

London Property: A top destination for money launderers

Uncovering the truth using comprehensive data analysis



REUTERS/Andrew Winning

Key statistics in the research include:

52% of land titles owned by anonymous companies in London were in the City of Westminster (31%), Kensington and Chelsea (16%), and Camden (5%)

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91% of overseas companies owning London land titles are registered in secrecy jurisdictions

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986 land titles were found to have links to politically exposed persons

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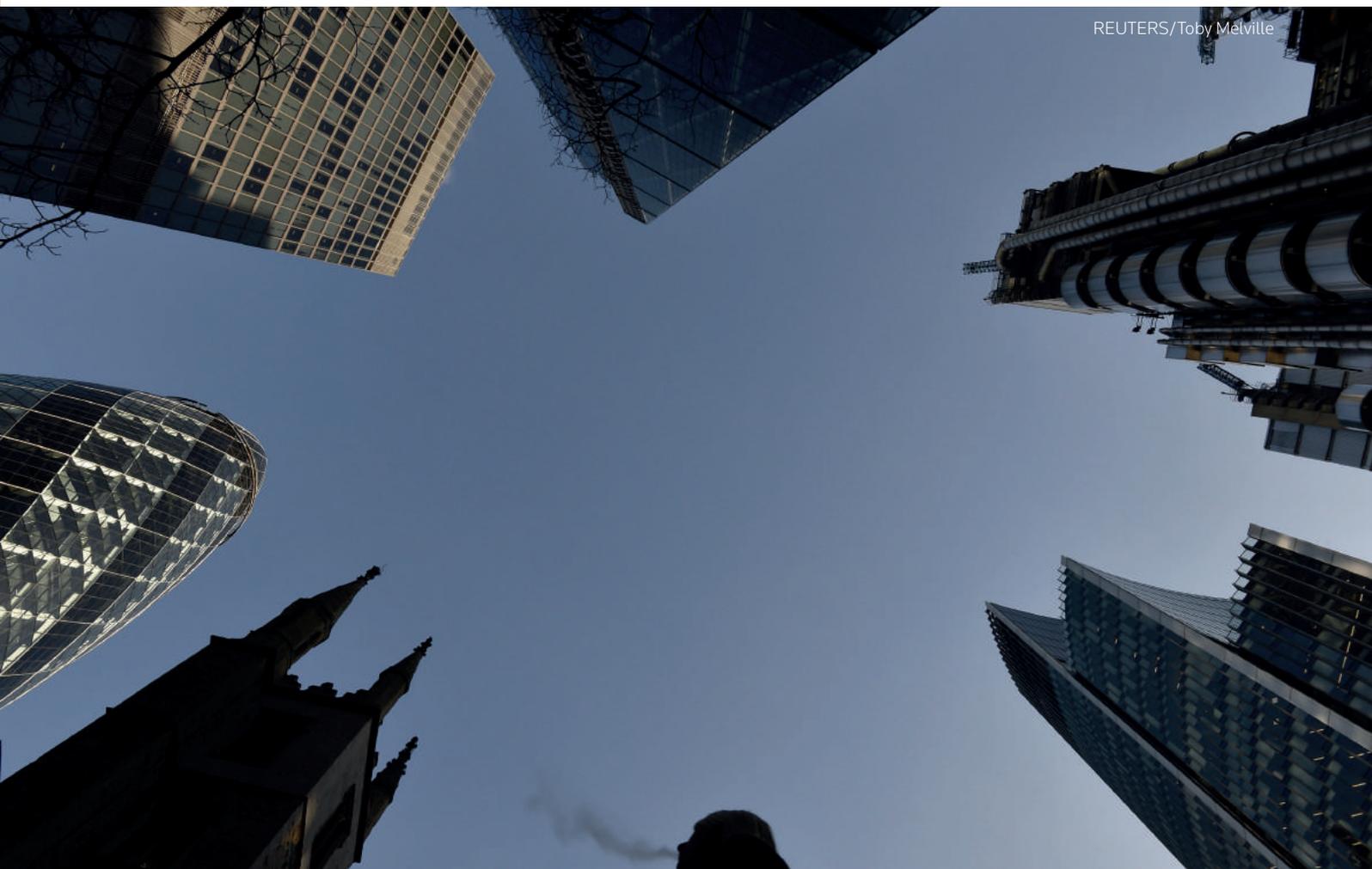
New research from Thomson Reuters and Transparency International UK shines the spotlight on politically exposed persons (PEPs) owning land and property in London, with a focus on companies registered in secrecy jurisdictions. The research takes an in-depth look at how beneficial ownership data can be used to identify money laundering risks and the enormous power of data in tackling corruption.

