

Using Shell Entities for Money Laundering: Methods, Consequences, and Policy Implications

Carl Pacini
Jerry W. Lin
*Gary Patterson**

I. Introduction

Illegal activities occur throughout the global economy and rely heavily upon money laundering to cleanse the illicit funds and to distribute them into the legal economy. Money laundering operations provide a cloak of legality and support the legitimization of wealth from illegal origins (Gilmour and Ridley 2015). These practices benefit from technological advances that have expanded the scope of criminal activities, such as narcotics trafficking, terrorism funding, and securities fraud, while reducing perceived or actual risks of detection (Leong 2007). Regardless of the crime, money laundering comprises three steps: 1) placement—supply funds to a legitimate enterprise; 2) layering—generate multiple tiers of legal transactions to obscure the original funding source; and 3) integration—introduce the cleansed funds into legitimate sectors of the economy (Nagel and Wieman 2015; Schneider and Windischbauer 2008).

Shell entities play an integral role in global money laundering operations. These shell organizations, found throughout the world, offer money launderers secrecy to build networks in various jurisdictions to layer their cleansing operations (Teichmann 2017; Crumbley et al., 2019). Reducing liability for its participants remains a focus of these entities, and common legal structures include asset protection trusts, limited partnerships (LPs), limited liability companies (LLCs), and company foundations (Baradaran et al., 2014; Willebois et al., 2011). In 2011, a World Bank study found that perpetrators in 70 percent of large-scale corruption cases relied on the secrecy of shell entities to hide the identity of the beneficial owners (Global Witness 2013).

Shell companies serve broad interests but usually possess no significant assets while facilitating the global movement of large sums of money.¹ Their physical presence typically represents no more than a mailing address that may be shared by many other shell companies, have no employees, and produce little or no economic value (FinCEN 2006; Anonymous 2013; Hubbs 2014). One building in Delaware represented the domicile for 285,000 firms, which was ten times higher than all registered companies in the Isle of Man, a noted offshore bank secrecy haven (Anonymous 2016a).

Beneficial Ownership

The Financial Action Task Force (FATF)² defines a beneficial owner as the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. This broad definition asserts that a beneficial owner is always a natural person (FATF 2014). Ultimate control gives the natural person the ability to benefit from the asset passing through the shell company (Willebois et al., 2011). FATF Recommendations 5, 24, and 25 highlight topics that are the focus of our analysis of money laundering and shell entities. Recommendation 5 states that countries should criminalize money laundering and apply it to all serious offenses (FATF 2018b). Recommendation 24

¹ Our article focuses on illegal activities channeled through shell companies, but these entities may be organized for legal purposes. Shell entities can be publicly traded or privately owned, but regardless of the entity type, the identities of beneficial owners may be cloaked (Baradaran et al., 2014).

² The U.S. coordinates with other nations to combat money laundering internationally through its membership in the FATF, an intergovernmental policymaking body whose objectives “are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering....” The FATF has developed a series of recommendations that set the international standard for combating money laundering. FATF’s membership consists of 37 nations and two regional organizations (FATF 2018a).

asserts that countries should ensure there is adequate, accurate, and timely information on the beneficial ownership that governmental officials can obtain in a timely manner (FATF 2018b). Recommendation 25 states that countries should ensure there is adequate, accurate, and timely information on express trusts, including information on the settlor, trustee and beneficiaries (FATF 2018b). These recommendations encourage the 37 member nations of FATF to develop information and legal structures to combat criminal activities that use shell entities to launder their illegal funds.

Technological developments have enhanced the convenience and methods used in financial crimes, so the rise of electronic money transfer and alternative payment systems have made it much easier to move funds from criminal activities around the globe (Mitchell et al., 1998). Additionally, successful money laundering requires the expertise of accountants, lawyers, and other professionals who create complex financial transactions that make it extremely difficult to trace the origins of illicit funds and its beneficial owners (Mitchell et al., 1998). These specialists design cleansing operations through shells that generate multiple entries and exits in the world financial system to avoid regulations (Compin 2008).

While significant literature in law, accounting, and economics examines money laundering in general (e.g., Simser 2008; Senate Judiciary Committee 2018; Schneider et al., 2008; Lyden 2003; Reguly 2015), few academic studies investigate how shell entities facilitate money laundering. Our article examines this area and analyzes the impact that the misuse of shell entities in money laundering and their lack of ownership transparency has upon governmental oversight, the global flow of funds and its impact on wealth inequality. Our work should benefit policy makers, auditors, forensic accountants, and law enforcement, for the increasing amount of money laundering has the ability to destabilize the world economy, social order, banking and financial markets (Mitchell et al., 1998).

The second section provides an overview of money laundering methods with relevant examples. The third section discusses the importance of secrecy to the growth of money laundering activities and analyzes the abuse of shell entities to achieve such secrecy. The fourth section examines the different types of legal structures employed as shell entities and their role in laundering activities. The fifth section proposes reasons why some business structures are more easily manipulated to operate as shell entities. The sixth section focuses upon policy responses that attempt to constrain money laundering through shell entities. The final section concludes the paper.

II. Overview of Money Laundering Methods

Reliable assessments place money laundering as the third largest industry in the world, surpassed only by oil and agriculture (Gilmour 2017). The International Monetary Fund (IMF) estimates that criminals launder roughly USD \$600 billion to \$1.8 trillion annually, about two to five percent of global gross domestic product (GDP) (Boles 2015). Authorities concur that laundering activities pose a direct threat to the world's financial systems (FATF 2012), especially by tarnishing the reputations of global business and financial institutions (Gilmour 2017). U.S. federal agencies track global money laundering operations and observe that countries with the greatest laundering activities often have weak regulatory, political, or law enforcement environments (U.S. Department of State 2019). The United Nations Office on Drugs and Crime (UNODC) asserts that criminals rely on money laundering because: 1) the money trail provides evidence of their crime; and 2) the money is vulnerable to seizure and must be protected (UNODC 2018). Various methods exist to implement the three stages of money laundering: placement, layering, and integration.³ Placement usually represents the riskiest and hardest task for money launderers to accomplish, since they are most susceptible to detection by law enforcement at this time (Lyden 2003). Layering involves shifting funds across the financial system, typically through complex transactions, including wiring money to shell companies, to sow confusion and make the funds untraceable (Baradaran et al., 2014; Cao 2004). The final stage, integration, reinserts the funds into the legitimate sector of the economy, making the laundered funds available to the beneficial owner (FFIEC 2010).

Money launderers prefer methods or tools that include cash couriering, casinos, shell entities, cash intensive front businesses, trade misinvoicing, valuable commodities (Alldrige 2018), alternative payment methods, and real estate (Teichmann 2017; Gilmour and Ridley 2015). We provide details of some of the more popular methods below.

³ U.S. courts recognize two types of money laundering: 1) promotional money laundering—which is undertaken to promote illicit activity and 2) concealment money laundering—which is undertaken to conceal the origin of illicit funds. *U.S. v. Warshak*, 631 F. 3d 266 (6th Cir. 2010); *Stooksbury v. Ross*, 2011 U.S. Dist. LEXIS 48552 (E.D. Tenn. April 29, 2011). Given the purposes of this research, we shall treat promotional and concealment money laundering as the same.

Money laundering activities have extensive ties to casinos. In *U.S. v. Kramer et al.*,⁴ Sam Gilbert, a Los Angeles businessman, helped Benjamin Kramer launder over \$50 million from the sale of narcotics. Gilbert formed a California entity, CGL, ostensibly a mortgage brokerage firm, which lent \$15 million to construct a casino, the Bell Gardens Bicycle Club (BGBC). CGL received funds from drug trafficking activities after they were laundered through shell entities in Liechtenstein and other countries. Once fully operational, the BGBC casino engaged in money laundering activities for drug trafficking.

