

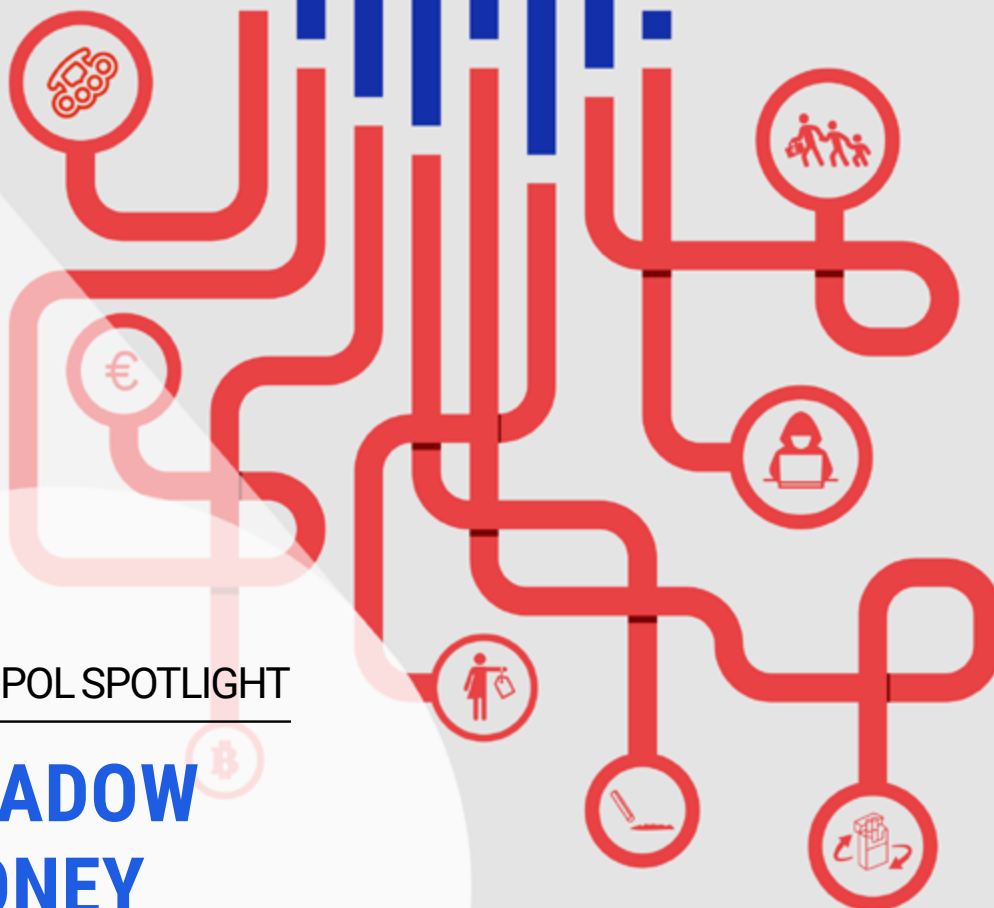


## THE LAW ENFORCEMENT PERSPECTIVE IN THE WAKE OF THE PANDORA PAPERS LEAK

## EUROPOL SPOTLIGHT

# SHADOW MONEY

# THE INTERNATIONAL NETWORKS OF ILLICIT FINANCE



# KEY TERMS

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## Tax avoidance

Tax avoidance is defined as acting within the law, sometimes at the edge of legality, to minimise or eliminate tax that would otherwise be legally owed. It often involves exploiting the strict letter of the law, loopholes and mismatches to obtain a tax advantage that was not originally intended by the legislation.

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## Tax evasion

Tax evasion generally comprises illegal arrangements where tax liability is hidden or ignored, i.e. the taxpayer pays less tax than he/she is supposed to pay under the law by hiding income or information from the tax authorities.

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## Tax fraud

Tax fraud is a form of deliberate evasion of tax which is generally punishable under criminal law. The term includes situations in which deliberately false statements are submitted or fake documents are produced.

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## Money laundering

Money laundering is the process by which criminal proceeds are “cleaned” so that their illegal origins are hidden. It is usually associated with the types of organised crime that generate huge profits in cash, such as trafficking in drugs, weapons and human beings, as well as fraud.

## Introduction

The recent release of confidential information once more revealed the operations of vast international networks for illicit finance. They rely on offshore tax havens, complex webs of legal business structures and corruption to facilitate a variety of criminal activities including tax evasion, fraud and money laundering.

