

## **CASE STUDY 1**

### **Part 1**

A law firm in your respective jurisdiction is approached by Mr. John Smith, the CEO of Sandalwood Ltd., a legal entity incorporated in the U.K. Mr. Smith would like you to represent Sandalwood Ltd. in the purchase of an office building in your respective jurisdiction. In order to facilitate the purchase Mr. Smith suggests that 5 million EUR is deposited to an attorney escrow account of the law firm. Mr. Smith apologizes that he is running behind his schedule and suggests that he provides any further information and documentation that may be needed by the law firm in a few weeks when he will be back in the country. As the law firm agrees to this arrangement, in a couple of days it receives the funds via wire transfer from the account of Transcontinentalimpex Corp. in the Commercial Bank of Moldova in Moldova.

The negotiations for the purchase of the office building commence, yet the law firm receives new instruction from Mr. Smith. Now he wants the negotiations discontinued. He instructs the law firm to transfer 4 million EUR to the bank account of Overseas Media Ltd. in The Bahamas. The remaining 1 million Euros is to be used for the purchase of an estate in your jurisdiction for Ruselb Ltd. recently registered in Armenia. At this point Mr. Smith is yet to provide the needed information and documentation associated with the anti-money laundering customer due diligence (CDD).

To execute the client's instruction associated with the purchase of the real estate, the law firm approaches a notary in your respective jurisdiction.

### **Questions to part 1**

1. What type of information the law firm/notary should request in light of their "gatekeeper" obligations?
2. Would a lawyer/notary in your jurisdiction undertake any independent inquiries? Could they do so?

### **Part 2**

In response to your CDD inquiry, Mr. Smith provides the same response to both the notary and the law firm. He explains that the 5 million EUR is a Moldovan court default judgement in favor of Sandalwood Ltd. on its case against Transcontinentalimpex Corp.. He provides a translation of the first instance court judgement that has entered into force without being appealed. Mr. Smith notes that the follow-up transfers are associated with business dealings of Sandalwood Ltd.. Mr. Smith notes that the 4 million EUR transfer to Overseas Media Ltd. is associated with an "off-shore investment business transaction". On the purchase of the real estate for Ruselb Ltd., Mr. Smith notes that this is a payment on a consultancy contract for a public procurement secured by Sandalwood Ltd. in Kazakhstan.

According to the internet site of Ruselb Ltd. is "specialized in government relations". However, the notary comes across a media publication that claims that "according to unconfirmed reports" the beneficiary owner of Ruselb Ltd. is the daughter of the former president of Kazakhstan.

### **Questions to part 2**

1. What is the money laundering "red flags" in this scenario from a lawyer's/notary's perspective?

## **CASE STUDY 2**

### **Part 1**

Mr. Alfredo Donadoni, an Italian national, approaches a lawyer in your respective jurisdiction. Mr. Donadoni would like her to setup a limited liability company in your respective jurisdiction. The scope of activity of the legal entity is the purchase and resale of vehicles, import and export of vehicles. The capital of the legal entity is wholly owned by Oruzza Ltd. that is setup in Bulgaria. After the new legal entity, Amaranth Ltd. is setup, Mr. Albertini, the CEO of this legal entity, asks the same legal professional to provide legal services for Amaranth Ltd. on a regular basis. As part of this arrangement, the lawyer becomes aware that Amaranth Ltd. buys cars, trucks and other vehicles that are then shipped to Pakistan. In many instances the cars are invoiced to a different customer than Amaranth Ltd.. The majority of sales are made in cash. The predominant majority of purchase invoices are below 10, 000.00 EUR. It becomes known to the lawyer that in some instances the invoice price is “adjusted”, as Mr. Donadoni puts it, “to reduce the tax burden on the local businesses which are hard-pressed due to economic hardship”.

At one-point Mr. Donadoni informs the lawyer that Oruzza Ltd. is set to buy an apartment in your respective jurisdiction that will be used by the CEO of Amaranth Ltd.. He asks for the legal services of the lawyer in preparation of necessary paperwork and performing the ownership checks.

Mr. Donadoni and the seller make an appointment with a notary in your respective jurisdiction. Mr. Donadoni and the seller declare that the purchasing price of 150, 000.00 EUR is paid in advance and in full. According to the ownership title, the property was acquired by the vender 4 years earlier for 250, 000.00 EUR.

### **Questions to part 1**

1. What type of information the lawyer/notary should request in light of the “gatekeeper“ obligations?
2. What is the money laundering “red flags” from a lawyer’s/notary’s perspective?

### **Part 2**

In response to the CDD inquiry, Mr. Donadoni provides information from the Bulgarian Business Registry according to which Oruzza Ltd. is primarily dealing with import and export but has a very broad scope of activities. Its registered capital is 1 Euro, the minimum required by law. There are two stakeholders in Oruzza Ltd. – one limited liability company incorporated in Switzerland and one limited liability company setup in Mauritius.

