OFFSHORE FINANCIAL CENTRES AND CORRUPTION

A TOOLKIT FOR KNAB INVESTIGATORS

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1. INTRODUCTION

This report has been drafted by Transcrime, Università degli Studi di Trento/Università Cattolica di Milano (Italy), for KNAB, in the same field as the project Raising the Institutional and professional capacity of the Corruption Prevention and Combating Bureau (KNAB), Latvia, carried out by Ramboll Management.¹

This report is a “practical toolkit” for Latvian investigators in the field of offshore centres, money laundering and corruption. It gives some basic information in order to answer the following questions: what are offshore centres and why do criminals operate offshore? What are the legal characteristics which make offshore financial companies attractive to consumers but also for criminals? Is there a link between offshore centres and the Internet? Is there a link between offshore centres and corruption? What can we learn from cases already investigated across the world? Is it possible to devise some tips or best practices that can help to more effectively conduct an offshore financial investigation?

We are extremely grateful to the Italian Guardia di Finanza, the Italian financial police, for providing us with support with reference to the section on offshore investigations. We would also like to take this opportunity to thank Col. (Colonel) Giorgio Viola, Head of the Operational Office of the Comando regionale of the Guardia di Finanza (Trentino–Alto Adige), and Ten. Col. (Lieutenant Colonel) Stefano Murari, Commander of the Comando Provinciale of the Guardia di Finanza of Trento, and for their extreme competence and invaluable help.

In this report the terms offshore financial centre/centres have been abbreviated to OFC/OFCs.

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2. OFFSHORE PROBLEMS

2.1. WHAT ARE OFFSHORE CENTRES (LEGAL CHARACTERISTICS) AND WHY DO CRIMINALS GO OFFSHORE?

Although ‘offshore’ does not automatically denote illegal or criminal activity, numerous international organisations (UN, FATF, OECD, Council of Europe and the European Union) and national governments have pointed out the risk that facilities provided by financial centres and offshore jurisdictions may be exploited by organised crime groups. The offshore problem, is indeed an important item on their political agendas.

“An offshore center is a country which offers to the residents of other countries the ability to establish companies and to use its financial services for activities outside this center, offering in most of the cases some advantages such as low taxation rates. In other words the aim of the users of the offshore centres is to take advantage of the lower tax rates offered by the offshores centre which is not synonymous to tax evasion as is the general perception. [...] Certain jurisdictions establish themselves as offshore financial centres in order to attract funds, provide jobs and facilitate economic development” (ROSSIDOU–PAPAKYRIACOU, 1999).

**BOX 1. OTHER DEFINITIONS OF OFFSHORE CENTRES**

- “Offshore centres or international service centres are countries, cities or jurisdiction that provide financial, legal and other services to foreign or non-residents” (ALBA, 2003)
- “As terms the words offshore business and offshore company have no precise legal, tax or general business meaning, as the word offshore often means nothing more than anywhere other than the place of physical location of the person using the word (i.e. overseas). We use the words offshore business and offshore company as terms of definition in connection with matters such as the structuring of international business and family wealth management or tax planning”. There are “many reasons and benefits attached to utilising international corporate or fiduciary trust structures” (OCRA WORLDWIDE, 2006).
- “Amongst the many definitions of Offshore Financial Centers (OFCs), perhaps the most practical characterizes OFCs as centers where the bulk of financial sector transactions on both sides of the balance sheet are with individuals or companies that are not residents of OFCs, where the transactions are initiated elsewhere, and where the majority of the institutions involved are controlled by non-residents” (INTERNATIONAL MONETARY FUND, 2000).
- FATF has adopted twenty–five criteria to identify non–cooperative countries and territories. Non–cooperative countries and territories in the fight against money laundering are those who have detrimental rules and practices which impair the effectiveness of their money laundering prevention and detection systems. These detrimental rules and practices refer to loopholes in financial regulations (e.g. inadequate customer identification, inadequate rules on financial intermediaries), obstacles raised by regulatory requirements (e.g., inadequate or no requirement for the registration of business and legal entities and the identification of their beneficial owners), obstacles to international co–operation at both the administrative and the judicial levels (e.g., existence of laws or practices prohibiting the international
exchange of information), and inadequate resources for the prevention and detection of money laundering (FATF, 2000).

**Box 2. Principal Elements of Offshore Financial Centres**
- The country has a relatively large number of financial institutions engaged primarily in business with non-residents;
- Low or no taxes on business or investment income;
- No withholding taxes;
- Light and flexible incorporation and licensing regimes;
- Light and flexible supervisory regimes;
- Flexible use of trusts and other special corporate vehicles;
- No need for financial institutions and/or corporate structures to have a physical presence;
- An inappropriately high level of client confidentiality based on impenetrable secrecy laws;
- Unavailability of similar opportunities to residents;
- Protection against frivolous lawsuits;
- Increase of investment diversification;
- Moderate or light financial regulation;
- High rate of banking secrecy and anonymity.

Since OFCs generally attract non-resident clients, the volume of non-resident business substantially exceeds the volume of domestic business. For most OFCs, funds that are on the books of the OFC are invested in the major international money-centre markets (INTERNATIONAL MONETARY FUND, 2000; FINANCIAL STABILITY FORUM, 2000).

**Box 3. An Italian Example: The Black-list of Countries with a “Privileged Fiscal Regime”**

According to the Italian Ministry of Finance Decree of 9 May 1999, the Italian government considers the following states to be employing a “privileged fiscal regime”. This means that Italian citizens resident in one of these countries, unless otherwise proven, have to pay taxes not only to the resident country, but also to the Italian state according to its legislation.

