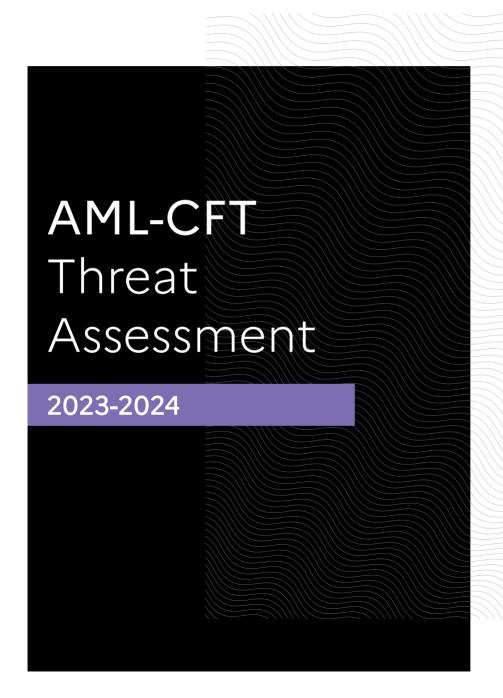




Liberté Égalité Fraternité



# AML/CFT Threat Assessment

2023-2024

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### INTRODUCTION

To fight financial crime effectively, it is vital to involve all stakeholders concerned – from both the public and private sectors – and provide them with a common frame of reference that is regularly updated. The aim is twofold: to allow reporting entities to understand the new risk analysis criteria and warning signs, and to provide information that allows those criteria to be made more detailed and accurate.

For that purpose, Tracfin started publishing a three-volume annual report last year, the final volume of which describes current money laundering and terrorist financing (ML/TF) threats by listing case studies in alphabetical order and providing practical examples. The aim was to draw the attention of reporting entities to certain high-risk channels and sectors, using operational illustrations of real-life situations observed by Tracfin.

Having received positive feedback about the new format, Tracfin is publishing its second annual report this year, including 17 new case studies associated with new warning signs.

The case studies and warning signs are not intended to be an exhaustive assessment of threats. They illustrate the main trends observed by Tracfin following analysis work based on suspicious transaction reports by reporting entities and official reports by public bodies. These new case studies are in addition to those set out in the third volume of last year's annual report.

The case studies described in that document relate to ML/ TF schemes, both recurring and emerging, and aim to give a non-exhaustive overview of the current situation relating to financial crime and the methods used to commit it. Tracfin also wanted to highlight risks specific to certain geographical areas, such as French overseas territories. Similarly, France's large contribution to the European Union's budget means that it must pay close attention to the risk of fraud in the allocation of EU funds. Furthermore, the current geopolitical context and the emergence of new technologies such as blockchain must also be taken into account by reporting entities in order to fully understand anti-money laundering and countering the financing of terrorism (AML/CFT) issues.

Part of this document's purpose is to act as a deterrent, by highlighting criminal practices that have been observed. Those engaging in such practices should know that their behaviour is not going unnoticed and that they will face the full force of the law if they continue. In addition, the case studies represent the work Tracfin does by highlighting investigations that have been carried out and submitted.¹ To ensure that the investigations carried out by Tracfin's employees are as effective as possible, it is crucial to quantify vulnerabilities.

For reporting entities, this document aims to help them identify warning signs more effectively, find out about the various stages of the ML/TF circuits used, promote and improve reporting practices, and alert their teams to vulnerabilities or particular schemes. It is also intended to give them a better understanding of how Tracfin responds to investigations arising from their suspicious transaction reports.

For government departments and supervisory authorities, the case studies aim to improve their knowledge of current ML/TF threats and more generally feed into their discussions about the mitigation and remedial measures that need to be taken to combat unlawful schemes effectively.

For the general public, this report aims to raise awareness about the importance of AML/CFT efforts, which actively help maintain the integrity of our economic and financial system.

<sup>1</sup> The findings of Tracfin investigations may be sent to the judicial authorities and services, government departments, social security funds and other intelligence units (see the second volume of Tracfin's annual report).

### Third volume of the 2022 report: a positive feedback

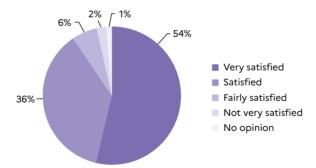
In late 2023, Tracfin published the third volume of its 2022 annual report and shortly afterwards held its first Forum for reporting entities. The event focused on assessing ML/TF threats and was attended by more than 400 people. Its main aim was to emphasise the importance of efforts by reporting entities and of the partnership between the public and private sectors in combating financial crime. It was also an opportunity to consider case studies presented in the annual report and shed light on the additional contributions made by the various reporting entities in the financial and non-financial sectors in terms of detecting ML/TF-related financial flows.

