



# A Practical Approach to Compliance: Case Studies on Administrative Measures

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Enforcement Section



# Agenda

- Case Study 1 – Credit Institution
- Case Study 2 – Remote Gaming Operator
- Case Study 2 – Corporate Service Provider
- Case Study 4 – Corporate Service Provider
- Case Study 5 – Investment Services

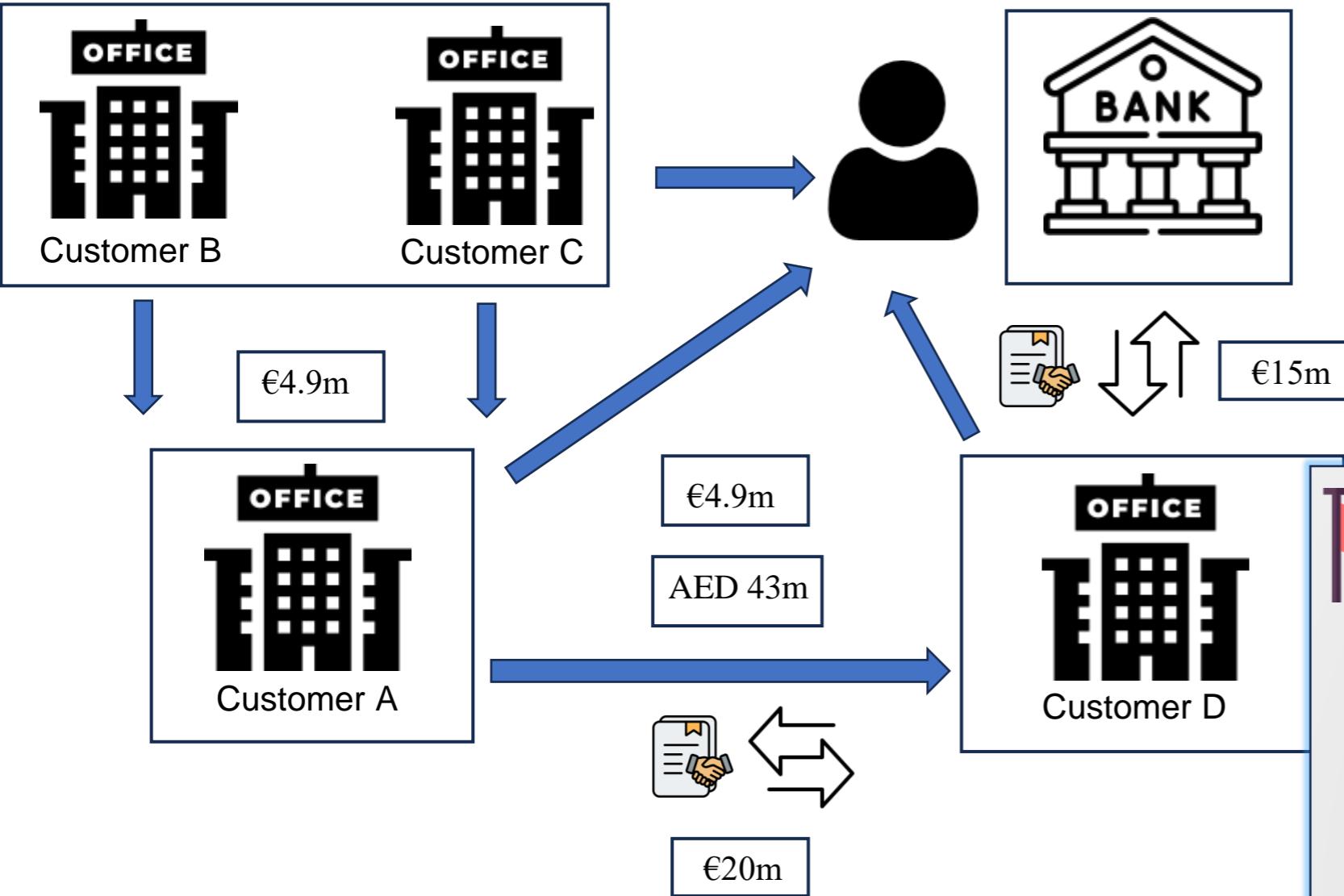
# Case Study 1 – Credit Institution

- Transaction Monitoring – Regulations 7(1)(d), 7(2)(a) of the PMLFTR and Section 4.5 of the IPs Part I





