



Latvijas Republikas prokuratūra



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INDICATORS OF CORRUPTION AND CASE ANALYSIS

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In Cooperation with:



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Introduction

In accordance with the NRA developed by the Financial Intelligence Unit for 2017-2019, corruption on the national and municipal level is one of the most significant criminal offences causing high ML threats at the national level. In addition, it is to be noted that on 14 April 2020 the Cabinet of Ministers adopted the Informative Report "On the Fulfilment of Tasks of the Delegation of the Republic of Latvia at the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism and the Financial Action Task Force", wherein, with regard to the recommendations provided by FATF experts and further actions to be taken in each area of action, it was specified that FATF especially emphasised at its plenary session in February 2020 that "Latvia should pay increased attention and contribute resources to combat and prevent corruption".

To ensure that the priorities of Latvia in investigating criminal offences in the field of ML comply with the identified risk profile, "Priorities for Investigating Criminal Offences in the Area of Money Laundering" have been developed, defining the second risk profile — the ML risk generated as the result of criminal offences committed in Latvia and the rest of the EU, wherein the most crucial predicate offences, which cause the ML threat, are corruption offences, mainly — bribery.

For the purposes of improving the capabilities to detect and combat more efficiently corruption offences, in 2021 the Financial Intelligence Unit presented the initiative on the establishment of a cooperation coordination group for defining indicators of corruption offences and combating them.¹

To spread the available financial intelligence information and improve its quality, as well as to improve the identification of suspicious transactions and activities indicating corruption, it is important for the Financial Intelligence Unit and law enforcement authorities to cooperate with financial institutions and other subjects of the AML/CFTP Law. Consequently, the said cooperation coordination group united experts from the Financial Intelligence Unit, the Corruption Prevention and Combating Bureau, the Prosecution Office, as well as four largest Latvian credit institutions — Swedbank JSC, Luminor Bank JSC Latvia Branch, SEB banka JSC and Citadele banka JSC. The goal of the cooperation coordination group is to promote a common understanding among officials of competent institutions with regard to possible corruption offences, to help subjects of the AML/CFTP Law to recognise red flag indicators in order to detect corruption, as well as to promote understanding at all "stages of the chain" from detecting a suspicious transaction up to passing the judgement of conviction.

Taking into account the aforementioned, the cooperation coordination group has developed this material on corruption indicators and case analysis for possible use by credit institutions and other subjects of the AML/CFTP Law, as well as for the needs of the Financial Intelligence Unit, the Corruption Prevention and Combating Bureau, the Prosecution Office and other authorities.

This document includes a list of red flag indicators of corruption and/or laundering of the proceeds of corruption in the particular context of transactions and behaviour. Each group of signs is supplemented with a particular case analysis. The indicators included and the cases analysed herein have been summarised from the following sources of information:

- from practice examples summarised by foreign countries and international organisations;
- corruption cases exposed in Latvia (from the opinions and risk information reports prepared by the Financial Intelligence Unit; from corruption cases exposed and investigated by the Corruption Prevention and Combating Bureau).

It is important to note that the indicators summarised and the cases analysed herein should not be viewed separately from other available information. It is to be observed that the indications summarised are informative and may differ in each individual case, or only a part of them can be identified, as well as that the list of indicators in this material cannot be considered comprehensive or exhaustive. Identifying an individual indicator not always can cause justified suspicions regarding criminal activities, and indications cannot be viewed separately from the facts and circumstances characterising particular transactions or activities.

¹ The said working group was established using the possibility to carry out inter-institutional cooperation by convening a cooperation coordination group as stipulated in Section 55, Paragraph two of the AML/CFTP Law.

1. Red Flag Indicators of Corruption and Case Analysis: from the Point of View of Foreign Countries and International Organisations

Egmont Group

In accordance with the Report "FIU Tools and Practices for Investigating Laundering of the Proceeds of Corruption"² developed by the Egmont³ Information Exchange Working Group (IEWG), there are two main typologies of corruption distinguished:

1. Corruption related to public procurements.
2. Corruption related to unexplained wealth or income.

The transfer of funds through several foreign jurisdictions is specified as the most widespread method of laundering the proceeds of corruption. Such transfer of funds can be divided into three stages depending on their location:

- country of origin of funds;
- transit country — a regional financial centre used for layering funds, when a range of complex financial transactions is performed to mask the origin of funds;
- destination country used to invest funds in real estate property, securities, etc. at the final stage of laundering, i.e., integration, when funds are re-integrated into economy to create an impression of legal origin⁴.

