

# KLEPTOTRACE

Strengthening EU asset recovery and sanction tracing against high-level transnational corruption

## New forms of, and risk factors for, high-level transnational corruption schemes

### EXECUTIVE SUMMARY



Corruption, especially high-level corruption, poses significant challenges for both political governance and societal well-being across the globe. High-level corruption is an umbrella term that encompasses a broad spectrum of illicit activities and involves the abuse of power at the public's expense, either for personal or group gain. [1] This phenomenon is not only a domestic issue but rather is increasingly a transnational one, insofar as it involves complex networks that exploit corporate vehicles and cross-border transactions to both launder the proceeds from illicit activities and obscure the identities of those involved. [2]

In recent years, the European Union (EU) has intensified its efforts to combat high-level transnational corruption. However, significant gaps remain with respect to understanding the specific methods and mechanisms employed within these illicit activities. Consequently, there is an urgent need for a detailed examination of precisely how these corrupt practices are carried out, particularly in relation to the misuse of corporate vehicles and the transnational dimensions of corruption. This report aims to address these gaps by analysing 42 high-level corruption cases from around the world, with a particular focus on their *modus operandi*, those sectors that are most at risk, the role of intermediaries and corporate structures in facilitating corruption, and their transnational nature.



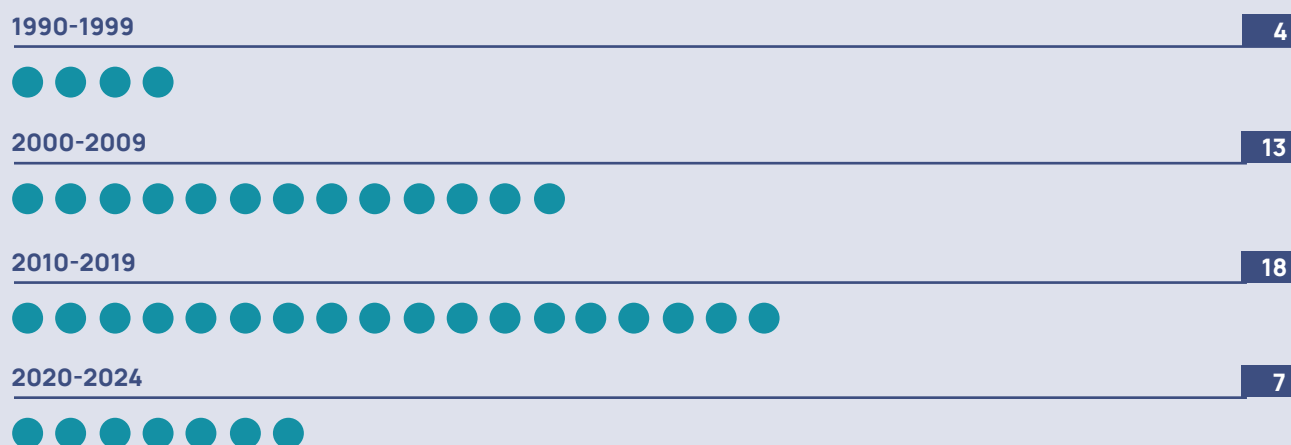
## Methodology

The primary objective of this report is to explore the international dynamics of high-level corruption and identify emerging forms and associated risk factors. In particular, the report aims to update and expand upon extant knowledge on high-level corruption by examining its *modus operandi* and transnational nature, with a special focus on recently disclosed cases. To achieve this aim, the researchers analysed **42 cases** of high-level corruption that were collected from various sources, including judicial and police investigation files, law enforcement press releases, institutional reports, and media reporting.

The selected cases all come under the definition of **high-level corruption** as involving **bribery, misappropriation, trading in influence, or abuse of functions** carried out by high-level individuals.

The high-level corruption cases that were collected and analysed are described in relation to (i) the forms of corruption, (ii) the **sectors** mostly affected, (iii) the **profile of actors** involved, (iv) the **drivers** of these schemes, (v) the **methods and *modus operandi*** used. It also details the transnational dimension of the cases as well as the links between the involved jurisdictions.