Alderney (Aurigny), Andorra (Principat d’Andorra), Anguilla, Antigua e Barbuda (Antigua and Barbuda), Antille olandesi (Nederlandse Antillen), Aruba, Bahama (Bahamas), Bahrein (Dawlat al-bahrain), Barbados, Belize, Bermuda, Brunei (Negara Brunei Darussalam), Cipro (Kypros), Costa Rica (Republica de Costa Rica), Domenica, Emirati Arabi Uniti (Al’imarat Al’-arabiya al Mutahida), Ecuador (Republica del Ecuador), Filippine (Pilipinas), Gibilterra (Dominion of Gibraltar), Gibuti (Djibouti), Grenada, Guernsey ( Bailiwick of Guernsey), Monserrat, Nauru (Republic of Nauru), Niue, Hong kong (Xianggang), Isola di man (Isle of Man), Isole Cayman (The Cayman Islands), Isole Cook, Isole Marshall (Republic of the Marshall Islands), Isole Vergini Britanniche (British Virgin Islands), Jersey, Libano (Al-jumhuriya Al Lubnaniya), Liberia (Republic of Liberia), Liechtenstein (Furstentum Liechtenstein), Macao (Macau), Malaysia (Perserikatan tanah malaysia), Maldive (Divehi), Malta (Republic of Malta), Maurizio (Republic of Mauritius), Oman (Saltanat ‘Oman), Panama (Republica de Panama’), Polinesia francese (Polyniesie Francaise), Monaco (Principaute’ de Monaco), San marino (Repubblica di San Marino), Sark (Sercq), Seicelle (Republic of Seychelles), Singapore (Republic of Singapore), Saint Kitts e Nevis (Federation of Saint Kitts and Nevis), Saint Lucia, Saint Vincent e Grenadine (Saint Vincent and the Grenadines), Svizzera (Confederazione Svizzera), Taiwan (Chunghua Minkuo),
Tonga (Puleanga Tonga), Turks e Caicos (The Turks and Caicos Islands), Tuvalu (The Tuvalu Islands), Uruguay (Republica Oriental del Uruguay), Vanuatu (Republic of Vanuatu), Samoa (Indipendent State of Samoa).

2.1.1. Offshore finance users

Potential users of offshore finance are:
- International companies;
- Individuals;
- Investors (individuals, investment funds, trusts etc.);
- Financial institutions with an affiliate in the OFC;
- Criminals and others.

2.1.2. Legitimate and illegitimate offshore purposes

Moving offshore or using an OFC does not necessarily mean committing a crime. The use of offshore services can be legitimate or illegitimate.

**Legitimate** purposes include:
- *To minimise tax, where this is allowed;*
- *To reduce company risks, through the use of asset holding vehicles.* Many corporate conglomerates employ a large number of holding companies, and often high-risk assets are parked in separate companies to prevent legal risk accruing to the main group;
- *To achieve better asset protection.* Wealthy individuals who live in politically unstable countries utilise offshore companies to hold family wealth to avoid potential expropriation or exchange control restrictions in the country in which they live;
- *To engage in risky investments, through the use of derivatives trading.* Wealthy individuals often form offshore vehicles to engage in risky investments, such as derivatives trading, which is extremely difficult to engage in directly due to cumbersome financial market regulation;
- *To avoid the repatriation of funds if this means a risk, through the use of exchange control trading vehicles.* In countries where there is either exchange control or if there is a perceived increase in the political risk of a repatriation of funds, major exporters often form trading vehicles in offshore companies so that the sales from exports can be "parked" in the offshore vehicle until necessary for further investment;
- *To set up joint venture vehicles in a neutral jurisdiction or a jurisdiction with more sophisticated corporate and commercial laws.* Offshore jurisdictions are frequently used to set up joint venture companies, either as a compromise neutral jurisdiction and/or because the jurisdiction where joint venture has its commercial centre has insufficiently sophisticated corporate and commercial laws;
- *To invest money through mutual funds.* A mutual fund is simply a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the pooled money into specific securities (usually stocks or bonds);
• To obtain a stock market listing vehicle. Successful companies who are unable to obtain a stock market listing because of the underdevelopment of the corporate law in their home country, often transfer shares into and then list an offshore vehicle;

• To obtain financing and to treat it as "off balance sheet", by establishing trade finance vehicles. Large corporate groups often form offshore companies, sometimes under an orphan structure to enable them to obtain financing (either from bond issues or by way of a syndicated loan) and to treat the financing as "off balance sheet" under applicable accounting procedures. In relation bond issues, offshore special purpose vehicles are often used in relation to asset-backed securities transactions (particularly securitisations).

**Box 4. What do OFCs offer?**

Offshore financial centres provide financial management services to foreign users in exchange for foreign exchange earnings. There are many channels through which offshore financial services can be provided. These include the following:

- **Offshore banking**, which can handle foreign exchange operations for corporations or banks. These operations are not subject to capital, corporate, capital gains, dividend, or interest taxes or to exchange controls;

- **International business corporations (IBCs)**, which are often tax-exempt, limited-liability companies used to operate businesses or raise capital through issuing shares, bonds, or other instruments;

- **Offshore insurance companies**, which are established to minimize taxes and manage risk. Onshore insurance companies establish offshore companies to reinsure certain risks and reduce their reserve and capital requirements;

- **Asset management and protection** allows individuals and corporations in countries with fragile banking systems or unstable political regimes to keep assets offshore to protect against the collapse of domestic currencies and banks. Individuals who face unlimited liability at home may use offshore centres to protect assets from domestic lawsuits.


Illegitimate purposes include:

• To manipulate market, i.e. to deliberately attempt to interfere with the free and fair operation of a market;

• To launder money. Money laundering is the process of moving money from the illegitimate to the legitimate economy. The crime of money laundering consists of: "the conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the predicate offence to evade the legal consequences of his or her action"; "the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime"; "the acquisition, possession or use of property, knowing, at the time of receipt, that such property is the proceeds of crime" (art. 6, United Nations Convention against Transnational Organised Crime). "Many criminal transactions are carried out in cash and the function of the money launderer is often to translate these small sums into a larger, more liquid sum which will be difficult to trace and more easy to invest. Private banking services and offshore financial centers are the major conduits and repositories
for bribes and corrupt gains and this because when dirty money disappears offshore, it becomes more difficult for governments to tackle corruption” (SHELLEY, 2001). A working definition of money laundering was adopted by the Interpol General Assembly in 1995, which defines money laundering as “any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources”;

- To evade tax. There are individuals and enterprises who rely on banking secrecy and opaque corporate structures to avoid declaring assets and income to the relevant tax authorities;
- To finance terrorism. “The financial institution that carries out a transaction, knowing that the funds or property involved are owned or controlled by terrorist or terrorist organisations, or that the transaction is linked to, or likely to be use in, terrorist activity, may be committing a criminal offence under the laws of many jurisdictions” (PIETH, 2002);
- To corrupt, which means “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof” (COUNCIL OF EUROPE, 1999).

