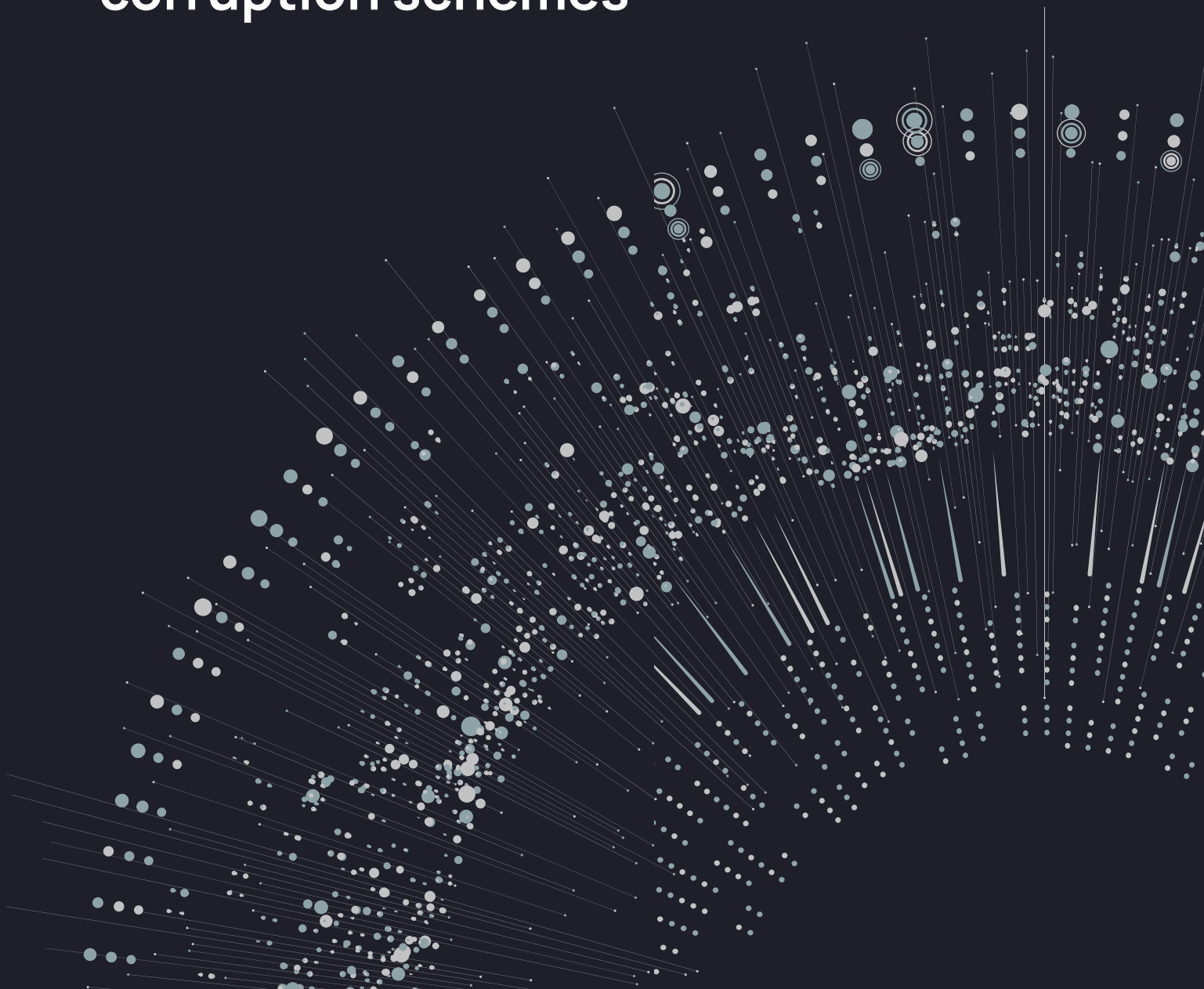




KLEPTOTRACE

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

Handbook on new forms of, and risk factors for, high-level transnational corruption schemes



Handbook on new forms of, and risk factors for, high-level transnational corruption schemes

Key results of the KLEPTOTRACE project about the strengthening of EU asset recovery and sanction tracing against high-level transnational corruption

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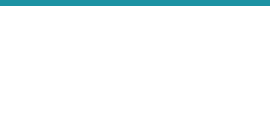


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Executive Summary



Corruption, especially high-level corruption, poses significant challenges for both political governance and societal well-being across the globe. High-level corruption is an umbrella term that encompasses a broad spectrum of illicit activities and involves the abuse of power at the public's expense, either for personal or group gain. [1] This phenomenon is not only a domestic issue but rather is increasingly a transnational one, insofar as it involves complex networks that exploit corporate vehicles and cross-border transactions to both launder the proceeds from illicit activities and obscure the identities of those involved. [2]

In recent years, the European Union (EU) has intensified its efforts to combat high-level transnational corruption. However, significant gaps remain with respect to understanding the specific methods and mechanisms employed within these illicit activities. Consequently, there is an urgent need for a detailed examination of precisely how these corrupt practices are carried out, particularly in relation to the misuse of corporate vehicles and the transnational dimensions of corruption. This report aims to address these gaps by analysing 42 high-level corruption cases from around the world, with a particular focus on their *modus operandi*, those sectors that are most at risk, the role of intermediaries and corporate structures in facilitating corruption, and their transnational nature.



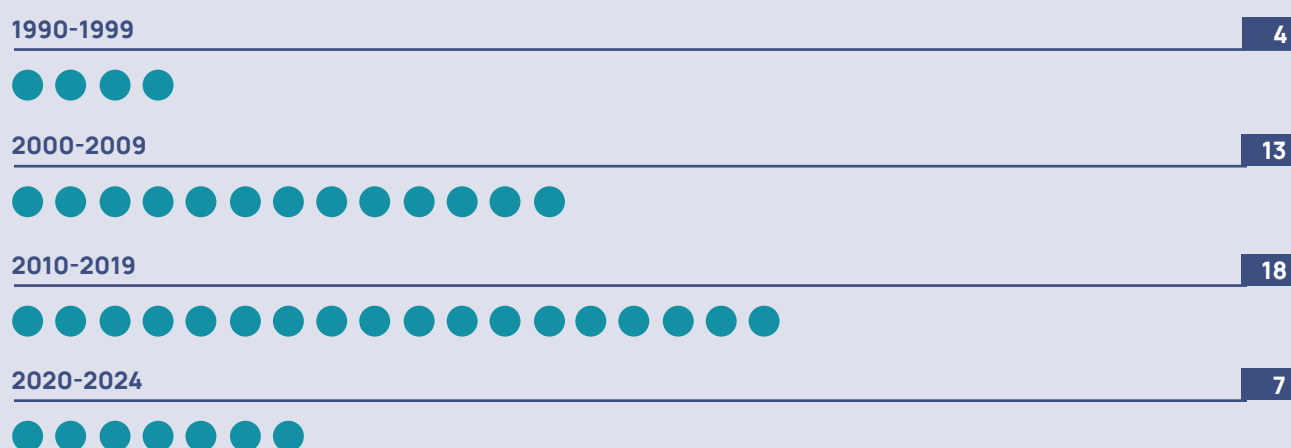
Methodology

The primary objective of this report is to explore the international dynamics of high-level corruption and identify emerging forms and associated risk factors. In particular, the report aims to update and expand upon extant knowledge on high-level corruption by examining its *modus operandi* and transnational nature, with a special focus on recently disclosed cases. To achieve this aim, the researchers analysed **42 cases** of high-level corruption that were collected from various sources, including judicial and police investigation files, law enforcement press releases, institutional reports, and media reporting.

The selected cases all come under the definition of **high-level corruption** as involving **bribery, misappropriation, trading in influence, or abuse of functions** carried out by high-level individuals.

The high-level corruption cases that were collected and analysed are described in relation to (i) the forms of corruption, (ii) the **sectors** mostly affected, (iii) the **profile of actors** involved, (iv) the **drivers** of these schemes, (v) the **methods and *modus operandi*** used. It also details the transnational dimension of the cases as well as the links between the involved jurisdictions.

Temporal distribution of high-level corruption cases, by decade of occurrence





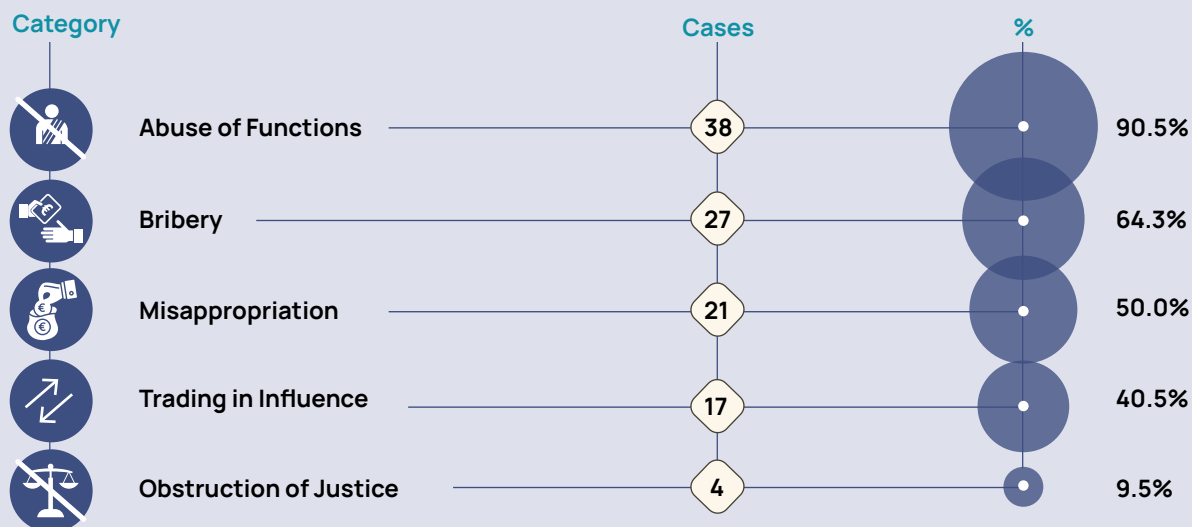
Results

Forms of corruption:

Corruption can manifest in various forms, as evidenced by the recent proposal for an EU directive,

which proposed a typology of corrupt conducts to highlight the subtle differences between them.

Distribution of the corruption offences within the analysed high-level corruption cases



Sectors:

High-level corruption is not confined to a single business sector, although some are more vulnerable than others. Sectors that involve large financial

transactions or critical infrastructures, such as energy supply, are especially susceptible due to the complexity and scale of their operations.

Sectoral distribution of the analysed high-level corruption cases

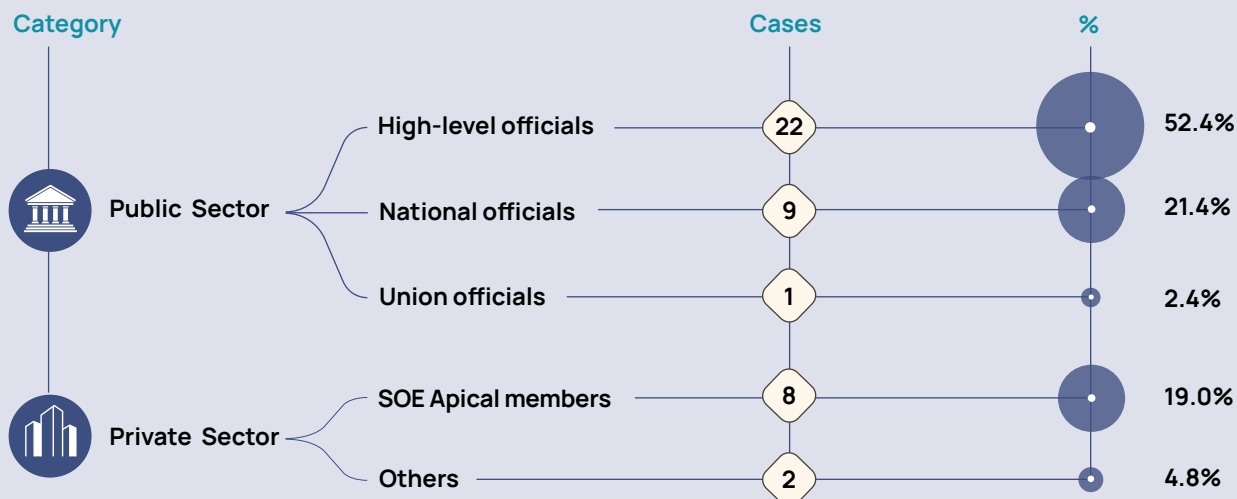
Sector	Cases	%	Average value of money (USD million)
Energy Supply	6	14.3	56.7
Political-related activities	6	14.3	1.3
Entertainment and sporting events	4	9.5	70.7
Financial and insurance activities	4	9.5	1,796.8
Construction	4	9.5	60.6
Transportation and logistics	4	9.5	2.7
Agriculture	3	7.1	5.8
Healthcare and pharma	3	7.1	128.9
Other	6	14.3	54.2

Profiles of actors:

High-level corruption is distinguished from petty corruption by the abuse of power by high-level officials for the benefit of a few, often involving large sums of money and substantial detrimental impacts on society. Various actors can be involved in high-

level corruption schemes. In the analysed cases, the profiles of individuals involved in these schemes were observed and classified based on their roles in public administrations or positions in the private sector, such as senior members of state-owned enterprises (SOEs) or leaders of associations or federations.

Distribution of high-level individuals' profiles within the analysed high-level corruption cases

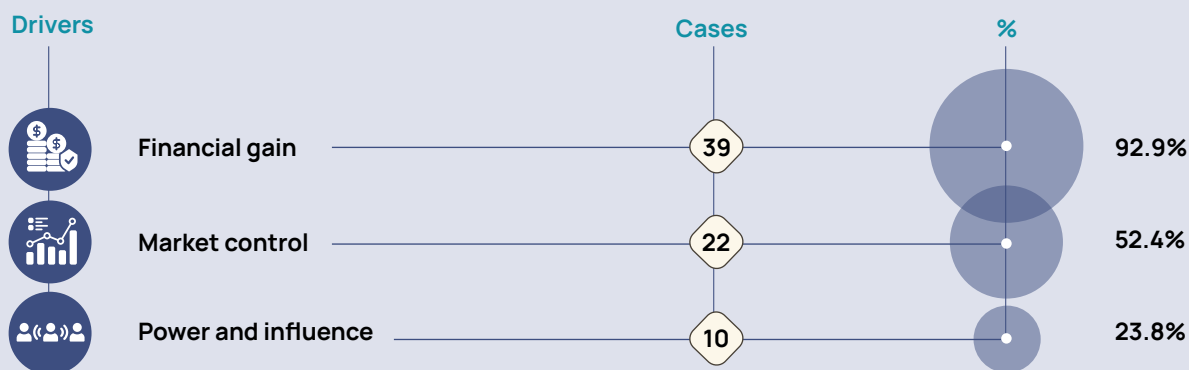


Drivers:

Corrupt activities are almost always driven by individual selfishness at the expense of others, who eventually experience the immediate, delayed, or long-term consequences of corruption. High-level corruption cases often rely on long-term social ties rather than ad hoc impersonal transactions, which is to

say that individuals who engage in corruption typically leverage established relationships, networks of trust, and mutual obligations that they have developed over time. This type of corruption is based on reciprocity, creating a set of counter-obligations that are grounded in indefinite expectations of future returns.

Distribution of the drivers of high-level corruption

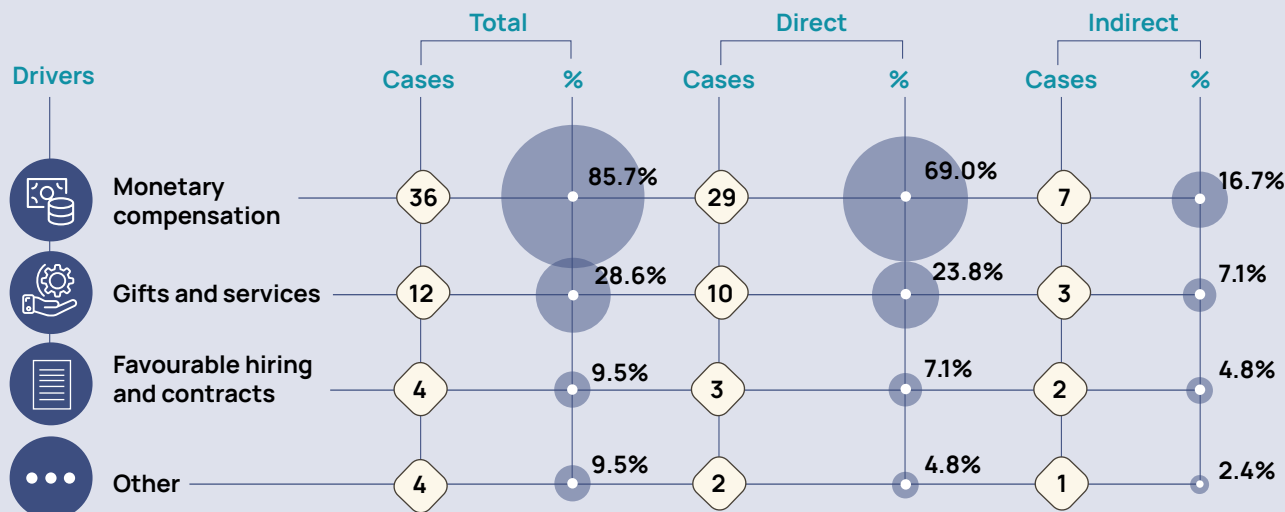


Form of corruption:

The defining characteristic of corruption is the existence of an exchange of some form of utility, which can take various forms. The utility can either directly benefit the corrupt officials or benefit certain

connected individuals. Utilities can take the form of financial compensation, gifts, service provision, and other utilities, such as favourable hiring of corrupt individuals or their relatives.