# Case Study 1 – Credit Institution



## Red Flags:

- The **flow** of funds and **velocity** of the same
- **Lack of evidence** of any **interest** being paid
- The Bank being requested to grant a loan by a Customer to finance a property in respect of which the Customer had already taken a loan from another Company

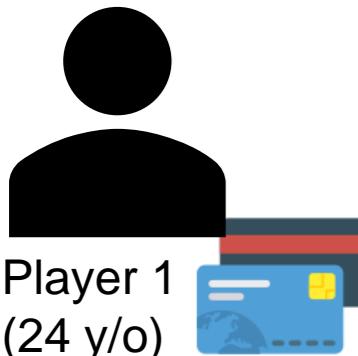
# Case Study 2 – Remote Gaming Operator

- Transaction Monitoring – Regulations 7(1)(d), 7(2)(a) of the PMLFTR and Section 4.5 of the IPs Part I





## Case Study 2 – Remote Gaming Operator



Player 1  
(24 y/o)

Employment Status: Manager

Declared monthly income:  
**€2,500 – €3,000**



SoF/SoW documentation  
requested in Jan 2021



Month	Deposits	Withdrawal	Net Profit/Loss
January '19	€ 10,000	€ 0	€ 10,000
February '19	€ 5,000	€ 5,000	€ 0
March '19	€ 5,000	€ 3,000	€ 2,000
April '19	€ 20,000	€ 10,000	€ 10,000
May '19	€ 20,000	€ 25,000	-€ 5,000
June '19	€ 40,000	€ 10,000	€ 30,000
Total	€ 100,000.00	€ 50,000	€ 50,000



### Red Flags:

- Player's declared monthly income well below the funds deposited
- Use of prepaid cards
- Player's young age

### Key Takeaways:

- Notwithstanding having employment information and a declaration of income, the SP was expected to obtain information/documentation to account for the discrepancy between earnings and deposits.