Setting the scene

This report shows that land and property in London are popular choices for those looking to launder the proceeds of corruption into the UK. This is often done through the use of 'anonymous' corporate vehicles based in secrecy jurisdictions,¹ such as the British Virgin Islands, Jersey and Panama, where information about these companies and their real owners is not publicly available. Allowing these individuals to hold assets in London with impunity doesn't just affect the country from which the money has been stolen; it also has an impact in the UK. In its latest Strategic Risk Assessment of Serious and Organised Crime, the UK's National Crime Agency identified high-end money laundering as 'a reputational and financial risk to the UK'.² In addition, failing to identify money laundering or engaging with corrupt clients or business networks also poses a significant reputational risk for companies.

In recognition of growing concerns over rising housing costs and gentrification, London's mayor, Sadiq Khan, announced in September 2016 that he will launch an 'unprecedented inquiry into foreign property ownership' in a bid to better understand the different roles that overseas money plays in London's housing market.

REUTERS/Toby Melville



Lifting the veil of secrecy: headline findings

Using data from multiple sources, including the Panama Papers, Thomson Reuters and Transparency International UK have sought to identify the potential scale of land and property owned in London by overseas companies connected to PEPs*. These are people entrusted with prominent public functions, such as ministers, presidents and senior civil servants. They have access to state money and government contracts, and are therefore deemed to pose a potential corruption and money laundering risk. Of course, not all PEPs are corrupt, and there may be legitimate reasons, such as security concerns, why they choose to use companies based in secrecy jurisdictions. Nonetheless, because they are considered high-risk, regulation requires businesses to undertake enhanced due diligence (EDD) on PEP clients or entities with connections to PEPs.

Based on analysis of available data, Thomson Reuters and Transparency International UK have found that:

Information is not available for nearly 50% of overseas companies

- Despite leaks such as the Panama Papers – which increased the amount of available data on companies – and using advanced matching techniques to be able to consolidate data, basic details were not available for nearly 50% of overseas companies owning property or land in London. Without the introduction of a beneficial ownership register for overseas companies owning land or property in the UK, there will continue to be a blind spot in the UK's money laundering defences.

More expensive areas in London have higher concentration of PEPs

- Based on the Land Registry dataset, 44,022 land titles in London are owned by overseas companies. The data sources used only found information on slightly over 50% of the overseas companies owning land titles, and of these our research established that about 4% are connected to PEPs.
- Subsequently the research established that 2.2% of all land titles owned by overseas companies are connected to PEPs. This represents a total of 986 London land titles, with the true figure likely to be much higher, owing to significant gaps in available data. These land titles are concentrated in high-value areas in London, notably the City of Westminster, the City of London, and Kensington and Chelsea.

Companies connected to PEPs more likely to be based in secrecy jurisdictions

- Over half of the land titles connected to PEPs are owned by companies based in secrecy jurisdictions, such as Panama, the British Virgin Islands and Jersey, which are also typically used in money laundering schemes.

More and better data needed to tackle corruption

- Whilst data is our most powerful tool in the fight against global corruption, its true power can only be unlocked by linking multiple related datasets. Individual subsets of data may only be able to highlight part of any money laundering puzzle, but together they can provide crucial insights into identifying suspicious transactions that warrant further investigation.

