



Guidance on Corruption Indicators

2021

Addressed to the parties referred to in Articles 4 and 5 of the Anti-Money Laundering and Terrorist Financing Law No. 44/2015.

Introduction

“Corruption is an insidious plague that has a wide range of corrosive effects on societies. It undermines democracy and the rule of law, leads to violations of human rights, distorts markets, erodes the quality of life and allows organized crime, terrorism and other threats to human security to flourish.

This evil phenomenon is found in all countries, big and small, rich and poor, but it is in the developing world that its effects are most destructive. Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a Government’s ability to provide basic services, feeding inequality and injustice and discouraging foreign aid and investment. Corruption is a key element in economic underperformance and a major obstacle to poverty alleviation and development¹.”

¹ United Nations Convention Against Corruption

Corruption Indicators

The following set of indicators is not exhaustive and should not be considered in isolation. They can lead to suspicion of money laundering associated with or derived from corruption proceeds or other ML predicate crimes. They can be used separately or in combination with other indicators, or other existing information.

Reporting entities are required, if there are reasonable grounds to suspect that a transaction or an attempted transaction is related to corruption, to file a Suspicious Transaction Report to the SIC in accordance with the provisions of AML/CFT Law No. 44/2015.

- 1- Negative media reports, poor business reputation or a reputation for unethical or unlawful conduct.
- 2- Prior convictions or prior/ongoing formal or informal investigations by authorities.
- 3- A history of improper payments, or existing allegations that illegal payments or facilitation payments to officials were made or might be made.
- 4- Receiving payments or having compensation arrangements for public contracts/procurements that are excessive and unusually high for products, goods or services, which normally should cost less when compared to normal market prices.
- 5- Requests for payments in a country that has no relationship to the transaction or the entities involved in the transaction or requests for payments through third parties or shell companies.
- 6- False or backdated invoices, consecutively numbered invoices, duplicate invoices.
- 7- Unsupported or undocumented transactions described only by use of words such as commission, marketing fees, surcharge etc.
- 8- Same individual/entity constantly winning projects or public procurement bids without reasonable justification.
- 9- Receiving highly complex and technical government contracts/projects (not compatible with the size or experience).
- 10- Receiving government contracts/projects that are not related to the field of business.
- 11- Receiving a government project in spite being recently incorporated and in spite having little or limited expertise.
- 12- Receiving an unusual substantial up-front payment or advance payment.
- 13- Having an unusual complex corporate structure that seems intended only to conceal the beneficial owner.

- 14-Requests are made for anonymity or confidentiality or that the relationship remain secret. Also, refusal to divulge the identity of beneficial owners, directors, officers, or other principals.
- 15-Funds received as a result of a public procurement contract are not spent to fulfill the contract needs, or are spent as donations to charities linked to political parties or as payments to politicians and their family members or close associates.
- 16-For no justifiable or obvious reason subcontractors/intermediaries are brought in after a government contract/project has already been agreed.
- 17-Contractors, subcontractors or their counterparties are linked either by common director(s), management or by address, telephone number, IP address, etc.
- 18-High value international transfers from businesses and/or personal accounts to public officials, especially those involved in public procurement.
- 19-Funds received in bank accounts of persons or legal entities with no visible connection to PEPs, but known to be controlled by them.
- 20-Customers representing PEPs (i.e. lawyer, secretary, accountant) who transact on their behalf with the express intent of bypassing CDD process screening of PEPs.
- 21-Customers classified as PEPs according to the FATF definition with source of wealth that is inconsistent with career history, expertise, or age, or that:
 - Perform unjustifiable transactions with government linked companies.
 - Carry out unusual high value transfers abroad, including to tax haven countries.
 - Establish legal entities used to purchase real-estate of significant value beyond their income.
 - Receive or make unusual cash transactions involving large amounts.
 - Maintain unjustifiable high value bank accounts and cannot provide credible support for the source of wealth.
 - Receive unjustifiable payments from companies, individuals or non-governmental entities that benefited from public contracts/procurements.
 - Cash out checks issued by a public entity and subsequently deposit funds into their bank accounts.