The Pandora Papers is a leak of almost 12 million documents that expose hidden wealth, tax avoidance and money laundering by prominent individuals and politically exposed persons (PEPs). The Pandora Papers leak includes 6.4 million documents, almost three million images, more than a million emails and almost half-a-million spreadsheets.<sup>1</sup> The international networks of illicit finance revealed by the Pandora Papers leak enable criminals to launder illicit proceeds, hide assets, engage in corruption and sustain a globalised criminal economy.

The total amount of wealth held offshore globally is estimated at EUR 7.5 trillion, with the EU share being valued at EUR 1.5 trillion. This represents over 10% of global GDP. The estimated revenue lost to the EU as a result of international tax evasion is EUR 46 billion in 2016.<sup>2</sup>

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1 BBC 2021, Pandora Papers: A simple guide to the Pandora Papers leak, accessible at <https://www.bbc.com/news/world-58780561>

2 European Commission (DG TAXUD) 2019, Taxation papers 76: Estimating international tax evasion by individuals, accessible at [https://ec.europa.eu/taxation\\_customs/system/files/2019-10/2019-taxation-papers-76.pdf](https://ec.europa.eu/taxation_customs/system/files/2019-10/2019-taxation-papers-76.pdf)

Beyond tax concerns, where the scheme might be legal, offshore companies play a key role in money laundering schemes involving organised crime and are often used to hide the true origin of the funds. Money laundering sustains a complex and sophisticated criminal economy throughout the EU. Criminals rely on money laundering to be able to spend or invest their vast criminal profits.<sup>3</sup>

The scale and complexity of money-laundering activities affecting the EU have previously been underestimated. For this purpose, professional money launderers have established a parallel underground financial system to process transactions and payments that is isolated from any legal financial oversight mechanisms. This parallel system ensures that the criminal proceeds cannot be traced.

## The misuse of legal business structures enables organised crime

Legal business structures such as companies or other entities are used to facilitate virtually all types of criminal activity that have an impact on the EU. Furthermore, all types of legal businesses are potentially vulnerable to exploitation by serious and organised crime.

Criminals directly control or infiltrate legal business structures in order to facilitate their criminal activities. This also allows them to take advantage of the façade of legitimacy and evade law enforcement attention. Criminal groups also set up ad hoc businesses (i.e. front or shell companies) and use them to infiltrate the legal market.

Accordingly, more than 80% of the criminal networks active in the EU use legal business structures for their criminal activities. About half of all criminal networks set up their own legal business structures or infiltrate businesses at a high level.

The abuse of legal businesses can be systematic and long-term, or temporary and occasional. Legal business structures serve to launder criminal proceeds and re-introduce them into the financial system. Money service businesses, offshore companies and cash-intensive businesses involved in hospitality and retail, among other sectors, can move and launder illicit profits. Meanwhile, currency exchanges integrate criminal proceeds into the legal economy.<sup>4</sup>

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<sup>3</sup> Europol 2021, EU Serious and Organised Crime Threat Assessment (SOCTA) 2021: A corrupting influence: the infiltration and undermining of Europe's economy and society by organised crime, accessible at <https://www.europol.europa.eu/activities-services/main-reports/european-union-serious-and-organised-crime-threat-assessment>

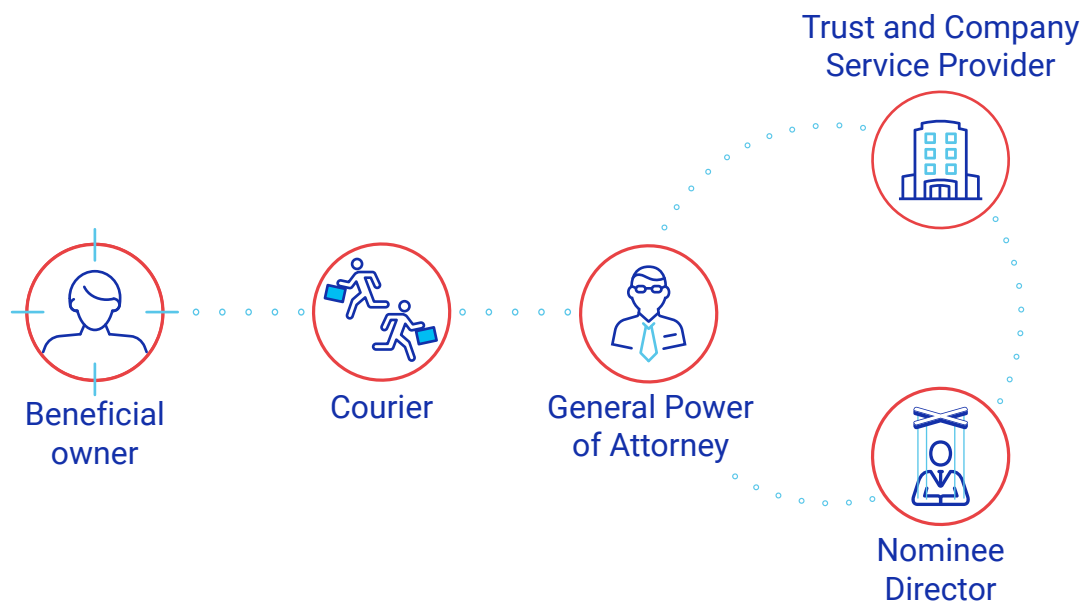
<sup>4</sup> Europol 2021, EU Serious and Organised Crime Threat Assessment (SOCTA) 2021: A corrupting influence: the infiltration and undermining of Europe's economy and society by organised crime, accessible at <https://www.europol.europa.eu/activities-services/main-reports/european-union-serious-and-organised-crime-threat-assessment>

