



CORPORATE STRUCTURES & ENABLERS AND THEIR CONTEXT IN FINANCIAL CRIME

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Types of Enablers & Their Methods

- Key is lack of transparency
- Remove the true owners as far away from the assets as possible.
- Disguise or obscure the nature and purpose of transactions to facilitate crime

Who are the enablers?

- Lawyers
- Accountants
- Business Formation Companies/Agents
- Business Service Companies
- Bankers/Financial Service Professionals



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What are the persons/schemes? - People

- Nominees
 - Nominee Shareholders
 - Nominee Officers
 - Nominee Directors
- Strawmen
- Lawyers (e.g. Power of attorney)
- Bankers (e.g. Full discretion)
- Trustees
- Accountants
- Auditors



What are the persons/schemes? - Places

- Offshore Jurisdictions/Tax Havens
 - Belize
 - Mauritius
 - Seychelles
 - Hong Kong
 - Singapore
 - Switzerland/Liechtenstein
 - Gibraltar
 - Bermuda?
 - UK?
 - US?



What are the persons/schemes? - Things

- Entities
 - Complex and Simple Structures
 - Shell Companies
 - Trusts
 - Foundations
 - NFP
 - PICs
 - Hedge Funds
 - Asset Managers



Systemic Jurisdictional Weaknesses

- Weak AML requirements and related laws
- Weak law enforcement
- Limitations to investigations
- Lack of international law enforcement cooperation
- Bank Secrecy Jurisdictions
- Tax havens
- Lack of independent corporate registers as well as those that are accurate and current.



Creating Complex Structures

- Not all complex structures are illegal. There are many reasons why creating a complex structure is appropriate.
- Consequently, for every organizational structure, as part of due diligence, one must understand the specific legitimate reasons for a given business ownership model.



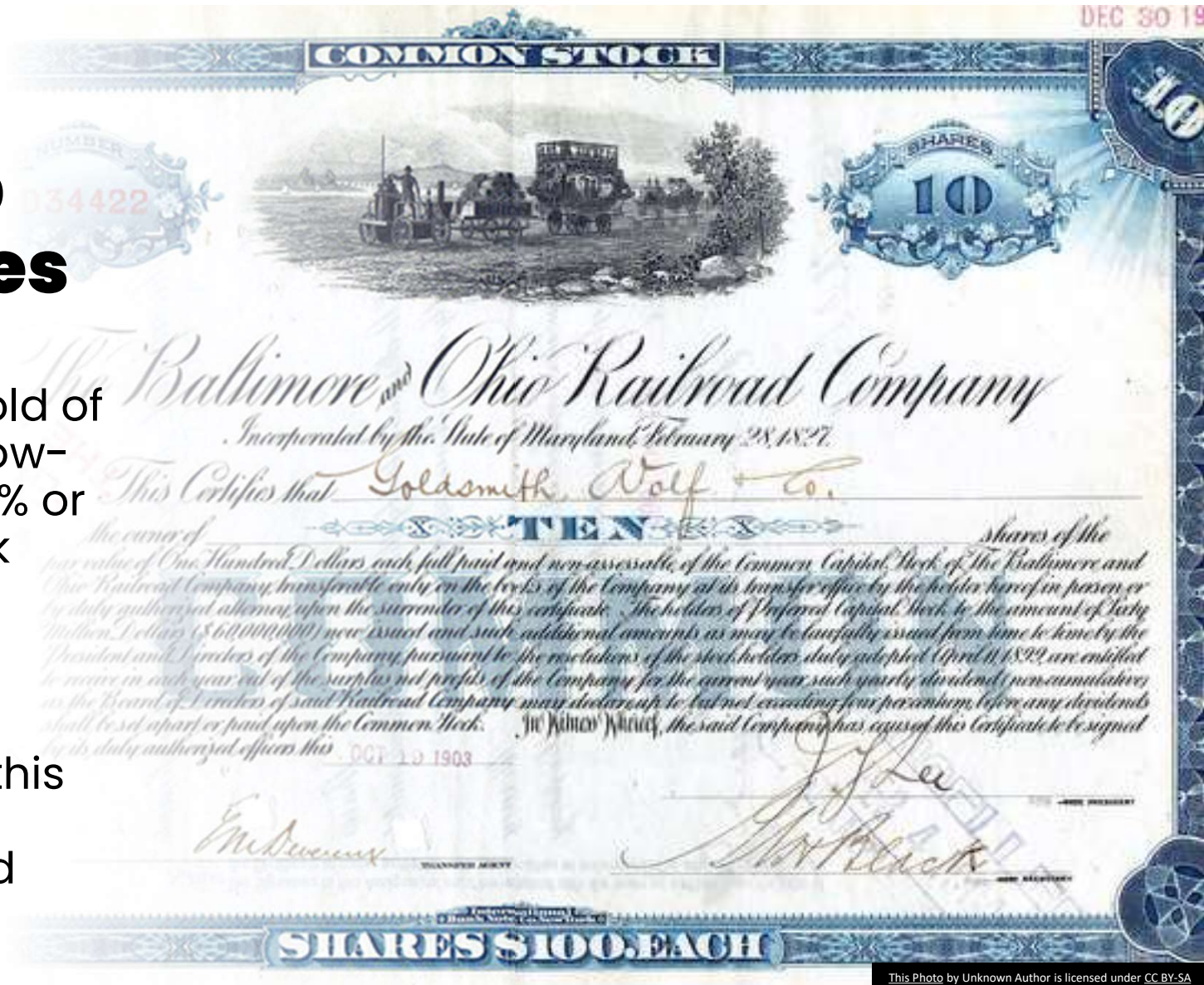
Justifying Complex Ownership Structures: 2-Part Test

