

AML Tuesday's Session #31 on:

Sector-Specific STR Typologies and Red Flag Scenarios applied in Practice
for the DPMS, Arts & Antiques, Car Dealers & Pawnshop sectors

September 24, 2024

Discussion Topics

01

Reporting obligations

02

Typologies

03

Red flags indicators

Typologies

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Methods and trends associated with
ML/TF/PF/predicate offenses

Traditional typologies
New and emerging typologies

Awareness of typologies (worldwide, in the region, country, for the sector), can **help understand risks** to which the reporting entity's business is exposed and prevent abuse of the business by criminals and their associates

Red flags/Indicators

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Warning signs that sums involve proceeds of crime or are related to TF/PF/C

Based on **unusual behaviour or profile** of the customer/BO, source of funds, transaction, etc.

Indicators must always be considered in **context** - the presence of an indicator does not necessarily directly raise suspicion, but may **prompt closer examination** to determine whether there are **grounds to file an STR**.

Both documented in publications of **global bodies** (e.g. FATF, Egmont Group, UNODC), regional bodies (e.g. EUROPOL, EC) and **national authorities** (e.g. AMSF guidance, FIU annual reports); media & NPO reports



01

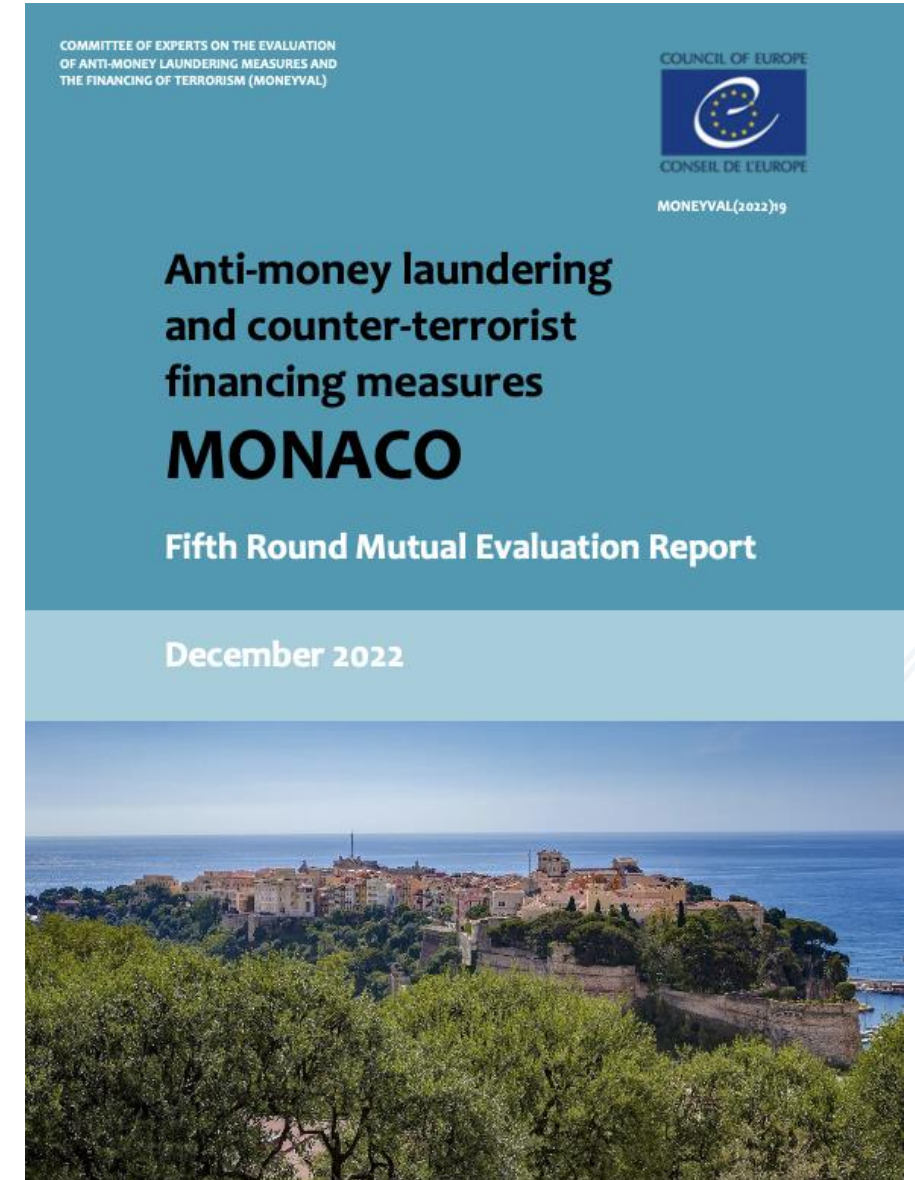
Reporting obligations

Monegasque legal framework

- The relevant legal obligations relating to the analysis and reporting of suspicious transactions for all reporting entities, are set out in:
 - **Art. 14 of the Law 1.362 (special examinations)**
 - **Chapter V (Art. 36 to Art. 45) of the Law 1.362 (STRs & mandatory reporting)**
 - **Art. 31 & Art. 36-2-1 of SO 2.318 (internal controls on reporting & form of reporting)**
- Professionals must file **confidentially and without delay** all transactions or attempted transactions involving sums or funds that they know or suspect to be derived from a predicate offence for money laundering or are related to terrorist financing or corruption offence, **before** the transaction is executed.

2022 MONEYVAL evaluation

- MONEYVAL found that the **number of STRs submitted by most DNFBPs remains limited**.
- MONEYVAL found the overall effectiveness of the STR reporting system in Monaco to be **low to moderate**.
- MONEYVAL recommended that the authorities should take measures to **improve the timeliness and quality of STRs**, in particular by providing guidance and additional **red flags indicators**, further developing the **typologies**, ensuring that the reporting entities understand and timely fulfil their STR obligations, and ensure that their internal audit and control departments monitor their sustainable implementation.



Examples of actions taken pursuant to MONEYVAL Recommendation

- **Implementation of GoAML platform for STR reporting**

- Relevant instructions and training slides on the use of GoAML are published on [this AMSF webpage](#)

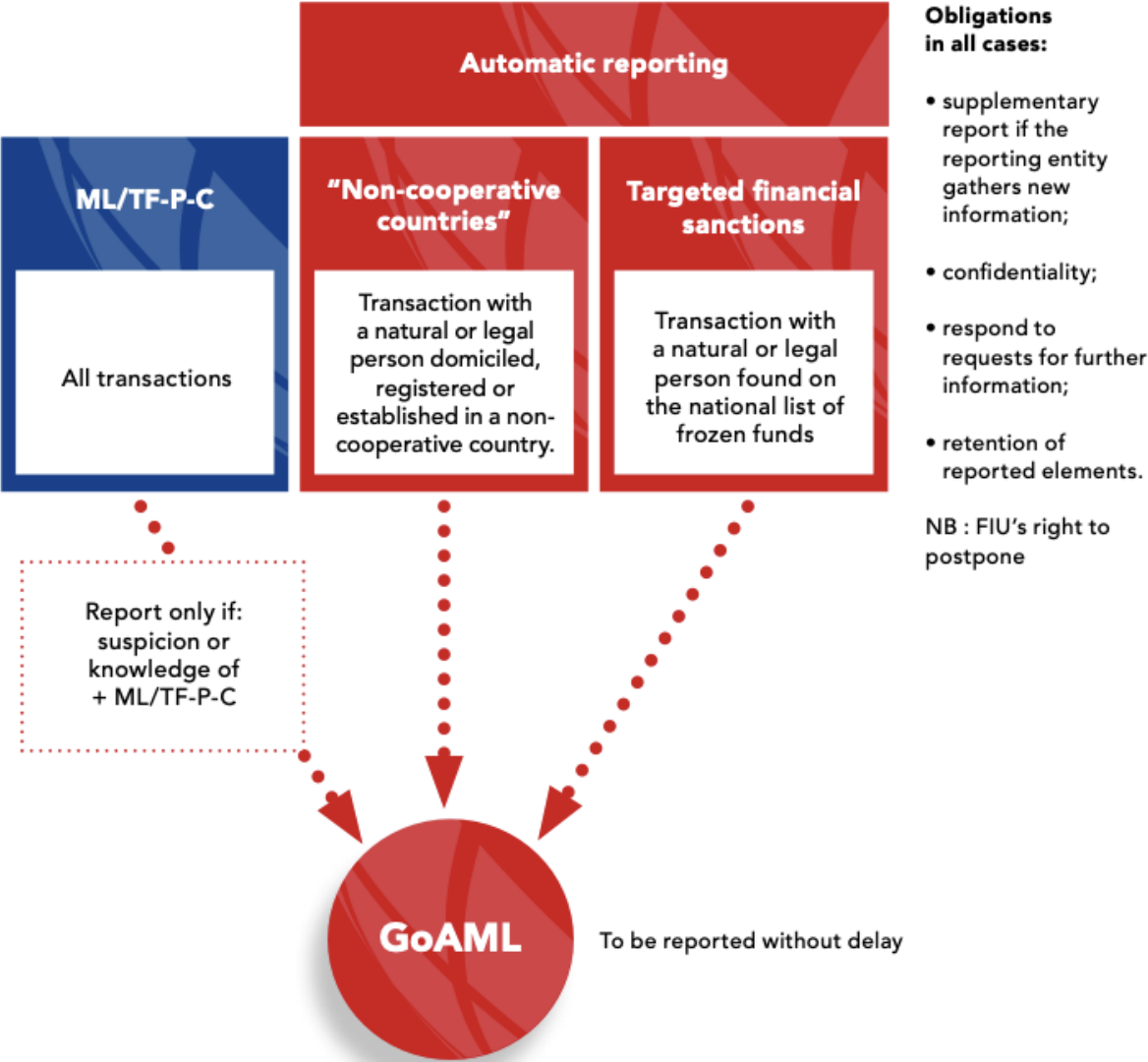
- **AMSF publications providing guidance on STR obligations and red flags indicators:**

