

## KEY FINANCIAL SECRECY INDICATORS

### Key Financial Secrecy Indicator 4: Other Wealth

#### What is measured?

This indicator assesses the ownership transparency of real estate and of valuable assets stored in freeports.

1. Regarding **real estate**: it assesses whether a jurisdiction requires online publication of the beneficial and/or legal owners of real estate for free and in open data or at a maximum cost of US\$ 10, € 10 or £ 10,<sup>1</sup> updated at least on an annual basis;
2. Regarding **freeports**: it assesses whether a jurisdiction offers and promotes its freeports<sup>2</sup> (or similar venues such as bonded warehouses) for the storage of high-value assets, and whether it requires the registration and cross-border automatic exchange of the identities of legal and/or beneficial owners (BO) of the stored valuables.

Accordingly, we have split this indicator into two components. The overall secrecy score for this indicator is calculated by simple addition of the secrecy scores of each of these components. The secrecy scoring matrix is shown in Table 4.1, with full details of the assessment logic given in Table 4.3 below.

Real estate whose beneficial owners live in the actual building is exempt from the public disclosure requirement. If a beneficial owner of real estate property can provide proof that her/his tax residency is at the same address, the identities of the owners would not need to be disclosed. All other real estate ownership needs to be disclosed in a central registry run by a government agency which is publicly accessible via the internet.

To meet a reasonable standard, published ownership information must comply with minimum requirements. In the case of beneficial owners, the information must relate to the natural human beings who have the right to enjoy ownership of the rewards flowing from ownership of the entity, as prescribed by anti-money laundering standards.<sup>3</sup> For this purpose, trusts, foundations, partnerships, limited liability corporations and other legal persons or structures do not qualify as beneficial owners. Different percentage thresholds of control or ownership applied in the definition of

## KFSI 4: OTHER WEALTH OWNERSHIP

the beneficial owner are disregarded in this indicator as long as the definition and threshold of a beneficial owner is the same or stronger than the requirements of the Financial Action Task Force (FATF) and the European Union ([see KFSI 3](#)).<sup>4</sup>

**Table 4.1: Secrecy Scoring Matrix KFSI 4**

<b>Regulation</b> [Secrecy Score: 100 points = full secrecy; 0 points= full transparency]	<u>Online for free &amp; in open data</u> Secrecy score if for free and in open data format	<u>Online for free, no open data</u> Secrecy score if for free, but not in open data format	<u>Online at small cost</u> Secrecy score if against cost of up to 10€/US\$/GBP
<b>COMPONENT 1: REAL ESTATE OWNERSHIP (50 points)</b>			
<u>Incomplete Ownership or high cost</u> Updated and complete real estate ownership is not open to the general public or not consistently available online for a cost of up to 10€/US\$/GBP.		50	
<u>Complete Legal Ownership</u> Complete and updated details on legal owners of real estate are consistently available to the general public online (but no, incomplete or not updated beneficial ownership information).	35	40	45
<u>Complete Beneficial Ownership</u> Complete and updated details on beneficial owners of real estate are published online (but no, incomplete or not updated legal ownership information).	20	25	30
<u>Complete Beneficial and Legal Ownership</u> Complete and updated details on all beneficial owners and on all legal owners are published online.	0	5	10

## KFSI 4: OTHER WEALTH OWNERSHIP

<b>Regulation</b> [Secrecy Score: 100 points = full secrecy; 0 points= full transparency]	<u>Online for free &amp; in open data</u> Secrecy score if for free and in open data format	<u>Online for free, no open data</u> Secrecy score if for free, but not in open data format	<u>Online at small cost</u> Secrecy score if against cost of up to 10€/US\$/GBP
<b>COMPONENT 2: FREEPORTS (50 points)</b>			
Freeports are available <sup>5</sup> and promoted for storage of high value assets	<u>Incomplete or No Ownership Registration</u> No information on legal or beneficial ownership of assets held in freeports is consistently registered by local public authorities.		50
	<u>Legal but not Beneficial Ownership Registration – No automatic notice</u> Updated and complete legal ownership information of stored assets is always registered, but not always sent automatically to countries of residence of the beneficial owners.		37.5
	<u>Legal and Beneficial Ownership Registration – No automatic notice</u> Updated and complete legal and beneficial ownership information of stored assets is always registered, but not always sent automatically to countries of residence of the beneficial owners.		25
	<u>Complete registration and automatic notice to the owner's residence jurisdiction</u> Updated and complete legal and beneficial ownership information of stored assets is always registered and sent automatically to countries of residence of the beneficial owners.		0
Freeports are NOT available or are available but are NOT promoted to store high value assets (or promotion is unknown)	Freeports do not exist or are not promoted for high-value asset storage, or unknown.		0

A prerequisite for ownership information to be considered **publicly available** is that the information must be kept by a public registry maintained by a governmental authority. A governmental authority is used interchangeably here with “government agency” or “public institution”. In contrast, if the registry or access to registry data is managed by a private entity we consider that it is not publicly available.<sup>6</sup> Furthermore, a publicly available register should include a search function that allows searching by street address of the real estate.<sup>7</sup> While the registry should be centralised for a jurisdiction, it does not yet need to cover its entire territory. It is sufficient if the registry is set up so as to aim at including the whole jurisdiction and it is clearly explained which areas are covered, and if no administrative subdivision holds a separate register or authority to object to data collection and provision.

For published ownership information to be considered **updated**, the relevant data should be required to be updated at least annually or upon any change. For ownership information to be considered **complete**, it needs to comprise specific minimal elements. It should include in case of **beneficial owners**:

- a) the full names of all beneficial owners of the real estate, where a beneficial owner is identified in line with or stricter than the requirements of the Financial Action Task Force (FATF) and the European Union;<sup>8</sup> and for each beneficial owner:
- b) full address, or passport ID-number, or year and month of birth, or a Taxpayer Identification Number (TIN).

In case of **legal owners**, the minimum details required to be published online include:

- a) The full names, and for each:
- b) The full address or company registration number (for legal persons), or passport ID-number, or year and month of birth, or a Taxpayer Identification Number (TIN).

