Trust and Company Service Providers (TCSPs) play a key role in the global economy, providing a wide range of corporate and financial services to individuals. However, their position as intermediaries leave them vulnerable to abuse by illicit actors looking to hide behind seemingly legitimate corporate structures. Criminals often use legal and corporate arrangements to obscure beneficial ownership (BO), take advantage of legal loopholes, or engage in illicit activities such as illegal wildlife trafficking, sanction evasion, and corruption.

The TCSPs sector includes a range of service types, including acting as a secretary of a company, providing a registered business address for a company, or acting as trustees of a trust. Depending on the country in which they operate, TCSPs take different forms, from individual firms to subsidiaries of large financial institutions.

Recent high profile cases demonstrate the considerable consequences of ineffective regulation of the TCSPs sector. There has been increased attention paid to enhancing AML/CFT frameworks around TCSPs, such as the UK implementing new regulations around BO transparency. Internationally, the Financial Action Task Force (FATF) provides Guidance for a Risk-Based Approach for TCSPs.

Financial Crime in MENA

The Middle East and North Africa (MENA) faces significant financial crime risks related to the abuse of TCSPs. This is partly due to many countries having under-regulated TCSPs until recently, as well as countries having gaps in BO transparency and information sharing. On its most recent list of jurisdictions under increased monitoring, the FATF identified multiple MENA countries with strategic deficiencies involving the TCSP sector – including the UAE, Jordan, Morocco, and Turkey. The list provides details on these deficiencies, which range from inadequate BO information to a lack of granular understanding of the risk of abuse of legal persons and arrangements.

The abuse of TCSPs in MENA to carry out financial crime includes:

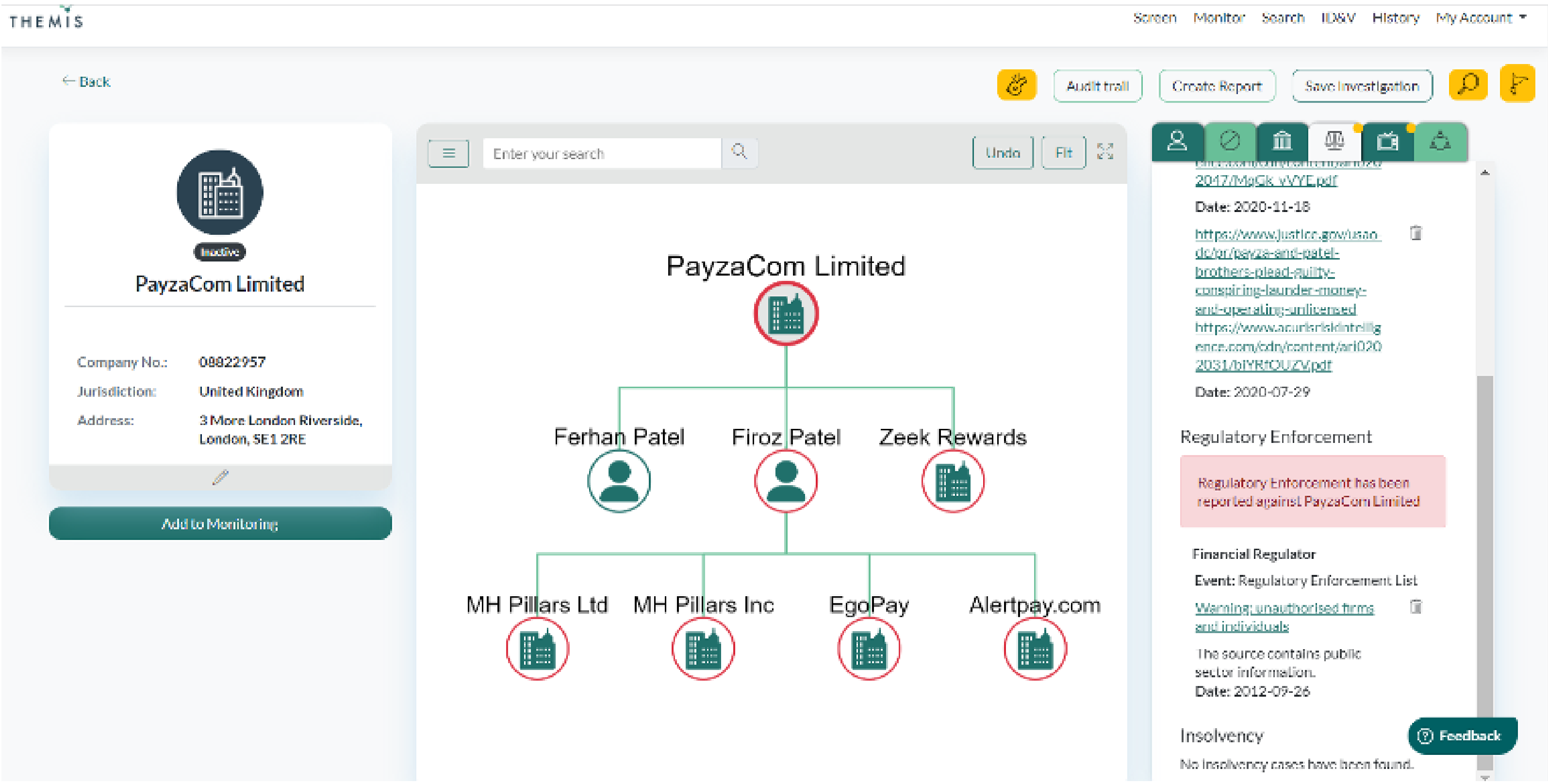
- Laundering legal or illicit assets to offshore jurisdictions, especially relating to illicit tax or sanction evasion practices.
- Protecting their illicitly gained revenues associated with predicate crimes.
- Carrying out corrupt activities, such as the embezzlement of public funds or bribery of government officials.