Risk landscape

Money laundering – the process of disguising the illegal origin of illicit funds in order to give the money an appearance of legitimacy – is a pervasive problem. All manner of investments are vulnerable to being used as part of the money laundering process. London land and property are no exception and are vulnerable to being used to launder the proceeds of corruption, including bribes, illicit political contributions, embezzled funds and loans.³ Research by Transparency International UK has previously shown that prime London land and property are a particular target for those looking to launder the proceeds of corruption. Corrupt individuals may choose London property for a range of reasons, from its location as a global hub to the air of respectability it gives them. However, the property market is particularly attractive because high property prices allow corrupt individuals to launder large sums of money within a single purchase and there are loopholes in the checks undertaken on buyers' source of wealth.

Measuring the exact scale of illicit wealth entering the UK is extremely difficult, and disaggregating corrupt funds is even more so. This is because money laundering is an illegal and almost inherently clandestine activity. Despite this, the National Crime Agency estimates that between £36 billion and £90 billion could be laundered through the UK each year,⁴ and this figure does not include UK banks' international subsidiaries, which are also exposed to money laundering risks in other countries.

*In financial regulation, "Politically Exposed Person" is a term describing someone who has been entrusted with a prominent public function, or an individual who is closely related to such a person.

Complex corporate structures

In order to avoid detection, complex webs of opaque corporate structures are often used to launder money through and into the UK.⁵ Legal entities, including companies and trusts, can be created in a matter of hours and used to conceal the identities of the ultimate beneficial owners (UBOs) of funds. Third parties, nominee agents, friends or associates can be used to hide the source of funds, as well as who controls the entities.

In 2011, a World Bank study found that 70% of over 213 corruption cases involved the use of anonymous shell companies to launder funds and conceal the true identity of owners.⁶

In the UK, over 75% of corruption cases involving land and property investigated by the Metropolitan Police's Proceeds of Corruption Unit⁷ involved anonymous companies registered in 'secrecy jurisdictions' such as the British Virgin Islands, Jersey and Panama.⁸ Of these, 78% of the companies involved were registered in either the UK's Overseas Territories or Crown Dependencies.⁹

Because of their continued widespread use in money laundering schemes, complex corporate structures are considered a money laundering risk by government and law enforcement agencies alike, and governments are increasingly aware of the need for greater transparency about the beneficial owners of companies. To this end, 11 governments, including the UK, made specific commitments around increasing company beneficial ownership transparency through centralised public registers at the London Anti-Corruption Summit in May 2016.

The UK has also launched a register of beneficial ownership for domestic companies and has committed, as part of its membership of the Open Government Partnership, to introducing similar transparency for overseas companies owning land and property in the UK.¹⁰ Alongside these developments, the EU's Money Laundering Directives have introduced tighter rules around how businesses deal with higher-risk clients such as PEPs. The Fourth Money Laundering Directive is now being transposed into domestic law.

Only **54%** of companies in the Land Registry could be matched to a company record through the datasets used

Functions

Group (7)

Asset & Wealth Management

Coverage & Advice

Investment Platform

Solutions & Trading

Compliance (1)

Corporate Banking & Securities

CRO (3)

Global Transaction Banking (7)

GTO (7)

Private & Business Clients (7)

Over 75% of land titles identified as linked to PEPs are owned by companies based in Panama or the British Virgin Islands

The fight against money laundering

Data: our most powerful tool

The intelligent use of data is an increasingly powerful tool in the global fight against corruption and money laundering. It can highlight networks of individuals and organisations that might pose a money laundering risk, and such information could be useful for both the private sector and law enforcement agencies. The data used for this report falls into several distinct categories.¹¹

- **Open data** – this is publicly accessible data that is free to use and reuse. The research used OpenCorporates' company database¹² and **Thomson Reuters PermID**[®]¹³ to help identify overseas companies owning land and property in London.
- **Shared data** – this is data that is accessible to groups, but may have restrictions on its use, for example, a corporate user license. **Thomson Reuters World-Check**[®] risk intelligence was used to identify PEPs connected to overseas companies owning land and property in London.¹⁴
- **Closed data** – this is data that can only be accessed by its subject, owner or holder. The research used Mossack Fonseca's client database, which was leaked to the International Consortium of Investigative Journalists¹⁵ and released as open data,¹⁶ to help identify overseas companies owning land and property in London.