### Temporal distribution of high-level corruption cases, by decade of occurrence





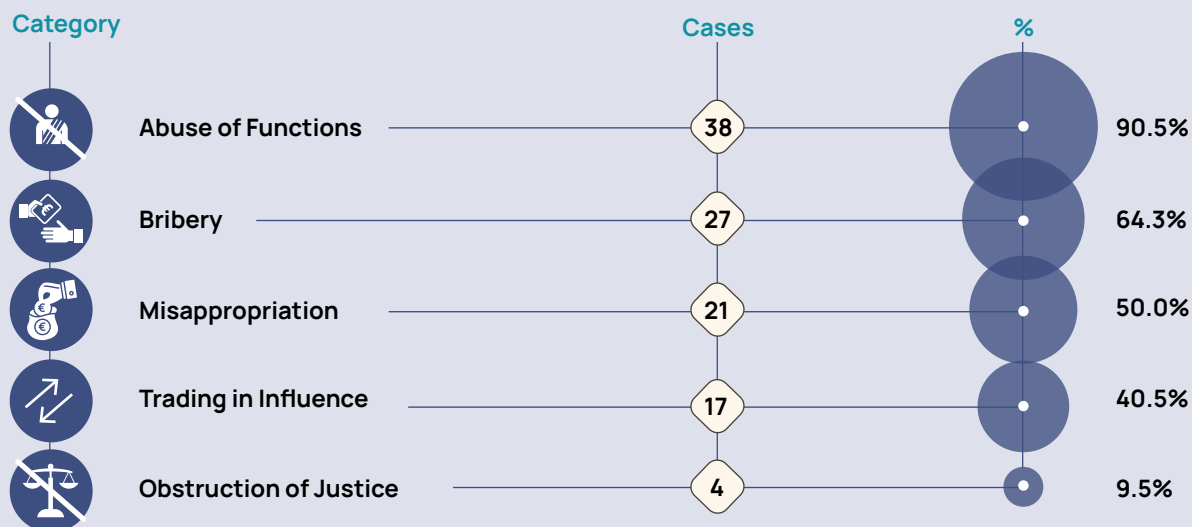
# Results

## Forms of corruption:

Corruption can manifest in various forms, as evidenced by the recent proposal for an EU directive,

which proposed a typology of corrupt conducts to highlight the subtle differences between them.

## Distribution of the corruption offences within the analysed high-level corruption cases



## Sectors:

High-level corruption is not confined to a single business sector, although some are more vulnerable than others. Sectors that involve large financial

transactions or critical infrastructures, such as energy supply, are especially susceptible due to the complexity and scale of their operations.

## Sectoral distribution of the analysed high-level corruption cases

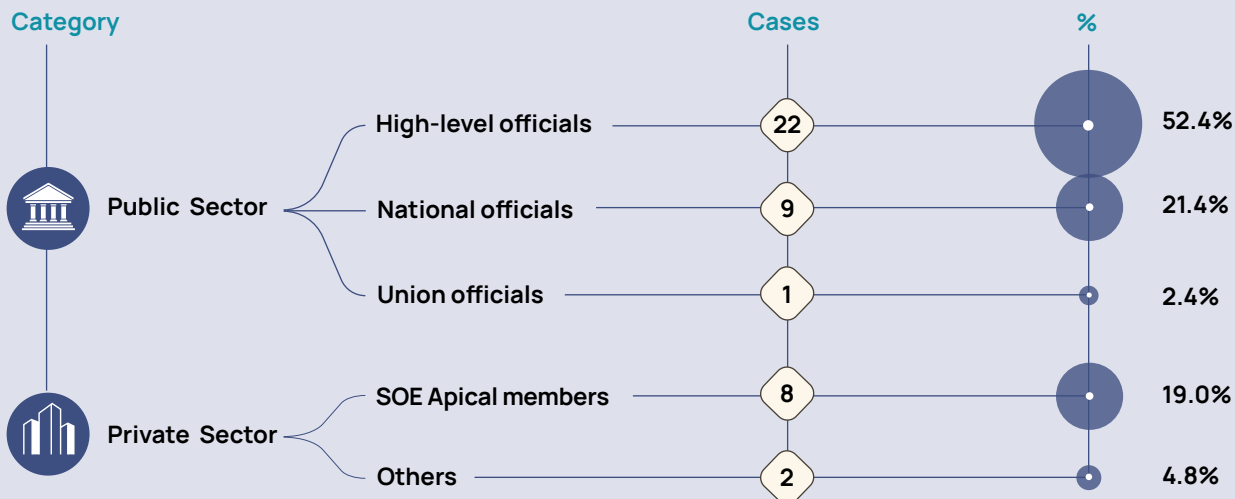
Sector	Cases	%	Average value of money (USD million)
Energy Supply	6	14.3	56.7
Political-related activities	6	14.3	1.3
Entertainment and sporting events	4	9.5	70.7
Financial and insurance activities	4	9.5	1,796.8
Construction	4	9.5	60.6
Transportation and logistics	4	9.5	2.7
Agriculture	3	7.1	5.8
Healthcare and pharma	3	7.1	128.9
Other	6	14.3	54.2

**Profiles of actors:**

High-level corruption is distinguished from petty corruption by the abuse of power by high-level officials for the benefit of a few, often involving large sums of money and substantial detrimental impacts on society. Various actors can be involved in high-

level corruption schemes. In the analysed cases, the profiles of individuals involved in these schemes were observed and classified based on their roles in public administrations or positions in the private sector, such as senior members of state-owned enterprises (SOEs) or leaders of associations or federations.