# Case Study 3 – Corporate Service Provider

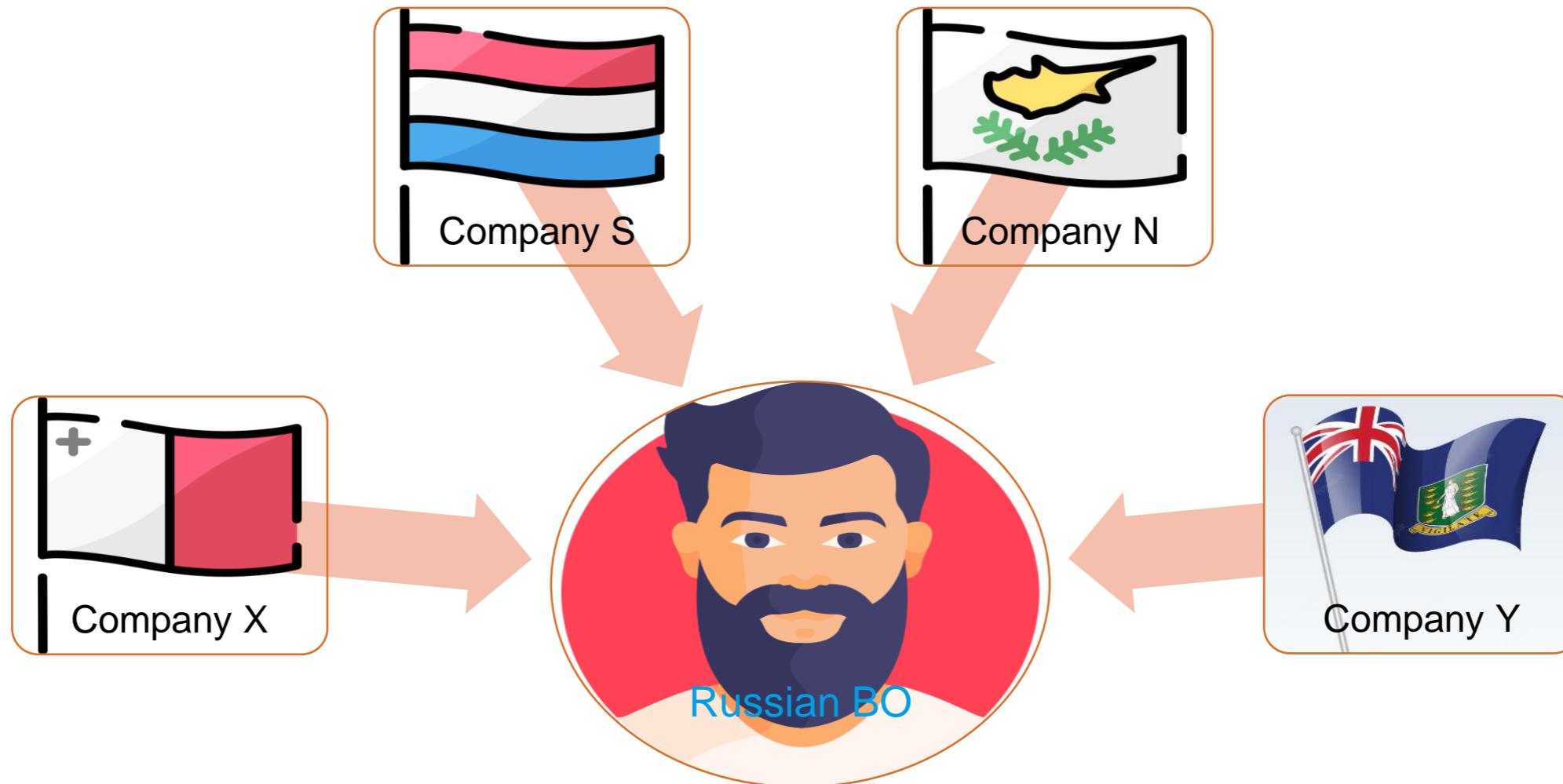
- Transaction Monitoring – Regulations 7(1)(d), 7(2)(a) of the PMLFTR and Section 4.5 of the IPs Part I





# Case Study 3 – Corporate Service Provider

## Linked Companies



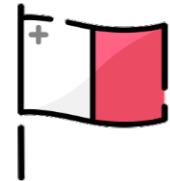


# Case Study 3 – Corporate Service Provider



Company Y

- BVI Company incorporated in September 2012



Company X

- October 2012 - Company Y (BVI Company), through a Swiss CSP, requested the SP to provide directorship services to Company X.
- Expected volume and size of business of **€2.5m**.
- Up to 2020, shares of Company X were held in fiduciary capacity by another SP on behalf of Company Y.



Company S

- In December 2012, through a POA, the director of Company X (i.e. the SP) granted power to a Dutch CSP to incorporate Company S in the Netherlands.
- Activity: **'to incorporate, manage and supervise businesses'**.