1. Efficient
2. Economic

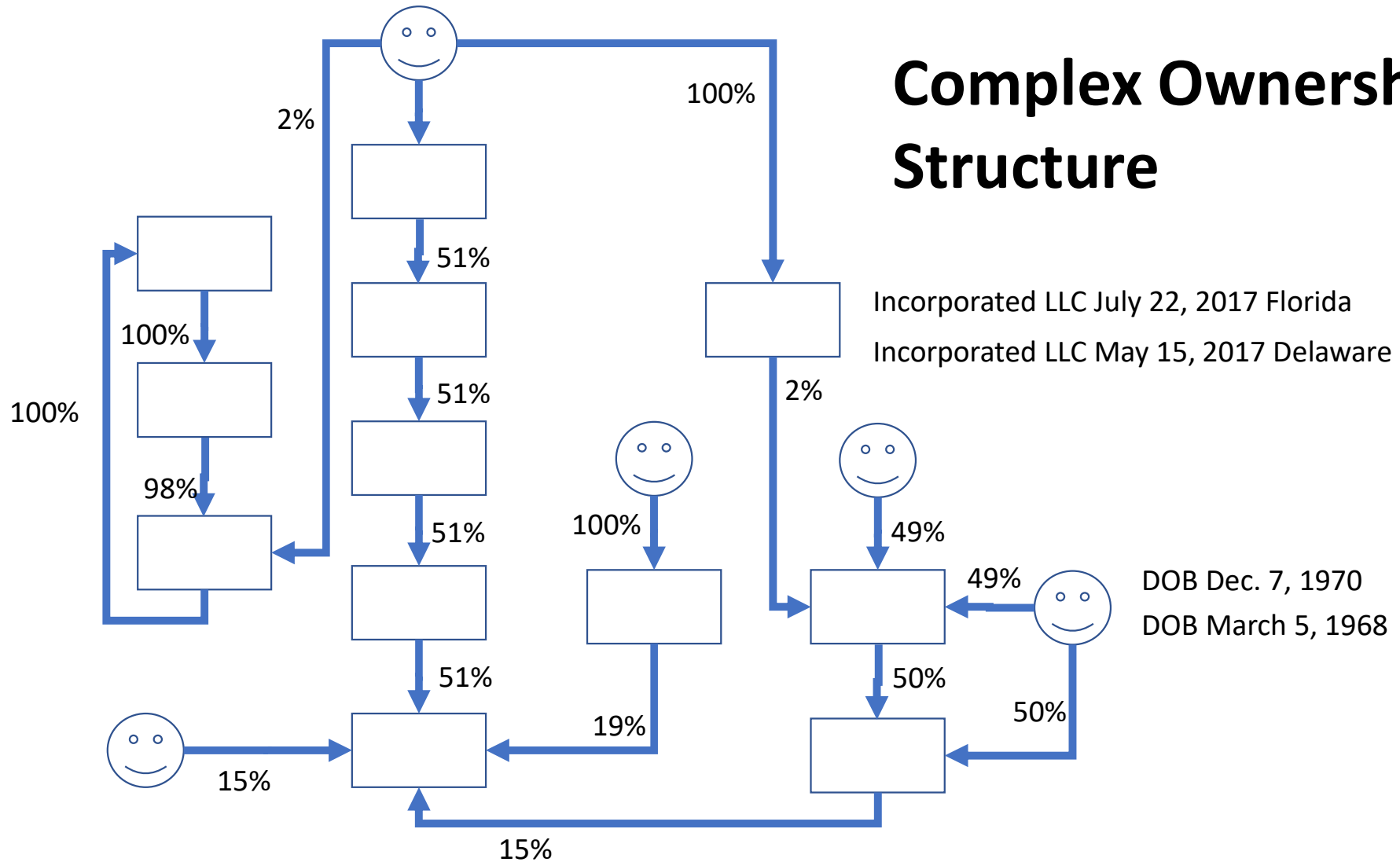


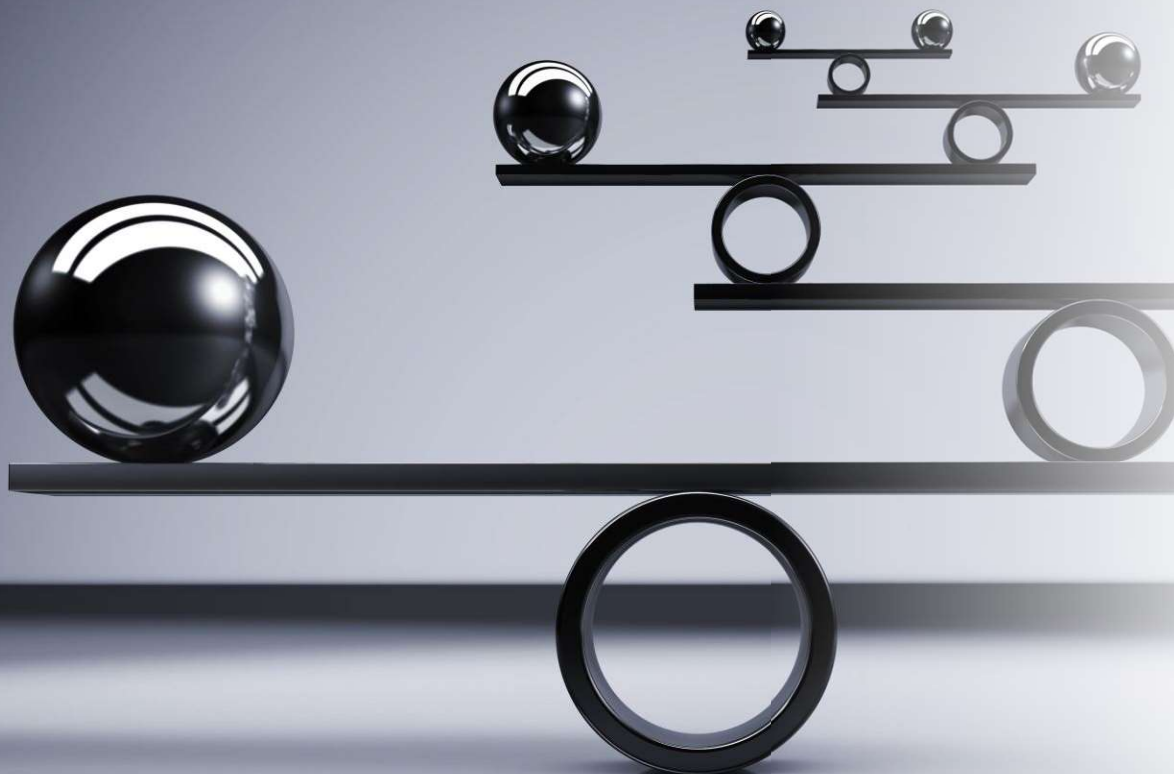
Minimum Ownership Percentages

- Many banks set a minimum threshold of 25% or more for low-risk clients and 10% or more for high-risk clients.
- Criminals and facilitators know this and structure ownership around this.