Distribution of utility type

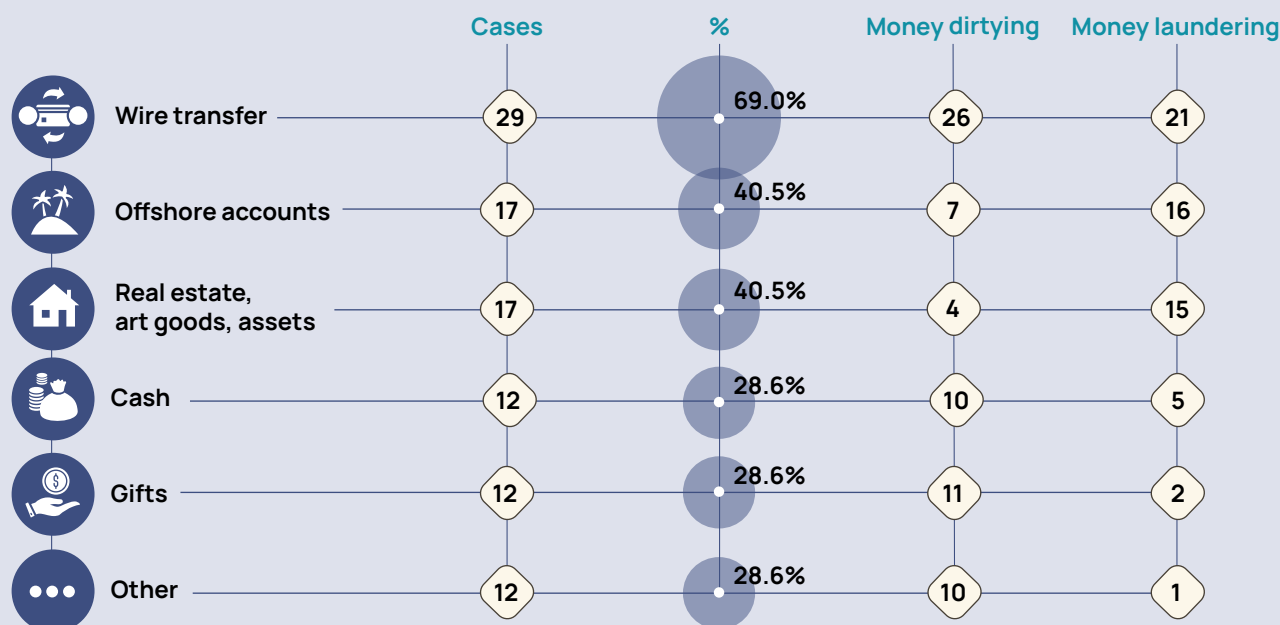


Type of transaction mechanisms:

Transactions involving economic resources in high-level corruption cases can take various forms. While cash remains the primary medium in various criminal activities due to the anonymity it affords, and despite the obvious limitation of physical handling involved,

banking transactions are the preferred method in high-level corruption cases. This preference derives mainly from the convenience of banking transactions and the ability to move large sums of money across borders efficiently.

Distribution of high-level corruption cases, by type of transaction

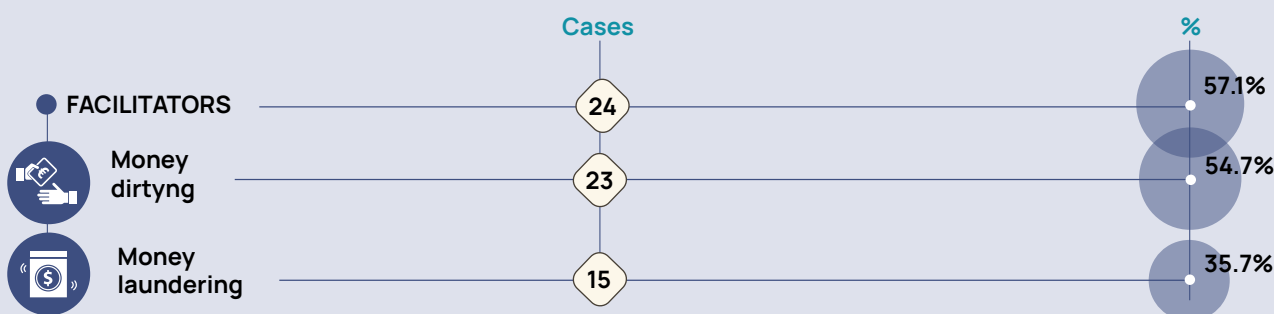


Roles of facilitators:

Completing and repeating corrupt transactions is an active process that is generated and structured by the participants in the corrupt scheme. Given the challenges associated with initiating, completing,

or repeating their transactions without exposure, corrupt partners must establish social arrangements that ensure predictability, reduce risks, and facilitate interaction whilst simultaneously ensuring that information about their illegal dealings is kept secret.

Figure 9 - High-level corruption cases involving facilitators

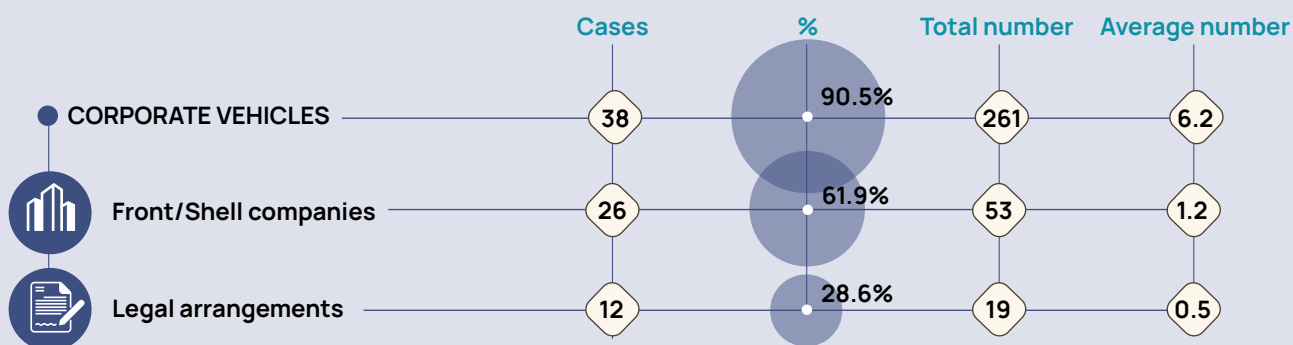


Roles of corporate vehicles:

The literature extensively documents the use of corporate vehicles to conceal and facilitate the commission of corruption and financial crimes. These vehicles include organisational forms such as legal

entities (e.g., companies and corporations), which can also act as front, shell, and shelf companies, and legal arrangements (e.g., trusts and foundations).

Figure 10 - Distribution of high-level corruption cases, by type of corporate vehicle employed



There are two main reasons for the relevance of corporate vehicles within high-level corruption schemes:

- First, in certain circumstances, the misuse of organisational structures can provide a **veneer of legitimacy**. This can include the use of large organisations or foundations whose reputations are subsequently leveraged to establish illicit schemes that may evade suspicion. Legitimate corporate

entities offer opportunities to conceal, convert, and control illegal finance, presenting an external appearance of legitimacy for beneficial owners to then transfer funds.

- Second, corporate vehicles provide **anonymity** in the sense that they effectively conceal illicit actors, albeit not entirely it should be noted, as there will always be some level of connection between the actors and the finances, even when well-observed.

Transnational nature of high-level corruption:

High-level corruption often involves multiple countries and thus crosses international borders. Each case of corruption analysed for this report involved an average of five jurisdictions. The cases that involved EU Member States as satellite nations were generally

more complex than others, thus underscoring the need for the EU to protect the integrity of its economy from acts occurring elsewhere by enhancing its capacity to both detect and respond to these sophisticated patterns of corruption and financial manipulation.

Number of countries involved within each scenario

Country in which the corrupt act took place

37

Corruptor is a citizen or resident of the country

34

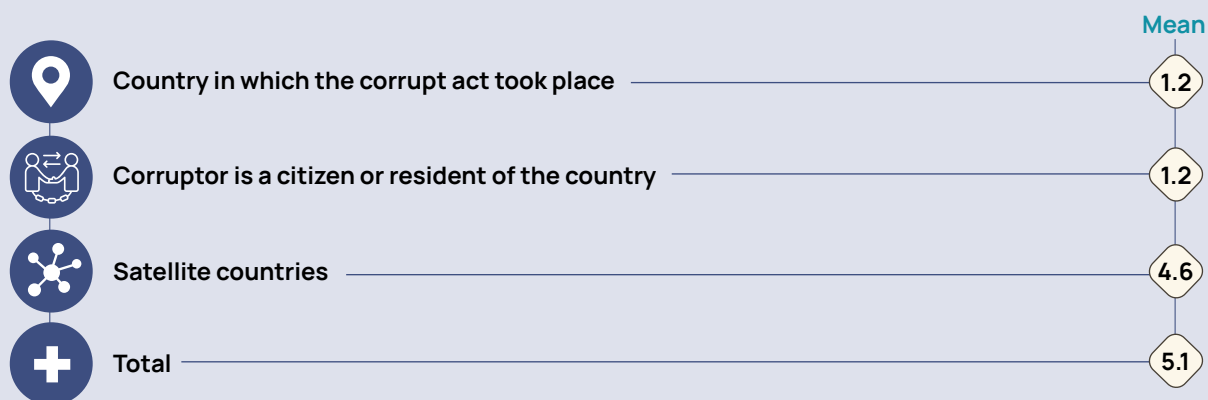
Satellite countries

50

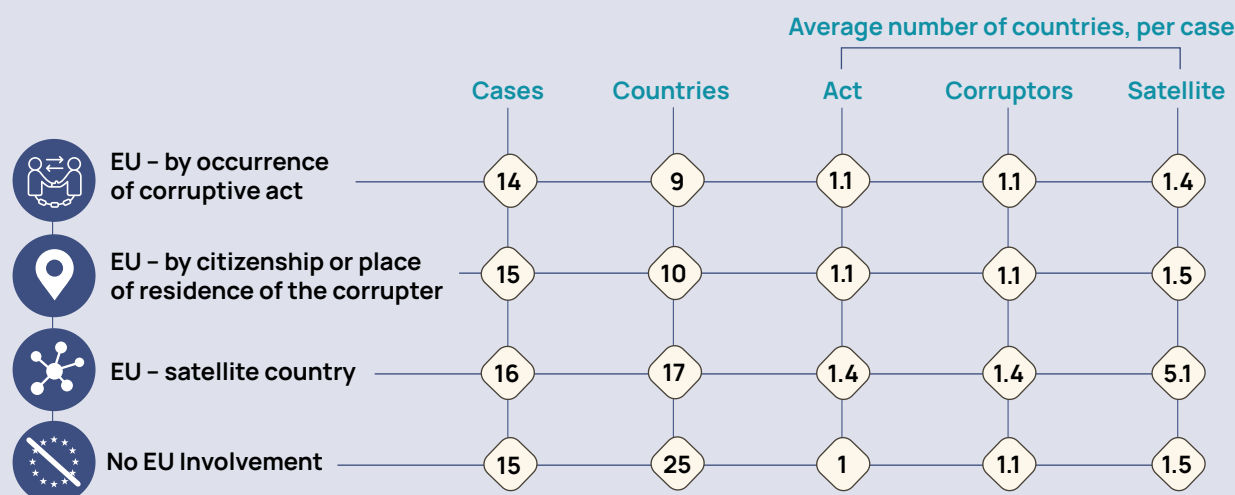
Total number of countries

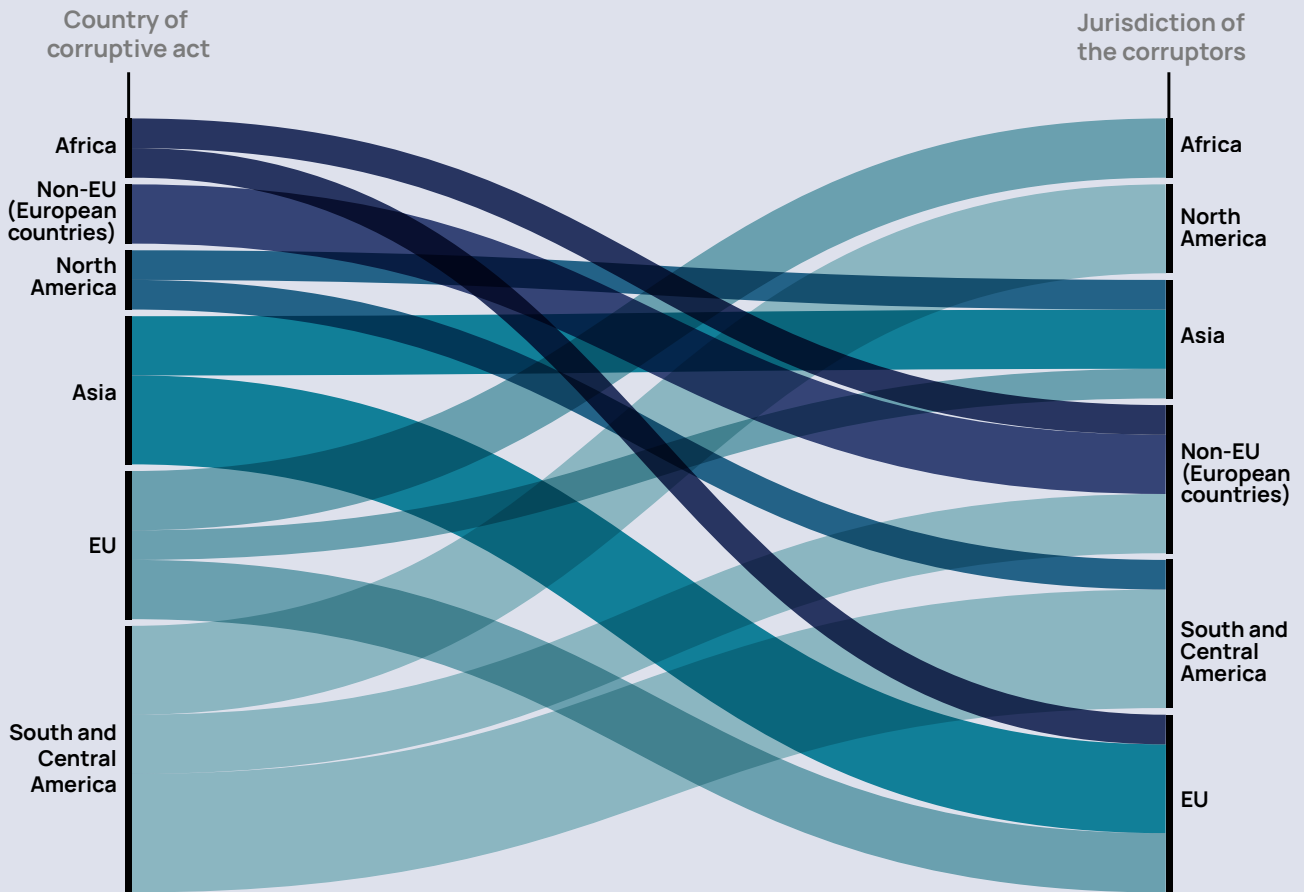
84

Number of countries involved within each case



Number of countries involved within each case, by EU involvement





Indeed, a crucial component of high-level corruption is the use of satellite jurisdictions, that is, countries that whilst not directly involved in the corrupt act or home to those participating in the scheme, are utilised to facilitate the processes of money-dirtying and money laundering. The selection of these satellite jurisdictions is not random; rather, it is influenced by several factors, with geographical and cultural

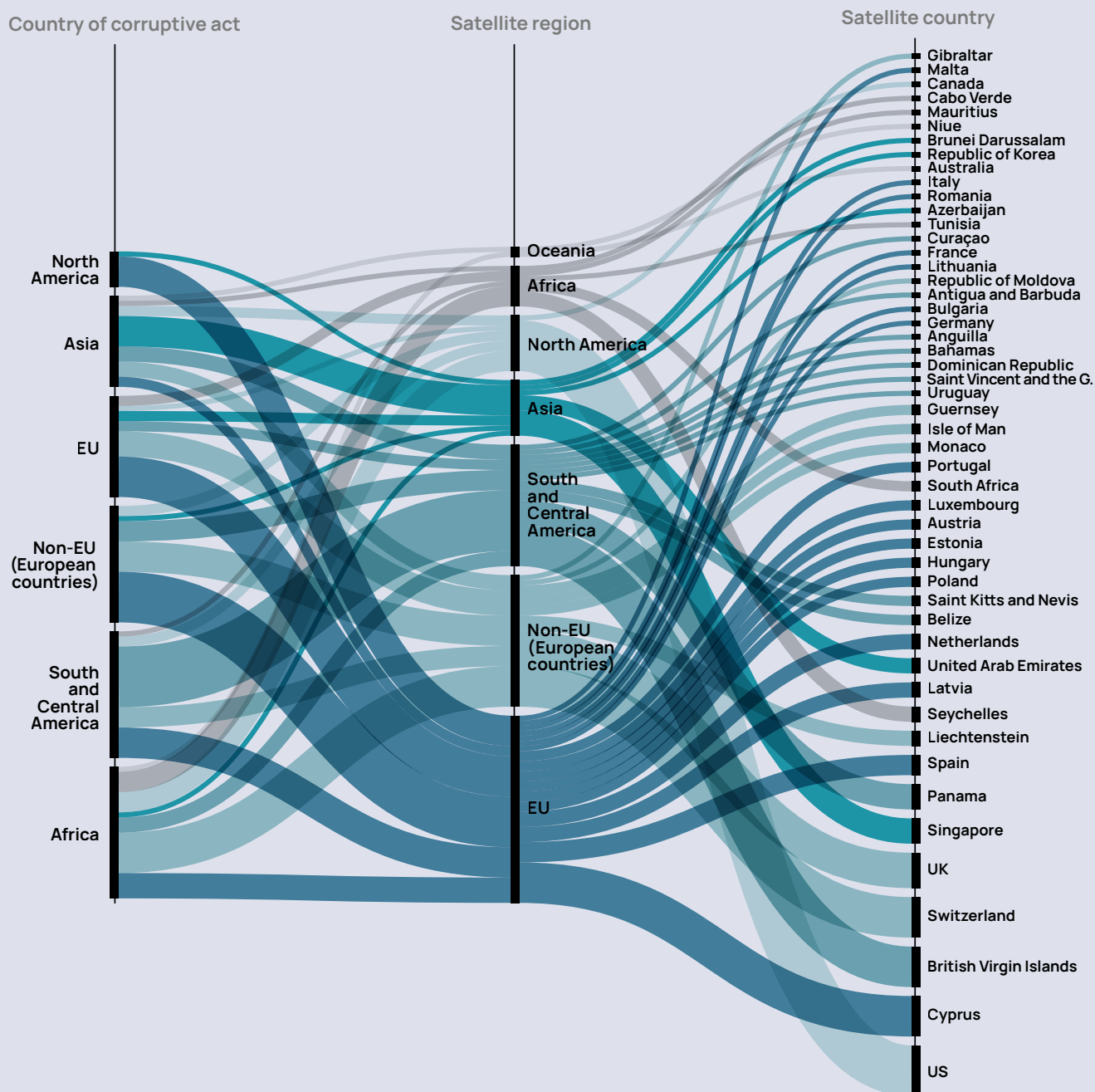
proximity being important in this regard. Stability may provide another explanation for this pattern, since operations occurring in relatively unstable environments – whether economically, financially, or politically –, tend to foster the transfer of proceeds to more stable countries to ensure regular and reliable access to the funds.

AI application

Through the application of advanced natural language processing and named entity recognition techniques, a script designed by the Harakopio University of Athens (HUA) and supported by Transcrime – UCSC was used to automate the analysis of high-level corruption

cases using low-billion-parameter large language models, relying on internal servers to maintain data confidentiality. The utilised approaches included prompt engineering, which was subsequently refined via empirical methods and scientific experimentation. The model responses were validated and integrated through manual analysis.