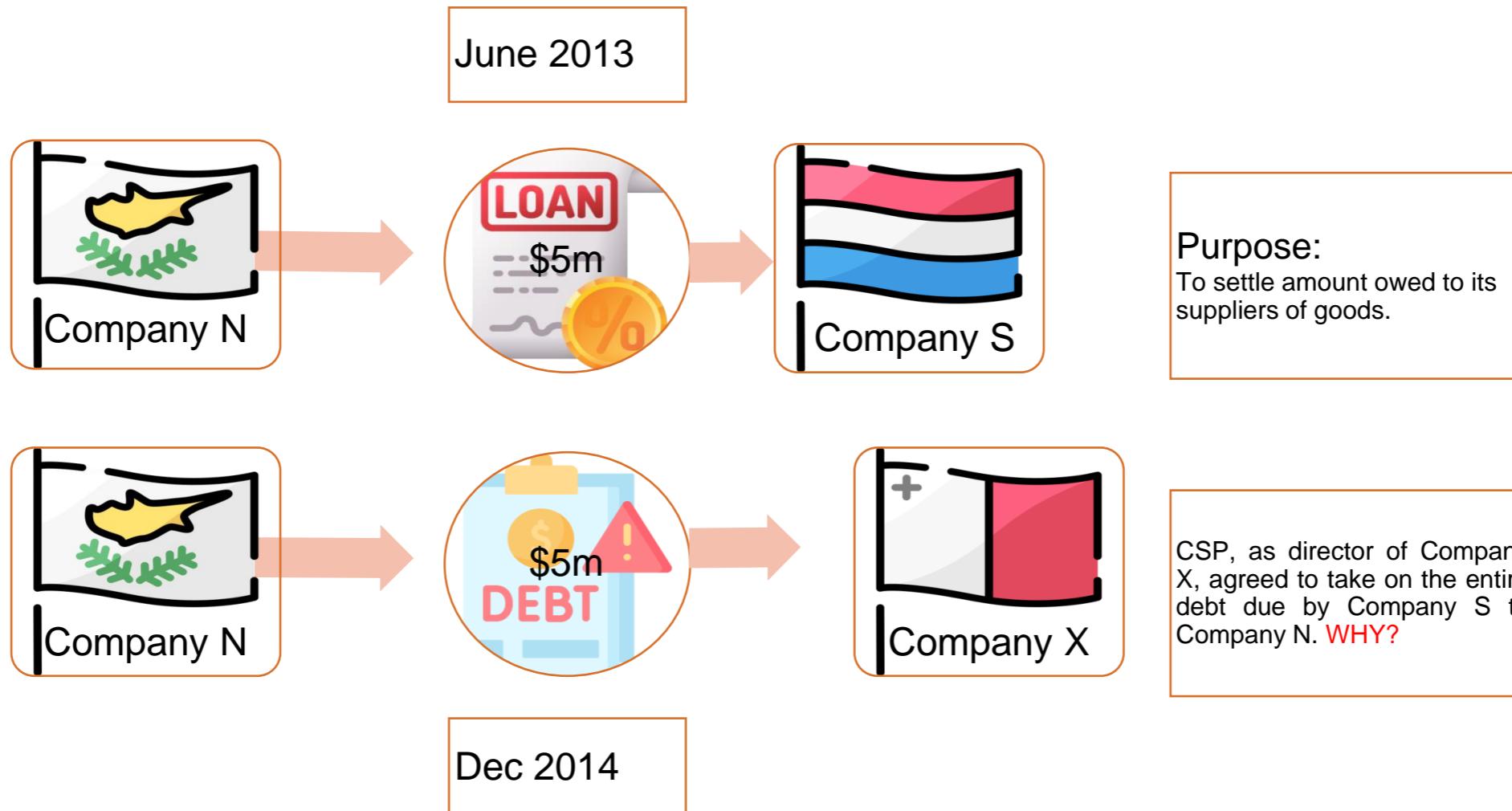


Company N

- June 2013: Loaned \$5m to the Dutch subsidiary, Company S.
- Purpose of the loan: for Company S to settle the amount it owes to its suppliers and compensation for other expenses.