- Short Practical Guide on STRs, providing a brief global overview of reporting obligations
- Detailed Guideline on STRs, containing more detailed explanations of reporting obligations as well as an Annex with Indicators for suspicions
- Guidance on PEPs, in light of exposure of Monaco to proceeds of offences of (foreign) corruption and influence peddling, including specific red flags indicators
- Terrorist Financing Awareness Guide, including an Annex with TF indicators
- All of these publications are available in French & English at [this AMSF webpage](#)

- **Training organised by AMSF & FTA, including:**

- 2023 AML Tuesdays sessions on STR reporting and Typologies & Red flags relating to TFS, TF and PF; slides are available on [this AMSF webpage](#)
- In-person training on "Effective STR reporting" from 13-16 November 2023; slides are available on [this AMSF webpage](#).

Some key points on STR obligations



AMSF Supervisory Findings on DNFBPs - 2023

Findings on ongoing monitoring and identification of suspicious activity:

- Ongoing monitoring not conducted
- No risk-based approach to monitoring
- Number of false positive alerts not clear
- Inadequate screening (country lists) & Infrequent or incomplete screening of customers and transactions
- Failure to identify repeated transactions even if obliged entities are diligent regarding limits on cash payments and are aware of their obligation in this respect
- Failure to update customer profile and CDD with details received during assessment or investigations

Findings on Suspicious Transaction Reporting:

- Failure to report or low quality reporting
- Failure to submit additional information on already submitted STRs
- The extent of the reporting obligation is not always fully understood
- Inordinate delays in reporting

June 2024: Monaco grey-listed by FATF

To be removed from the list, the FATF expects to see the **effects of these efforts** and to note **improvements in the quality and timeliness of STRs filed in practice**:

MONACO

In June 2024, Monaco made a high-level political commitment to work with the FATF and MONEYVAL to strengthen the effectiveness of its AML/CFT regime. Since the adoption of its mutual evaluation report (MER) in December 2022, Monaco has made significant progress on several of the MER's recommended actions including by establishing a new combined financial intelligence unit (FIU) and AML/CFT supervisor, strengthening its approach to detecting and investigating terrorism financing, implementing targeted financial sanctions and risk-based supervision of non-profit organisations. Monaco will continue to work with FATF to implement its action plan by: (1) strengthening the understanding of risk in relation to money laundering and income tax fraud committed abroad; (2) demonstrating a sustained increase in outbound requests to identify and seek the seizure of criminal assets abroad (3) enhancing the application of sanctions for AML/CFT breaches and breaches of basic and beneficial ownership requirements; (4) completing its resourcing program for its FIU and strengthen the quality and timeliness of STR reporting; (5) enhancing judicial efficiency, including through increasing resources of investigative judges and prosecutors and the application of effective, dissuasive and proportionate sanctions for money laundering; and (6) increasing the seizure of property suspected to derive from criminal activities.

