

4 April 2024

HOW INVESTMENT FIRMS SHELTER THE ULTRAWEALTHY FROM THE IRS

On 3 April, ICIUJ reported on an investigation, saying that the ultrawealthy were increasingly turning to intricate webs of companies and trusts to move their income in ways that auditors could hardly begin to understand. These distinctive new investment schemes are often called “large partnerships,” and they have become pervasive in the private equity funds and similar investment firms the rich have flocked to in recent years. The investigation examining hundreds of leaked IRS forms offers a glimpse into the often-hidden challenges the tax agency faces in tackling the favourite new global investment vehicles of the ultrawealthy. The situation involves the peculiar position of partnerships in US tax laws, and ICIJ says that partnerships are now the fastest-growing type of business entity in the US.

<https://www.icij.org/inside-icij/2024/04/how-investment-firms-shield-the-ultra-wealthy-from-the-irs>

US CHARGES LATVIAN BROKER FOR EXPORTING US AIRCRAFT TECHNOLOGY TO RUSSIA

On 4 April, the Global Sanctions blog reported that a Latvian citizen had been arrested in Latvia, and charged by the US with allegedly conspiring with 2 US citizens to facilitate the sale of US avionics equipment to customers in Russia. This followed the guilty plea of an alleged co-conspirator in December.

<https://globalsanctions.co.uk/2024/04/us-charges-latvian-broker-for-exporting-us-aircraft-technology-to-russia/>

MASSIVE EU POLICE RAID OVER €600 MILLION COVID FRAUD

On 4 April, Politico reported that police had arrested more than 20 suspects in Italy, Austria, Romania, and Slovakia as part of a major investigation into massive fraud linked to the EU’s post-pandemic recovery fund. Police said the alleged fraud was carried out by a criminal association including professionals with experience in applying for public funding, who helped secure cash for projects worth tens of millions of euros.

<https://www.politico.eu/article/police-fraud-financial-unit-arrests-23-suspects-600-million-fraud-eu-covid-recovery-fund>

<https://www.euractiv.com/section/economy-jobs/news/italy-uncovers-alleged-e600mn-recovery-fund-fraud/>

SAFE HARBOURS FOR VASP

On 28 March, Ogier published a 2-part article saying that, in 2023, Jersey and the BVI passed legislation indicating they were welcoming virtual asset service providers (VASP), joining the likes of the Cayman Islands as regulated virtual asset friendly jurisdictions. In Q&A form, Part 1 covered the key provisions of each piece of legislation, the challenges financial service providers should expect, and the incentives of these jurisdictions; and Part 2 covers balancing compliance without stifling innovation, how firms can rectify their compliance status, how these jurisdictions are enforcing these new regulations, and recommendations for financial services providers to ensure they are compliant with regulations.

<https://www.ogier.com/news-and-insights/insights/qa-safe-harbours-for-vasps-part-1/>

<https://www.ogier.com/news-and-insights/insights/qa-safe-harbours-for-vasps-part-2/>

JERSEY COURT CREATES A NEW EXCEPTION TO THE REVENUE RULE ON RECOVERY OF FOREIGN TAX

On 2 April, an article from Carey Olsen was concerned with the “revenue rule”, the principle that the courts of one jurisdiction will not collect the tax of another. This is a longstanding tenet of law in many legal systems around the world. However, the Jersey Court recently took the opportunity to develop and finesse that principle in a novel fashion. The Court was keen to stress however that new exception is strictly limited to the situation where assets of the estate are in the same country where a claim to enforce a foreign tax claim might be made (whether directly or indirectly).

<https://www.careyolsen.com/insights/briefings/jersey-court-creates-new-exception-revenue-rule>

AML IN MEXICO

On 2 April, an article from Chevez Ruiz Zamarripa in the Global Investigation Review introduced the AML laws of Mexico.

<https://globalinvestigationsreview.com/insight/know-how/anti-money-laundering/report/mexico>

US SANCTIONS ON ZIMBABWE PRESIDENT MNANGAGWA

An article from Al Jazeera on 4 April was concerned with the new US sanctions on 11 Zimbabwean individuals, including President Emmerson Mnangagwa and his wife, and other officials, following allegations of corruption and human rights abuses. It also placed sanctions on 3 businesses – also because of alleged corruption, human rights abuses and election rigging. This came after a review of US sanctions which have been in place since 2003, and switched to the Global Magnitsky Act.