Experts in tax, legal and banking, as well as trust and company service providers (TCSP), provide their expertise and services to customers, including criminals. TCSPs' services facilitate retaining control of criminal proceeds while disguising the origin and ownership of these assets. Offshore professionals do not only provide their clients with simple shell companies, but also with trusts containing companies, corporations, holdings and shareholding stakes, in order to conceal ownership and create a veneer of legitimacy.<sup>5</sup>

### How can legal business structures, including companies and trusts, be used to obscure the beneficiary ownership of funds and other assets such as property?

Some criminals use layers of legal business structures to mask the identity of the beneficial owner, which is concealed further by one of the individuals being based in an offshore location. There might be a variety of reasons to hide the beneficial ownership. The beneficiary owner may want to evade tax payments, hide assets from others or circumvent international sanctions imposed on them.

One example may include the use of nominee directors and trust and company service providers (TCSP). In this situation, nominee directors are strawmen that appear on the paperwork, but do not operate independently and follow the instructions of the real owner.



<sup>5</sup> Trust and company service providers (TCSPs) are involved in a wide range of services and activities for their clients. These services include: acting as a director or secretary of a company or similar position, providing a registered office or business address for a company, acting as trustees of an express trusts, among others. Not all of the persons and professionals active in this sector provide the same services. Depending on the country in which they operate, TCSPs can also take different forms, from individual firms to subsidiaries of large financial institutions. FATF (2019), Guidance for a Risk-Based Approach for Trust & Company Service Providers (TCSPs), FATF, Paris, [www.fatf-gafi.org/publications/documents/rba-trust-company-service-providers.html](http://www.fatf-gafi.org/publications/documents/rba-trust-company-service-providers.html)

They act as the face of the business, signing official documents, opening bank accounts, potentially performing a number of functions that limits the exposure the beneficial owner has to the company. The nominee director has no effective control, and may not know the beneficial owner nor be willingly involved in the scheme. Nominee directors can be anyone and with the owners' permission, appointed by a third party, for example, a bank or a TCSP.

General powers of attorney are used to make the identification of the beneficial owner as complicated and difficult as possible.

Most tax havens do not require companies to disclose the identity of officers and directors and there is typically no requirement to appoint a locally resident director. Therefore a company can be based in one country, the beneficial owner in a second, with a nominee director in a third. This makes it possible for a person to control an offshore holding company as the sole director without disclosure of this control.

Couriers are often used to exchange documents and instructions between the beneficial owner and the nominee director, ensuring the anonymity of the former.

TCSPs are a key part of the process for establishing structures for non-compliant and criminal behaviour involving corporate vehicles. TCSPs provide a range of services, but may not necessarily know the identity of the beneficial ownership.

Some criminal networks and non-compliant individuals create even more complex structures using a series of corporate entities (using holding companies and trusts) incorporated in multiple offshore jurisdictions.

## What is the link to corruption?

By obscuring the source and ownership of funds, criminals are able to make untraceable payments as part of corruption schemes. Those corrupted and receiving bribes can hide their illicit funds, making it difficult to detect when corruption is taking place. This is particularly worrying as the Pandora Papers reveal that many of those hiding assets in offshore locations are political decision-makers. Politically exposed persons (PEPs) – persons entrusted with prominent public functions, their immediate family members, or persons known to be close associates of such persons – are particularly vulnerable as targets for corruption.<sup>6</sup>

<sup>6</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, accessible via <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32015L0849>; FATF guidance on politically exposed persons, accessible via <https://www.fatf-gafi.org/documents/documents/peps-r12-r22.html>

Not all those using offshore banking are necessarily corrupt. However, when funds are hidden behind shell and offshore companies, the legitimate origin of the funds is in question.