The requirements for published ownership information to be considered complete are identical to the indicators on company and partnership transparency.

If this data is **available online** but there is a cost to access it of up to 10EUR/GBP/USD, the secrecy score will be reduced but not to zero.

To obtain a zero secrecy score, this data needs to be accessible online for **free and in open data** format. Even if the cost per record is low, it can be prohibitively expensive to import this information into an open data

environment which limits the uses of the data. For example, access costs create substantial hurdles for conducting real time network analyses, for constructing cross-references between companies and jurisdictions, and for new creative data usages.<sup>9</sup> Furthermore, complex payment or user-registration arrangements for accessing the data (e.g. registration of bank account, requirement of a local identification number or sending of hard-copy mails) should not be required.<sup>10</sup>

From an open data perspective, a zero secrecy score is subject to the type of license for the use of the data, and if the data is fully downloadable from the internet. In cases where data was found to be freely available, we have consulted the corresponding jurisdiction at the open company data index published online by Open Corporates.<sup>11</sup> Only if there was an open license or no license for the reuse of the data, and if the data was freely available for download, we considered it as open data.<sup>12</sup>

We performed a random search on each of the relevant real estate registries to ensure that the information is effectively available and that technical problems do not persistently block access.

The first component (real estate) of KFSI 4 draws information mainly from four different types of sources. First, we incorporated the results of the TJN-Survey 2019. Second, we took into consideration existing studies and research for example by the World Bank (Land Governance Assessment Framework<sup>13</sup>) or by the European Union (European Land Information Service<sup>14</sup>). Third, we performed an internet search for the relevant real estate registries in each of the reviewed jurisdictions. If data on real estate owners was accessible, we then analysed a sample for the quality of data. If doubts existed about the quality or nature of the data, we then proceeded to analyse the local legislation, on a case by case basis.

For the second component (freeports), information has been collected through the following means: first, a literature and media article review was conducted to identify high profile freeports. Second, an internet search was carried out by combining a jurisdiction's name with the following words: "freeport", "bonded warehouse", "free trade zone", "foreign trade zone", "storage", "valuable storage", "art storage" and "gold storage". Third, the resulting information about the existence of specific storage facilities was checked for consistency with data collected through the TJN-Survey 2019. Fourth, for those jurisdictions with such facilities, we reviewed FATF reports. Finally, if any source indicated that within the freeport facilities, ownership information about those using the facilities and owning the stored assets needed to be registered, corresponding government websites, legislation and/or regulation were analysed to assess whether there are adequate mechanisms in place to enable the countries in which the free ports are located to automatically send the

information to countries of residence of the owners. Where no evidence was found to confirm the existence or promotion of freeports, the jurisdiction received zero secrecy score.

### **Recent but insufficient transparency advancements in the EU**

#### **a) Real estate**

The 2018 amendment to the 4<sup>th</sup> EU Anti-Money Laundering Directive (referred to as AMLD 5<sup>15</sup>) introduced provisions on owners of real estate. New article 32b of AMLD 5 states the following: "1. Member States shall provide FIUs and competent authorities with access to information which allows the identification in a timely manner of any natural or legal persons owning real estate, including through registers or electronic data retrieval systems where such registers or systems are available. By 31 December 2020, the Commission shall submit a report to the European Parliament and to the Council assessing the necessity and proportionality of harmonising the information included in the registers and assessing the need for the interconnection of those registers. Where appropriate, that report shall be accompanied by a legislative proposal."<sup>16</sup> Nevertheless, this AMLD provision does not ensure that legal or beneficial owners of real estate will be centralised and publicly accessible online.

#### **b) Freeports**

While the EU Directives regulate on freeports and beneficial ownership, they are not comprehensive enough to ensure access to beneficial ownership information of stored goods in freeports.

In their paper "Money laundering and tax evasion risks in free ports" the European Parliament described that the 2018 amendment to the 4<sup>th</sup> EU Anti-Money Laundering Directive (AMLD5), "will broaden the scope of the directive and explicitly includes free ports, free port operators and actors in the art market: 'Persons trading or acting as intermediaries in the trade of works of art, including when this is carried out by art galleries and auction houses as well as persons storing, trading or acting as intermediaries in the trade of works of art when this is carried out by free ports where the value of the transaction exceeds EUR 10 000', were added to the list of 'obliged entities' under the recently adopted AMLD5. These entities will then be subject to the same customer due diligence requirements as current nonfinancial obliged entities, such as real estate agents or notaries, and they will also have to report suspicious transactions to the financial intelligence units (FIUs)."<sup>17</sup> However, collecting information without automatically reporting this information to authorities will be of little use - the same as if a company collected information on its beneficial owners without registering with authorities.

In the EU, under the 2016 Directive on Administrative Cooperation (DAC 5), tax authorities have 'access upon request' to beneficial ownership information collected by customer due diligence. While intermediaries operating in freeports will have to obtain beneficial ownership information as part of their customer due diligence, tax authorities will not be able to access this information without evidence and suspicions to support a request for information. That is why it was concluded that "it is difficult to predict how this measure would actually have systemic benefits. Unless direct tax authorities have prior information, for example a specific request received from one of their counterpart authorities abroad or information from their national FIU, the information held by the obliged entities are 'unknown-unknowns' to direct tax authorities. In this context, the chances of a foreign UBO who stores his/her assets in a free port becoming known to his/her own tax authorities as a result of exchange of information agreements between tax authorities seems almost negligible."<sup>18</sup>

As for EU Customs regulations, these aren't comprehensive either in terms of beneficial ownership information. Information that Member states must require in different customs processes is dictated by European Union regulation 2015/2446, and it provides no obligation to include the particulars of a party with ownership rights (the buyer or owner) for all assets entered in Free Zone areas or other preferential regimes.<sup>19</sup>

Consequently, we conclude that asset ownership registration in free zones and other preferential regimes is not comprehensive in EU States.

**All underlying data can be accessed freely in the  Financial Secrecy Index.** To see the sources we are using for particular jurisdictions please consult the assessment logic in Table 4.3 at the end of this document and search for the corresponding info IDs (**IDs 416, 418, 437, 439 and 487**) in the database report of the respective jurisdiction.

