

TYPHOLOGICAL STUDY MONEY LAUNDERING OF TAX CRIMES

2020



State Financial
Monitoring Service
of Ukraine

APPROVED

By the order of the State Financial
Monitoring Service of Ukraine
21.12.2020 № 122

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Kyiv 2021

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Typological study “Money laundering of tax crimes”

This typological study examines issues of detection, disclosure and investigation of tax crimes and reveals the content and features of various schemes of money laundering of such crimes.

The study covers the nature of tax crimes and ways of their commission, as well as indicators of participation in various tax crime money laundering schemes.

The study emphasizes the importance of using risk-based approach to deter the above-stated crimes.

This typological study can be used as a basis to inform detection of suspicious financial transactions or tax crime money laundering activities



Organization for Security and
Co-operation in Europe
Project Co-ordinator in Ukraine

Opinions stated in this report may not coincide with the official position of the OSCE Project Coordinator in Ukraine

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PREFACE

HEAD OF THE STATE FINANCIAL MONITORING SERVICE OF UKRAINE

IGOR CHERKASKYI



The practice of detecting suspicious activity by participants in the national financial monitoring system is a cornerstone of financial monitoring legislation adopted in 2020.

The basis of any typological study is identification of risks, understanding of which allows one to take steps to reduce them.

The use of any typological study is an effective tool to minimize the identified threats and risks.

Given the negative impact of tax crimes and money laundering on the country's economy, resulting in budget losses and the country's inability to develop a balanced budget, as well as the wide spread of such crimes and the scale of specific schemes, the SFMS decided to choose the topic of "Money laundering" as a focus of this study.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name.

Igor Cherkaskyi

INTRODUCTION

Since the creation of the state, and throughout the period of its formation and development, the problem of filling state and local budgets through the timely payment of taxes, fees and other mandatory payments by legal entities and individuals has always been extremely relevant.

State building involves protecting the rights and legitimate interests of citizens, society, and the state, ensuring national security by defining a legal mechanism to prevent and combat money laundering, terrorist financing and financing the proliferation of weapons of mass destruction.

According to the results of the National Risk Assessment conducted in 2016, inadequate mitigation of shadowing and offshoring factors, as well ineffective investigation of tax crimes were identified as significant risks of the AML/CFT system.

The National Risk Assessment (2019) also showed the existing threats resulting from high level of shadowing and offshoring of the national economy. In addition, the National Risk Assessment (2019) determined the risk of ineffective investigation of predicate and money laundering crimes as medium.

The study of various ways of committing tax crimes and money laundering of such crimes will form an effective mechanism for combating such crimes.

Of great importance for the detection and investigation of money laundering of tax crimes is the use by the reporting entities of risk-based approach to customers.

It should be noted that tax crimes fall within the most common group of illegal acts – economic crimes. Tax crimes include acts against the state system, in particular the tax system, and cause damage in the form of non-receipt of taxes, fees, and other payments to state and local budgets.

The SFMS conducts rigorous analysis of suspicious transactions that have hallmarks of tax crimes on a regular basis.

The purpose of this study is to analyze and summarize the methods of money laundering of tax crimes.

This typological study is based on real-life experience of participants in the national financial monitoring system.

SECTION I. RISK ASSESSMENT



In 2016, the SFMS presented the first Report on the National risk assessment on preventing and countering legalization (laundering) of proceeds of crime and financing of terrorism.

The main AML / CFT risks in Ukraine identified and evaluated by this assessment include illegal economic activities (including fictitious entrepreneurship, fraud, and tax evasion) and high cash turnover.

Summary of the National Risk Assessment (2016), relevant to this typological study, are presented in the table below:

No.	Threat	Risk	Net risk level	Risk level value
5	High level of offshoring and shadowing of the national economy	Inadequate detection and improper mitigation of shadowing and offshoring of the financial system	8	Significant
8		High cash turnover	8	Significant
9		Financial capital outflow from the country	8	Significant
24	Ineffective investigation of ML and predicate crimes	Insufficient cooperation of law enforcement agencies with FIU	8	Significant
25		Ineffective investigation of ML crimes	8	Significant
27		Ineffective investigation of tax crimes	8	Significant
29		Ineffective investigation of ML predicate crimes	8	Significant
37	ML/FT through non-profit organizations	Use of non-profit organizations for ML/FT	8	Significant

In 2019, the SFMS presented the second Report on the National Risk Assessment in the field of prevention and counteraction of the legalization (laundering) of criminal proceeds and the financing of terrorism.

This Report is published on the SFMS official website under the heading “National Risk Assessment”.



Results of this NRA (2019) include several key findings related to the current typological study, including:

- ✓ **Analysis of internal aspects.** As a result of labor migration, budget revenues are declining due to a reduction in the number of potential taxpayers.
- ✓ **Assessment of systemic macroeconomic aspects.** Significant level of shadowing of the economy leads to significant reduction in state budget revenues in the form of unpaid taxes.
- ✓ **The shadow economy factor.** The shadow economy occupies a significant part of Ukraine’s business life. The components of the shadow economy are the three types of tax evasion, namely: concealment of business income; concealment of the actual number of employees; concealment of the actual amount of salary paid, or salary “in envelopes”.
- ✓ **Use of cash.** Ukraine’s economy provides for a wide range of cash uses. High cash turnover risk was identified in both the first and second National Risk Assessments.
- ✓ **Use of state-of-the-art technologies for money laundering / financing of terrorism.** The latest technologies are also vulnerable to ML/FT. The most vulnerable areas are cryptocurrencies in Ukraine, e-banking, self-service terminals, online stock exchange trading, online services.
- ✓ **Foreign economic (trade) operations.** For Ukraine, there’s a pressing issue of extraction abroad (especially into offshore areas) of funds obtained by criminal means using international trade instruments.
- ✓ **The offshore factor of the national economy.** The use of offshore continues to be the most popular national tool for tax evasion and capital flight. The main reasons for the popularity of the offshore are tax avoidance within the country (legal reduction of the tax burden); risk reduction and simplification of judicial protection of interests (capital flight due to low level of protection of investments/savings); extraction of financial proceeds from corruption.
- ✓ **Tax evasion.** The set of tax avoidance tools in Ukraine is not hugely different from other countries.
- ✓ **Non-profit sector.** Non-profit organizations can be utilized to evade taxes and fees, misuse budget funds, for misappropriation and embezzlement of property, abuse of power or office, ML/FT.
- ✓ **Ineffective investigation of money laundering crimes.** Ineffective investigations of ML crimes by law enforcement enable impunity, including for commission of tax crimes.

Summary of the National Risk Assessment (2019), relevant to this typological study, are presented in the table below:

No.	Threat	Vulnerability	Risk	Net risk level	Risk level value
2	High level of corruption	Financial sector, non-financial sector, taxation	Risk of falsification of invoices in foreign economic activity (risk of illegal financial outflows from the country)	9	High
6	High level of offshoring and shadowing of the national economy	The country's economy and the financial system as a whole	High cash turnover	9	High
7		Public finance management, fiscal administration, hidden unemployment	Shadowing and offshoring of the national economy	6	Medium
8		Extraction of wealth offshore, weak state support for private business, lack of favorable investment climate	Financial capital outflow from the country	6	Medium
20	Ineffective crime investigations	Classification of ML crimes	Ineffective investigation of ML predicate crimes	6	Medium
21	ML/FT through non-profit organizations	Redirection of financial flows, inconsistency with stated goals	Use of non-profit organizations for ML/FT	6	Medium

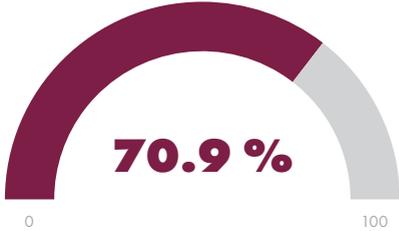
SECTION II.

GENERAL TRENDS

2.1. Basic budget indicators

The core component of the national financial system is the State Budget of Ukraine, as it is the main tool for the distribution and redistribution of GDP created in the country and the most effective way to influence production and socio-economic processes in the country.

CONSOLIDATED BUDGET FOR 2020*

BUDGET IMPLEMENTATION	
revenues	expenditures
 <p>82.0 %</p>	 <p>70.9 %</p>
Implemented – UAH 1,082,779,194,048.89 (82,05%)	Implemented – UAH 1,168,282,528,525.32 (70,89%)
Updated annual plan. UAH 1,319,620,133,147.86	Updated annual plan. UAH 1,647,868,496,446.21

* - for 10 months of 2020.

BUDGET REVENUE STRUCTURE

The budget revenue structure for 10 months of 2020 and 2021 is as follows¹:

No.	Revenue	10 months of 2020		2021 Budget	
		Sum, UAH, thousand	%	Sum, UAH, thousand	%
1	Tax revenues	874 678 389,7	80,78%	937 527 216,5	85,85%
2	Non-tax revenues	203 631 922,4	18,81%	141 079 487,9	12,92%
3	Income from capital transactions	2 633 352,0	0,24%	923 330,9	0,08%
4	From the European Union, foreign governments, international organizations, donor agencies	1 090 589,0	0,1%	1 966 331,3	0,18%
5	Trust funds	744 941,1	0,07%	200 657,4	0,02%
6	Official transfers	-	-	10 386 230,3	0,95%
TOTAL		1 082 779 194,1	100%	1 092 083 254,3	100%

That is, tax revenues in the structure of budgets make up the largest part.

¹ Source: State Budget Web Portal for Citizens. Access at www.openbudget.gov.ua

REGARDING REFUND OF VALUE ADDED TAX

From April 1, 2017, a new VAT refund mechanism was implemented, and the Register of VAT refund applications was launched (hereinafter – the Register).

This mechanism is designed to facilitate doing business in Ukraine, reduce corruption, transparency of the VAT refund mechanism, and create a level playing field for all taxpayers.

The Register operates in accordance with the Procedure for maintaining the Register of VAT refund applications developed by the Ministry of Finance of Ukraine.

All inputs in the register are made by the State Tax Service of Ukraine on the basis of business applications. After that, a maximum of 30 days is allotted to finalize the amount (in some cases provided by law – 60 days).

As of December 17, 2020, the Treasury bodies provided VAT refunds totaling over UAH 110.5 billion².

Register of VAT refund applications is publicly available on the website of the State Tax Service of Ukraine (at <https://cabinet.sfs.gov.ua/registers/vat-refund>).

² Website of the State Treasury of Ukraine. Access at: <https://www.treasury.gov.ua/ua/news/1shchodobyudzhetnogo-vidshkoduvannya-pdv>

2.2. General shadow economy trends

Inadequate detection and improper mitigation of shadowing and offshoring of the financial system threat is assessed as high by both the 2016 and 2019 NRAs.

In January-March 2020, the level of the shadow economy, according to preliminary calculations of the Ministry of Economy, amounted to 31% of official GDP. At the same time, the level of the shadow economy in 2019 amounted to 28% of official GDP³.

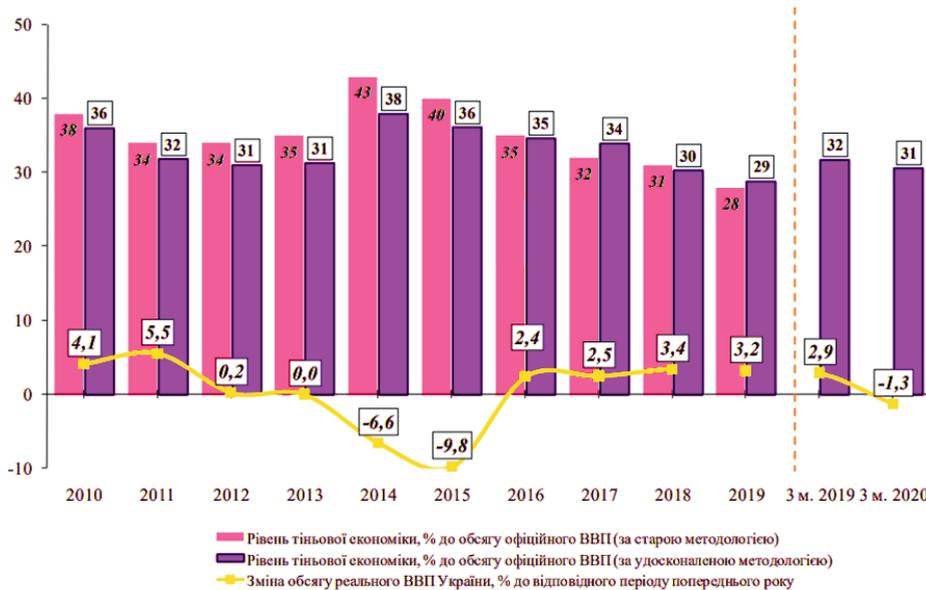


Fig 2.1. Integral indicator of the level of the shadow economy in Ukraine (in % of the official GDP) and growth/reduction rates of real GDP (in % relative to the corresponding period of the previous year)⁴

The high level of the shadow economy primarily causes losses to the state budget, as there is a deficit. The shadow economy is constantly changing, introducing new tools and schemes for committing tax crimes and laundering the proceeds of such crimes.

³ Access at: <https://www.me.gov.ua/Tags/DocumentsByTag?lang=uk-UA&id=46442994-b673-481b-bdf4-8941551bc942&tag=EkonomichnaSituatsiiaTaMakroekonomichnePrognozuvannia>

⁴ Source: State Statistics Committee, calculations of the Ministry of Economy (retrospective series are listed using updated methodology)

NON-GOVERNMENTAL RESEARCH OF SHADOW ECONOMY

Experts from the Institute of Social and Economic Transformation argue that, unlike other countries, the structure of the shadow economy in Ukraine is not centered around unregistered entrepreneurship or small services and trade.

The largest portion of tax evasion is done in Ukraine by large enterprises that dominate their industries and usually have political protection and immunity from supervision by fiscal and law enforcement agencies.

Based on the 2019 governmental statistical data, the Institute's experts analyzed Ukraine's most popular tax avoidance schemes that result in most significant budget losses (see Fig.):

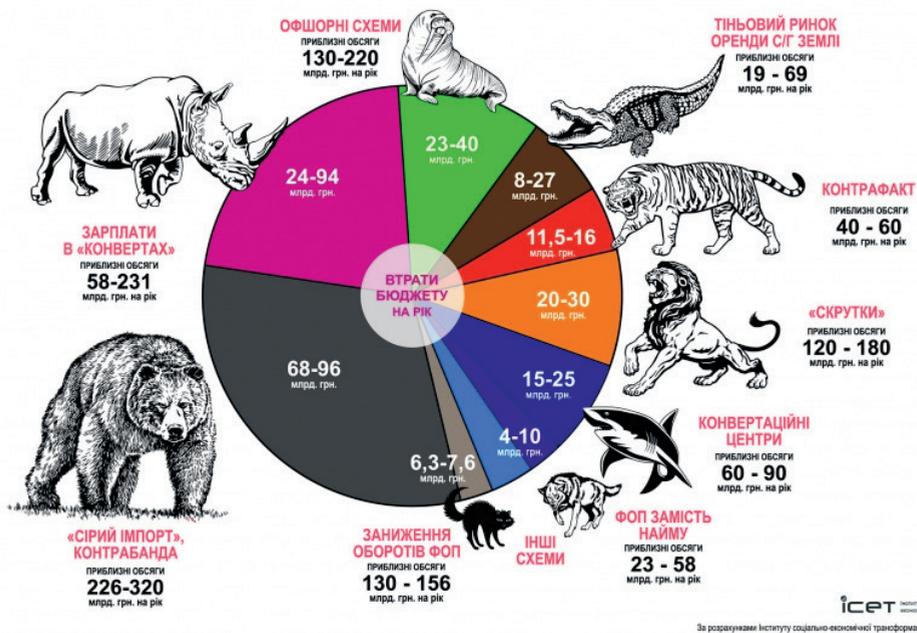


Fig. 2.2. Annual volumes and impact on the state budget of Ukraine of the main schemes of tax evasion and avoidance according to 2019 data

STRUCTURE OF CASH INFLOWS AND OUTFLOWS TO / FROM BANKS' CASH OFFICES



According to 2019 National Risk Assessment shadowing and offshoring of the national economy connected to high cash turnover is one of the high-level threats faced by Ukraine.