2.1.3. Why criminals go offshore

“Criminal organisations are making wide use of the opportunities offered by financial havens and offshore centres to launder criminal assets, thereby creating roadblocks to criminal investigations. Financial havens offer an extensive array of facilities to foreign investors who are unwilling to disclose the origin of their assets. [...] The difficulties for law enforcement agencies are amplified by the fact that, in many cases, financial havens enforce every strict financial secrecy, effectively shielding foreign investors from investigations and prosecutions from their home countries” (BLUM, LEVI, NAYLOR and WILLIAMS, 1998).

Criminals prefer financial centres and offshore jurisdictions because the anonymity guaranteed by their banking, tax and company regulations provides an effective shield against requests for information by law enforcement agencies. Anonymity, in fact, is an essential requisite for the laundering of criminal proceeds and their reinvestment in the legitimate economy without incurring the “law enforcement risk”. It is possible to argue that the lesser this risk (due to the legislation governing the services offered by financial centres and offshore jurisdictions), the greater the probability that organised crime groups will use financial centres and offshore jurisdictions to launder the proceeds of their criminal activities.

<table>
<thead>
<tr>
<th>Box 5. Vulnerable Elements of OFCs for Criminal Exploitation</th>
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<tr>
<td>- Bank secrecy that cannot be penetrated for authorised law enforcement investigations;</td>
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<tr>
<td>- No recording requirements for large cash transactions;</td>
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<td>- Weak bank regulatory controls;</td>
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<tr>
<td>- Limited law enforcement in OFCs;</td>
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<tr>
<td>- Low international collaboration;</td>
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<tr>
<td>- Facility to open banking accounts;</td>
</tr>
<tr>
<td>- Use of monetary instruments payable to bearers;</td>
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<tr>
<td>- Lack of adequate regulation of financial systems;</td>
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</table>
Little government presence;
No required disclosure of the true beneficiary of a transaction;
High level of corruption of officials and banking communities.

(ALBA, 1999: 7).

**Box 6. The Euroshore Report and the Company Law Asymmetries Which Attract Criminals**

The facilities offered by financial centres and offshore jurisdictions are often, but not always, the result of asymmetries in regulation. These asymmetries may be defined as the differences between a certain type of regulation and the integrity standards established by the international community to protect financial systems in the field of criminal law and criminal procedure, administrative, commercial and banking regulations and international cooperation. The Euroshore report stressed that company law contributes more than other sectors of regulation to the level of a financial system’s transparency/opacity and that it is company law more than other sector of regulation which attracts criminals. Company law sets share capital and regulates the issue of bearer shares by limited liability companies, the possibility that legal entities may act as directors, the requirement of establishing a registered office, and also the obligatory auditing of financial statements in the case of limited liability companies and the keeping of share-holders’ registers. According to the type of regulation, company law produces the greater transparency or the greater opacity of a financial system, thereby influencing the other sectors of regulation and determining the effectiveness of police and international judicial cooperation. This is the ‘domino’ effect of company law: if this type of regulation seeks to maximise anonymity in financial transactions, enabling the creation of shell or shelf companies whose owners remain largely unknown (because other companies own them), such anonymity will be transferred to other sectors of the law. Thus the names of ultimate beneficial owners or the beneficiaries of financial transactions will remain obscure, which thwarts criminal investigation and prosecution. Police cooperation should concentrate on physical persons, not legal entities, and if company law maximises anonymity, then the ineffectiveness of criminal law and police and judicial cooperation is inevitable. The same effect arises in banking law, where bank secrecy becomes a marginal issue owing to the anonymity enjoyed by the companies operating bank accounts under surveillance. The ‘domino’ effect, therefore, influences the other sectors of regulation, producing much of the opacity surrounding a financial system (TRANSCRIME, 2000).

### 2.1.4. Proponents and Critics

There are two viewpoints on offshore financial centres. Proponents argue that OFCs have an important role in the international economy, offering advantages for corporations and individuals, and allowing legitimate financial planning and risk management. Opponents criticise the insufficient legislation, opportunities for money laundering, tax evasion, and avoidance of legal risk.
2.1.5. List of offshore financial centres

<table>
<thead>
<tr>
<th>Andorra</th>
<th>Guam</th>
<th>Panama</th>
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<tbody>
<tr>
<td>Anguilla</td>
<td>Guernsey</td>
<td>Philippines</td>
</tr>
<tr>
<td>Antigua</td>
<td>Hong Kong</td>
<td>Puerto Rico</td>
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<tr>
<td>Aruba</td>
<td>Isle of Man</td>
<td>Seychelles</td>
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<tr>
<td>Bahamas</td>
<td>Israel</td>
<td>Singapore</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Japan</td>
<td>St Kitts and Nevis</td>
</tr>
<tr>
<td>Barbados</td>
<td>Jersey</td>
<td>St Lucia</td>
</tr>
<tr>
<td>Barbados</td>
<td>Labuan, Malaysia</td>
<td>St Vincent and the Grenadines</td>
</tr>
<tr>
<td>Belize</td>
<td>Lebanon</td>
<td>Switzerland</td>
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<tr>
<td>Bermuda</td>
<td>Liechtenstein</td>
<td>Tahiti</td>
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<tr>
<td>British Virgin Islands</td>
<td>Luxembourg</td>
<td>Tangier</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>Macau</td>
<td>Thailand</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>Malta</td>
<td>Turks and Caicos</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Marianas</td>
<td>United States (particularly, Delaware, but some other states have offshore characteristics)</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Marshall Islands</td>
<td>Uruguay</td>
</tr>
<tr>
<td>Djibouti</td>
<td>Mauritius</td>
<td>Vanuatu</td>
</tr>
<tr>
<td>Dominica</td>
<td>Micronesia</td>
<td>Western Samoa</td>
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<tr>
<td>Dublin</td>
<td>Montserrat</td>
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<td>Gibraltar</td>
<td>Nauru</td>
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<td>Grenada</td>
<td>Netherlands Antilles</td>
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<td>Niue</td>
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2.2. MOST IN DEMAND TYPES OF OFFSHORE COMPANIES

2.2.1. Desirable corporate characteristics

The main types of offshore companies utilised to structure international business and for tax planning are the following:

1. **Very low or zero tax for offshore companies incorporated in jurisdictions often described as tax haven islands**, such as the differing types of offshore company that can be formed in offshore company formation centres such as the British Virgin Islands (BVI), Belize or the Seychelles.