### Why is this important?

#### Component 1: Real Estate Registries

Secrecy around the ownership of real estate exacerbates the attractiveness of the real estate sector for money laundering, investing the proceeds of crime and the use of aggressive tax avoidance structures. There are a number of reasons why real estate transactions are particularly attractive for criminals seeking to conceal and/or launder their illicit wealth. First, money laundering through real estate does not require a lot of planning or expertise and therefore is relatively uncomplicated and risk-free compared to other methods of money laundering.<sup>20</sup> Second, cash is still used often in many countries and does not leave an electronic

paper trail for investigators. Third, the high unit prices involved in real estate transactions implies that large sums of illicit funds can be laundered without creating suspicion, since these are more difficult to detect in a deep and large pool of regular high value real estate transactions.<sup>21</sup> In addition to these factors several recent case studies have shown that without public pressure the willingness and motivation of governments to control and limit the influx of dirty money from abroad is very low.

Public registers with complete legal ownership as well as ultimate beneficial owners would increase the pressure for proper oversight and mitigate the high risks of illicit activity. Yet to date there is no public register of those ultimately owning and controlling real estate anywhere in the world. The absence of easily accessible information even on legal owners of real estate cause investigations to slow down or even fail, if journalists, civil society, police or public prosecutors dispose of no, or only complex, uncertain, costly or time consuming, means to access real estate ownership information at home and across borders.

In countries with public beneficial ownership for domestic companies, a public register on beneficial owners of real estate would also eliminate undue advantages for foreign companies and help to avoid incentives for arbitrage. Without a public beneficial ownership registry for real estate, there is an incentive for companies investing in real estate to use shell companies incorporated in secrecy jurisdictions for buying real estate as a means for disguising ultimate ownership and investors.

The mechanisms used for money laundering in the real estate sector are well known and there are many examples of real estate being abused for money laundering. The FATF described in 2007 how one of the often-used structures to launder money consists in manipulating the valuation of real estate through a complex chain of transactions. First, the launderers set up shell companies to buy property. Soon after the purchase, these companies are voluntarily wound up and the criminals who set them up then repurchase the real estate at a higher price than it was originally bought. The (criminal) origin of the capital for this second purchase of the same real estate remains concealed and the money is laundered in the hand of the seller in the second real estate transaction.<sup>22</sup> In their 2017 report on money laundering risks in four major real estate markets, Transparency International shows that existing oversight and anti-money laundering rules don't work effectively.<sup>23</sup>

For example, in the corruption scandal around the Malaysian Sovereign Wealth Fund 1MDB, a US civil lawsuit alleges that over US\$3.5 billion of taxpayer funds were diverted to buy, among others, luxury real estate in the US and the UK.<sup>24</sup> A complex and multi-layered web of accounts and

companies helped disguising the source of funds and the real owners controlling the real estate. Pooled accounts by major US law firms were allegedly playing a central role to get the laundered money into the US. If a central and public register of ownership of real estate had existed in the US, the law firms involved in handling the dubious transactions and clients might have thought twice about the reputational risks of engaging with these actors. In order to address money laundering in the real estate sector, Transparency International recommended, among others:

"Governments should require foreign companies that wish to purchase property to provide beneficial ownership information. Preferably, this information should be kept in a beneficial ownership registry and made available to competent authorities and the public in open data format".<sup>25</sup>

Stories about wealthy individuals from Russia, Kazakhstan and other former Soviet Union countries buying real estate in Switzerland at highly inflated prices have been viral at least since 2010. An official overseeing construction in a Swiss canton said that money did not matter for the buyers – even if a zero is added to the market price, [they would still buy it](#).<sup>26</sup> Even organised crime groups, such as the Russian and Italian mafias, have been reported to use real estate for money laundering especially around the [Lake Zurich, Lake Geneva and Ticino regions](#).<sup>27</sup> Concerns about money laundering in Swiss real estate [persisted in 2017](#).<sup>28</sup>

The UK property market is no less an investment destination of choice for dubious characters. Global Witness revealed in 2015 how a real estate empire worth £147 million in well-known London locations appeared to be "owned by someone with ties to Rakhat Aliyev, a notorious figure from Kazakhstan, accused in the EU of money laundering and murder" ([page 1](#)<sup>29</sup>). An investigative documentary entitled '[From Russia with Cash](#)' illustrated how the London property market is awash with billions of pounds of corruptly gained money which has been laundered by criminals and foreign officials. The documentary emphasised the need for creating in the UK a central public land registry of foreign companies, setting out which land they own.<sup>30</sup>

Similarly, various case studies in Germany illustrate how the real estate sector of Baden-Baden, a health and casino resort town in the south of Germany, is owned by dubious Russian and former Soviet Union officials.<sup>31</sup> A study commissioned by the German federal crime fighting agency BKA (Bundeskriminalamt) of 2013 identified high risks of money laundering in the German real estate sector – a finding that was confirmed in 2015 in academic study.<sup>32</sup>

Real estate in New York has also been reported to be linked to wealth of dubious origin. For example, in 2014, it was discovered through a leak that properties held by offshore companies in New York Central Park West were owned by a Chinese couple (Sun Min and Peter Mok Fung). However, [New York Magazine reported](#)<sup>33</sup> that a “[...] Hong Kong tribunal recently convicted Sun Min of trading on inside information related to Coca-Cola’s failed acquisition of a Chinese juice company in 2008, the same year she and her husband made their \$15 million purchase”.

In countries such as Spain, where the real estate bubble drove economic growth in pre-crisis years, the opacity of real estate registries allowed illicit activities to thrive. In Spain, two examples illustrate the importance of public ownership registries for real estate.