According to the National Bank of Ukraine structure of cash inflows and outflows to / from banks looks like this⁵:

- the amount of cash **inflows** to banks in the first half of 2020 amounted to UAH 961.4 billion. This is 11.8% less compared to the first half of 2019;
- the volume of cash **outflows** from banks in January-June 2020 amounted to UAH 1,025.7 billion. Year on year

cash outflows from banks in 2020 decreased by 5.5%.



Структура надходжень та видатків готівки до/з кас банків за операціями з клієнтами за січень-вересень 2020 року



At the same time, the largest sources of cash inflows to banks were customer transactions using payment cards (35.5% of total inflows); trade revenue (34.9% of total inflows); revenue from all types of services (9.4% of total inflows).

The largest sources of cash outflows include customer transactions using payment cards (75.5% of total outflows); support for postal operators (6.5% of total outflows); purchasing foreign currency from customers (6.2% of total outflows).

⁵ Access at: <https://www.facebook.com/NationalBankOfUkraine/photos/a.1505513382996162/2636888953191927/>

2.3. Virtual assets as a subject of taxation

In most jurisdictions, legislators and public authorities have already fully regulated the virtual asset market in accordance with their own objectives and specifics of their national laws. For example, relevant legislation in one form or another has been implemented in the United States, Germany, Malta, Gibraltar, Switzerland, Liechtenstein, Estonia, Japan, and so on.



In Ukraine, the market for virtual assets has in fact already been created and has existed for about five years, albeit completely outside the legal field of the state.

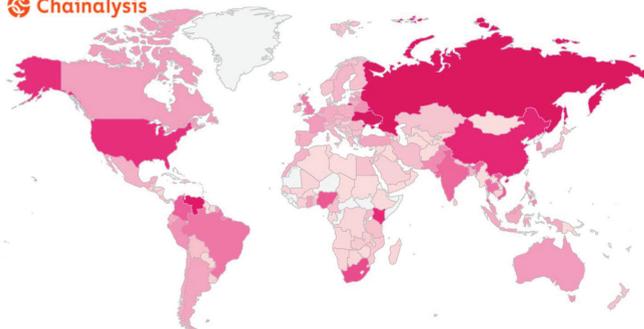
The market of virtual assets in Ukraine is quite developed and has significant turnover even on a global scale, but most of it is concentrated in the gray area, which creates potential risks for both the state and for business and users. In order to resolve the issue of virtual assets, on December 2, 2020, the Verkhovna Rada of Ukraine adopted, as a basis, the draft Law of Ukraine "On Virtual Assets" in the first reading.

The draft Law "On Virtual Assets" establishes the legal field of the market of virtual assets:

- legal status, classification, property rights and other key legal definitions;
- adapts the FATF recommendations on financial monitoring of the virtual assets market;
- determines the list of virtual assets service providers and their registration;
- determines the market regulator – the Ministry of Digital Transformation (in some cases the National Bank of Ukraine and the National Securities and Stock Market Commission);
- for the taxation of transactions with virtual assets.

The draft Law "On Virtual Assets" envisages amendments to the Tax Code of Ukraine to establish the procedure for taxation of transactions with virtual assets, and accordingly enable additional revenues to the State Budget of Ukraine.

 Chainalysis



According to the analytical blockchain company The Chainalysis, Ukraine has the largest use of virtual assets by the population in the world⁶.

⁶ To calculate the index of use of cryptocurrencies by the population, the following criteria were used: the cost of sent cryptocurrencies, per capita; balances of cryptocurrencies at the addresses (wallets) of Internet users (Ukraine); the volume of P2P transactions, calculated at purchasing power parity; volume of retail transactions (> \$ 10,000), calculated at purchasing power parity.

2.4. Capital flight as a shadowing factor

According to the results of the second National Risk Assessment (2019) the flight of capital abroad is considered a medium-level threat with respect to the shadowing of the national economy.

The capital flight from the country is usually carried out in cash using two main ways:

- by legally transferring funds from one country to another;
- illegally, i. e., in violation of national currency and foreign trade legislation.

The capital flight is one of the more significant threats to the country's economic security. In general, capital flight causes several negative consequences, including the following:

- reduction of the revenue side of the state and local budgets, which doesn't help with to the financing of various state and local development programs and forces the state to resort to external borrowing – as a result there is a decrease in foreign exchange reserves and own sources of financing external debt;
- reducing funding for public-private partnerships;
- reduction of balance of payments indicators due to transfer operations;
- reduction of production volumes and slowdown of GDP growth due to lack of investment in production development.

Also, the problem of unproductive capital flight from Ukraine is a significant risk to financial stability.

SECTION III.

RESEARCH OVERVIEW

International organizations have conducted several relevant studies on money laundering of tax crimes:

Managing the Anti-Money Laundering and Counter-Terrorist Financing Policy Implications of Voluntary Tax Compliance Programmes (FATF, October 2012)⁷

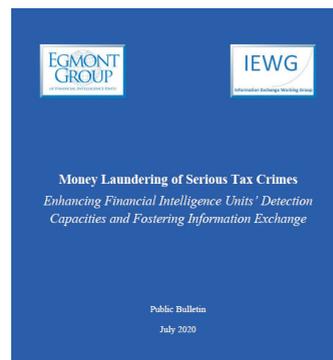
The document outlines international best practices for assisting countries in implementing voluntary tax programs that do not impede effective measures to combat money laundering and financing of terrorism.



Money Laundering of Serious Tax Crimes. Enhancing Financial Intelligence Units' Detection Capacities and Fostering Information Exchange (Egmont Group and IEWG, July 2020).

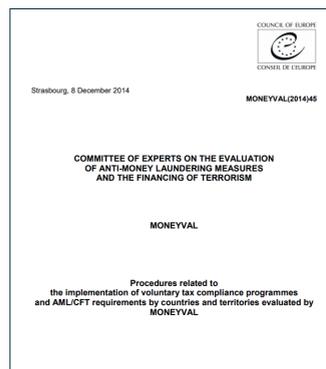
This bulletin focuses on best practices that can be used by legislators and civil society to guide the discussion of national strategies to strengthen the overall fight against tax fraud and money laundering.

The bulletin also provides best practices and case studies that competent authorities and reporting entities can use to improve their detection, analysis, and dissemination capabilities in this area.



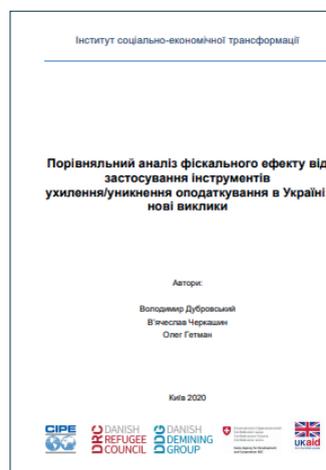
⁷ Access at: <https://www.fatf-gafi.org/media/fatf/documents/reports/BPP%20VTC.pdf>

Procedures related to the implementation of voluntary tax compliance programmes and AML/CFT requirements by countries and territories evaluated by MONEYVAL (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, December 2014)⁸



Comparative analysis of the fiscal effect of tax evasion / avoidance tools in Ukraine: New challenges (Institute of Social and Economic Transformation, 2020)⁹

The “Institute of Social and Economic Transformation” NGO supported by international organizations conducted a comparative analysis of the fiscal effect of the use of tax evasion / avoidance tools in Ukraine based on 2019 data.



⁸ Access at: <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680714ca1>

⁹ Access at: https://iset-ua.org/images/Shemi_minimizacii_podatkiv_2020.pdf

The experts analyzed new data on the largest tax minimization schemes and made estimates of under-received budget revenues. The standard set of tax avoidance tools includes:

- violation of customs regulations and smuggling;
- theft of value added tax (illegal refunds for export from the budget, fictitious entrepreneurship (missing trader), "carousel" schemes, switch of goods ("roll-overs"));
- counterfeiting;
- transfer of profits to "tax havens" ("offshore");
- shadow land lease market schemes;
- shadow wages;
- distortion of the tax base (concealment of sales);
- abuse of tax benefits and preferences and special regimes;
- informal entrepreneurship and individual economic activity without registration.

**SECTION IV.
STATISTICS OF
CRIMINAL OFFENSES**

4.1. Information on criminal offenses

According to the Prosecutor General's Office over 10 months of 2020 **1,784** criminal offenses were registered in proceedings related to ML and tax crimes, with pre-trial investigations carried out by the agencies that monitor compliance with tax legislation.

The table also shows the distribution of criminal offenses in proceedings related to ML and tax crimes, with pre-trial investigations carried out by the agencies that monitor compliance with tax legislation.

Criminal offenses in proceedings, with pre-trial investigations carried out by the agencies that monitor compliance with tax legislation for 10 months of 2020 *

Indicator	Criminal offenses			
	Registered	Referred to court	Proceedings closed	Ruling not made
Criminal offenses in the field of economic activity	1784	515	109	1263
Illegal activities with transfer documents, payment cards and other means of access to bank accounts, electronic money, equipment for making them, Art. 200	13	5	0	8
Illegal manufacture, storage, sale, or transportation for sale of excisable goods, Art. 204	448	133	30	315
Falsification of documents submitted for the state registration of a legal entity and individual entrepreneurs, Art. 205-1	516	326	11	185
Legalization (laundering) of proceeds of crime, Art. 209	47	4	2	43
Evasion of taxes, fees (mandatory payments), Art. 212	716	34	55	682
Evasion of payment of a single contribution to compulsory state social insurance and insurance contributions to compulsory state pension insurance, Art. 212-1	44	13	11	30
Illegal manufacture, counterfeiting, use or sale of illegally manufactured, obtained, or counterfeited control marks, Art. 216	0	0	0	0

* according to the Prosecutor General's Office.

According to the Prosecutor General's Office in 2019 1,807 criminal offenses were registered in proceedings related to ML and tax crimes, with pre-trial investigations carried out by the agencies that monitor compliance with tax legislation.

The table shows the distribution of criminal offenses in proceedings related to ML and tax crimes, with pre-trial investigations carried out by the agencies that monitor compliance with tax legislation.

**Criminal offenses in proceedings,
with pre-trial investigations carried out by the agencies that monitor
compliance with tax legislation for 2019***

Indicator	Registered criminal offences
Criminal offenses in the field of economic activity	1 807
Illegal activities with transfer documents, payment cards and other means of access to bank accounts, electronic money, equipment for making them, Art. 200	13
Illegal manufacture, storage, sale, or transportation for sale of excisable goods, Art. 204	416
Fictitious entrepreneurship, Art. 205	192
Falsification of documents submitted for the state registration of a legal entity and individual entrepreneurs, Art. 205-1	407
Legalization (laundering) of proceeds of crime, Art. 209	42
Evasion of taxes, fees (mandatory payments), Art. 212	708
Evasion of payment of a single contribution to compulsory state social insurance and insurance contributions to compulsory state pension insurance, Art. 212-1	29
Illegal manufacture, counterfeiting, use or sale of illegally manufactured, obtained, or counterfeited control marks, Art. 216	0

* according to the Prosecutor General's Office.

During January-July 2020, the State Fiscal Service of Ukraine completed investigation and referral of **658** criminal proceedings, of which:

- **461** – had indictments referred to court;
- **195** – referred to court to petition release of persons from criminal liability, including under Part 4, Article 212 of the Criminal Code of Ukraine, in connection with full compensation of the damages caused.

Among the proceedings referred to court – 15 relate to crimes committed by organized groups.

Criminal proceedings referred to court over 7 months of 2020 enabled compensation of damages caused to the state in the amount of **UAH 796.5 million**.

Compared to last year the efficiency of compensation increased by 84 per cent. That is, during January-July 2019, the tax police were able to recover **UAH 432.5 million** in damage caused to the state.

In addition, to ensure compensation for the damage caused by crimes in court proceedings, funds, and property worth a total of **UAH 3.3 billion** were seized, which is **6** times more than last year (January-July 2019 – UAH 536 million)¹⁰.



¹⁰ Source: <http://sfs.gov.ua/media-tsentr/novini/393716.html>

4.2. Information on the referrals submitted by the SFMS



The SFMS conducts regular rigorous analysis of suspicious transactions that have signs of money laundering of tax crimes, especially given the impact these offences have on the national economy.

So, in January-November 2020, **172** case referrals were made to law enforcement agencies for a total of **UAH 47.4 billion**.

Regarding the use of “roll-overs” and “counter-flows”

The SFMS has conducted investigations into the existence of large-scale schemes (involving more than **10.4 thousand businesses**) aimed at tax evasion using the so-called “roll-over” mechanism involving real traders of tobacco, alcohol and enterprises of wholesale and retail trade to covertly convert funds into cash using “counter flows”.

As a result, **97** case referrals were made to law enforcement agencies, with suspicious transactions volume of **UAH 21.2 billion**.

During these financial investigations, the SFMS suspended (blocked) funds in the amount of **UAH 138.1 million**.

Regarding “classic” conversion centers

69 such case referrals were submitted to law enforcement agencies (involving more than **82,000** business entities). The total amount of financial transactions related to money laundering by criminals is **UAH 23.01 billion**.

Regarding transit-conversion centers using foreign economic contracts

Based on the results of financial investigations, **1** case referral related to tax evasion through a “carousel” scheme of illegal grain export and non-return of foreign exchange earnings to Ukraine was made to law enforcement agencies, for a total of **UAH 2.8 billion**.

Moreover, **5** case referrals on suspicions of the existence of a commodity component (free import of goods for the total amount of **UAH 0.4 billion**) of the general tax evasion scheme utilizing foreign economic “rollovers” were made to law enforcement agencies.

4.3. Information on court proceedings

Report of the courts of first instance on consideration of referrals of criminal proceedings



The judiciary provides reporting on the state of consideration of materials in criminal proceedings.

Report of the courts of first instance on consideration of materials of criminal proceedings¹¹

https://court.gov.ua/inshe/sudova_statystyka/

Report of the first instance courts on consideration of referrals of criminal proceedings in 2019

Articles of CC of Ukraine (2001 (1960))	Types of criminal offenses	Number of proceedings considered
Crimes in the field of economic activity		1896
204 (149)	Illegal manufacture, storage, sale, or transportation for sale of excisable goods	389
205 (148-4)	Fictitious entrepreneurship	434
205-1	Falsification of documents submitted for the state registration of a legal entity and individual entrepreneurs	325
209	Legalization (laundering) of proceeds of crime	252
212 (148-2)	Tax evasion, fees (mandatory payments)	469
212-1	Evasion of payment of a single contribution to compulsory state social insurance and insurance contributions to compulsory state pension insurance	26
216 (153-1)	Illegal manufacture, counterfeiting, use or sale of illegally manufactured, obtained, or counterfeited excise or control marks	1

¹¹ Access at: https://court.gov.ua/inshe/sudova_statystyka/

SECTION V.
TYPOLOGIES
OF MONEY LAUNDERING

The results of financial investigations point to widespread practice of creating professional networks that provide “services” for tax evasion and money laundering. These networks are in great demand among Ukrainian taxpayers.

In addition, there is a tendency to involve individual entrepreneurs and non-profit organizations to reduce the tax burden on legal entities.

At the same time, non-profit organizations can be used as a direct source of income and as a cover for the movement of funds in Ukraine and between countries in complex schemes for money laundering and, as well as to cover the illegal activities of other entities.

The risk of non-profit organizations being used for money laundering or financing of terrorism according to 2019 NRA is measured as “medium”.

The SFMS in close cooperation with state and law enforcement agencies, as well as reporting entities continues to investigate activities of entities providing “services” for the artificial formation of tax credit in the real sector of the economy, as well as legalization (laundering) of proceeds from crime.

Information on useful links for more information on legal entities and individuals is provided in the annex.

5.1. Using “counter-flows” and “roll-overs”

Since the end of 2019, “counter-flow” and “roll-over” schemes have become widely used, where tax evasion is carried out through so-called “roll-over”, and where tobacco and alcohol traders, retailers and wholesalers “sell” unaccounted cash enabling settlements within this “networked market of relevant services”.