**BOX 7: EXAMPLES**

In **Mauritius** there are two types of company used for offshore business and international tax planning. The Mauritius GBCII Offshore Company pays zero tax and is a tax haven company, similar in many aspects to a BVI Company, however the Mauritius GBCI Company is tax resident and typically utilised for double tax treaty and international tax planning.

**Hong Kong** has a tax regime which means that correctly structured, managed and administered Hong Kong Companies can be utilised for undertaking offshore business and international business without paying tax in Hong Kong provided that any profits arising are
not made in Hong Kong. This type of tax regulation is known as "territorial taxation" (OCRA WORLDWIDE, 2006).

2. **LLC (or Limited Liability Company) and the LLP (or Limited Liability Partnership) types of company.** Many offshore and tax planning jurisdictions have made efforts to ensure that their company law provides the following features:

**Box 8. Characteristics of Offshore Companies:**
- Limited liability;
- Minimization of directors liability;
- Minimal or optional statutory filing obligations;
- Nominee shareholders allowed;
- Disclosure of beneficial ownership either not required or limited to special bodies, such as offshore authorities or central banks;
- Broad range or permitted company names and suffixes to denote limited liability;
- Low capital requirements;
- The ability to hold directors and/or shareholders meetings anywhere in the world;
- The absence of or the optional requirement for the audit of accounting records;
- Confidentiality, in most common law tax jurisdictions, beneficial ownership, director and shareholder details are not a matter of public record.

(INTERNATIONAL CORPORATE ADVISORS, 2006).

2.2.2. Offshore LLC as an asset protection tool

The Offshore Limited Liability Company ("LLC") has become a very popular entity used in the offshore industry because of several reasons, namely:
- Flexibility;
- Tax neutrality;
- High degree of asset protection.

There are only a few offshore jurisdictions that have enacted LLC legislation. The U.S. Internal Revenue Service has indicated that LLCs may generally be taxed either as corporations, or as partnerships, with income and losses flowing through to the members without any incidence of tax effects at the entity level. If the LLC elects to be taxed as a disregarded entity, then there are no foreign information reporting requirements (ICA, 2006).

Offshore LLCs offer far greater protection than domestic LLCs, especially if the assets are held outside the US in a jurisdiction that does not recognize US judgments because the creditor will have to bring a second lawsuit in the offshore jurisdiction. If properly structured: a creditor of a member of an offshore LLC with a non–U.S. manager may not be able to obtain jurisdiction in the U.S. over the non–U.S. manager, a judicial dissolution and liquidation by U.S. courts is not possible (INTERNATIONAL CORPORATE ADVISORS, 2006).
Box 9. LLC and LLP
What is a Limited Liability Company?
A limited liability company (LLC):
- is a type of business ownership combining several features of corporation and partnership structures;
- is not a corporation or a partnership;
- may be called a limited liability corporation, the correct terminology is limited liability company;
- owners are called members, not partners or shareholders;
- does not limit its number of members who may be individuals, corporations, or other LLC's.

What is a Limited Liability Partnership?
An LLP provides liability protection for all general partners as well as management rights in the business. Most commonly used in professional practices, an LLP offers, in most cases, the same limited liability enjoyed by a corporation, but at the same time it is a flow-through entity for tax purposes, just like a partnership.

2.3. OFCs AND THE INTERNET (ICT)

The Internet has created a new offshore financial market: the use of OFCs is nowadays possible by means of the fast and discrete intermediation offered by the Internet. It is easy, for example, to find very specialised websites which offer all kinds of offshore products and services. This means that in this case technology is used as a tool for the commission or planning of a crime.

ICT is challenging modern society, and the way money is laundered, from money laundering to cyber-laundering, for the following reasons (SAVONA and MIGNONE, 2004: 5–7):
- **ICT allows a global reach.** There are no spatial or temporary limits with ICT, which makes it possible to conduct affairs (in this case money laundering) remotely. ICT is globally available. The internet can be accessed from anywhere at any time;
- **ICT is generally very fast and reduces communication and transaction costs;**
- **ICT basically guarantees anonymity.** "Anonymity is an essential requisite for the laundering of criminal proceeds and their reinvestment in the legitimate economy without incurring the law enforcement risk" (SAVONA, ADAMOLI, DI NICOLA and SCARTEZZINI, 2000);
- **ICT can help criminals in the choice of a more comfortable jurisdiction;**
- **ICT are still under-regulated.** The existing legal rules for ICT-related crime are still too fragmentary and embryonic;
- **ICT related crime is difficult to investigate for law enforcement authorities because of the use of strong encryption.**

Offshore Internet banking is a great asset for many launderers who use it because (SAVONA, ADAMOLI, DI NICOLA and SCARTEZZINI, 2000):
- It makes it possible to instantly hot-wire every banking operation;
- It makes it possible to easily automate operations between banks with the scope of layering money laundering activities;
It increases opacity, expanding transparency asymmetries between offshore and onshore jurisdictions in all the regulatory sectors.

**Box 10. To know more about the link between offshore finances and the internet**

To know more about how the internet can facilitate the use of offshore finances, type the words “offshore services” on an internet search engine (such as Google, Yahoo, Lycos). This will provide you with access to an entire world of internet offshore facilities, varying from totally legal, semi-legal, to criminal facilities.

You are also advised to visit the following websites, to understand how “legal” offshore services are advertised and sold over the WWW and also to know more about the features of offshore services:

- [http://www.ocra.com](http://www.ocra.com)
- [http://www.intlca.com](http://www.intlca.com)
- [http://www.icsl.com](http://www.icsl.com)

### 2.4. OFCs and Corruption

“Corruption is closely related to money laundering, since at a certain stage the proceeds of corruption need to be laundered through the financial system and enter the real economy so as to appear legitimate. The proceeds of corruption may be laundered in jurisdictions which have not enacted strict anti-money laundering measures as well as in countries which uphold very strict bank secretary laws or regulations” (ROSSIDOU–PAPAKYRIACOU, 1999).

The links between offshore finances and corruption include the following:

1. **Offshore centres can be exploited to launder dirty money coming from corruption.** In particular “large scale and continuous corruption depends on long term money management. Slush founds have to be built up well beforehand. The payments have to be engineered in a way not to attract too much attention, both in the payment and the recipient side” (PIETH, 2002).