Following a legislative change (Ley Hipotecaria de 1998) under the mandate of Jose María Aznar, the catholic church was awarded preferential treatment in registering real estates. Without proof other than a statement by the bishop of the corresponding diocese, and subject to no publicity requirements, the church was allowed to claim ownership over properties that were formerly considered property of municipalities. This ad hoc silent registration process allowed the catholic church to claim over 5000 real estates in the last two decades, setting up in several cases for profit yet tax free endeavours.<sup>34</sup> The investigative documentary by Jordi Evole, “Que Dios te lo Pague” (in english “may god pay you”), covers various cases of secretive real estate speculation carried out by the Archdiocese of Pamplona y Tudela (Navarra).<sup>35</sup>

In the coastal city of Marbella, a favoured destination for wealthy Russians,<sup>36</sup> the public witnessed an unprecedented money laundering scandal when in the years following the burst, police investigations uncovered a dense criminal network with tight control over local authorities. The municipality facilitated the construction of more than 16 000 illegal properties, laundering over 2400 million euros for construction companies and private individuals, while using complex legal structures to conceal effective ownership of the properties.<sup>37</sup>

Apart from aiding money-laundering and investment of laundered money, hidden and complex ownership structures also help facilitate aggressive tax avoidance and obstruct accountability. When professional real estate investors create complex company structures to reduce their taxes and real estate registers only contain the direct legal owner – often a local special purpose company – it becomes impossible to obtain reliable information on who owns local real estate both for the purpose of statistics to inform policy making as well as to enable tenants and local residents to hold their landlords accountable. Two examples of real estate investment funds from Jersey and Luxemburg and the consequences their

investments have in Germany are [documented here \(in German\)](#).<sup>38</sup> As those investment funds are themselves owned by a multitude of different shareholders, often including trusts and other investment funds, beneficial ownership transparency will only be possible with the global application of strict requirements going far beyond the standard 25% threshold for company registers (as suggested in [KFSI 3 company ownership](#)).

### Component 2: Freeports

Freeports for storing valuable assets – especially art – are proliferating around the globe, with many new major facilities announced or completed in recent years. The latest additions are facilities in the USA ([Delaware, 2015](#)<sup>39</sup>; [New York, 2017](#)<sup>40</sup>) and China ([Shanghai, 2017](#)<sup>41</sup>), which were preceded by [Luxembourg \(2014\)](#), [Beijing \(2014\)](#)<sup>42</sup> and [Monaco \(2013\)](#)<sup>43</sup> and [Singapore \(2010\)](#).<sup>44</sup> The oldest actor still operating is the Ports Francs et Entrepôts de Genève, which runs a [gigantic Geneva-based freeport](#),<sup>45</sup> which has been in operation since 1888 and which in 1988 opened a facility at Geneva Airport.<sup>46</sup>

This boom appears to be partially driven by strong growth at the top end (sales above USD 10 million) of the art market, itself reflective of an extreme concentration of wealth in the hands of billionaires ([Deloitte 2014: 29](#)<sup>47</sup>; [Deloitte 2016: 104](#)<sup>48</sup>). At the same time, another important reason for the growth in demand for storage of gold bullion in such high security places was the financial crisis as well as the avoidance of new bank account reporting rules crafted from 2013 onwards.<sup>49</sup> Last but not least, billionaire drug lords have been known in the past to launder money through expensive art collections, including Joaquin Guzmán aka [El Chapo \(Mexico\)](#),<sup>50</sup> [Héctor Beltrán Leyva \(Mexico\)](#) and [Pablo Escobar \(Colombia\)](#).<sup>51</sup>

The value of assets stored in Freeports around the world is rising,<sup>52</sup> albeit unknown, it is believed to be in the hundreds of billions of dollars.<sup>53</sup> But it is not only art that is stored in Freeports. Besides art, the range of high value assets include precious stones, antiquities, cash, gold bars, wines and even [classic cars](#).<sup>54</sup>

Freeports are known as a 'fiscal no-man's-land'. They were originally created to boost trade by suspending customs duties, sales taxes and value-added tax until the final delivery of the goods outside the freeports. If no delivery is made, such taxes and customs duties will never be paid. Historically, this might not have been an issue, because goods such as grain or other commodities could not be stored indefinitely. However, artworks, gold, precious stones and other luxury goods may never leave the freeport, but can be traded within the freeport without ever leaving it. Freeports are often used to store valuable goods discreetly with a strong emphasis on high security.

This invites all sorts of shady traders and businesses who benefit from no or low tax, and the veil of secrecy resulting from an absence of, or weak, customs and tax checks. UNESCO summarised the regulatory vacuum as follows:

In some cases it is not clear whether the government or the Customs authorities have the jurisdiction to exercise controls. The lack of control by Customs raises problems in the fields of intellectual property, valuation fraud and other non-fiscal offences. Moreover, controls are often carried out by random selection methods rather than based on risk assessment or indicators and there are no clear procedures, authority, or documentation identified to organize and carry out the investigations. ([page 3](#))<sup>55</sup>

Before the recent hype of freeports for the storage of high value goods, the anti-money laundering agency Financial Action Task Force published a report on "[Money Laundering vulnerabilities of Free Trade Zones](#)" in 2010.<sup>56</sup> A number of trade based money laundering cases with involvement of free trade zones were documented in that report. With respect to the checks applicable, the FATF noted:

The scope and degree of Customs control over the goods introduced, and the economic operations carried out in FTZs, vary from one jurisdiction to another. Consistent with the purposes of establishing free trade zones, goods introduced in a FTZ are generally not subject to the usual Customs controls. There is therefore a risk of exploiting the FTZ system for commercial fraud ([page 16](#)<sup>57</sup>).

According to their classification, freeports and bonded warehouses are specific categories of free trade zones. We are using the two latter terms interchangeably here for any such geographical area which has an emphasis on providing storage facilities for high value goods.

Besides customs and tax exemptions, the secrecy provided by Freeports is an important reason why they are attractive for kleptocrats and tax dodgers. The real ownership of valuable goods and assets can remain hidden and may not even need to rely on nominees – nobody in the Freeports may ask for their identities. The operators of Freeports are often not subject to anti-money laundering rules (they are not so-called obliged entities) and thus are under no obligation to identify customers, let alone beneficial owners of people renting the storage facilities.

As a result, Freeports are frequently used for tax evasion and money laundering. Due to the absence of registration and information exchange about those owning the assets stored in freeports, they provide secrecy to

the users and often an effective shield against investigations unless prosecutors find out about dubious operations through other leads.

