AML/CFT measures into the procedures and processes for creating and registering legal persons.
  - c.** Create a legal mechanism to ensure the comprehensive collection and regular updating of beneficial ownership information for legal persons.
  - d.** Enhance tax oversight on all legal entities and publicly disclose any adjustments made as part of the tax control process.
  - e.** Implement a mechanism that facilitates access by investigative and prosecutorial authorities to specific information and data on the creation and operation of legal persons held by the CFE and RCCM.
  - f.** Take measures to combat cash transactions exceeding the 5,000,000 CFA francs limit set by the AML/CFT law.
  - g.** Promote and establish cooperative relations between inter-state agencies to improve cross-border efforts in combating financial crimes.
- 157.** A summary of the recommendations is included in the figures below for the benefit of all GIABA Member States.

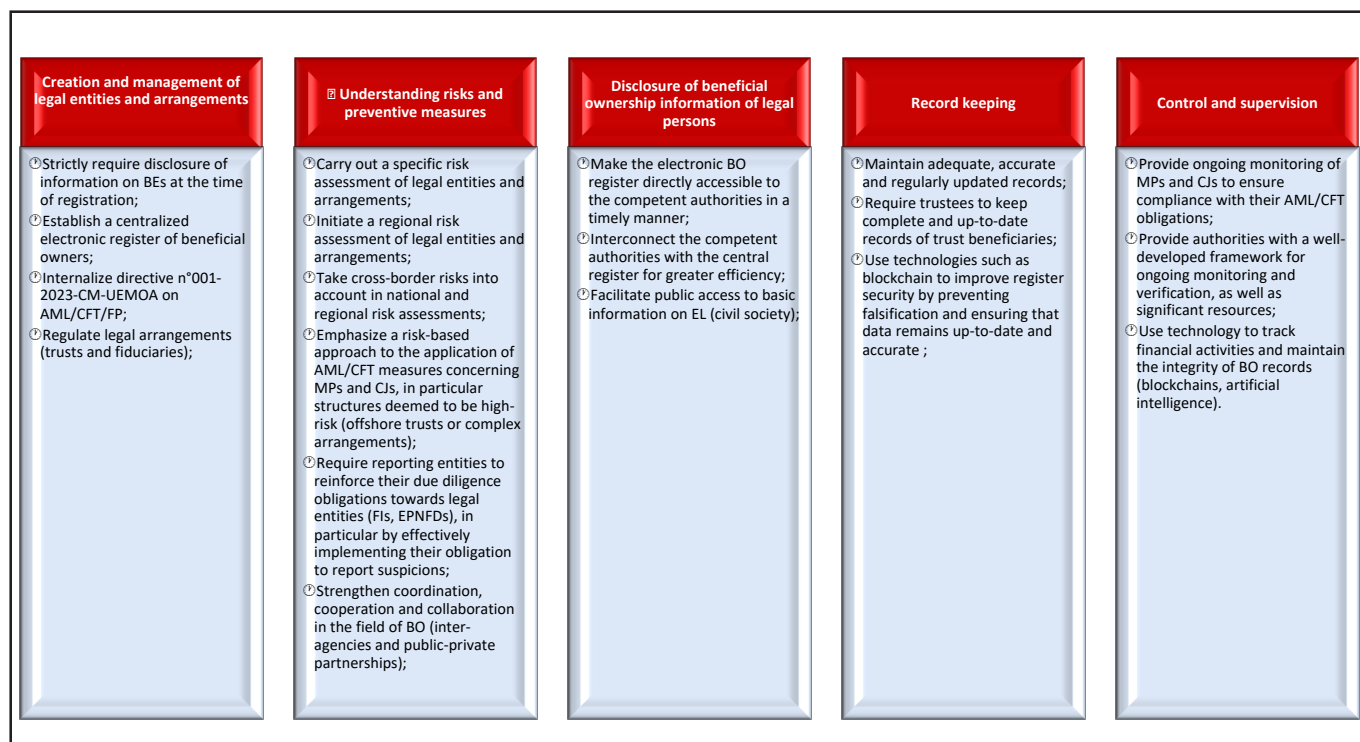


Figure 3 : Summary of Recommendations (Part I)

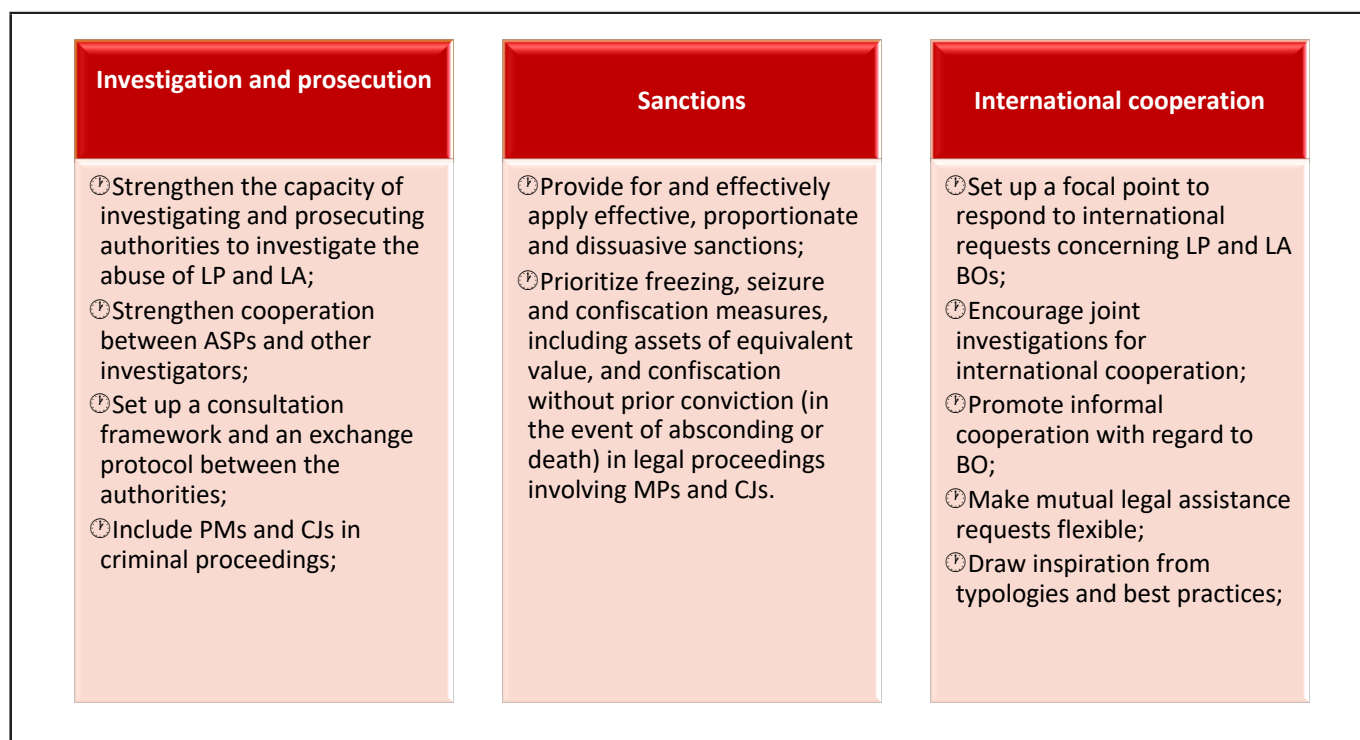


Figure 4 : Summary of Recommendations (Part 2)

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