Money launderers frequently use shell entities and wire transfers to complete their illegal transactions. In *City of New York v. Venkataram et al.*,⁵ Venkataram was the director of the Office of the Chief Medical Examiner's (OCME) Management Information Systems (MIS) department. Starting in 1999, Venkataram conspired with others in a fraudulent contract-and-billing scheme to embezzle millions from OCME after establishing several shells. In addition to individuals who establish shell entities for illegal laundering, established institutions have also become involved in these practices through lack of oversight. The U.S. Senate Permanent Subcommittee on Investigation declared in 2012 that global bank HSBC and its U.S. affiliate, HBUS, exposed the national financial system to financial risk due to its poor money laundering controls by removing identifying information from wire transfer documentation and its relationships with over 2,000 high risk shell entities (Homeland Security 2012).

Parties engaged in illegal money laundering activities often use cash intensive and/or front businesses. These front businesses often lack significant legitimate activity since they exist to provide cover for money laundering activities (Gilmour and Ridley 2015). Evidence from cases brought in U.S. courts reveals a wide variety of entities where money laundering allegedly occurred: nightclubs,⁶ churches,⁷ office supplies businesses,⁸ taxicab companies,⁹ jewelry stores,¹⁰ trucking companies,¹¹ nail salons,¹² restaurants,¹³ and medical clinics.¹⁴

Trade misinvoicing represents another popular form of money laundering where someone misrepresents the value or amount of a good being imported or exported. This practice allows the party to evade taxes, create subsidies, and reintegrate laundered money into the formal financial world (Baer 2016). Emerging economies lost \$7.8 trillion in illicit financial flows from 2004 to 2013, with illicit outflows increasing at an average rate of 6.5 percent per year, and trade misinvoicing comprised 83.4 percent of these funds (Kar and Spanjers 2015). Banks often provide the bridge between buyers and sellers in these transactions requiring misrepresentation of trade documentation since the buyer will not pay until inspection occurs at the point of destination (Naheem 2016). Importantly, shell companies contribute significantly to these illicit outflows since they often hide the funds being funneled out of developing countries (Baer 2016).

Money launderers may use alternative payment systems that operate outside, but parallel to, traditional financial systems. We present details of two examples of alternative payment systems: hawala and cryptocurrencies.

Hawala represents a centuries-old Asian system of transferring funds internationally that money launderers now exploit to their advantage. The system originated to help expatriates return money to their native countries without physically transferring the funds. To transfer funds, a depositor would provide funds to a hawaladar who acts as an agent for the depositor. The hawaladar makes arrangements for funds to be made available to a recipient in another country through a local hawaladar. Today, the originating hawaladar sends an electronic code to the receiving hawaladar and recipient to facilitate the transfer of funds. The two hawaladars settle accounts through normal trading practices or by couriering valuable commodities; thus, this payment system is an alternative payment system based on trust. The hawala system does

⁴ 73 F. 3d 1067 (11th Cir. 1996).

⁵ 2009 U.S. Dist. LEXIS 57273 (S.D.N.Y. July 7, 2009), *aff'd.*, 396 Fed. Appx. 722 (2010).

⁶ *U.S. v. Tokars*, 839 F. Supp. 1578 (N.D. Ga. 1993).

⁷ *U.S. v. Bucey*, 876 F. 2d 1297 (7th Cir. 1989).

⁸ *U.S. v. Swank Corp.*, 797 F. Supp. 497 (E.D. Va. 1992).

⁹ *U.S. v. Cambara and Cambara*, 902 F. 2d 144 (1st Cir. 1990).

¹⁰ *U.S. v. Gray and Others*, 292 F. Supp. 2d 71 (D.D.C. 2003).

¹¹ *U.S. v. Any and All Assets of that Certain Business Known as Shane Company*, 816 F. Supp. 389 (M.D.N.C. 1991).

¹² *U.S. v. Lampkin*, 2016 U.S. Dist. LEXIS 141722 (D. Alaska Oct. 5, 2016).

¹³ *U.S. v. Lucena-Rivera*, 758 F. 3d 435 (1st Cir. 2014); *U.S. v. Pizano*, 421 F. 3d 707 (8th Cir. 2005).

¹⁴ *U.S. v. Mendez*, 420 Fed. Appx. 933 (11th Cir. 2011).

not create or leave an international money trail which makes it desirable for exploitation by money launderers (Irwin and Milad 2016).

Authorities tracking alternative payment systems observe a growing use of cryptocurrencies, digital currencies secured by cryptography, to facilitate trades between consenting parties with secure transactions (Irwin and Milad 2016). These virtual currencies rely upon algorithms that feature a decentralized peer-to-peer transaction system. Bitcoin, the most prominent cryptocurrency, provides each currency unit with a unique fingerprint that enables users to transfer funds anonymously (Eskandari et al., 2015). By holding public user keys, instead of personalized accounts, users do not hold units of currency, but have signing authority over accounts (Eskandari et al., 2015). Users must possess the signature of their account that contains their Bitcoin, which are held within virtual wallets (Reynolds and Irwin 2017).¹⁵ Once they are used in a transaction, public keys are published in a public ledger, often referred to as the “blockchain,” to create a record of custody that prevents double-spending and fraud (Reynolds and Irwin 2017).

Cryptocurrencies offer limited uses since beneficial owners must often convert them to another currency if they want to spend their funds (ACFE 2018). This currency exchange creates a trail for forensic accountants and law enforcement officers to find, thus some developers are enhancing the privacy features of cryptocurrencies (ACFE 2018). For example, Dark Wallet produces source code that allows Bitcoin users to bundle unrelated user payments and then transfer the funds rather than sending payments to the payee (ACFE 2018). Additionally, cryptocurrencies such as Dash, Zcash, and Monero offer privacy features that make tracking payments more difficult (ACFE 2018).¹⁶

Studies reveal that cryptocurrencies, despite their attributes fostering anonymity, remain vulnerable to privacy attacks from inferences of social ties between users constructed from public geographic network data and transaction histories (Crandall et al., 2010). Regulators assert that law enforcement and other officials require universal guidelines that comply with anti-money laundering rules to help them track and identify money launderers who use cryptocurrencies (Reynolds and Irwin 2017). Thus, FATF in 2019 presents Recommendations 15 and 16 that require countries to identify money laundering risks with virtual currencies and their service providers and requests these countries to manage and mitigate these risks (FATF 2019).

Real estate represents another popular means to launder funds because sizable transactions span different sectors of the economy with relatively little regulation (Naheem 2017; Diehl and Crumbley 2018). Acquisitions may conceal the beneficial owner so that direct money transfers cannot be traced to the money launderer (AUSTRAC 2013). One example involved a series of real estate acquisitions where shell entities concealed the beneficial owner of real properties in New York City with known ties to international criminals (Story et al., 2015). Furthermore, real estate transactions tripled in New York City during the last decade with shell companies involved in half of the spending (Senate Judiciary Committee 2018). In late 2017, FinCEN targeted money laundering when it announced a reemphasis of a geographic targeting order to scrutinize the purchase of expensive real estate. FinCEN found that 30 percent of reported transactions in hotspot markets involved buyers named in suspicious activity reports (Global Witness 2017).¹⁷

Money laundering through real estate acquisitions impacts many of the largest global economies. In 2015, the UK government attempted to stop laundered money from entering the country through shell entities and pledged to create a public register naming the beneficial owners of all overseas UK real property owners (Hirst et al., 2017). Yet by late 2017, the number of properties owned by offshore shell entities remained virtually unchanged at around 86,000 with many representing high-end real estate (Hirst et al., 2017). Such efforts, whether in the UK or the US, highlight the difficulties in stemming money laundering operations through real estate.

III. Importance of Concealment

¹⁵ Once used, keys are published in a public ledger, often referred to as the blockchain, to create a record of custody that prevents double-spending and fraud (Reynolds and Irwin 2017).