For example, an organised crime, tax evasion and money laundering operation revolving around diamond trading was uncovered in 2004. Diamonds entered the freeport of Geneva from Antwerp and were officially designated for transit export to third countries. However, the diamonds in fact returned to Antwerp and were sold there on the black market.<sup>58</sup>

A related problem concerns the trading in blood diamonds. Switzerland's Geneva freeport has become a turntable for the global diamond trade. While customs require a clean Kimberley certificate (proof that a diamond is not a blood diamond) for any diamond entering the Freeport, checks about the veracity of the certificate are seldom, if ever, carried out. The diamonds then travel on to further customers with a clean certificate stating Swiss origin, and erasing any other origin. In just one year, [Switzerland has issued 674 diamond certificates, and exported diamonds valued at €2.3 billion.](#)<sup>59</sup>

Another case of potential criminal activity revolves around the owner of the Geneva Freeport and a partner facility in Singapore, Yves Bouvier, dubbed the "Freeport King", who was accused by a Russian billionaire over [fraudulent pricing](#). Courts in Hong Kong and Singapore ordered a freeze of Bouvier's assets in 2015. Bouvier has denied wrongdoing.<sup>60</sup>

In 2016, UNESCO published a report that identified "a high risk that the freeports are used by art dealers to store works of art from thefts, lootings or illicit excavations for resale in the black market when things have cooled down, even many years later." ([page 2](#))<sup>61</sup> A list of recent scandals in illegal trafficking of cultural heritage involving Freeports include stolen Roman and Etruscan antiquities and ancient Egypt treasures, including mummies, discovered in the Freeport of Geneva.

In [December 2016](#),<sup>62</sup> links between Geneva Freeport and terrorist groups such as the Islamic State were disclosed as Swiss authorities confiscated stolen antiquities. These originated among others from Syria's Palmyra UNESCO world heritage site, which was devastated by the Islamic State in 2015. Further confiscated stolen antique objects came from war torn Libya and Yemen.<sup>63</sup>

Catering to the needs of the boom of the art and tangible asset market, in 2016 Luxembourg invented a new type of investment fund structure that is unregulated and enables investment into art and other tangible assets.<sup>64</sup>

Ownership registration of freeport assets and real estate is therefore essential for lifting the deliberate veil of opacity covering these particular

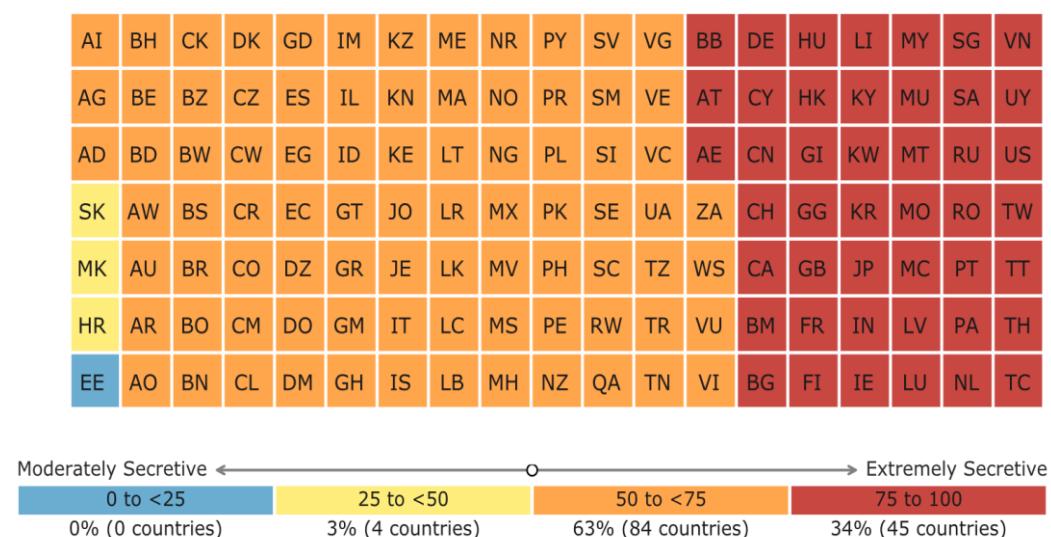
# KFSI 4: OTHER WEALTH OWNERSHIP

storage hubs and the real estate market. The costs and risks for money laundering, and the prospects of successful law enforcement are likely to be greatly enhanced as a result.

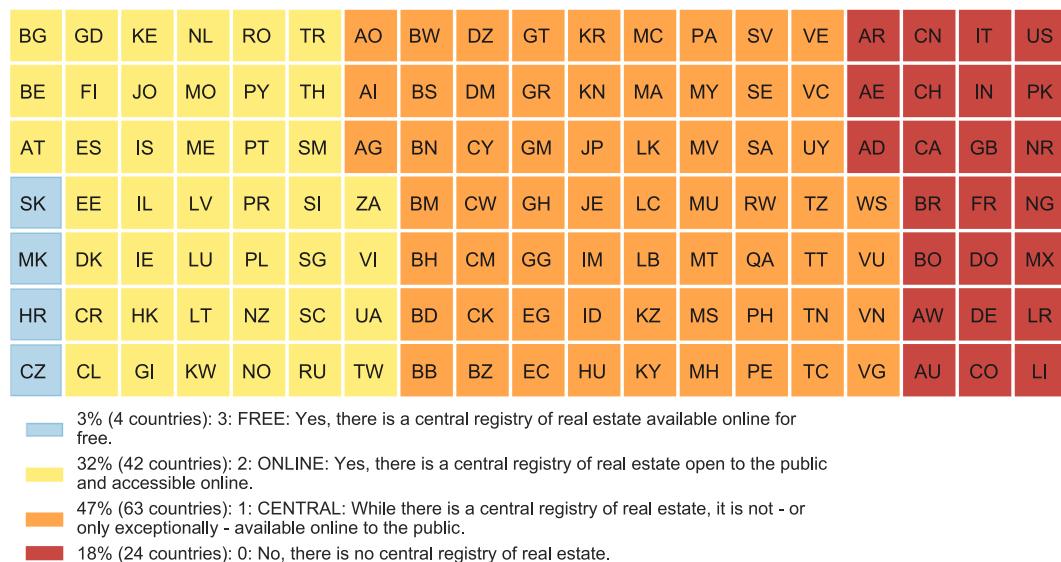
**All underlying data can be accessed freely in the  [Financial Secrecy Index database](#) (IDs 416, 418, 437, 439 and 487).**