**Example 1. Laundering the proceeds from corruption through OFCs**

![Diagram of laundering the proceeds from corruption through OFCs](image)
2. **Offshore centres can be exploited in order to create funds to be used to corrupt public officials at the national and international levels.**

**Example 2. Using OFCs to corrupt**

![Diagram showing the relationship between bribe giver, offshore centre, and bribe taker.]

3. **Corruption can be an instrument facilitating the transfer of dirty money to OFCs.** This happens because money laundering is a very technical activity and few people have the required know-how. Therefore, it is important to have contacts who can act as facilitators i.e. politicians, bankers, company administrators and lawyers. In this case money laundering appears as a crime committed by or with the help of skilled white collar criminals, who commit these crimes in the course of their occupation. This is also the case of “the manager or the employee of a financial institution, which has a duty to report suspicious transactions, does not abide to this obligation because of corruption. Corruption nullified the control system” (SAVONA, 1999).

**Example 3. Corruption facilitating offshore money laundering**

![Diagram showing the relationship between bribe taker, white-collar corruption, and offshore money laundering.]

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3. INVESTIGATING OFCs

3.1. OFFSHORE INVESTIGATIONS IN ACTION: EXAMPLES OF INVESTIGATIVE CASES

(a) The Salinas Case. The drug cartel of Juan Garcia Abrego, and Raul Salinas' money laundering allegations: a case of money laundering through offshore shell companies

“Juan Garcia Abrego, boss of Mexican drug trafficking, was convicted in the United States in 1996. This was the first step in uncovering interwoven circuits of corruption and money laundering by Mexican officials. In a few years, Abrego’s criminal organisation had amassed more than ten million dollars from the exporting of cocaine and marijuana from Mexico and their delivery to the American markets. The group profited from a web of contacts with Mexican public officials, from whom it obtained the help necessary to cover the transferring of money abroad to be laundered. Among Abrego's ‘special friends’ were the brother of the President of the Mexican Republic, Raul Salinas, currently being investigated by the Mexican police, and the Mexican Attorney General Mario Ruiz Massieu. The United States government seized 9 million dollars belonging to Massieu deposited in the Texas Commerce Bank of Houston, maintaining that the money consisted of bribes paid by Abrego. Forty-nine officials of the American Express Bank International were also investigated on suspicion of involvement in the money laundering operation.

Antonio Giraldi, an employee of the bank, has been sentenced to a ten years sentence for money laundering. Giraldi was responsible for managing the bank accounts of a certain Ricardo Aguirre, who turned out to be a money launderer acting on behalf of Abrego. The most sensitive aspect of the case was the alleged involvement of Raul Salinas, brother of the Mexican President, by exploiting his position as a public official in a government agency, Salinas apparently took bribes amounting to millions of dollars from entrepreneurs and drug traffickers in exchange for favours which facilitated money laundering and which, obviously, were contrary to his official duties. It seems that Salinas transferred around 100 million dollars between 1992 and 1994 by exploiting a private relationship with Citibank of New York. These illicit funds were transferred from Citibank of Mexico and Citibank of New York to private banking accounts in Citibank, London and Citibank, Switzerland. In order to ensure that this money reached these final destinations, its origin was disguised by various means, including the creation of offshore corporations to be used as shell companies. In order to finalise the scam, Citibank officers:
- used Cititrust (Cayman) to set up an offshore private investment company named Trocca to hold Salinas’ assets, and also opened investment accounts at Citibank London and Citibank Switzerland;
- did not adopt the ‘know your customer policy’ for Salinas although obliged to do so;
- allowed Salinas’ wife to use another name to initiate fund transfers in Mexico;
- had funds wired from Citibank Mexico to a Citibank New York concentration account (in which funds from various sources were commingled), before sending them to Trocca’s offshore Citibank investment accounts.

To be noted is the role played by the Trocca company – a shell company established by Citibank New York in the Cayman Islands. Citibank set up this offshore shell company through Cititrust (Cayman), which had at its disposal several dormant private investment companies to be allocated to clients when necessary. The company was incorporated in the
Cayman Islands, the country in which all the documentation linking Salinas to Trocca was held and whose company regulations protect document confidentiality.

Trocca was therefore set up for reasons of close secrecy and tax advantages. To give Salinas closer protection, Cititrust (Cayman) set up three other shell companies to act as Trocca’s board of directors. As part of its private banking relationship with Salinas, Citibank opened two accounts for Trocca (one at Citibank London and one at Citibank Switzerland). According to Citibank officials, Citibank London had no documentation to show that Salinas was Trocca’s ultimate beneficial owner” (TRANSCRIME, 2000: 85).

(b) A case highlighting the role of offshore companies in the perpetration of crimes and of offshore banks in laundering money

A large-scale international operation involving law enforcement authorities in New York, Jersey and the British National Crime Squad led to the arrest of a London magistrate and a solicitor involved in a multi-million dollar fraud and international money laundering. The share fraud, which cost investors around the world more than $17m, was believed to be run from New York but involved professionals in London, Jersey, Canada and Liberia. The New York stock promoter accused of the crime set up 19 offshore companies in various financial havens in order to perpetrate the fraud. These companies were supposedly registered in Liberia and owned by a diplomat, who was bribed to sign blank forms. In reality, however, they were managed from London and used to buy stock from small firms. The prices of these stocks was then inflated by fraudsters through a series of cross trades, before being sold to unsuspecting investors who found themselves with over-valued or even worthless shares. Money from the fraud was then deposited by the criminals in bank accounts at financial and offshore centres, namely Jersey and Switzerland, in order to be laundered (RICKS, 1998).