The transfer of funds through several jurisdictions ensures their distancing from the place of origin, taking into account the difficulties that might be encountered by law enforcement authorities endeavouring to establish the origin of funds in foreign jurisdictions. Such transfer of funds also allows concealing the BO, taking into account different requirements of countries with regard to the indication of BO and availability of information.

Corruption indicators in public procurements:

- Services or goods are supplied by an LP registered in a country with a high risk of corruption.
- Long-term contracts are repeatedly awarded to the same contractor, or the same LP consistently wins a majority of public procurements organised by the contracting authority.
- Technical specifications include unreasonable specifications, including restrictive conditions for the location or specific experience of the LP, particularly tight deadlines, etc.
- The board or the council or BOs of suppliers or subcontractors are related to the responsible public officials of the contracting authority.
- Subcontractors or intermediaries are involved once a contract has already been agreed and for no obvious reason.
- It is established that the contracting authority and the contractor or its subcontractor are linked by e-mail address, telephone number, IP-address, etc.
- The contractor has zero or little experience in highly complex and technical procurements or its area of activity is not related to the field of procurement.
- A certain LP, which is a contractor to a state or local government capital company, receives payments for goods or services for the amounts much higher than the average market price.
- The contracting authority does not use the funds intended for a public procurement for the needs of performance of a contract within a reasonable term.
- Third parties, such as subcontractors, consultants, vendors, suppliers and other intermediaries, are used in the fulfilment of a contract:
 - a third party operates in a different area not related to the procurement;
 - a third party has little or no experience in the relevant area;
 - a third party has no place (premises) of business, even though the area of business is impossible without the use of premises;
 - a third party was recently formed or incorporated;
 - a third party plans to delegate its works to a subcontractor or intermediary (fourth parties);
 - the payment intended for a third party is unreasonably high.
- Payments are conducted to accounts of providers of goods, works or services, which are opened in countries different from where such goods, works or services are originated or provided.
- Payments are made for goods without the actual delivery of such goods to the customs territory of the country.

² "FIU Tools and Practices for Investigating Laundering of the Proceeds of Corruption". – IEWG, 2019. The publicly available summary is available at: <https://egmontgroup.org/sites/default/files/filedepot/external/20190710%20-%20Public%20Summary%20-%20FIU%20Tools%20and%20Practices%20for%20Investigating%20ML%20of%20the%20Proceeds%20of%20Corruption%20-%20final.pdf>

³ The Egmont Group is an international organisation of financial intelligence units whose purpose is to promote global cooperation among the relevant units in combating money laundering and terrorism financing.

⁴ For the detailed description of ML stages and methods, see the FIU material "Typologies and Indicators of Money Laundering". Available at: https://fid.gov.lv/uploads/files/2021/FID_Tipologiju%20materials_II_red.pdf

- Commissions, interest or payments under a public procurement contract are increased, reduced or restructured in a manner that is not commercially viable.

Indicators of corruption related to unexplained income or unreasonable wealth of a public official:

- The subjects in a transaction are domestic or foreign public officials and receive and/or send unusually large amounts of funds in different currencies.
- Payments are received in accounts of natural or LP with no visible connection to public officials, but known to be controlled by such or related to them, and payments are sent by a shell company. The additional information provided with regard to such payments refers to "loans", "investment purposes", "for consultancy services", "purchase of real estate property", etc.
- A person related to a public official opens an account and purchases real estate property or luxury goods with the express intent of bypassing customer due diligence process screening.
- Inconsistencies between the funds declared by a public official and those established during the customer due diligence process.
- A public official has purchased virtual currency assets in a total amount higher than the declared income.
- Transactions that take place in accounts of public officials involving cash deposits or withdrawals in unusual frequency and amounts.
- Payments by entities to NPOs that public officials are known to be associated with.

General indicators:

- Open source information, which can relate specific financial activity to ongoing investigations into individuals, and concerns about corruption.
- An LP that receives public contracts or its representatives appear in media reports, which link them to corruption offences or other financial crimes.
- Unreasonably large payments are made by the contracting authority for consultancy services, particularly in industries with a higher risk to corruption, such as telecommunications, public infrastructures, and other state monopolies.
- Close family members or associates of public officials are appointed as senior management officials in private companies without meeting the necessary qualification requirements or with the salary that is not commensurate with average market conditions.
- The additional information provided with regard to such payments refers to "commission fees", "marketing expenses", "bonuses", etc.
- Public officials increase their standard of living after the expiration of the officials' mandate without any legally justifiable reasons (submitted documents on the origin of funds cause suspicions regarding their authenticity or otherwise do not comply to the information specified in the public officials' declarations).
- LPs hire other LPs to fulfil logistics functions, which they might have fulfilled themselves, in countries with a high risk of corruption.