Comprehensive data can provide a simple and cost-effective way to help target initial due diligence checks on potential clients or business relationships. Joining up data from various sources can uncover potentially risky clients and networks of connections containing tens of thousands of entities that would be incredibly time-consuming to find using manual checks. The key to unlocking the enormous potential of data is improving its quality, including accuracy and breadth. In addition, developing innovative, cutting-edge data techniques to identify potential risks is also necessary to achieve this crucial goal.

Data sources used

Within our research, we linked a number of data sets.

- **Land Registry** – Overseas Company data.¹⁷ This is information about registered land and property in England and Wales that is owned by overseas companies. The research took the London portion of this data as of 29 February 2016, which included 23,653 overseas companies.
- **Offshore Leaks (ICIJ)**¹⁸ – a database of over 500,000 offshore companies, foundations and trusts that was released from the Panama Papers, the Offshore Leaks and the Bahamas Leaks investigations. This data was used to help identify overseas companies owning land and property in London.
- **OpenCorporates**¹⁹ – the largest open database of companies in the world, containing over 110 million corporate entities from more than 115 jurisdictions.
- **Thomson Reuters PermID**²⁰ – a machine-readable number used to create a unique reference, which will never change over time, for a piece of information. It can be thought of as the 'bar code' for information.
- **Thomson Reuters World-Check**²¹ – was used to enrich the data by cross-checking the links uncovered above to ascertain which connections are linked to PEPs (this can include individuals or companies). World-Check is a highly structured database of intelligence on heightened-risk individuals and organisations. This service was created to support clients' due diligence needs in the fight against financial crime, bribery and corruption. World-Check uses open source information, collated from an extensive network of hundreds of thousands of reputable sources, including:
 - 530+ sanction, watch, regulatory and law enforcement lists
 - Local and international government records
 - Country-specific data sources
 - International adverse electronic and physical media searches
 - English and foreign-language data sources
 - Relevant industry sources

For detailed methodology, see **Appendix**.

Drilling down: in-depth findings

The research revealed that potentially thousands of land titles in London are owned by entities that have connections to PEPs. The precise number is likely to be significantly higher than the identified result (986), owing to gaps in the available data. Name alignment was conducted using string data matching²² in order to determine entities that co-occur (are the same) in the various datasets used.