(c) The Spence money-laundering network in New York

“A fascinating example of money-laundering was uncovered in New York in 1994. It involved a network of 24 people, including the Honorary Consul-General for Bulgaria, a New York City police officer, two lawyers, a stockbroker, two rabbis, a fire-fighter and two bankers in Zurich. A law firm provided the overall guidance for the laundering effort while both a trucking business and a beer distributor were used as cover. The Bulgarian diplomat, the fire-fighter and a rabbi acted as couriers, picking up the proceeds from drug trafficking, in hotel rooms and parking lots, while money was also transported by Federal Express to a New York trucking business. The two lawyers subsequently placed the money into bank accounts with the assistance of a Citibank assistant manager. The money was then wired to banks in Europe, including a private bank in Switzerland, at which two employees remitted it to specific accounts designated by drug traffickers. During 1993 and 1994 a sum of between $70 million and $100 million was laundered by the group. It turned out, however, that the bank had supplied a suspicious activity report to law enforcement agencies. Furthermore, the assistant bank manager, although initially arrested, was subsequently reinstated and still works for Citibank. In the final analysis, this seems to have been a case where a suspicious activity report actually played a critical role in the downfall of the money-laundering network” (BLUM, LEVI, NAYLOR and WILLIAMS, 1998).
(d) The Abacha Scandal

"In the late 1980s, a large multinational bank in London opened accounts for Ibrahim and Mohamed Sani Abacha, who represented themselves as ‘commodity and oil dealers’. While efforts were made to identify the individuals concerned, it was later learned that the Bank had recorded these men (who were brothers) as the sons of Zachary Abacha. Abacha Senior was recognised by the bank as ‘a well-connected and respected member of the northern Nigerian community’. However through the process of identifying their clients and for whatever reason, the Bank failed to make note of the father’s position at the time as a General in the Army and Chairman of the Country’s Joint Chiefs-of-Staff. He was later to become the Head of the State. By the late 1990s it was determined that the two brothers had amassed and deposited, either for themselves or on behalf of others, approximately US $660 million with the London Bank.

On the face of it, US $660 million is not a very large amount for a large multinational bank and might be reasonably explained as being, for example, the profits of a successful business. However, it was later revealed that the Sani Abacha brothers and other members of the Abacha circle had allegedly stolen an estimated US $4.3 billion over a number of years. Half of this amount was reputed to be from the Nigerian Central Bank. Once the extent of the theft was uncovered, it was established that a number of bank accounts, trusts and other financial instruments were used across Europe to deposit large amounts of money. An estimated US $1.4 billion has been found (and subsequently frozen) in banks in Liechtenstein, Luxembourg and Switzerland.

However, in a shocking revelation to the UK banking industry, it was learnt that up to US $123 million of the funds had originally come from the UK. Incredibly enough, some were alleged to be bribes from UK companies. Additionally, Swiss investigators discovered that a further US $219 million had been transferred to British banks from Switzerland.

The FSA (Financial Services Authority) began its own investigation into the matter. One of its findings was that, despite the filing of STRs (Suspicious Transaction Report) by some banks (as is the practice when unusually large sums are transferred), 15 of the 23 banks which had dealings with the Abacha family funds had ‘significant’ control weaknesses. Unlike in Switzerland, none of the banks were named by the FSA, as this was beyond its statutory powers at that time. This has now changed, as the Financial Services and Markets Act 2000 has provided the FSA with greater powers to combat money laundering” (TRANSPARENCY INTERNATIONAL UK, 2003: 19–20).

3.1. Barriers to Investigating OFCs

As mentioned in Chapter 2, criminals across the world often exploit the opportunities offered by OFCs to launder assets derived from crimes, including corruption. Thus, investigations of criminal activities involving OFCs are very complex, expensive and time consuming, requiring a high level of cooperation between law enforcement authorities (and other authorities) of various countries. “While corruption, organised crime and money laundering operate already on a trans-national scale, making full use of the possibilities offered by the global financial markets, law enforcement agencies remain, to a large extent, still confined to act within national borders and have considerable difficulties in obtaining assistance from foreign jurisdictions” (SAVONA, 1999).
On the one hand, offshore centres often create barriers to investigations or facilitate financial crimes, for instance:

- the provisions for very strict banking secrecy and anonymity rules as regards the beneficial owners of the companies registered in these jurisdictions, which do not allow the sharing of information with law enforcement authorities;
- no taxation or obligation of book-keeping. In this case, individual business transactions cannot be traced, because there is no auditing;
- absence of foreign exchange controls, double taxation agreements;
- no liability to pay taxes;
- characteristics of the services offered or of the offshore destination (e.g. the possibility to set up shell or letter-box companies which are used for operating outside the OFC’s territory where they have been created, rendering the control difficult or even impossible), etc.

On the other hand, other impediments to investigations derive from the regulatory or procedural framework of involved countries:

- differences in legislation between various countries;
- differences in administration procedures of the relevant investigating authorities in various countries;
- countries involved in the case under investigation not adopting the necessary legislation or having not signed international conventions or bilateral agreements;
- insufficient resources (people, money and technology) allocated by different governments to the relevant investigating departments, etc.

3.2. Main preconditions for effective investigation

Main preconditions for any efficient and effective investigation could be grouped into:

- Regulatory prerequisites (international, domestic);
- Cooperation (procedural) prerequisites (international, domestic).

Regulatory framework. The most important tools to prevent and combat the use of offshore financial centres for possible criminal activities are legislation (e.g. on criminal procedure, finances, banking, money laundering) and regulations (both public and private) which should include preventive and repressive provisions. It is also fundamental for countries to become parties to international conventions which contain measures for international cooperation and to enter into bilateral agreements with other countries for cooperation in the area of criminal investigations.

**Box 11. In order to facilitate the investigation of criminal activities, especially corruption involving OFCs, the domestic legal framework should provide for:**

- money laundering legislation and controls;
- asset declaration;
- income declarations for public employees and officials;
- criminal and civil statutes that cover the field of corruption and financial crimes (e.g. laws that cover tax evasion, embezzlement, bribery, favour trading);
conflict of interest controls and penalties;
- comprehensive ethical best practices and penalties for violations;
- agreements and enforcement of recognised international laws, treaties, and conventions (e.g. enforcement and monetary deposits);
- freedom of information and whistleblower laws;
- recognised accounting standards;
- uniform regulation standards and uniform enforcement;
- adequate, meritocratic civil service.

(ARD, 2005: 1-2)

Cooperation framework. As the criminal activities using OFCs involve various countries, it is very difficult to coordinate the action of these countries in such a speedy manner as to catch up with the money transfers and the criminals’ moves. Therefore, it is essential to simplify the procedures for international cooperation, including the establishment of direct communication between the judicial, law-enforcement and other authorities and to set procedures for the exchange of information and intelligence.