<https://www.aljazeera.com/features/2024/4/4/whats-behind-the-latest-us-sanctions-on>

INDIA: DIAMOND BUYERS ASKING FOR TOO MUCH ORIGIN INFORMATION

On 4 April, Rapaport reported that clients in the US and Europe are demanding source declarations for diamonds that are currently exempt from sanctions, causing chaos in the Indian trade, according to industry officials. The problem is said to arise from confusion over the US and EU sanctions imposed to target Russian diamonds.

<https://rapaport.com/news/diamond-buyers-asking-for-too-much-origin-info-indians-say/>

ISLE OF MAN FSA: PREPARE FOR MONEYVAL INSPECTION

On 4 April, 3FM reported that a newsletter from the FSA has warned businesses that the evaluation would take place next year, or the year after.

<https://www.three.fm/news/isle-of-man-business/prepare-now-for-moneyval-inspection-says-fsa/>

<https://www.iomfsa.im/media/3264/aml-focus-newsletter-march-2024.pdf>

EX-SPEAKER OF SOUTH AFRICAN PARLIAMENT CHARGED WITH MONEY LAUNDERING AND CORRUPTION

On 4 April, the Guardian reported that Nosiviwe Mapisa-Nqakula, who had resigned from her post as speaker, appeared before a court in Pretoria after she handed herself in to police and was formally detained.

<https://www.theguardian.com/world/2024/apr/04/former-speaker-of-south-africa-parliament-arrested-in-corruption-inquiry>

<https://www.theglobeandmail.com/world/article-former-south-african-defence-minister-faces-corruption-and-money/>

UK PROCEEDS OF CRIME ACT 2002: CHANGES TO BODIES GRANTED INVESTIGATORY POWERS

On 4 April, the Home Office published a response to a consultation to changes to the Act, saying that it has decided to include, by way of an order, the 5 organisations referred to in the consultation – the Security Industry Authority, Food Standards Agency, Environment Agency, Public Sector Fraud Authority, and Department for Work and Pensions.

<https://www.gov.uk/government/consultations/proceeds-of-crime-act-2002-accredited-financial-investigations-powers>

WHAT ARE GREEN FREEPORTS? EVERYTHING YOU NEED TO KNOW ABOUT THE SCHEMES

On 31 March, The National in Scotland published an article in which it launched a week-long series on the freeports proposed for Scotland. It explains that, in Scotland, freeports will instead be called “green freeports” – which the Scottish Government say is to reflect its “distinctive net-zero aspirations”. Scotland's green freeports will be required to contribute towards a just transition to net-zero emissions by 2045, create new green jobs and deliver net-zero benefits. They will also be required to set out how they will support high-quality jobs, salaries, and conditions.

<https://www.thenational.scot/news/24222915.green-freeports-explained-national-launches-week-long-series/>

MORE THAN 1,000 KG OF COCAINE SEIZED FROM JERSEY-REGISTERED VESSEL IN CARIBBEAN

On 4 April, the Jersey Evening Post reported that cocaine with a street value of between £55 million and £77 million was seized from a Jersey-registered boat in the Caribbean. The 4 people on board, 3 Spaniards and a Colombian were arrested and are now in custody in Martinique.

<https://jerseyeveningpost.com/news/2024/04/04/more-than-1000kg-of-cocaine-seized-from-jersey-registered-vessel/>

<https://www.gov.je/News/2024/Pages/SeizureOf1,100KgsOfCocaineOnJerseyRegisteredVesselInTheCaribbean.aspx>

FREEZING INJUNCTIONS IN THE UK: RECENT TRENDS

On 4 April, an article from Eversheds Sutherland said that last year delivered a number of judgments which have provided further clarification of the thresholds and criteria to be met in order to obtain freezing orders in England and Wales, as well as the wide-ranging orders that can be obtained against particular assets. It starts by explaining that a freezing order (aka previously as a Mareva injunction) is a form of interim injunction that prohibits a person or company from disposing of or dealing with particular assets prior to the enforcement of a judgment. It is generally sought in circumstances where there is a risk that those assets will be dissipated in an effort to avoid the enforcement of a judgment.

<https://www.eversheds-sutherland.com/en/global/insights/freezing-injunctions-in-the-uk-recent-trends>

METHAMPHETAMINE TRAFFICKERS IN MEXICO BECOME GLOBAL WHOLESALERS

On 3 April, an article from Insight Crime was concerned with what it says are Mexican trafficking networks' ambitions to expand their circle of clients beyond the US in search of better prices.