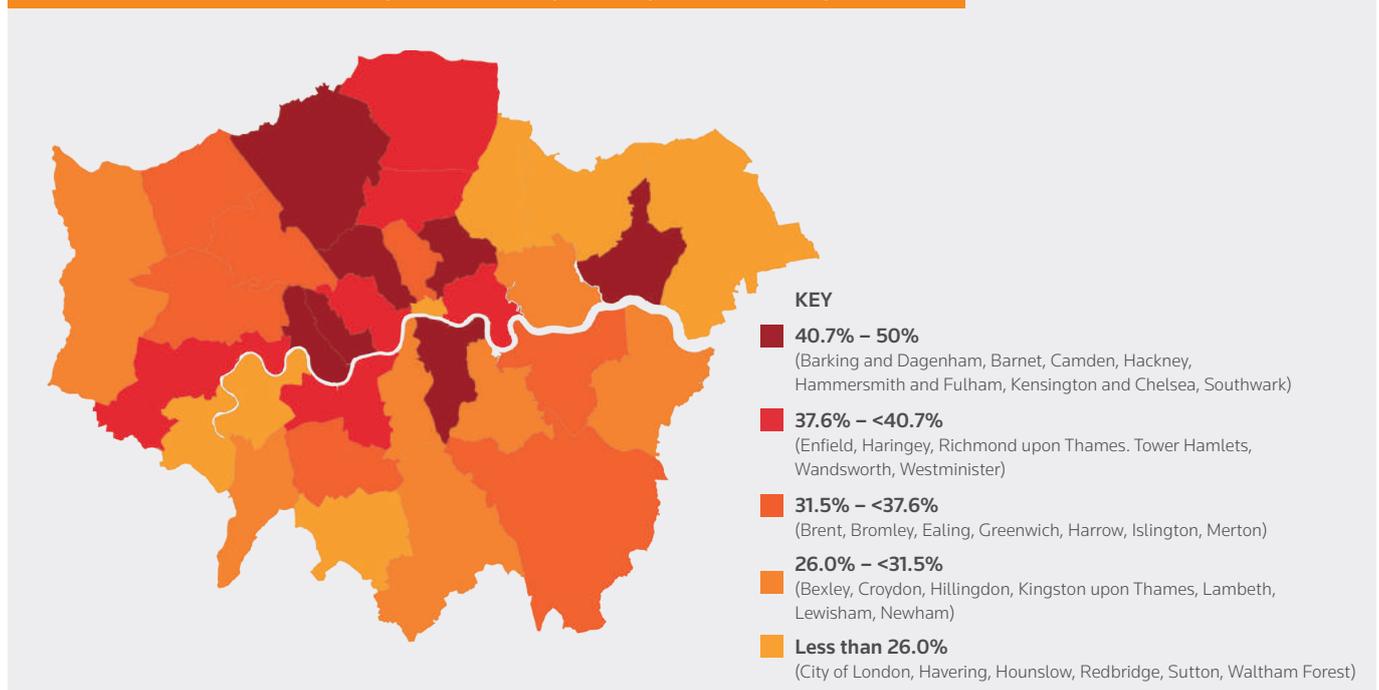
In the Land Registry data, the researchers selected all 23,653 unique overseas companies owning 44,022 land titles in London. Of these, 91% (21,444) were registered in a secrecy jurisdiction, owning 40,098 land titles. The highest proportions of land titles owned by anonymous companies in London were in the City of Westminster (31%), Kensington and Chelsea (16%), and Camden (5%). Based on available data, the average value of land titles²³ held by these companies was £1.9 million, with the most expensive being worth over £86 million.²⁴ The research was unable to determine if these were residential properties, but if they were, they would be more than three times the average house price for London and constitute prime luxury real estate.

Of the 23,653 unique companies identified in the Land Registry, our datasets were only able to match (based on name and country of jurisdiction) about 13,000. This corresponds to 54%, leaving a significant number of companies where there were no matches. These datasets were unable to match nearly 11,000 companies out of the original total. For the purpose of this analysis, we have called these 'unknown companies'. The highest numbers of these unknown companies are located around Kensington and Chelsea (almost 20%). The highest proportion of land titles owned by PEP-connected companies was in the City of Westminster, followed by the City of London and Kensington and Chelsea, with the highest number of these registered in Panama, followed by the British Virgin Islands.

The nearly 13,000 companies that the research was able to match led us to find about 24,000 further individuals and organisations with connections to these companies across the data sources, which were then subsequently included in our analysis.

Out of the original 44,022 land titles in London owned by overseas companies, the research found that 986 were owned by PEP-related companies. Fewer than 6% of these approximately 1,000 land titles had a monetary value associated to them. This missing data makes it more difficult to follow and identify potentially illicit wealth. The combined value of these identified PEP-related land titles, with an associated price tag to them, was about £50 million.