BOX 12. EXAMPLE

The creation of Financial Intelligence Units in all countries (including offshore centres) is an essential way of strengthening international cooperation. Countries which offer offshore facilities should establish the necessary preventive measures before the registration of the companies, in order to know the background of the owners. Banking institutions should apply the preventive measures adopted by the international community in order to identify and report suspicious transactions (ROSSIDOU-PAPAKYRIACOU, 1999).

International cooperation between law enforcement authorities should also cover measures aimed at making cross-border law enforcement efforts more effective, such as:
- Extradition;
- Mutual legal assistance in investigations, prosecutions and judicial proceedings;
- Law enforcement cooperation, including joint investigations and special investigative techniques;
- Asset recovery (the process of recovering illegally obtained assets is always preceded by three stages: (1) investigative measures to trace the assets; (2) preventive measures to immobilise the assets (freezing, seizing); and (3) confiscation);
- Technical assistance;
- Mechanisms for implementation.

3.3. TIPS FOR OFFSHORE FINANCIAL INVESTIGATIONS

“A financial case is just a regular investigation that employs some additional analytical techniques. Financial cases provide some opportunities that may not exist in other criminal matters, though. For one thing, there is that wide paper trail out there, just waiting for somebody to get onto it” (MADINGER and ZALOPANY, 1999: 275).
3.3.1. Introduction

Any investigation of criminal activities involving OFCs should follow a number of general principles, such as (ARD, 2005):

- to follow the leads;
- to follow the money;
- to identify the suspect’s stakeholders;
- to identify assets (land registry, trade exchanges, banks and financial institutions, stock brokerage companies);
- not to believe in coincidences;
- to deal with perjury carefully and effectively;
- to record cases.

Amongst the illegitimate uses of OFCs, money laundering is one of the most popular criminal activities involving these jurisdictions. Money laundering is committed via a variety of schemes, sometimes very complex, but the following could be identified as the basic ones:

- use of a nominee.
- simple business cover or “front”.
- simple banking operation.
- banking / business combination.

As one analyst has observed: "Once the proceeds of crime are successfully deposited in the financial system, many laundering operators take the precaution of moving money, not just offshore, but through more than one tax haven and through a maze of shell companies and respectable nominees" (EVANS J.L., 1996).

In short, the money laundering case development process comprises the following stages:

<table>
<thead>
<tr>
<th>Initial information / case initiation</th>
<th>Financial sources (banks)</th>
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<tr>
<td></td>
<td>Government sources (informant, witnesses, etc.)</td>
</tr>
<tr>
<td><strong>Basis for the investigation</strong></td>
<td>Tracing assets or transactions to the country in question</td>
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<td></td>
<td>Linking the country to assets or transactions</td>
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<tr>
<td><strong>Case organisation</strong></td>
<td>General administration and organisation</td>
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<tr>
<td></td>
<td>Developing an investigative plan</td>
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<tr>
<td><strong>Evidence collection</strong></td>
<td>Financial</td>
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<tr>
<td></td>
<td>Governmental (informants, interviews, undercover, documents, surveillance, searches, subpoenas, etc.)</td>
</tr>
<tr>
<td><strong>Evidence analysis</strong></td>
<td>Financial (financial analysis, indirect methods case)</td>
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<td></td>
<td>Governmental (application to substantive cases, application to financial cases)</td>
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<tr>
<td><strong>Presentation</strong></td>
<td>Criminal prosecution (money laundering, underlying criminal activity)</td>
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<td></td>
<td>Forfeiture</td>
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(MADINGER and ZALOPANY, 1999)
3.3.2. Initial information/case initiation: the notitia criminis

Investigative activity starts when a crime is reported, or when ‘notification of a crime’ is received. However, the judicial police may launch their own inquiries before the official start of the pre-trial investigations if they wish to verify suspicious circumstances or check particular situations or persons. These activities (such as surveillance, the taking of statements, etc.), however, cannot be invasive (e.g. interceptions) or coercive (e.g. arrests). But when is a crime reported? How to acquire the notitia criminis with reference to criminal corruption through OFCs and therefore also of money laundering. Here are some suggestions.

- In order to acquire the notitia criminis of corruption so as to start an investigation, intensive use of the following should be made in the most effective possible (apart from reported offences, and arrests in flagrantia):
  - statements made by victims;
  - statements made by informants or witnesses;
  - reports made by private individuals;
  - investigations into other crimes;
  - statements made by co-suspects;
  - telephone interceptions for other offences;
  - inspections of premises and property for other offences.

- In order to suspect or detect possible cases of financial crimes, particularly corruption and money laundering, attention should be paid to specific signs/indicators (EDGMONT GROUP, 2000: 171–172):
  - large-scale cash transactions;
  - atypical or uneconomical fund transfers to or from foreign jurisdiction;
  - unusual business activities or transactions;
  - large and/or rapid movement of funds;
  - unrealistic wealth compared to Client profile;
  - defensive stance to questioning.

3.3.2. Collecting evidence during the investigative activities

Investigative activity starts when a crime is reported, or when ‘notification of a crime’ is received. How can the collection of evidence be maximised during this phase in a case of corruption/money laundering involving OFCs? Here are some practical suggestions:

- Start from the notitia criminis of the predicate crime (corruption in this case) and than follow the money and not vice-versa. So to individuate the predicate offence first. In most successful cases, law enforcement investigations start with an identified crime, a predicate offence, and then follow the money trail from this crime. There are only a few cases that initially detected money-laundering and then worked back from there to the original, predicate offence. Therefore, it is important to focus on predicate offences and then move to the investigation of the money laundering offence.
• **Start from the suspect and his/her predicate offence (corruption) and, although it is very difficult, undertake every necessary effort to uncover the money flows from and to the subject.** The investigators should carefully and effectively examine the situation of shell companies and their bank and other accounts, as well as the role of financial intermediaries. The financial information is the most important evidence in the case and should be carefully examined, although there are either legal or practical barriers to obtaining it. The financial records come from two basic sources: (a) the subject, (b) third parties. Every effort must be made to acquire the subject’s own records, because these are the primary and best source of information on the activities of the subject. The investigators should focus not solely on paper evidence, but should also carefully analyse the knowledge of persons about the case.

• **Remember that the most frequent scheme of corruption is when both the giver and the receiver of the bribe use offshore companies and the money flow remains abroad.** This creates obstacles to investigating the corruption offence.