After the event, Tracfin invited reporting entities to provide feedback and make recommendations on the third volume, in order to improve the way it communicates and enable reporting entities to gain a better understanding of the risk analysis criteria and warning signs.

Tracfin received almost 100 responses, mainly from the financial sector (66%) but also the non-financial sector (13%) and the public sector (13%), with the rest coming from respondents selecting the "Other" category (students, journalists, local elected officials, etc.).

Of those respondents, 91% had a positive opinion on the third volume of the 2022-2023 report, with 54% stating that they were very satisfied and 36% satisfied. In addition, 89% of respondents said that the publication was useful, while 61% said that the warning signs presented had helped them make changes to their AML/CFT arrangements and become more vigilant.

### Reporting entities' responses to the question "How satisfied are you with the third volume (AML/CFT Threat Assessment 2022-2023) in general?"



The survey was also an opportunity for respondents to share with Tracfin their expectations regarding future publications and areas for improvement. While the vast majority of reporting entities were satisfied and did not have any particular improvements to suggest, some of the case studies presented in the present document will highlight other ML/TF risks:

- Terrorism financing (see case studies 15 and 16)
- French overseas territories (see case study 7)
- Gambling establishments (see case study 9)

Tracfin will take into account some of the suggestions in its other publications, particularly the case studies posted in Tracfin's LinkedIn account.

### **USER GUIDE**

### What is an AML/CFT typology?

The present guide contains 17 case studies resulting from an analysis of various types of ML/TF schemes observed by Tracfin in its daily work.

A typology is a method of classifying a set of data based on an analysis of their common characteristics.

As regards ML/TF schemes, the typology involves identifying processes that contain elements that are common to threats or vulnerabilities involved in committing an offence, laundering the proceeds of an offence, financing unlawful activities or interfering with a nation's fundamental interests. Following that typology work, we produced a number of case studies that reflect those specific vulnerabilities and money laundering schemes.

We invite you to read or re-read the case studies presented in our previous reports, since the ML/TF processes described in them are still relevant. To help you with that, the appendix to this document contains an alphabetical index of keywords relating to the case studies contained in the 2022 and 2023 reports.

### Alphabetical list of case studies

The alphabetical list of case studies first appeared in the third volume of our 2022 annual report. It sets out various types of money laundering and terrorist financing schemes based on the situations faced by categories of reporting entities, and gives pointers on how to assess a situation in order to confirm any suspicions.

It provides practical illustrations of AML/CFT trends and analyses in the form of case studies, which are produced by cross-referencing the various investigations carried out by Tracfin following suspicious transaction reports submitted

by reporting entities, along with official reports submitted by partner public bodies and foreign financial intelligence units (FIUs).

A case study is based on one or more of the following criteria:



a recurring ML/TF scheme that highlights a general trend,



a new scheme that requires increased vigilance,



an offence identified as a major threat by the National Risk Assessment (NRA)<sup>2</sup>,



a channel or sector prioritised based on the findings of the NRA.



an operational priority for Tracfin.

For each case study, warning signs highlight key points to bear in mind when analysing a business relationship or its transactions.

This report presents case studies in alphabetical order and classified according to:



the ML/TF channel used (trust, etc.),



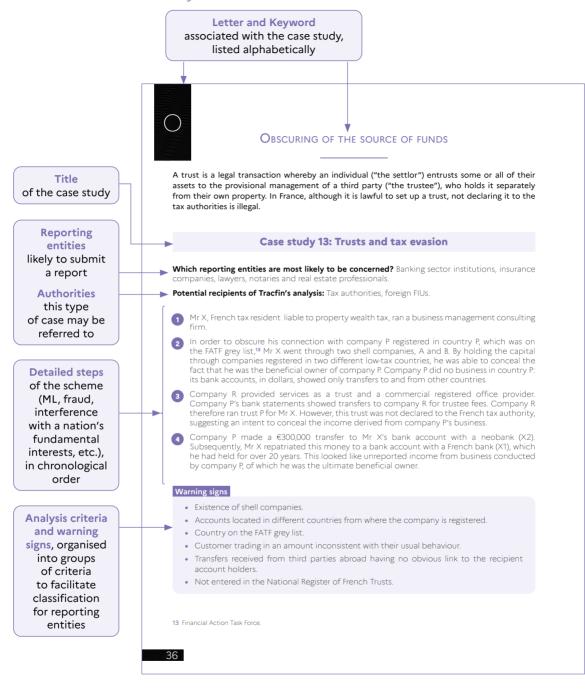
the sector exposed to ML/TF risks (art, gambling, etc.),