It should be noted that the so-called “sale” of unaccounted cash is carried out outside the banking system, which greatly complicates its detection.

Practical experience shows that these networks are highly active, and as a rule, the number and composition of participants is constantly changing and the activity of some of them is short-lived (from several weeks to several months), after which new companies are registered and new network members are incorporated.

The beneficial owners of network participants are often antisocial persons, persons who register the business entity for a fee or employ “straw-men” for a fee.

Generalized typical examples of professional networks are given below.

Example 5.1.1

The SFMS, Based on the results of the analysis of information received from a law enforcement agency, revealed a scheme aimed at tax evasion through creation of a fictitious tax credit, as well as money laundering using the mechanism of “counter-flows”.

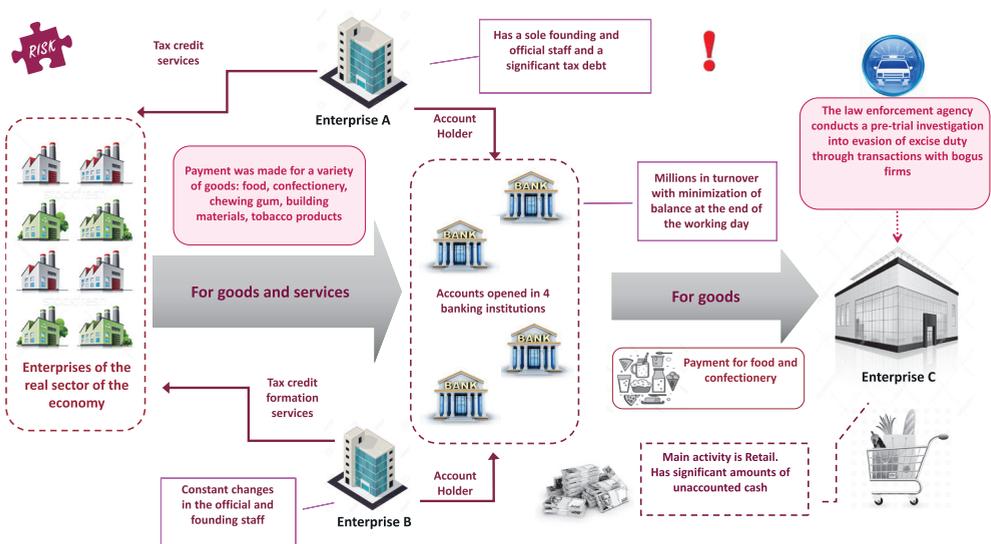
It was established that the accounts of **Enterprise A** and **Enterprise B**, opened in four banking institutions, were credited with funds from enterprises of the real sector of the economy as payment for various goods and services (food, confectionery, chewing gum, building materials, tobacco, etc.). Transit operations were carried out with these accounts worth millions and balances were minimized at the end of the working day.

Subsequently, the funds were transferred in full as payment for food and confectionery to **Enterprise B**, which is engaged in retail trade and has cash not accounted for in tax reporting.

Enterprises A and **B** have sole founding staff, pay minimum taxes. **Enterprise A** has a significant tax debt.

Regarding **Enterprise B**, the facts of evasion of excise duty through non-commodity transactions with bogus firms were detected.

The law enforcement agency is conducting a pre-trial investigation.



Example 5.1.2

The SFMS revealed a scheme of tax evasion and money laundering by enterprises of the real sector of the economy using an extensive network of money laundering.

It was established that the **enterprises of the real sector of the economy**, including state and municipal enterprises, transferred funds to the accounts of the network of **Enterprises Group 1** as payment for various goods, works and services inherent in their type of activity.

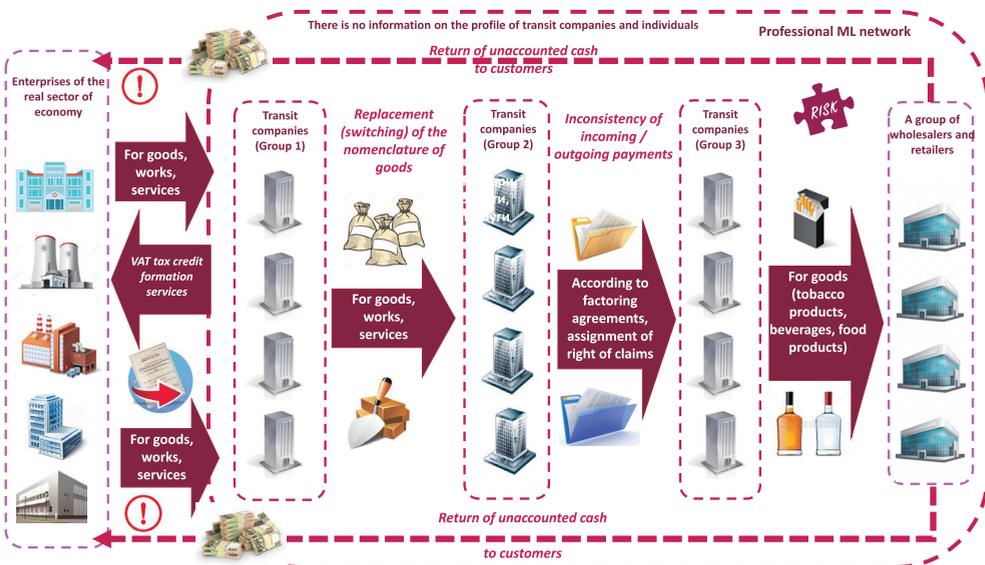
This led to a tax credit being formed, resulting in reduction in the assessed value added tax.

Subsequently, the **Enterprises Group 1** transferred the funds received to the accounts of the network of **Enterprises Group 2** which had signs of fictitiousness as payment for goods, while the nomenclature of goods, works and services was switched (replaced).

The funds received by **Enterprises Group 2** were transferred to **Enterprises Group 3** on the basis of factoring agreements or assignment agreements, with the financial flows not corresponding to the movement of goods according to tax invoices.

At the final stage, the **Enterprises Group 3** further transferred the funds received in favor of the **Wholesale and Retail Enterprises**, in particular, tobacco and alcohol products.

These enterprises have an extensive retail network that collects unaccounted cash in large amounts, which is why there's a suspicion that the original non-cash funds sent by real sector enterprises minus "fee" of the network had been returned in cash to business owners.



Example 5.1.3

The SFMS, based on the intelligence received from a law enforcement agency, revealed a complex scheme of illegal formation of a tax credit and obtaining a budget VAT refund by carrying out sham business transactions for the supply of agricultural products and money laundering. According to the law enforcement agency, the supply chains of goods do not trace the origin of exported agricultural products due to changes in the range of goods (re-sorting). Yet, VAT amounts assessed this way were further claimed for budget refund.

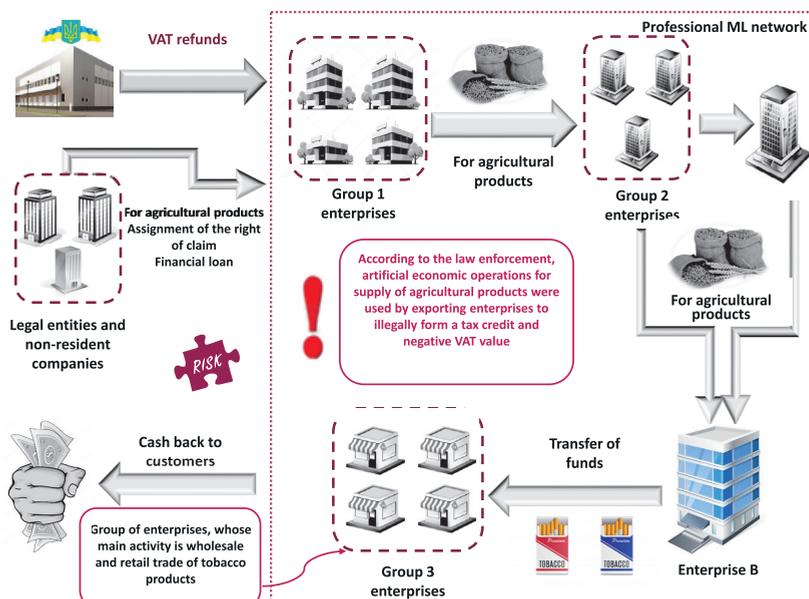
The SFMS established that this scheme used a professional laundering network, which included two transit groups of enterprises and enterprises that have a large amount of unaccounted cash.

Funds from legal entities and non-resident companies were credited to **Group 1** as payment for agricultural products, assignment of claims and financial loans. In addition, **Group 1** received a budget refund of VAT.

Subsequently, the funds received by the **Enterprises Group 1** were transferred as payment for agricultural products in favor of the **Enterprises Group 2** which, in turn, directly or through one of the members of the group, transferred the funds in favor of **Enterprise B**.

After that, **Enterprise B** transferred the funds as payment for tobacco products to the accounts of **Enterprises Group 3** primarily operating in wholesale and retail trade.

These companies have significant amounts of unaccounted cash. The non-cash funds received were eventually converted to cash through a “roll-over” mechanism to be returned to customers minus network fees. The law enforcement agency is conducting a pre-trial investigation.



Example 5.1.4

Based on the results of the analysis of information received from a law enforcement agency, the SFMS revealed a scheme involving the professional network, which includes bogus firms providing tax evasion and money laundering services.

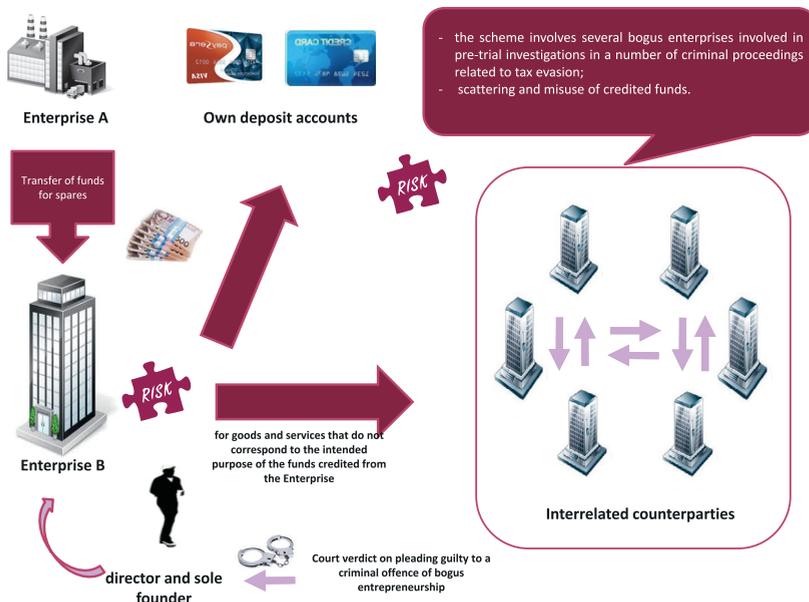
It was found that **Enterprise A** (real sector of the economy) transferred millions to the account of **Enterprise B** as payment for components. Regarding the director and sole founder of **Enterprise B**, there is a court verdict finding this person guilty of committing a criminal offense of fictitious entrepreneurship.

Subsequently, the funds were partially transferred to the own deposit accounts of **Enterprise B** and in favor of a number of its counterparties inconsistent with assignments of original payments credited from **Enterprise A**.

The largest recipients of funds were legal entities with signs of fictitiousness, including those that haven't declared any income, do not pay taxes and have been involved in pre-trial investigations in several criminal proceedings related to tax evasion.

The funds received on their accounts were scattered and directed towards common counterparties of the scheme. At the same time, payment assignments were used, covering a wide range of incompatible business services.

Thus, there is reason to believe that the financial transactions conducted by **Enterprise A** were aimed at obtaining services from **Enterprise B** to help reduce taxes. The law enforcement agency is investigating.



Example 5.1.5

The SFMS together with the law enforcement body revealed a scheme of possible tax evasion and embezzlement of funds of state-owned enterprises of the coal industry during the purchase of consumables.

For a long time, the winners of many tenders conducted by **State-owned Enterprises** were **Enterprises with signs of fictitiousness** (repeated changes in the founding position, insignificant declared income and taxes, common registration address, etc.).

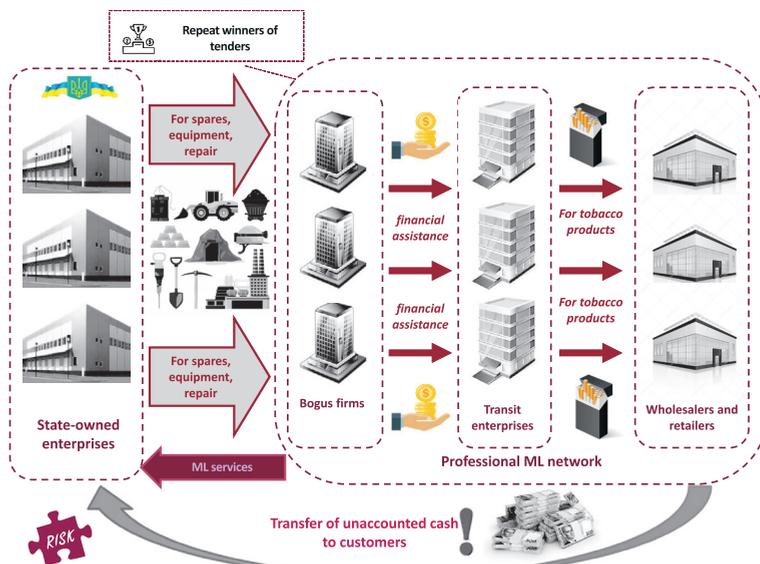
As a result of the tenders, contracts were concluded for the supply of spare parts, equipment, and overhaul, and subsequent significant transfers of budget funds were made to the accounts of **Enterprises with signs of fictitiousness**.

Subsequently, the funds received by **Enterprises with signs of fictitiousness** through several transit companies using roll-over mechanism to mask illegal activities were transferred to the accounts of **wholesalers and retailers** of tobacco products and beverages as payments "for tobacco products".

The purpose of incoming payments at the final stage does not correspond to the purpose of outgoing payments at the initial stage, which may indicate misuse of budget funds.

These **wholesalers and retailers** have a significant amount of unaccounted cash, which suggests that the purchase of goods and services by **state-owned enterprises** may be feigned or their value, specified in the documents may be much lower than the market.

The services of these enterprises are aimed at the creation of a bogus tax credit and reduction of income tax, as well as the legalization of funds by cashing in using wholesale and retail trade. The law enforcement agency is conducting a pre-trial investigation.



Example 5.1.6

The SFMS together with a law enforcement agency revealed a scheme of embezzlement of the energy sector company funds and creation of an artificial tax credit without the actual supply of goods with subsequent cashing of non-cash funds for transfer to the customer.

It was found that the State Enterprise of the Energy Sector transferred funds in favor of **Enterprises Group 1** as payment for coal.

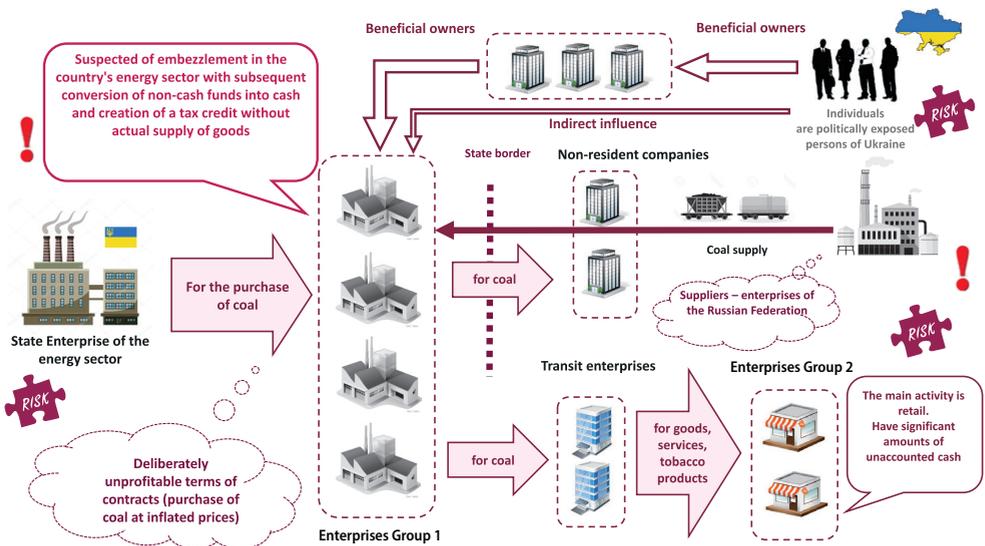
At the same time, the contracts concluded between the **State Enterprise** and the **Enterprises Group 1** were deliberately unprofitable (coal was purchased at inflated prices).