• **Conduct careful and in-depth searches of all premises and individuals supposedly involved in the investigated criminal activity, because any paper evidence found could lead to a money trail abroad.** This evidence could be an important driving element for your financial and banking investigation on money flows, offshore companies and beneficial owners and for a better understanding of all the connections. You may find something essential for reconstructing the entire scheme and organisation of the criminal activity involving OFCs. Moreover, the trustee usually keeps documents which certify the financial operations and therefore it is important for investigators to obtain a search warrant for his/her premises.

• **The reason you give for requesting cooperation increases or decreases your chances of success.** When filing a rogatory letter, make sure it refers to a request for cooperation on money laundering or other serious offences, not for fiscal offences. Offshore financial centres do not easily cooperate with law enforcement authorities. Moreover, the cooperation depends on the type of the predicate offence, the more serious the offence, the easier it is to gain the cooperation of foreign law enforcement authorities and offshore centres.

• **If you are conducting an investigation involving OFCs, it is essential that you know exactly where to go and what kind of financial information you need to obtain, and that you are extremely familiar with the fiscal, commercial, judicial regulation of the countries from which you are requesting cooperation.** Make sure you also know all the instruments provided for by international conventions and bilateral agreements. Also, internet websites offering offshore financial services can be a relevant source of up-to-date information on fiscal, commercial, and judicial regulation.

• **Follow the financial flows and the company ownerships as much as you can and with all the legal instruments you can, in order to get “paper evidence”.** This would allow the reconstruction of the entire network of offshore companies, offshore transactions and beneficial owners through “direct evidence”. But, **remember that, what papers cannot say, persons have to say.** In many cases, investigators can succeed in bypassing the
lack of cooperation from OFCs or the difficulties in understanding who is behind a certain company structure by making an effective use of strong circumstantial evidence (evidence of an indirect nature which implies the existence of the main fact in question but does not in itself prove it). Much information can be acquired though: searches of persons and premises, inspections of premises and property, seizures, telephone interceptions and electronic eavesdropping, statement-taking, questioning, interviews.

- **If you can identify trustees or fiduciaries, always interrogate them, if it is feasible.**
- **As money is the common denominator of corruption offences using offshore financial centres, carry out a financial investigation systematically when a criminal investigation of an economic crime is started.**
- **Make use of the internet in order to speed/facilitate the cooperation with law enforcement authorities of OFCs.**
- **When you face problems or delays with the official communication channels, try to make use of “informal contacts” with investigative counterparts in OFCs.** Of course, information provided cannot be used as evidence in judicial proceedings but they can be extremely helpful in driving your investigative hypothesis and further searches for evidence.
- **Improve and use special investigative techniques, including multidisciplinary and joint investigative teams.**
- **Remember that the proceeds of crime do not have to be spent on purchasing assets – there may not be a traditional laundering method use, as the funds are simply being spent on lifestyle.**

**Box 13. The following are the most common sources of information or investigative techniques:**

- computer databases (governmental, commercial, local departments);
- court records;
- surveillance operations/ discreet inquiries;
- mail / trash covers;
- wire tapping and telephone data;
- subpoena;
- interviews (esp. with associates, simultaneous interviews);
- search warrants (financial and document, premises);
- subject interview;
- informants;
- undercover operations;
- subject records;
- third party records (e.g. tax records);
- information from abroad (tax and mutual legal assistance treaties, subpoenas, rogatory letters);
- internet/World Wide Web and e-mail;
- credit related and other business sources (MADINGER J., ZALOPANY S. A., 1999).
Box 14. The guidelines for an efficient and effective investigation of illegal activities, especially corruption, which use offshore financial centres, should concentrate around the following points of reference:

- the indicators of possible illegal activities and the involvement of OFCs;
- the commencement of investigation;
- the correlation between a financial investigation and a criminal investigation (e.g. in case of criminalisation of corruption, money laundering);
- the evidence collection and prioritisation;
- special investigative techniques;
- cooperation between law enforcement authorities and other domestic institutions;
- international cooperation and reporting;
- resources for investigations (sources of information, operational and strategic analysis, sufficient personnel, staff training, awareness raising).
4. RECOMMENDATIONS TO LATVIAN AUTHORITIES

- Both the international cooperation and exchange of information between national law enforcement authorities, and the cooperation between various authorities and services within a jurisdiction are indispensable for an effective and efficient investigation of offences using offshore financial centres, and should be strengthened.

- Unless sufficient resources and priority are given to investigations, it is inevitable that the number of actual prosecutions will be low. Law enforcement authorities endowed with limited budgets are faced with the task of deciding where to focus their considerable resources, either to the investigation of illegal activities with the use of OFCs or to other activities which need more action in the public perception.

- It is important that the Government allocates sufficient resources and staff to make the investigation of suspected money laundering offences possible, as well as allowing for effective judicial cooperation and mutual legal assistance.

- It is also imperative that the law enforcement personnel are trained and tested with regard to their awareness and understanding about the possibilities of illegal misuse of offshore financial centres. Special programmes can be implemented in order to build necessary institutional, technical and legal capacities against corruption and economic crimes using offshore financial centres.

- Moreover, the law enforcement authorities should develop continuously sufficient knowledge (research and analysis) about the patterns and methods of corruption transactions using offshore financial centres. These efforts should also be used to document good practices and share them.

- It is essential to increase the ICT competence of law enforcement personnel. The use of ICT for electronic financial transactions in the complicated scheme of corruption and money laundering create problems for investigators, e.g. the procedure and manner for proving, the forms of evidence generated by these means or simply proof of such transactions themselves.

- It is essential to increase intelligence capability with reference to bank and financial documentations.

- It is essential to spread across law enforcement personnel knowledge about financial/commercial/banking regulation of OFCs.

- It is essential to increase the level of computer forensic skills of law enforcement personnel.

- It is importance that disclosures continue to be made by financial institutions to a Financial Intelligence Unit (FIU) even while a financial investigation is being undertaken by an investigating body. Additional information obtained by a financial institution’s
own inquiries have been shown in a number of cases to be very useful for later investigations by the authorities.

- Adequate laws can increase the opportunities for investigation and prosecution, e.g. by introducing an objective test to determine whether a person should be treated as suspicious, or by providing additional powers for law enforcement authorities.

- Special programmes and measures should be implemented to protect the witnesses, whistleblowers and collaborators of an investigation.
BIBLIOGRAPHY


