

THE COST OF SECRECY: THE ROLE PLAYED BY COMPANIES IN THE UK'S OVERSEAS TERRITORIES IN MONEY LAUNDERING AND CORRUPTION

The secrecy afforded by companies registered in the UK's Overseas Territories is **facilitating economic crime on a global scale**. The continuing role of Britain's offshore jurisdictions in corruption cases undermines the UK's claim to be a global leader in the fight against corruption and money laundering.

KEY FINDINGS

- Companies registered in the UK's Overseas Territories are being used to facilitate corruption around the world. **New research from Transparency International UK (TI-UK) has identified 1,201 corporate vehicles from these jurisdictions alleged to have been used in 237 large scale corruption and money laundering cases.**
- TI-UK identified companies from six of the UK's 14 Overseas Territories in its analysis. **The British Virgin Islands featured most prominently – of the 1,201 entities identified 1,107 (92 per cent) were registered in this jurisdiction.**
- These corporate vehicles have enabled corruption which has denied some of the world's poorest people of public resources. **The cases we have found amount to over £250 billion worth of funds diverted by rigged procurement, bribery, embezzlement and the unlawful acquisition of state assets across 79 different countries.**
- Former Soviet states featured in the most cases, with **Russia, Ukraine, Kazakhstan and Azerbaijan amongst the top five jurisdictions** in which cases involving companies registered in the UK's Overseas Territories were identified.
- Companies from the UK's Overseas Territories are used to invest illicit funds into the UK property market. **In 2017, we identified 176 properties bought across Britain bought with suspicious funds, valued at £4.4 billion; 111 (63 per cent) of these were owned through companies registered in the UK's Overseas Territories.**
- Anonymous entities registered in the Overseas Territories owning UK property represent an ongoing money laundering risk. **Companies from the UK Overseas Territories own almost 28,000 properties in the UK.**

KEY RECOMMENDATIONS

1. **The UK Government should set out public and time-bound plans for providing assistance to the Overseas Territories to enable them to establish public registers of beneficial ownership.**

The UK Government is required by law to provide assistance to the Overseas Territories in making this transition to public registers of beneficial ownership. It should clearly set out how it intends to provide this assistance, which could include:

- Funding to help these jurisdictions comply with the Beneficial Ownership Data Standard, ensuring that the data is available in a high-quality structured format. Critically, it will also enable this data to be linked with data from other jurisdictions and made available on the Open Ownership Register, which is funded by the Department for International Development.

- Seconding policy experts from the Department for Business, Energy and Industrial Strategy to these jurisdictions to provide technical expertise and support.
- Seconding technical experts from Companies House to provide advice and assistance on implementation. Open Ownership should also be considered as a provider of technical assistance.

2. The Overseas Territories should establish best-practice beneficial ownership registers.

The Governments of the UK's Overseas Territories should seek to position themselves as reputable international financial centres by introducing corporate beneficial ownership registers where data is:

- Public
- Accurate and up to date
- Free to access

3. The Overseas Territories should increase coordination efforts with UK and overseas law enforcement agencies.

During the process of establishing public company registers, the Governments of each of the Overseas Territories should look to give law enforcement agencies in the UK open access to their company registries to assist with ongoing investigations.

Law enforcement agencies, regulators and the private sector operating in the Overseas Territories should also be vigilant for suspicious activity by companies and individuals seeking to dissolve legal entities in order to evade public scrutiny. If this activity is evident, it should be reported to law enforcement in that Overseas Territory, the police in the jurisdictions from which any funds related to that company originate, and relevant authorities where the funds may have been moved to as a destination.

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