Unmatched land titles* owned by overseas companies by Local Authority



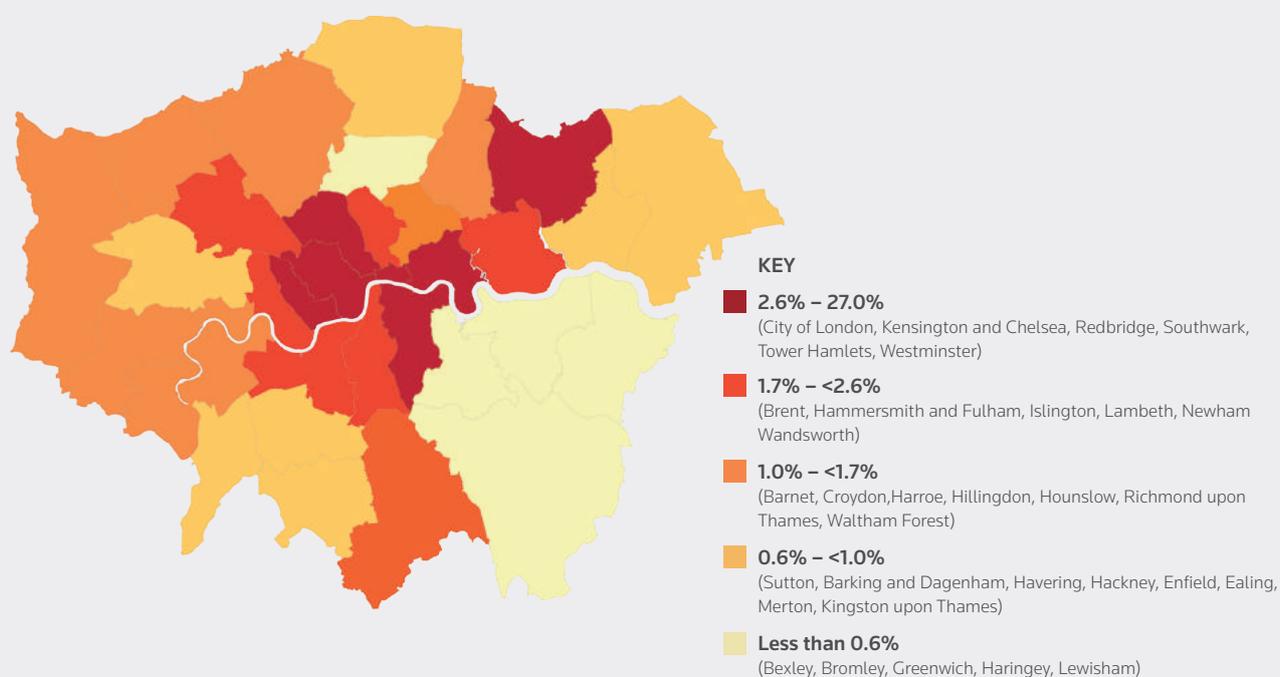
Proportion of land titles in London not matched by any of the three main methodologies used by the report analysis per local authority as percentage of all land titles

*Land titles that are owned by overseas companies.

Contains OS data © Crown copyright and database right 2016.

Sources: The Land Registry Overseas companies data, ICIJ's Offshore Leaks Database, OpenCorporates, Thomson Reuters PermID