Corruption is an integral element of almost every organised crime activity. It is used to gain influence and to infiltrate private and public sector organisations. Though widespread, corruption is insidious and often invisible. Presumed chronic under-reporting of corruption makes it difficult to evaluate the scale of the phenomenon.

The underlying mechanics of corruption have not changed over time. However, the means by which it is implemented reflects changes in technology and society. For instance, cryptocurrencies are increasingly used both to make payments to corrupt officials and for money-laundering purposes. In addition, the digitalisation of public administration will lead to increased targeting of individuals within companies and public services who can manipulate processes and decisions in digital systems - or who can otherwise facilitate access to valuable information.<sup>7</sup>

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<sup>7</sup> Europol 2021, EU Serious and Organised Crime Threat Assessment (SOCTA) 2021: A corrupting influence: the infiltration and undermining of Europe's economy and society by organised crime, accessible at <https://www.europol.europa.eu/activities-services/main-reports/european-union-serious-and-organised-crime-threat-assessment>

### Case example

#### Large-scale corruption scandal involving payments through offshore locations.

In 2019, it emerged that the multinational construction company Odebrecht had been paying bribes of millions of Euros to officials and other companies via offshore locations primarily located in the Caribbean region.

Odebrecht has constructed power plants, railroads, ports and airports – including Miami International Airport – and is involved in mining, offshore oil and gas rigs, steel mills, petrochemical and nuclear plants, and sanitation and irrigation projects.

Odebrecht transferred bribes via a multi-layered international money laundering system to secure public contracts and receive preferential treatment. The first layer consisted of “off the books” money hidden in Swiss bank accounts. The second layer consisted of a “linked account” nexus associated with a complex web of companies incorporated in offshore locations. The final layer were accounts held by seemingly inactive shell companies based in Panama, which paid out the bribes.

Odebrecht executives have confessed to paying bribes in exchange for contracts not only in Brazil, but also in various parts of the world. The EU was also affected by this corruption scheme. EU companies were involved in Odebrecht projects and some related money laundering activities also involved EU jurisdictions.

Source: Europol information

Corruption targets the public and private sectors, as well as those wielding political influence. Corruption can take place at all levels of decision-making, from corrupt individuals in executive and leadership positions to low-ranking or local-level public officials and employees. Criminals identify individuals vulnerable to corruption practices and approach them, offering bribes or using intimidation.



## Money laundering – the life-machine of the criminal economy

The Pandora Papers confirm the widespread use of offshore locations and companies to hide large amounts of money. In parallel, offshore jurisdictions are an essential component of complex money laundering schemes. Money laundering is the legalisation of criminally acquired funds derived from all profit-motivated crime. Money laundering is traditionally an activity that takes place after the commission of a predicate offence, enabling criminals and terrorist groups to hide the sources of illicit income and assets. In many cases large-scale money laundering has evolved into complex schemes that are offered as services by specialised groups to other criminals for a fee.<sup>8</sup>

### What is an offshore location?<sup>9</sup>

The Pandora Papers reveal complex networks of companies that are set up across borders, often resulting in hidden ownership of money and assets.

These offshore countries or territories, often called tax havens or secrecy jurisdictions, are where:

- it's easy to set up companies;
- there are laws that make it difficult to identify owners of companies;
- there is low or no corporation tax; and
- there is a lack of effective exchange of information.

Money laundering can range from self-laundering schemes to sophisticated, large-scale laundering services that require specialist organisations to enable undetected cross-border transferral of value. Whilst money laundering is the result of all profit-motivated criminal activities, the predicate crimes associated with money-laundering investigations are most commonly fraud and drug trafficking offences. Of the criminal networks reported to be involved in money laundering as their main activity, 48% were also involved in fraud offences, and 23% were involved in drug trafficking.

<sup>8</sup> Europol 2021, EU Serious and Organised Crime Threat Assessment (SOCTA) 2021: A corrupting influence: the infiltration and undermining of Europe's economy and society by organised crime, accessible at <https://www.europol.europa.eu/activities-services/main-reports/european-union-serious-and-organised-crime-threat-assessment>

<sup>9</sup> BBC 2021, Pandora Papers: A simple guide to the Pandora Papers leak, accessible at <https://www.bbc.com/news/world-58780561>

Money laundering has a significant impact across a number of areas. Not only does the parallel economy of money laundering allow criminal structures to expand, it also causes considerable losses to public revenue, as well as other negative consequences. These include infiltration into legitimate business, distortion of competition and the free market environment, compromise of business structures, risk exposure for business sectors, and jeopardising of financial institutions in a way that may affect entire financial systems.