FATF

With regard to preventing and combating the laundering of the proceeds of corruption, FATF has developed several materials, including typologies and indicators that might help to prevent or detect such money laundering:

- "Best Practices Paper: The Use of the FATF Recommendations to Combat Corruption" published in October 2013, available at: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/BPP-Use-of-FATF-Recs-Corruption.pdf>
- FATF Guidance: Politically Exposed Persons (Rec 12 and 22), available at: <http://www.fatf-gafi.org/documents/documents/peps-r12-r22.html>
- Reference Guide and Information Note on the Use of the FATF Recommendations to support the fight against Corruption, available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/Corruption%20Reference%20Guide%20and%20Information%20Note%202012.pdf>
- "Specific Risk Factors in the Laundering of Proceeds of Corruption – Assistance to reporting institutions" published in June 2012, available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Specific%20Risk%20Factors%20in%20the%20Laundering%20of%20Proceeds%20of%20Corruption.pdf>
- Typologies Report "Laundering the Proceeds of Corruption" published in July 2011, available at: <https://www.fatf-gafi.org/publications/methodsandtrends/documents/laundryingtheproceedsofcorruption.html>

According to the FATF Typologies Report "Laundering the Proceeds of Corruption" published in July 2011, there can be distinguished 6 typologies of the way of laundering the proceeds of corruption offences:

✓ Use of foreign jurisdictions

The use of foreign jurisdictions to conceal the origin of the proceeds of corruption offences is the most widespread typology. With regard to the fact that PEPs would seek to move money outside of their country, FATF indicates that it lays down the basis of FATF Recommendation 10, which sets forth the requirement to perform enhanced customer due diligence for foreign PEPs. In the Typologies Report "Laundering the Proceeds of Corruption" published in July 2011, FATF experts emphasise that accounts of foreign credit institutions were used in laundering schemes practically in every corruption case. This is substantiated by the fact that in such cases the country, in which a corruption offence was committed, faces greater difficulties in investigating this offence. Often enough, such schemes involve a credit institution account opened in the name of an LP registered in a different jurisdiction, which belongs to a legal arrangement (trust) in yet another jurisdiction. The use of each following country complicates investigation, reduces the probability of successful outcome and significantly extends the time of investigation.

✓ Use of corporate vehicles and trusts (legal arrangements)

By creating complex, multijurisdictional corporate vehicles and trusts (legal arrangements), for example, when an LP is registered in one jurisdiction, yet belongs to one or several business companies registered in other jurisdictions, and the said activities have neither economic, nor legal justification.

✓ Use of gatekeepers

With regard to the use of gatekeepers, FATF highlights the role of lawyers, who might facilitate the laundering of the proceeds of corruption in various ways: by establishing corporate vehicles ; opening accounts in credit institutions; transfer proceeds; purchasing real estate property; courier cash; as well as otherwise bypassing anti-money laundering requirements.

✓ Use of domestic financial institutions

FATF notes that PEPs use not only foreign financial institutions to move and conceal the origin of the proceeds of corruption, but also use domestic financial institutions to launder these proceeds. It is indicated that PEPs need accounts in their own country, in which to fund their lifestyles, and there have been examples, in which the PEP, after laundering the funds in a different jurisdiction, then moved the money back to his home country.

FATF emphasises also the PEP's ability, thanks to his influence, status and ties, to affect domestic financial institutions, which gives the PEP the possibility of moving the proceeds of corruption and concealing their origin. Therefore, it is emphasised that competent authorities must understand these risks, especially assessing financial institutions from jurisdictions with a high risk of corruption or weak AML/CFTP monitoring and control.

✓ Use of nominees

Assistance in disguising and moving PEP's proceeds derived from crime can be provided not only by accountants or lawyers (gatekeepers), but also by family members or associates. Simultaneously, it is to be noted though that the use of such intermediaries and conduits not always suggests laundering activities.

✓ Use of cash

Despite the general opinion that cash is used only in small-scale bribery, FATF emphasises that a large amount of cash has been identified in several corruption scandals. One of the ways of moving proceeds derived from crime to another country is their physical transportation. It can be performed by any of the PEP's family members or trusted associates, including lawyers, transporting cash to another country where it is deposited in a financial institution.