It was also found that the ultimate beneficial owners of **Enterprises Group 1**, indirectly through several non-resident shell companies, are politically exposed persons of Ukraine.

Part of the funds received by **Enterprises Group 1** as payment for coal was transferred in favor of **non-resident shell companies** created to conceal the origin of coal, from Russian Federation, which was further supplied to the **State Enterprise**.

The rest of the funds received by **Enterprises Group 1** as payment for coal were transferred to the group of transit companies. At the same time, the supply of coal did not actually take place, instead the funds received were directed to the **Enterprises Group 2**, which are wholesale and retail companies. Subsequently, the non-cash funds received were exchanged for unaccounted cash.

Thus, the participants of the scheme were able to create an artificial tax credit, which is seen as tax evasion. The law enforcement agency is conducting a pre-trial investigation.



Example 5.1.7

Based on the analysis of suspicious activity of business entities, the SFMS revealed a tax evasion scheme involving creating an artificial tax credit by a professional money laundering network.

It was found that **Enterprise A**, engaged in the cultivation of agricultural products, received non-cash funds from **Enterprises Group 1** as payment, mainly for petroleum products and, subsequently, transferred said funds as payment for food and beverages to the accounts of **Enterprises Group 2**.

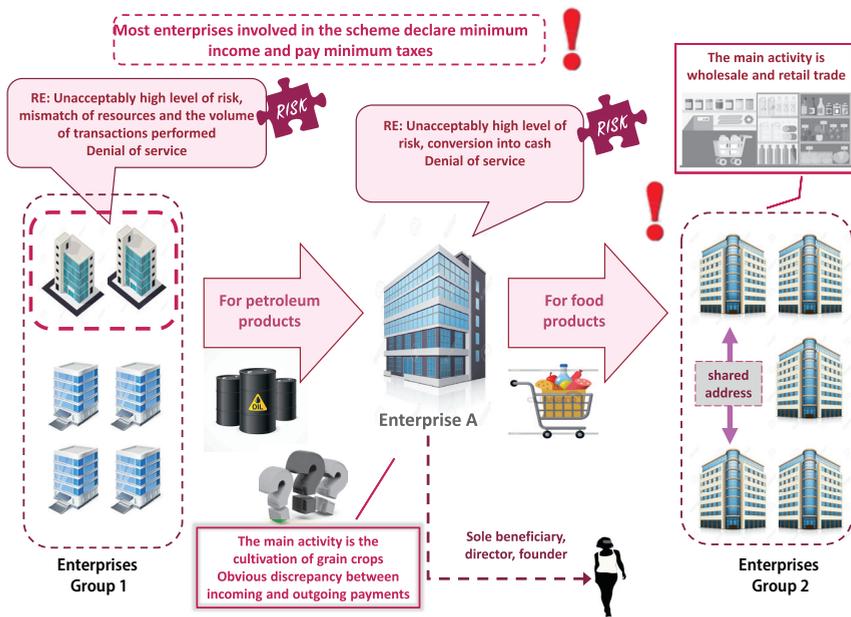
The main activity of these enterprises is wholesale and retail trade, which may indicate large volumes of unaccounted cash. At the same time, there was an obvious discrepancy between the assignments of incoming and outgoing payments to the account of **Enterprise A**.

Enterprise A and most of the enterprises involved in the scheme have sole founding staff, declare minimum incomes, and pay meager taxes.

At the same time, based on their analysis of activities, a financial institution assigned an unacceptably high risk and refused to serve **Enterprise A** and part of the enterprises from **Group 1**.

This indicates that **Enterprise A** provides tax evasion services through creation of a tax credit without the actual supply of goods using the “counter-flow” mechanism and the subsequent exchange of non-cash funds into cash.

The law enforcement agency is conducting a pre-trial investigation.



5.2. Illegal withdrawal of assets under fictitious foreign economic contracts

Schemes related to tax evasion using a “carousel” mechanism of illegal export of goods and non-return of foreign exchange earnings or import transactions without actual payments for the supply of goods have become quite widespread.

It should be noted that, both in the first and in the second case, no payments are made through the banking system. Yet, the law enforcement’s intelligence confirms cash settlements, or the financial intelligence unit reports transactions abroad (for example, a change in the terms of a contract or a waiver of claims).

So, the financial chain is broken, and commodity flows are inconsistent with financial transactions.

The generalized typical examples of investigations conducted by regulators into activities of so-called “counterflows” and “roll-overs” service providers under foreign economic contracts are presented below.

Example 5.2.1

The SFMS has identified a tax evasion scheme related to the export of cereals and their subsequent sale outside the customs territory of Ukraine, and the activities of a transnational professional money laundering network that provides services for concealment of trade earnings and their subsequent laundering.

The scheme involves **Ukrainian companies with signs of fictitiousness**, which based on export contracts with **non-resident shell companies** draw up cargo and customs declarations for the export of grain products purchased in cash from private producers and accounted for as their own crops. At the same time, grain is not exported outside Ukraine, but remains stored in Ukrainian seaports.

After that, **non-resident shell companies** draw up contracts for the sale of grain to real **grain traders**, who take care of the paperwork for the storage of grain in the port and its loading on seagoing vessels.

Payments under contracts for purchased grain are made by **grain traders** to foreign accounts of **non-resident shell companies**.

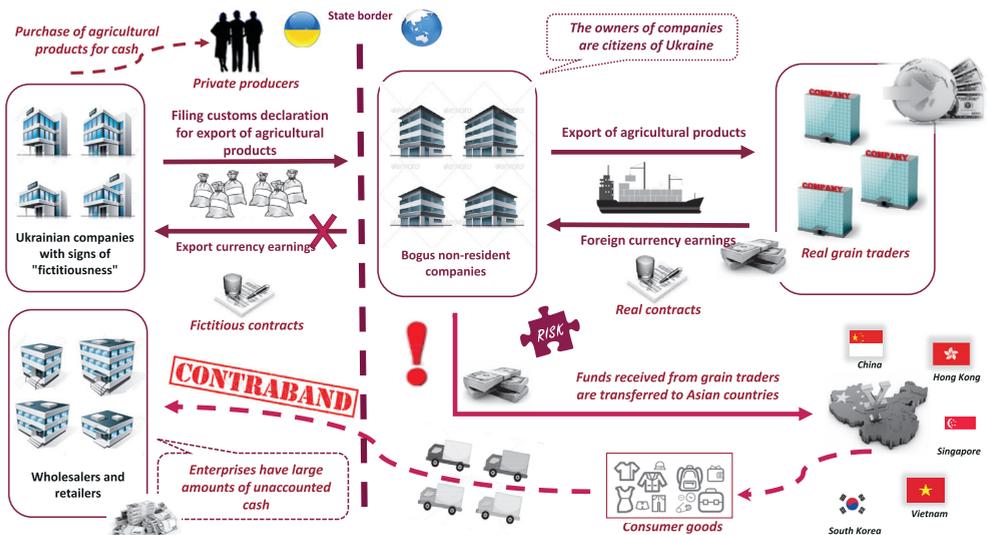
Thus, the actual payments for the export of Ukrainian grain take place outside Ukraine.

It should be noted that the ultimate beneficial owners of non-resident shell companies are citizens of Ukraine, and some of them are also owners of Ukrainian exporting companies.

Subsequently **non-resident shell companies** transfer the funds received from real grain traders to Asian countries to purchase various consumer goods. This way **Ukrainian exporting companies** do not record foreign exchange earnings inside Ukraine, and, accordingly, do not pay taxes.

Goods purchased in Asian countries are smuggled into Ukraine in favor of wholesale and retail traders that own significant amounts of unaccounted cash, which is then partly re-directed to purchase another batch of Ukrainian grain for export.

The law enforcement agency is conducting a pre-trial investigation.



Example 5.2.2

The SFMS revealed tax evasion scheme aimed at creating illegal tax credit in favor of the enterprises of the real economic sector.

Enterprise A received funds from the **Enterprises Group** as payment for goods of various purposes, which were transferred in full by **Enterprise A** for customs clearance.

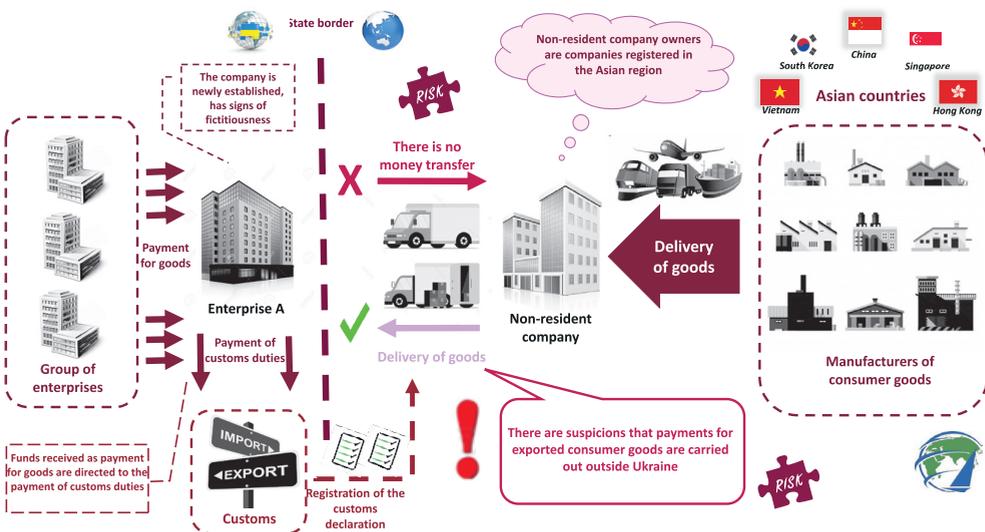
At the same time, banks have no record of foreign trade contracts, and the transfer of funds outside Ukraine by **Enterprise A** has not been carried out.

According to the State Customs Service of Ukraine, it was found that **Enterprise A** has issued import cargo and customs declarations for consumer goods received from a **Non-Resident Company**. The producers of these goods are various companies located mainly in Asian countries.

It should be noted that **Enterprise A** has signs of fictitiousness: sole founder, insignificant authorized capital, turnover of funds on the account is millions of hryvnias, there is no declared income or taxes. In addition, it was found that the founders of the **Non-Resident Company** are companies registered in the Asian region. The lack of foreign economic transactions indicates that payments for imported goods are made outside Ukraine.

It is likely that **Enterprise A** and the **Non-Resident Company** are members of a professional network providing services involving creation of illegal tax credit in favor of the enterprises of the real economic sector, and assistance in tax evasion and money laundering.

The law enforcement agency is conducting a pre-trial investigation.



Example 5.2.4

The state regulator revealed a possible tax evasion and money laundering scheme.

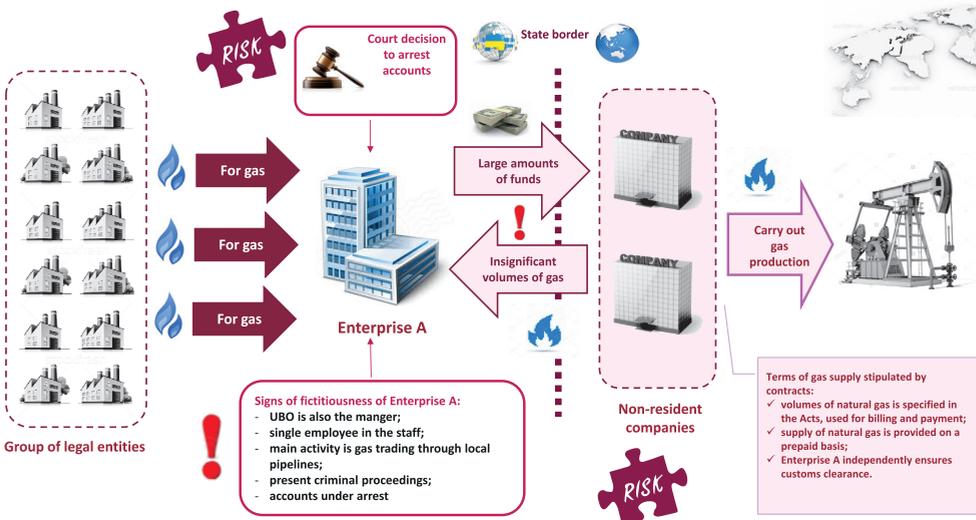
A resident legal entity (hereinafter **Enterprise A**) concluded contracts for the import of natural gas with two **Non-Resident Companies**, which had specific conditions:

- the volume of natural gas is specified in the Acts used for billing and payment;
- supply of natural gas is provided on a prepaid basis;
- **Enterprise A** is tasked with ensuring customs clearance of natural gas.

For some time, the Bank on behalf of **Enterprise A** made transfers under these contracts in significant amounts, but according to customs declarations, the goods that were imported constituted a small portion of what has been paid for.

After the relevant ruling of the district court to seize the funds of **Enterprise A**, the **Bank** immediately terminated purchase transactions and transfers of funds under these contracts.

Due to the illegal removal of capital outside Ukraine using falsified documents and subsequent money laundering, there are reasons to suspect that this scheme is aimed at tax evasion through reduction of the tax base.



Example 5.2.5

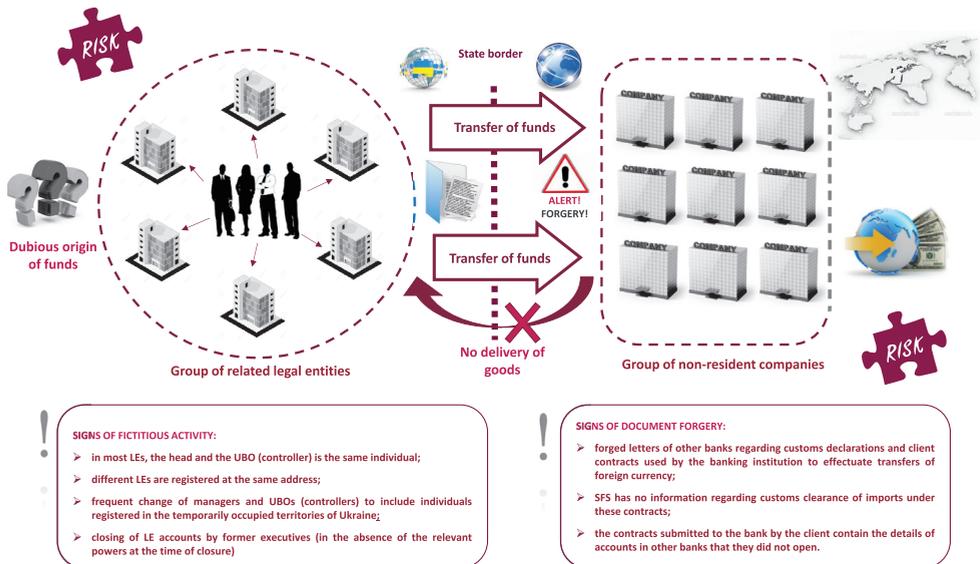
The state regulator revealed a possible tax evasion scheme aimed at illegal capital removal outside Ukraine using falsified foreign trade contracts.

It was found that the **Group of Legal Entities** serviced in the banking institution transferred funds in foreign currency to the accounts of a large number of **non-resident companies** registered in Panama, Hong Kong, Great Britain, and other countries within a short timeframe.

It was found that the scheme participants used forged documents to buy currency and transfer funds. In particular:

- forged letters of other banks on the transfer of customs declarations and client contracts on the basis of which banking institution made the purchase and transfer of foreign currency,
- accounts, details of which are referenced in the contracts submitted to Bank A, were never opened by other banks,
- there is no information regarding customs clearance of imports under these contracts.