## Results Overview

**Figure 4.1: Other Wealth -Secrecy Score Overview**



**Figure 4.2: Online public availability of a central registry of domestic real estate**



# KFSI 4: OTHER WEALTH OWNERSHIP

**Figure 4.3: Real Estate Complete Ownership Overview**

AD	AU	BM	CA	CR	DO	GB	GT	IN	KN	LI	MC	MV	PA	PY	SE	TR	VC	ZA
SK	AT	BH	BZ	CO	DM	FR	GR	IM	KE	LC	MA	MU	NZ	PT	SC	TN	UY	WS
SG	AR	BG	BW	CN	DK	FI	GM	IL	JP	LB	LV	MT	NR	PR	SA	TH	US	VU
NL	AO	BE	BS	CM	DE	ES	GI	IE	JO	KZ	LU	MS	NO	PL	RW	TC	UA	VN
MK	AI	BD	BR	CL	CZ	EG	GH	ID	JE	KY	LT	MO	NG	PK	RU	SV	TZ	VI
HR	AG	BB	BO	CK	CY	EC	GG	HU	IT	KW	LR	MH	MY	PH	RO	SM	TW	VG
EE	AE	AW	BN	CH	CW	DZ	GD	HK	IS	KR	LK	ME	MX	PE	QA	SI	TT	VE

█ 5% (6 countries): Complete Legal Ownership only  
█ 95% (127 countries): Incomplete Ownership or high cost

**Figure 4.4: Real Estate Legal Ownership Overview**

AD	AU	BM	CA	CR	DO	GB	GT	IN	KN	LI	MC	MV	PA	PY	SE	TR	VC	ZA
SG	AT	BH	BZ	CO	DM	FR	GR	IM	KE	LC	MA	MU	NZ	PT	SC	TN	UY	WS
NL	AR	BG	BW	CN	DK	FI	GM	IL	JP	LB	LV	MT	NR	PR	SA	TH	US	VU
EE	AO	BE	BS	CM	DE	ES	GI	IE	JO	KZ	LU	MS	NO	PL	RW	TC	UA	VN
SK	AI	BD	BR	CL	CZ	EG	GH	ID	JE	KY	LT	MO	NG	PK	RU	SV	TZ	VI
MK	AG	BB	BO	CK	CY	EC	GG	HU	IT	KW	LR	MH	MY	PH	RO	SM	TW	VG
HR	AE	AW	BN	CH	CW	DZ	GD	HK	IS	KR	LK	ME	MX	PE	QA	SI	TT	VE

█ 2% (3 countries): 2: FREE: Yes, legal ownership is always available for free but not in open data format.  
█ 2% (3 countries): 1: COST: Yes, legal ownership is always available but only at a cost of up to 10 EUR/GBP/USD.  
█ 95% (127 countries): 0: No, information on legal owners is not always available online (up to 10 EUR/GBP/USD).