¹⁶ Charlie Shrem, CEO of BitInstant (former third-party Bitcoin payment processor), was arrested in 2014 based on allegations that he intentionally permitted criminals to launder funds through BitInstant (ACFE 2018). In March 2015, Tomas Jirikovsky, owner of Sheep Marketplace, an online black-market website, was arrested by Czech police on the allegation that he laundered 40,000 stolen bitcoins. Jirikovsky converted the bitcoins to legal currency by using shell companies and a nominee’s bank account (ACFE 2018).

¹⁷ The targeted geographic areas include New York City, Miami-Ft. Lauderdale-Palm Beach, Los Angeles, San Francisco, San Diego, San Antonio, and Honolulu (Global Witness 2017).

Corporate vehicles such as partnerships, corporations, and other legal structures promote business activities. This research focuses on the misuse of shell entities, with its various legal structures, to obscure the ownership of illegally obtained assets. The effective concealment by shell entities of beneficial owners impedes efforts by law enforcement officials and forensic accountants to track laundered funds and recover stolen assets (Kalant 2009; Anonymous 2016a).

Insiders have provided the broader community with many details of how shell entities deliver services for illegal actors, such as money launderers, as well as legal operators. In 2016, a whistleblower leaked over 11 million documents known as the Panama Papers. These financial and legal documents from the Panamanian law firm Mossack Fonseca exposed the vast world of shell companies that helped money launderers and others transfer and conceal vast amounts of funds (Hall and Taylor 2016):

[Individuals] exposed in the leak include the Prime ministers of Iceland and Pakistan [...] and companies linked to the family of Chinese President Xi Jinping. Add to those [...] honchos in [...] FIFA that [control] international soccer and 29 billionaires featured in *Forbes* Magazine's list of the world's 500 richest people. [...] The documents within the leak [...] expose how secretive offshore companies at times subvert U.S. Policy and mock U.S. regulators. [...] When drug traffickers, money launderers or other crooks control companies, they undermine national security, and the trail of dark money flowing through them strips national treasuries everywhere of tax revenues (Hall and Taylor 2016).

A later document leak reemphasized the vast network of shell entities and their operations. The Paradise Papers, comprising 13.4 million documents, originated mostly from the Bermuda-based firms Appleby and Asiaciti Trust (Murphy 2017). The released information provided details on how money launderers and others conceal their ownership of major assets, protect their funds from governmental taxing authorities, and secretly conduct their business. Most activities the Paradise Papers exposed were technically legal, yet the public response across many countries was highly negative with many actions deemed unethical (Murphy 2017).

The need for concealment attracts money launderers to jurisdictions with tight financial secrecy laws and practices. In 2009, the Tax Justice Network (TJN) launched an online database that demonstrates how legal, judicial and regulatory structures within jurisdictions contribute to the environment of financial secrecy (Christensen 2012). From this database, the TJN generates its Financial Secrecy Index, a global ranking based upon financial secrecy and the scale of offshore financial activities. The TJN estimates that secrecy jurisdictions use concealment and anti-disclosure laws to attract \$21 to \$32 trillion dollars of private financial wealth (TJN 2018).

The FSI highlights inaccuracies found within traditional stereotypes of financial secrecy. Many of the world's leading financial nations such as the U.S., Switzerland, Hong Kong, Singapore, and the UK offer the greatest financial secrecy, not small, palm-fringed islands (TJN 2018; Browning et al., 2018). Observers note that some of the world's most dangerous criminals establish shell entities in the U.S. because its system of shell entities and secrecy restrictions promote an environment conducive to money laundering and other crimes (Szubin 2016).

IV. Legal Business Structures that Achieve Secrecy

Different business structures emerged over time to promote commerce in different environments. Yet persons with either honorable or illicit objectives may establish domestic and offshore entities such as LLCs, asset protection trusts, Limited Liability Partnerships (LLPs), International Business Companies (IBCs), and private interest foundations (PIFs). Parties may use these entities to hold title to illegally obtained assets, launder money, open and fund financial accounts in the names of their entities, and cloak beneficial ownership from authorities.

Criminals often use shell entities to commit their crimes, with money laundering being especially popular. One instance of shell companies facilitating money laundering occurred in 2014 when Hewlett-Packard A.O. (HP Russia) agreed to pay more than \$100 million in fines for violations of the Foreign Corrupt Practices Act (FCPA)¹⁸ (Athanas 2010; Deming 2006). The plea agreement details how executives within HP Russia created a multimillion-dollar slush fund they used to bribe Russian government officials (U.S. Department of the Justice (DOJ) 2014). HP Russia laundered the payments through an intricate web of shell companies and bank accounts. This example reveals how such abuses are compounded because many jurisdictions permit shell entities to own and manage other shell entities (FinCEN 2006).

¹⁸15 U.S.C. §§ 78m(b), (d)(1), (g)-(h), 78dd-1, 78dd-2, 78dd-3, 78ff (2017).

Recently, the U.S. Justice Department accused 33 persons of using a web of more than 250 shell entities to launder over \$2.5 billion through the international banking system to help North Korea fund its weapons program and bypass international sanctions (Benner 2020). These multiple layers of cloaked ownership make it extremely difficult for forensic accountants and law enforcement officials to identify the beneficial owners.

Trusts

Trusts represent another tool abused by money launderers since they provide a separation of legal and beneficial ownership (Danforth 2002). Within trusts, a settlor grants legal control of assets to a trustee. A settlor who establishes the trust can increase protection for the trustee by including a spendthrift provision.¹⁹ Self-settled spendthrift trusts, also known as asset protection trusts, create a framework where the settlor also receives the benefits from the trust. These specialized trusts represent a thriving, multi-billion-dollar business for banks, trust companies, and estate planners in the U.S. and abroad (Morse 2008). The popularity of asset protection trusts stems from their ability to provide beneficiaries with greater privacy and autonomy than traditional business entities. Trusts also benefit from their historical exclusion from central registries that list names of relevant parties (Fidelity Investor 2017). Yet when the identities of beneficiaries must be disclosed, trusts can generate opacity to the ownership structure by declaring the beneficiary to be an LP, LLC, or another trust (Simser 2008).²⁰

Those who want to commit money laundering or other financial crimes often use offshore asset protection trusts (OAPTs) in four ways:

1. Integrate illicitly obtained funds into an economy as “clean assets” (i.e., money laundering) (Silets and Drew 2001);
2. Move legitimately obtained funds into an economy to be used for illegal purposes (i.e., reverse money laundering) (Arce 2009);
3. Hide legitimate assets from creditors with bona fide claims or from spouses in divorce proceedings (Silets and Drew 2001); and
4. Hide legitimate assets for purposes of tax evasion (Silets and Drew 2001).

The users of OAPTs want to launder assets through enough layers of the trusts to obscure the presence or source of funds from anyone, including forensic accountants and law enforcement (Zagaris 1999). By achieving this goal, parties can control their assets without being named as a beneficiary or trustee, where estimates suggest that OAPTs safeguard \$1 to \$5 trillion in assets (Maxwell 2014).²¹

Those seeking to misuse OAPTs for illegitimate purposes often rely upon layering and misdirection, which obscures the identity of the wrongdoer and creates the misimpression that the wrongdoer does not control the OAPT. The federal case, *U.S. v. Brennan*,²² when the Second Circuit upheld Robert Brennan’s conviction for bankruptcy, provides examples of the misuse of OAPT features. Brennan owned and operated First Jersey Securities, Inc. (FJS), a brokerage trading in penny stocks. Brennan and FJS were found guilty of securities fraud in 1995 and ordered to pay \$75 million to 500,000 customers. Near the end of his trial for securities fraud, Brennan created an OAPT known as the Cardinal Trust and funded it with \$4 million in bearer bonds. Shortly after the securities fraud trial, FJS and Brennan filed for bankruptcy, but Brennan did not disclose Cardinal Trust’s assets in the bankruptcy action and grew its assets to \$22 million by mid-1997. Brennan laundered \$12 million in trust assets to acquire a gambling boat that conducted legitimate business; he also moved the Cardinal Trust’s venue twice to avoid detection. The court convicted Brennan of money laundering and other offenses and sentenced to over nine years in prison.