Jurisdiction in which the corrupt act took place and satellite countries (continent level)



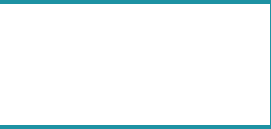
Policy implications:

The findings underscore the need for enhanced transparency, stronger international cooperation, and robust regulatory frameworks to combat corruption effectively. In many cases in which corruption occurred within EU jurisdictions, the satellite countries tended to be other EU Member States. This intra-EU dimension underscores the necessity for a unified approach, so that all Member States maintain consistent standards regarding financial and corporate transparency. Any disparities in these standards can complicate the task of recovering proceeds from corruption, thereby undermining efforts to enforce accountability.

Nevertheless, cases which entailed corrupt acts that occurred outside of Europe often exerted an impact

on the EU, as Member States either acted as satellite jurisdictions or became the destination for the corrupt proceeds which were then laundered within the EU economic and financial system. In those cases, the EU has the option to utilise restrictive measures as part of its foreign policy arsenal, which do not target only the primary perpetrators but rather also extend to intermediaries and facilitators who play pivotal roles within these corruption schemes.

This report contributes to the existing body of knowledge on high-level corruption to provide actionable recommendations for policymakers and practitioners to strengthen anti-corruption measures and protect public institutions from corruption's pervasive influence.



Introduction



Corruption, especially high-level corruption, poses significant challenges for both political governance and societal well-being across the globe. High-level corruption is an umbrella term that encompasses a broad spectrum of illicit activities, and involves the abuse of power at the public's expense, either for personal or group gain. [1] This phenomenon is not only a domestic issue but increasingly a transnational one, as it involves complex networks that exploit corporate vehicles and cross-border transactions to both launder the proceeds from illicit activities and obscure the identities of those involved. [2]

In recent years, the European Union (EU) has intensified its efforts to combat high-level transnational corruption. However, significant gaps remain with respect to understanding the specific methods and mechanisms employed within these illicit activities. Consequently, there is an urgent need for a detailed examination of precisely how these corrupt practices are carried out, particularly in relation to the misuse of corporate vehicles and the transnational dimensions of corruption. This report aims to address these gaps by analysing 42 high-level corruption cases from around the world, with a particular focus on their *modus operandi*, the sectors that are most at risk, the role of intermediaries and corporate structures in facilitating corruption, and their transnational nature.

The findings underscore the need for enhanced transparency, stronger international cooperation, and more robust regulatory frameworks, in order to effectively combat these sophisticated corruption schemes.

This report not only contributes to the existing body of knowledge on high-level corruption but also provides actionable recommendations for both policymakers and practitioners, particularly within the EU, to both strengthen anti-corruption measures and protect public institutions from the pervasive influence of corruption.

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About KLEPTOTRACE

KLEPTOTRACE is a project co-funded by the European Commission, and coordinated by Transcrime – Università Cattolica del Sacro Cuore, to address transnational high-level corruption, and sanction circumvention within the European Union. It focuses on investigating how high-level corruption operates through transnational networks that exploit corporate structures and intermediaries, making them difficult to trace and combat. The project aims to strengthen the EU's capacity for asset recovery and sanction enforcement by providing tools and insights into the mechanisms that enable kleptocracy, with an emphasis on how international sanctions can play a critical role.

KLEPTOTRACE monitors cases of corruption and sanctions evasion, using a data-driven toolbox to support investigations. This toolbox offers advanced methods for analysing connections, detecting anomalies, and tracing assets linked to sanctioned entities. Additionally, the project provides training to EU authorities and civil society, enhancing their capacity to recognise and respond to the risks posed by sanction evasion and high-level corruption schemes.

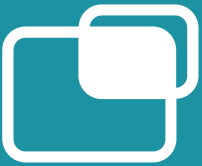
Alongside practical tools, KLEPTOTRACE offers policy recommendations to improve the current EU and national sanctions regimes. The project evaluates the limitations in sanction enforcement and suggests ways to enhance cooperation among EU member states.

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For more information, visit KLEPTOTRACE website or contact Transcrime via email at transcrime@unicatt.it.

1.

Background and context



1.1. Concepts, definitions, and classifications

1.1.1. Concepts

Corruption is often regarded as an '*umbrella concept*' as it encompasses a wide range of phenomena that are characterised by the abuse of power for undue private gain. [3], [4] Corruption is castigated for contributing to various contemporary societal problems. Perhaps the most pernicious effect of corruption, however, is that it undermines one of the fundamental civil rights: the right to good governance. [5]

Each type of corruption is characterised by specific features. The common definition of **high-level corruption** frames it in terms of an abuse of high-level power to benefit the few at the expense of the many. [6] In this respect, the term designates forms of corruption that pervade the highest levels of government (e.g., members of parliament, government officials, high-level army officials), which, in turn, lead to significant abuses of power.

High-level corruption differs from its other variants, such as, for example, petty corruption or state capture, with respect to both its nature and impact. On the one hand, petty corruption involves the everyday abuse of entrusted power by public officials in their interactions with ordinary citizens who are seeking access to essential goods or services (for example, corruption in the exchange of health services, administrative acts, etc.). State capture, on the other hand, constitutes a degeneration of high-level corruption. In this form, influential individuals, institutions, or companies *systematically* use corruption to shape a country's policies, legal environment, and economy to their advantage. [3], [8], [9], [10], [11], [12], [13]

1.1.2. Definitions

Whilst there is generally little controversy in applying the corruption label, difficulties do arise at the borders between the different categories of corruption. In practical cases, it is not always possible to draw a precise line where petty corruption ends and high-level corruption begins. According to literature in this area, the principal distinction between high-level corruption and petty corruption pertains to the **scale of the corruption**. That is to say, high-level corruption involves large deals, whilst petty corruption invariably occurs in situations in which a large proportion of those demanding services or avoiding costs make payoffs [19].

Transparency International [20] defines high-level corruption as occurring when:

*A public official or other persons **deprives** a particular social group or substantial part of the population of a State of a **fundamental right** or **causes** the State or any of its people a loss greater than 100 times the **annual minimum subsistence income** of its people as a result of **bribery, embezzlement or other corruption offence**. [20]*

According to the above definition, corrupt actors can take the form of **public officials, more specifically, high-level officials, national officials, union officials**, or any other persons who are assigned and exercise a public service function within EU Member States or a third country for an international organisation, or for an international court, **but also other individuals in their capacity as private persons**. [21]

As reported in *the proposal for a directive* of the European Parliament and of the Council on combating corruption, [21] **high-level officials** can be classified as:

[...] heads of state, heads of central and regional government, members of central and regional government, as well as other political appointees who hold a high-level public office such as deputy ministers, state secretaries, heads and members of a minister's private office, and senior political officials, as well as members of parliamentary chambers, members of highest Courts, such as Constitutional and Supreme Courts, and members of Supreme Audit Institutions. [21]

b) an official or other servant engaged under contract by the Union within the meaning of the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the EU laid down in Council Regulation (EEC, Euratom, ECSC) No 259/68 (the 'Staff Regulations');

c) seconded to the Union by a Member State or by any public or private body that carries out functions equivalent to those performed by Union officials or other servants. [21]

Conversely, **national officials** refer to:

[...] any person holding an executive, administrative, or judicial office at the national, regional or local level, whether appointed or elected, whether permanent or temporary, whether paid or unpaid, irrespective of that person's seniority. [21]

A **union official** designates a person who is:

a) A member of an institution, body, office, or agency of the Union and the staff of such bodies shall be assimilated as Union officials.

High-level corruption is not limited to public corruption, which can be defined as illegal activity conducted by a government official, bureaucrat, or politician that involves either the offer or receipt of financial or non-financial benefits by government or private persons [22]. **It also involves private counterparts**, such as illegal activity conducted by an employee, manager, or firm that consists of either the offer or receipt of benefits by other private persons on a large scale, and the **relevance of the actor** involved justifies its designation as a high-level corruption case [22].

Focus 1 – The difference between high-level corruption and state capture

Whilst **high-level corruption** involves the abuse of authority for private gain and is based on a *quid-pro-quo* arrangement, **state capture** can be defined as involving systematic violations of good governance with respect to the drafting, adoption, and enforcement of rules, including judicial rules. [7], [11] It is thus a redistributive form based on resource collection and allocation by a corrupt central administration. [10]

High-level corruption occurs when an individual in a high-level position colludes with third parties to violate rules for their own benefit. [12] In contrast, **state capture involves the formulation of rules rather than their violation**. Politically speaking, state capture appears legal

because flaws and loopholes are intentionally written into policies and programs. [8], [13] It thus designates a situation in which a corrupt elite creates a complex system, captures political institutions, and manipulates legislation to obtain vast resources illegally over an extended period of time. Typical mechanisms utilised in state capture schemes include, amongst other things, large infrastructure projects, public procurement schemes, large-scale concession tenders, and ownership transfer via nationalisation and privatisation. [7].

State capture is generally considered to be national phenomenon, with foreign countries (i.e., offshore tax havens) acting as enablers.

Some studies [7], [11] suggest that it can be used as an instrument of a foreign state's policy, where local captors enable malign foreign influence to achieve its goals and evade the consequences. State captors, along with

enabling institutions such as banks, telecoms, and media, have actively participated in weakening and discrediting their respective countries' democratic structures.

1.1.3. Classifications

Corruption can manifest in manifold forms. A variety of attempts have been made to categorise corruption by breaking it down into the underlying crimes and methods through which corrupt activities take place. [23] In the latest Commission proposal for an EU directive on corruption [21], the European Commission has categorised specific manifestations of corruption by defining *bribery*, *misappropriation of funds*, *trading in influence*, *abuse of functions*, *obstruction of justice*, and *enrichment through corruption offences*. [21] These offences are supplemented by rules on accessory conduct (i.e., incitement, aiding and abetting, and attempt). [17, 20] The Commission identified the following corruption categories:



- **bribery** in the public and private sector, which is operationalised as the promise, offer or giving (active bribery) or a request or receipt (passive bribery) directly or through an intermediary of:

- a. an advantage of any kind to act or refrain from acting in accordance with an official's duty or in the exercise of that official's functions (bribery in the public sector, in the case of public officials);
- b. an undue advantage of any kind in order to act or refrain from acting in such a way that breaches that person's duties (bribery in the private sector, in the case of private actors);



- **misappropriation**, operationalised as the committing, disbursing, or appropriation of property whose management is directly or indirectly entrusted to the official contrary to the purpose for which it was intended;



- **trading in influence**, operationalised as the promise, offer or giving (active bribery) or a request or receipt (passive bribery) directly or through an intermediary, of any kind to a person or a third party for that person to exert real or supposed influence in order to obtain undue advantage from a public official;



- **abuse of functions**, operationalised as the performance of or failure to perform an act, in violation of laws (if the public official is exercising their functions) or in breach of duties (if the person who in any capacity directs or works for a private-sector entity in the course of economic, financial, business or commercial activities), in order to obtain undue advantage for that person or a third party.;



- **obstruction of justice**, which involves the use, directly or through an intermediary, of physical force, threats or intimidation or the promise, offering or giving of an advantage to induce false testimony or to interfere in the giving of testimony or the production of evidence in a proceeding concerning any of the aforementioned offences.

These classifications of corruption outlined by the European Commission in their recent directive proposal constitute a common standard across all EU Member States and provide a harmonised framework that helps to ensure the consistent application of anti-corruption laws across the EU.

1.2. Actions against high-level corruption

There is widespread recognition amongst legal scholars, practitioners, and legislators of both the seriousness of high-level corruption and the need for targeted measures to combat it. The anti-corruption legal framework shaped by the European Directive adopted in July 2017 already includes specific measures that seek to combat acts of corruption that damage or are likely to damage the EU's financial interests. [25] However, critics of this framework have argued that it is fragmented, outdated, and limited in scope. [26], [27] In May 2023, the European Commission adopted a comprehensive anti-corruption package, which includes a proposal for a new *Directive on combating corruption*. [21] This package, alongside consolidating the existing framework composed of different EU anti-corruption legal texts, actions, and programmes, seeks to ensure that all forms of corruption are criminalised within all Member States and that legal persons may also be held responsible for such offences and that these offences should incur effective, proportionate and dissuasive penalties. [26]

In the *proposal for a directive of the European Parliament and of the Council on combating corruption*, the **international dimension of high-level corruption** is well recognised. For instance, the document states:

Given, in particular, the mobility of specific perpetrators and proceeds stemming from criminal activities, as well as the complex cross-border investigations required to combat corruption, all Member States should establish their jurisdiction in order to enable the competent authorities to investigate and prosecute this crime effectively including when the offence is committed in whole or in part in its territory. [21]

The UN General Assembly also acknowledges that combating corruption is a responsibility of all states and, moreover, that it is more effective to do so collectively. [28] No single country can effectively fight corruption, particularly in complex cases involving

multiple national jurisdictions and vast quantities of assets. [28], [29] Consequently, it is wholly necessary to address the transnational nature of corruption, which often involves 'satellite' jurisdictions in addition to the primary jurisdiction where the actual corruption took place.

1.2.1 Sanctions against high-level corruption

Given the aforementioned importance of combating corruption on a universal level, some countries have implemented sanction frameworks to address the activities of high-level corrupt officials and kleptocrats abroad. [31], [32], [33] In particular, the US, [34] Canada, [35] and the UK [36], [37] have incorporated corruption-related sanctions within their foreign policy toolkits.

Within the EU, the implementation of **sanctions against corrupt officials and kleptocrats** has been a longstanding source of debate amongst EU policy leaders and governmental representatives. [47] Human rights defenders made several attempts [48] to underscore the necessity of implementing an anti-corruption sanctions framework at the EU level as well as outlining the necessity of better coordination of anti-corruption efforts amongst G7 member-states. [33] In this vein, the anti-corruption package presented by the European Commission includes, beyond the Commission proposal for a directive to combat corruption by the means of criminal law, a joint Communication (from both the Commission and the High Representative of the Union for Foreign Affairs and Security Policy), along with a proposal to establish a regime of sanctions against serious acts of corruption committed outside the EU. [26]

The EU has already provided a preliminary vision of the threshold criteria, noting that the **seriousness of the corrupt act** will be taken into consideration. According to the EU, offences such as "*bribery of a public official*" and "*the embezzlement or misappropriation of property by a public official, including the laundering of proceeds from those acts*" may serve as triggering indicators for imposing such sanctions once the framework is agreed upon by the Member States. [49]

Focus 2 – The threshold for imposing sanctions against corrupt officials

The US, UK, and Canada have established sanction frameworks for combating corruption. According to the provisions of their corruption-related sanction regimes, both the significance and seriousness of the corruption serve as the **thresholds for imposing sanctions against corrupt officials**. Whilst the parameters,

triggering elements, and thresholds for activating these sanctions frameworks vary across the sanction frameworks, there is uniformity with regard to their conceptual understanding of who the sanctions target, the acts that constitute corruption-related offences, and the types of limitations.

Figure 1 – Comparative table of provisions on corruption-related sanctions in the US, the UK and Canada [25]

		
USA	Canada	UK
Type of corruption covered		
<p>Significant corruption, including the expropriation of private or public assets for personal gain, corruption related to government contracts or the extraction of natural resources, bribery, or the facilitation or transfer of the proceeds of corruption to foreign jurisdictions</p>	<p>Acts of corruption – including bribery, the misappropriation of private or public assets for personal gain, the transfer of the proceeds of corruption to foreign states or any act of corruption related to expropriation, government contracts or the extraction of natural resources</p>	<p>Bribery or misappropriation of property</p>
Link to government		
<p>Government official, or a senior associate of such an official, who is responsible for, or complicit in, ordering, controlling, or otherwise directing, acts of significant corruption</p>	<p>A foreign public official or an associate of such an official</p>	<p>A foreign public official who is or has been involved in serious corruption</p>
Persons other than the main perpetrator covered by the law		
<p>Foreign person who has materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, acts of significant corruption</p>	<p>A foreign national who has materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, acts of corruption</p>	<p>Entities owned or controlled directly or indirectly by a person who is or has been involved, or person acting on behalf of or at the direction of a person who is or has been so involved, or member of, or associated with, a person who is or has been so involved</p>

Based on practice [31] and government guidelines, [32] any potential designations are subject to an assessment of the scale, nature, and impact of the serious corruption. The corrupt actions are likely to be deemed relevant when [32] the **conduct is systemic**, that is, it involves senior officials or political figures with broad powers and responsibilities, **the financial value of the bribe(s) or assets diverted, or the benefit derived are significant** relative to the local context, **the conduct is sophisticated and/or systematic**, requiring a degree of planning, involvement of multiple actors and the use of advanced methods to hide both the corruption itself and their involvement in it, potentially over a long

period of time, and the **corruption involves actors from outside the country in question**, representing an external threat to the country or countries affected.

Utilising criteria like serious or significant corruption as a basis upon which to impose sanctions can increase the risk of engaging in politicised decision making. Hence, in order to ensure that these sanctions do not lose their credibility, **it is imperative to safeguard transparent listings and robust evidentiary standards**. [33] Applying the civil standard ('balance of probabilities' in the UK), rather than the criminal standard ('beyond reasonable doubt'), is considered to be an appropriate test. [33]

1.3. Studies of high-level corruption schemes

Corruption, and especially high-level corruption, is a complex social activity in which money, goods, or other resources that belong to formal organisations are exchanged or transferred covertly in such a way that benefits specific actors rather than organisations or the general public. In order to support evidence-based policy development, there is an urgent need to describe the constituent features of these activities, beginning with the profile of the actors involved and their *modus operandi*. [26] Whilst the use of corporate vehicles as a structure for illicit financial activities in the case of high-level corruption is commonplace, [2] studies often neglect the precise ways in which corruption exploits these corporate vehicles. Moreover, although there is consensus over the importance of the **transnational dimension** of high-level corruption, the volume of literature specifically addressing this topic remains limited [50], [51], [52].

In 2011, one notable study from the World Bank and UNODC, *Puppet Masters*, underscored just how sophisticated high-level corruption schemes are as

well as shedding light on the enabling role played by legal persons and financial intermediaries. This report reviewed high-level corruption cases between 1980 and 2010, concluding, firstly, that over 70% of the cases involved the use of at least one corporate vehicle to conceal beneficial ownership [2], and secondly, that there were interesting geographical patterns in the facilitation of high-level corrupt acts. [53], [54], [55] The *Puppet Masters* study remains one of the most comprehensive studies on the international dimension of high-level corruption. More recently, other studies have underscored the role played by non-developing jurisdictions in both the concealment and integration of corruption-related flows, including both money dirtying and money laundering. These studies relied heavily on the growing number of journalistic investigations in this area [56] as well as high-profile leaks, such as the Panama Papers, Paradise Papers, and others [57], [58], [59], [60], [61] to shed new light on the role played by specific jurisdictions in facilitating illicit – or at least ethically questionable – financial flows.