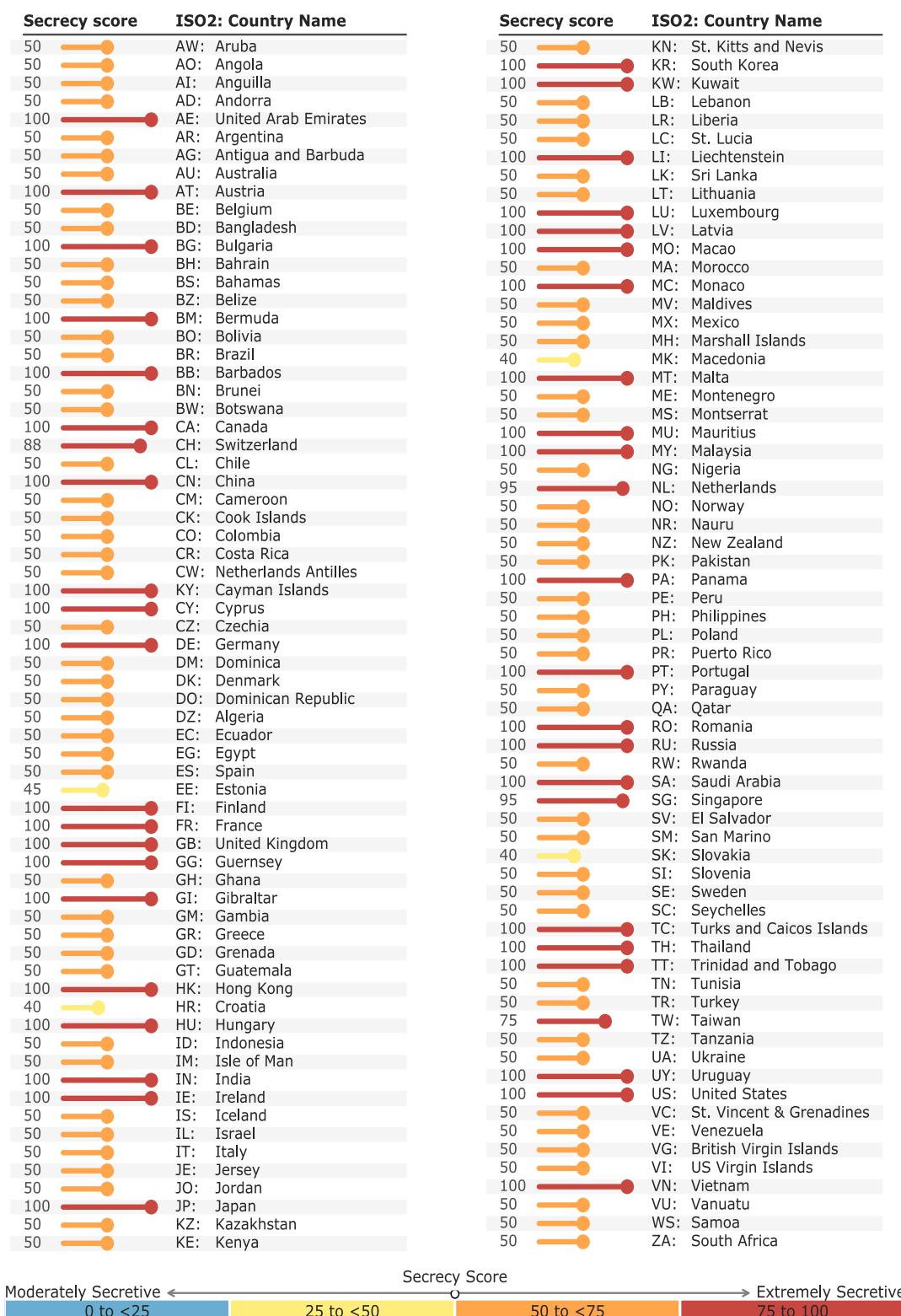
**Figure 4.5: Freeports Overview**

AW	BS	CR	EC	GR	IT	LC	MK	NZ	QA	SV	VG	AE	CY	HK	KY	MU	SA	VN
AU	BR	CO	DZ	GM	IS	LB	MH	NR	PY	SM	VE	CH	CN	GI	KW	MT	RU	UY
AR	BO	CM	DO	GH	IM	KZ	ME	NO	PR	SK	VC	TW	CA	GG	KR	MO	RO	US
AO	BN	CL	DM	GD	IL	KN	MA	NG	PL	SI	UA	ZA	BM	GB	JP	MC	PT	TT
AI	BH	CK	DK	ES	ID	KE	LT	MX	PK	SE	TZ	WS	BG	FR	IN	LV	PA	TH
AG	BE	BZ	CZ	EG	HR	JO	LR	MV	PH	SC	TR	VU	BB	FI	IE	LU	NL	TC
AD	BD	BW	CW	EE	GT	JE	LK	MS	PE	RW	TN	VI	AT	DE	HU	LI	MY	SG

█ 66% (88 countries): Complete registration and automatic notice to the owner's residence jurisdiction, or freeports are not promoted or do not exist  
█ 1% (1 countries): Legal and Beneficial Ownership Registration – No automatic notice  
█ 1% (1 countries): Legal but not Beneficial Ownership Registration – No automatic notice  
█ 32% (43 countries): Incomplete or No Ownership Registration

# KFSI 4: OTHER WEALTH OWNERSHIP

**Table 4.2: Other Wealth Ownership - Secrecy Scores**



## KFSI 4: OTHER WEALTH OWNERSHIP

**Table 4.3: Assessment Logic**

Info_ID	Text_Info_ID	Answers <b>(Codes applicable for all questions: -2: Unknown; -3: Not Applicable)</b>	Valuation Secrecy Score
416	<b>Real Estate Registry:</b> Is there a central registry of domestic real estate publicly available online?	0: No, there is no central registry of real estate; 1: CENTRAL: While there is a central registry of real estate, it is not - or only exceptionally - available online to the public; 2: ONLINE: Yes, there is a central registry of real estate open to the public and accessible online; 3: FREE: Yes, there is a central registry of real estate available online for free; 4: OPEN: Yes, there is a central registry of real estate available online for free & in open data format.	Integrated assessment of BO and LO as per assessment matrix in KFSI 4, Table 1 (see FSI-methodology or KFSI 4 paper). If all beneficial and legal owners are always registered and updated with all details, and made available online in open data format, then zero secrecy score. If not even legal owners are always registered, or incomplete, or not updated, 50 secrecy score. Eight intermediate scores for partial compliance.
437	Is legal ownership information of real estate available on public online record (up to 10 EUR/GBP/USD)?	0: No, information on legal owners is not always available online (up to 10 EUR/GBP/USD); 1: COST: Yes, legal ownership is always available but only at a cost of up to 10 EUR/GBP/USD; 2: FREE: Yes, legal ownership is always available for free but not in open data format; 3: OPEN: Yes, legal ownership is always available for free & in open data format.	
487	Is beneficial ownership information of real estate available on public online record (up to 10 EUR/GBP/USD)?	0: No, beneficial ownership not always available online (up to 10 EUR/GBP/USD); 1: COST: Yes, beneficial ownership (with the exception of real estate where the beneficial owner actually resides, if applicable) is always available but only at a cost of up to 10 EUR/GBP/USD; 2: FREE: Yes, beneficial ownership (with the exception of real estate where the beneficial owner actually resides, if applicable) is always available for free but not in open data format; 3: OPEN: Yes, beneficial ownership (with the exception of real estate where the beneficial owner actually resides, if applicable) is always available for free & in open data format.	

## KFSI 4: OTHER WEALTH OWNERSHIP

Info_ID	Text_Info_ID	Answers <b>(Codes applicable for all questions: -2: Unknown; -3: Not Applicable)</b>	Valuation Secrecy Score
<b>418</b>	Are freeports/free trade zones/foreign trade zones/bonded warehouses promoted as places to store valuable assets (e.g. gold bullion, art, precious stones, jewellery, cash, antiquities, wines, cigars, cars)?	YN	If answer is No or unknown: zero secrecy score; otherwise see below (ID 439)
<b>439</b>	<b>Freeport Owners:</b> Is information on legal and beneficial owners of assets stored in freeports/free trade zones/foreign trade zones/bonded warehouses always registered by a government agency, and sent to respective countries of residence of the owners?	0: <b>Neither legal nor beneficial</b> owners need to be reported in all cases to a domestic government agency (e.g. customs office, a commercial registry, tax administration, central bank or a similar body); 1: <b>Only legal owners</b> need to be reported in all cases to a domestic government agency (e.g. customs office, a commercial registry, tax administration, central bank or a similar body); 2: <b>Legal and beneficial owners</b> need to be reported in all cases to a domestic government agency (e.g. customs office, a commercial registry, tax administration, central bank or a similar body); 3: <b>Information on legal and beneficial ownership is sent</b> to the corresponding countries of residence of the owners.	0: 50; 1: 37.5; 2: 25; 3: 0

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<sup>1</sup> We believe this is a reasonable criterion given a) the prevalence of the internet in 2019, b) as international financial flows are now completely relying on the use of modern technology, it would be an omission not to use that technology to make information available worldwide especially as c) the people affected by these cross border financial flows are likely to be in many jurisdictions, and hence need information to be on the internet to get hold of it. This criterion is informed by the open data movement according to which all available company registry information, including accounts, should be made available, for free, in open and machine-readable format. For more information about this see OpenCorporates, 'The Open Database of the Corporate World' <<https://opencorporates.com/>> [accessed 29 January 2020].