**Distribution of high-level individuals' profiles within the analysed high-level corruption cases**

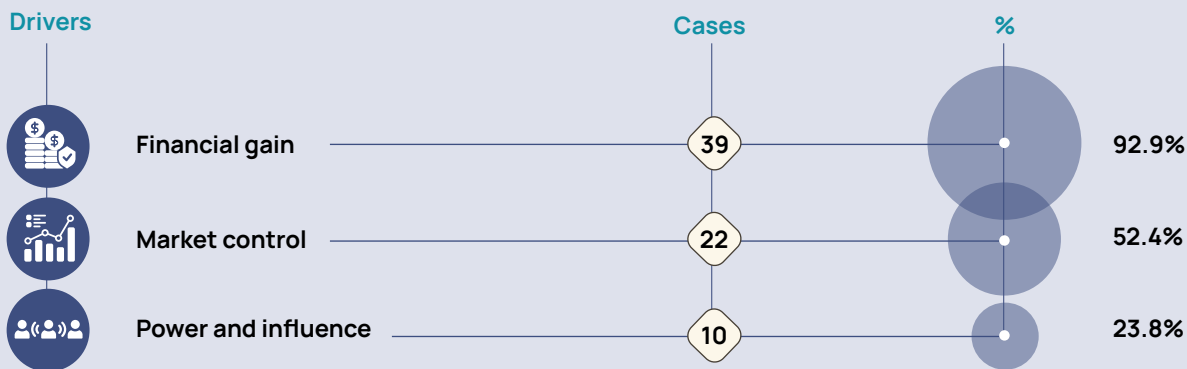


**Drivers:**

Corrupt activities are almost always driven by individual selfishness at the expense of others, who eventually experience the immediate, delayed, or long-term consequences of corruption. High-level corruption cases often rely on long-term social ties rather than ad hoc impersonal transactions, which is to

say that individuals who engage in corruption typically leverage established relationships, networks of trust, and mutual obligations that they have developed over time. This type of corruption is based on reciprocity, creating a set of counter-obligations that are grounded in indefinite expectations of future returns.

**Distribution of the drivers of high-level corruption**

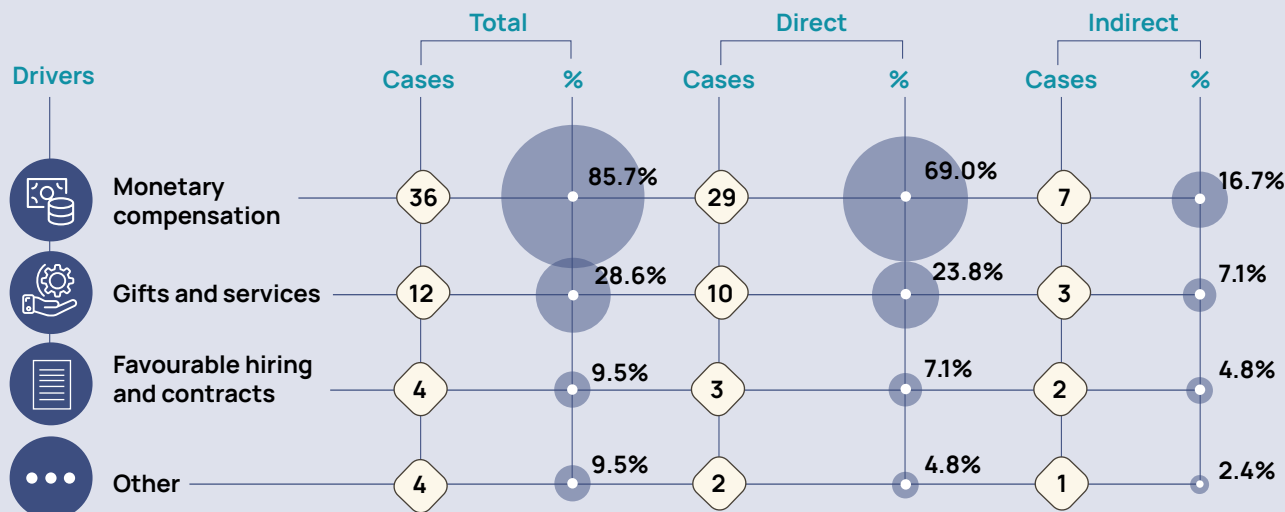


## Form of corruption:

The defining characteristic of corruption is the existence of an exchange of some form of utility, which can take various forms. The utility can either directly benefit the corrupt officials or benefit certain