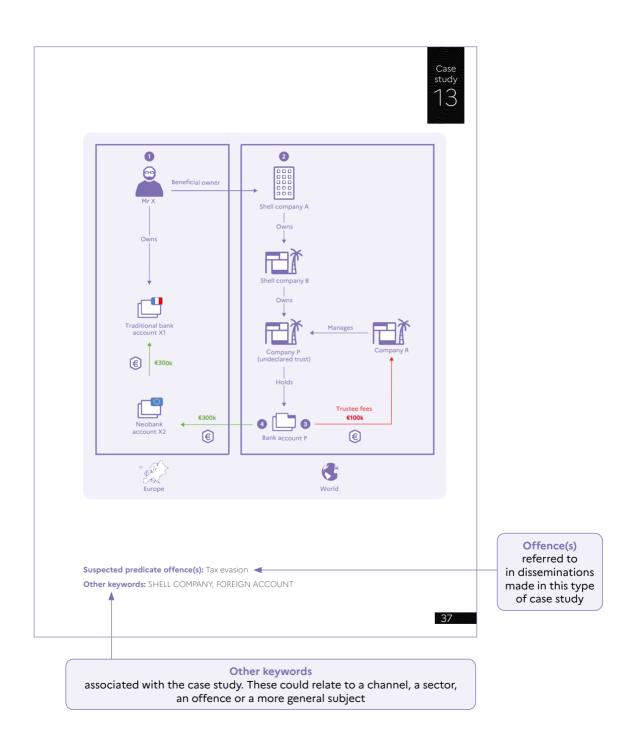


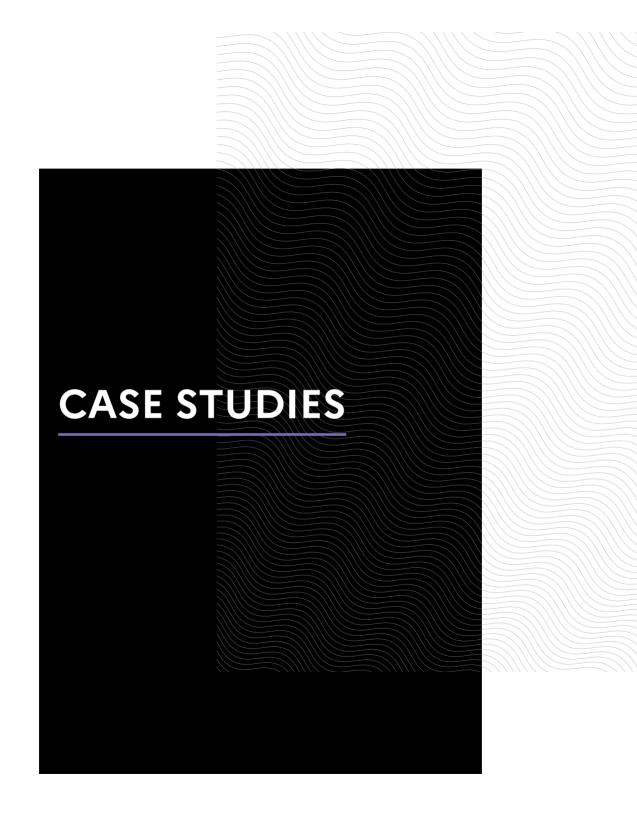
 $^{
m J}$  the offence involved (bribery, terrorist financing, etc.).

2 Report by the AML/ CFT Advisory Board (COLB) entitled "National Assessment of the Risks of Money Laundering and Terrorist Financing in France", January 2023.