Presumably, this scheme is aimed at providing tax evasion services through illegal removal of funds outside Ukraine.



5.3. Using “classic” conversion centers

In recent years, the schemes of committing tax crimes and money laundering of such crimes have undergone significant changes, and there has been a significant decrease in the number of “classic” conversion centers, where cash for perpetrators of criminal schemes is obtained through banking institutions. This decrease is primarily due to strict legislation setting out the liability of banking institutions for money laundering and active involvement of the state (law enforcement) agencies.

The so-called “classic” conversion centers (for a fee of 4% to 10%) supply cash to the shadow economy (conversion of non-cash funds into cash), salaries in envelopes, business transactions without accounting, and provide services for distortion/manipulation of primary documents and tax invoices (feigned supply of missing goods or services).

Conversion centers are in fact a network of bogus legal entities specifically created to provide cash conversion services.

The generalized typical examples of investigations conducted by regulators into activities of conversion centers are presented below.

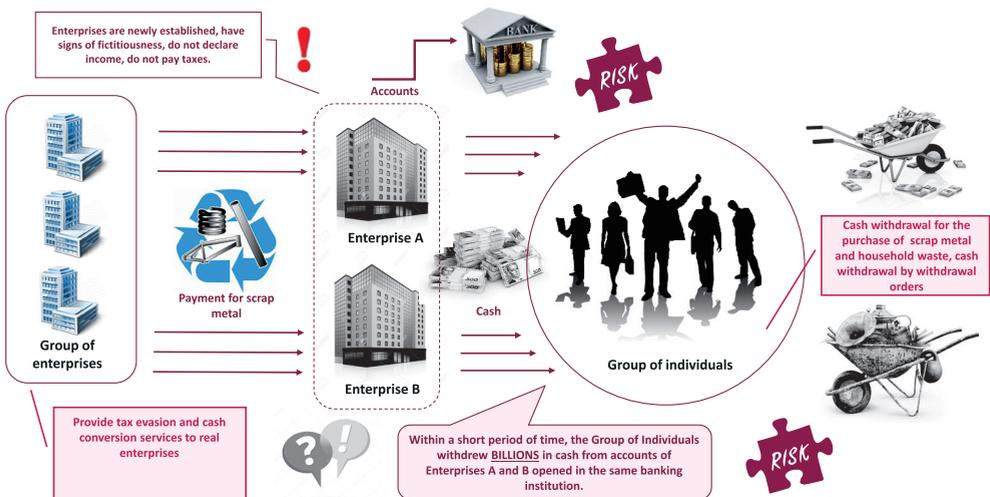
Example 5.3.1

The SFMS revealed a tax evasion scheme aimed at conducting fictitious transactions to purchase scrap metal and converting non-cash funds into cash.

It was found that the accounts of **Enterprise A** and **Enterprise B**, opened in the same banking institution, were credited with funds as payment for scrap metal by the **Group of Enterprises**, which had previously received funds from enterprises of the real sector of the economy as payment for various goods and services. It is noteworthy that these **Enterprises A** and **Enterprises B** are newly created, have signs of fictitiousness, and despite large turnover volumes, they do not declare income and do not pay taxes.

Subsequently, the funds were quickly withdrawn in full (billions) in cash by a **group of individuals** with the stated purpose of purchasing scrap metal, withdrawal of cash on withdrawal orders, purchasing household waste.

As a result of this scheme, enterprises of the real sector of the economy have reduced their own VAT and income tax burden, and the budget has received reduced revenue.



Example 5.3.2

The state regulator revealed a possible tax evasion scheme using collection services to convert non-cash funds into cash. It was found that the **Group of Legal Entities** serviced in various banks, carried out financial transactions of non-cash funds under assignment agreements in favor of the **Financial Company** – a client of **Bank A**. Legal entities that carried out these transactions had signs of fictitiousness: a short period of existence, sole founding staff and frequent changes in the constituent documents, especially ownership.

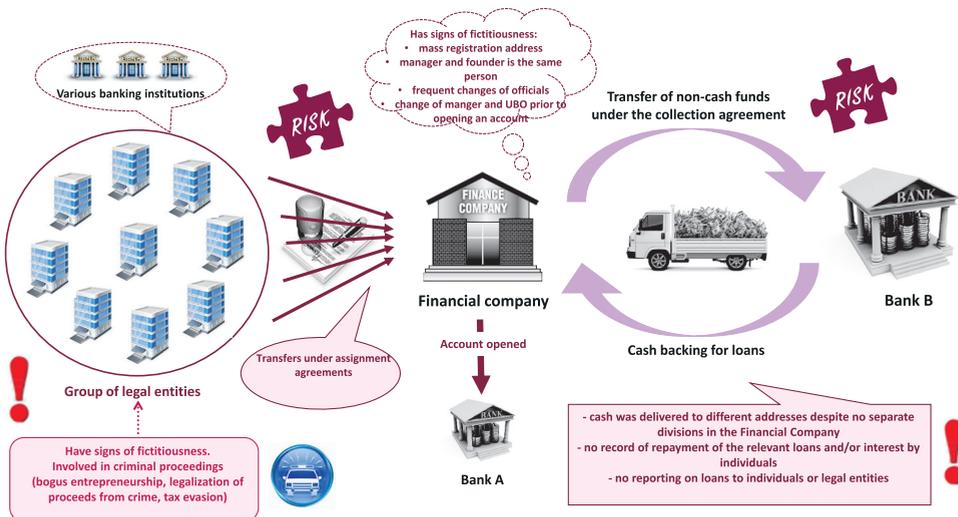
In addition, there are ongoing criminal proceedings against several legal entities (fictitious entrepreneurship, legalization of criminal proceeds, tax evasion).

The Financial Company had signs of fictitiousness too: a single person in the staff; location is the address of mass registration of legal entities; frequent changes in constituent documents, changes in management and ultimate beneficial ownership prior to opening an account in **Bank A**; the manager and the founder are the same person.

Subsequently, the **Financial Company** transferred funds to **Bank B** in accordance with the collection contract and to provide cash for the repayment of loans.

It is noteworthy that according to the collection contract, cash was delivered by **Bank B** to three addresses of the **Financial Company**, yet it never had any separate divisions, and there were no records of these funds having been transferred to accounts in other banks.

There is also no record of repayment of the relevant loans and/or interest by individuals, and the payment assignments simply indicate “assignment of the right of claim”. This scheme is used to provide tax avoidance services by converting non-cash funds into cash using collection services.



Example 5.3.3

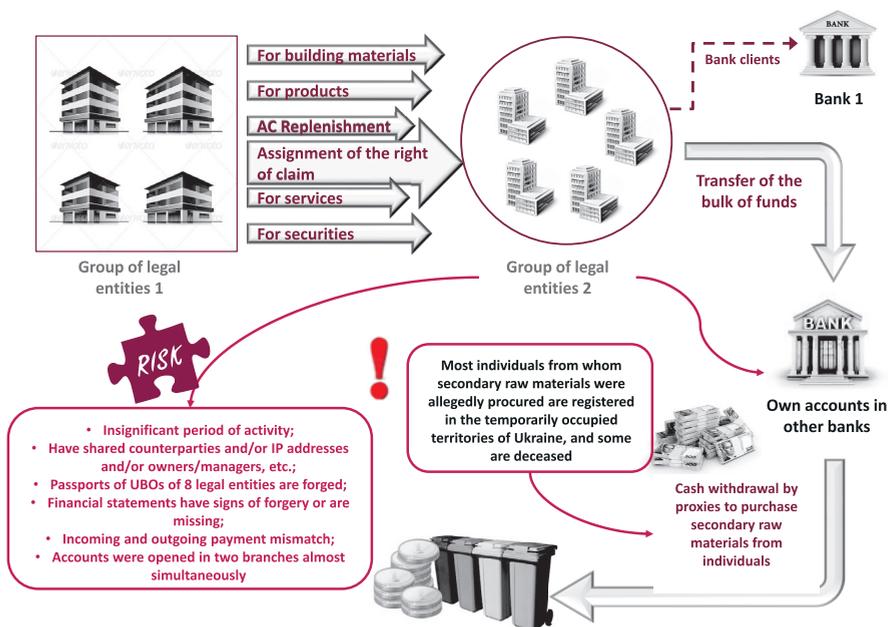
The state regulator revealed a possible tax evasion scheme aimed at carrying out fictitious (transit) transactions with subsequent conversion of funds into cash. It was found that the **Group of Legal Entities 1** transferred funds to the **Group of Legal Entities 2** that are clients of the **Bank 1**, as payment for products, building materials, securities, services, as assignment of the right of claim and replenishment of the authorized capital.

Subsequently, the bulk of the funds received by the **Group of Legal Entities 2** was transferred to own accounts with other banks. After that, the proxies withdrew cash for the purchase of secondary raw materials from individuals. The analysis showed that most individuals from whom secondary raw materials were allegedly procured were registered in the temporarily occupied territories of Ukraine, and some people were deceased at the time of transactions.

The enterprises of the **Group of Legal Entities 2** are newly created, have joint counterparties and/or IP and/or owners/managers, etc. Accounts were opened in two branches of **Bank 1** almost simultaneously and in the process of servicing there was a change of owners and directors.

Passport data of several ultimate beneficial owners of these legal entities are falsified. This data is freely available on the Internet, in particular, some passport data can be taken from sample passports of foreign countries.

The financial statements have signs of forgery or are nonexistent at all, copies of contracts contain information that is false. There is also an obvious discrepancy between incoming and outgoing payments. This scheme is aimed at providing tax evasion services and subsequent conversion of non-cash funds into cash.



Example 5.3.4

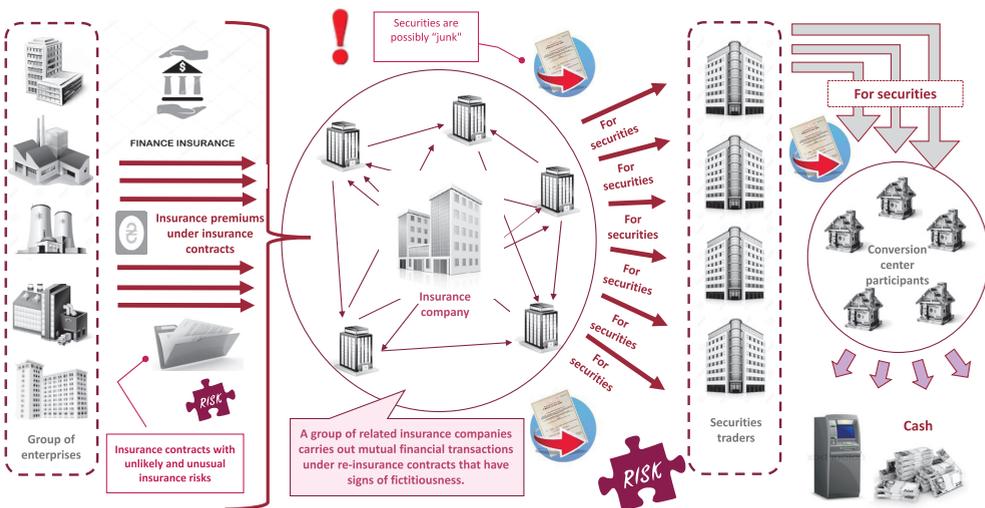
The state regulator revealed a possible tax evasion and money laundering scheme involving insurance companies.

It was found that the **Group of Enterprises** of the Real Sector of the Economy paid insurance premiums to the **Insurance Company** under insurance contracts with unlikely and unusual insurance risks. A significant part of the proceeds was transferred by the **Insurance Company** under reinsurance contracts to the **Group of Insurance Companies**, whose members had signs of fictitiousness: they were related to each other and carried out mutual financial transactions under reinsurance contracts.

Subsequently, the **Group of Insurance Companies** transferred funds to the accounts of the **Group of Securities Traders** as payment for securities, which had all the characteristics of “junk”. The members of this group were also related to each other, carried out financial transactions of a transit nature, and some of them were related to the **Insurance Company**.

A **Group of Securities Traders** transferred the funds received as payment for “junk” securities to a significant number of **legal entities participating in the professional money laundering network (conversion center)**, which later converted the funds into cash. These legal entities had all the signs of fictitiousness, did not carry out real economic activity, did not declare any income and did not pay taxes.

The members of this professional network provide tax evasion services to enterprises of the real sector of the economy by reducing the tax base through conclusion of fictitious insurance contracts and the subsequent conversion of non-cash funds into cash.



5.4. Use of individuals in money laundering schemes of tax crimes

Analysis of criminal money laundering schemes identified by the SFMS and law enforcement agencies shows that individuals and individual entrepreneurs are actively involved in these types of schemes.

The main purpose of involving these persons is often tax evasion, as well as conversion of non-cash funds into cash. So, individual entrepreneurs are used by owners (controllers) of legal entities to increase costs and reduce taxation, as individual entrepreneurs, especially within the simplified taxation system, have a much lower tax burden, and the legal entity is not a tax agent for these individual entrepreneurs and is not obliged to pay taxes on their income.

According to the analysis of identified schemes, individuals are registered as entrepreneurs for a short period of time and exclusively to conduct certain financial transactions. After conducting these financial transactions worth millions, business activities cease, and minimum taxes are paid.

Typically, the sheer scale of these transactions involving individuals carries a high risk, as it calls into question the very physical capacity to provide services or supply goods in such volumes.

To hide proceeds of crime, individuals open accounts in several banks. At the same time, transactions related to individual's business activities are carried out involving one bank only, and all the other income is credited to their own accounts in other banks and subsequently converted into cash.

The generalized typical examples of investigations conducted by regulators into money laundering activities of individual entrepreneurs is presented below.

Example 5.4.1

The SFMS together with a law enforcement agency revealed an embezzlement scheme involving a state-owned enterprise and business entities with signs of fictitiousness.

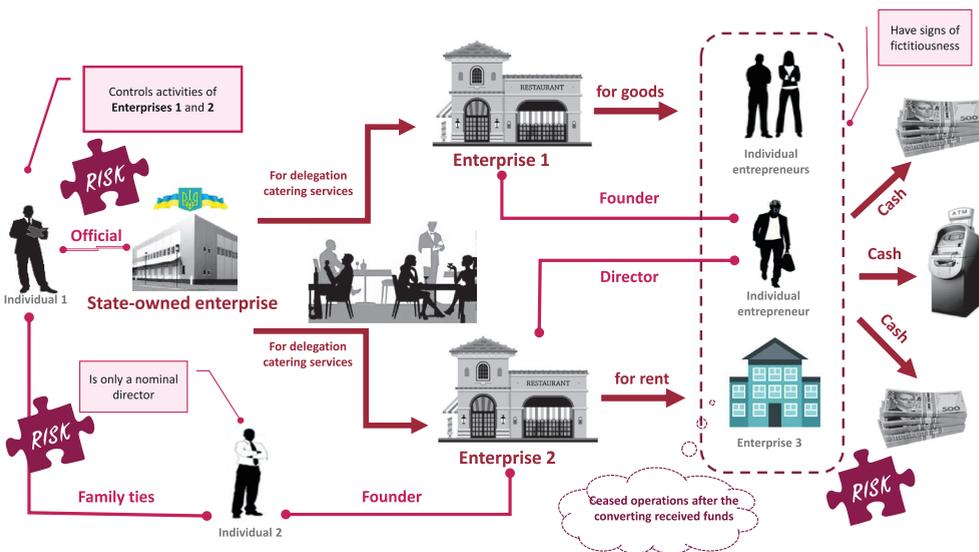
It was found that for some time the **State Enterprise** had been transferring budget funds to the accounts of **Enterprise 1** and **Enterprise 2** as payment for servicing of official delegations. At the same time, control over these enterprises is exercised by **Individual 1**, who is also an officer of the **State Enterprise** having spending powers over the funds of the **State Enterprise**.

The funds received by these enterprises were transferred in small, structured payments to accounts of related **individual entrepreneurs**, as well to the **Enterprise 3** as rent.

All these entities are associated with fictitious activities, they do not declare income, do not pay taxes, do not carry out any financial transactions with entities.

Subsequently, the funds were withdrawn from the accounts in cash, after which the individual entrepreneurs and **Enterprise 3** ceased operations.