These findings must be updated as part of the effort to reshape the EU legal framework on combating corruption, which is considered fragmented, outdated, and limited in scope. Ensuring effective

policy development requires addressing particular challenges, such as, for example, cross-border institutional and operational coordination, not only within the EU but also beyond. [26]

1.4. Gaps in studies of high-level corruption

There are several critical gaps in extant literature that this report and, more generally, the KLEPTOTRACE project aim to address. Whilst the EU is in the process of implementing various measures to curb transnational high-level corruption, there are gaps with respect to understanding how high-level corruption works in practice, what specific schemes are currently being employed and how corporate vehicles and other intermediary entities are being used to these ends. More specifically:

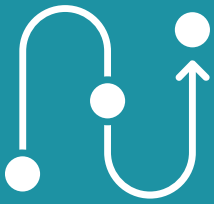
- **Recent studies have not identified the *modus operandi* of high-level corruption.** Understanding these aspects is critically important for developing more targeted anti-corruption strategies and effective legal frameworks.
- There is a need to understand the **transnational dimension of high-level corruption** as well as the specific direction of the associated money flows. This necessitates gaining an understanding of the role of both intermediaries and companies in generating corruption proceeds as well as the subsequent integration of these proceeds within the European economic system.

Given the report's objective to provide an overview of high-level corruption schemes, it is essential to include those acts that not only directly involve EU territory but also those that occur outside of the EU. These acts, although, strictly speaking, occurring beyond EU borders, can nevertheless still significantly impact upon the EU; for example, when the proceeds from illicit activities become integrated into the European economic system, this can serve to undermine both the integrity and equality of its economic and financial environment.

The analysis presented in this report serves as a foundation for future research and policy initiatives in the ongoing fight against high-level corruption. The next chapter delineates the methodology that was utilised to achieve this goal.

2.

Methodology



The primary objective of this report is to explore the international dynamics of high-level corruption and identify emerging forms and associated risk factors. In particular, the report aims to update and expand upon extant knowledge on high-level corruption by examining its *modus operandi* and transnational nature, with an especial focus on recently disclosed cases. To achieve this aim, the researchers analysed **42 cases** of high-level corruption that were collected from various sources, including judicial and police investigation files, law enforcement press releases, institutional reports, and media reporting. The researchers endeavoured to not exclusively focus on countries with more readily available information, and instead sought to achieve some level of representation across different continents.

For each case study, the following information was gathered and analysed:

‘What’: i.e., information on the type of corruption offences committed, following the categorisation outlined by the European Commission into *bribery, abuse of functions, trading in influence, misappropriation, and obstruction of justice*, and the details on the nature of utility received (e.g., monetary compensation, gifts, services, favourable hiring and contracts).

‘Who’: i.e., information on the profiles of the individuals involved, including their roles and affiliation (high-level officials, public officials, and non-governmental officials).

‘Why’: i.e., information on the purpose or underlying motive for engaging in high-level corruption, identified as financial gain, power and influence, and market control.

‘Where’: i.e., information on the location in which the corrupt activity transpired, the economic sector involved, details about the location of the corrupt act, the location of the corruptor (i.e., the location in which they have citizenship or residence), and other locations used in the corruption-related financial flows.

‘How’: i.e., information on how corruption-related funds were paid or diverted, whether they were laundered, via which type of transaction, the jurisdictions involved, and both the number and type of assets involved.

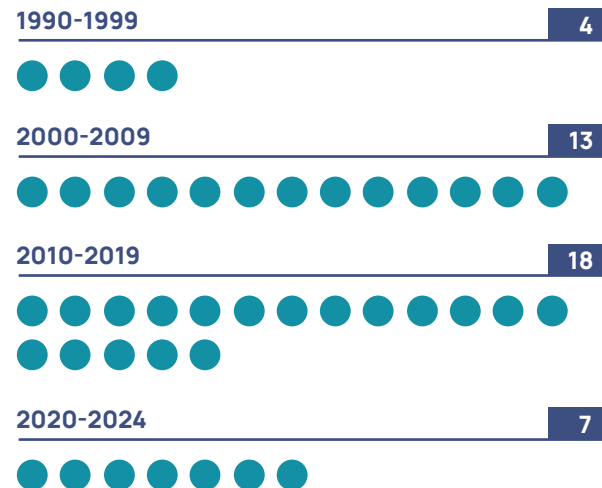
The data was processed and structured to effectively highlight the key components of the case studies.

AI application

Through the application of advanced natural language processing and named entity recognition techniques, a script designed by the Harakopio University of Athens (HUA) and supported by Transcrime – UCSC was used to automate the analysis of high-level corruption cases using low-billion-parameter large language models, relying on internal servers to maintain data confidentiality. The utilised approaches included prompt engineering, which was subsequently refined via empirical methods and scientific experimentation. The model responses were validated and integrated through manual analysis.

In line with the aim to update extant knowledge on high-level corruption, approximately 60% of the high-level corruption acts analysed in this report took place after 2010, as illustrated in Figure 2. The remaining cases, although initiated prior to 2010, either extended over several years or only recently became publicly known.

Figure 2 - Temporal distribution of high-level corruption cases, by decade of occurrence



3.

Results



In this section, the high level corruption cases that were collected and analysed are described in relation to the (i) forms of corruption, (ii) the sectors mostly affected, (iii) the profile of actors involved, (iv) the drivers of these schemes, (v) the methods and *modi operandi* used. This section also details the transnational dimension of the cases as well as the links between the involved jurisdictions.

3.1. Forms of corruption (What)

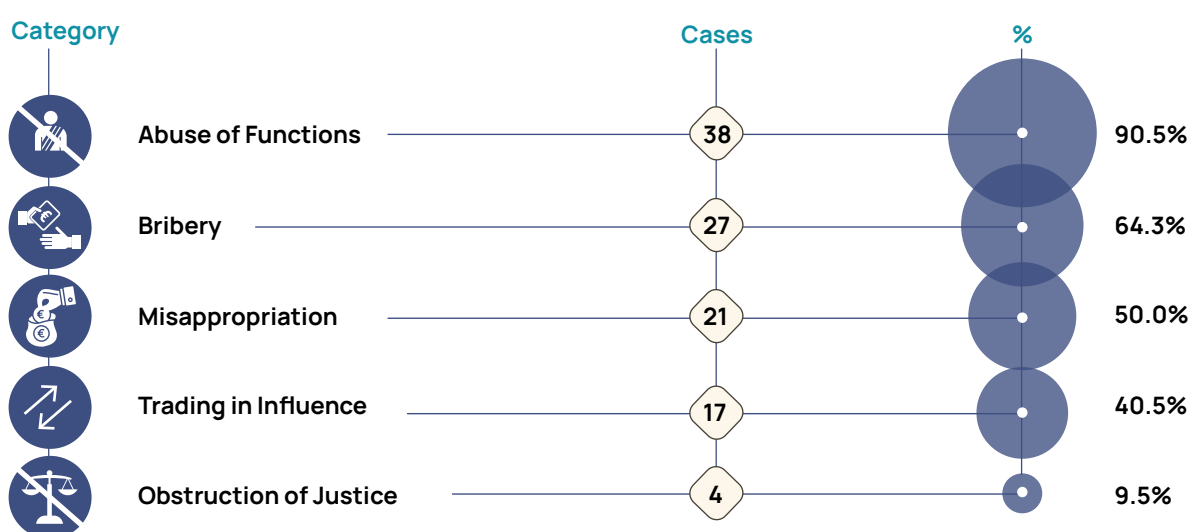
Corruption can manifest in various forms, as evidenced by fact that the recent proposal for a directive of the EU put forward a typology of corrupt conduct, in order to highlight the subtle differences between them. Figure 3 presents the distribution by type of offences of the high-level corruption cases within the sample.

- The most prevalent form of corruption was **abuse of functions**, which was observed in most of the high-level corruption cases in the sample (**90.5%**), thus demonstrating how often high-level corruption entails the improper use of power to obtain undue personal gain.
- In terms of prevalence, abuse of functions was followed by **bribery (64.3%)**, which is when individuals and entities either offer or receive undue advantages to influence official actions. This type of corruption involves performing or failing to perform acts that are in violation of laws or duties.
- Half of the analysed cases were related to **misappropriation (50.0%)**, where the improper use of resources entrusted to individuals, whether

public officials or private-sector employees, led to significant financial losses and undermined trust in public and private institutions.

- **Trading in influence (40.5%)**, which involves the corrupt practice of exerting or promising to exert influence to obtain advantages from public officials, was observed in less cases. This form of corruption is particularly insidious as it involves manipulating power dynamics and exploiting connections to achieve desired outcomes, often undermining fair and transparent processes.
- The least observed form of corruption out of the European Commission's typology was **obstruction of justice (9.5%)**. This form of corruption involves interfering with the judicial process, such as, for example, inducing false testimony or intimidating officials to evade legal accountability. Obstruction of justice underscores attempts to shield corrupt activities from scrutiny and legal consequences, which, in turn, poses a significant threat to the integrity of judicial systems.

Figure 3 - Distribution of the corruption offences within the analysed high-level corruption cases












3.2 Sectors (Where)

High-level corruption is not confined to a single business sector, albeit some are more vulnerable than others. Those sectors that involve large financial transactions or critical infrastructures, such as, for example, energy supply, are especially susceptible due to both the complexity and scale of the operations in this sector. The analysis in **Figure 4** presents the sectoral distribution of high-level corruption cases within the sample analysed. For example, the **energy supply sector** was found to be particularly prone to high-level corruption, insofar as it accounted for **14.3%** of the analysed cases. **Financial and insurance**

activities, although representing **only 9.5%** of the cases in the sample, involved large amounts of money, with an average value of nearly \$1.8 billion. Other sectors such as **healthcare and pharma** also involved significant financial flows, with an average corruption value of \$128.9 million. The varying degrees of vulnerability found across different sectors underscore the need for advanced control techniques in those sectors that are most at risk of corruption that go beyond a general approach to discouraging and detecting high-level corruption offences.

Figure 4 - Sectoral distribution of the analysed high-level corruption cases

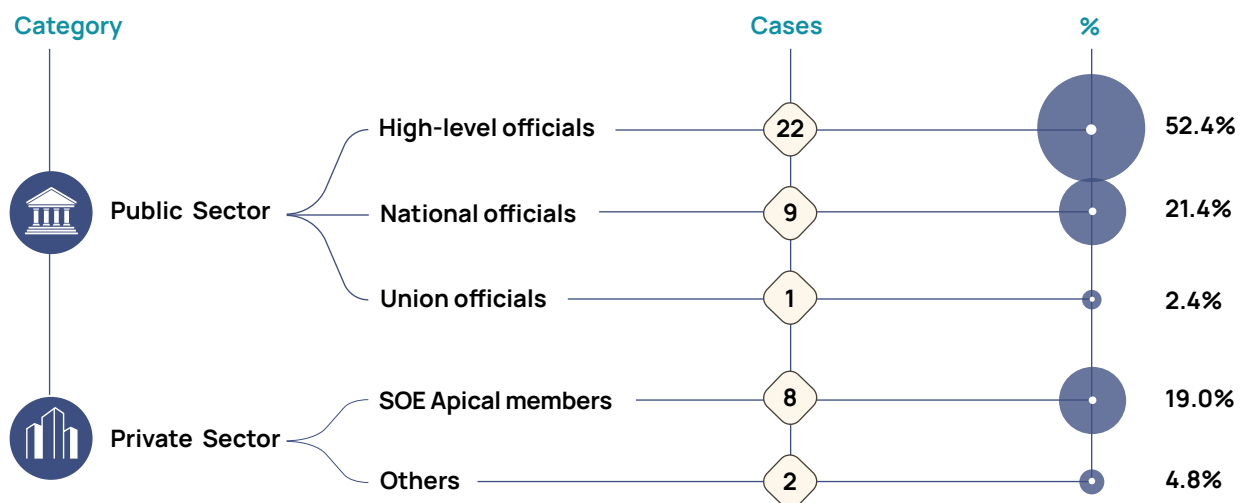
Sector	Cases	%	Average value of money (USD million)
 Energy Supply	6	14.3	56.7
 Political-related activities	6	14.3	1.3
 Entertainment and sporting events	4	9.5	70.7
 Financial and insurance activities	4	9.5	1,796.8
 Construction	4	9.5	60.6
 Transportation and logistics	4	9.5	2.7
 Agriculture	3	7.1	5.8
 Healthcare and pharma	3	7.1	128.9
 Other	6	14.3	54.2

3.3 Profile of actors (Who)

High-level corruption is distinguished from petty corruption by the abuse of power by high-level officials for the benefit of a few, often involving large sums of money and substantial detrimental impacts for society. Various actors can be involved in high-level corruption schemes. In the analysed cases, the **profiles of individuals** involved in these schemes were observed and classified based on their roles in **public administrations** or positions in the **private sector**, such as senior members of state-owned enterprises (SOEs) or leaders of associations or federations.

Figure 5 demonstrates the distribution of high-level corruption cases by the profile of the implicated individuals. Just over half (**52.4%**) of the cases within the sample involved **high-level officials**, including heads of state, government officials, and other political appointees holding high-level public offices. Around one-fifth (**21.4%**) of the cases involved national officials. On the private sector side, **senior members of SOEs** played a significant role, being involved in **19.0%** of the cases analysed.

Figure 5 - Distribution of high-level individuals' profiles within the analysed high-level corruption cases



3.4 Drivers (Why)

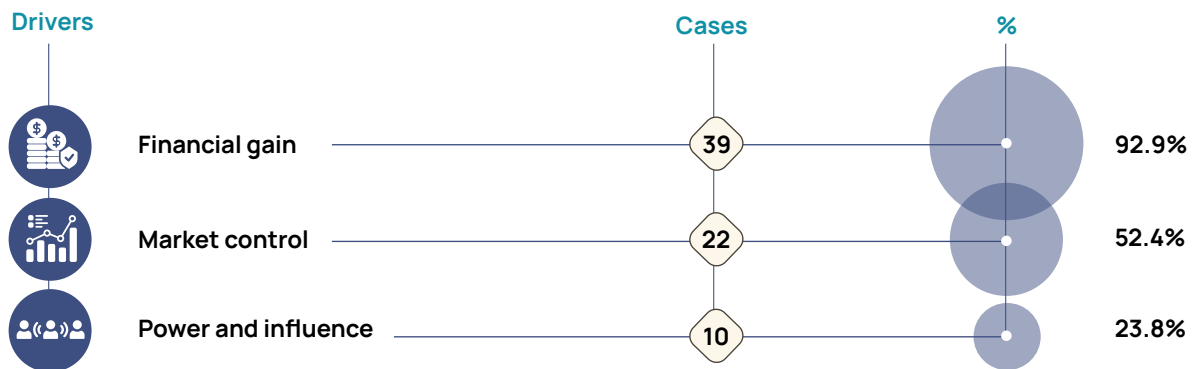
Understanding the drivers, i.e., the underlying motivations, of high-level corruption is essential for developing effective countermeasure policies. Corrupt activities are almost always driven by individual selfishness at the expense of others, who eventually experience the immediate, delayed, or long-term consequences of the corruption. [62] High-level corruption cases often rely on **long-term social ties** rather than ad hoc impersonal transactions, which is to say that individuals who engage in corruption typically leverage established relationships, networks of trust, and mutual obligations that they have developed over time. These social ties in turn provide a foundation through which to engage in more secure and reliable illicit activities, as opposed to one-time, impersonal transactions, which may carry greater risk of exposure and lack the same level of trust and coordination. [7] This type of corruption is based on reciprocity, creating a set of counter-obligations that are grounded in indefinite expectations of future returns. [63] Given that the partners trust each other, and immediate material gains is not the primary goal, the returns can thus be separated over time and may even include non-material benefits, such as job positions, or even symbolic capital, such as social recognition, honour, or prestige within a social group. [64] **Figure 6** reports the distribution of the drivers of high-level corruption within the sample according to the categories identified within this report.

The desire to achieve **financial gain** was present in almost all the high-level corruption schemes analysed (**92.9% of the cases**). In these cases, corrupt practices are seeking to obtain economic benefits, such as money, assets, or gain other financial advantages. In **Box 1**, two such high-level corruption cases that were driven by financial gain are described.

Market control occurred in more than half of the observed cases (**52.4%**). Within these types of cases, the corruption seeks to influence business outcomes by securing contracts, preventing competitors from entering the market, or by incapacitating competitors. Indeed, one of the most common reasons for a multinational enterprise to become embroiled in corruption in a host country is when a company is unable to engage in a new business transaction or complete an existing one without offering a bribe. [22] One particular case of high-level corruption that was driven by market control is reported in **Box 2**.

Finally, the desire for **power and influence** was observed in almost one-quarter of the cases (**23.8%**). Within these specific scenarios, the aim is to gain political influence and sway political decisions, elections, or policymaking. **Box 3** reports two cases of high-level corruption that were driven by power and influence .

Figure 6 - Distribution of the drivers of high-level corruption





CASE A

From 2008 to 2017, entrepreneurs in Venezuela, officials at the National Treasurer of Venezuela as well as their relatives, engaged in a corrupt scheme to enrich themselves by capitalising on favourable exchange transactions. The National Treasurer officials used their official position to influence decision making over which authorised currency exchange institutions (often referred to as *exchange houses*) could conduct bolivar-to-dollar exchanges with the Government of Venezuela.

In the scheme, the entrepreneur offered, promised, authorised, and made corrupt payments to Venezuelan government officials, including two National Treasurers, in order to secure an improper advantage in obtaining and retaining the rights to conduct foreign currency exchange transactions at favourable rates. The National Treasurer, who was initially part of the scheme, facilitated the continuation of the bribery scheme by introducing the corruptor

to his successor when he left the National Treasury. The corruptors used both personal bank accounts and bank accounts held by companies that they beneficially owned and controlled to wire the bribery payments, which were mostly directed towards the relatives of the officials, in addition to purchasing properties and gifts on their behalf. They relied on front persons who advised, assisted, and profited from investing the corruptly obtained wealth, by virtue of managing accounts and owning and controlling companies and buying assets.

The scheme generated more than \$2.4 billion in corrupt proceeds, and the individuals involved spent their profits on properties, boats, and planes in the US and elsewhere. Consequently, the US Department of the Treasury sanctioned several individuals and entities for their roles in the bribery scheme.