### What does a case study look like?









### ACCOUNTING MANIPULATION

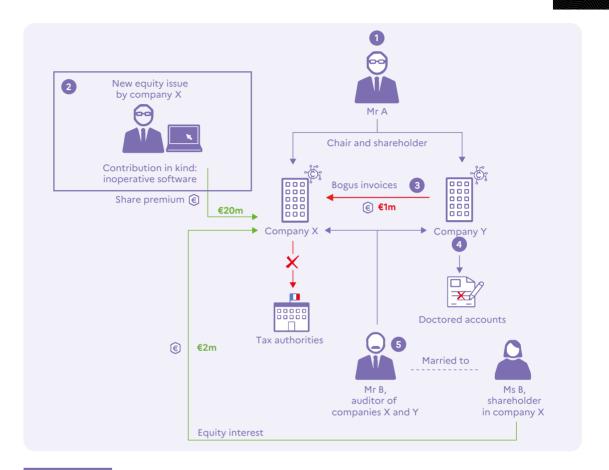
Accounting manipulation constitutes a set of offences intended to conceal a company's financial position, income or assets. It covers a wide range of offences, including the presentation or publication of annual accounts that do not give a true and fair view of a company's financial position and assets, the keeping of accounts that are manifestly incomplete or irregular, the keeping of fictitious accounts, etc. It may require the complicity of a chartered accountant or auditor, who is then guilty of corruption.

### Case study 1: Conspiracy to defraud purchasers of a non-existent technology

Which reporting entities are most likely to be concerned? Notaries and real estate professionals, banking sector institutions, chartered accountants and auditors.

**Potential recipients of Tracfin's analysis:** Courts and criminal investigation departments, foreign FIUs

- 1 Mr A was chair of and the majority shareholder in Companies X and Y, with no direct capital links between them. Company X listed on the stock exchange and company Y both specialised in the sale of crypto-assets.
- 2 Company X issued new equity in the shape of a large share premium totalling €20m in consideration for a contribution in kind, namely an ineffectual software belonging to Mr A. Furthermore, analysis of company X's bank accounts and accounting information revealed manipulation of its accounting records to show much more business than it actually had.
- 3 Invoices totalling €1m were also sent by company Y to company X. These invoices were not for any actual business and were used to:
  - a) lower the tax base of company X, which was taxable in France, and thus reduce its corporation tax;
  - **b)** benefit company Y, owned by Mr A.
- In addition, analysis of company Y's accounting information showed that it had been doctored to conceal a deteriorating financial situation and largely bogus activity. The capital invested in company Y was also recorded in the accounts in such a way as to conceal its origin.
- Mr B was the auditor for companies X and Y. He agreed to certify the doctored accounts of companies X and Y in exchange for an equity interest in company X for his wife. Mr B's wife thus acquired two million shares in company X at a heavily discounted unit price.



#### Warning signs

- High-value invoices for business that might not have happened.
- Overvaluation of securities and other assets.
- The same individual runs two separate businesses that have numerous financial transactions with each other without any obvious economic justification.
- Small payroll for companies' turnover and transactions.
- The companies' accounts are credited and debited with numerous transfers and cheques from individuals and/or legal entities abroad with no apparent link to the companies' line of business.

**Suspected predicate offence(s):** Fraud, misuse of company assets, tax evasion, forgery and use of forged documents, aggravated money laundering, unlawful taking of interest

**Other keywords:** UNLAWFUL TAKING OF INTEREST, FORGED DOCUMENTS, ACCOUNTING RECORDS, CORRUPTION, INVOICING



### ART

France is the world's fourth-largest auction marketplace: annual sales amount to around €4bn and 48% of buyers come from outside France³. The sector's money laundering (ML) risk is rated as "medium" according to the NRA, which found that disclosure by businesses in this sector is limited, suggesting that they find AML/CFT regulations difficult to understand and implement.

### Case study 2: Money laundering through purchases of works of art in public auctions

Which reporting entities are most likely to be concerned? Establishments in the banking and art sectors, auctioneers and court enforcement officers.

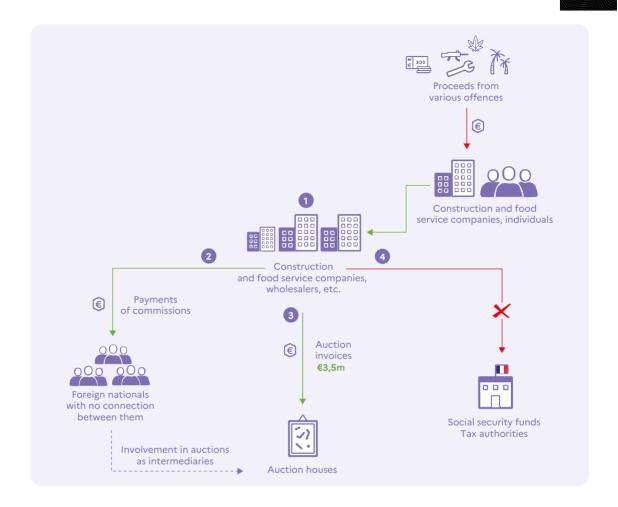
**Potential recipients of Tracfin's analysis:** Courts and law enforcement, supervisory authorities (Directorate General of Customs and Excise, Auction House Regulatory Authority and National Chamber of Court Enforcement Officers) and foreign financial intelligence units.