AML Tuesdays session of 17/09/2024 provided further information on the FATF's decision to grey-list Monaco and the ICRG follow-up process and actions to be implemented to exit the list



Typologies, including new and emerging typologies

Two main forms of laundering involving HVGs

1) Money laundering through trade in high-value goods (HVGs)

HVGs are an attractive means for criminals to store and move assets in order to launder proceeds of predicate offenses such as drug trafficking, by placing and layering proceeds through HVG trade, including through trade-based ML schemes whereby the goods may not be physically moved

2) Laundering HVG proceeds of crime

The HVG industry in itself is often exploited and targeted by criminals, for instance through large-scale thefts, forgeries, or illegal mining (of PMS). This leads to HVG proceeds which can be laundered through different means, including by placement into the legal HVG trade to conceal their illicit source. Colleague-dealers as well as pawnshops may end up facilitating the laundering of such stolen goods.

Common typologies for ML involving HVGs

Common, “**classic**” **techniques** in scenarios reported worldwide whereby criminals and their associates use transactions in luxury/high-value goods (HVGs) to launder money or evade TF/PF/other sanctions:

- Use of **corporate vehicles** to conceal end user/BO: SCs, offshore companies, shell companies, complex structures (e.g. trusts), including use of companies' accounts as transit accounts
- Use of (complex) **loans**: loan-back schemes; use front men to obtain loan; use of stolen or misrepresented goods as collateral for loans; diversion of loans; pay loan off with illegal funds
- Use of sale methods and channels permitting **anonymity**: online sales; mules; sales through representatives or gatekeepers such as non-financial service providers (TCSPs, lawyers, etc.) and use of escrow accounts
- **Trade-based ML techniques**: manipulation of the appraisal or valuation of a property; creation of fake and successive trade chains; fictitious invoicing
- **Use of cash** for full price or part of the price (“under the table”), smurfing/structuring and refining

Common typologies for TF involving HVGs

- Looting of archaeological goods is a mechanism used to generate ill-gotten funds for the financing of terrorism. It was observed in particular when **ISIL occupied Syrian territory**.
- ISIL has been observed to use **two known methods** to generate funds through exploiting cultural objects and heritage:
 - **Directly benefitting** from the excavation, looting, and trafficking, including by selling it to third parties.
 - **ISIL taxing non-ISIL members** for the excavation, looting, and smuggling on territory that it controls.
- While ISIL has lost its territory in Syria, it continues to exert influence over territory in other parts of the world (e.g. the **Sahel region in Africa**), and may possess cultural objects that could generate funds. **Other terrorist groups** in the Middle East and parts of North Africa, including Al-Qaeda and affiliates, ANF, and Hurras al-Din (HAD) have also been observed **using similar schemes to obtain funds**.
- Crisis areas being exploited often include vast territories rich in archaeological heritage that are constantly looted with the aim of collecting valuable artefacts to be smuggled into **EU countries with large antiquities markets** (e.g. Germany, Belgium, NL, etc.). **US and UAE are considered regional hubs** for illegal antiquities trading. These goods are provided with **fake documents of origin** in order to infiltrate the legitimate art market, and can be stored in **free ports and free zones**.
- The **mining and smuggling of gold and diamonds** has also been observed as a source of financing for global affiliates of **ISIL and Al-Qaida** and for **regional terrorist groups**, including in Latin America and West Africa.

Specific observations on typologies involving PMS

Out of all HVGs, precious metals and stones (PMS) such as **gold and diamonds** are highly preferred products for use in criminal or terrorist activities, thanks to following features:

Gold	Diamonds
Can often be traded anonymously & outside of formal banking system	
High-value products	
Cash-intensive trade	
Difficult to trace transactions	
Easily smuggled (small size, odourless)	
Safe investments	
Value is retained over long period of time	
Diverse distribution channels, including through the internet	
Attractive products to be cited in trade invoices for use in trade-based ML schemes	
Transnational and complex trade with long "pipeline"/multiple stages & full of intermediaries	
Intrinsic value	Possibilities for price manipulation due to subjectivity in valuation
Can be melted into different forms to facilitate smuggling and avoid detection	Changeability (when transformed from rough to polished diamonds), making tracing difficult
Universally accepted currency	Can be used as currency by criminals seeking to find alternatives for cash
Sector includes depository and certificates products providing legal title to bullion stored on owner's behalf	Opaque and closed nature of the industry; trust-based conduct of business and minimal records
Can go undetected through metal scanners	
High value-to-mass ratio	
Often unmarked	

Typologies: use of corporate structures

Criminals are known to use **corporate vehicles** very frequently in ML processes, as a means to hide the identities of criminals and move illicit proceeds of crime. Structures which are particularly popular include shell companies and legal arrangements such as trusts.