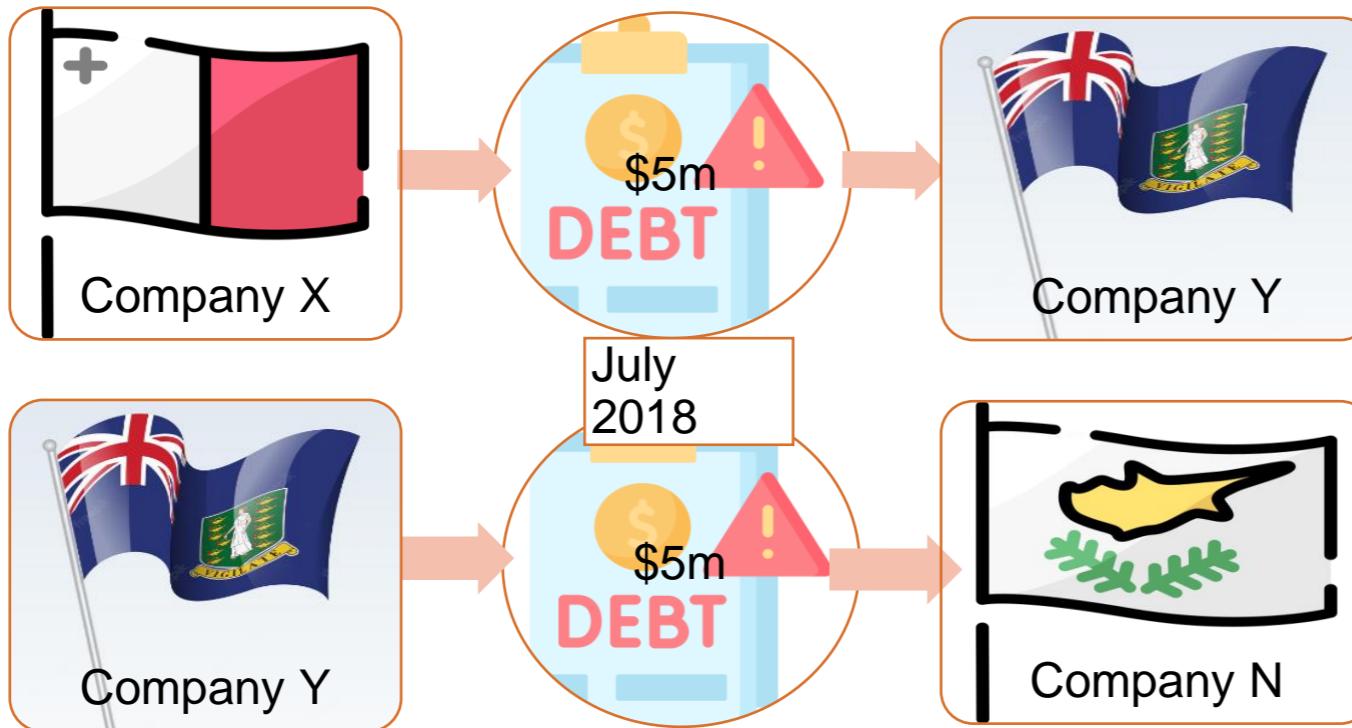


# Case Study 3 – Corporate Service Provider





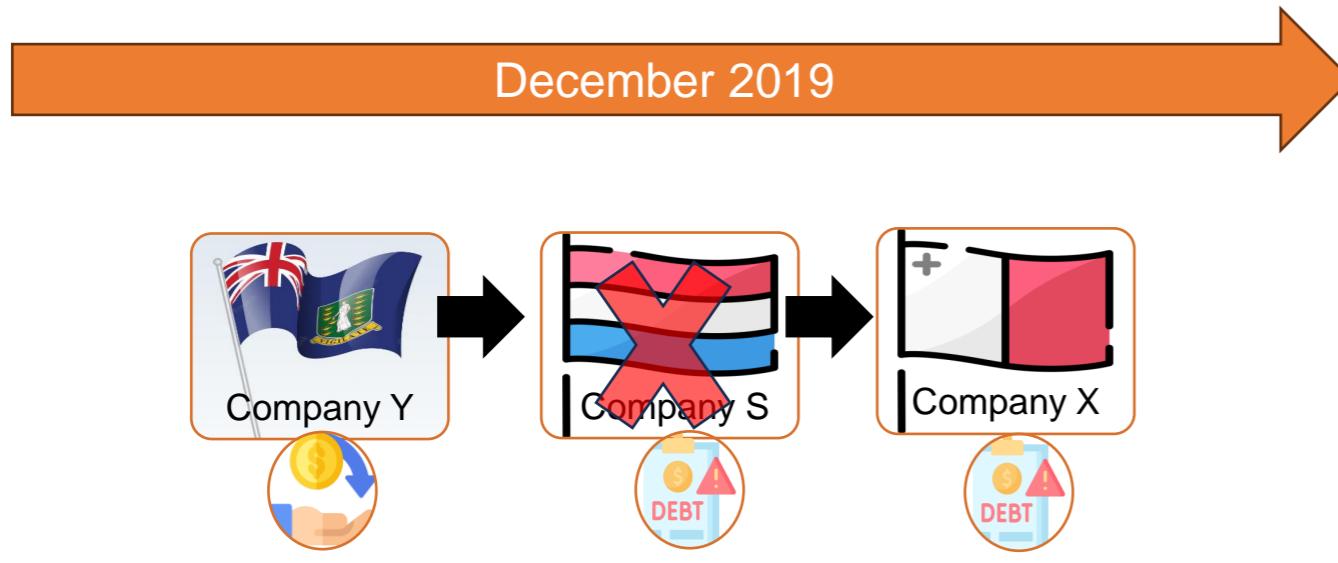
## Case Study 3 – Corporate Service Provider



**Debt Assumption Agreement**  
Company X transferred the debt owed by it to Company Y.  
Company Y accept the debt owed of €5m.  
This debt is due to be paid to Company N.



## Case Study 3 – Corporate Service Provider



### Credit Assignment Agreement

Company S assigned the claimable credit due from Company Y, onto Company X.

Hence, Company X is due to receive from Company Y, a total claimable credit amount of €5m