Concentration of PEPs per Local Authority

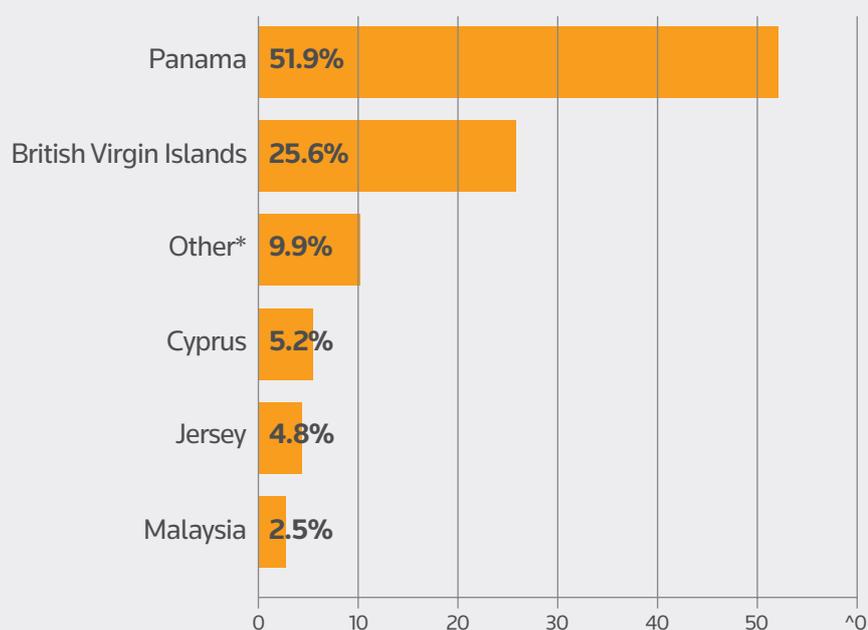


Proportion of land titles relating to PEPs per local authority as a percentage of all London PEP related land titles (Land titles that are owned by overseas companies)

Contains OS data © Crown copyright and database right 2016.

Sources: The Land Registry Overseas companies data, ICIJ's Offshore Leaks Database, OpenCorporates, Thomson Reuters PermID

Percentage of PEP related land titles by jurisdiction of the owner company



Percentages shown on bar chart do not add exactly to 100.0% due to rounding.

Percentage of Land Titles owned by PEP related companies registered in secrecy jurisdictions.

*The 'Other' category includes: Netherlands Antilles (1.7%), Hong Kong (1.7%), Singapore (1.2%), Luxembourg (1.2%), Bahamas (1.2%), Seychelles (0.6%), Guernsey (0.6%), Malta (0.4%), Isle of Man (0.4%), Bermuda (0.4%), Switzerland (0.2%), Mauritius (0.2%), Channel Islands (0.2%).

Sources: The Land Registry Overseas companies data, ICIJ's Offshore Leaks Database, OpenCorporates, Thomson Reuters PermID, Thomson Reuters WorldCheck, ONS data

Looking ahead

The findings highlight that information about money laundering risks in the UK's property market is being hampered by a distinct lack of data on the true owners of land titles. Although it is possible to put parts of this jigsaw together with pieces of data from open repositories and leaked closed data sources, there is a massive gap where there is simply no public data on companies owning land titles. It is likely there could be at least hundreds more land titles owned by companies connected to PEPs in London. The sheer number of unknown entities illustrates that without public company registers in key jurisdictions and beneficial ownership registers for companies doing business in the UK, finding basic information about potential clients and business partners will remain highly challenging. Not only is this a time-consuming and costly exercise but gaps in the information organisations use for their due diligence processes may potentially leave them exposed to regulatory and reputational risks.

44,022 London land titles are owned by overseas companies

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There is also some good news. The intelligent use of data that is available is a highly effective tool in the fight against global corruption. The research has shown the great power that exists in bringing different sources of data together to deliver a holistic picture of risk. Whilst each source taken individually would only account for a small part of the picture, the amalgamation and analysis of several data sources delivers a more complete picture and provides critical insights. These in turn can help businesses make informed decisions about the level of due diligence they should undertake on specific clients or business partners – both individual and corporate – that have connections to PEPs and could therefore signify a money laundering risk. In addition, the UK government has committed to a public register of overseas companies purchasing UK property by April 2018, which will help shed light on who really owns London property.

In an environment of ever-increasing regulatory scrutiny, it has never been more important for organisations to really understand who they are doing business with. Forward-thinking companies would do well to take heed and embrace the power of data as their best weapon in the ongoing fight against corruption.