For example, the StaR Initiative, a collaboration between the UNODC and the World Bank, noted that of its review in 150 cases involving grand corruption, 128 involved the use of shell companies.

Shell companies are typically non-publicly traded private corporations or limited liability companies (“LLCs”) that have no physical presence beyond a mailing/post-box address, no real activity and generate little-to-no independent economic value. They can be set up and managed by the criminals themselves or their associates, by **front persons, nominee shareholders and directors or by professionals** such as TCSPs and lawyers which may be wilfully facilitating ML or whose services may be misused for their specialised knowledge and gatekeeper function.

See also FATF & Egmont Group 2018 [Report on the Concealment of Beneficial Ownership](#).

Typologies: use of loans

Examples of the use of HVGs in the context of obtaining **fraudulent loans**:

- Use of forged arts and antique objects as collateral for loans
- Use of diamonds with forged Kimberley Certificates as collateral for loans
- Use of stolen goods/diamonds/conflict diamonds as collateral for loans
- Use of misrepresented high-value objects as collateral for loans, e.g. without the knowledge of co-owners and without disclosing co-ownership to the buyers

Criminals may take out loans (for purchasing HVGs/with HVGs as collateral) from (art) finance companies/**unregulated entities** which may not apply adequate CDD to the same level as regulated FIs and not identify and report suspicions, allowing for the ultimate owner or source of funds to remain unidentified; divert the funds and/or pay back the loans with illicit funds.

Loan-back schemes: A criminal borrows their own criminal money, simply by creating a loan agreement between themselves or their representative and an apparent “third party”. **Foreign offshore corporations** controlled by the criminal are most commonly used as the **“third party lender”**.

Illustrative example combining multiple typologies

A fictional example illustrating how a **loan-back scheme**, combined with the use of **corporate vehicles**, the use of **professional service providers** and **fictitious invoicing**, could work in practice:

- Dirty money, derived from criminal activities of Criminal A in Italy, has been deposited into a foreign bank account of Company B in the Bahamas. Company B is set up and managed by a TCSP acting on A's behalf.
- In Italy, new LLC companies X, Y and Z are incorporated, with starting capital provided through dirty money. Criminal A is appointed as a director of Company X and his associates are appointed as directors of Y and Z.
- Company X borrows money from the foreign company B in order to finance the purchase of a high-value, luxury good (a car, an artwork, antiques artefact, diamonds, etc.) in Monaco.
- Company X pays off the loan to Company B, with funds raised by issuing invoices for the sale of art and other goods at inflated prices to Company Y and Z.
- Once paid off, Company X sells the luxury object to a third party through bank transfer, with formal proof
- Criminal A now converted dirty money into legal funds.

Typologies applied in practice – Laundering of stolen HVGs

Diamond District case study: Use of second-hand dealers to sell stolen diamonds

Diamonds are often targeted by professional theft crews, including **organised crime groups from the Balkans**. They are taken from **large-scale robberies, thefts and burglaries** and are sold to second hand dealers to include pawnshops, estate jewellery dealers and other high-end retail outlets for between 20% and 30% of retail value.

Reporting by law enforcement in the US indicates that **pawn shops** may also be used or even operated by criminal gangs as front companies. Diamonds sold for cash in pawn shops are often owned by Russians affiliated with organised crime who have contacts in the Diamond District. According to the FBI it is not difficult to sell stolen property. Criminals sell stolen property at a deep discount to the pawn shops, which in turn have to negotiate with “legitimate” dealers so that the diamonds enter the **legitimate stream of commerce** in the Diamond District.

Source: 2013 [FATF report](#) on ML/TF through Trade in Diamonds

Typologies applied in practice – Terrorist financing

Palmyra case study: Use of Geneva free ports to store cultural relics looted from ISIL territory

In December 2016, the Swiss authorities seized cultural relics that had been looted from Syria, Libya and Yemen, and were being stored in Geneva's free ports, which provide highly secure warehouses where items can be stored tax-free.

The looters had brought the confiscated objects to Switzerland via Qatar.