OECD TYPOLOGIES ON THE ROLE OF INTERMEDIARIES IN INTERNATIONAL BUSINESS TRANSACTIONS

Intermediaries are often used to commit bribery in public procurements; likewise, it is considered a way how a company distances itself from bribery to avoid criminal liability. According to the OECDWGB Report "Typologies on the Role of Intermediaries in International Business Transactions"⁵, an intermediary is defined as a person who is put in contact with or in between two or more trading parties. In the business

⁵ Typologies on the Role of Intermediaries in International Business Transactions. – OECD Working Group on Bribery in International Business Transactions, 2009, <https://www.oecd.org/daf/anti-bribery/anti-briberyconvention/43879503.pdf>

context, an intermediary usually is understood to be a conduit for goods or services offered by a supplier to a consumer. Hence, the intermediary can act as a conduit for legitimate economic activities, illegitimate bribery payments, or a combination of both. In the typology context, an intermediary applies to all parties who act as a conduit in international business transactions, e.g. agents, sales representatives, consultants or consulting firms, suppliers, distributors, resellers, subcontractors, franchisees, joint venture partners, subsidiaries and other business partners including lawyers and accountants. Both natural and legal persons, such as consulting firms and joint ventures, are included.

OECD WGB has defined three most widespread basic typologies of bribery of foreign public officials. Simultaneously, it is to be taken into account that the listed typologies cannot be considered exhaustive and comprehensive. The said typologies have the nature of example/possible version and are identified and summarised based on the experience accumulated by other countries:

1. Family members, friends of a foreign public official and other third persons act as intermediaries.

The bribe is transferred into the credit institution account of a third-party intermediary, who has no role in the transaction other than to pass on the bribe to the official. To justify the transaction, false invoices are frequently used to pay for purported goods or services. The intermediary, into whose account the bribe is transferred, might be a legal arrangement, including an offshore shell arrangement, whose BO is a foreign PEP, his/her family member or associate. Credit institution accounts are used to transfer the bribe to the bribed official under the cover of transactions, evading direct connection to the briber.

Example No 1

Vimpelcom is a company headquartered in the Netherlands, yet incorporated in Bermuda to enter the telecommunications market of Uzbekistan, agrees to pay 114 million US Dollars in bribes to a public official of Uzbekistan.⁶ According to the instructions given by the public official of Uzbekistan, Vimpelcom needed a domestic operator.⁷ Therefore, Vimpelcom purchased two domestic telecommunications companies, which were merged under the name UNITEL, and the public official of Uzbekistan had indirect interest via shell company Takilant Ltd registered in Gibraltar, and its BO was a close relative of the high-ranking public official of Uzbekistan.⁸

Vimpelcom's subsidiary transferred 10 million US Dollars and 15 million US Dollars in two instalments in November 2007 to the account held by Takilant Ltd at a Latvian credit institution. In August 2008, Vimpelcom transferred another 2 million US Dollars to the shell company's account at the Latvian credit institution, specifying in the payment details "consultancy services agreement".⁹

2. Intermediaries do not provide any identifiable or economically justifiable service.

A company hires a business consultant as an intermediary. The consultant does not provide any identifiable or economically justifiable service. The consultant charges the company using feigned invoices for sham services. The company then pays the consultant, who forwards the funds directly or through further layers of intermediaries and/or their companies to the official as a bribe. As in the case referred to in Example No 1, there is no direct trace from the company to the foreign public official. In its Report "Typologies on the Role of Intermediaries in International Business Transactions"¹⁰, OECD WGB specifies that such intermediaries — business consultants — are often a precondition on the part of a foreign public official when agreeing on the transfer of a bribe.

⁶ Plea agreement of the US Department of Justice of 18 February 2016 in Case 1:16-cr-00137-ER, United States v. Unitel LLC, available at: <https://www.justice.gov/opa/file/827181/download>

⁷ Ibid.

⁸ Ibid.

⁹ Latvia Phase 3 Report, page 14, available at: <https://www.oecd.org/corruption/anti-bribery/OECD-Latvia-Phase-3-Report-ENG.pdf>

¹⁰ Typologies on the Role of Intermediaries in International Business Transactions. – OECD Working Group on Bribery in International Business Transactions, 2009, <https://www.oecd.org/daf/anti-bribery/anti-briberyconvention/43879503.pdf>

Example No 2

Baker Hughes is a US oil company, which participated in a public procurement tender on the provision of various oil drilling and extraction services in Kazakhstan.¹¹ After submitting the bid within the framework of the public procurement procedure, public officials of Kazakhstan requested the company to contract an agent – a consulting company registered on the Island of Man.¹² Baker Hughes paid the agent more than 4 million US Dollars performing bank transfers to the agent’s bank account in the United Kingdom.¹³ Payments were recorded in the accounting records of Baker Hughes and its subsidiary BHSI as “commission fees”, “royalties” or “legal services”.¹⁴ The consulting company had no office in Kazakhstan; it was not established that it had provided intermediary services to Baker Hughes or its subsidiary BHSI.¹⁵

3. Intermediaries who provide a combination of legitimate and illegitimate goods and services.

A company hires a business consultant as an intermediary, who provides actual services, including illegitimate ones, for example, obtaining restricted access information regarding a public procurement, which will be later used to prepare a bid. For cases in this category, the amount of the contract between the company and the intermediary includes both the bribe amount and the price of the intermediary’s service. For payments, consulting agreements are signed and invoices are issued without the detailed description of performed works or services.