Complex Ownership Structure



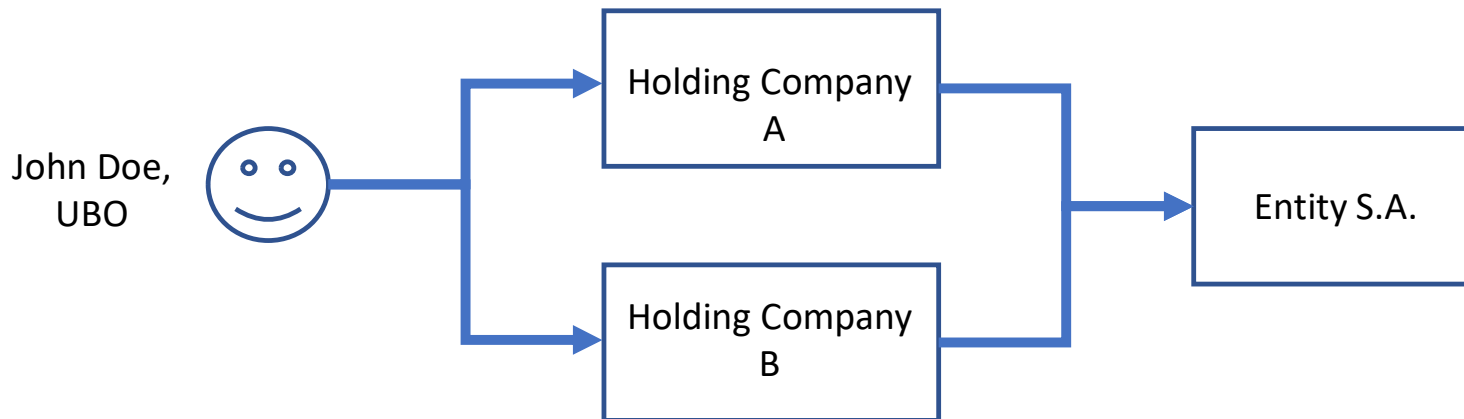


Circumventing Minimum Ownership Percentages

- Diffused Ownership
- Rigged Voting
- Circular Ownership
- Separating ownership from control
 - Powers of attorney
 - Contractual arrangements
 - Using financial products and services