connected individuals. Utilities can take the form of financial compensation, gifts, service provision, and other utilities, such as favourable hiring of corrupt individuals or their relatives.

## Distribution of utility type

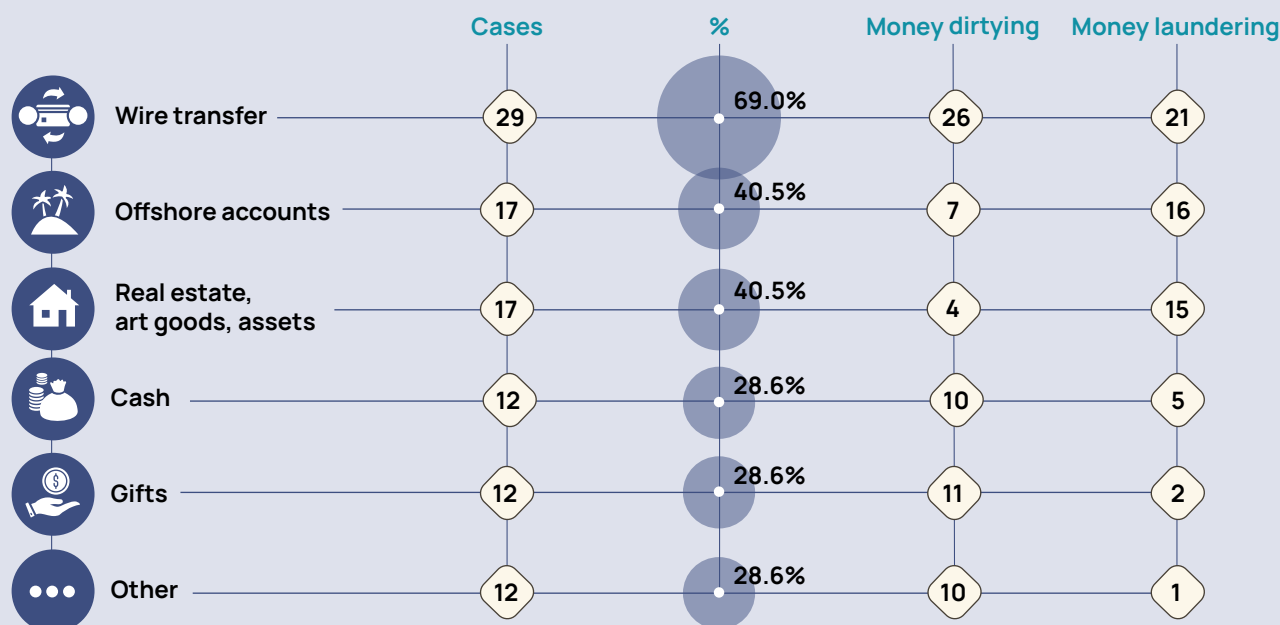


## Type of transaction mechanisms:

Transactions involving economic resources in high-level corruption cases can take various forms. While cash remains the primary medium in various criminal activities due to the anonymity it affords, and despite the obvious limitation of physical handling involved,

banking transactions are the preferred method in high-level corruption cases. This preference derives mainly from the convenience of banking transactions and the ability to move large sums of money across borders efficiently.