Example No 3

Statoil, a Norwegian oil and gas company, signed a vaguely defined consultancy services agreement with an offshore company located in the United Kingdom.¹⁶ The actual purpose of the agreement was to divert funds to be paid under the agreement to a public official of Iran, who had enormous influence in the oil and gas industry of Iran.¹⁷ Under the agreement, Statoil had to pay more than 15 million US Dollars in bribes during the 11-year period, and payments were made to an account at a Swiss credit institution.¹⁸ In turn, the public official of Iran provided confidential information to Statoil regarding oil and gas projects in Iran, including copies of bids received within the framework of the public procurement procedure from other companies, thus being able to ensure Statoil’s win in several public procurements in Iran.¹⁹

Indicators that might suggest the bribery of foreign public officials in international transactions according to the OECD WGB Report “Typologies on the Role of Intermediaries in International Business Transactions”:

- Intermediary’s insufficient or inappropriate qualification, lack of appropriate previous experience and low reputation in the particular segment of the market.
- It is impossible to establish that the intermediary offers services similar in terms of content and price also to other market participants.
- The intermediary’s website does not suggest that economic activities are being carried out.
- The contract does not stipulate the detailed description of works and services to be performed.
- Payments for international services significantly exceed the price accepted in a particular business market.
- The proportion of payments for intermediary’s services in relation to the transaction obtained by the company in a foreign country significantly exceeds the average price of the comparable services in a particular industry.
- Indicators of the intermediary’s financial activities do not suggest its actual operations.
- The service provided by the intermediary is in no way related or is insignificantly related to the contracting authority’s economic activities.
- The country that organises a public procurement has a high risk of corruption.
- The intermediary’s account is in a credit institution located in the country considered to be a regional financial centre (other than the place of registration or of actual operations of the intermediary).
- The intermediary is a shell company (arrangement) established in a jurisdiction with simplified company registration procedures, high risk of corruption and/or weak effectiveness in preventing ML.
- The intermediary is a shell company (arrangement), whose directors are nominees.

¹¹ Deferred Prosecution Agreement H-07-130, available at: <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2011/02/16/04-11-07bakerhughes-prosecution.pdf>

¹² Ibid.

¹³ Typologies on the Role of Intermediaries in International Business Transactions. – OECD Working Group on Bribery in International Business Transactions, 2009, <https://www.oecd.org/daf/anti-bribery/anti-briberyconvention/43879503.pdf>

¹⁴ Deferred Prosecution Agreement H-07-130, available at: <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2011/02/16/04-11-07bakerhughes-prosecution.pdf>

¹⁵ Ibid.

¹⁶ Typologies on the Role of Intermediaries in International Business Transactions. – OECD Working Group on Bribery in International Business Transactions, 2009, <https://www.oecd.org/daf/anti-bribery/anti-briberyconvention/43879503.pdf>

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

- The intermediary is an LP or legal arrangement, whose BO is a foreign public official or his/her relative or associate (PEP).
- Payments under the consultancy services agreement are of a transit nature — funds are transferred from accounts shortly after they have been debited.²⁰

²⁰ Typologies on the Role of Intermediaries in International Business Transactions. – OECD Working Group on Bribery in International Business Transactions, 2009, <https://www.oecd.org/daf/anti-bribery/anti-briberyconvention/43879503.pdf>

2. Red Flag Indicators of Corruption and Case Analysis: Suspected Corruption Cases in Latvia

This section summarises information from the FIU disseminations and risk information reports, which were sent to the CPCB and the ISB over three years, i.e. from 2018 to 2020, as well as information provided by the CPCB and the Prosecution Office, in the form of indicators. For illustrative purposes, indicators are divided into three groups: those related to public procurements, cross-border corruption, and other indicators wherein a PEP or a public official is involved (which correlates to the typology defined by the Egmont Group on the unexplained wealth or income, referred to in the first section). Indicators in each group are supplemented with cases analyses based on particular materials prepared by the FIU, as well as on the criminal proceedings investigated by the CPCB and the Prosecution Office.