International Business Companies (IBCs)

¹⁹ *Miller v. Kresser*, 34 So. 3d 172 (Fla. Dist. Ct. Appl. 2010) (quoting *Croom v. Ocala Plumbing & Elec. Co.*, 57 So. 243 (1911)).

²⁰ Interpretive Note to FATF Recommendation 25 states that countries should require trustees of any express trust to obtain and hold adequate, accurate, and current beneficial ownership information which should include information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (FATF 2018b).

²¹ Jurisdictions that permit OAPTs include Anguilla, the Bahamas, Barbados, Belize, the British Virgin Islands (BVI), the Cayman Islands, the Cook Islands, Cyprus, Gibraltar, the Isle of Man, St. Kitts and Nevis, and the Turks and Caicos Islands (Maxwell 2014).

²² 395 F. 2d 59 (2nd Cir. 2005).

An IBC operates as an offshore entity using a traditional corporate structure with articles of incorporation and company directors. An IBC targets non-residents of the jurisdiction in which it is sited, yet it cannot engage in economic activities within its situs jurisdiction. Most offshore jurisdictions apply strict confidentiality regulations upon IBCs, so public registers do not identify their shareholders and directors. The corporate structure requires IBC shareholders to elect directors, yet the board of directors may run the IBC with little regard to most shareholders. In some areas, the board may make large capital distributions and deplete share capital by ignoring capital retention (Offshore 2005). The lack of restrictions for shareholder distributions makes the IBC a convenient vehicle for illicit money laundering and the often-legal movement of funds to different jurisdictions. Corporations and individuals find IBCs useful to shift profit streams from high tax countries into offshore jurisdictions with lower tax rates or tax treaties with other nations. For example, more than 140 businesses in London, New York, and Hong Kong have a unit in the British Virgin Isles, a tax-neutral hub (Houlder 2017). Conversely, money launderers benefit from the ability of IBCs to obscure the money trail for forensic accountants, government officials, and law enforcement.

Limited Liability Partnerships (LLPs)

LLPs represent excellent places to hide assets, for in a typical scheme, the general partner provides assets to trusted associates, friends, or family members to invest in the partnership (TJN 2018). These investors become limited partners with no personal legal liability for the debts of the business, nor can they take an active role in operating the business. A different scenario portrays the general partner providing funds to an LLP of which he is the sole limited partner and then transferring the partnership interest to a trust of which he is the sole trustee and beneficiary.

Limited Liability Companies (LLCs)

Various parties misuse LLCs because they can be owned and managed anonymously in many jurisdictions, though the level of ownership transparency differs by jurisdiction (Government Accountability Office (GAO) 2006). LLCs provide members the same limited liability afforded to corporate shareholders while usually providing pass-through taxation benefits. LLCs serve common tasks when used as shell entities, such as owning other entities, holding bank accounts, or serving as a transfer point of funds. Different ownership structures of LLC shell entities exist, but a popular method uses bearer shares, where ownership resides with whomever holds the certificate (Biedermann 2015). Though not valid in the U.S., this form of LLC is commonly used in many jurisdictions while its lack of ownership transparency facilitates illegal activities and prevents the disclosure of beneficial owners.

Organizers can easily form LLC shells and build layers across multiple jurisdictions to create a confusing path for forensic accountants, auditors, and investigators (Martinez 2017). The U.S. remains popular world-wide among those seeking to avoid ownership transparency. Some jurisdictions, such as Wyoming and Nevada, offer no regard for LLC ownership transparency and make the disclosure of beneficial ownership virtually impossible (Vail 2017). Given this environment, authorities observe that more money laundering occurs with U.S. LLC shells than those of any other country (Sharman 2013).

A prime example of LLC shell abuse occurred in *U.S. v. Rosbottom et al.*,²³ when the courts convicted Harold Rosbottom and Ashley Kisla of multiple charges with Rosbottom's bankruptcy, including conspiracy to commit money laundering. Rosbottom was a wealthy entrepreneur who owned over a hundred businesses and who employed Kisla, his girlfriend. Prior to filing for bankruptcy, Rosbottom began withdrawing company funds and held 17 cashier's checks totaling over \$1.8 million payable to him personally that were not disclosed on his bankruptcy personal financial statement in June 2009. At that time, Rosbottom asked his attorney to form a Texas LLC with the name N73CL, a reference to a plane Rosbottom wished to acquire. Rosbottom also requested his attorney to form Westwind II, an LLC owned solely by Kisla. In late June, Ohio River LLC, a Rosbottom LLC, received deposits of \$545,000, and these funds were wired the next day to an account owned by Houma Inn, another Rosbottom LLC. The funds were used to purchase 50% interest in an airplane, yet the courts determined these transactions proved Rosbottom and Kisla committed money laundering and intended to make it more difficult for the government to trace and identify the nature of the funds.

Shelf Corporations

²³ 763 F. 3d 408 (5th Cir. 2014).

Shelf corporations reflect companies formed to have no activities until purchased by those wanting to conduct legitimate or illicit business quickly. The new owners often buy domestic and offshore shelf companies since they avoid the burdensome legal filing requirements while gaining immediate ownership without shares having been offered (Weiss 2011). Some shelf entities also possess established bank accounts that transfer to the new owners. Once acquired, the new owner may benefit from the established credit and tax history of the shelf company, which further enhances its credibility (Willebois et al., 2011). Authorities observe that the lack of accurate, recorded information about shelf entities can create almost insurmountable obstacles to identify beneficial owners by auditors, forensic accountants, and law enforcement officials.

Private Interest Foundations

Private interest foundations (PIFs) act as alternatives to trusts by offering a structure for asset protection and estate planning in civil law jurisdictions, though some common law areas have begun adopting them (Berbey de Rojas 2008). The first PIF was introduced in Liechtenstein in 1926 and has expanded to other jurisdictions known for financial secrecy, such as: Panama; Aruba; the Bahamas; Costa Rica; the Seychelles Islands; and Antigua (Wiggin 2008). Those operating PIFs, as with asset protection trusts, often use them to conceal entities, assets, and the identity of individuals.

Although no official structure exists for a PIF, jurisdictions around the world specify common features. Panama represents a good example of the emphasis on secrecy; it does not require foundations to keep financial records or submit tax returns, though the country oversees more than 400,000 registered PIFs and offshore corporations (Thompson 2010). Four common features exist within PIFs:

- 1) Founder—the person or entity, analogous to a trustee, that forms the foundation in the public registry.
- 2) Foundation Council—this group serves the same function for a PIF as a board of directors does for a corporation. The public registry lists the names and passport numbers of council member when the foundation is established.
- 3) Protector—the person or entity that ultimately controls the foundation. Immediately upon establishment, the council appoints a protector through a notarized private protectorate document. The protector remains anonymous because the document is private and not publicly registered.
- 4) Beneficiaries—a PIF does not have owners but rather beneficiaries. The protector appoints the beneficiaries through either a private letter or a formal set of bylaws which remain confidential (Boschini 2006; Berbey de Rojas 2008; Elements 2017; Aspen Group Limited 2012).

PIFs provide a significant amount of secrecy and flexibility, thus money launderers and others engaged in illicit activities find them useful vehicles. Secrecy abounds since no legal requirements exist to disclose the identities of a PIF's founder, beneficiary, or protector, and no requirement exist for the filing of tax returns or financial statements. The foundation charter may be signed by an attorney without disclosing the name of the founder, and a PIF may engage in any business or civil transaction in any part of the world and in any currency. Thus, PIFs prove useful for those wishing secrecy for their operations.

Nominees or Nominee Directors

Hiring a nominee as company director represents another effective method to conceal the identifies of beneficial owners of a shell company. The nominee holds bare legal title for another yet may act in place of the other in a limited way and may receive and distribute funds for others (Martinez 2017).²⁴ A nominee can be a person who either has close or no links to the true beneficial owner; examples of nominees are provided in *U.S. v. Monaco*.²⁵ In this dispute, Jimmy Monaco, a Florida-based drug trafficker and pirate, selected various family members to serve as nominees while he was in prison. These nominees, including his parents, committed acts such as: burying money in back yards; hiding funds in safe deposit boxes in their names; and engaging in transactions on various real properties throughout Florida.