Abusive Ownership of Partnerships

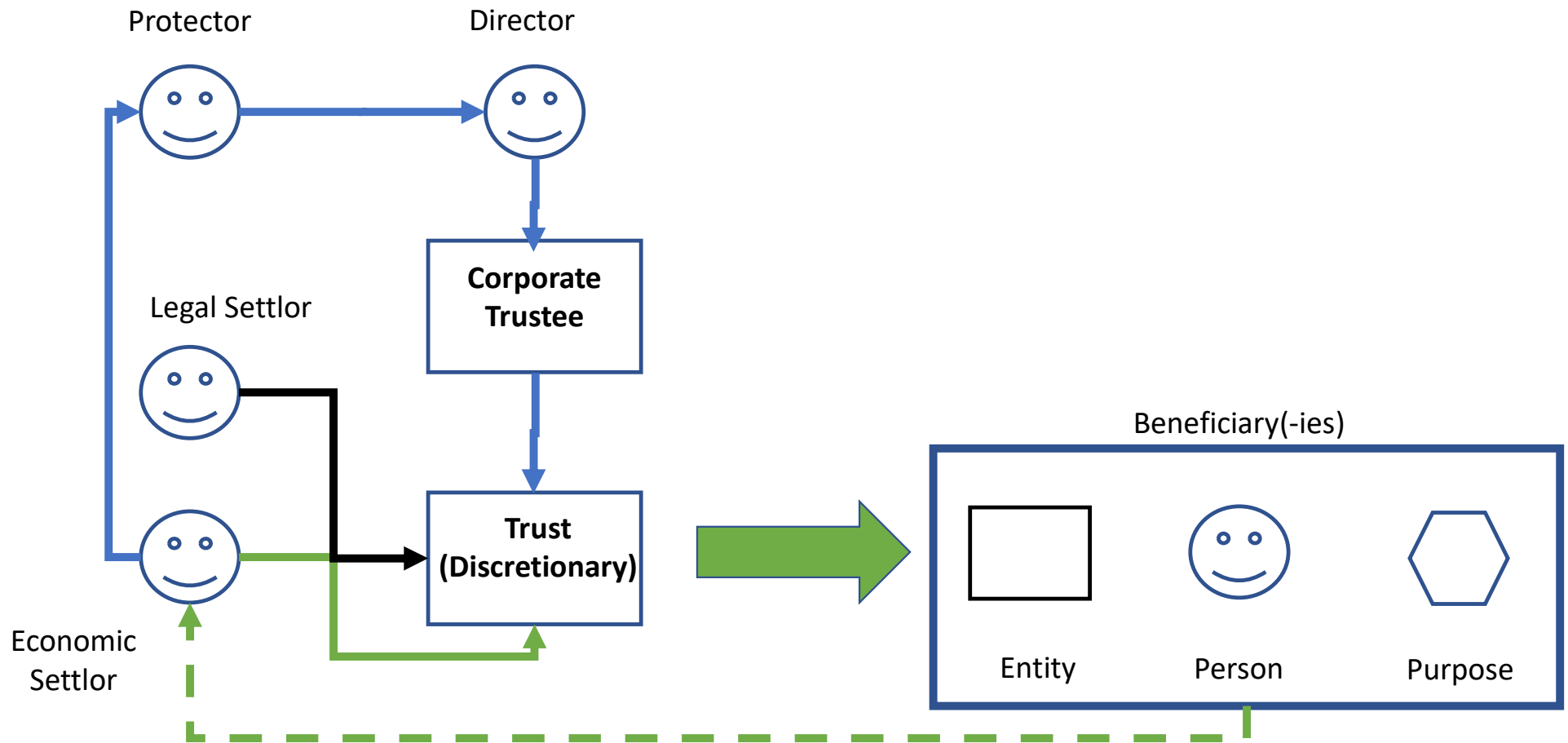
- Spirit of the law violated even if technically not a violation.
- Chances are the reason is unacceptable for AML reasons