Public Procurements

- The term of an announced public procurement is short, thus causing suspicions that the procurement procedure is formal and a prior agreement has been reached with the winner of the procurement.
- In an announced public procurement, there is only one bidder or specifications comply with one particular bidder, thus causing suspicions that the procurement procedure is formal and a prior agreement has been reached with the winner of the procurement.
- A company without the appropriate experience wins a public procurement.
- The same person that has also been the sole bidder has won several procurements organised by the same public institution.
- The owner/employee of the company that won the public procurement is/was related to a particular local government/company/institution (employee, contact person specified in the announced procurement for technical specifications etc.).
- The actual BO and manager of the company that won the public procurement is an official of an institution of a particular public institution, who can affect the outcome of the public procurement.
- A representative of the public institution that announces a procurement secretly meets with a bidder's representative.
- The winner of a procurement or its associate has made donations to a political party represented in a particular local government.
- Prior to winning a public procurement, a bidder makes a donation to a NGO related to a public official.
- Persons, whom the LP that won the procurement made payments for services, have not specified them in PIT declarations; moreover, it cannot be verified whether services were actually provided and whether they were relevant.
- One of the board members of the contracting authority is also an owner of shares in the (main) counterparty of the procurement winner.
- The contracting authority does not apply sanctions to a service provider for non-fulfilment or delayed fulfilment of the contract.
- The further movement of the procurement winner's funds is formed by payments, some of which are made without any logical economic and/or legal justification, possibly, to artificially increase project costs.
- The cash flow in accounts held by the winning company and/or its BO causes suspicions regarding fictitious transactions without a clear economic justification. They have the signs of transit transactions, namely, funds are shortly transferred to other accounts held by the person or are withdrawn in cash.
- The BO of the public procurement winner has transferred large amounts of funds to his/her family member or any other associate, who has shortly withdrawn significant cash amounts from his/her accounts.
- The public procurement winner has created a complex structure of subcontractors hindering the possibility of checking the actual performance of works and tracing the flow of funds.
- Prior to the announcement of a public procurement, a public person institution has purchased a doubtful market survey.
- The public procurement winner purchases gift cards for large sums on a regular basis.
- A public official or his/her relatives redeem gift cards in various shopping centres or stores on a regular basis and for large sums of money.

Case Analysis No 1

LLC A has won three public procurements organised by the same contracting authority as the sole bidder within a short period. Procurement procedures are performed with the support of the EU Cohesion Fund. The total amount of payments received from municipality-owned companies is several million EUR. One of the board members of the contracting authority is also an owner of shares in the main counterparty of LLC A — LLC B.

Established suspicions:

- The fact that LLC A has been the sole bidder and winner in public procurements organised by the same contracting authority within a short period causes suspicions regarding special (undue) favour shown by the contracting authority towards LLC A.
- The further movement of LLC A's funds is formed by payments, some of which are made without any logical economic and/or legal justification, possibly, to artificially increase the project price. Thus, the ES Cohesion Fund funding allocated to LLC A might not be used for the purpose determined in the procurement procedure regulations.
- The company LLC B related to the contracting authority has withdrawn funds from the company's account in cash in a large amount (possibly, for carrying out corruptive activities).

Case Analysis No 2

A public official of a public person has received a bribe of EUR 20,000 from an LLC, registering it as a donation to a NGO managed by the same public official. The bribe was paid for activities, which the public official could carry out in relation to a public procurement announced by a public legal person as a member of the procurement committee.

Established suspicions:

- The public official has secretly met with the persons related to the procurement winner on a regular basis.
- The donation to the NGO was made by the company related to the procurement winner.
- The donation to the NGO was made prior to the announcement of the public procurement.

Case Analysis No 3

The representative of LLC A and LLC B has handed over gift cards (in certain cases — cash) to a public official on a regular basis for the public official to provide support to LLC A and LLC B in public procurements organised by the respective public person's institution. Gift cards were redeemed by both the public official and his family members.

Established suspicions:

- The public official has regularly contacted and secretly met with the representative of LLC A and LLC B.
- The public official and his family members have regularly redeemed gift cards (the value of one gift card is at least EUR 150).
- LLC A and LLC B have diverted comparatively large funds for purchasing gift cards.