The confiscated objects, from the third and fourth centuries, include a head of Aphrodite and two funereal bas-reliefs.

Three of the pieces were from the ancient city of Palmyra (Syria), a UNESCO world heritage site systematically destroyed by the ISIL (Da'esh) jihadists who had seized it in May 2015.

Source: [2022 EU Supra-National Risk Assessment](#) on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities

Typologies applied in practice – Sanctions evasion

Rotenberg case study: Using offshore companies and art advisors to mask ownership and evade sanctions

Russian billionaire brothers Arkady and Boris Rotenberg, members of Putin's inner circle, made part of their fortunes thanks to obtaining **lucrative state contracts**. They were **sanctioned by the US** in March 2014 following Russia's annexation of Crimea (in 2022 also by **EU**). In response, the Rotenberg family used **a range of techniques to shift around their assets, protecting them from sanctions being applied and assets frozen**.

One of the identified strategies that they used were purchases of art through **anonymous shell companies** linked to the Rotenberg family. Using these companies, they purchased art worth \$18 million in the months after sanctions were imposed, via a **Moscow-based art advisor and dealer**. The companies had been set up in the **British Virgin Islands** by **Panamanian law firm Mossack Fonseca** (known from the Panama Papers).

The art advisor and dealer took advantage of rules and practices that allowed him to present himself as the **“principal” buyer**, including to auction houses such as Sotheby's and Christie's, and avoid naming any client that he might be representing in the purchase or sale. The \$7.5 million private sale of René Magritte's La Poitrine is the most famous painting embroiled in this case.

Source: 2020 [US Senate Permanent Subcommittee on Investigations Report](#) on the Art Industry and Policies that Undermine Sanctions

New and emerging typologies

- Global and regional bodies such as FATF periodically publish **reports describing new and emerging ML/TF typologies** observed worldwide
- Reporting entities should keep themselves informed about such publications and determine which typologies can be **relevant in the context of their own geography, sector, business, customer profile and activities**
- The reporting entity should monitor evolving risks on a continuous basis to determine whether there is a need to update its policies and procedures in order to adapt to the risks, e.g. whether there is a need to **add new red flags to its internal list of indicators** for potentially suspicious activity on the basis of such typology reports

Example 1 of recent publication on typologies



- **CBI/RBI programmes** worldwide can be abused by criminals who seek to launder and conceal proceeds of crime.
- As the popularity of investment migration programmes has grown, FATF and OECD have noted in a [joint report](#) that the **risk of illicit actors utilising the programmes has also increased.**
- The OECD maintains an [overview of jurisdictions](#) with high-risk CBI/RBI schemes
- In **Europe**, the EC has concluded in the [EU sNRA](#) that the estimated risk level of ML for CBI/RBI schemes is **VERY HIGH**, citing numerous examples of schemes that have attracted wealthy people known or suspected to be involved in ML schemes and sanctions evasion, including **Russians who are sanctioned or linked to sanctioned individuals** and who managed to **obtained EU citizenship (through Malta & Cyprus programmes)** or residency in Member States.
- In **Monaco**, the FIU has also come across scenarios that could be linked to the misuse of CBI/RBI for ML purposes.

Example 2 of recent publication on typologies



Guideline :

**Terrorist financing awareness guide for the private sector
(Financial Institutions and Designated Non-Financial Professionals and Businesses)**

and

Anti-money laundering, terrorist and proliferation financing

From ANNEX I to the Guideline "Trends in terrorism and terrorist financing":

- Whilst the threat from foreign terrorist fighters (FTFs) engaged in fighting in Iraq and Syria has diminished, **FTFs are increasingly travelling to other combat areas such as Russian sieged/occupied territories in Ukraine and North and West Africa.**
- **Self-funding by individuals** and **funding by recruitment/facilitation networks** are assessed as the two most common methods used to raise funds for FTFs.
- Individuals often use funds from legitimate sources (e.g., employment income, social assistance, family support, bank loans) to finance their travel to the conflict zone. In some cases, investigations have revealed that small businesses were intentionally established and used to generate revenue that supported FTF travel. Some jurisdictions have also noted **the sudden sale of assets including personal belongings** and **assets purchased on credit** just prior to the FTFs planned travel.