CASE B

From the early 1990s, a business entrepreneur orchestrated a sophisticated corruption and fraud scheme in Spain. He harnessed his business ventures within the communication, marketing, and event organisation industry to establish significant connections with representatives of a Spanish political party, which resulted in a system of institutional corruption. This system targeted public procurement across various governmental levels and led to substantial illicit gains and corrupt payments to officials. The financial gains were generated by inflating the prices that were charged to affected public administrations. This objective was achieved via close relationships

with influential party members who had the power to influence decision-making procedures. When third-party companies were awarded contracts, commissions were also obtained and distributed between the professional network and corrupt elected or appointed public officials and authorities. These officials received cash payments, along with other types of services or gifts from different companies in the network, such as events, trips, parties, and celebrations. In some cases, their relatives also benefitted. The corrupt nexus lasted until 2004 at the national level but continued on in specific autonomous communities. In 2009, judicial interventions unveiled the extensive corruption scheme.



CASE C

Between 2009 and 2015, an airplane manufacturing company, through its Spanish defence subsidiary, engaged in two campaigns to sell C-295 military transport aircraft to the Government of Ghana. In order to increase sales and boost the company's international footprint, the persons acting on behalf of the company offered undue financial advantages. The corruption scheme was realised through the use of intermediaries or agents. When the company made a successful sale, it would typically either pay intermediaries a commission based on a percentage of the value of the sale or pay them a fixed amount for each aircraft sold. In principle, intermediaries should be independent of a company's customers. However, in one case, in order to facilitate the sales to the Government of Ghana, the company employed a close relative of a high-ranking Ghanaian government official as an intermediary, despite lacking any experience in aerospace. Indeed, the intermediary was a UK national born in Ghana, with no prior experience or expertise in the aerospace industry, who was assisted in his intermediation by two other UK nationals who had no prior experience or expertise in the industry.

Initially, the services were provided by a corporate vehicle controlled by those intermediaries involved in the transaction. For these services, a commission of 3 million dollars was to be paid to the intermediaries. In order to conceal the fact that one of the intermediaries was a relative of a governmental official, a plan was devised to fictitiously replace the corporate vehicle linked to the intermediary with one connected to a pre-existing intermediary of the airline company, despite the fact that they had no prior experience or connections in Ghana.

This strategy involved falsely attributing the intermediary's activity to another intermediary, thereby masking the true nature of the arrangement and deflecting scrutiny away from the suspicious ties to the relative of the Ghanaian government official. The new intermediary agreed to deliberately circumvent the proper compliance process by falsely representing that the work on the campaign had been carried out by their company, who would in turn then make the money available to the former intermediary. By utilising an ostensibly legitimate and established business entity, the manufacturing company sought to obfuscate the involvement of individuals with close connections to government officials and, in so doing, minimise the risk of detection or suspicion.



CASE D

In 2013, the chief of staff of the Prime Minister of the Czech Republic offered high-level positions to parliamentary members in order to secure their resignation and garner political support for the government led by the then Prime Minister. The parliamentary members were allegedly offered high-ranking positions in SOEs in exchange for their resignation from

the Parliament. This would ensure they would not vote against crucial legislative proposals, thereby maintaining the government's stability. The Czech Supreme Court ruled that the three former MPs were protected by parliamentary immunity. Nonetheless, the cases led to public outcry and calls for reform in parliamentary immunity and anti-corruption laws.

CASE E

In 2022, the European Parliament was rocked by a significant corruption scandal, driven primarily by the influence of foreign governments seeking political favours in exchange for substantial bribes. The principal driver of the corruption offences was to exert influence over specific political actions, including altering parliamentary resolutions, suppressing criticism of certain countries, and pushing for favourable policy changes. Substantial cash payments and luxurious gifts were the primary methods employed to sway MEPs and other officials. Non-governmental organisations, headed by a European Parliament member, were used to both funnel the bribes and obscure the money trail.

The foreign governments involved in this corruption scheme were Qatar, Morocco, and Mauritania. One of Qatar's primary objectives was to secure a visa-free travel agreement with the EU. According to the main allegations, two European citizens, one of whom was a member of the European Parliament and another who

was an assistant of the European Parliament and partner of the European Parliament Vice-President, undertook efforts to influence the Parliament's civil liberties committee to green light this agreement. They also aimed to suppress parliamentary resolutions that condemned Qatar's treatment of migrant workers and journalists in order to facilitate this deal. The focus, in this case, was on changing the narrative around Qatar's preparations for the FIFA World Cup, especially pertaining to the exploitation of migrant workers. This involved manipulating parliamentary hearings and ensuring favourable questions during committee sessions. Morocco, conversely, aimed to secure favourable trade and fisheries agreements with the EU. Efforts were also undertaken to moderate or block resolutions critical of Morocco, particularly those related to the handling of the migration crisis involving Spain. Ultimately, Mauritania's primary goal was to enhance its public image within the EU.

3.5 Methods and modi operandi (How)

3.5.1. Forms of utilities

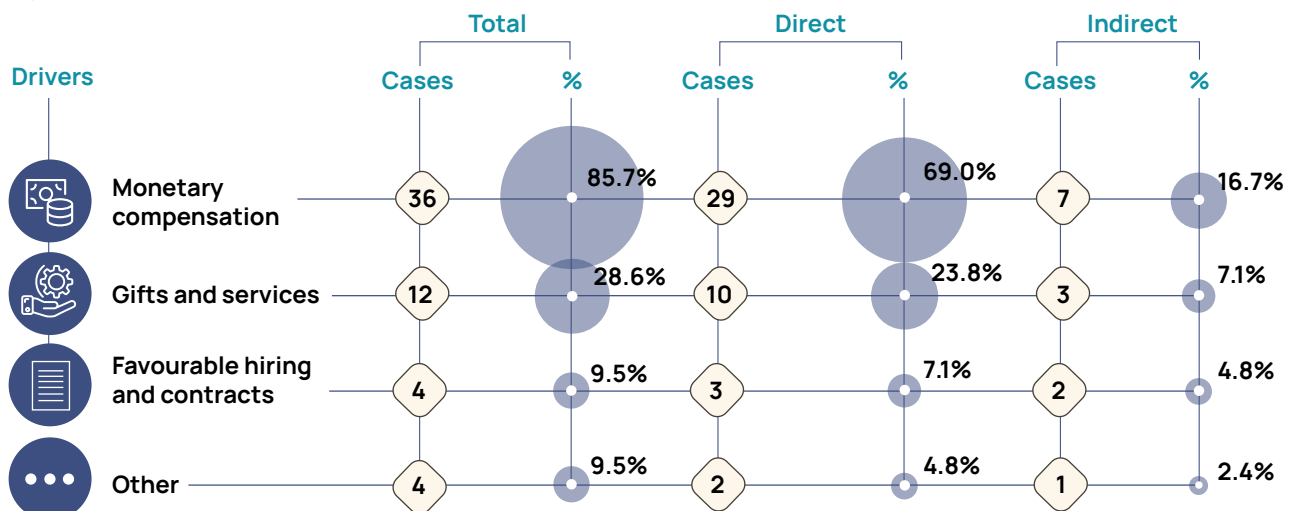
The defining characteristic of corruption is the existence of an **exchange of some form of utility**, which can take various forms. The utility can either directly benefit the corrupt officials or benefit certain connected individuals. Utilities can take the form of financial compensation, gifts, service provision, and other utilities, such as, for example, favourable hiring of corrupt individuals or their relatives. The evidence reported in **Figure 7** underscores the need to scrutinise anomalous transactions and wealth increases, not only for those persons who hold public office but also in connection with their relatives. Four cases of high-level corruption involving different types of utility are reported in **Box 4**.

- In our analysis of the sample, the utility perceived by the corrupt actors, which often drives people's participation within corruption schemes, primarily consisted of **monetary compensation (85.7% of the cases)**, which can take the form of cash payments or wire transfers.
- In some of the cases analysed, the reward for unlawful actions came in the form of **valuable items (28.6%)**, such as jewellery, watches, cars, or services, like the provision of free or discounted **services** and travel accommodations. Indeed, the utility can take other forms besides money transfers; other forms of utility observed in our sample of high-level corruption cases included acquiring yachts for the benefit of the

corrupt individuals, paying expenses related to luxury benefits like the management of champion horses, acquiring houses and real estate, providing high-end watches or designer fashion items, or even offering private jets. **Gifts and services** are practical tools for building and maintaining relationships of influence and reciprocity, which, in turn, help to create a sense of counter-obligations or expectations regarding future favours, thus subtly reinforcing corrupt networks. Indeed, within some cultures and business environments, the exchange of gifts and services is wholly expected, thus blurring the line between legitimate hospitality and corruption.

- In one-tenth of the cases, the reward for high-level corruption included promises of **favourable hiring or contracts** for the corrupt actors or their relatives (**9.5%**).
- The form of utility can also **manifest differently (9.5%)**, such as, for example, in the form of **valuable information**. This form of utility is often rooted in the **creation of obligations or favours**, which serve to enhance the social capital and influence of the corrupt parties. This scenario serves to illustrate how the utility in such schemes can at times extend far beyond direct monetary gain, falling instead within a broader category of non-monetary rewards, such as enhanced leverage or future reciprocation.

Figure 7 - Distribution of utility type





CASE F

In 2024, the chief of the Chinese Football Association (CFA) was sentenced to life imprisonment for accepting bribes that totalled 81 million yuan (approximately \$11.3 million). The corruption scheme spanned from 2010 to 2023, which encompassed not only his tenure as the head of the CFA but also his time as President and Chairman of the Shanghai International Port Group (SIPG). The bribes, accepted directly or via his wife and son, were paid in exchange

for providing undue assistance in securing project contracts, investment opportunities, and the organisation of sporting events, grant permissions, and ensuring events were held at specific venues. One of the instances of corruption occurred the night before he became the Chairman of the CFA, when he received backpacks containing 300,000 yuan (\$41,562) from two local football officials who wanted him to take care of them.

CASE G

In 2023, in Spain, an MP and a law enforcement official offered businessmen the promise of securing public contracts and exemptions from health inspections during the COVID-19 crisis. A mediator acted as the intermediary between the businessmen and public officials, facilitating the transactions and ensuring the smooth operation of the bribery scheme. In order to benefit from the scheme, the businessmen allegedly made an initial payment

of 5,000€ (\$ 5,345) to a sports association headed by the MP, in conjunction with paying for gifts, such as jewellery, and activities like organised visits, luxury meals, and parties. To further incentivise the businessmen, in exchange for additional payments of up to 3,500€, the businessmen also allegedly received VIP tours of parliament or were taken to parties organised in nightclubs and a four-star hotel.

CASE H

In 2023, several officials and professionals were involved in the misuse of EU agricultural funds in Italy. Professionals from the agricultural sector influenced the decisions of public officials from the Provincial Agriculture Inspectorate (IPA) to ensure that their clients' projects would be financed. This connection appears to have been cultivated through longstanding relationships. The scheme ensured that specific companies had a disproportionately high percentage of

funding applications approved. The public officials from the IPA played a pivotal role in steering decisions and manipulating the funding process by failing to detect errors in the documentation, slowing down control procedures to avoid penalties and even replacing documentation. In return, their relatives received free consultancy services and employment. The fraud also involved the artificial inflation of project expenses, thereby justifying the larger amounts of funds received.

CASE I

In 2021, the son of an MP in the UK leveraged his connections to access confidential information and inform his associates about upcoming government decisions, particularly those related to mining licences and property developments. This privileged information

was used to make strategic investments and business decisions, which led to substantial financial gains both for the son of the MP and his associates. A labyrinth of family trusts was subsequently used to hide the proceeds and complicate recovery efforts.

3.5.2 Means to exchange utilities

The mechanism for **transferring resources in corruption schemes** relies heavily on careful coordination amongst the involved parties, which is a crucially important aspect of these illicit activities. [4] When analysing the **flow of economic resources** related to high-level corruption cases, two main streams can be discerned:

- The first process, known as **money dirtying**, involves the transfer of the illicit gains, such as, for example, a bribe, from the corruptor to the beneficiary (e.g., the payment of a bribe to a high-level official).
- The second process, known as **money laundering**, concerns the concealment or legitimization of the proceeds the beneficiary has accumulated from corruption (e.g., a high-level official laundering the money received from a bribe).

Understanding how corruption-related financial flows occur in practice is crucial for effectively combating corruption. Whilst the distinction between money laundering and money dirtying holds up in theory, in practice, the two flows often overlap. This is because the schemes and structures that are employed for paying bribes or diverting funds can also be used to launder corrupt money.

3.5.2.1 Types of transactions

Transactions involving economic resources in high-level corruption cases can take a variety of forms. As reported in **Figure 8**, whilst cash remains the primary medium in various criminal activities due to the anonymity it affords, and despite of the obvious limitation of physical handling involved, banking

transactions are the preferred method in high-level corruption cases. This preference derives mainly from the convenience of banking transactions and the ability to move large sums of money across borders efficiently.

Banking transactions were used in **69.0%** of the analysed cases, particularly in complex corruption schemes. The payment of bribes via banking systems ordinarily occurs in the form of **wire transfers**, albeit **checks** are also used. The use of banking-related payments, however, comes with several risks. Financial institutions are obliged entities under anti-money laundering (AML) regulations worldwide. Therefore, they must carry out customer due diligence checks on transactions and clients, particularly when politically exposed persons are involved, and report any suspicious transactions to the competent authorities. In some of the analysed cases, corruption schemes were revealed because banks raised AML concerns about the source of payments to companies owned by relatives of politically exposed individuals.

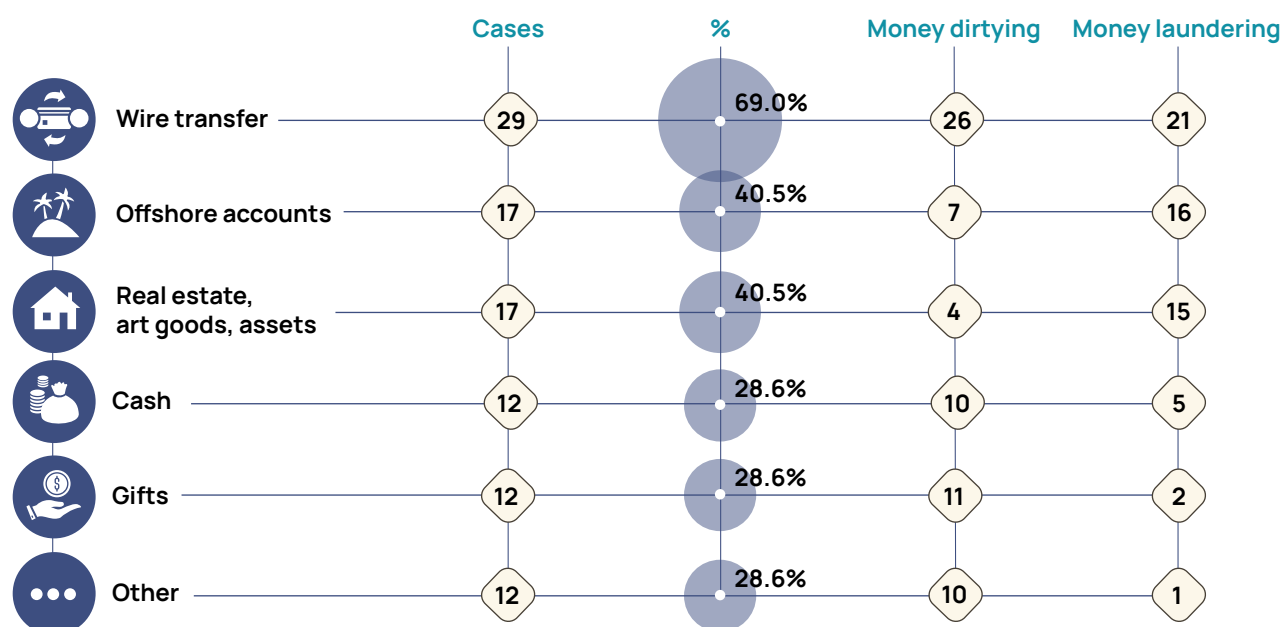
To mitigate this risk, corruption offenders often employ obfuscation methods, such as using **offshore accounts** – i.e., bank accounts established within specific jurisdictions renowned for their secrecy, **shell companies**, and **transnational corporate networks**. Corporate vehicles can easily be created and dissolved in both onshore and offshore locations without proof of identity, followed by establishing bank accounts for these entities. [74] **Bank accounts** may be directly linked to the corruptor, but in many cases, they are connected to companies indirectly owned by the corruptor, which are then used for bribe payments. Consequently, it is common for bank accounts to be situated in foreign jurisdictions.

Offshore accounts, located in jurisdictions with solid secrecy laws and favourable regulatory environments, complicate the tracing and recovery of laundered money. Bank accounts linked directly to corruptors or companies beneficially held by the corruptors were observed in locations such as Switzerland, Florida, Dubai, Singapore, and the British Virgin Islands. None of these aforementioned locations were the location in which the corrupt acts took place, nor where any of the corruptors citizens or residents of these countries. In state captured countries in Europe, high-level officials diverted funds into offshore bank accounts in several European countries, thus

underscoring Europe's exposure to such jurisdictions. **Offshore accounts** are thus a significant component in corrupt actors' toolkits, insofar as they were used in **40.5%** of the analysed cases to hold and launder illicit funds.

Cash transactions, which are anonymous and difficult to trace due to their nature as bearer negotiable instruments, were observed in **28.6%** of the high-level corruption cases analysed. Cash is favoured for its anonymity and the challenges it poses to both tracing the origin of proceeds and identifying beneficiaries.

Figure 8 - Distribution of high-level corruption cases, by type of transaction



These findings underscore the complexity and adaptability of **monetary transactions** within high-level corruption schemes, with various methods being employed to minimise the risk of detection and maximise the concealment of illicit funds. However, in high-level corruption cases, money transactions are not the only observed means of transferring utility. Rather, in cases of **non-monetary transactions**, real estate, art, and other valuable assets are used to either transfer utility or launder the proceeds of corrupt activities.

Real estate transactions can involve inflated prices or complex financing arrangements that obscure the source of funds. Luxury real estate has become a significant pathway for the conversion of illicit

money, facilitated by imperfect information regarding ownership and the details behind these substantial financial transactions. Real estate is frequently used to launder money from large corruption schemes. In most cases, real estate and property were acquired by trusts or legal persons, and in fewer cases, directly by the corrupted individuals. These real estate investments were often located in jurisdictions such as the United Arab Emirates, Monaco, the UK, the US, and in the prestigious areas of capital cities, such as Glasgow, Dubai, New York, and London, as well as in the home jurisdictions of the actors [75], [76]. Similarly, the **art market**, with its high value and relatively unregulated nature, provides an ideal avenue for laundering money through the purchase and sale of valuable pieces.

Box 5 – Two cases of high-level corruption involving banking transactions in offshore accounts



CASE M

Between 2011 and 2014, in order to secure the sale of several aircraft to national airline companies in Indonesia, an airplane manufacturing company based in France engaged in a bribery scheme directed towards key members of two Indonesian airline companies. The primary motivations were financial gains and increasing the company's market share in the industry. Although the primary form of utility exchange was money, funds were also used to purchase luxury items and properties. Consulting firms were used to

create the façade of legitimacy. These firms were the official recipients of the payments, which were labelled as consultancy fees for services that were never actually rendered.