Financial crime red flags across the TCSP sector include:

- Clients providing inaccurate or incomplete BO information.
- Clients having unclear business purpose or no stated income source.
- Clients' networks including politically exposed persons, sanctioned individuals, or individuals with previous criminal convictions.
- Clients from higher risk jurisdictions, such as those with high levels of corruption or illicit financial flows.

The 2021 Pandora Papers revealed that Dubai-based company service provider “SFM Corporate Services” had foregone proper due diligence and created companies for at least 24 clients accused of financial crimes. Among these clients was Firoz Patel, a Quebec-based internet mogul accused of running unlicensed online money transfer facilitating criminal activity.

Themis Search & Monitoring’s litigation and adverse media screening show that Patel’s criminal links were already public in 2012 when his company PayzaCom was convicted of unauthorised money transfers; this was far before SFM engaged him as a client in 2017.



TCSP Due Diligence – Themis Is Here To Help

It is important that TCSPs and those doing business with TCSPs maintain robust AML/CFT practices in order to identify and mitigate their financial crime risks. Without proper due diligence or internal controls, firms risk directly or indirectly doing business with criminals or sanctioned individuals, thus exposing themselves to financial and reputational damage.

A key risk identified across a number of jurisdictions in the region is patchy expertise and knowledge across the private sector of financial crime risks related to the use of TCSPs. Many firms also lack the resources needed to adequately deal with their risks. This is where Themis can help.

- Themis Search & Monitoring helps clients understand and mitigate their financial crime risks by providing extended third party screening and ongoing monitoring. This allows clients to stay up to date in real-time on what risks their own clients may present, allowing more time to be spent on risk management.
- Themis also provides a digital Risk Assessment tool so firms can identify and better understand their specific risks, as well as those of their suppliers, and implement the appropriate controls and screening framework to mitigate these risks. If high risk clients or behaviours are identified, Themis offers Enhanced Due Diligence and ESG Risk investigations, which can be requested straight from the Themis Search platform.
- Themis can also help ensure proper AML/CFT governance is maintained across organisations by helping firms analyze the relative strengths and weaknesses across their systems and controls. Themis provides clients with a suite of tools in order to achieve this, namely our training, and digital toolkit tools.

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