Agreement signed by CSP

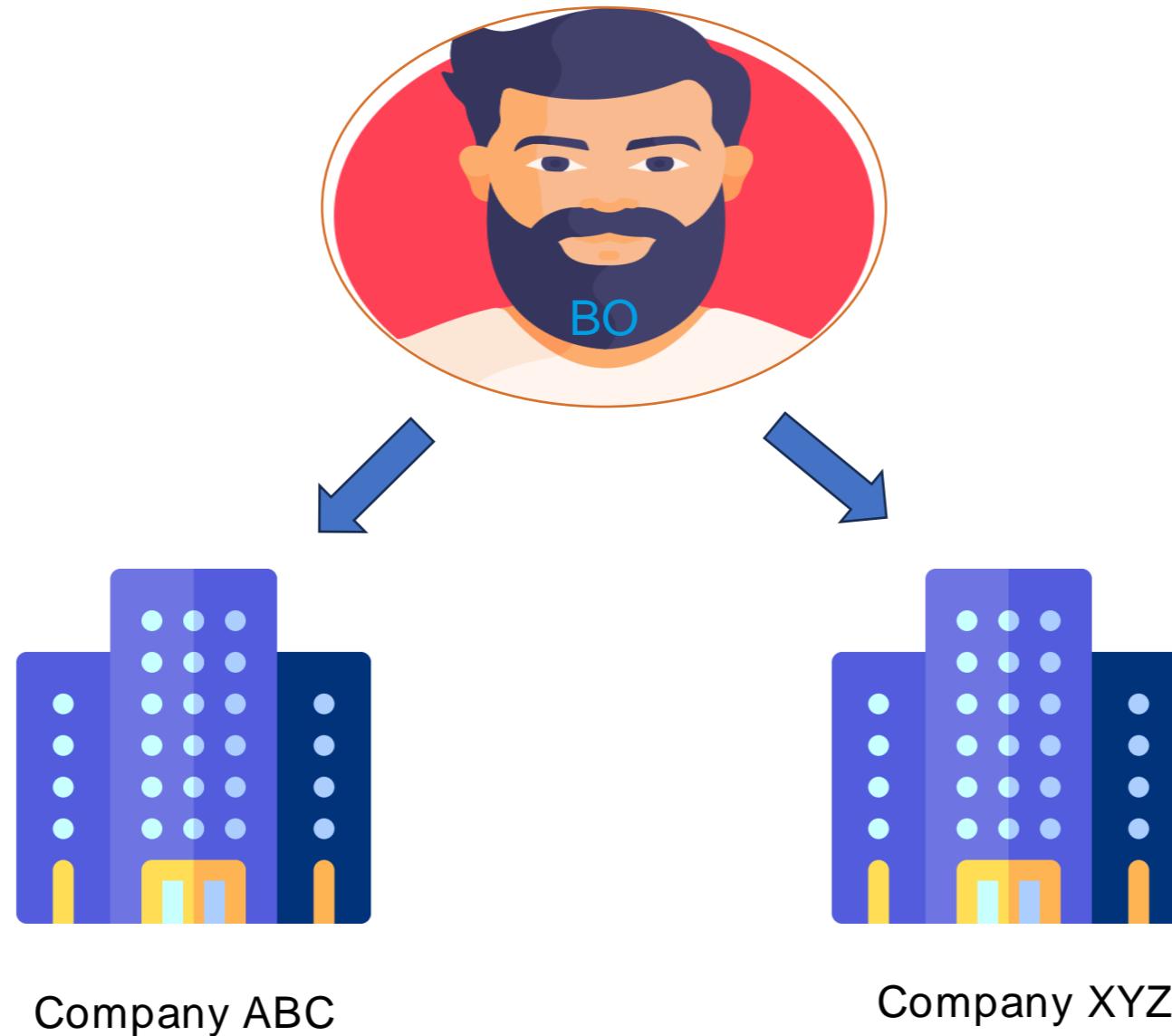
# Case Study 4 – Corporate Service Provider

- Internal Reporting - Regulation 15(1) of the PMLFTR and Section 5.4 of the IPs Part I
- External Reporting to the FIAU – Regulation 15(3) of the PMLFTR and Section 5.5 of the IPs Part I