Cross-border Corruption

- A transfer of funds has been received from a company/person, which is suspected of corruption in a criminal case abroad or is related to such a person.
- The foreign company involved in transactions has the signs of a shell arrangement; some of transactions are performed without any obvious economic and/or legal justification; a complex structure of payments is deliberately created; documents might be forged; the company's director might be a nominee.
- The person involved in or accused of bribery abroad has debited large amounts of cash to his/her account, providing controversial and varying explanations on its origin.
- Large companies carrying out economic activities indirectly make payments to LPs belonging to PEP of the same country or their family members.
- An account in a Latvian credit institution is used for a foreign PEP to receive amounts of funds inappropriately large for the service received under a consultancy agreement.
- An account in a Latvian credit institution is used to transfer funds on the basis of a consultancy agreement from one person or the company belonging thereto to the PEP of another country and/or his/her family members. Suspicions are confirmed by the fact that a person has been previously convicted abroad or can be otherwise related to corruption.
- An account in a Latvian credit institution has no understandable economic justification — it is used for transactions of companies with signs of a shell arrangement. Persons involved in transactions represent countries with a high risk of corruption.

Case Analysis No 4

An offshore company's account in a Latvian credit institution is used to launder funds obtained by two PEPs, misusing their official position, from a country with a high risk of corruption. Activity in the credit institution account suggests the layering and integration of funds — funds are moved between two different jurisdictions without any obvious economic basis; funds are transferred between various LPs controlled by the said two PEPs; funds are transformed into other assets (a loan to an offshore company, purchase of securities).

Established suspicions:

- The company's BOs are former high-ranking public officials.
- Transactions forming the origin of funds in the company's account at the Latvian credit institution are not typical of the company's economic activities and are in general assessed as suspicious.
- The partial further movement of funds from the company's account at the Latvian credit institution is related to a fictitious loan agreement.
- Inconsistencies are identified in explanations on the flow of funds.
- There is publicly available information regarding investigation being carried out by US law enforcement authorities in connection with the bribery by US companies.
- Persons involved in transactions are known in connection to suspicions regarding other criminal offences (including publicly available information).

Case Analysis No 5

A citizen of a country with a high risk of corruption, Person A, explaining the origin of funds at a Latvian credit institution, has submitted an agreement on the provision of consultancy services, signed with Company B from another country with regard to the modernisation of water supply infrastructure. Person A has received transfers in his accounts with references "compensation" from Company B — unusually round sums have been received for the total amount of almost EUR 250,000. Doubtful explanations have been provided to the credit institution.

Established suspicions:

- The signed agreement is inappropriately general for economic activities with respect to remuneration and compensation for the coverage of losses incurred during the fulfilment of the agreement. In addition to the said agreement, Person A has submitted two invoices. Other documents that would certify the declaration of will / acknowledgements of the parties have not been submitted. The aforementioned causes suspicions that the agreement is fictitious.
- A large share of funds transferred to the account held by Person A (including those intended for the provision of the said services) was transferred to relatives; household appliances, furniture and toys were purchased; a loan was repaid; purchases were made in various European countries.
- Large sums of money were transferred to the brother, who holds the ambassador's position in another country and is considered a PEP, which causes doubts regarding the necessity of financial aid.
- Person A gains profit inappropriately large for his economic activities from the fulfilment of the agreement.
- Company B has been represented by Person C, who has been previously related to illegal activities: this person along with his family member was included on the Interpol's watch-list due to suspicions regarding corruption and bribery, as well as was convicted for criminal offences such as misappropriation, bribery and signing of an agreement contrary to the state interests.
- The address of Company B is also the residence address of the company's owner — Person C, which causes suspicions that Company B is a shell arrangement and is used solely for ensuring the financial flow.

PEP or Another Public Official Involved in Suspicious Transactions

- A significant share of funds received in the PEP's account from associates (for example, relatives) has been initially deposited in accounts in cash and the explanations provided on the origin of funds are difficult to check.
- PEP has performed (a) transaction(s) with a company, whose BO is a person, who, according to the publicly available information, is involved in criminal proceedings regarding the receiving of a bribe, giving of a bribe or other crimes.
- Large cash amounts have been deposited to the public official's account within a short period.
- Salary transfers are not used for daily expenses or there are other grounds for suspicions that an official has other, non-declared funds at his disposal, possibly, in cash, which might have been derived from a criminal offence, inter alia, in connection with corruptive activities at the place of work.
- A public official leads a simple life, inter alia, uses fast loans, yet periodically travels, paying for these travels in cash; likewise, the public official himself or his/her family members use expensive beauty and wealth procedures, paying for them in cash.
- After release on a bail or the application of a suspect's status, an official has performed a transfer of funds from his/her account (accounts) to the family member's or other person's account, possibly, with the aim to hide the funds.