Unofficially, the seller discloses to the notary that Mr. Donadoni offered the owner of the apartment to pay the asking price for the purchase fully in cash at the time the contract is signed. Further, he asks whether the seller would be willing to report a price that is below the actual price, noting that the seller will reduce tax dues. To facilitate the concent, Mr. Donadoni paid all expenses associated with the deal. The owner agreed.

### **Questions to part 2**

1. Are there any further “red flags” following this new information from a lawyer’s / notary’s perspective

**CASE STUDY 3 (lawyers only)**

**Part 1**

A lawyer in your respective jurisdiction is approached by Mr. Richard Deng, a French-South Sudanese national. Mr. Deng is the head of a French non-profit organization “*Food for the Children of the World*”. He explains that the organization collects donations to buy food and medical supplies that are then shipped to poverty and conflict-stricken countries which cannot guarantee the food security of children.

Mr. Deng notes that the organization is ready to make three major shipments to three different countries in a short time span. As this is a new and small organization it lacks the expertise and staffing to handle the task. It would like to secure the services of the legal professional for assistance with the transactions. Mr. Deng notes that the actual arrangements are in place but they need assistance with the legal aspects of those.

The three transactions are as follows:

- 10 000 tons of wheat from Dubai to Iran.
- 50 tons of medications for Egypt to South Sudan.
- 10 000 tons of rice from Nigeria to Guinea.

The lawyer noted that according to the provided scanned fax offer the ship that was to transport the wheat has a carrying capacity of 5 000 tons. Mr. Deng noted that this is due to the low tonnage of their fax machine and the actual capacity of the vessel is 15 000 tons. According to the documents provided, a Turkish precious metal and stones dealer finances the Iranian transaction through transfers from his bank accounts in Turkish banks.

The lawyer notes that the medications for South Sudan are contributions from charitable organizations and individuals. Most of them are in-kind donations, rather than funds. Insignificant monetary donations are made to the bank account of “*Food for the Children of the World*” in France.

Mr. Deng informally shares with the lawyer that the transfer to Guinea is affected by logistical problems. Eventually, Mr. Deng, who is to accompany the shipment for South Sudan, gives the lawyer the power of attorney with respect to the funds in the “*Food for the Children of the World*” account earmarked for Guinea. A day later Mr. Deng calls from Egypt. Mr. Deng tells the lawyer that the Guinea shipment is off and there will be follow-up instructions via e-mail. Via e-mail Mr. Deng instructs the lawyer to return the money earmarked for Guinea to the donor. He notes that the funds are to be sent to a bank account of Mr. M. C. (an individual entity from the EU Commission sanction list) in Mauritius. The lawyer notes that the funds came from a bank account of a limited liability company in France. This account is now closed.

**Questions**

1. What is the money laundering “red flags” in this scenario from a lawyer’s perspective?

**CASE STUDY 4 (notaries only)**

**Part 1**

A lawyer from your jurisdiction approaches a notary in the same jurisdiction to set an appointment for real estate sale. The lawyer is the CEO of a limited liability company from your jurisdiction that is to buy several very old houses in an uninhabited village in an economically depressed region.

The vendor is a limited liability company setup in the same jurisdiction. The seller acquired the houses in a series of deals in the span of several months prior to the deal. The acquisition prices were very low, representing a small fraction of the sale price, totaling several hundred thousand Euros.

The lawyer who approaches the notary indicates that both parties are in a hurry and would like to speed up the process as much as possible. To facilitate the timely execution of the deal, the lawyer asks the notary on the associated paperwork they may need to fill on the spot. The lawyer mentions in passing the anti-money laundering, enquiring whether there will be any additional information that the notary may need in that regard.

While reviewing the papers, an associate at the office of the notary draws the attention of the notary that the individual representing the seller is Ms. Maria Salazar, a national of your respective jurisdiction and a daughter of a former minister of healthcare of the country.

**Questions to part 1**

1. What type of information the notary should request in light of the “gatekeeper“ obligations?
2. Would a notary in your jurisdiction undertake any independent inquiries? Could they do so?

**Part 2**

The independent research of the notary indicates that the buyer company is setup just before the deal. It is wholly owned by another company incorporated in Panama. As for the vendor company, its capital is wholly owned by Ms. Maria Salazar.

In response to notary’s CDD, the lawyer contacts the notary, indicating that all is fine and neither of them should worry as the payment goes through a reputable international bank and, as is well known, banks have the highest standards when it comes to CDD. So, in the words of the lawyer, let’s not spoil a good deal.

**Questions to part 2**

1. What is the money laundering “red flags” in this scenario from a notary’s perspective?