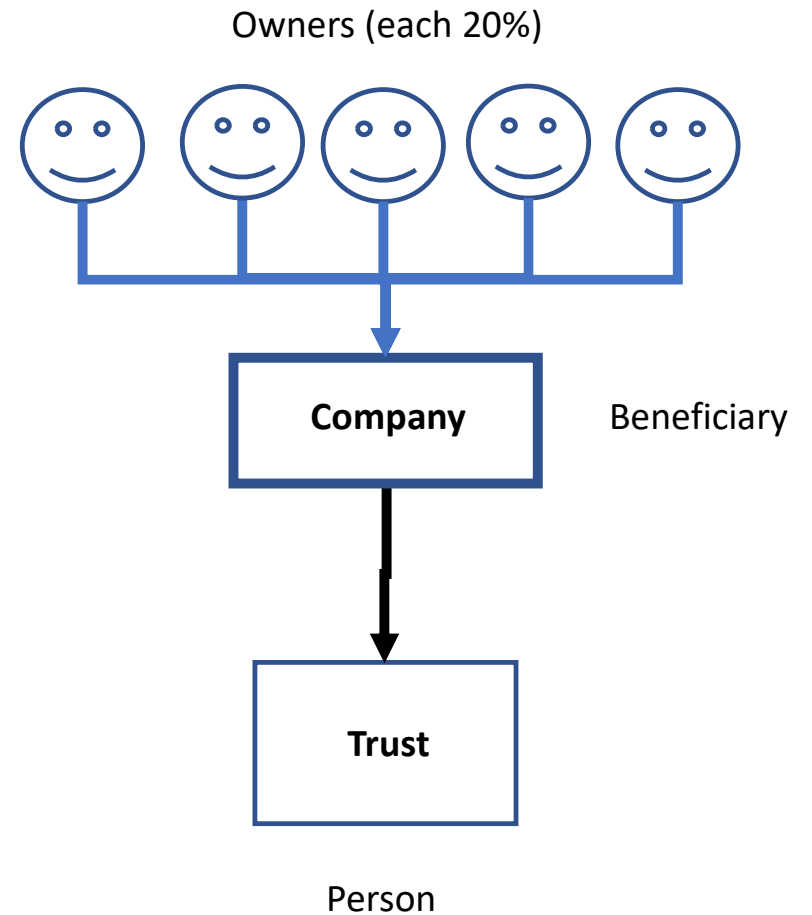
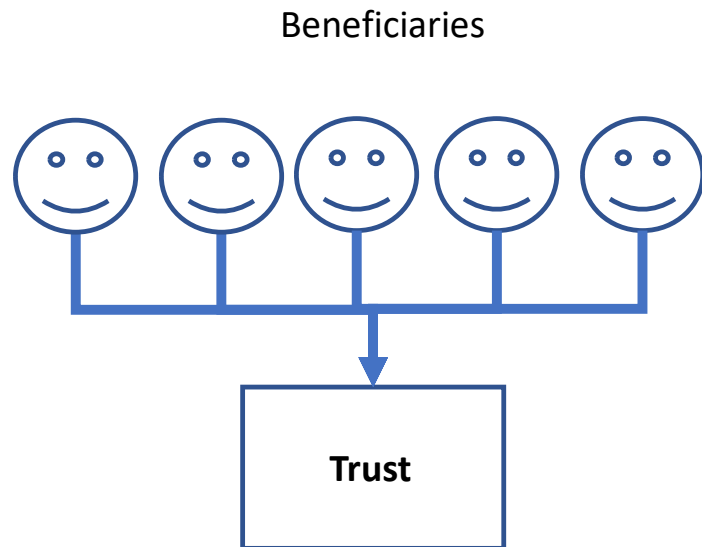
Identification & Verification – Entities

- All entities, ownership structure and control persons
- All nominee shareholders
- All nominee directors
- Senior officers and control persons
- Source, verification and date of such should be properly documented including:
 - Corporate registries
 - Lawyers and notaries
 - Articles of formation
 - Corporate resolutions
- Note names of external lawyers, business formation companies, auditing firms, business service providers

Special Challenges of Trusts



UBO/Beneficiary Identification



Identification & Verification – Trusts

FATF recommends the identification of all parties to a trust. All persons of trust structure including

- Trustees
- Directors
- Beneficiaries
- Settlers
- Protector
- Any other person with effective control over a trust.



Periodic Reviews

- Periodic reviews must include all changes to ownership and ownership structures [Note: Many corporate registries are not regularly updated].
- Clients must notify banks promptly of any and all changes
- Banks must develop policies and procedures within their KYC programs addressing this as well as client's failure to comply.

A blue pen with a silver tip and clip is positioned diagonally across the left side of the image. It rests on a document featuring a bar chart with several blue bars of varying heights. The background is a light blue grid.

Other Issues – Bearer Shares

- Is corporate ownership established through bearer shares?
- Are bearer shares issued at any given level of an ownership chain?
- What policies, controls and checks exist at the financial institution?

If you are interested in exploring the possibilities for collaboration and strengthening your abilities...

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