Many shell entities throughout the world use the same nominee directors since some of these directors actively market their services globally. Authorities observe that only 28 nominee directors either control or have established more than 21,000 companies, with a large portion of these individuals having some involvement with criminals or their

²⁴ *LiButti v. U.S.*, 107 F. 3d 110 (2nd Cir. 1997).

²⁵ 194 F. 3d 381 (2nd Cir. 1999).

organizations (Ball 2012). In this environment, organizers can also register shell entities anonymously to further disguise their ownership and operate without scrutiny from authorities, including major jurisdictions like Switzerland; the U.S.; Hong Kong; Singapore; Germany; Taiwan; China; Japan; and Canada (Ball 2012; TJN 2018). In 2014, the International Consortium of Investigative Journalists (ICIJ), representing journalists from 65 countries, pooled their information and published the incorporation records of shell companies and directors (some nominees). The publication revealed how many shell companies formed a global network that was highly intertwined with their nominee directors (<http://tinyurl.com/jwxbg2z>). Thus, money launderers find great opportunities within this network of shell companies that provides such high levels of secrecy.

V. Reasons Why Shell Entities Provide Secrecy and Conceal Beneficial Ownership

Money launderers use shell entities to conceal the identities of their beneficial owners and to operate with greater secrecy for three primary reasons. First, most jurisdictions establish an environment that minimizes transparency, thus enhancing secrecy that cloaks the identities of relevant participants such as beneficial owners, directors, beneficiaries, and others. Second, money launderers can obtain the professional services of gatekeepers, such as accountants, lawyers, financial advisors, and Trust and Company Service Providers (TCSPs) who can create shell entities, layer them into complex structures, hide assets, and launder funds. Third, the creation of layers of different shell entities in jurisdictions around the world makes it almost impossible for authorities to unravel the money trail and identify significant participants.

Lack of Transparency to Identify Beneficial Owners

Ownership transparency emphasizes the disclosure of identities and addresses of relevant participants who control or benefit from an asset, such as shareholders, beneficiaries, protectors, trustees, founders, and directors. Transparency also includes information about the controlling structure of the legal entities. Importantly, effective investigation and enforcement mechanisms should accompany the disclosed information of beneficial owners and the control structures of entities (Lakhani 2016). FATF Recommendations 24 and 25 emphasize transparency and encourage member countries to provide adequate, accurate, and timely information on the beneficial ownership of all legal persons in their jurisdictions (FATF 2018b). Yet a study of 1,264 firms in 182 countries revealed widespread violations of the FATF transparency guidelines; the authors found that service providers routinely created shell companies without obtaining proof of the applicants' identities, thus creating an environment for anonymous, untraceable ownership (Findley et al., 2013).²⁶

Advocates of ownership transparency promote the formation of central registries that collect, store, and verify the information necessary to identify beneficial ownership of all entities, including trusts and foundations. Relevant information captured in a central registry would also include the names and addresses of persons in positions of legal control within the entity (e.g., directors, officers, and council members) in addition to those of the beneficial owners (Willebois et al., 2011). Yet transparency practices vary greatly on an international basis (Anonymous 2016b). The U.S., where states control legal requirements for entity formation legal requirements, contains vast differences in entity formation and maintenance that provide significant variations in ownership transparency. A GAO study in 2006 found that no state collected beneficial ownership information on corporations, only a few collected it on LLCs and other corporate-like entities, and only four states collected minimal information on LLCs. While most states collected information on corporate officers and LLC managers in periodic reports, they did not provide evidence of verifying data on beneficial ownership (GAO 2006). The lack of verifiable data negatively impacts the work of authorities, auditors, and law enforcement; the FBI reports that many beneficial owners remain virtually untraceable which prevents the organization from resolving open investigations (Martinez 2017).

Gatekeepers and Trust and Company Service Providers (TCSPs)

Gatekeepers provide essential services for money launderers and others conducting illicit activities; they attempt to sever the connection between an illegal scheme and the safe enjoyment of assets, which fulfills the goal of money laundering (Baker and Shorrock 2009). Gatekeepers sometime facilitate the commission of a predicate offense, such as disguising a person's involvement in a commercial transaction, or disguising property ownership and control by the

²⁶ Only 26.2 percent of service providers contacted responded to the survey, and from that group, 48.9 percent provided a shell company without requiring certified proof of the customer's identity.

ultimate beneficial owners (Baker and Shorrock 2009). Such actions help improve chances that the greater crime, often money laundering, will succeed.

Gatekeepers comprise TCSPs, lawyers, accountants, and other business professionals that provide administrative services for all types of entities. TCSPs often perform essential administrative procedures across different jurisdictions, such as filing documents with authorities and opening bank accounts. Large TCSPs may form an entity for a client in one jurisdiction (e.g., Belize) but retain client data in a different jurisdiction, a practice that obscures ownership information and makes it difficult for regulators, law enforcement, and forensic accountants to uncover (Willebois et al., 2011).

Money laundering experts at the FATF assert that gatekeepers should be regulated because they form a vital link to identify the beneficial owners of entities (Hays 2018; Global Witness 2016). Few incentives exist for TCSPs to obtain accurate information about their clients since they often possess some awareness or involvement in the illicit purposes underlying their clients' activities (FATF 2018b). Yet TCSPs in many offshore jurisdictions must now comply with formal licensing and regulatory compliances, such as performing audits, passing anti-money laundering requirements, and applying suitability tests to directors. More relaxed regulatory requirements apply for many TCSPs in onshore jurisdictions, particularly some U.S. states (Willebois et al., 2011). Authorities believe this mixed regulatory environment contributes to the large number of foreign persons creating LLCs and other entities in the U.S. For example, several shell entities formed in Cheyenne, WY have engaged in international frauds and criminal activities (Carr and Grow 2011).

Layering and Pyramiding of Shell Entities

Money launderers often attempt to protect the identities of beneficial owners by building layers of entities in different jurisdictions that minimize transparency while easing access to the global financial system. In a layered or pyramided entity structure, various legal business entities stand between a beneficial owner and the assets or funds of the shell entity that holds legal title to those assets or funds. This structure makes it almost impossible for authorities, forensic accountants, and others to identify beneficial ownership. Investigators and forensic accountants may, for example, obtain ownership information on an entity in the British Virgin Islands and discover that the legal owners of that entity are corporations or trusts registered in Gibraltar and Nevada. Legal entities in the U.S. and the U.K. also use layering arrangements, so the practice exists in jurisdictions throughout the world. The ability to layer or pyramid within and across jurisdictions faces few restrictions (Willebois et al., 2011).

An example of pyramiding entities occurs in *U.S. v. Karamanos*, where Demetrios Karamanos was convicted of conspiracy to commit money laundering and other federal crimes.²⁷ Karamanos actively created, operated, and maintained a “daisy chain scheme,” an elaborate system of sham companies, offshore accounts, and false invoices. Operators wired monies through multiple shell entities in the chain of companies established to avoid detection by authorities.”²⁸

VI. Policy Responses to the Abuse of Shell Entities for Money Laundering

U.S. Domestic

Law enforcement, regulators and forensic accountants face significant challenges untangling the intricate shell entity networks created by money launderers. While U.S. officials acknowledge the need for greater assistance, the federal government has not recently passed legislation to enhance ownership transparency. In 2008, Senators Levin, Coleman, and Obama introduced legislation, ITLEA (S. 2956 2008), to ensure owners and formation agents for non-publicly held companies disclose their beneficial owners (Kalant 2009). The Senate declined to vote on the bill, which has been reintroduced several times since 2008 (Samuelson 2016). The U.S. House proposed legislation (H.R. 3317 2013) to improve transparency by strengthening anti-money laundering (AML) compliance, particularly in financial institutions; no vote occurred (Boles 2015).