The money flowed through multiple layers of banking transactions via US banks and offshore financial centres, to obscure its origins. This included transfers to offshore accounts in jurisdictions like the British Virgin Islands and Singapore, and investments in real estate properties.

CASE B

Between 2011 and 2014, a corruption scheme in Spain led by several entrepreneurs and professionals targeted public procurement across various governmental levels and led to substantial illicit gains and corrupt payments to officials. The primary motivation for the scheme was financial enrichment: by manipulating public procurement processes, which led to them securing lucrative contracts and diverting funds for personal use. The companies in the network would bid for public contracts in which they were often either the only or preferred bidder due to manipulating the tender process. Contracts were awarded at inflated prices, and the excess funds were siphoned off through fake invoices. Operations were facilitated by close relationships between entrepreneurs and influential party members who had the power to influence decision-making procedures. Officials who facilitated these contracts received kickbacks, either

in the form of cash or other benefits like real estate and luxury goods. The entrepreneurs and professionals set up the necessary corporate structures, using a network of shell companies and complex corporate structures across multiple jurisdictions, including Nevis, the UK, Switzerland, Curacao, and Monaco, to transfer money and create fake invoices. The diverted funds were concealed using invoices for either non-existent services or services that were billed for twice and transferred through a series of offshore accounts in different countries. Offshore accounts were often registered under the names of figureheads or front companies. In particular, large amounts of money were mainly deposited into Swiss bank accounts. Estimates indicate that the corruption schemes involved the diversion of approximately €120 million. Subsequently, they laundered the money and repatriated it to Spain under the guise of legitimacy.

Focus 3 – Paris: La ‘ville lumiere’ or la ‘ville obscure’?

In 2022, a study conducted within the project CSABOT, analysed data on properties in Paris. The dataset, made available by the French Ministry of Economy and Finance, comprised. The dataset comprised properties exclusively owned by legal persons as of January 1, 2021, in France, whilst those owned by sole proprietorships and individuals were not included. The research was able to identify that 4,499 companies owned 53% of all the real estate properties included in the dataset. For

these companies, the researchers examined a set of risk factors related to their ownership structure. The result of this analysis was that 18.5% of the legal persons who owned properties in Paris exhibited a **complex ownership structure** (in comparison to their peers, i.e., companies in the same sector and of the same size). In total, 234,724 of the properties reported in the dataset (46.5%) were owned by at least one legal person displaying such a complex ownership structure.

Focus 4 – The attractiveness of Dubai for offshore wealth investment

Dubai, the largest city in the United Arab Emirates (UAE), has become a favourable destination for illicit funds due, in part, to its high-end luxury real estate market and lax regulatory environment that prioritises secrecy and anonymity. Indeed, a study conducted in 2022 pointed out that the extent of offshore real estate in Dubai is significantly large: at least \$146 billion in foreign wealth was invested in the Dubai property market. Around

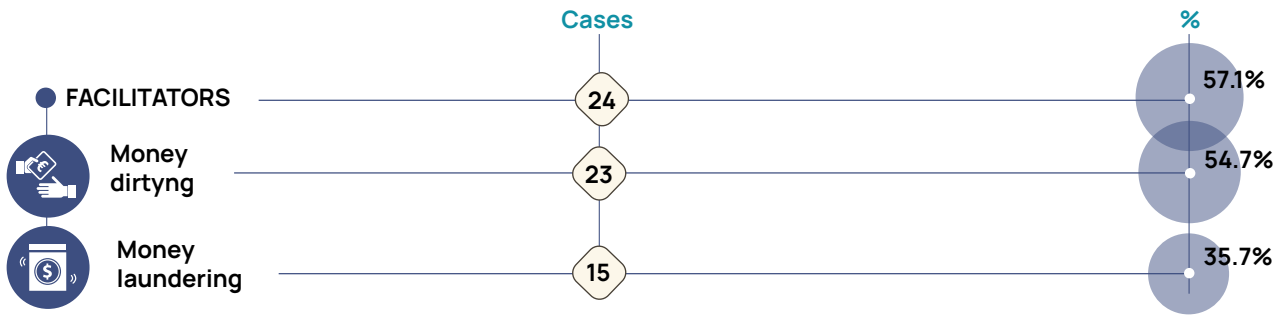
20% of offshore Dubai real estate was owned by investors from India, and 10% by investors from the UK; other large investing countries included Pakistan, Gulf countries, Iran, Canada, Russia, and the US. Several conflict-ridden countries and autocracies also had large holdings in Dubai relative to the size of their economy (equivalent to 5% - 10% of their GDP). [74]

Gifts and services are often used as subtle and sophisticated means to influence, reward, or incentivise high-level individuals in corrupt practices. These can be less overt than direct monetary bribes in that they are represented as tokens of appreciation, friendship, or business courtesy, thus providing plausible deniability for both the giver and receiver. The intangible nature of services (such as travel, hospitality, or professional services) makes them harder to quantify and trace, thus complicating detection and investigative efforts. Services such as consulting, legal advice or luxury travel can be provided through intermediaries and other third parties, which makes it challenging to link the beneficiary directly to the corrupt act.

3.5.2.1 Facilitators

Completing and repeating corrupt transactions is an active process that is generated and structured by the participants in the corrupt scheme. Given the challenges associated with initiating, completing, or repeating their transactions without exposure, corrupt partners must establish social arrangements that ensure predictability, reduce risks, and facilitate interaction, whilst, simultaneously, ensuring that information about their illegal dealings is kept secret. [7], [65] As reported in **Figure 9**, in most of the observed cases of high-level corruption (**57.1%**), **intermediaries and professionals** played an essential role in both facilitating the exchange of utilities between corrupt parties (**54.7%**) and the laundering of the proceeds of crime (**35.7%**).

Figure 9 - High-level corruption cases involving facilitators



Box 6 – High level corruption cases employing real estate, gifts, and services



CASE N

In June 2007, officers from the Russian Ministry of Interior Affairs, under the pretext of an investigation, raided the offices of one of the largest foreign investment funds operating in Russia to seize corporate documents and seals related to the ownership of its Russian subsidiaries. Using the seized documents, the perpetrators re-registered the subsidiaries under new ownership and created large, fictitious financial liabilities for these subsidiaries. This made it appear that the companies owed massive debts, thus nullifying any profits on paper. In December 2007, the fake owners of the subsidiaries applied for a tax refund of \$230 million, claiming that the companies had overpaid taxes based on the

fabricated financial losses. Corrupt officials in the Moscow tax office quickly approved the refund request. The embezzled funds were transferred from the Russian Treasury to bank accounts controlled by the fraudulent owners. Significant amounts of the funds were invested in high-value real estate properties, which were purchased through shell companies incorporated in jurisdictions such as the British Virgin Islands and Cyprus. Key locations included the US, the UK, France, Spain, and Dubai. Some of the notable investments included luxury properties in London, in the French Riviera, known for its luxury real estate market, as well as in prestigious areas in the US, such as New York City, and luxury apartments in Dubai.

CASE O

In 2012, a Governor of Delta State in Nigeria was found guilty of embezzling millions of dollars in state funds through inflated contracts, which he funnelled into personal accounts and investments abroad. By relying on contractors which were his associates, he diverted the excess funds into bank accounts controlled by the Governor and his nominees in different jurisdictions, using shell companies and offshore accounts in tax havens like the British Virgin Islands, Switzerland, and Cyprus. The money was invested in real estate, with properties being purchased in prime locations, such as houses in North London and a mansion

in South Africa, as well as purchasing luxury vehicles, such as a fleet of armoured Range Rovers worth £600,000, and even a private jet that cost \$20 million. To further conceal the criminal proceeds, front companies and nominees were utilised to hold assets. The scheme involved multiple countries, including Nigeria (where the funds were embezzled), the UK (where a significant portion of the money was laundered and assets purchased), Dubai (where the Governor was arrested), and various tax havens like the British Virgin Islands and Switzerland.

Relatives, friends, business associates, professionals, and other intermediaries were found to frequently operate as facilitators of corrupt schemes.

- Corrupt actions based on **family and or friendship ties** rely on the pre-existing, safe, organised infrastructure of actors' networks to conduct an illegal deal with significantly lower transactional costs than one would encounter in much riskier market-type transactions between strangers. [68], [69] There were numerous cases of corruption in our sample involving family members acting as figureheads, mainly in the capacity of transferring ownership to avoid property seizure when suspicions arose. In some cases, **spouses and friends acted as frontmen**, receiving payments indirectly on behalf of corrupt individuals or being the fictitious beneficial owners of companies to which public officials awarded contracts in misappropriation schemes. In other cases, the **relatives themselves were the masterminds behind the misappropriation schemes**, leveraging the high-level positions of their relatives, and thus enabling them to influence procurement contracts within governmental circles.

- In several cases, **business partners** collaborated to exploit the system for their personal gain. For instance, in some cases, officials previously involved in the scheme acted as intermediaries to ensure the continuation of the corrupt practices under their successors.
- In other cases, **third-party actors**, such as accountants, lawyers, and other professionals, were relevant facilitators, mainly when acting as corporate service providers to set up, service, and sell corporate vehicles, such as shell companies. [53] In some of the cases, facilitators were essential in acquiring financial institutions to smoothen the process of laundering the bribes paid to high-level officials. Facilitators operating in high-risk jurisdictions also facilitated illicit transactions and the laundering of proceeds from corruption.

The development of policies to combat high-level corruption must consider the importance of network mechanisms as well as the social structures that facilitate these corrupt practices, where informal norms facilitate activities and often override formal rules. [66] High-level corruption schemes, above and beyond personal gains, may serve specific social functions for the groups involved, including, amongst other things, maintaining the stability of social systems, keeping social groups together, or integrating new members. [67]

Focus 5 – The scale-free structure of the facilitators within offshore networks

Within the context of **offshore finance**, secrecy is the principal product being sold to the financial elites. Using the Offshore Leaks Database provided by the International Consortium of Investigative Journalists (ICIJ), in 2023, Chang and colleagues analysed the global offshore networks that connect high-net-worth individuals to the **professional intermediaries** who manage their offshore wealth. [54] The study focused on those intermediary wealth managers without whom the system that supports the financial elites simply could not function. It identified a suite of financial intermediaries (i.e., wealth management professionals, such as lawyers, accountants, bankers, and others who specialise in serving

the ultra-rich) who operate as a class of highly connected nodes that constitute an often overlooked source of fragility within the global and nation-level offshore financial networks.

More specifically, the study discovered that the oligarch network has a **scale-free structure**, which is to say that they are degree-heterogeneous networks with heavy-tailed degree distribution, which would be most efficiently disrupted via targeted attacks like deleting a few highly connected nodes. One especially relevant conclusion from the study is that the most effective and efficient way to punish oligarchs may be to sanction their offshore intermediaries, i.e., their wealth managers. [54]

3.5.3. Corporate vehicles: legal persons and legal arrangements

Corruption schemes can exploit different **corporate structures** within the legal economy to serve their purposes and facilitate the transfer of economic resources. The use of corporate vehicles for concealing and abetting corruption and financial crimes has been extensively documented in the literature. [2], [53] Corporate vehicles are defined as *legal entities through which a wide variety of commercial activities are conducted and assets are held*. [53], [70] These vehicles include organisational forms such as legal entities (e.g., companies and corporations), which can also act as front, shell and shelf companies, and legal arrangements (e.g., trusts and foundations). As reported in **Figure 10**, in **90.5%** of the analysed cases, at least one corporate vehicle was involved, with **shell and front companies** and **legal arrangements** accounting for **61.9%** and **28.6%** of this figure, respectively.

There are two main reasons for the relevance of corporate vehicles within high-level corruption schemes [53]:

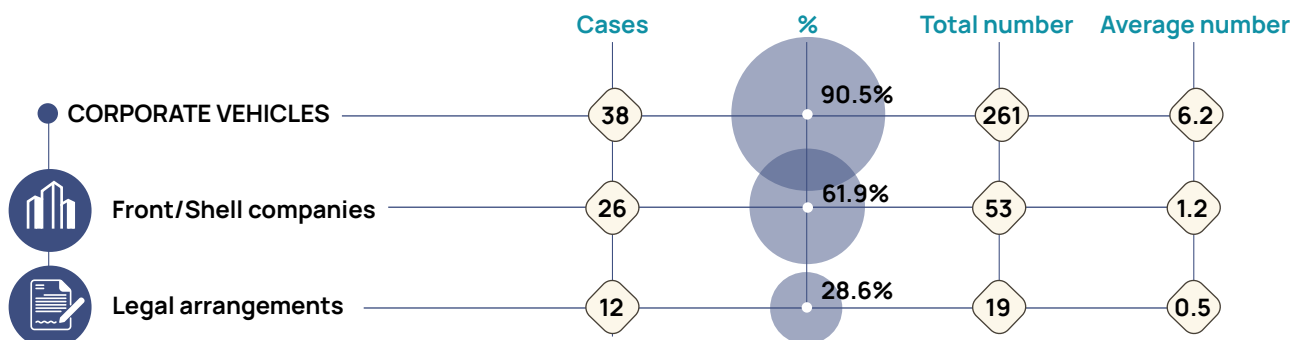
- First, in certain circumstances, the misuse of organisational structures can provide a **veneer of legitimacy**. This can include the use of large organisations or foundations whose reputations are subsequently leveraged to establish illicit schemes that may evade suspicion. Legitimate corporate entities offer opportunities to conceal, convert, and control illegal finance, presenting an external appearance of legitimacy for beneficial owners to then transfer funds. [53]

- Second, corporate vehicles provide **anonymity** in the sense that they effectively conceal illicit actors, albeit not entirely it should be noted, as there will always be some level of connection between the actors and the finances, even when well-obscured. [53]

Whilst corporate vehicles are predominantly used for legitimate purposes, they also provide opportunities for those involved in criminal enterprises to conceal and control illicit funds, whilst, simultaneously, maintaining their anonymity through the obscuring of beneficial ownership. **Shell and front companies** are frequently used due to their ability to exist without significant operations or assets, which makes them ideal for obfuscating money flows. In some cases, bribes are channelled through bank accounts related to companies that are under the control of the corruptors. These companies can also be used to buy gifts and provide services that directly benefit the corrupted individuals, thus delivering the utility. **Legal arrangements**, although used less frequently it should be said, still play a significant role in more complex schemes, especially in the case of holding assets gained as a result of the corrupt proceeds.

The widespread use of corporate vehicles to conceal corruption underscores the need to obtain information on beneficial ownerships. [71], [72] Identifying the owners of front, shell companies, and legal arrangements can help efforts to track how public procurement deals relate to public officials. This, in turn, can help to identify conflicts of interest, thus ensuring that public resources are not misappropriated for personal gain.

Figure 10 - Distribution of high-level corruption cases, by type of corporate vehicle employed



Focus 6 – Transparency of beneficial ownership and corporate complexity

Connecting **beneficial owners** to the proceeds stemming from corruption is difficult. The main reason for this is that the corrupt, by virtue of their wealth and resources, exploit transnational constructions that are hard to penetrate [2]. There are different ways in which opacity can be used to complicate efforts to understand the ownership behind assets.

Complexity in ownership structures can be operationalised in various forms: by measuring the **distance between the company and its ultimate shareholders**, such as the number of corporate levels separating the beneficial owners from the companies they control; by counting the number of shareholders involved in the chain of ownership at the first level and subsequent levels; or, more specifically, by assessing the extent to which legal entities act as intermediaries within the corporate structure.

But there are numerous other operationalisations of complexity and opacity which, for instance, examine the presence of ultimate owners which are legal persons that do not report any beneficial owners at the top, thus further obscuring true ownership, or that fall under jurisdictions that are deemed to be uncooperative when it comes to money laundering.

The opacity and anomalies within such company ownership structures and arrangements has been shown to correlate with an increased likelihood of involvement in illicit activities, including high-level corruption [71]. Interestingly, countries that receive higher evaluation scores from the FATF with respect to transparency over beneficial ownership have also been found to have higher corporate opacity values. [70]

3.5.3.1. Front, shelf, and shell companies

Amongst all of the corporate entities used within corruption schemes, front, shelf, and shell companies are peculiar types of corporate vehicles that play a pivotal role in facilitating high-level corruption. **Front companies** are businesses that are used to conceal illicit financial flows. Whilst they appear legitimate on the surface, insofar as they engage in genuine commercial activities, they also serve as channels through which to launder money and hide corrupt transactions. **Shell companies**, on the other hand, are inactive entities with no significant assets, operations, or employees. Indeed, these companies often exist only on paper, with minimal or no actual business activities to speak of, which makes them ideal for hiding ownership and layering transactions. **Shelf companies**, conversely, are pre-registered entities that have yet to engage in

any business activities. These entities are kept on the shelf and sold later to individuals who wish to bypass the lengthy incorporation process, thus providing immediate legitimacy and a history of existence. [73]

Figure 11 highlights the importance of front, shell, and shelf companies within high-level corruption cases, with **61.9%** of the cases we analysed involving these entities. They were used in money-dirtying operations in **47.6%** of the cases and money laundering activities in **35.7%** of the cases. For instance, in cases that required the representation of fake activities, such as false intermediations relevant to misappropriate funds, shell companies were used to mimic the activities of these intermediaries. In some cases, those companies were incorporated shortly before the transactions to act as intermediaries.

Figure 11 - Employment of front, shell, and shelf companies within high-level corruption cases



Box 7 – Case involving the employment of operational companies within a high-level corruption scheme



CASE J

In 2007, a member of the US House of representatives entered the race for Mayor of the City of Philadelphia and used consulting firms to obtain illicit political financing. In 2007, the City of Philadelphia introduced campaign contribution limits within a single year, both from individuals to candidates (\$2,500) and from corporate or business entities to candidates (\$10,000). During his campaign, the member of the US House of representatives and his associates unlawfully borrowed \$1 million from a wealthy supporter, thus circumventing the city campaign contribution limits. The primary motivation behind this illegal scheme was to secure political and financial benefits. In order to conceal the true source and nature of this loan, the funds were routed via two consulting firms, which then used the money to pay for various campaign expenses. On the campaign finance reports, the candidate for mayor

reported this money as a debt resulting from a fictitious invoice from the consulting firms, thus further concealing the true origin of the funds. After losing the election, the mayor returned \$400,000 of the unused campaign funds to the wealthy supporter, with the remaining \$600,000 being returned via a complex scheme. The candidate founded and controlled a non-profit organisation which received federal grants and charitable donations. These funds were then diverted to repay the \$600,000 outstanding loan balance. The process involved passing the funds through other entities, which were run by his associates. To hide the true nature of these transactions, the candidate, using a company under the control of his associates, created fake contracts that purported to be for legitimate services but in fact were cover-ups for the loan repayment.

