

Glossary

Beneficial owner. The natural person who ultimately owns or controls the corporate vehicle or benefits from its assets, the person on whose behalf a transaction is being conducted, or both. Beneficial owners also include those persons who exercise ultimate effective control over a legal person or arrangement.

Chain of corporate vehicles. This term generally refers to groups of two or more corporate vehicles connected through legal ownership.

Corporate vehicles. A broad concept that refers to all forms of legal entities and legal arrangements through which a wide variety of commercial activities are conducted and assets are held (for example, corporations, trusts, partnerships, foundations, and others).¹

Designated Non-Financial Businesses and Professions (DNFBPs). This term encompasses casinos (including Internet-based casinos), real estate agents, dealers in precious metals, dealers in precious stones, lawyers, notaries, other independent legal professionals and accountants, and trust and company service providers.

Financial Intelligence Unit (FIU). “A central, national agency responsible for receiving (and as permitted, requesting), analyzing and disseminating to the competent authorities, disclosures of financial information: (i) concerning suspected proceeds of crime and potential financing of terrorism, or (ii) required by national legislation or regulation, in order to combat money laundering and terrorism financing.”²

Foundation. A foundation is a legal entity that consists of a property that has been transferred into it to serve a particular purpose and has no owners or shareholders. Foundations are ordinarily managed by a board of directors, according to the terms of a foundation document or constitution. Some jurisdictions restrict foundations to public purposes (public foundations); other jurisdictions allow foundations to be established to fulfill private purposes (private foundations).

Gatekeeper. Includes accountants, lawyers, financial consultants, or other professionals holding accounts at a financial institution and acting on behalf of their clients, either knowingly or unwittingly, to move or conceal the proceeds of illegal activity. A criminal

1. For detailed discussion of the term “corporate vehicles” and selected forms of corporate vehicles, please see appendix C of this report.

2. Definition adopted at the plenary meeting of the Egmont Group, Rome, Italy, November 1996; as amended at the Egmont plenary meeting, Guernsey, June 2004.

may seek to use the gatekeeper to access the financial system, while remaining anonymous themselves.³

Grand corruption. A broad range of offenses, including bribery, embezzlement, trading in influence, misappropriation of state funds, illicit enrichment, and abuse of office committed by high-level public officials or senior officers of state-owned entities.

Hybrid company. Limited by a guarantee (similar to a foundation) but issues shares like a company.

International Business Corporation (IBC). This corporate vehicle, sometimes called an exempt company, is the primary corporate form employed by nonresidents in offshore financial centers. An IBC has the features of a corporation, but it is not permitted to conduct business within the incorporating jurisdiction and is generally exempt from local income taxes. In most jurisdictions, an IBC is not permitted to engage in banking, insurance, and other financial services.

Know your customer. The due diligence and bank regulation that financial institutions and other regulated entities must perform to identify their clients and ascertain relevant information (including source and destination of the funds) pertinent to doing financial business with them.⁴

Legal arrangements. Express trusts or other similar legal arrangements.⁵

Legal persons. Bodies corporate, foundations, *anstalts*, partnerships, or associations, or any similar bodies that can establish a permanent customer relationship with a financial institution or otherwise own property.⁶

Letters rogatory. A formal request from a court to a foreign court for some type of judicial assistance. It permits formal communication between the judiciary, a prosecutor, or law enforcement official of one jurisdiction, and his or her counterpart in another jurisdiction. A particular form of mutual legal assistance.⁷

Limited liability company (LLC). This is a business entity that provides limited liability to its owners (known as members). An LLC may be managed either by members or by one or more separate managers engaged by the LLC under the terms contained within its articles of organization.

3. Financial Action Task Force (FATF), “Guidance on the Risk-Based approach to Combating Money Laundering and Terrorist Financing: High Level Principles and Procedures” (June 2007), available at <http://www.fatf-gafi.org/dataoecd/43/46/3896-576.pdf>; and FATF, “Report on Money Laundering Typologies, 2000–2001” (February 2001), available at <http://www.fatf-gafi.org/dataoecd/29/36/34038090.pdf>.

4. Stolen Asset Recovery (StAR) Initiative, *Asset Recovery Handbook: A Guide for Practitioners* (Washington, DC: International Bank for Reconstruction and Development/World Bank, 2011), p. 195.

5. FATE, “Glossary to the 40 Recommendations,” available at http://www.fatf-gafi.org/glossary/0,3414,en_32250379_32236930_35433764_1_1_1_1,00.html.

6. FATE, “Glossary to the 40 Recommendations,” available at http://www.fatf-gafi.org/glossary/0,3414,en_32250379_32236930_35433764_1_1_1_1,00.html.

7. StAR Initiative, *Asset Recovery Handbook: A Guide for Practitioners* (Washington, DC: International Bank for Reconstruction and Development/World Bank, 2011), p. 251.

Mutual legal assistance (MLA). The process by which jurisdictions seek and provide assistance in gathering information, intelligence, and evidence for investigations; in implementing provisional measures; and in enforcing foreign orders and judgments.⁸

Partnership. A partnership is an association of two or more individuals or entities formed for the purpose of carrying out business activity. In contrast to corporations, traditional partnerships are entities in which at least one (in the case of limited partnerships) or all (in the case of general partnerships) of the partners have unlimited liability for the obligations of the partnership. In a limited partnership, the limited partners enjoy limited liability, provided that they do not participate actively in management decisions or bind the partnership.

Politically Exposed Persons (PEPs). “Individuals who are, or have been, entrusted with prominent public functions, their family members, and close associates.”⁹

Trust. Also referred to as an “express trust,”¹⁰ this corporate vehicle provides for the separation of legal ownership from beneficial ownership. It is an arrangement whereby property (including real, tangible, and intangible) is managed by one person for the benefit of others. A trust is created by one or more settlors who entrust property to the trustee or trustees. The trustees hold legal title to the trust property but are obliged to hold the property for the benefit of the beneficiaries (usually specified by the settlors who hold what is termed equitable title). The trustees owe a fiduciary duty to the beneficiaries, who are the beneficial owners of the trust property.

Trust and Company Service Providers (TCSPs). Any person or business that provides any of the following services to third parties: acting as a formation agent of legal persons; acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons; providing a registered office, business address or accommodation, or correspondence or administrative address for a company, a partnership, or any other legal person or arrangements; acting as (or arranging for another person to act as) a trustee of an express trust; or acting as (or arranging for another person to act as) a nominee shareholder for another person.

8. StAR Initiative, *Asset Recovery Handbook: A Guide for Practitioners* (Washington, DC: International Bank for Reconstruction and Development/World Bank, 2011), p. 251.

9. Theodore S. Greenberg, Larissa Gray, Delphine Schantz, Carolin Gardner, and Michael Lathem, *Politically Exposed Persons: Preventive Measures for the Banking Sector* (Washington, DC: World Bank, 2010), p. 3, available at <http://www.worldbank.org/star>; and StAR Initiative, *Asset Recovery Handbook: A Guide for Practitioners* (Washington, DC: International Bank for Reconstruction and Development/World Bank, 2011), p. 251.

10. For more detailed discussion of trusts, please see appendix C of this report. See also the definition of “Express Trust,” in “FATF Recommendations, Glossary: FATF Methodology,” available at http://www.fatf-gafi.org/glossary/0,3414,en_32250379_32236920_34295666_1_1_1_1,00.html (accessed August 13, 2011).

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