In 2016, FinCEN finalized its long outstanding beneficial ownership rule and extended customer due diligence (CDD) requirements to the natural person behind a legal entity (Wolos and Reuters 2017). A bipartisan group of legislators introduced the Corporate Transparency Act in 2017 that required all U.S. companies to disclose beneficial owners and keep that information updated, but no vote occurred (Stepanian 2016). Later attempts in the U.S. House led to the passing

²⁷ 38 Fed. Appx. 727 (3rd Cir. 2002).

²⁸ 38 Fed. Appx. at 731.

of the Corporate Transparency Act of 2019 (H.R. 2513 2019) which broadened AML reporting to create a national database of beneficial owners of affected entities (only passed the House).

Other Nations

Leaders at the Group of Eight (G8) Summit in 2013 recognized the combined risks of money laundering accompanying difficulties identifying beneficial ownership of entities. The G8 countries announced their beneficial ownership action plan designed to combat the abuse of entities via legal arrangements (Lakhani 2016; Biedermann 2015; UK Government 2013).²⁹ The G8 plan, combined with the established FATF recommendations, attempt to increase the transparency on data about beneficial owners with different approaches. FATF recommendations focus on financial institutions, while the G8 principles place the responsibility on the entities themselves (Levine et al., 2016; Lakhani 2016). The G8 principles provides latitude on the type of data its membership requests on entity beneficial ownership (UK Government 2013). One inherent limitation of the G8 principles is that only the eight participating nations are obligated to follow them.

The G8 plan encouraged the G20 and Organization for Economic Cooperation and Development (OECD) to call for the adoption of a multilateral exchange of information on beneficiaries (Lakhani 2016; Biedermann 2015). In November 2016, the G20 nations published a set of principles for governments to facilitate identification of the beneficial owners of shell entities (Smyth and Parker 2016). The European Union established the Fourth AML Directive (AMLD 4) that required member states to introduce registries of company beneficial owners. In response, the UK created the world's first fully open registry of beneficial ownership, though this registry impacted only those beneficial owners that met the 25 percent threshold (Radon and Aehuthan 2017). Despite the availability of some European registries, industry experts complained about the data quality since not all was verified (Wolos and Reuters 2017).

In 2017, The EU Council and European Parliament amended the Anti-Money Laundering Directive 5 (AMLD 5) to prevent the use of the financial system for funding white-collar crime such as money laundering. Subsequently, the EU members received the following measures:

- Registers of beneficial owners of firms will be made publicly accessible and national registries will be better interconnected;
- Registers of beneficial owners of trusts and similar legal arrangements will only be publicly accessible where there is legitimate need;
- Information on national banks, safe deposit boxes, and real estate ownership will be registered and available, though only to public authorities (KPMG 2017);
- Member states will verify beneficial ownership submitted to their registries (Ivanovsky et al., 2017); and
- EU bank customers who send funds internationally must provide personal data to be transmitted to all banks in the payment chain (O'Connor 2017).

Since few member states took up the AMLD 4 option to implement publicly accessible central registries of beneficial owners, the potential implementation of the AMLD 5 requirements remains doubtful (O'Connor 2017).

The efforts made by industrialized nations shows that providing transparency for beneficial ownership does not eliminate money laundering issues. Ownership disclosure becomes more effective when accompanied by well-drafted criminal laws, sustained enforcement, modern technology, and sustained political will (Radon and Aehuthan 2017).

²⁹ The first of the G8 principles requires companies to know who owns and controls them and their beneficial ownership. The second principle addresses the availability of ownership to relevant authorities and recommends that nations make entity data available in central registries. The third principle requires trustees to have and make available information on beneficiaries and settlors of trusts to law enforcement and other authorities. The fourth principle centers on educating authorities on the weaknesses within their anti-money laundering prevention methods. The fifth principle specifically states that the abuse of mechanisms such as bearer shares and nominee shareholders and directors, should be prevented. The sixth principle suggests states should adopt customer identification and verification obligations to make sure that beneficiaries are properly vetted. The seventh principle addresses enforcement mechanisms that states should use against firms and financial institutions that do not comply with their obligations. The eighth principle focuses on the need for international cooperation regarding information exchange between nations regarding the abuse of corporate vehicles. 2013 Lough Erne G8 Leaders' Communique (UK Government 2013).

VII. Conclusion

Money launderers use domestic and offshore shell entities to hide their identities as the beneficial owners of these entities while controlling and benefitting from their assets and funds. Jurisdictions throughout the world report extensive abuse of shell entities to conduct money laundering operations that conceal and transfer assets across regions. Despite efforts of such organizations as FATF to promote greater ownership transparency, shell entities continue to operate throughout much of the world with minimal regulatory constraints. Estimates on money laundering place it as the third largest industry in the world (Gilmour 2017), so criminal activities using shell entities occur on a grand scale. These entities offer a variety of legal structures such as LLCs and trusts that provide unique legal characteristics that reduce ownership transparency. For these reasons, shell entities represent an important subject for forensic accountants, regulators, and law enforcement.

Researchers identify three primary reasons that allow money launderers to conceal their identities as beneficial owners and operators of entities. One reason reflects the legal framework in many jurisdictions that reduces ownership transparency. Secondly, those who abuse shell entities can conceal their identities by hiring the services of gatekeepers such as accountants, lawyers, and TCSPs. Finally, the layering of multiple shell entities across jurisdictions makes it virtually impossible for forensic accountants and law enforcement authorities to identify the beneficial owners. This environment provides money launderers global access to shell entities while generating effective barriers to uncovering the identities of beneficial owners.

Governments and international organizations claim to recognize the value of ownership transparency and the exchange of information about entities. Yet organizations such as the FATF, OECD, G8, and G20, have only recently begun to cooperate on collecting and exchanging information about beneficial ownership and money launderers. Proponents of greater coordination advocate for the creation of ownership registries, yet jurisdictions also confront the complications about registries such as infringing on privacy, placing excessive burdens on financial institutions, undermining national sovereignty, preventing bank secrecy, and violating contractual relationships. Overall, progress exists in global efforts to improve information exchange and ownership transparency of shell entities to prevent money laundering, though the pace of change appears fitful and modest.