Box 8 – Case involving the employment of shell companies within high-level corruption



CASE K

Between 2011 and 2020, a Swiss-based commodities trading company engaged in a sophisticated bribery scheme to secure oil contracts from Ecuador. The scheme allowed the Swiss company to obtain oil-backed loans with favourable terms and secure a continuous supply of oil, which resulted in hundreds of millions of dollars in illicit profits. The commodities trading company used SOEs based in Asia as intermediaries to facilitate oil transactions and avoid competitive bidding. These SOEs entered into back-to-back contracts with the oil company in Ecuador, transferring the oil to Switzerland under pre-arranged conditions.

The representatives of the Swiss company paid over \$97 million to intermediaries. These funds were then used to bribe high-level Ecuadorian officials to facilitate the securing of contracts to purchase oil products on favourable terms. The payments not only included cash but also luxury goods, such as a gold watch. The bribery payments were routed through US banks and were channelled via shell companies in high-risk jurisdictions such as Panama and the British Virgin Islands, which were controlled by the intermediaries of the Swiss companies. These intermediaries also set up fake invoices and service agreements to both obscure the true nature of the transactions and create a semblance of legitimacy.

Focus 7 – The international market for shell and shelf companies, and their profile

Within high-level corruption, the concealment of illicit finances often requires collusion and cooperation with external professional actors. This raises the important question of **how these third-party actors are recruited in the corruption scheme**. [53] Empirical research has demonstrated the existence of **markets** that offer services that are in violation of international standards, such as incorporation without certified proof of customer identity. [53], [72], [73] These studies indicate that a stratified market exists, with some service providers offering their services publicly online whilst others operate through introductions via personal networks or relations established at high-level events for elite clientele. [53]

In the latest study on this phenomenon in 2024, [72] nearly 300 websites were found to explicitly advertise the sale of shelf companies. The researchers discovered that these suppliers were based across the globe, with over 90 jurisdictions in total being involved. The main jurisdictions in which suppliers offer shelf companies include the UK, the US, Hong Kong, Seychelles, Belize, British Virgin Islands, Cyprus, Poland, Czech Republic, Panama, and Germany. Prices ranged from a few hundred US dollars to \$2000, depending on the type of company (e.g., limited liability company, or public liability company), its age, and the jurisdiction it was attached to.

Besides selling shelf companies, 79% of these suppliers also offered company formation services, which essentially entails helping to create a new company, after-sale management of those companies, and nominee services. Nominee services involve appointing third-party individuals or entities to either act as the directors or shareholders of a company or open up bank accounts in other jurisdictions.

Based on extant literature, case studies, and reports of suspicious transactions sent to the Italian UIF (Italian Financial Intelligence Unit), some **distinct characteristics of shell companies** have been identified, which serves to highlight their incompatibility with real activity in a productive and competitive context. In particular:



ADMINISTRATIONS

Shell companies very often take the legal form of limited liability companies, and the administrators are frequently figureheads.



ASSETS

Their organisation is almost non-existent, since they lack real estate, warehouses, vehicles, inventory, and are almost devoid of internal and external personnel.



FINANCIALS FLOWS

The funds received by shell companies via wire transfers are subsequently monetised through cash withdrawals and returned to real companies. Operations take place within a network of companies, which include both real and shell companies. The accounts of shell companies rarely exhibit typical patterns of real businesses, such as payments of utilities, taxes, or salaries, and the account balances are generally close to zero.



LEGAL EVENTS

These companies go into liquidation after a few years of existence, frequently change their registered office, and are managed by individuals who, in most cases, have no entrepreneurial history, are insolvent, or have a history of bankruptcies, seizures, or protests. Often, the shell companies frequently change their company name and scope, which is typically broad and heterogeneous. This fluidity is sought to avoid tax inspections and to open new accounts, which helps to temporarily elude the scrutiny of banking intermediaries.

3.5.3.2. Legal arrangements

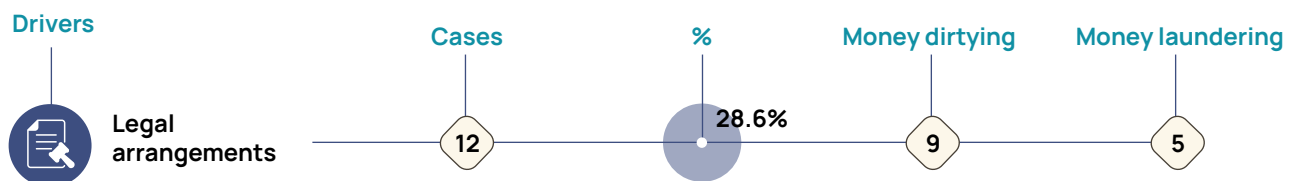
Legal arrangements such as trusts, fiduciaries, foundations, and funds are used to obscure the flow of illicit funds even further. Although legal arrangements are less frequently used than other instruments, it is still nevertheless significant, as reported in **Figure 12**. Indeed, one in four of the analysed cases included at least one legal arrangement (**28.6%**). These structures offer additional layers of anonymity and can be used to distance beneficial owners from assets, thus making it difficult for authorities to trace and attribute ownership.

- In some of the analysed cases, **family trusts** were used to receive funds directed from companies awarding contracts. Often, these trusts had family members, such as spouses or children, as

beneficiaries. These trusts were frequently located in the US or in offshore jurisdictions and were used to acquire real estate and properties, and in some cases, even private jets.

- **Foundations** were also used to receive bribes in the form of contributions. Non-profit entities, established for beneficial purposes, were involved in several phases of money-dirtying. These entities can obtain public funding and deceive authorities by concealing and protecting illicit activities via document falsification and obstruction of justice. Foundations, due to their philanthropic status, provide a façade of legitimacy, whilst, simultaneously, hiding corrupt transactions .

Figure 12 - Employment of legal arrangements within high-level corruption cases



Box 9 - High-level corruption case involving the employment of trust



CASE L

Between 2015 and 2018, the former President of the Democratic Republic of Congo and his brother orchestrated a massive embezzlement scheme involving government funds. The scheme involved the use of a network of companies within the oil sector as well as a national bank where the President's brother held a senior-level management position. Both the President and the brother siphoned off at least \$138 million from state funds. These funds were funnelled through a national bank and various state institutions, including the Central Bank of Congo, state mining company, and the electoral commission. The national bank in particular, which was managed by the President's brother, was integral to the success of the scheme, as it facilitated the

transfer of public funds to private accounts. The funds were transferred to companies and accounts controlled by the family of the President, including shell companies which were instrumental in moving these funds. The relatives of the President and his brother acted as figureheads and facilitators, who helped manage the network of companies and accounts used to launder the funds. The funds were used to purchase luxury real estate properties abroad, including in the US and South Africa. Some of these properties were held in trusts to manage and hold these assets, which made it challenging for investigators to link them back to the original embezzlement activities.

Focus 8 – The misuse of legal arrangements identified within the Puppet Master report

The Puppet Master report observed a strong reliance on legal arrangements. In 13% of the analysed cases, there was misuse of foundations, whilst in trusts were found to be involved in 5% of the identified corporate vehicles. Trusts were more commonly used in jurisdictions like Latin America, the Caribbean, and high-income nations.

In the Puppet Master report, 13% of the high-level corruption cases analysed involved the misuse of 41 foundations or other non-profit corporate vehicles, approximately half of which were based in Liechtenstein, albeit this number was influenced by the prevalence of one specific case. These foundations were not used to preserve illicit assets but rather to create the false appearance that the foundations were in the public interest, thereby discouraging scrutiny of the funds' use. In some cases, the funds may have indeed been used for legitimate causes, but the corrupt individuals could still access the assets and divert the funds elsewhere.

Trusts were involved in 5% of the identified corporate vehicles and were found to be more prevalent in Latin America, the Caribbean, and

high-income nations. The investigators that were consulted in the study posited that the database failed to capture the true extent of trust usage, arguing that trusts are difficult to prove in investigations, prosecutions, or civil judgments. Hence, investigators and prosecutors tend not to bring charges against trusts due to the difficulty in proving their role in the crime. Rather, they prefer to focus on more firmly established aspects of the case. As a result, even if trusts holding illicit assets were used in each of the analysed cases, they may not be explicitly referred to in the formal charges and court documents, thus leading to underreporting of their misuse.

Investigators find it difficult to acquire even the minimal evidence that is required to pursue an investigation via normal legal channels unless there is a clear trail of corruption proceeds going into a clearly identified trust account, or unless someone involved in the scheme provides sufficient evidence. Therefore, the extent to which investigating and prosecuting trusts poses a genuine obstacle depends to a large extent on the specific jurisdiction that is involved.

3.6: Geographical dimension and transnational links (Where)

A country can become involved in a high-level corruption case in several ways: through the occurrence of corrupt activities within its borders, by means of the nationality or residency of the implicated individuals, or via the utilisation of corporate vehicles or economic resources related to that country. The three scenarios are referred to as the country in which the corrupt act occurred, the country of nationality/residency of the corruptor(s), and satellite countries, respectively.

The analysis of the 42 high-level corruption cases identified **84 different countries** as being involved in the corruption. As reported in **Figure 13**, 37 countries served as the **location for the corrupt acts**, which is to say that they were the jurisdictions in which the delivery of a utility was promised in exchange for the abuse of power. 34 countries were connected to the **nationality or residency of the corruptors**, whilst 50 countries served as **satellite nations** that facilitated

corrupt activities and the laundering of the corruption proceeds.

Figure 13 - Number of countries involved within each scenario

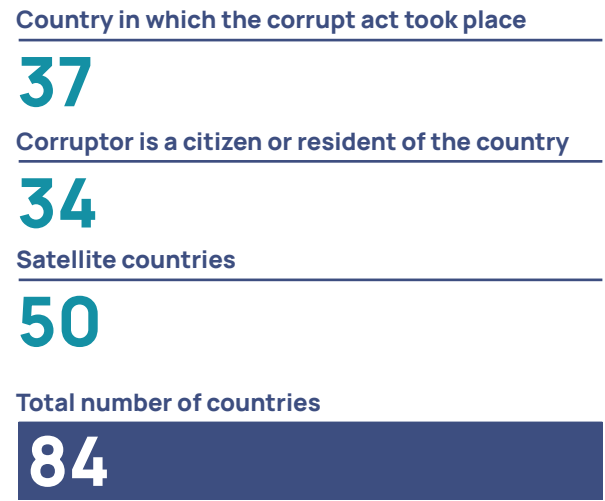
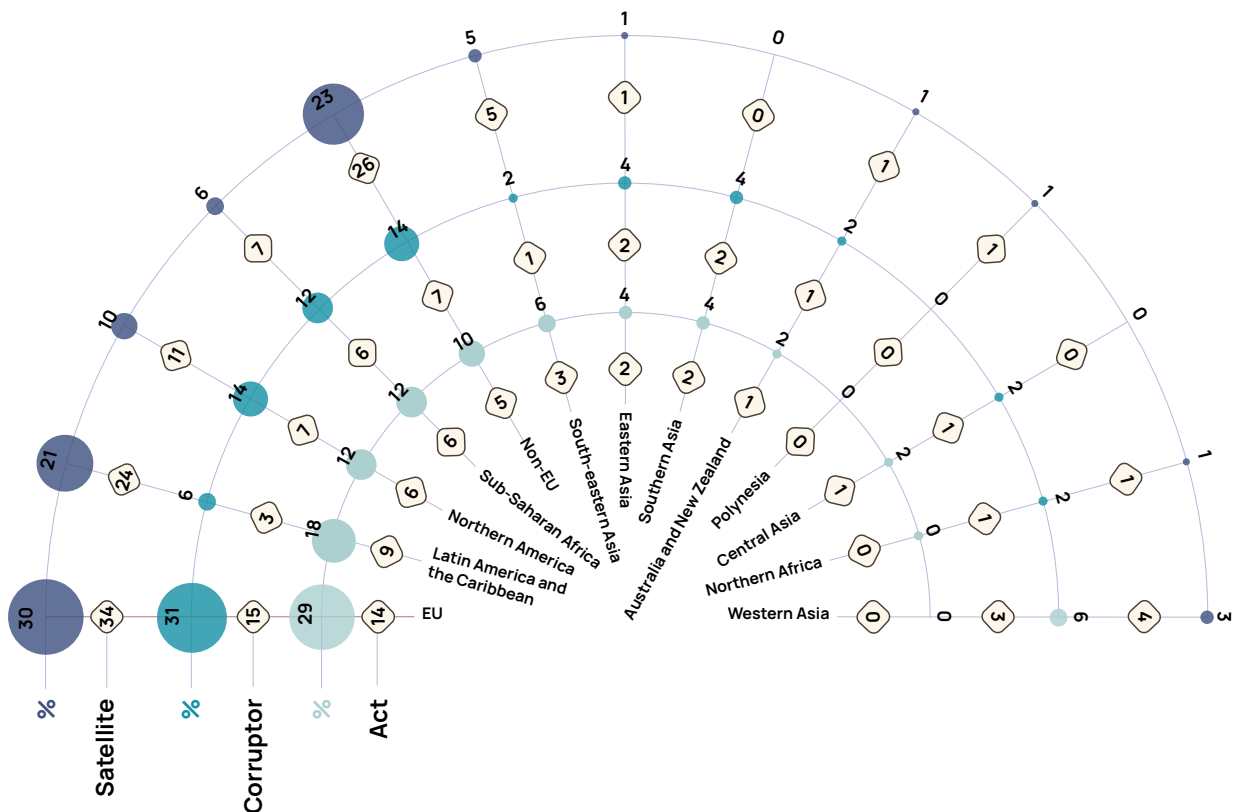


Figure 14 - Geographical distribution of the analysed high-level corruption cases



- The **EU** displayed the highest prevalence within the sample, accounting for **28.6%** of the corrupt acts. **Latin America and the Caribbean** were next with 18.4%, whilst **Sub-Saharan Africa** and **Northern America** each accounted for 12.2% of the cases.
- A significant portion of the corruptors in the sample were either nationals or residents of the **EU**, comprising **30.6%** of the total cases. **Northern America** and **non-EU European countries** also featured prominently, with each representing **14.3%** of the corruptors.
- The **EU** and **non-EU European countries** were the most frequently involved satellite nations, which were used to facilitate corrupt activities and launder proceeds (the EU accounted for **29.6%** of such cases, with non-EU European countries following closely at **22.6%**).

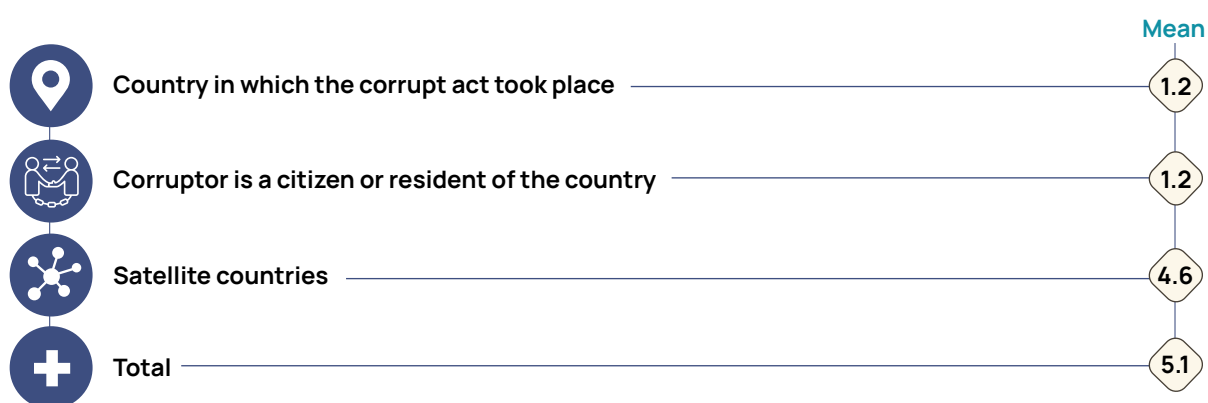
In several cases in which the corrupt acts did not occur within the EU, an EU Member State was implicated as a satellite country. Therefore, although the EU was not directly involved in these cases, it nevertheless played a significant role in the overall process. It is important to stress here that the findings presented in **Figure 14** reflect the composition of the sample and thus may not represent the actual global distribution of corrupt acts.

3.6.1 Transnational nature

High-level corruption often involves multiple countries and thus crosses international borders. [21] As reported in **Figure 15**, each case of corruption analysed for this report involved an average of 5 jurisdictions. The highest level of international involvement was observed in the use of “satellite” countries, with an average of more than 4 jurisdictions being utilised to either channel or facilitate the corruption scheme and the related financial flows, even if the corrupt activities and the citizenship or residency of the corruptors themselves were primarily confined to just one jurisdiction for each case.

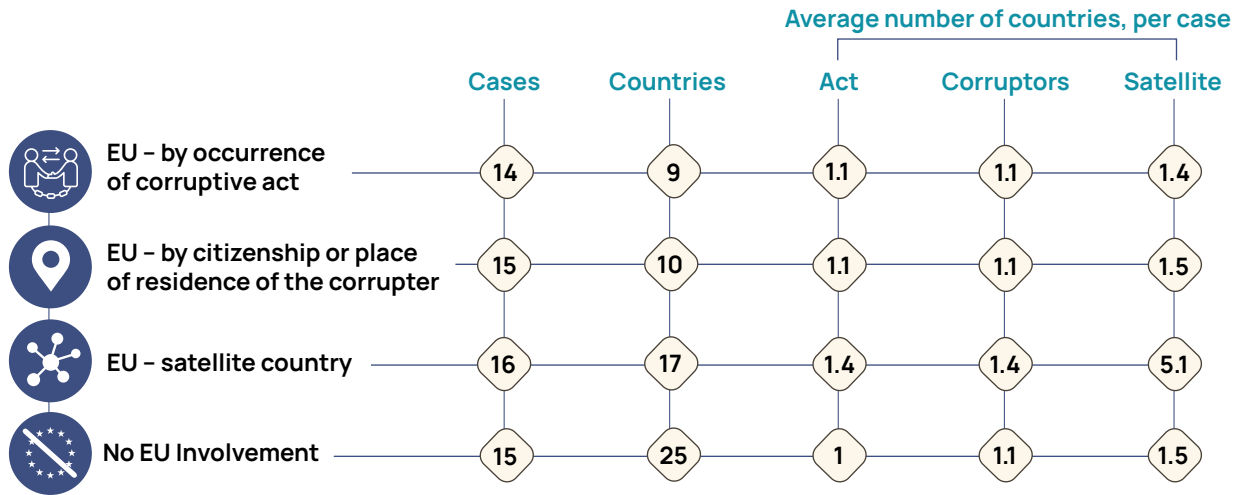
As reported in **Figure 16**, out of the **42 cases, 27 involved Europe** to some extent. The cases that involved EU Member States as satellite nations were generally more complex than others, thus underscoring the need for the EU to protect the integrity of its economy from acts occurring elsewhere by enhancing its capacity to both detect and respond to these sophisticated patterns of corruption and financial manipulation.