Selection of Typologies related to Corruption

First Case

Report (STR):

A local bank filed a suspicious transaction report with the SIC on a customer who was a previous government employee. The bank became suspicious of the customer's account after a number of transactions seemed inconsistent with his profile, and after not receiving any justifications or supporting documents regarding multiple cash deposits that were under the threshold. Furthermore, an article in a newspaper mentioned the name of the customer among other names as being accused of receiving bribes to secure unlawful employment in a governmental agency.

Analysis and Investigation:

The SIC initiated its investigation by obtaining from the reporting bank all available records including the KYC form, bank statements and copies of identification documents. The analysis revealed that in addition to the increase in cash deposits, most of the checks deposited in the account were from unrelated parties, including from a person subject to a previous STR filed by a bank. During the investigation, the SIC received a request of assistance from a judicial authority on the suspect for soliciting and taking bribes, seeking the SIC assistance in identifying bank accounts. With the findings at hand, the SIC decided to circulate the suspect's name to all banks and financial institutions operating in Lebanon, and contacted several other national agencies, including the real estate register.

Subsequent Measures:

The SIC froze the balances of the identified bank accounts, placed an encumbrance on properties owned by the suspect, requested from all money remittance companies not to perform any transaction for the suspect, and the findings were forwarded to the General Prosecutor for further investigation.

Second Case

Report (STR):

The SIC received two suspicious transaction reports from two local banks concerning the same customer who owns several companies in Lebanon. The compliance officers at the two banks didn't receive any justifications or supporting documents from the said customer regarding certain accusations and suspicious account activity. The first bank became suspicious of the customer after coming across an article in the newspaper that mentioned the customer as being detained for corruption and bribing government officials in order to cover up for illicit acts committed by others, including drug trafficking. The second bank became suspicious after realizing that the customer's companies' accounts were being used as transitory accounts, and that almost all cash deposits were withdrawn directly in checks.

Analysis and Investigation:

The SIC initiated its investigation by obtaining all available bank records including KYC forms, bank statements and copies of identification documents from the two reporting banks. In the first bank, multiple cash deposits below the threshold were executed on the customer's account, and this activity was presented as being proceeds from real estate transactions. Checks deposited in his account were from individuals where no business relationship could be established. The analysis of his companies' accounts at the second bank revealed that cash deposits were followed by cash and check withdrawals, and the relationship with the beneficiaries of the issued checks couldn't also be established. During the investigation, further information on the suspect was received from local law enforcement authorities. The SIC decided to circulate the suspect's name to all banks, financial institutions and money remittance companies operating in Lebanon to identify bank accounts and transactions. One additional bank reported having accounts for the suspect and his companies. The analysis performed on the accounts' statements reflected a similar pattern of transactions.

Subsequent Measures:

With the findings at hand, the SIC decided to lift banking secrecy off the identified bank accounts and forward the investigation findings to the General Prosecutor for further investigation.

Third Case

Report (STR):

A local bank opened an account for a Lebanese national and carried out the required CDD measures. The bank obtained the necessary identification documents and filled out a KYC form documenting among other things information on the account holder's modest financial status and public sector profession. As risk-based approach (RBA) requirements dictate, the customer was classified as "PEP" and placed under enhanced monitoring. A few months after, the bank's system flagged the said account for receiving multiple cash deposits in amounts below the USD 10,000 threshold limit, an act clearly intended to avoid filling the cash transaction slip (CTS) requirement. When asked about the source of funds, the customer showed nervousness and provided contradictory information claiming first that they were withdrawals from his other bank account, and then claiming that they were commission fees resulting from the sale of real estate. An STR was filed with the SIC.

Analysis & Investigation:

The SIC preliminary analysis of received bank records, including the KYC form showed a modest financial status and an occupation that did not warrant 27 cash deposit operations totaling around USD 260,000. The customer's choice of the bank branch, being far from his home and work address and both the analysis of the account movement and the bank's inability to obtain supporting documents to substantiate the account holder's claims added to the existing level of suspicion. The gathered information pointed towards possible acts of corruption.

Subsequent Measures:

The SIC decided to freeze the funds, lift banking secrecy and forward the case to the General Prosecutor.