References

- Alldrige, P. (2008). Money laundering and globalization. *Journal of Law and Society*, 35(4), 437–463.
- Anonymous. (2013). The missing \$20 million. *The Economist*, February 16.
- Anonymous. (2016a). Tax haven or ... tax hell? *International Tax Review*, May 26, 1–4.
- Anonymous. (2016b). Corporate ownership and corruption: How to crack a shell. *The Economist*, 419, 56.
- Arce, B. (2009). Taken to the cleaners: Panama's financial secrecy laws facilitate the laundering of evaded U.S. taxes. *Brooklyn Journal of International Law*, 34, 465–490.
- Aspen Group Limited. (2012). A guide to Panamanian private interest foundations. Retrieved on September 11, 2019. http://www.aspenoffshore.com/files/docs/2012/11/a_guide_to_panamanian_private_interest_foundation_new_2.pdf.
- Association of Certified Fraud Examiners (ACFE). (2018). *Money Laundering Schemes: Identifying and Investigating*, 104–108. ACFE: Austin, TX.
- Athanas, W. (2010). When doing business internationally becomes a crime: Assisting clients in understanding and complying with the Foreign Corrupt Practices Act. *The Alabama Lawyer*, 71, 382–387.
- AUSTRAC. (2013). Typologies and case studies report. Australian Transaction and Analysis Centre. Retrieved on September 28, 2019. http://www.austrac.gov.au/sites/default/files/documents/typ13_full.pdf.
- Baer, D. (2016). Shell companies hide about \$1 trillion taken from poor countries every year. *Business Insider*, April 4. Retrieved September 5, 2019. <http://www.businessinsider.com/shell-companies-hide-developing-world-money-2016-4>.
- Baker, S. and Shorrock, E. (2009). Gatekeepers, corporate structures, and their role in money laundering. *Tracing Stolen Assets: A Practitioner's Handbook*. Basel Institute on Governance: Basel, Switzerland.
- Ball, J. (2012). Offshore secrets: How many companies do 'sham directors' control? *The Guardian*, November 26. Retrieved on September 6, 2019. <http://www.theguardian.com/uk/datablog/2012/nov/26/offshore-secrets-companies-sham-directors>.
- Baradaran, S., Findley, M., Nielson, D. and Sharman, J. (2014). Funding terror. *University of Pennsylvania Law Review*, 162, 477–536.
- Benner, Katie. "U.S. Accuses 33 of Laundering Billions to Fund North Korea Weapons." *The New York Times International*, 29 May 2020, A15. Print.
- Berbey de Rojas, D. (2008). Panama: The role of the protector in the private interest foundation. *Trusts & Trustees*, 14(5), 350–353.
- Biedermann, M. (2015). G8 principles: Identifying the anonymous. *Brigham Young University International Law & Management Review*, 11, 72–92.
- Boles, J. (2015). Financial sector executives as targets for money laundering liability. *American Business Law Journal*, 52, 365–433.
- Boschini, F.D. (2006). Private foundations and reserved powers trusts. *Trusts & Estates*, 145, 46–50.
- Browning, L., Davison, L., Basu, K. and Lee, R. (2018). Hill briefs: US second largest tax haven. *BNA Daily Tax Report*, January 31.
- Cao, L. (2004). The transnational and sub-national in global crimes. *Berkeley Journal of International Law*, 22, 59–97.
- Carr, K. and Grow, B. (2011). Special report: A little house of secrets on the great plains. *Reuters*, June 28. Retrieved on September 14, 2019. <http://www.reuters.com/article/us-usa-shell-companies-idUSTRE75R20Z20110628>.

- Christensen, J. (2012). The hidden trillions: Secrecy, corruption, and the offshore interface. *Crime, Law, and Social Change*, 57(3), 325–343.
- Compin, F. (2008). The role of accounting in money laundering and money dirtying. *Critical Perspectives in Accounting* 19, 591–602.
- Crandall, D., Backstrom, L., Cosley, D., Suri, D., Huttenlocher, D. and Kleinberg, J. (2010). Inferring social ties from geographic coincidences. *Proceedings of the National Academy of Sciences*, 107(52), 22436–22441.
- Crumbley, D.L, Fenton, E., and Smith, S. (2019). *Forensic and Investigative Accounting*. Chicago: Wolters Kluwer, Chapter 7.
- Danforth, R. (2002). Rethinking the law of creditors’ rights in trusts. *Hastings Law Journal*, 53, 287–366.
- Deming, S. (2006). The potent and broad-ranging implications of the accounting and record-keeping provisions of the Foreign Corrupt Practices Act. *Journal of Criminal Law and Criminology*, 96, 465–50.
- Diehl, K.A. and Crumbley, D.L. (2018). Bribery and Money Laundering Is Impacting the Petroleum Industry: FCPA Is Government’s Weapon. *Oil, Gas & Energy Quarterly*, 67, (1): 37–45.
- Elements of a panama private interest foundation (Elements)(2017). Retrieved on September 11, 2019. http://www.panama-offshore-services.com/foundation_elements.htm.
- Eskandari,S., Barrera, D., Stobert, E., and Clark, J. (2015). A first look at the usability of bitcoin key management. Workshop on Usable Security (USEC), 1–12.
- Federal Financial Institutions Examination Council (FFIEC). (2010). *Bank Secrecy Act/Anti–Money Laundering Examination Manual*. Retrieved September 22, 2019. http://www.ffeec.gov/bsa-aml_infobase/documents/bsa_aml_man_2010.pdf.
- Fidelity Investor. (2017). Six reasons you should consider a trust. June 30. Retrieved on September 15, 2019. <http://www.fidelity.com/viewpoints/personal-finance/reasons-to-consider-a-trust>.
- Financial Action Task Force (FATF). (2012). What is money laundering? Retrieved August 22, 2018. <http://www.fatf-gafi.org/pages/faq/moneylaundering>.
- Financial Action Task Force (FATF). 2014. Transparency and beneficial ownership. Retrieved August 24,2018. <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>.
- Financial Action Task Force (FATF). (2018a). FATF–Who We Are. Retrieved on September 20, 2018. <http://www.fatf-gafi.org/about>.
- Financial Action Task Force (FATF). (2018b). International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. Paris: FATF.
- Financial Action Task Force (FATF). (2019). Guidance for a risk-based approach to virtual assets and virtual asset service providers. <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets.html>.
- Financial Crimes Enforcement Network (FinCEN). (2006). The role of domestic shell companies in financial crime and money laundering. U.S. Department of the Treasury: Washington, D.C.
- Findley, M.G., Nielson, D.L., and Sharman, J.C. (2013). Using field experiments in international relations: A randomized study of anonymous incorporation. *International Organization*, 67, 657–693.
- Gilmour, N. (2017). Blindingly obvious and frequently exploitable. *Journal of Money Laundering and Control*, 20(2), 105–115.
- Gilmour, N. and Ridley, N. (2015). Everyday vulnerabilities–money laundering through cash intensive businesses. *Journal of Money Laundering Control*, 18(3), 293–303.

- Global Witness. (2013). Anonymous companies. Retrieved August 20, 2019. <http://www.globalwitness.org/library/anonymous-companies-global-witness-briefing>.
- Global Witness. (2016). What's wrong with anonymous companies? Retrieved on September 14, 2019. <http://www.globalwitness.org>.
- Global Witness. (2017). U.S. treasury extends order to tackle abuse of high-end real estate by money launderers in seven hotspot markets, August 23. Retrieved September 28, 2019. <https://www.globalwitness.org/en/press-releases/us-treasury-extends-order-tackle-abuse-high-end-real-estate-money-launderers-seven-hot-spot-markets>.
- Government Accountability Office (GAO). (2006). *Company Formations: Minimal Ownership Information is Collected and Available*. Retrieved September 2, 2019. <http://www.gao.gov/new.ites/d06376.pdf>.
- Hall, K. and Taylor, M. (2016). Massive leak exposes how the wealthy and powerful hide their money. *McClatchy DC*. Retrieved September 12, 2019. <http://www.mcclatchydc.com/news/nation-world/national/article70001162.html>.
- Hays, M. (2018). What role did US lawyers play in Malaysia's 1mdb scandal? *Global Witness*. Retrieved September 14, 2019. <http://www.globalwitness.org>.
- Hirst, N. and Leon, S. (2017). Two years on, we're still in the dark about the UK's 86,000 anonymously owned homes. *Global Witness*. Retrieved on September 29, 2019. <https://www.globalwitness.org/en/blog/two-years-still-dark-about-86000-anonymously-owned-UK-homes>.
- Homeland Security & Governmental Affairs. (2012). HSBC exposed U.S. financial system to money laundering, drug, terrorist financing risks. Retrieved on October 03, 2019. <https://www.hsgac.senate.gov/subcommittees/investigations/media/hsbc-exposed-us-finacial-system-to-money-laundering-drug-terrorist-financing-risks>.
- Houlder, V. (2017). Offshore assets held in British Virgin Islands double over 7 years to \$1.5 trillion. *Financial Times*, June 21, 1.
- H.R. 2513, 116th Congress (2019).
- H.R. 3317, 113th Congress (2013).
- Hubbs, R. (2014). Shell games. *Fraud*, July/August 1–6.
- Irwin, A.S.M. and Milad, G. (2016). The use of crypto-currencies in funding violent jihad. *Journal of Money Laundering Control*, 19(4), 407–425.
- Ivanovsky, A., Dineen, M., Correia, F. and Valente, P. (2017). *CFE's Tax Top 5*, December 18.
- Kalant, D. (2009). Who's in charge here? Requiring more transparency in corporate America: Advancements in beneficial ownership for privately held companies. *John Marshall Law Review*, 42, 1049–1072.
- Kar, D and Spanjers, J. (2015). Illicit financial flows from developing countries: 2004–2013. *Global Financial Integrity*, December 8. Retrieved September 5, 2019. <https://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/>.
- KPMG. (2017). Euro tax flash from KPMG's tax centre, December 22. Retrieved on October 10, 2019. <https://home.kpmg.com/xx/en/home/insights/2017/12/etf-351-amld5-and-ubo-agreement.html>.
- Lakhani, A. (2016). Imposing company ownership transparency requirement: Opportunities for effective governance of equity capital markets on corporate performance. *Chicago-Kent Journal of International & Comparative Law*, 16, 122–163.
- Leong, A. (2007). *Disruption of international organized crime: An analysis of legal and non-legal strategies*. London: Ashgate.
- Levine, R., Schumacher, A. and Zhou, S. (2016). FATCA and the common reporting standard. *Journal of International Taxation*, 27(3), 43–51.