Since financial gain is the primary motivation behind almost all forms of serious organised crime, the laundering of illicit proceeds forms an integral part of criminal infrastructures. Money laundering enables criminal networks to legitimise or conceal their assets from law enforcement, to make profits, and to reinvest illicit funds into further criminality or terrorism. Both demand and supply in the area of money laundering are high, driven by the high rate of revenue and by the high level of difficulty faced in accessing the financial system.<sup>10</sup>

### Case example

#### Money-laundering-as-a-service for criminal networks involved in large-scale drugs trafficking

Supported by cash collectors spread across Europe, a South American money service provider coordinates cash collections in Europe and the subsequent money transfer to South American drug-trafficking networks. For the actual transfer of funds, cryptocurrencies are used in parallel with the regular banking system. In the case of the latter, the money service provider relies on business partners and on front companies with associated bank accounts in various offshore locations throughout the world.

Source: Europol information

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<sup>10</sup> Europol 2021, EU Serious and Organised Crime Threat Assessment (SOCTA) 2021: A corrupting influence: the infiltration and undermining of Europe's economy and society by organised crime, accessible at <https://www.europol.europa.eu/activities-services/main-reports/european-union-serious-and-organised-crime-threat-assessment>

Enhanced anti-money laundering (AML) legislation in the EU, and the resulting increase of financial supervision in the banking sector, has made it more difficult for criminal networks to introduce illicit proceeds into the legal economy through traditional banking channels. As a result, money-laundering attempts are likely to be displaced towards sectors with nascent controls or limited oversight. This could include the use of underground remittance agencies, alternative banking platforms, international trade, and anonymous virtual currencies. The use of virtual currencies is an area of growing concern, due to the absence of a common regulatory regime and the level of anonymity these products offer.<sup>11</sup>

The increase in professional money-laundering networks is likely to reflect a preference among some criminal networks for more sophisticated and complicated methods to circumvent AML controls. In other cases, criminals revert to traditional and simple methods in response to tighter controls and regulations. Criminal networks are also seeking alternatives to the banking system, such as virtual currencies. They are as well relying to a large extent on trade-based money laundering (TBML) which enables them to exploit the vulnerabilities (e.g. large volumes) of cross-border trade.

Future innovations in money-laundering techniques may include some developments in sectors such as FinTech<sup>12</sup> and technical innovation relating to products and electronic payment services. Money-laundering structures are also likely to become even more sophisticated and digitalised, more frequently incorporating brokers and cryptocurrency exchanges. The use of these technologies is likely to make future money-laundering schemes more complex and less transparent.

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11 European Banking Authority 2019, ESAs highlight money laundering and terrorist financing risks in the EU financial sector [4 October 2019], accessible at <https://eba.europa.eu/esas-highlight-money-laundering-and-terrorist-financing-risks-in-the-eu-financial-sector>

12 Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services.

Successive leaks of documents detailing the inner workings of a global system of illicit finance have revealed the scope and reach of illicit finance with the purpose of obscuring funds' ownership, laundering dirty money and paying out bribes to corrupt individuals.