## Distribution of high-level corruption cases, by type of transaction

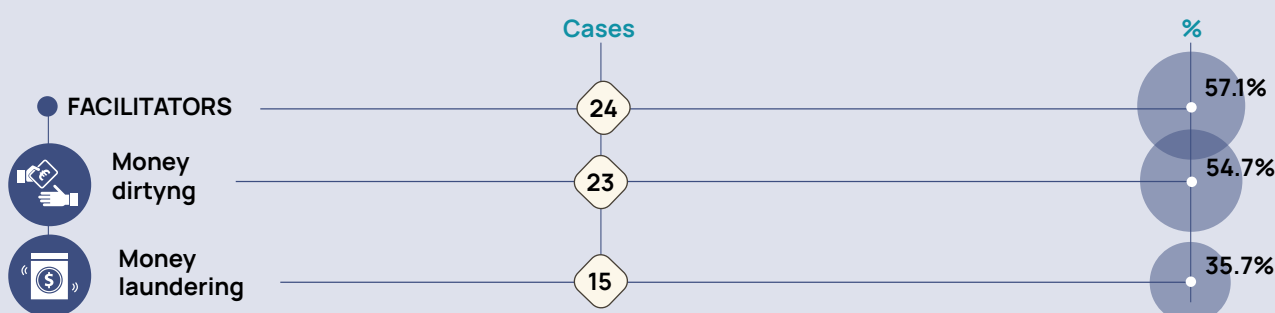


### Roles of facilitators:

Completing and repeating corrupt transactions is an active process that is generated and structured by the participants in the corrupt scheme. Given the challenges associated with initiating, completing,

or repeating their transactions without exposure, corrupt partners must establish social arrangements that ensure predictability, reduce risks, and facilitate interaction whilst simultaneously ensuring that information about their illegal dealings is kept secret.

Figure 9 - High-level corruption cases involving facilitators

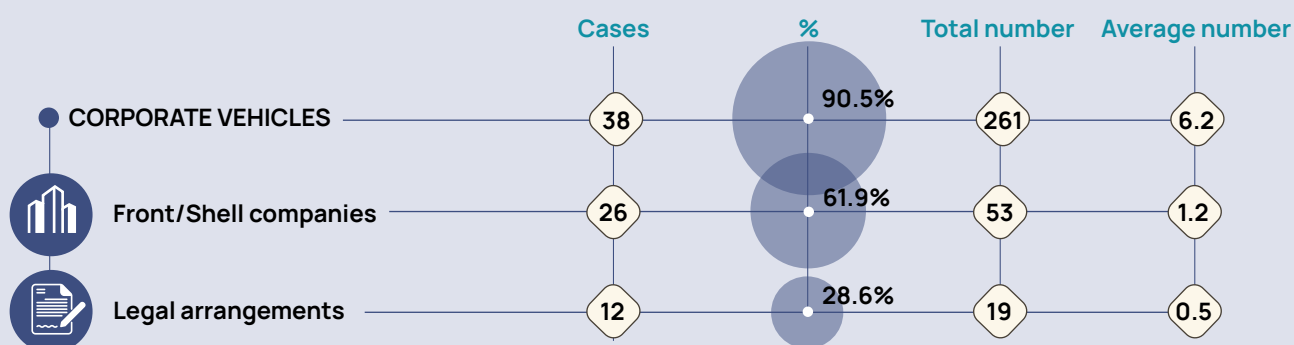


### Roles of corporate vehicles:

The literature extensively documents the use of corporate vehicles to conceal and facilitate the commission of corruption and financial crimes. These vehicles include organisational forms such as legal

entities (e.g., companies and corporations), which can also act as front, shell, and shelf companies, and legal arrangements (e.g., trusts and foundations).

Figure 10 - Distribution of high-level corruption cases, by type of corporate vehicle employed



There are two main reasons for the relevance of corporate vehicles within high-level corruption schemes:

- First, in certain circumstances, the misuse of organisational structures can provide a **veneer of legitimacy**. This can include the use of large organisations or foundations whose reputations are subsequently leveraged to establish illicit schemes that may evade suspicion. Legitimate corporate

entities offer opportunities to conceal, convert, and control illegal finance, presenting an external appearance of legitimacy for beneficial owners to then transfer funds.

- Second, corporate vehicles provide **anonymity** in the sense that they effectively conceal illicit actors, albeit not entirely it should be noted, as there will always be some level of connection between the actors and the finances, even when well-observed.

### Transnational nature of high-level corruption:

High-level corruption often involves multiple countries and thus crosses international borders. Each case of corruption analysed for this report involved an average of five jurisdictions. The cases that involved EU Member States as satellite nations were generally

more complex than others, thus underscoring the need for the EU to protect the integrity of its economy from acts occurring elsewhere by enhancing its capacity to both detect and respond to these sophisticated patterns of corruption and financial manipulation.