- Lyden, G. (2003). The international money laundering abatement and anti-terrorist financing act of 2001: Congress wears a blindfold while giving money laundering legislation a facelift. *Fordham Journal of Corporate & Financial Law*, 8, 201–243.
- Martinez, I. (2017). The shell game: An easy hide-and-seek-game for criminals around the world. *St. Thomas Law Review*, 29, 185–210.
- Maxwell, T. (2014). Domestic asset protection trusts: A threat to child support? *Brigham Young University Law Review*, 477–507.
- Mitchell, A., Sikka, P., and Willmott, H. (1998). Sweeping it under the carpet: The role of accountancy firms in money laundering. *Accounting, Organizations, and Society* 23 (5/6), 589–607.
- Morse, J. (2008). Nevada self-settled spendthrift trusts or offshore trusts? *Nevada Lawyer*, March 16–20.
- Murphy, M. (2017). Paradise papers: 6 things to know about report exposing tax havens of the mega-rich. *Marketwatch*, 1–9.
- Nagel, P. and Wieman, C. (2015). Money laundering. *American Criminal Law Review*, 52, 1358–1382.
- Naheem, M.A. (2016). Risk of money laundering in the US: HSBC case study. *Journal of Money Laundering Control*, 19(3) 225–237.
- Naheem, M.A. (2017). Money laundering and illicit flows from China—the real problem. *Journal of Money Laundering Control*, 20(1), 15–26.
- O'Connor, D. (2017). EU fifth money laundering directive, can banks handle it? November 21. Retrieved on October 6, 2019. <https://kyc360.com/article/eu-fifth-money-laundering-directive-key-points-banks>.
- Offshore. (2005). Offshore: The British Virgin Islands. *The Lawyer*, June 13, 26–29.
- Radon, J. and Aehuthan, M. (2017). Beneficial ownership disclosure: The cure for the Panama papers. *Journal of International Affairs*, 70(2), 87–108.
- Reguly, E. (2015). The link between art and money laundering. *The Globe and Mail (Canada)*, September 4, B1.
- Reynolds, P. and Irwin, A.S.M. (2017). Tracking digital footprints: Anonymity within the bitcoin system. *Journal of Money Laundering Control*, 20(2), 172–189.
- S. 2956, 110th Congress, 2nd Session (2008).
- Samuelson, T. (2016). Cracking down on shell companies: A years-long debate. Marketplace, April 7. Retrieved on September 30, 2019. <http://www.marketplace.org/2016/04/04/world/shell-comps>.
- Schneider, F. and Windischbauer, U. (2008). Money laundering: Some facts. *European Journal of Law and Economics*, 26(3), 387–404.
- Senate Judiciary Committee. (2018). *Hearing on Fighting Illicit International Financial Networks Through Transparency*. February 9. Political Transcript Wire. Retrieved on October 5, 2018. <https://search.proquest.com/docreview/1999711016?accountid=14745>.
- Sharman, J. (2013). Shell companies and asset recovery, in Zinkernagel, G., Monteith, C. and Pereira, P.G. (Eds), *Emerging Trends in Asset Recovery*.
- Silets, H. and Drew, M. (2001). Offshore asset protection trusts: Tax planning or tax fraud? *Journal of Money Laundering Control*, 5(1), 9–15.
- Simser, J. (2008). Money laundering and asset cloaking techniques. *Journal of Money Laundering Control*, 11(1), 15–24.
- Smyth, J. and Parker, G. (2016). G20 leaders back drive to unmask shell companies. FT.com, November. Retrieved on July 9, 2019. <https://www.ft.com/search?q=g20+leaders+back+drive+to+unmask+shell+companies>.

- Stepanian, A. (2016). 22 investors managing over \$505 billion in assets sign letter calling on congress to end shell company secrecy. May 19. Retrieved on May 5, 2019. <https://www.globalwitness.org/en/press-releases-/22-investors-managing-over-505-billion-assets-sign-letter-calling-congress-end-shell-company-secrecy>.
- Story, L. and Saul, S. (2015). Stream of foreign wealth flows to elite New York real estate. *The N.Y. Times*, February 8. Retrieved September 28, 2019. <http://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html>.
- Szubin, A. (2016). A dangerous shell game. *The Hill*. Retrieved August 25, 2019. <http://thehill.com/opinion/oped/287291-a-dangerous-shell-game>.
- Tax Justice Network (TJN). (2018). *Financial Secrecy Index*. Retrieved August 30, 2019. <http://www.financialsecrecyindex.com>.
- Teichmann, F.M.J. (2017). Twelve methods of money laundering. *Journal of Money Laundering Control*, 20(2), 130–137.
- Thompson, A. (2010). The cost of privacy: Tax and trading in Panama. FT.com, September 30.
- UK Government (UK Govt). (2013). 2013 lough Erne G8 leaders' communique. June 18. Retrieved on July 3, 2019. <http://www.gov.uk/government/publications/2013-lough-erne-g8-leaders-communique>.
- United Nations Office on Drugs and Crime (UNODC). (2018). *The Money Laundering Cycle*. Retrieved September 20, 2019. <https://www.unodc.org/unodc/en/money-laundering/laundrycycle.html>.
- U.S. Department of Justice (DOJ). (2014). Hewlett–Packard Russia pleads guilty to and sentenced for bribery of Russian government officials. Retrieved August 29, 2019. <http://www.justice.gov/opa/pr/Hewlett-packard-russia-pleads-guilty-and-sentenced-bribery-russian-government-officials>.
- U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs. (2019). 2019 INCSR – Volume II: Money Laundering and Financial Crimes (As submitted to Congress). <https://www.state.gov/2019-incsr-volume-ii-money-laundering-and-financial-crimes-as-submitted-to-congress/>.
- Vail, N. (2017). Cracking shells: The Panama papers & looking to the European Union's anti–money laundering directive as a framework for implementing a multilateral agreement to combat the harmful effects of shell companies. *Texas A&M Law Review*, 5, 133–153.
- Weiss, D. (2011). Wyoming home is a 'little Cayman island' for shell companies. *American Bar Association Journal*. Retrieved on September 4, 2019. http://www.aba.journal.com/news/article/wyoming_home_is_a_little_cayman_island_for_shell_companies.
- Wiggin, H. (2008). Anguilla: Foundations and trusts—a comparison. *Trusts & Trustees*, 14(5), 287–295.
- Willebois, E.V.D., Halter, E., Harrison, R.A., Park, J.W., and Sharman, J. (2011). *The Puppet Masters*. Washington, D.C.: World Bank.
- Wolos, S. and Reuters, T. (2017). The ultimate beneficial ownership requirement: Why it matters to all of us. *Acamstoday*. Retrieved on September 23, 2018. <http://acamstoday.org/the-ultimate-beneficial-ownership-requirement-why-it-matters-to-all-of-us>.
- Zagaris, B. (1999). A brave new world: Recent developments in anti–money laundering and related litigation traps for the unwary in international trust matters. *Vanderbilt Journal of Transnational Law*, 32, 1023–1116.