The law enforcement agency is conducting a pre-trial investigation.



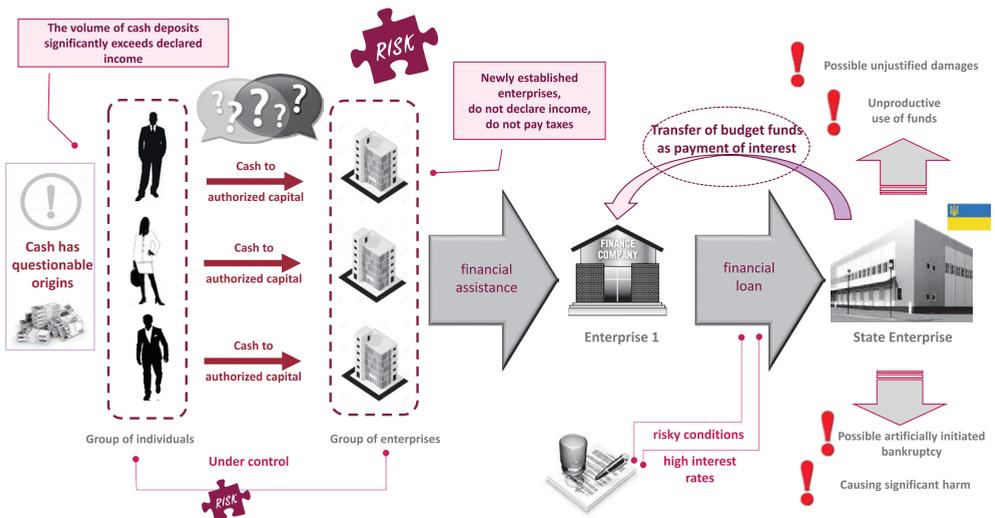
Example 5.4.2

The SFMS revealed a mismatch of financial transactions and officially declared income of individuals.

It was found that the **Group of Individuals** contributed significant amount of cash to the authorized capital. The amount of funds contributed by **individuals** to the authorized capital significantly exceeded their officially declared income and did not correspond to their property status.

Subsequently, these funds were fully transferred to **Enterprise 1** as financial assistance. These companies have signs of fictitiousness: sole founding staff, lack of declared income or taxes paid.

The law enforcement agency is conducting a pre-trial investigation.



Example 5.4.3

The state regulator revealed a shadow economy scheme involving tax evasion using electronic money and subsequent conversion into cash.

The Bank issued electronic money. The **General Agent** for electronic money distribution is a company that is the **Bank's** client.

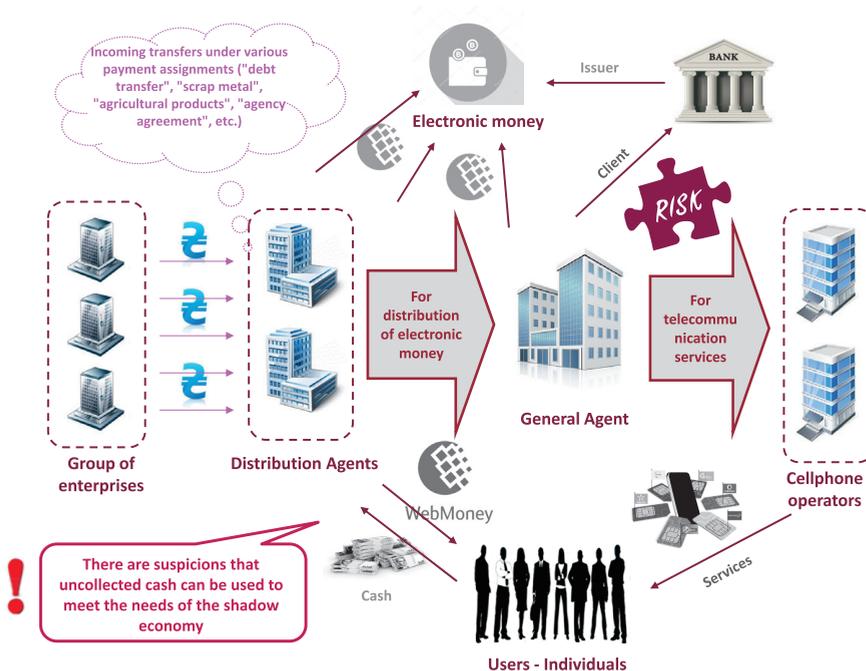
The **General Agent's** account opened with Bank 1 was credited with funds from two **Electronic Money Distribution Agents** that are clients of other banking institutions.

Subsequently, the above funds were transferred as payment for telecommunication services to the accounts of **Cellphone Operators** in other banks, which, in turn, provided telecommunication services to **Individual Users**.

Distribution agents distributed electronic money to **Individual Users**, mainly in exchange for cash to make transfers as payments for telecommunications services.

However, that cash was never deposited on **Distribution Agents'** accounts opened in other banks.

Instead, collected cash was replaced by dubious non-cash receipts on **Distribution Agents'** accounts from other persons with various payment assignments ("debt transfer", "scrap metal", "agricultural products", "agency agreement", etc.).



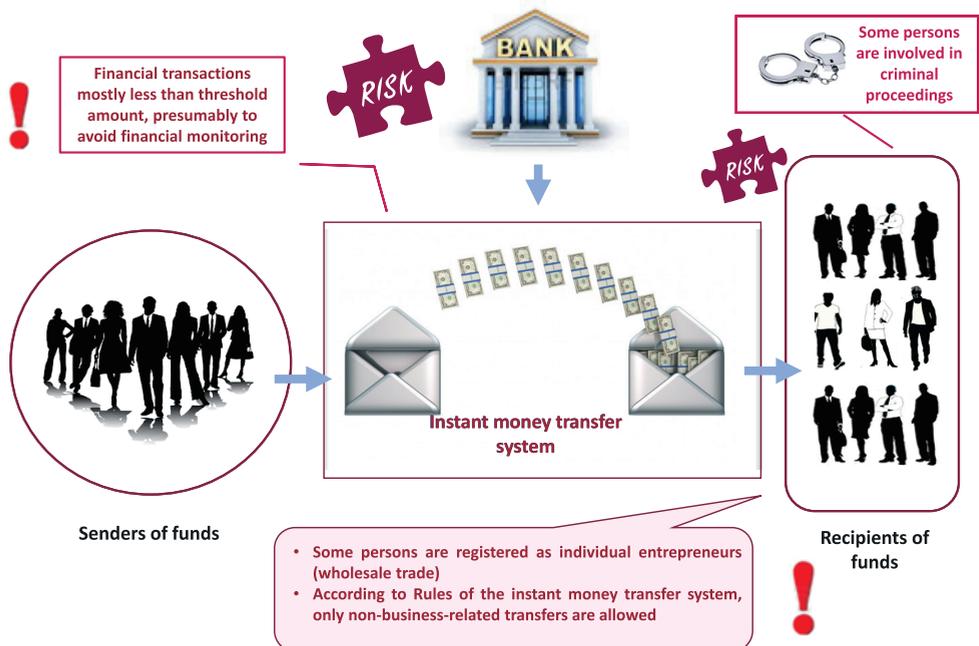
Example 5.4.4

According to the State Regulator, over a long period of time, a group of individuals (**Recipients of Funds**) who are clients of **Bank 1**, have been receiving regular cash transfers using the bank's **instant money transfers system**. These funds came from a wide range of other individuals (**Senders of Funds**). Financial transactions mostly did not exceed the threshold amount, presumably to avoid financial monitoring.

It is known that most of these **Recipients of Funds** are registered as individual entrepreneurs working in wholesale trade. At the same time, some of them are subject to open criminal proceedings at the pre-trial investigation stage.

It is noteworthy that according to the Rules of the instant money transfer system, only non-business-related transfers are allowed in the system.

Yet, there are reasons to suspect that these **Recipients of Funds** use this system to carry out covert business activities and evade taxes.

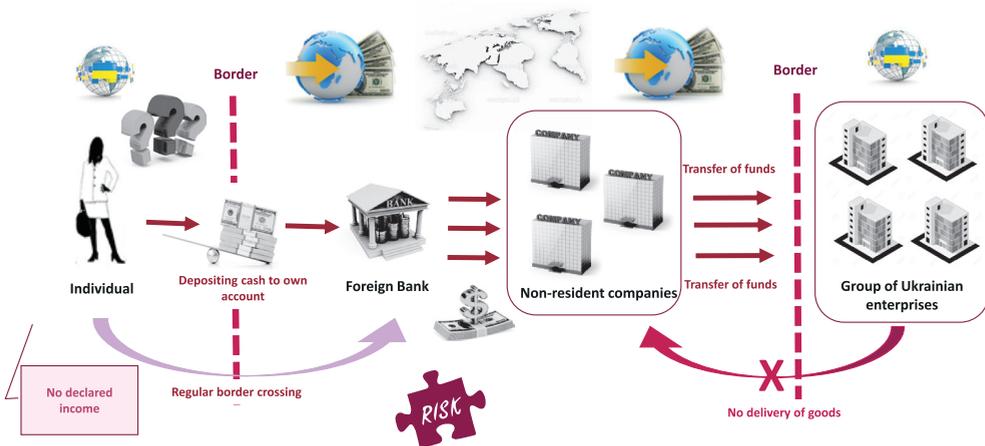


Example 5.4.5

The SFMS revealed inconsistency of financial transactions with the financial profile of an individual.

Individual A, a citizen of Ukraine who does not have any officially declared income, regularly deposits large amounts of cash on their bank accounts opened outside Ukraine in a foreign bank. To do that, they regularly transport cash across the customs border of Ukraine without declaring.

Subsequently, the funds are transferred from foreign accounts of the **Individual** to several **non-resident companies** in Western Europe, which in turn transferred the funds to the **Group of Ukrainian enterprises**, with no supply of goods from these enterprises to these non-resident companies actually taking place.



Example 5.4.6

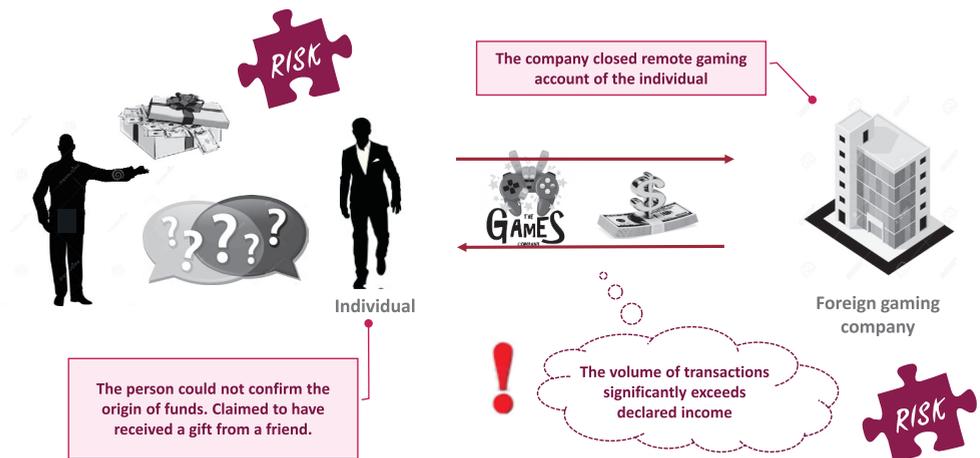
The SFMS, based on intelligence received from a foreign FIU, identified a tax evasion and money laundering scheme involving certain individuals.

It was found that an **Individual** has registered a remote gaming account with a **Foreign Gaming Company** and deposited funds in foreign currency. Subsequently, portion of the funds was withdrawn from the account.

The financial transactions performed by the **Individual** significantly exceed the amount of the officially declared income. The individual indicated the funds were a gift from a friend but failed to provide any supporting documents.

Based on this, the **Foreign Gaming Company** closed a remote gaming account of the **Individual**.

Financial transactions to deposit funds into the gambling account are probably related to the legalization (laundering) of proceeds from crime.



Example 5.4.7

The SFMS identified a tax evasion scheme using sale and purchase of real estate for money laundering.

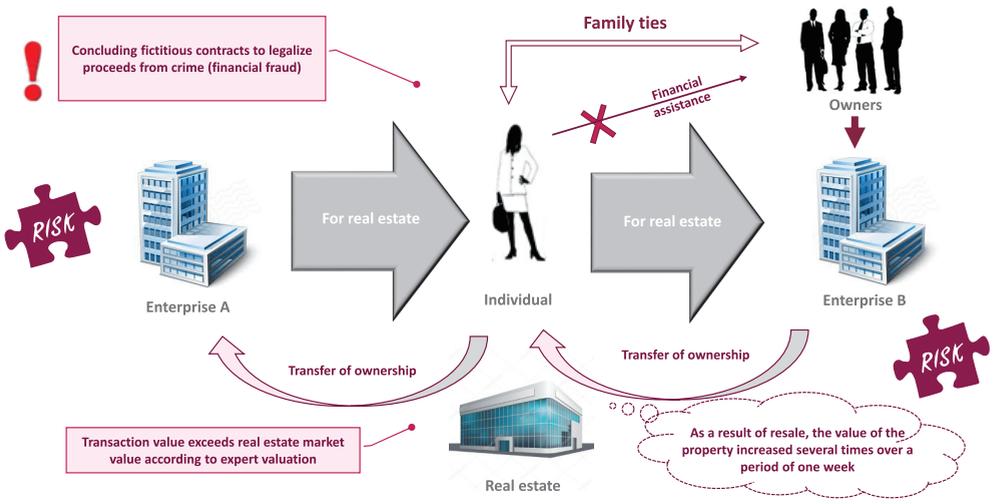
It was found that **the Individual** purchased real estate from **Enterprise B** and shortly thereafter sold this real estate to **Enterprise A** at a price several times higher than the purchase price.

The owners of **Enterprise B** are individuals related to **the Individual**, i. e., the first agreement to buy real estate was made between related parties.

The Individual made settlements with **Enterprise B** for the purchased real estate only after receiving funds from the buyer – **Enterprise A**. In addition, an attempt was made to transfer funds by **the Individual** as financial assistance in favor of one of the owners of **Enterprise B**, which was denied by the bank.

When carrying out real estate purchase and sale transactions, an individual pays much smaller taxes in comparison to settlements between legal entities.

Financial transactions for the sale of real estate at a price several times higher than the purchase price aim at assisting **Enterprise A** in evading taxes by including an individual in the money laundering scheme (financial instruments fraud).



Example 5.4.8

The SFMS revealed inconsistency of cryptocurrency transactions and the financial profile of an individual – a citizen of Ukraine.

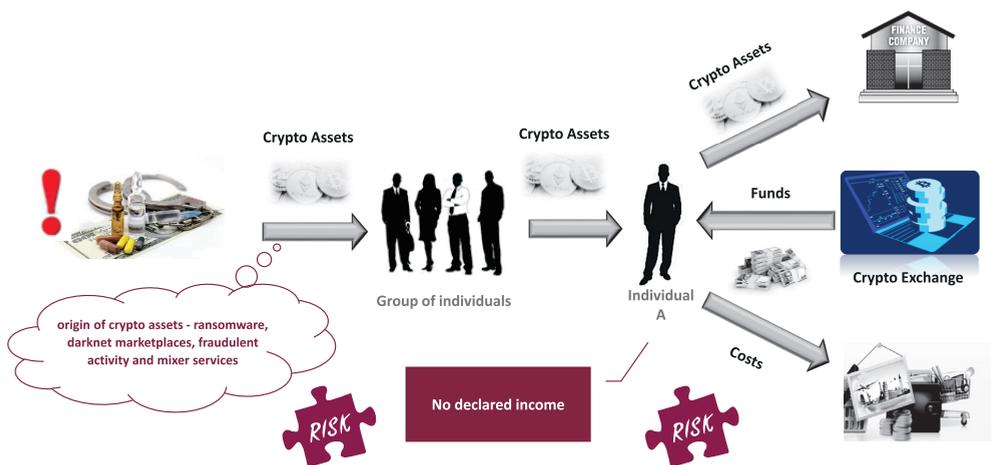
The Individual has an account on a crypto exchange and carries out significant transactions with cryptocurrencies. At the same time, **the Individual** has no officially declared income.