Typologies of abuse of HVGs in Monaco

- **Sectorial threat levels** for abuse as per NRA 2 (see p. 33)
 - DPMS and arts & antiques sectors face **medium-high** levels of threat;
 - Car dealers face **medium-level** threats;
 - Pawnshops face **low-level** threats
- The analysis of ML case studies (STR disseminations and law enforcement investigations) analysed for the **2023 National Threat Assessment** identified that, amongst these sectors, **jewellery and watches** feature most frequently in ML cases and other types of high-value goods also feature in some cases.
- The Threat Assessment emphasised that, because of the **ready accessibility of high-end property and luxury goods** in Monaco, the Principality is particularly vulnerable to the activities of criminals seeking to acquire assets in Monaco.
- The largest threat Monaco faces from a ML perspective is from **overseas nationals residing outside Monaco**, but **overseas nationals who are resident in Monaco** also feature prominently in the case studies analysed.

Typologies of abuse of HVGs in Monaco - *continued*

- A study of the **methods of laundering** in the case studies leads to the conclusion that, in most cases, the proceeds of crime that have been generated overseas, once entered into Monaco, either remain in Monaco in the form of balances on bank accounts or are **used to purchase high value assets in Monaco** such as real estate, jewellery, art and vehicles, rather than being sent on to other jurisdictions.
- The large majority of the cases featured **self-laundering**, The self-laundering routinely takes the form of **investment in property or high end goods**, such as vessels, vehicles and art and antiquities.
- In most of these circumstances, **Monaco features as a destination for criminal funds**, rather than as a transit point.

Typologies of abuse of HVGs in Monaco - *continued*

- Examples of **features of ML cases involving high-value goods**, as analysed in the 2023 Threat Assessment:
 - Acquisition of high-value goods by **organised crime actors** connected to OCGs in France and Italy
 - Acquisition of high-value goods by **Russian oligarchs** or persons connected to them, including through Monegasque businesses
 - Suspicious transactions involving non-resident overseas nationals engaging in **transitory activity**, such as purchasing high-value goods or gambling in the casino
- Furthermore, the below features were observed for the real estate sector and may also be relevant for other luxury goods sectors, albeit they have not yet been detected for those sectors on a significant scale (yet may be underreported/go undetected!):
 - Transactions in property (incl. by Monegasque residents) funded by **foreign transfers from offshore companies** or through **suspicious sources of funds** (e.g. uncorroborated inheritances, family loans)
 - Acquisition of property funded by **loans between different (offshore) companies** connected to the suspects (possible loan-back schemes)

Typologies of abuse of HVGs in Monaco - *continued*

- The threshold for **cash transactions** in Monaco (**€30.000**) is notably higher than in neighbouring countries:
 - France: € 1.000, or € 10.000 for personal expenses of foreign tax residents
 - Italy: € 5000
- As a result, Monaco may be attractive for **non-resident persons** to conduct high-value cash transactions, including with cash from illicit origins. See also Monaco NRA 2, p. 123.
- Monaco has a mandatory declaration system in place for all cross-border transportations of cash over **€ 10.000**.

Typologies of abuse of HVGs in Monaco - *continued*

In relation to **cash transactions**, dealers in HVGs should also remember that:

- They should carry out CDD for all cash transactions over **€ 10.000**
- Both the € 10.000 threshold for CDD and the €30.000 limit on cash apply whether reached in a single operation or in several operations which appear to be **related**, during a period of six calendar months.
- **Attempted** suspicious transactions should also be reported (with as much CDD information on the attempted customer as possible), for example:
 - If a jeweller refuses a transaction for cash > € 30.000; or
 - If an arts dealer refuses a transaction by a non-resident for >€ 10.000 where the customers fails to provide proof of having declared the cash entering Monaco



03

Red flags indicators



POINTS TO WATCH

Reporting entities must adopt their own indicators in the light of their activity and risk profile.

The mere presence of an indicator is not necessarily grounds for suspicion of ML/TF-P-C, but may prompt surveillance and closer examination. Conversely, a number of indicators may be grounds for suspecting ML/TF-P-C.

Indicators must always be considered in context.

Indicators are points of attention that arouse suspicion or allow the reporting entity to detail its suspicions about a given transaction. The AMSF proposes a **non-exhaustive list** of indicators, which can be consulted on its website.