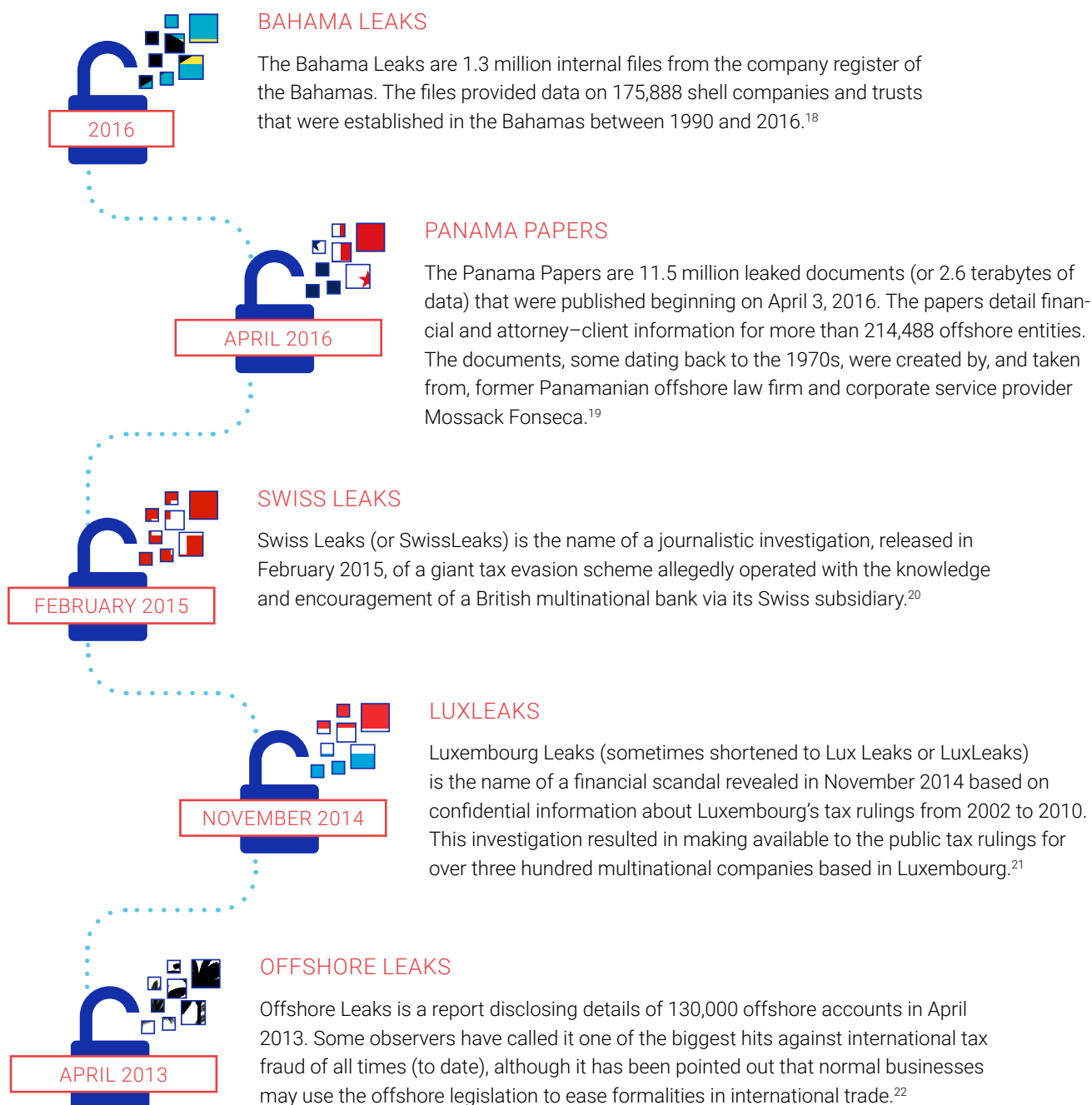
13 BBC 2021, Pandora Papers: A simple guide to the Pandora Papers leak, accessible at <https://www.bbc.com/news/world-58780561>

14 ICIJ 2020, FinCEN Files, accessible at <https://www.icij.org/investigations/fincen-files/>

15 Al Jazeera 2020, The Cyprus Papers, accessible at <https://interactive.aljazeera.com/aje/2020/cyprus-papers/index.html>

16 ICIJ 2019, Treasure Island: Leak Reveals How Mauritius Siphons Tax From Poor Nations to Benefit Elites, accessible at <https://www.icij.org/investigations/mauritius-leaks/treasure-island-leak-reveals-how-mauritius-siphons-tax-from-poor-nations-to-benefit-elites/>

17 ICIJ 2017, Paradise Papers: Secrets of the Global Elite, accessible at <https://www.icij.org/investigations/paradise-papers/>



18 Euronews 2016, The Bahamas Leak explained, accessible at <https://www.euronews.com/2016/09/22/the-bahamas-leak-explained>

19 ICIJ 2016, The Panama Papers: Exposing the Rogue Offshore Finance Industry, accessible at <https://www.icij.org/investigations/panama-papers/>

20 ICIJ 2015, Swiss Leaks: Murky Cash Sheltered by Bank Secrecy, accessible at <https://www.icij.org/investigations/swiss-leaks/>

21 ICIJ 2014, Luxembourg Leaks: Global Companies' Secrets Exposed, accessible at <https://www.icij.org/investigations/luxembourg-leaks/>

22 ICIJ 2013, Secrecy for Sale: Inside the Global Offshore Money Maze, accessible at <https://www.icij.org/investigations/offshore/>

## Europol's role in supporting Member State investigations into the Pandora Papers leak information

Despite efforts to prevent the expansion of financial crime, the EU and its Member States still lose billions of Euros in revenue due to financial crimes and criminals are still able to launder their illicit profits. Hundreds of international financial crime investigations are conducted in the EU every year, with promising results in terms of arrests and dismantling of criminal networks. However, the EU still shows mediocre results when it comes to the recovery of criminal assets. It is estimated that more than 98% of criminal assets are not recovered.