- Twelve legal entities with different corporate purposes (construction, food service and masonry companies, wholesalers, etc.) receive funds from individuals and legal entities working in the food service and construction sectors. The funds represent proceeds from various offences.
- In public auctions, the 12 legal entities are represented by the same foreign individuals, who are not resident in France, in order to buy works of art. Those individuals do not have any official business connections with the companies. An analysis of the French and foreign bank accounts of the intermediaries shows that they receive funds from the companies, suggesting the payment of commissions or remuneration for services rendered.
- 3 The 12 legal entities jointly pay auction invoices issued by French and foreign auction houses for works of art that have no connection with their business activities, in a total amount of €3.5m.
- The amount spent on acquiring works of art in public auctions represents 20% of the companies' cash inflows. The companies are also in breach of their disclosure obligations with respect to the Public Finances Directorate General (DGFiP) and the Union for the Collection of Social Security Contributions and Family Allowances (URSSAF), suggesting the possible existence of tax evasion and undeclared labour.

#### Warning signs

- Difficulties identifying beneficial owners.
- Request to change the name of the buyer on the invoice to that of a company operating in a field unconnected with works of art.
- Request to include several individuals or legal entities on the invoice.
- Lack of connection between the corporate purpose of the paying company and the art market.

<sup>3</sup> The COLB's 2023 NRA, p. 179.



#### Warning signs (cont.)

- Inconsistency between the value of the item and the financial resources of the buyer.
- Hammer price very different from the upper end of the guide price range.
- Payment from an account held by someone other than the beneficial owner of the work of art.
- Invoice paid through several transfers by individuals and legal entities that have no objective connection with the purchase.

**Suspected predicate offence(s):** Undeclared labour, tax evasion, laundering the proceeds of tax evasion and organised money laundering

Other keywords: UNDECLARED LABOUR, MONEY LAUNDERING, ART



### CRIMES AGAINST CHILDREN

The category of crimes against children encompasses all sexual crimes committed against minors. It includes not only abuse and sexual exploitation, forced labour and abduction but also the dissemination, transmission, export, possession, accessing or attempted accessing of child-abuse content. The internet's global reach and anonymity, together with wider use of crypto-assets, have facilitated distribution of and access to child sexual abuse material.

### Case study 3: Crypto-assets as a financing channel for child sexual exploitation abroad

Which reporting entities are most likely to be concerned? Banking sector institutions and VASPs. Potential recipients of Tracfin's analysis: Courts and criminal investigation departments.

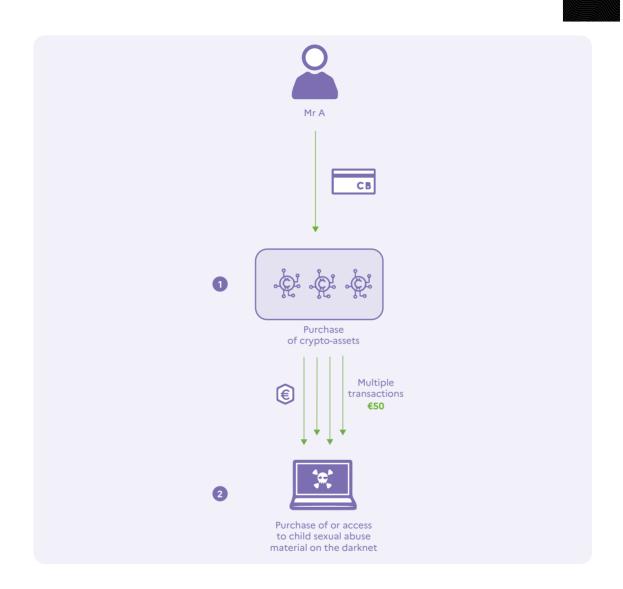
- 1 Mr A used a bank card for payments from his accounts to a platform engaged in online buying and selling of crypto-assets.
- Mr A then undertook crypto-asset transactions on websites abroad and/or on the darknet that were known to the police for hosting child sexual abuse material. The payments were small sums (€50) and were made in crypto-assets.