Using Chainalysis Reactor software reveals the following:

- **The Individual** received bitcoins from various bitcoin wallets belonging to several individuals, as well as from the wallets of high-risk exchange clients;
- Bitcoin origin addresses are related to the activities of ransomware, the darknet market, fraud, and the activities of mixer services.

The Individual used the crypto exchange to exchange funds into hryvnia and buy various high-value assets.

The law enforcement agency has established that **the Individual** was involved in illegal activities.



SECTION VI.
BASIC TOOLS AND WAYS
OF TAX EVASION

6.1. Main tax evasion schemes

- ✓ use of professional money laundering networks that provide tax credit “services” to enterprises of the real sector of the economy with the subsequent conversion of funds by wholesalers and retailers of tobacco, alcohol, and food products into cash for “customers”;
- ✓ export of goods without returning foreign exchange earnings to Ukraine, and subsequent transfer of rights of claims under contracts to non-residents, and settlements outside Ukraine;
- ✓ payment of customs value when importing goods into the customs territory of Ukraine at the expense of counterparties in the absence of currency payments for imported goods;
- ✓ use of cryptocurrencies to avoid income taxation;
- ✓ carrying out financial transactions to pay for goods / services that have signs of entrepreneurial activity, through a system of instant payments to personal accounts of individuals;
- ✓ providing forged documents to confirm the origin of cash;
- ✓ increase in costs, increase in tax credit by carrying out transactions without actual supply of goods or provision of services (fictitious transactions);
- ✓ significant “transit” transactions and minimization of account balance of the enterprise at the end of the working day;
- ✓ mismatch between declared incomes of individuals and volumes of their financial transactions;
- ✓ intentional understatement of customs value when importing goods;
- ✓ receiving unaccounted income and removing it in cash outside the customs border of Ukraine.

6.2. Main tax crimes tools

The study has identified main tools used in tax crimes and money laundering schemes:

- ✓ cash deposit / withdrawal;
- ✓ transit transactions;
- ✓ replacing (switching) the nomenclature of goods;
- ✓ overstatement / understatement of goods;
- ✓ assignment of rights of claim (factoring);
- ✓ financial loan, financial assistance (loans);
- ✓ replenishment of the authorized capital;
- ✓ financial risk insurance;
- ✓ non-return of foreign exchange earnings;
- ✓ lack of settlements under import contracts;
- ✓ use of fictitious contracts;
- ✓ use of forged documents (financial statements);
- ✓ use of electronic money and instant transfer systems;
- ✓ conducting non-commodity transactions;
- ✓ transactions with securities, including so-called technical ("junk") stock, not secured against real assets.

**SECTION VII.
INDICATORS OF TAX
CRIMES AND MONEY
LAUNDERING SCHEMES
OF SUCH CRIMES. WAYS
OF COUNTERACTION**

Based on the results of the study, the SFMS generalized several indicators / criteria that can help identify schemes related to money laundering of tax crimes.

7.1. Indicators of suspicious activity of business entities

1. constant changes in or newly revised key staff;
2. lack of the necessary material and technical base to conduct declared volumes of business transactions;
3. multimillion-dollar settlements do not match available resources, both in terms of personnel and current assets;
4. the entity provides services and sells goods in incompatible areas of economic activity (for example, supplies building materials, carries out wholesale trade in grain, provides services in the field of accounting, provides services and trades in computers and software, etc.);
5. lack of complete accounting, primary documents;
6. lack of primary accounting or violations of the established procedure;
7. inconsistency of financial reporting indicators with the volume of transactions;
8. inconsistency of records in accounting documents;
9. lack of income declared, and taxes paid;
10. broken VAT chain (especially when reselling one product), lack of details of the purpose of such payments;
11. forgery of official documents, production of forged seals, stamps or forms of enterprises, institutions, or organizations, regardless of the form of ownership, other official seals, stamps, or forms;
12. opening current accounts in multiple banks;
13. founding staff are always accompanied by third parties to provide explanations of the activities;
14. use of “straw” persons as nominal owners;
15. management of accounts of multiple entities through the same set of IP addresses;
16. involvement of members of the founding staff in the commission of crimes related to bogus activities or submission of inaccurate information during registration;
17. no actual payment of taxes, mandatory fees, and charges;
18. lack of transactions related to normal business activities (payment of salaries to employees, office / warehouse rent payments, stationery, utility bills, etc.);
19. denial of service by another financial intermediary;
20. use of lost passports or passports of deceased persons to open accounts.

7.2. Indicators of suspicious financial transactions of business entities

1. "transit" transfer of funds one or several days after they were credited to other business entities, which may indicate payments for the goods without actual delivery / movement of goods (non-commodity transactions);
2. "mixing" of financial flows to hide the sources of funds and their subsequent movements;
3. payment assignment is unclear and ambiguous;
4. obvious discrepancy between the debit and credit transactions of the entity;
5. transactions without visible economic sense;
6. transactions under contracts, assignment of the right of claim and transfer of debt, factoring;
7. financial assistance / loans to employees;
8. regular transfers of funds from abroad and / or transfers abroad, if the purpose of these transfers is unclear;
9. regular granting / taking of loans (financial assistance) by legal entities that do not belong to the same business group;
10. receipt of funds from unknown or unconfirmed sources;
11. covering personal expenses of the owners from the company's account;
12. sale of goods involving individual entrepreneurs, payers of the single tax;
13. transactions with legal entities with signs of fictitiousness;
14. accumulation of funds in foreign banking institutions on the accounts of offshore companies or in jurisdictions that have reputational risks related to involvement in money laundering schemes;
15. scattering of and inconsistency in the use of previously received funds;
16. large volumes of cash transactions;
17. provision of services, the cost of which is difficult to estimate;
18. using falsified/forged documents for transactions;
19. use of junk securities.

CONCLUSION

Tax security is one of the most important elements of financial security of the state. Guaranteeing collection of planned tax revenues by the budget is one of the key conditions for ensuring socio-economic problems of the state are dealt with in an appropriate fashion.

The sheer scale of the shadow sector of the economy and one of its major components, namely the illegal minimization of taxes, remains one of the most pressing challenges of our state.

Strengthening the tax security of the state can be achieved by identifying, assessing, and eliminating tax threats and risks. Therefore, risk assessment, as well as the actions to prevent or reduce risks is perhaps the most important stage in making sure budgets of all levels and state trust funds do not under-receive their tax revenues.

Among the reasons that lead to violations in the field of taxation in terms of reducing tax liabilities, we can also highlight the following:

- illegal business;
- illegal export-import operations;
- corruption actions;
- deliberate understatement of the tax base;
- cases of financial fraud;
- desire of business entities to receive excess profits.

Analysis of typical schemes of money laundering of tax crimes shows that most of these schemes employ assistance of organized professional money laundering networks, providing various tax evasion services, including use of fictitious (“bogus”) legal entities or individuals through documents forgery.

Creation of proper and effective mechanisms for combating tax crimes and money laundering of tax crimes requires careful analysis of the methods of their commission, best international preventive practices, including looking at various aspects of typical schemes and various detection indicators.

This study is aimed at analyzing existing tax crimes money laundering schemes, as well the ways of commission of these crimes, and at assisting anti-money laundering system participants in detecting these crimes.

ANNEX.

ANALYTICAL TOOLS FOR SUPERVISION AND MONITORING

1. Public information resources of supervision (monitoring) authorities

Information regarding completeness and timeliness of payments of taxes and fees and other mandatory payments to budgets and state trust funds serves as the basis for the tax crimes money laundering schemes analysis.



<https://cabinet.tax.gov.ua/registers>

Public registers of the State Tax Service. The web portal of the State Tax Service contains an electronic cabinet that allows unregistered users to search for information in public registers of taxpayers.



<https://cabinet.tax.gov.ua/registers>

The State Tax Service tax arrears data.



<http://zir.sfs.gov.ua/main/index/stavki>
<https://zir.tax.gov.ua/main/index/stavki>

Public reference resource of the State Tax Service. The information and reference department of the State Tax Service provides information and reference resources on national and local taxes and fees. This resource has a collection of information on rates, taxation subjects and the definition of the taxpayer concept. The resource contains expanded information on each tax and fee.



<https://cabinet.sfs.gov.ua/registers/vat-refund>

The register of VAT refund applications is publicly available on the website of the State Tax Service of Ukraine.



<https://tax.gov.ua/dovidniki--re-estri--perelik/reestri>

Register of all valid licenses for retail trade in alcoholic beverages and tobacco products.



<https://mof.gov.ua/uk/vat-refund>

Electronic service for searching VAT refund applications of the Ministry of Finance of Ukraine.



<https://cabinet.sfs.gov.ua/registers/vat-refund>

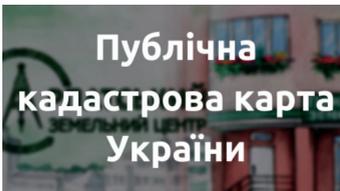
Checking the availability of a construction license is available on the State Architectural and Construction Inspectorate of Ukraine website.

As a part of assessing the consistency of stated type of economic activity with the operations performed, services provided or goods sold, it is expedient to pay attention to the permits for the received services and goods (licenses, permits, etc.).



https://kap.minjust.gov.ua/services?product_id=1

State Register of Rights to Immovable Property.



<https://map.land.gov.ua>

Public cadastral map of Ukraine. Information about land plots. Land plots documents.



<https://reyestr.court.gov.ua>

Unified state register of court decisions. Additional information on the business entity can be obtained by analyzing court decisions (rulings, resolutions) available in the Unified State Register of Court Decisions.



<https://inspections.gov.ua>

Inspection portal. The State Regulatory Service of Ukraine together with the Ministry of Economic Development and Trade of Ukraine with support of the Better Regulation Delivery Office (BRDO) launched a pilot module for IAS SSC state supervision (control) system.

2. Analytical tools for researching national business entities



Unified State Register
<https://usr.minjust.gov.ua>

The Ministry of Justice of Ukraine has introduced an online service for acquiring data from the USR. The service has both free and paid functionality. The vast majority of procurement analysis tools use data from the Ministry of Justice.



YouControl
<https://youcontrol.com.ua>

YouControl is an online contractor verification service. YouControl analytics system generates dossiers for each business entity of Ukraine based on open data, monitors changes in state registers and visualizes links between affiliates. YouControl service allows one to get up to date (at the time of request) information about the company or an individual. The monitoring function reports daily changes according to data from official sources.



Opendatabot
<https://opendatabot.ua/>

A service that monitors registration data of Ukrainian companies and the court register to help protect against hostile takeovers and ensure of contractor oversight. The service collects data from open state registers and other sources and instantly sends messages to your Telegram, Facebook Messenger, Skype, or Viber.



<https://vkursi.pro/>

Service for monitoring changes in the USR for business owners.



<https://ca.ligazakon.net/>

CONTR AGENT provides information on legal entities, individuals, and individual entrepreneurs.



RING
<https://ring.org.ua/>

Search in state registers and projects of the Office Hundred.
 The Ring search engine combines more than a dozen open registries.



Court at your fingertips
<https://bit.ly/2YNxf8H>

Search in state registers and projects of the Office Hundred.
 Analytical tool for finding, researching, and visualizing court decisions.



Public register of politically exposed
 persons of Ukraine
<https://pep.org.ua/uk/>

Public register of politically exposed persons of Ukraine.

3. Analytical tools for researching foreign business entities

Additional information on non-resident businesses can be found on relevant websites of data aggregators and government agencies using “dot gov” domain (from “Government”). The list of foreign open data sources is presented in the Table below.

The list of foreign open data sources

No.	ABC	State (Territory)	Website
1	A	Australia	https://connectonline.asic.gov.au/RegistrySearch/faces/landing/SearchRegisters.jspx
2	A	Azerbaijan	https://www.e-taxes.gov.az/ebyn/commercialChecker.jsp
3	A	Albania	http://www.qkr.gov.al/search/search-in-trade-register/search-for-subject/
4	A	Algeria	https://sidjilcom.cnrc.dz/
5	A	Anguilla	http://commercialregistry.ai/company_search.html
6	A	Antigua and Barbuda	https://abipco.gov.ag/efile/#/
7	A	Argentina	https://www.nosis.com/es
8	A	Aruba	https://www.arubachamber.com/registers
9	B	Bahamas	http://www.bahamas.gov.bs/wps/myportal/public/rgd/company/company-search
10	B	Barbados	https://caipo.gov.bb/site/index.php/search/search-our-database
11	B	Belize	http://companysearch.bz/public_search/
12	B	Belgium	http://kbopub.economie.fgov.be/kbopub/zoeknaamfonetischform.html
13	B	Bermudas	https://www.roc.gov.bm/roc/rocweb.nsf/search+company+name
14	B	Belarus	http://egr.gov.by/egrn/index.jsp?content=Find
15	B	Bulgaria	https://public.brra.bg/CheckUps/Verifications/VerificationPersonOrg.ra
16	B	Botswana	http://www.mtinamesearch.gov.bw/search/
17	B	Brazil	Registers are maintained by region, a list of registers is available at https://investigativedashboard.org/databases/countries/BR
18	B	British Virgin Islands	http://www.bvifsc.vg/Portals/2/R820%20-%20International%20Searches%20Form.pdf
19	B	Brunei	http://www.eregistry.agc.gov.bn/WorkAreaBusiness/WorkFunctionSearch/WebViewSearch/DoRcbNumberSearch.aspx
20	B	Burkina Faso	http://www.cci.bf/?q=en/entreprise

No.	ABC	State (Territory)	Website
21	V	Vanuatu	https://www.vfsc.vu/vanuatu-master/relay.html?url=https%3A%2F%2Fwww.vfsc.vu%2Fvanuatu-master%2Fservice%2Fcreate.html%3FtargetAppCode%3Dvanuatu-master%26targetRegisterAppCode%3Dvanuatu-companies%26service%3DregisterItemSearch&target=vanuatu-master
22	U	UK	https://beta.companieshouse.gov.uk/
23	A	Armenia	https://www.e-register.am/ru/search
24	V	Vietnam	https://dangkykinhdoanh.gov.vn/en-gb/home.aspx
25	G	Guatemala	http://www.registromercantil.gob.gt/eConsultas/Wfrm_login.aspx
26	G	Guernsey	https://www.greg.gg/webCompSearch.aspx?r=1
27	G	Gibraltar	https://www.companieshouse.gi/login.html
28	H	Hong Kong	https://www.icris.cr.gov.hk/csci/
29	G	Greenland	https://datacvr.virk.dk/data/
30	G	Greece	https://www.businessregistry.gr/publicity/index
31	G	Georgia	http://hapr.gov.ge/dziebakomp
31	G	Georgia	https://enreg.reestri.gov.ge/main.php
32	D	Denmark	https://datacvr.virk.dk/data/
33	J	Jersey	https://www.jerseyfsc.org/registry/documentssearch/
34	D	Dominican Republic	https://servicios.camarasantodomingo.do/consultaRm.aspx
35	E	Estonia	http://www.rik.ee/en
36	I	Israel	https://ica.justice.gov.il/GenericCorporationInfo/SearchCorporation?unit=8
37	I	India	http://www.mca.gov.in/mcafoportal/companyLLPMasterData.do
38	I	Ireland	https://search.cro.ie/company/CompanySearch.aspx
40	I	Iceland	https://www.rsk.is/fyrirtaekjaskra/
40	I	Iceland	https://www.firmaskra.is/index.php
41	S	Spain	http://www.rmc.es/Sociedades.aspx?lang=en
42	I	Italy	http://www.registroimprese.it/en/web/guest/home
43	K	Kazakhstan	http://kgd.gov.kz/ru/services/taxpayer_search
44	C	Canada	https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/fdrlCrpSrch.html?
		1) Quebec	https://www.registreentreprises.gouv.qc.ca/RQAnonymeGR/GR/GR03/GR03A2_19A_PIU_RechEnt_PC/PageRechSimple.aspx?T1.CodeService=S00436&Clng=F&WT.co_f=21dd5f4912b38618c7a1522054156851
		2) Ontario	https://www.ontario.ca/page/public-record-search
		3) Nova Scotia	https://rjsc.gov.ns.ca/rjsc/acceptTerms.do?lang=en
		4) New Brunswick	https://www.pwx2.snb.ca/card_online/cardsearch.aspx
		5) Manitoba	https://companiesonline.gov.mb.ca/Account/Login