### Number of countries involved within each scenario

Country in which the corrupt act took place

37

Corruptor is a citizen or resident of the country

34

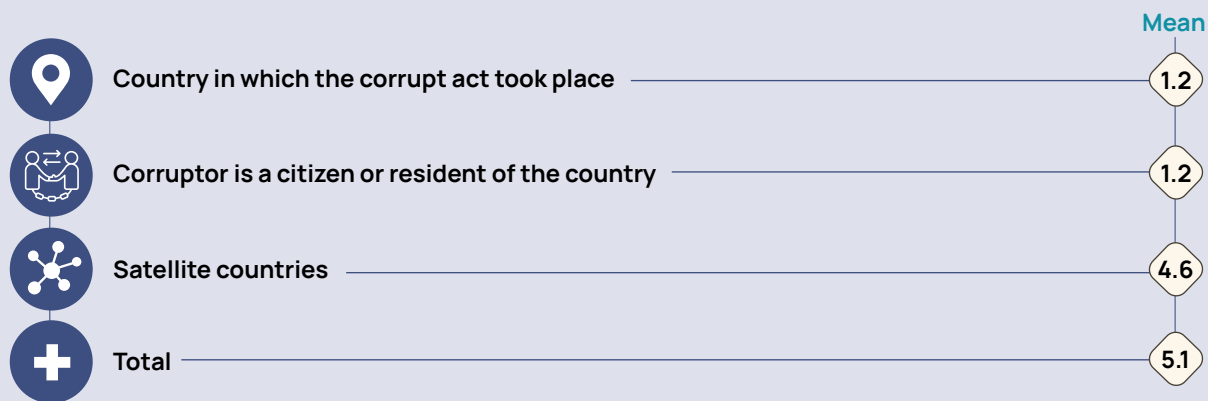
Satellite countries

50

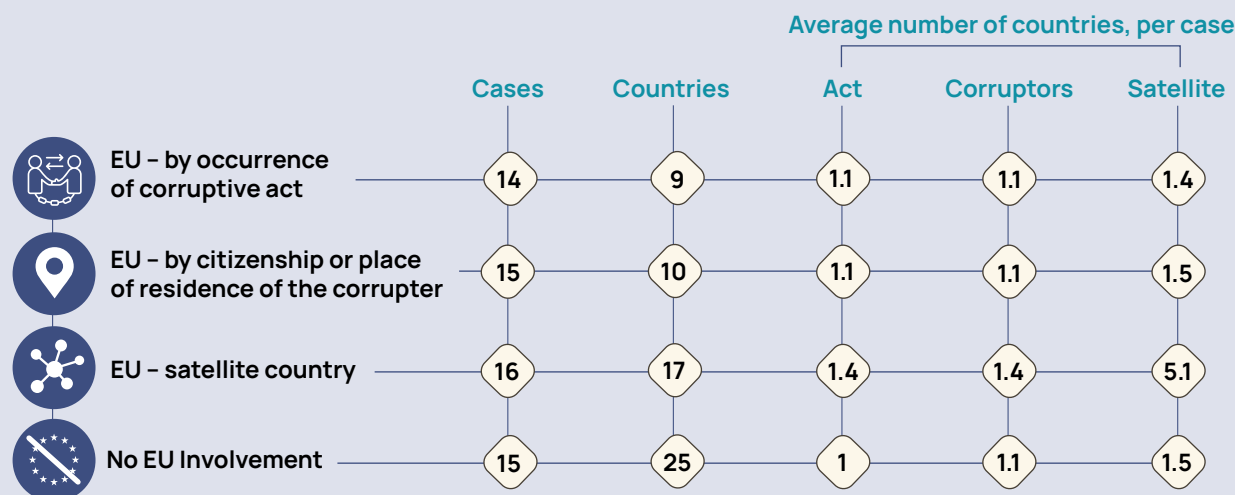
Total number of countries

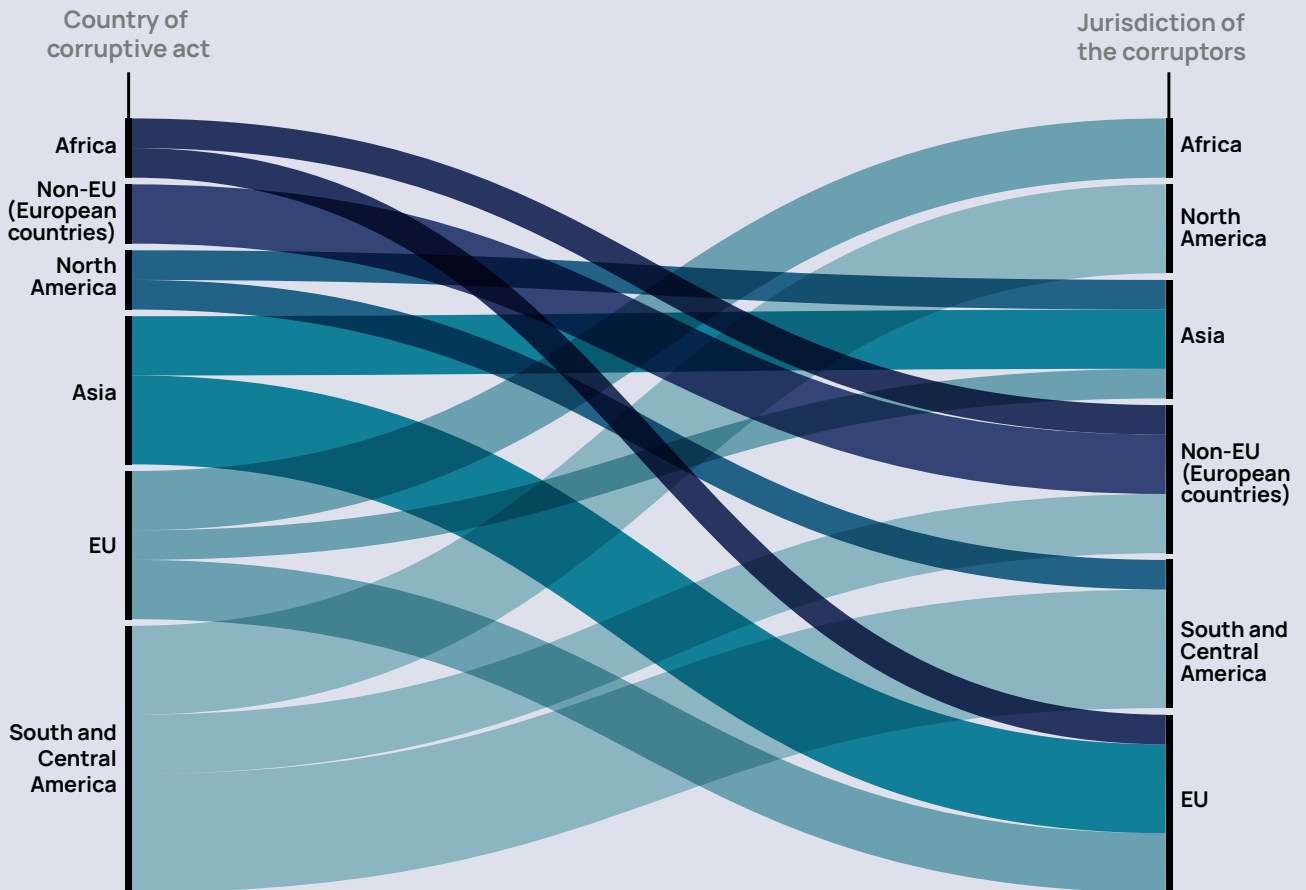
84

### Number of countries involved within each case



### Number of countries involved within each case, by EU involvement





Indeed, a crucial component of high-level corruption is the use of satellite jurisdictions, that is, countries that whilst not directly involved in the corrupt act or home to those participating in the scheme, are utilised to facilitate the processes of money-dirtying and money laundering. The selection of these satellite jurisdictions is not random; rather, it is influenced by several factors, with geographical and cultural