<sup>2</sup> The availability of a freeport or special economic zone is disregarded in the case of jurisdictions without income tax. In this case, the mere promotion of storage for high value assets is considered.

<sup>3</sup> FATF defines beneficial owners as the "natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective

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control over a legal person or arrangement.” See page 113 in Financial Action Task Force, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation. The FATF Recommendations (2012 - Updated 2019)* (Paris, June 2019) <<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendation%202012.pdf>> [accessed 29 January 2020].

<sup>4</sup> Both the recommendations of the international anti-money laundering agency Financial Action Task Force (FATF) and the 4th Anti-Money Laundering Directive of the European Union apply a minimum floor of control or ownership of ‘more than 25%’ of the company in the definition of a beneficial owner (BO) of a company. Under these rules, a natural person who directly or indirectly owns or controls 25% or less of a company’s shares would not be identified as BO. Four members of one family suffice to frustrate this BO registration threshold if each held 25% of the shares. See [KFSI 3](#) or the note above for further details: <http://www.financialsecrecyindex.com/PDF/3-Recorded-Company-Ownership.pdf>; 22.12.2019.

<sup>5</sup> The availability of a freeport or special economic zone is disregarded in the case of jurisdictions without income tax. In this case, the mere promotion of storage for high value assets is considered.

<sup>6</sup> The reasons are that the costs for accessing as well as the risks and incentives for manipulation (such as omissions or backdating changes) of ownership information remain far higher than with publicly run registers. Furthermore, privately managed registers and firms usually are not covered by freedom of information legislation, exacerbating secrecy.

<sup>7</sup> If the online interface of the register only allows searches using some administrative identifiers of the property (but not with street addresses or map selection), we have considered that registry information to be available only if those administrative identifiers could otherwise be linked to street addresses through officially recognised and freely available websites.

<sup>8</sup> See note above.

<sup>9</sup> These innovative ways to exploit the data are both widespread in the open data community and would greatly increase the likelihood of identifying illicit activity hidden behind corporate vehicles. For more information about this see OpenCorporates, ‘The Open Database of the Corporate World’.

<sup>10</sup> We consider that for something to be truly ‘on public record’, prohibitive cost constraints must not exist, be they financial or in terms of time lost or unnecessary inconvenience caused.

<sup>11</sup> ‘Open Company Data Index’, 2019 <<http://web.archive.org/web/20190328011114/http://registries.opencorporates.com/>> [accessed 28 January 2020].

<sup>12</sup> For six principles of open data, please consult ‘The International Open Data Charter’, *International Open Data Charter* <<https://opendatacharter.net/>> [accessed 28 January 2020].

<sup>13</sup>World Bank, 'Land Governance Assessment Framework', *World Bank* <<https://www.worldbank.org/en/programs/land-governance-assessment-framework>> [accessed 27 January 2020].

<sup>14</sup> European Union, 'European E-Justice Portal - Land Registers at European Level' <[https://e-justice.europa.eu/content\\_land\\_registers\\_at\\_european\\_level-108-en.do](https://e-justice.europa.eu/content_land_registers_at_european_level-108-en.do)> [accessed 28 January 2020].

<sup>15</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018L0843>; 20.1.2020.

<sup>16</sup> Ibid.

<sup>17</sup>Ron Korver, 'Money Laundering and Tax Evasion Risks in Free Ports' (2018) <[http://www.europarl.europa.eu/cmsdata/155721/EPRS\\_STUD\\_627114\\_Money%20laundering-FINAL.pdf](http://www.europarl.europa.eu/cmsdata/155721/EPRS_STUD_627114_Money%20laundering-FINAL.pdf)> [accessed 28 January 2020].

<sup>18</sup> Ron Korver, 'Money Laundering and Tax Evasion Risks in Free Ports'.

<sup>19</sup> Pursuant to EU Commission regulation 2015/2446, the buyer (name and address) only needs to be declared in summary declarations for sea, inland waterways, and road/rail (pursuant to Art 127(6) and 5(9) of the UCC). The buyer does not need to be declared in the Customs good manifest, nor for entry summary declarations (air cargo), nor in the declaration for customs warehousing of Union Goods, nor in the declaration for dispatch of goods in the context of trade with special fiscal territories (EU reg. 2015/2446: Annex A, Chapter 2 (ref. 3/26)). Also pursuant to EU regulation 2015/2446, the "owner of the goods" is only required to be declared for the use of temporary admission procedure (ibid. Annex A, Chapter 1 (ref. 3/18)). The particulars of the owner (name, address) are not required for example for the use of end-use procedure or use of inward processing procedure (ibid.). In any case, EU regulations do not require the legal owner of the goods, to be declared to public authorities in case of free zone storage of an asset. Regulation 2015/2446 is enacted by the European Commission under the authority provided by Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code [UCC]. The UCC avoids the question of ownership with the following definition: "'holder of the goods' means the person who is the owner of the goods or who has a similar right of disposal over them or who has physical control of them" (Art 5(34) of the UCC).

<sup>20</sup> For more information, see Australian Government - AUSTRAC, 'Money Laundering through Real Estate', 2015 <<http://web.archive.org/web/20190520221234/http://www.austrac.gov.au/sites/default/files/sa-brief-real-estate.pdf>> [accessed 28 January 2020].

<sup>21</sup> See: Financial Action Task Force, 'Money Laundering & Terrorist Financing through the Real Estate Sector', 2007 <<https://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20through%20the%20Real%20Estate%20Sector.pdf>> [accessed 28 January 2020]..

<sup>22</sup> See p. 11-17 in Financial Action Task Force, 'Money Laundering & Terrorist Financing through the Real Estate Sector'.

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