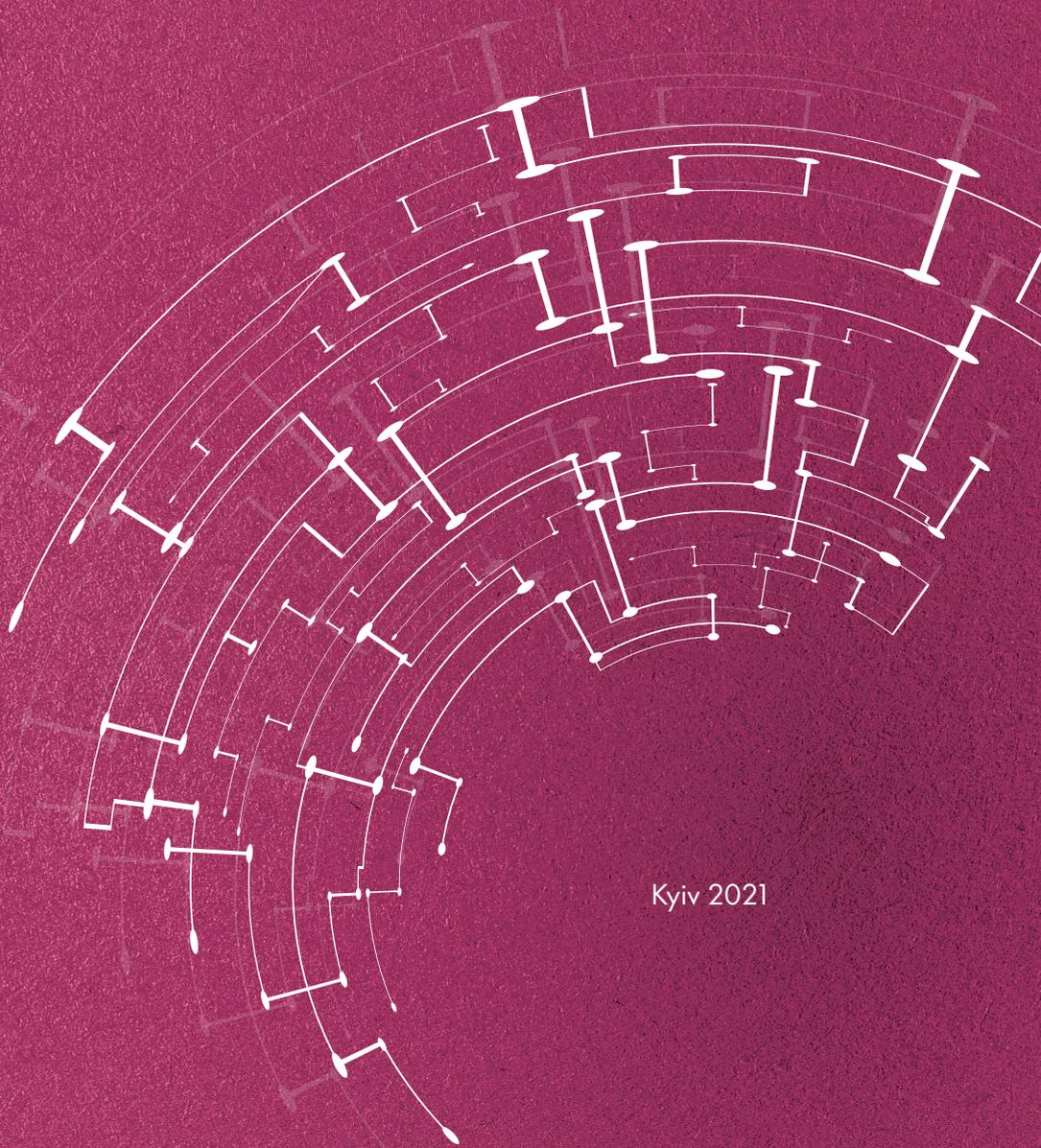
No.	ABC	State (Territory)	Website
		6) British Columbia	https://www2.gov.bc.ca/gov/content/employment-business/business/managing-a-business/permits-licences/businesses-incorporated-companies/searches-certificates
		6) British Columbia	https://www.bconline.gov.bc.ca/main.html
		7) Prince Edward Island	https://www.princeedwardisland.ca/en/service/search-corporatebusiness-names
		8) Saskatchewan	https://corporateregistry.isc.ca/
		9) Alberta	https://www.servicealberta.ca/731.cfm
		10) Newfoundland and Labrador	https://cado.eservices.gov.nl.ca/CADONet/Company/CompanyNameNumberSearch.aspx
		11) North-Western Territories	https://www.justice.gov.nt.ca/app/cros-rsel/login
		12) Nunavut	http://nni.gov.nu.ca/business/search/name
		13) Yukon	https://ycor-reey.gov.yk.ca/search
45	C	Cameroon	http://ccima.cm/Fichier-consulaire/index.php
46	C	Cayman Islands	http://www.cima.ky/search-entities
47	Q	Qatar	http://www.qfc.qa/en/Operate/CRO/Pages/PublicRegister.aspx
48	K	Kirghizia	http://register.minjust.gov.kg/register/SearchAction.seam?logic=and&cid=204
49	C	China	http://www.gsxt.gov.cn/index.html
50	C	Cyprus	https://efiling.drcor.mcit.gov.cy/DrcorPublic/SearchForm.aspx?sc=0&lang=EL&cultureInfo=en-AU
51	C	Colombia	http://www.rues.org.co/RM
52	K	Kuwait	http://www.kuwaitchamber.org.kw/echamber/website/index.jsp
53	C	Curacao	http://www.curacao-chamber.cw/services/registry/search-company
54	L	Latvia	https://www.ur.gov.lv/en/get-information/
55	L	Lithuania	http://www.registrucentras.lt/jar/p_en/
56	L	Lebanon	http://cr.justice.gov.lb/search/res_list.aspx
57	L	Liechtenstein	http://www.oera.li/hrweb/ger/firmensuche_afj.htm
58	L	Luxembourg	https://www.rcls.lu/mjrsc/jsp/DisplayConsultDocumentsActionNotSecured.action?FROM_MENU=true&time=1521636968736&currentMenuLabel=menu.item.companyconsultation
58	L	Luxembourg	http://legilux.public.lu/memorialC/search
59	M	Mauritius	https://portalms.mu/MNSOnlineSearch
60	M	Macau, China	https://www.ipim.gov.mo/en/business-investment/macau-business-database/
61	M	Macedonia	http://ujp.gov.mk/en
62	M	Malaysia	https://www.ssm-einfo.my/
63	M	Malta	https://tocsupport.mfsa.com.mt/pages/SearchCompanyInformation.aspx

No.	ABC	State (Territory)	Website
64	M	Morocco	https://www.directinfo.ma/
65	M	Marshall Islands	https://www.register-iri.com/miCorporate/index.cfm/Corporate/search
66	M	Mexico	https://www.siem.gob.mx/siem/portal/consultas/consulta.asp?q=1
67	M	Moldova	http://www.idno.md/
68	M	Monaco	http://www.rci.gouv.mc/rc/
69	N	Nigeria	http://publicsearch.cac.gov.ng/comsearch/
70	N	Netherlands	https://www.kvk.nl/
71	G	Germany	https://www.unternehmensregister.de/ureg/?submission=language&language=en
72	N	Niue	http://www.companies.gov.nu/cms/search-the-register/banner_template/CNAME
73	N	New Zealand	https://companies-register.companiesoffice.govt.nz/
74	N	Norway	https://brreg.no/
75	U	UAE	http://cbls.economy.gov.ae/
76	I	Isle of Man	https://services.gov.im/ded/services/companiesregistry/companysearch.iom
77	P	Pakistan	https://www.secp.gov.pk/company-name-search/
78	P	Panama	https://www.panadata.net/en/organizaciones
79	P	Panama	https://www.rp.gob.pa/ValidacionDigital.aspx
79	R	RSA	https://eservices.cipc.co.za/
80	S	South Korea	http://englishdart.fss.or.kr/dsbb001/main.do
81	P	Poland	https://ems.ms.gov.pl/krs/wyszukiwaniepodmiotu?lb=t
82	R	Romania	https://portal.onrc.ro/ONRCPortalWeb/ONRCPortal.portal
83	S	Samoa	https://www.businessregistries.gov.ws/samoa-br-companies/relay.html?url=https%3A%2F%2Fwww.businessregistries.gov.ws%2Fsamoa-br-companies%2Fservice%2Fcreate.html%3FtargetAppCode%3Dsamoa-br-companies%26targetRegisterAppCode%3Dsamoa-br-companies%26service%3DregisterItemSearch&target=samoa-br-companies
84	S	San Marino	https://registroimprese.cc.sm/
85	S	Seychelles	http://www.registry.gov.sc/BizRegistration/WebSearchBusiness.aspx
86	S	Senegal	http://creationentreprise.sn/en/finding-business
87	S	Saint Lucia	http://efiling.rocip.gov.lc/#/
88	S	Serbia	http://pretraga2.apr.gov.rs/objedinjenepretrage/search/search
89	S	Singapore	https://www.bizfile.gov.sg
90	S	Slovakia	http://ors.sk/search_subjekt.asp?lan=en
91	S	Slovenia	https://www.ajpes.si/prs/Default.asp?language=english

No.	ABC	State (Territory)	Website
92	U	USA	https://www.sec.gov/edgar/searchedgar/companysearch.html
		1) Idaho	https://www.accessidaho.org/public/sos/corp/search.html
		2) Iowa	https://sos.iowa.gov/search/business/{S(ws3fjy555lx4zp45ujrsu45)}/search.aspx
		3) Alabama	http://arc-sos.state.al.us/CGI/CORPNAME.MBR/INPUT
		4) Alaska	https://www.commerce.alaska.gov/cbp/Main/Search/Entities
		5) Arizona	ecorp.azcc.gov/Search
		6) Arkansas	https://www.sos.arkansas.gov/corps/search_all.php
		7) Wyoming	https://wyobiz.wy.gov/business/filingsearch.aspx
		8) Washington	https://ccfs.sos.wa.gov/#/
		9) Vermont	https://www.sec.state.vt.us/corporationsbusiness-services/searches-databases.aspx
		10) Virginia	https://www.scc.virginia.gov/index.aspx
		11) Wisconsin	https://www.wdfr.org/apps/CorpSearch/Search.aspx
		12) Hawaii	https://hbe.ehawaii.gov/documents/search.html;jsessionid=07600F17F363608F2E1CFD8BA0F32ABF.prodapp1
		13) Delaware	https://icis.corp.delaware.gov/Ecorp/EntitySearch/NameSearch.aspx
		14) Georgia	https://ecorp.sos.ga.gov/BusinessSearch
		15) West Virginia	http://apps.sos.wv.gov/business/corporations/
		16) Illinois	https://www.ilsos.gov/corporatellc
		17) Indiana	https://bsd.sos.in.gov/publicbusinesssearch
		18) California	https://businesssearch.sos.ca.gov/
		19) Kansas	https://www.accesskansas.org/bess/flow/main?execution=e2s3
		20) Kentucky	https://app.sos.ky.gov/ftsearch/
		21) Colorado	http://www.sos.state.co.us/biz/BusinessEntityCriteriaExt.do?resetTransTyp=Y
		22) Connecticut	https://www.concord-sots.ct.gov/CONCORD/online?sn=PublicInquiry&eid=9740
		23) Louisiana	https://coraweb.sos.la.gov/CommercialSearch/CommercialSearch.aspx
		24) Massachusetts	http://corp.sec.state.ma.us/corpweb/CorpSearch/CorpSearch.aspx
		25) Minnesota	https://mbportal.sos.state.mn.us/Business/Search
		26) Mississippi	https://corp.sos.ms.gov/corp/portal/c/page/corpBusinessIdSearch/portal.aspx?#clear=1
		27) Missouri	https://www.sos.mo.gov/BusinessEntity/soskb/csearch.asp
		28) Michigan	https://cofs.lara.state.mi.us/corpweb/CorpSearch/CorpSearch.aspx
29) Montana	http://sos.mt.gov/business		

No.	ABC	State (Territory)	Website
		30) Men	https://icrs.informe.org/nei-sos-icrs/ICRS?MainPage=x
		31) Maryland	https://egov.maryland.gov/BusinessExpress/EntitySearch
		32) Nebraska	https://www.nebraska.gov/sos/corp/corpsearch.cgi?status=A&corpname=&search=1
		33) Nevada	http://hvsos.gov/sosentitysearch/corpsearch.aspx
		34) New Hampshire	https://quickstart.sos.nh.gov/online/BusinessInquire
		35) New Jersey	https://www.njportal.com/DOR/BusinessNameSearch/Search/BusinessName
		36) New York	https://appext20.dos.ny.gov/corp_public/corpsearch.entity_search_entry
		37) New Mexico	http://www.sos.state.nm.us/Business_Services/Search_Companies.aspx
		38) Ohio	https://www5.sos.state.oh.us/ords/f?p=100:1:.....
		39) Oklahoma	https://www.sos.ok.gov/corp/corplnquiryFind.aspx
		40) Oregon	http://egov.sos.state.or.us/br/pkg_web_name_srch_inq_login
		41) Pennsylvania	https://www.corporations.pa.gov/Search/corpsearch
		42) Rhode Island	http://ucc.state.ri.us/CorpSearch/CorpSearchInput.asp
		43) North Dakota	https://apps.nd.gov/sc/busnrch/busnSearch.htm
		44) North Carolina	https://www.sosnc.gov/corporations/
		45) Tennessee	https://tnbear.tn.gov/Ecommerce/DBDownloadWizard.aspx
		46) Texas	https://direct.sos.state.tx.us/
		47) Florida	http://search.sunbiz.org/Inquiry/CorporationSearch/ByName
		48) South Dakota	https://sosenterprise.sd.gov/BusinessServices/Business/FilingSearch.aspx
		49) South Carolina	https://businessfilings.sc.gov/BusinessFiling/Entity/Search
		50) Utah	https://secure.utah.gov/bes/
93	T	Tajikistan	http://andoz.tj/ru/register.html
94	T	Thailand	http://www.dbd.go.th/Applications/cds/
95	T	Trinidad and Tobago	https://rgd.legalaffairs.gov.tt/ (only on a paid for basis)
96	T	Tunisia	http://www.registre-commerce.tn
97	T	Turkey	https://www.ito.org.tr/wps/portal/english/companysearch/?page=fb/sk/tug&prmPagelid=0&initView=true
98	U	Uganda	https://brs.ursb.go.ug/brs/pro/bnr/searchname#SearchName
99	U	Uzbekistan	http://minjust.uz/ru/interactive/registries/associations/
100	U	Ukraine	https://usr.minjust.gov.ua/ua/freesearch/

No.	ABC	State (Territory)	Website
101	F	Faroe Islands	http://www.skraseting.fo/en/companies/search-companies/
102	P	Philippines	http://bnrs.dti.gov.ph/web/guest/search
103	F	Finland	https://virre.prh.fi/novus/companySearch?execution=e2s1
104	F	France	https://www.infogreffe.fr/
105	C	Croatia	https://sudreg.pravosudje.hr/registar/f?p=150:1
106	C	Croatia	http://www1.biznet.hr/HgkWeb/do/fullSearch
107	M	Montenegro	http://www.pretraga.crps.me:8083/
108	C	Czech Republic	https://or.justice.cz/ias/ui/rejstrik
109	S	Switzerland	https://www.zefix.ch/en/search/entity/welcome
110	S	Sweden	http://bolagsverket.se/en/info/buy/e-services/company-information/find-company-information-1.8875
111	S	Sri Lanka	http://www.drc.gov.lk/App/ComReg.nsf
112	J	Jamaica	https://www.orcjamaica.com/CompanySearch.aspx?AspxAutoDetectCookieSupport=1
113	J	Japan	http://www2.tse.or.jp/tseHpFront/JJK020010Action.do?Show=Show



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