Europol is working with law enforcement authorities in the Member States, as well as its many partners outside the EU, to fight the networks of illicit finances that sustain money laundering, tax fraud and corruption in the EU.

In 2020, Europol launched the new European Financial and Economic Crime Centre (EFECC). The Centre enhances the operational support provided to the EU Member States and EU bodies in the fields of financial and economic crime and promotes the systematic use of financial investigations.

EFECC is forging alliances with public and private entities with the ultimate aim to trace, seize and confiscate criminal assets in the EU and beyond. The Centre supports European cross-border investigations in a wide range of domains, from money laundering, corruption and counterfeiting to various types of fraud, including those against national and European budgets.

EFECC is at the centre of a systematic multilateral approach to combating fraud, money laundering and corruption, which entails close involvement of public and private sector stakeholders. The Centre is the common platform to enable cooperation across a broad range of diverse stakeholders, ranging from prevention to enforcement.

Economic and financial crimes are a highly complex and significant threat affecting millions of individual EU citizens and thousands of companies in the EU every year. In addition, money laundering and criminal finances are the engines of organised crime; without them, criminals would not be able to make use of the illicit profits they generate.

### Case example

On 6 October 2021, the Spanish National Police (Policía Nacional), together with the Spanish Tax Agency (Agencia Tributaria) and Europol concluded an operation targeting a criminal network that had laundered more than EUR 45 million in Spain.

The investigation began in 2017 and focused on a criminal network which controlled companies based in Spain and in offshore tax havens which appeared to be the recipients of large international transactions.

Investigators detected that a Spanish company, led by a family-run criminal organisation, had introduced over EUR 45 million into the Spanish financial sector, funds with possible illicit origins related to corruption. Investigators examined the commercial operations of this company, mainly operating in the interior design and building decoration business, and discovered their prices to be much higher than market value given that the company was lacking in personnel and infrastructure.

In order to execute their illegal activities, the criminal group made large payments to bank accounts in third countries controlled by frontmen. Authorities then detected these payments as possible bribes.

To hide its extraordinary increase in assets, the criminal group created a corporate structure that served to hide the final destination of the illicit funds obtained.

Source: Europol Press Release

Date: 26 October 2021

### Cooperation is key

Europol has been establishing partnerships and platforms in order to enhance the fight against illicit finance and other forms of economic and financial crime. These include operational cooperation arrangements with other EU bodies, fora for exchanges with diverse stakeholder groups, and networks of practitioners to drive forward the fight against these criminal threats. Europol cooperates with the **European Public Prosecutor's Office (EPPO)** and the **European Anti-Fraud Office (OLAF)** to protect the financial interests of the EU. The European Union budget finances a wide range of programmes and projects, which improve the lives of citizens across the EU and beyond.

Europol hosts the permanent Secretariat of **Camden Asset Recovery Inter-agency Network (CARIN)**. CARIN is an informal network of law enforcement and judicial practitioners in the field of asset tracing,

freezing, seizure and confiscation. It is an inter-agency network. Each member state is represented by a law enforcement officer and a judicial expert (prosecutor, investigating judge, etc. depending on the legal system).

The **Europol Financial Intelligence Public Private Partnership Steering Group (EFIPPP)** is a cross border public-private partnership between Financial Intelligence Units (FIUs), law enforcement authorities, regulators, financial services, industry bodies and financial institutions, which share experience, practices and elaborate typologies to better inform, prevent and fight money laundering and terrorist financing.

## The law enforcement and policy response to the Pandora Papers

### Administrative versus criminal proceedings

The Pandora Papers leak has primarily revealed instances of tax avoidance, tax evasion and tax fraud, through the use of offshore companies. In addition, some documents indicate the use of offshore companies to invest in companies included in international sanction lists. Some of these activities could be criminally investigated, depending on the jurisdiction. For example, tax fraud is addressed by criminal law in a large majority of Member States. The circumvention of international sanctions is also a crime in a number of countries.

However, tax avoidance and tax evasion are not necessarily crimes in all countries - including some EU jurisdictions. Therefore, those engaging in tax avoidance and tax evasion are potentially only liable for an administrative/ tax offence, and therefore asked to pay an administrative fine in many jurisdictions.

To counter this, the OECD has been promoting the inclusion of violations of tax law as criminal offences in national legal frameworks and the effective application of sanctions.<sup>24</sup> Resultant international cooperation agreements that enable the exchange of tax information have improved information sharing between tax authorities.