* Please note that for purposes of this paper, all percentages have been rounded up

Appendix

Methodology

Our methodology involved four distinct steps to peel back the layers of secrecy covering these companies:

- **Step 1:** Identifying unique companies in the Land Registry
- **Step 2:** Matching these to corporate entities in the three available company databases to:
 - identify if these companies exist in those databases
 - identify other individuals or organisations they are connected to through the information (Ultimate Beneficial Owners, directors, officers, etc.) contained in those databases.
- **Step 3:** Establishing whether any of the individuals or organisations connected with these unique companies has a record in World-Check
- **Step 4:** Cross-referencing with the Land Registry to see which land titles the previously identified PEP related individuals and organisations are connected to

¹Secrecy jurisdictions are territories, including cities, states/provinces and countries, that encourage the relocation of otherwise foreign economic and financial transactions through strong privacy protection rules.

²NCA, National Strategic Assessment of Serious and Organised Crime 2016 (September 2016), p.5 <http://www.nationalcrimeagency.gov.uk/publications/731-national-strategic-assessment-of-serious-and-organised-crime-2016/file>

³Transparency International UK, Corruption on Your Doorstep: How Corrupt Capital is Used to Buy Property in the UK (February 2015) <http://www.transparency.org.uk/publications/corruption-on-your-doorstep/>

⁴NCA, National Strategic Assessment of Serious and Organised Crime 2016 (September 2016), p.28 <http://www.nationalcrimeagency.gov.uk/publications/731-national-strategic-assessment-of-serious-and-organised-crime-2016/file>

⁵<https://risk.thomsonreuters.com/en/resources/expert-talk/identifying-ubo-challenge-finding-needle-haystack.html>

⁶Transparency International UK, Corruption on Your Doorstep, p.5

⁷Now the International Corruption Unit (ICU) operating within the NCA.

⁸Transparency International UK, Corruption on Your Doorstep, p.3

⁹Transparency International UK, Corruption on Your Doorstep, p.13

¹⁰<http://www.opengovernment.org.uk/resource/uk-open-government-national-action-plan-2016-18/> [Accessed: 11 November 2016]

¹¹ <https://theodi.org/blog/closed-shared-open-data-whats-in-a-name> [Accessed: 11 November 2016]

¹² <https://opencorporates.com/> [Accessed: 9 November 2016]

¹³ <https://permid.org/> [Accessed: 9 November 2016]

¹⁴ <https://risk.thomsonreuters.com/en/products/world-check-know-your-customer.html> [Accessed: 9 November 2016]

¹⁵ <https://www.icij.org/> [Accessed: 17 October 2016]

¹⁶ <https://offshoreleaks.icij.org/> [Accessed: 17 October 2016]

¹⁷ <https://www.gov.uk/guidance/land-registry-overseas-companies-data> [Accessed: 17 October 2016]

¹⁸ <https://offshoreleaks.icij.org/> [Accessed: 17 October 2016]

¹⁹ <https://opencorporates.com/> [Accessed: 9 November 2016]

²⁰ <https://permid.org/> [Accessed: 17 October 2016]

²¹ <https://risk.thomsonreuters.com/en/products/world-check-know-your-customer.html> [Accessed: 17 October 2016]

²² A string in this context is a sequence of characters. The research matched the company name as a string to another string of characters and checked if they were the same. This may not capture differences in recorded names of the same entity.

²³ <http://www.standard.co.uk/news/london/average-london-house-price-rises-above-600000-for-first-time-ever-a3262831.html>. Currently estimated to be around £600,000.

²⁴ Not all land titles have price paid data because it has been omitted owing to commercial confidentiality.

Transparency International

Transparency International (TI) is the world's leading non-governmental anticorruption organisation. With more than 100 chapters worldwide, TI has extensive global expertise and understanding of corruption.

Transparency International UK (TI-UK) is the UK chapter of TI.

For more information, visit
transparency.org.uk

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