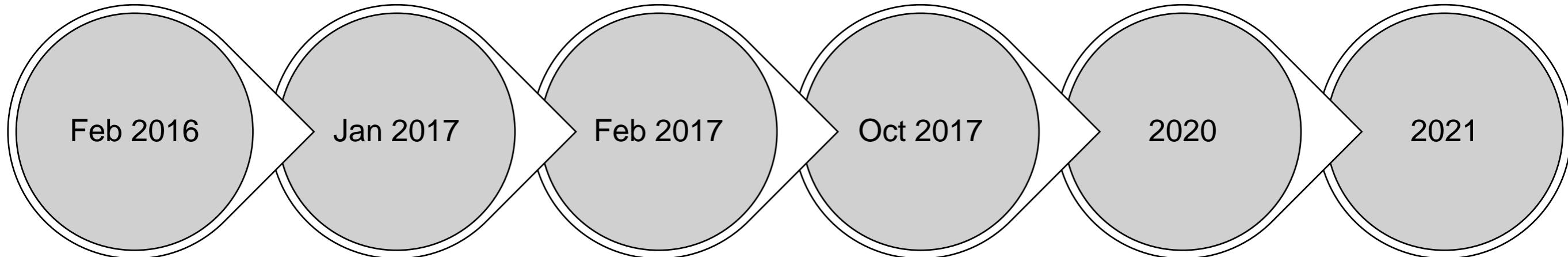


## Case Study 4 – Corporate Service Provider





## Case Study 4 – Corporate Service Provider



- Two separate POSAs entered into between several vendors and the BO on behalf of Company XYZ for 2 properties worth circa €2m.
- The SP was approached by X on behalf of the BO requesting fiduciary services to incorporate Company ABC.
- The SP received the Certificate of Incorporation of Company ABC
- Two Assignment of Rights and Sale Agreements between a number of vendors (Vendors) and X on behalf of Company ABC (Purchaser/Assignee) and X on behalf of Company XYZ (Assignor)
- Adverse media on the BO of Company ABC and Company XYZ and a positive hit on the SPs Screening Tool
- Freezing Order against, the BO and Company XYZ (however, Company ABC was not included).
- The SP sent Termination Letter to the BO.
- Share Transfer Agreement signed by the BO.



## Case Study 4 – Corporate Service Provider

### Red Flags

#### Adverse Media

The SP was aware of the adverse media reports which confirmed that the BO had serious links to criminal activity.

#### Timing

This adverse media was reported only 9 months after the start of the business relationship and 7 months after the assignment of property to Company ABC.

#### Assignment of Rights and Sale Agreements

These were carried out 2 days after the incorporation of Company ABC. Although this is a legitimate purpose and a typical business practice, this has to be considered with the fact that the assets being transferred to Company ABC were previously promised to Company XYZ (which company was included in the Freezing Order).

#### Freezing Order

The SP was aware that Company ABC and the high value assets held by it were not included in the Freezing Order.

# Case Study 5 – Investment Services

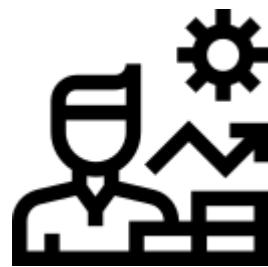
- Acquisition of the Business from one subject person by another – Regulation 8(1) of the PMLFTR and Section 4.6.6 of the IPs Part I



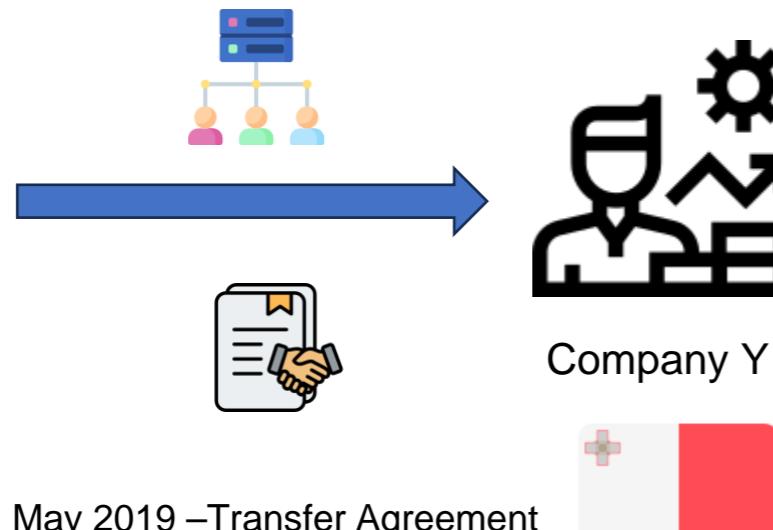


## Case Study 5 – Investment Services

### Acquisition of Business



Company X



May 2019 – Transfer Agreement for the Acquisition of the Customer Database

### Company Y's Shortcomings:



Company Y failed to ascertain the relevant policies, procedures and controls that had been adopted by Company X and the extent to which these were aligned with the PMLFTR and IPs. It further failed to examine a sample of customer files to ensure that the relevant policies, procedures and controls had been effectively implemented in practice.



No reconsideration of the CRA carried out by Company X which led to Company Y's inability to apply its own controls in carrying out CDD measures on a risk sensitive basis.



Company Y failed to review the CDD measures that were carried out by Company X prior the customer database transfer.



# Thank you!