The prevalence of offshore companies in money laundering schemes make it imperative for tax administrations and law enforcement authorities to work together and to exchange information. This is not always possible due to legal constraints.

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23 OECD 2017, Fighting Tax Crime: The Ten Global Principles, accessible at <https://www.oecd-ilibrary.org/sites/006a6512-en/index.html?itemId=/content/publication/006a6512-en>



## Enhancing the law enforcement response

As the EU criminal intelligence hub, Europol is a key platform and partner for Member States and other stakeholders. Enhancing the information flow related to economic and financial crimes including money laundering and tax frauds is crucial in the fight against these significant crime threats.

The economic recovery after the end of the COVID-19 pandemic is at risk of being undermined by fraudsters targeting recovery funds set up at national and EU level. Tax evasion of millions of Euros to the detriment of Member State budgets is also a serious threat.

## Cooperation with tax havens and offshore jurisdictions

When a company is located in a tax haven, it is extremely difficult for law enforcement agencies and judicial authorities to receive the relevant information on the natural persons being the ultimate beneficial owner (UBO) of that company, or of the assets bought by the company.

It is essential that cooperation is established between the EU and offshore jurisdictions. The various processes already established by the EU, the Financial Action Task Force (FATF) etc. to single out some jurisdictions do not necessarily lead to an increase in law enforcement cooperation. Additionally, when cooperation improves, alternative tax havens emerge.

### The question of ultimate beneficial ownership

As per the EU legal framework against money laundering and terrorist financing, transactions involving Politically Exposed Persons (PEPs) as ultimate beneficial owners (UBO) and actors of suspicious transactions trigger an enhanced due diligence and enhanced monitoring of activities by the private sector. This specific risk indicator regime remains in the new AML/CFT legislative package proposal.

Similarly, offshore companies could as well be considered as a specific risk indicator. Strawmen are too often the legal window of shell and offshore companies. Therefore, from a law enforcement perspective, the identification of the natural person being the UBO is of paramount importance.

In the 5th Money Laundering Directive, obliged entities can consider filing a Suspicious Transaction Report (STR) when they cannot, after having tried, identify the UBO. Recording this opacity through a clear filing to the Financial Intelligence Units (FIUs) and enabling law enforcement to access this information is important to efficiently fighting money laundering and terrorist financing.

## Strengthening the UBO regulations

Not identifying the UBO reduces the benefits triggered by the establishment of beneficial owner registries in the EU and other parts of the world.

While beneficial ownership registers are essential, the information stored should display the names of ultimate beneficial owners, and not only of official Directors. Indeed, as demonstrated by the investigations supported by Europol, the latter are then often simply strawmen. In particular, Europol looks with attention toward the implementation of directive 2019/EU/1024 on open data and the re-use of public sector information. This directive establishes companies and company ownership registers as high-value datasets that should be publicly available free of charge in a format that allows for bulk download.

## Focus on asset recovery – a key tool to confront serious and organised crime

Given that most offences are financially driven, asset recovery is a powerful deterrent in the fight against crime. It deprives criminals of their ill-gotten assets and denies them the capacity to reinvest them in further crime or to integrate them into the mainstream economy. However, the effectiveness of the EU in this domain is reportedly low, with more than 98% of the proceeds of crime remaining in the hands of criminals.

The newly published proposal for a new EU AML/CFT legislative package provides an opportunity for even clearer rules on offshore companies and ultimate beneficial ownership for the benefit of preventing and combatting efficiently money laundering, terrorist financing and financial crimes in general.

## Conclusion

The Pandora Papers leak highlights the scope of financial crimes impacting on the EU. These types of financial offenses have been plaguing the EU and its many partners for decades without significant progress towards eradicating them.

The response to these challenges requires a two-fold approach – one based on policy and legislation as well as a strong integrated operational response driven by international cooperation. As the EU's Agency for Law Enforcement Cooperation, Europol stands ready to support Member State law enforcement authorities and our many partners across the world to prevent and fight economic and financial crime with our advanced analytical capabilities, access to global data sets, with unparalleled expertise in the area of economic and financial crime as well as with concrete operational support for investigations on the ground.



Headquartered in The Hague, the Netherlands, Europol supports the 27 EU Member States in their fight against terrorism, cybercrime and other serious and organised forms of crime. We also work with many non-EU partner states and international organisations. From its various threat assessments to its intelligence-gathering and operational activities, Europol has the tools and resources it needs to do its part in making Europe safer. In 2019, Europol supported 1 874 international operations.

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#### EUROPOL SPOTLIGHT - SHADOW MONEY – THE INTERNATIONAL NETWORKS OF ILLICIT FINANCE

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