- After procedural activities have been commenced in the criminal proceedings, within the framework of which corruption offences are being investigated, a person alienates properties and funds to natural or legal persons.
- The payment of a bail in the event of arrest of an official was made by a person, regarding whom there is publicly available negative information (previously convicted person or person involved in committing a criminal offence). The origin of paid funds is suspicious or cannot be verified.
- The salary received by an official from a local government and/or local government LLC in total does not form such large funds as transfers performed to family members' accounts, savings accounts, etc.
- The board member of a state or local government company or another high-ranking official receives or makes large transfers in the form of suspicious transactions.
- PEP receives a loan repayment without interest payments, which has no logical economic justification. The loan was disbursed on the basis of a verbal agreement, causing suspicions regarding the authenticity of this loan.
- An official or PEP has purchased company's capital shares for the price lower than the actual value of company's capital shares, indirectly becoming a BO.
- A public official or a company belonging thereto is involved in suspicious transactions. Procurements have been organised for the goods, the average price of which in the market is lower; there are discrepancies and inconsistencies in the provided explanations (incl. discrepancies identified in the numeration of agreement clauses; inconsistencies in explanations regarding the company's counterparties — goods suppliers and recipients).
- A company belonging a public official's family members is involved in suspicious transactions. The company has leased out its property (to a company in another administrative territory) for the price that significantly exceeds the market price, even though such service is provided by many companies and for a lower price.
- A public official's family member or associates from abroad have purchased vehicles, declaring the price inappropriate for the actual market price (significantly lower than the market price).
- According to the publicly available information, a person is a trustee for a high-ranking PEP.
- The use of an assignment agreement in transactions involving a public person's institution with the aim to divert the public person's funds to a certain private company.
- A payment (donation) has been made to a public benefit organisation (association, sports federation or organisation, or club), at which a PEP, his/her relatives or associates hold positions.
- Payments are made to an LP, whose owner or BO is a public official, for the services, for which the verification of actual provision is impossible or significantly hindered.
- Equal payments are made within a long period and in large amounts to an LP, whose owner or BO is a public official, for the services, the volume of which differs significantly in each reporting period (for example, month).

Case Analysis No 6

A public official has transferred a large amount of funds to the family member's account within a short period, defining that as a "loan", "loan repayment" and "donation". The official has the authority to handle this family member's account. It is not used for daily needs, only for the accumulation of these funds.

Established suspicions:

- The CPCB has already initiated criminal proceedings against the said person.
- Over three years, the official has received salary from a local government and municipality-owned company, which in total does not form such large funds as the said transfers to the family member's account.
- Another official's family member has been the office administrator of the respective local government.
- No other official income has been declared at the State Revenue Service.

Case Analysis No 7

A public official has performed suspicious transactions with cash, the origin of which cannot be understood or verified. Likewise, this person has received large sums of money over a short period as a prize from the gambling organiser, and it cannot be verified whether prizes are real or they are used as a cover for transferring funds of unknown origin to the official.

Established suspicions:

- Within less than a year, cash amounts have been deposited into the account for several tens of thousand euro.
- The person has provided explanations to the credit institution regarding the origin of deposited cash, specifying that it is mostly the money accumulated by his family member.
- Within six months, the person has received significant amounts of funds from a gambling organiser with a reference "payment of prize".
- The said prizes have not been declared at the State Revenue Service.

Case Analysis No 8

LLC A has long made payments for equal amounts to LLC B, the former sole owner and the current BO of which is a public official. The justification for payments is a service agreement, whereunder LLC A by the order of LLC B popularises JSC C in social networks, as well as develops and maintains a certain website.

Established suspicions:

- The service agreement stipulates a fixed monthly payment, even though the volume of provided services can vary significantly every month.
- The fact of popularisation of the business company in social networks cannot be objectively verified.
- There is no obvious economic justification as to why JSC C or LLC A would be interested in the development and maintenance of the particular website.

List of Abbreviations and Explanations

UN	United Nations
JSC	Joint Stock Company
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ISB	Internal Security Bureau
PIT	Personal Income Tax
LP	Legal person
CPCB	Corruption Prevention and Combating Bureau
PDC	Proceeds derived from crime
ML	Money laundering
AML/CFTP	Prevention of money laundering and terrorism and proliferation financing
Nominee	Natural or legal person who is specified by another natural or legal person to act on behalf thereof with a certain status with regard to the legal person and is not a beneficial owner.
AML/CFTP Law	Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing
NRA	National Money Laundering and Terrorism and Proliferation Financing Risk Assessment for 2017 –2019
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OECD WGB	Working Group on Bribery in International Business Transactions of the Organisation for Economic Co-operation and Development
BO	Beneficial owner
PEP	Politically exposed person
LLC	Limited Liability Company
FT	Financing of terrorism