<https://insightcrime.org/news/methamphetamine-traffickers-mexico-become-global-wholesalers/>

See also –

<https://crsreports.congress.gov/product/pdf/IF/IF10400>

LEBANON'S PRIME MINISTER DENIES ALLEGATIONS OF MONEY LAUNDERING IN FRANCE

On 4 April, Fox News reported that Lebanon's billionaire caretaker prime minister Najib Mikati has denied allegations of money laundering after a complaint was filed in France by 2 anti-corruption groups.

<https://www.foxnews.com/world/lebanons-prime-minister-denies-allegations-money-laundering-france>

ARRESTS SUGGEST CORRUPTION BEHIND MURDER OF RIO COUNCILWOMAN MARIELLE FRANCO IN BRAZIL

On 26 March, Insight Crime reported that arrests of current and former Rio de Janeiro officials for involvement in the 2018 murder add to evidence that the killing was aimed at protecting criminal and corrupt interests.

<https://insightcrime.org/news/arrests-suggest-corruption-behind-murder-marielle-franco-brazil/>

WOLFSBERG GROUP PRINCIPLES FOR AUDITING FOR AML/CFT EFFECTIVENESS

On 26 March, the Wolfsberg Group of leading banks published a Statement on Effectiveness that included 3 'Wolfsberg Factors' that it believed should underpin any financial institution's AML/CFT programme. The Group has continued to build on the Wolfsberg Factors in subsequent publications.

<https://db.wolfsberg-group.org/assets/2cd64d5d-acf0-40b4-8fea-dd99c522c0a0/Wolfsberg%20Group%20Principles%20for%20Auditing%20for%20Effectiveness.pdf>

SPENT NUCLEAR FUEL MISMANAGEMENT POSES A MAJOR THREAT TO THE US

On 2 April, the Bulletin of the Atomic Scientists was concerned with the risks from the handling or mishandling of spent nuclear fuel rods. It says that all commercial nuclear power plants in the US — and nearly all in the world — have at least one spent fuel pool on site. A fire at an overloaded pool (which exist at many US nuclear power plants) could release radiation that dwarfs what the Chernobyl nuclear accident emitted. There are other risks, including from deliberate attacks, including cyber attacks.

<https://thebulletin.org/2024/04/spent-nuclear-fuel-mismanagement-poses-a-major-threat-to-the-united-states-heres-how>

OFAC TARGETS NETWORK FACILITATING SHIPMENTS VALUED IN HUNDREDS OF MILLIONS FOR IRANIAN MILITARY

On 4 April, OFAC advised that it was taking additional action against Iranian military revenue generation, targeting Oceanlink Maritime DMCC for facilitating the shipment of Iranian commodities on behalf of Iran's Armed Forces General Staff (AFGS) and Ministry of Defense and Armed Forces Logistics (MODAFL). OFAC also identified 13 vessels managed by Oceanlink Maritime DMCC as blocked property.

<https://home.treasury.gov/news/press-releases/jy2220>

<https://ofac.treasury.gov/recent-actions/20240404>

UK COURT HAS JURISDICTION TO HEAR INSURANCE CLAIMS RE AIRCRAFT GROUNDED IN RUSSIA

On 4 April, the Global Sanctions blog reported that the High Court has held that it has jurisdiction to hear \$10 billion claims brought by aircraft lessors against reinsurers re aircraft grounded in Russia in 2022.

<https://globalsanctions.co.uk/2024/04/uk-court-has-jurisdiction-to-hear-insurance-claims-re-aircraft-grounded-in-russia/>

SOUTH AFRICA: BAT SCALES DOWN OPERATIONS DUE TO ILLICIT CIGARETTE TRADE

On 4 April, TJI reported that British American Tobacco South Africa has announced it would be scaling down its direct retail product distribution and delivery operations due to the heightened illicit trade. The company estimated that 70% of cigarettes consumed in South Africa stemmed from illegal trade and that the legal market only had a 30% market share.

<https://www.tobaccojournal.com/news/bat-scales-down-operations-due-to-illicit-cigarette-trade/>

A BUSINESSWOMAN'S ARREST IN CHINA ILLUSTRATES THE COUNTRY'S FLAWED GROWTH MODEL

On 1 April, the Peterson Institute for International Economics said that the arrest of the woman (who was trying to obtain money owed from a local politician) illustrates some of the most formidable economic challenges China faces today. Because of the worsening fiscal situation of local governments, driven by their plummeting land revenues and massive debts, missed payments to private enterprises are on the rise, contributing to China's slumping business confidence.

<https://www.piie.com/blogs/realtime-economics/2024/businesswomans-arrest-china-illustrates-countrys-flawed-growth-model>

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