The next slides contain **non-exhaustive examples of indicators**

Annex:

Indicators for suspicions

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Examples of indicators for pawnbrokers

Indicators relating to **use of mules**:

- ▶ Difficulty confirming the details regarding acquisition of the items being offered into pawn
- ▶ The customer is accompanied by another person who appears to be insisting on or monitoring the transaction
- ▶ A suspicion that the person offering items into pawn does not own the goods

Examples of indicators for DPMS/jewellers

Indicators relating to **payment instruments**:

- ▶ The customer attempts to use a payment card in a different name
- ▶ The customer buys high-value goods using small-denomination bills
- ▶ The customer attempts to purchase goods in funds other than euros
- ▶ The customer inquires about the possibility of returning goods and receiving the money back through a different payment instrument than the one used to make the purchase

Examples of indicators for arts & antique sectors

Indicators relating to the **items/pieces to be traded**:

- ▶ The customer is evasive or reluctant to provide adequate information relating to the item of art, antiquity or other object, or provides information which appears to be false
- ▶ Imported or exported items have not been declared to the relevant customs administration(s), or the customer refuses or is unwilling or unable to share documentation in relation to customs declarations
- ▶ Transactions involving unique archaeological pieces allegedly related to existing collections but previously unstudied or newly 'discovered' art allegedly attributed to a prominent artist

Examples of indicators for car dealers

Indicators relating to **third parties'** involvement in transactions:

- ▶ Request to register the vehicle on a different name than the name of the person leading the negotiation of the purchase of the vehicle, especially where:
 - ▶ The person in whose name the property must be registered has not been physically present at any time during the negotiations or;
 - ▶ There is no clear relationship between the two persons
- ▶ Request to send the invoice to another party than the customer

Fictionalized case study: Application of red flags scenario in practice

- The Monegasque car dealer Automobile Avenue (AA) is approached by Mr. X, a Pakistani businessman resident in Malta. Mr X wants to acquire a **luxury car worth € 250.000**, to be registered in his name and to be paid by bank transfer from his company's account, Redstone Investments Malta Limited.
- Upon inquiries from the dealer as to why he seeks to acquire a car in Monaco and why it will be paid from the company's account, Mr X mentions that he will often need to travel to Monaco and the South of France for business in the upcoming year, as Redstone is looking to expand their investments beyond Malta.

Red flags immediately identified by the reporting entity:

- ▶ Purchase by a non-resident and to be paid through the bank account of a company
- ▶ Foreign resident of a country with high-risk RBI scheme
- ▶ Vague links between the person/entity conducting the transaction (Malta) and the location of the vehicle (Monaco) which cannot be corroborated through contracts, open sources etc.

Hence, on the basis of AA's internal procedures, the dealer decides to conduct a **special examination**, without tipping off the customer.

Fictionalized case study (*continued*)

- AA requests more information from Mr X as to Redstone's source of funds and revenues and planned business activities in/around Monaco. However, **Mr X does not offer clear information** on the names and sectors of Redstone's current main investments or near-future plans.
- AA also carries out a **detailed analysis of open-source and media information** on all parties and entities to be involved in the transaction.
- No adverse information is identified when looking on Mr X's name.
- However, as to Redstone, the dealer establishes that they are reported in a newspaper article on GVH, a Maltese healthcare company. GVH won a big tender for the private operation of three Maltese hospitals a few years ago, when it was owned by Redstone. Recently, Redstone sold GVH to a US healthcare company.
- When further googling GVH, Redstone and the names of any directors appearing in the media, no prior track record in healthcare business can be identified.

Fictionalized case study (*continued*)

Additional red flags identified through the special examination:

- ▶ The customer is reluctant or unable to provide clear information on the financing sources and business activities and does not provide supporting documentation.
- ▶ The customer is associated to a company, which has been awarded a major public contract shortly after its establishment with no prior track record (= **red flag for corruption and collusion** between public officials and UBOs of the company)
- ▶ The customer may be a PEP (an associate to the public officials who decided on the tender) and may have benefited from a high-risk RBI programme

Hence, following the special examination, before going ahead with any further business with Mr X, the car dealer decides to **file an STR with the FIU, describing all of the red flags identified**, as well as sharing all of the relevant CDD information, on the basis of the suspicion that the funds intended to be used to purchase the car derive from foreign corruption and embezzlement.

*Thank you for your
time*

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Next Session:

01.10.2024

Topic:

CDD/EDD measures for
DPMS, Real estate & Casino
sectors

Today's Host: Tamar Goderdzishvili

Today's Presenter: Suzanna van Es