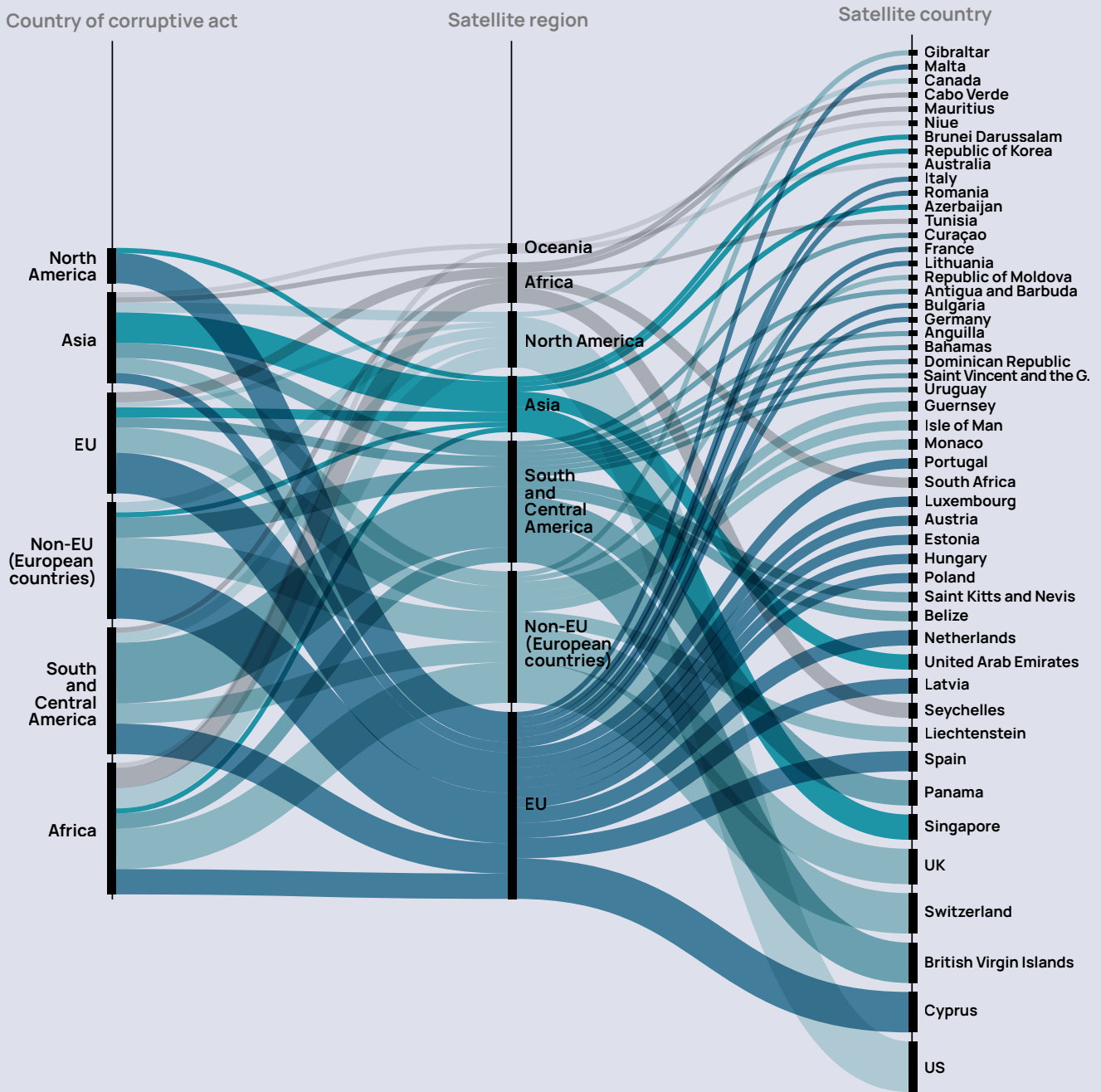
proximity being important in this regard. Stability may provide another explanation for this pattern, since operations occurring in relatively unstable environments – whether economically, financially, or politically –, tend to foster the transfer of proceeds to more stable countries to ensure regular and reliable access to the funds.

### AI application

Through the application of advanced natural language processing and named entity recognition techniques, a script designed by the Harakopio University of Athens (HUA) and supported by Transcrime – UCSC was used to automate the analysis of high-level corruption

cases using low-billion-parameter large language models, relying on internal servers to maintain data confidentiality. The utilised approaches included prompt engineering, which was subsequently refined via empirical methods and scientific experimentation. The model responses were validated and integrated through manual analysis.

**Jurisdiction in which the corrupt act took place and satellite countries (continent level)**



**Policy implications:**

The findings underscore the need for enhanced transparency, stronger international cooperation, and robust regulatory frameworks to combat corruption effectively. In many cases in which corruption occurred within EU jurisdictions, the satellite countries tended to be other EU Member States. This intra-EU dimension underscores the necessity for a unified approach, so that all Member States maintain consistent standards regarding financial and corporate transparency. Any disparities in these standards can complicate the task of recovering proceeds from corruption, thereby undermining efforts to enforce accountability.

Nevertheless, cases which entailed corrupt acts that occurred outside of Europe often exerted an impact

on the EU, as Member States either acted as satellite jurisdictions or became the destination for the corrupt proceeds which were then laundered within the EU economic and financial system. In those cases, the EU has the option to utilise restrictive measures as part of its foreign policy arsenal, which do not target only the primary perpetrators but rather also extend to intermediaries and facilitators who play pivotal roles within these corruption schemes.

This report contributes to the existing body of knowledge on high-level corruption to provide actionable recommendations for policymakers and practitioners to strengthen anti-corruption measures and protect public institutions from corruption's pervasive influence.