Figure 15 - Number of countries involved within each case



Note: The above total represents the average number of distinct jurisdictions involved in each case, adding up the different categories for the purpose of reflecting the full scope of the transnational nature of the corruption cases.

Figure 16 - Number of countries involved within each case, by EU involvement



3.6.2. Links between countries

Given that high-level corruption often crosses borders, its transnational nature warrants close attention. As reported in **Figure 17**, around **40%** of the analysed cases involved actors who were not based in the same jurisdiction in which the corruption took place, which serves to underscore the need for stronger coordination between different countries in order to combat high-level acts of corruption.

Figure 18 indicates that when the corruptors and those they corrupt are from different jurisdictions, then they ordinarily belong to neighbouring regions within the same continent. If we focus on **EU Member States**, then one can also discern that beyond close networks (i.e., within Europe), other relevant links also emerge with **African and Asian countries**. Indeed, both African and Asian nationals/residents were found to be associated with offences taking place in the EU, whilst EU nationals were shown to be linked to corruption schemes originating from Asia or Africa.

Figure 17 - Alignment between the location of corrupt acts and the jurisdiction of the corruptors

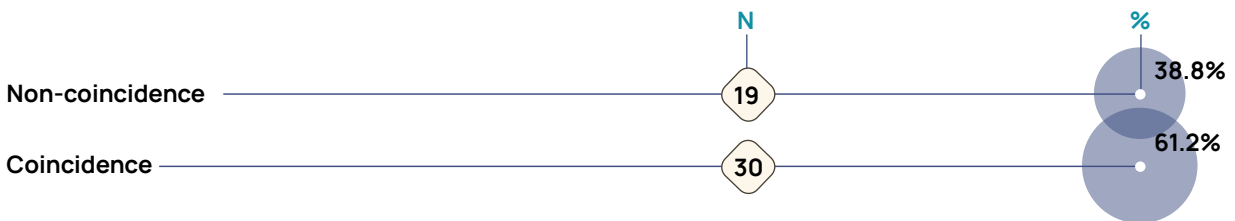
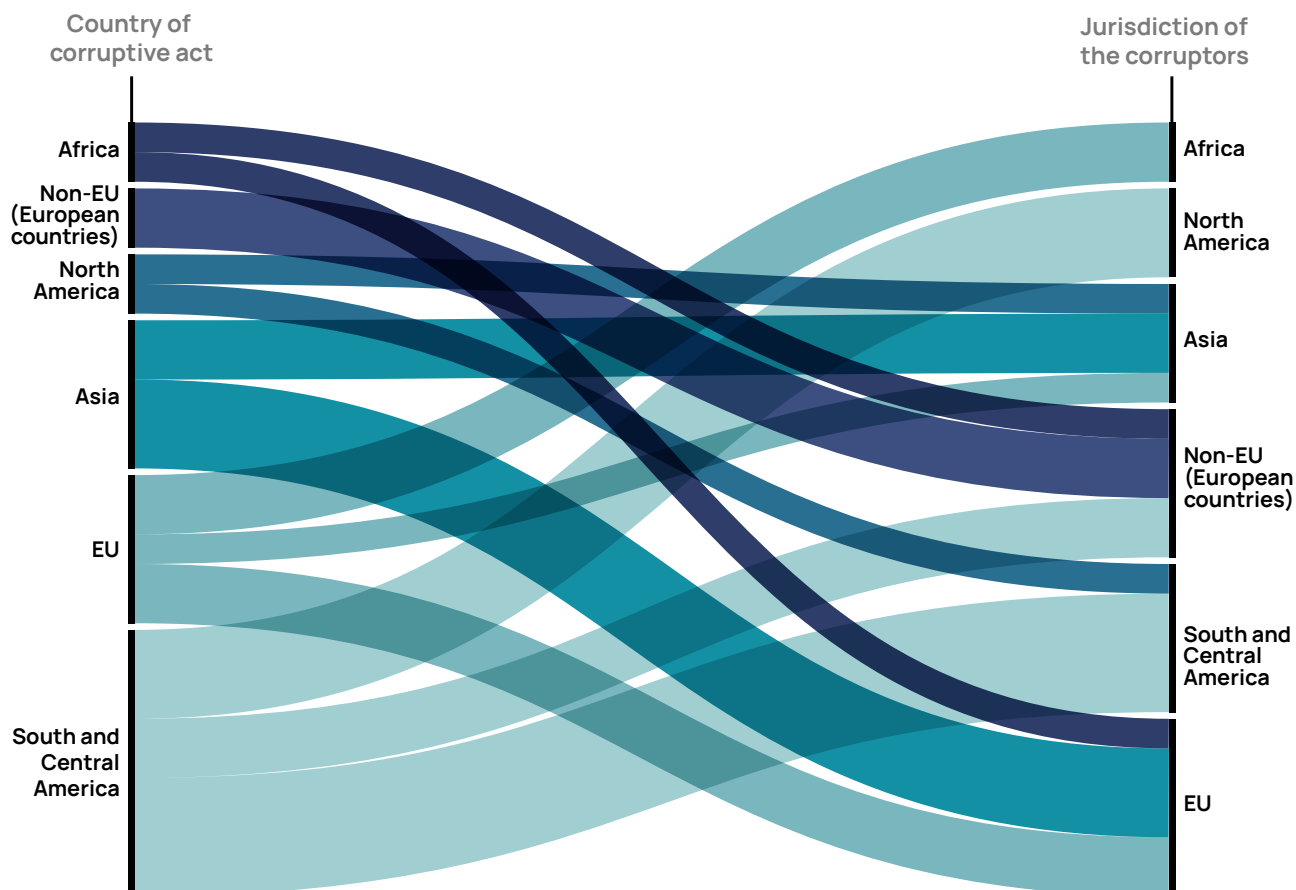


Figure 18 – Jurisdiction in which the corrupt act took place and the jurisdiction of the corruptors (continent level)



A crucial component of high-level corruption is the use of satellite jurisdictions, that is, countries that, whilst not directly involved in the corrupt act or home to those participating in the scheme, are utilised to facilitate the processes of money-dirtying and money laundering. The selection of these satellite jurisdictions is not random; rather, it is influenced by several factors, with geographical and cultural proximity being the most important in this regard. Based on our analysis, when corrupt acts occurred in Asia, Europe, South America and Central America, the satellite countries involved were typically located within the same continent. As reported in Figure 19:

- When the corruptive act occurred in **Africa**, the most frequently involved satellite countries were **non-EU European countries**, even if EU Member States were also commonly used as satellite jurisdictions as well as countries in North America. Indeed, when the corrupt acts occurred in Africa, most of the satellite

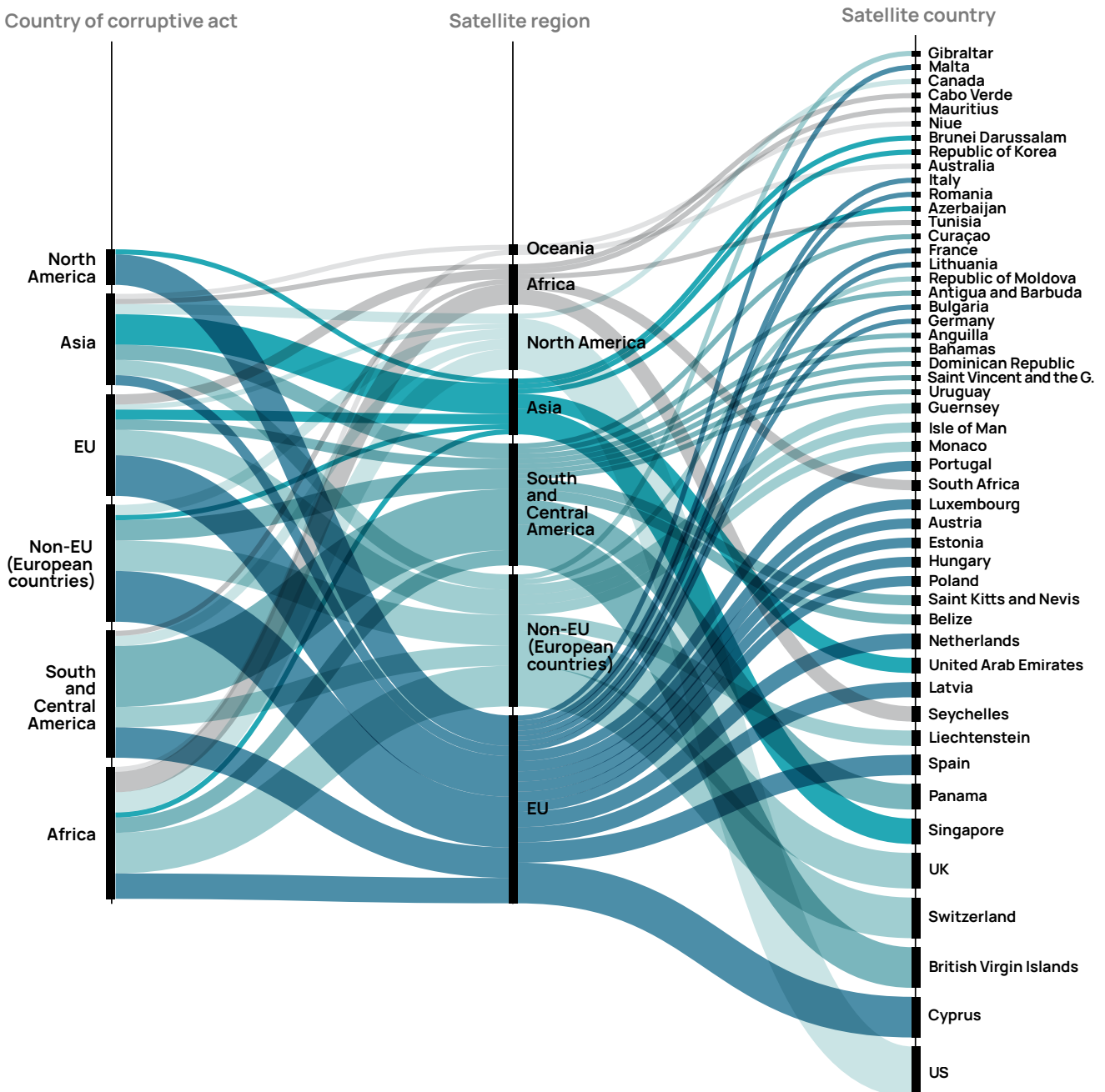
countries were found to be outside Africa. Stability provides one explanation for this observed pattern, as it is a critically important factor in terms of moving illicit funds. Operations occurring in relatively unstable environments – whether economically, financially, or politically – tend to foster the transfer of proceeds to more stable countries to ensure regular and reliable access to the funds.

- When corrupt acts occurred in **Asia**, the satellite countries involved were typically located within the **same continent**. Other frequently involved satellite regions included non-EU countries and South and Central American countries.
- Corrupt acts within the **EU** tended to involve **other EU countries** as satellite jurisdictions, thus reflecting the close continental networks. However, in some cases, non-EU European countries were also used as satellite jurisdictions.

- Corrupt acts within **non-EU European** countries tended to frequently use **EU countries** as satellite jurisdictions and other countries in Europe that are not part of the EU. Strong links were also observed in the direction of South and Central America.
- **EU countries** were the most frequently involved satellite jurisdictions in cases of corruption that took place in **North America**.
- When corrupt acts occurred in **South and Central America**, then the satellite countries were most often located within the **same region**, thus showing a strong preference for regional proximity.

Figure 19 provides insight into the specific countries within each continent that most frequently used satellite jurisdictions in the high-level corruption cases we analysed. The prominence of countries like the **British Virgin Islands, Switzerland,** and the **US** testifies to both the global nature of financial networks and the challenges involved in combating high-level corruption that spans across multiple jurisdictions. These findings underscore the need for greater international cooperation and more robust regulatory frameworks through which to address the misuse of these financial systems for corrupt purposes.

Figure 19 - Jurisdiction in which the corrupt act took place and satellite countries (continent level)



As reported in Figure 20, there is a clear connection between the use of certain assets and the number of satellite countries involved in the corruption cases we analysed.

The utilisation of corporate vehicles within high-level corruption schemes was found to be linked to a substantial increase in the average involvement of satellite countries, reaching three compared to none when corporate vehicles were not utilised. Similarly, the presence of bank-related transactions raised the average number of satellite countries employed

to more than three, compared to just a single jurisdiction when these channels were not employed. Furthermore, the use of real estate and luxury goods was shown to be associated with the highest average number of satellite countries, with more than four jurisdictions being involved when these channels were utilised. This underscores the extensive international networks required to manage and conceal these assets, which are frequently used for laundering proceeds and direct investment, making them prominent in more complex, multi-jurisdictional corruption cases.

Figure 20 - Average number of satellite countries, by employment of assets



4.

Conclusions and policy implications



The analysis of high-level corruption cases, particularly in terms of their transnational nature, confirms the **need for the EU to adopt comprehensive and coordinated strategies** through which to combat these complex and pervasive activities. High-level corruption often involves sophisticated networks of facilitators, kinship ties, and associates, all of whom collaborate together to conceal and move wealth across borders.

In cases in which corruption occurred within EU jurisdictions, **cooperation between Member States** is of paramount importance, as evidenced by the fact that in those cases the satellite countries (i.e., those jurisdictions employed to funnel bribes and corruption proceeds) frequently tended to be other EU Member States. This intra-EU dimension underscores the necessity for a **unified approach**, in order to ensure that all Member States maintain consistent standards of compliance regarding financial and corporate transparency. Any disparities in these standards can complicate the task of recovering proceeds from corruption, thereby undermining efforts to enforce accountability.

Moreover, those cases we analysed which entailed corrupt acts that occurred outside of Europe often nevertheless exerted an impact on the EU, insofar as Member States either acted as satellite jurisdictions or became the destination for the corrupt proceeds which were then laundered within the EU economic and financial system. When addressing corruption that extends beyond European borders, the EU has the option to **utilise restrictive measures as part of its foreign policy arsenal**. These measures are not solely limited to targeting the primary perpetrators but rather also extend to intermediaries and facilitators who play pivotal roles within these corruption schemes.

In relation to the evidence presented in the report, several recommendations are proposed:

- Establishing a robust, **EU-wide repository of public officials, both high-level and lower-rank**, who can facilitate the scrutiny of the association between Politically Exposed Persons (PEPs) and private entities, thereby enhancing transparency and accountability in the fight against corruption. This repository would also benefit from interconnection with other data sources, such as, for example, asset declarations and links to entities disclosed by the same officials. By integrating these various data points, the EU can create a more comprehensive oversight mechanism, thus making it easier to detect conflicts of interest and other forms of corruption.
- **Beneficial ownership information** must remain **comprehensive and up to date**. Transparency efforts should not be confined to companies alone but rather should also encompass other legal entities like trusts, foundations, and also associations and other legal arrangements. Expanding the scope of transparency will help to close loopholes that are often exploited in corruption schemes.
- Facilitating **access for competent authorities to employee information** could be instrumental in monitoring and preventing conflicts of interest. This approach could allow for the examination of cases in which employees may be associated with, or family members of, public officials. Such a tool would allow the authorities or other relevant entities to identify and address potential conflicts of interest more effectively.
- Establishing a **centralised register of beneficial owners of real estate and luxury assets within the EU** would significantly enhance the tracking of ownership and transactions involving high-value assets. Such assets are often used in money laundering activities related to high-level corruption schemes, and, hence, a centralised register would facilitate better monitoring and enforcement, thus reducing the opportunities for illicit activities.
- In order to prevent undue influence over political processes and promote integrity in political financing across the EU, it is important to ensure that **all donations to political parties** are **fully disclosed and traceable**, especially those received by legal persons with non-EU owners.
- Expanding and rigorously **enforcing asset declaration requirements for individuals**, particularly those in positions of power, is essential for enhancing transparency. In order to ensure the effectiveness of these declarations, it is imperative to provide the necessary tools and empower officials to validate the accuracy and correctness of the information provided.

- Strengthening the **procedures for declaring gifts, services, and travel** received by public officials is essential for preventing the misuse of such perks for corrupt purposes. Clear guidelines and stringent enforcement would help to maintain the integrity of public office.
- The establishment of **EU-centralised registers for public procurement**, with clearly defined standards for data quality, would fit the purposes of transparency in public procurement processes to reduce the risk of corruption. This could be achieved by ensuring that all procurement contracts are disclosed, thus allowing for greater scrutiny and accountability. Moreover, these registers would ensure that the information provided is accurate, consistent, and reliable, thereby enhancing the effectiveness of transparency measures.
- In order to support effective enforcement, continued **investment in enhancing investigative capacities within the public and private sectors is required**. This includes providing targeted training and developing the skills required to detect, investigate, and address high-level corruption cases.

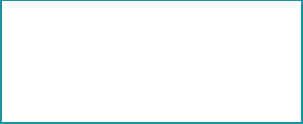
The recommendations outlined in this report are in direct alignment with the features and complexities of the high-level corruption cases that were observed and described in the report. These cases demonstrate the need for a coordinated and multifaceted approach to counteract corruption, especially in its transnational forms, effectively. By addressing the specific challenges identified through the analysis of these cases, including, amongst other things, the intricate networks of facilitators and the movement of wealth across borders, these recommendations offer targeted solutions that are both practical and necessary. Implementing these measures will help strengthen the EU's capacity to combat corruption, protect its institutions, and ensure the right to good governance.

High-level corruption poses a serious threat to the integrity of political, economic, and social systems. Recognising the signs of such corruption constitutes an important step in developing robust anti-corruption strategies. To assist these efforts, this report has analysed numerous cases of high-level corruption to define key indicators that emerge from real cases. The indicators presented in this report were organised into five key categories, each of which focused on different aspects of corrupt behaviour. These categories are as follows:

- Indicators that identify the features that **resemble the use of shell or shelf companies**, which have been identified as serving as vehicles for corruption. *[9 indicators]*
- Indicators that point to **unjustified complexity or opacity**, which often serve as red flags for corrupt activities. *[4 indicators]*
- Indicators related to the **involvement of politically exposed persons** (PEPs) within business operations, in recognition of the risks associated with their positions of power. *[3 indicators]*
- Indicators that reveal **irregularities or suspicious activities within the public procurement process**, which is a typical area in which corruption can occur. *[4 indicators]*
- Indicators that focus on detecting **financial discrepancies or unusual expense patterns** that may be indicative of corrupt behaviour. *[6 indicators]*

By integrating these indicators into existing risk compliance tools and anti-corruption efforts, authorities and stakeholders can better protect institutions from the impact of corruption. This annex serves as a practical guide, providing insights derived from analysed cases to enhance the effectiveness of anti-corruption strategies.

For a detailed breakdown of each indicator and its applications, please refer to the full annex available for download.



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