




The project

Project DATACROS co-funded by the European Union Internal Security Fund - Police (ISFP-2017-AG-CORRUPT-823792) lasted two years (March 2019-February 2021). Coordinator: Transcrime – Università Cattolica del Sacro Cuore. Partners:

-  Agence Française Anticorruption (France),
-  Cuerpo Nacional de la Policia (Spain),
-  Investigative Reporting Project Italy (Italy).

Gaps

- **Complex and opaque corporate ownership structures play a crucial role in facilitating corruption schemes** and money laundering activities;
- **Authorities are hardly able to keep the pace of criminals** because of:
 - A **lack of knowledge** on how criminals exploit legitimate businesses and move illicit money across different domains, mainly due to a shortage of reliable data;
 - A **lack of risk assessment tools** specifically designed for the public sector. A survey¹ revealed that 60% of public authorities in the EU do not use software for financial investigations, while 78% of them would like to have tools for tracing and assessing the risk of firms;

Key findings

- Project DATACROS has started to address these gaps by **investigating company anomalies and red-flags** that can signal high risks of corruption and other financial crimes: 1) Anomalous complexity of ownership structures; 2) Ownership links with high-risk countries; 3) Ownership links with opaque corporate vehicles; 4) Ownership links to Politically Exposed Persons (PEPs); 5) Ownership links to entities with sanctions or enforcement;
- The project has produced an **aggregate analysis**² of the above-mentioned ownership anomalies for 56 million companies in 29 European countries (EU27 + UK and Switzerland), to assess the distribution of opaque and anomalous companies across EU territories and sectors. **The results of the analysis highlight that:**
 - On average, 1% of limited companies in Europe have **ownership links with high-risk countries**;
 - On average, 1.2% of limited companies in Europe are controlled by a trust, a fiduciary or another **legal arrangement that does not allow to identify Beneficial Owners** (BOs);
 - Companies displaying anomalies in their ownership structures are also **more likely to be targeted by sanctions and enforcement measures**.
- Project DATACROS has produced a **prototype tool** designed for Law Enforcement Agencies and Anticorruption Agencies to support the real-time identification of companies at high risk of corruption, money laundering, tax fraud and other financial crimes. This tool provides:
 - **Frontier predictive approaches:** it includes a risk scoring system with a strong predictive power. The models correctly predict 83% of companies targeted by sanctions and 88% of companies with sanctioned owners;
 - **Innovative network visualizations:** It allows to trace and reconstruct cross-border links among firms, individuals and related entities, and to visualize and detect cartels or clusters of connected companies.

Recommendations

The tool developed with project DATACROS is a successful prototype with some limitations. To make it stronger the followings are the project recommendations for the future:

- **Expand the geographical scope**, spanning also beyond EU borders, so as to be able to detect global cross-border financial crime;
- **Expand the set of risk indicators and risk assessment algorithms** (e.g. covering financial red-flags, governance anomalies), also to tackle new illicit schemes that have emerged with the Covid-19 pandemic;
- **Pursue a more integrated approach**, by extending the use to other stakeholders (e.g., Asset Recovery Offices, FIUs and Competition Authorities), and improving the communication and exchange of expertise among them;
- **Enhance security**, both in terms of IT and personal data protection, so as to minimise the vulnerability to cyber-attacks and guarantee privacy and rights of EU citizens.

1. Survey conducted for project DATACROS involving 37 public authorities from 19 EU countries (Law Enforcement Agencies, FIUs, Anti-Corruption Agencies, Competition Authorities, Tax Authorities)

2. Some selected findings from the analysis can be freely explored in the Public Area of the DATACROS prototype tool, that will be published on February 26th at <https://www.transcrime.it/datacros/>