#### Analysis criteria and warning signs

- Small sums (under €50) paid in cryptocurrency.
- Multiple accounts with different VASPs.
- Transfers to wallets known to the authorities (from transactional analysis).

**Suspected predicate offence(s):** Possession of and/or access to child sexual abuse material, illegal confinement, child endangerment

Other keywords: CRYPTO-ASSETS, MONEY REMITTANCES





### CRYPTO-ASSETS

The "rug pull" is a type of crypto-asset investment fraud in which apparently legitimate crypto-asset services or projects disappear without giving users their money back. This fraud generally takes place within the decentralised finance (DeFi) ecosystem. Decentralised finance offers a way of exchanging, buying and selling assets with few intermediaries. It is available to all and works without a central authority, relying on blockchain technology and smart contracts<sup>4</sup>.

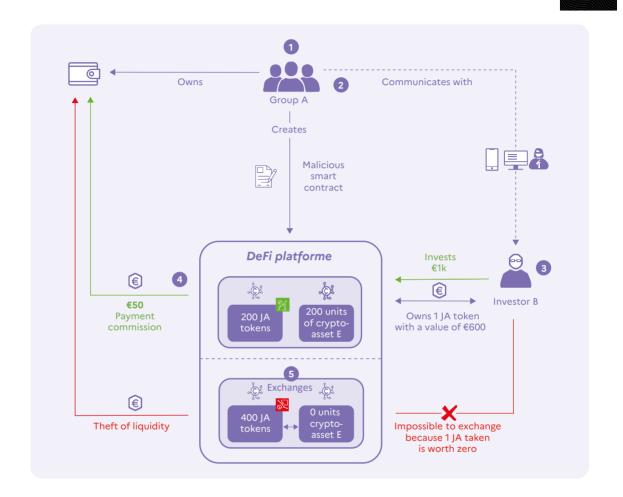
### Case study 4: Rug pull scam

Which reporting entities are most likely to be concerned? Establishments in the banking sector, virtual asset service providers (VASPs) and chartered accountants.

#### Potential recipients of Tracfin's analysis: Tax authorities.

- A group of individuals (A) is involved in a decentralised finance project that is presented as a revolution in crypto-asset investment. The project consists of creating a token called JA, which is listed on a decentralised platform and functions via a smart contract with the following provisions:
  - a) it is associated with a known cryptocurrency (E);
  - b) whenever an investor buys tokens, only 60% of the investment is converted into tokens: if an investor invests €1,000, they receive a token with a value of €600 and hope for an increase in the token's value to make up the shortfall. The 40% difference is in theory supposed to cover the project's running costs;
  - c) in addition, whenever an investor buys a JA token, group A receives a payment commission corresponding to 5% of the investment. Those commissions correspond to cryptocurrency transaction, liquidity or withdrawal fees received by the creators of the token in return for the liquidity they provided when setting up the project;
  - d) the smart contract includes a clause under which, once a certain level of liquidity is achieved, group A reserves the right to exchange all of its IA tokens into cryptocurrency E.
- Group A communicates about the project via a website and an encrypted messaging service. It also uses influencers specialising in finance to publicise the project on social media, highlighting the revolutionary nature of the digital asset and promising automatic, fast profits.
- An investor B buys a JA token for €1,000. Investor B receives a JA token, which is worth €600 at that point, as provided for in the smart contract.
- 4 5% of the investment (i.e. €50) goes to group A as a payment commission (transaction, liquidity and withdrawal fees).
- Once the liquidity threshold provided for in the smart contract is reached, group A withdraws its liquidity as provided for in the smart contract: they exchange all of their JA tokens into cryptocurrency E, with which the tokens are associated. The other JA tokens held by investor B lose all of their value and are no longer exchangeable in practice, because there is no longer any counterparty associated with them.

<sup>4</sup> Contracts in which transactions are executed by computer code according to predefined terms, without intermediaries and automatically.



### Warning signs

- Promotion of a crypto-asset project on the internet, social media and online messaging services.
- Business sectors connected to blockchain technology or NFTs (non-fungible tokens).
- Involvement of crypto-assets blacklisted by the Autorité des marchés financiers (AMF).

Suspected predicate offence(s): Fraud, theft

Other keywords: FRAUD, BLOCKCHAIN, CRYPTO-ASSET



### DRUG TRAFFICKING

Drug trafficking is an illicit global trade that encompasses the growing, manufacture, distribution and sale of substances prohibited by law. Drug traffickers need to transfer money at all points of the supply chain and therefore to launder it in order to conceal its unlawful origin. Trafficking of narcotics can thus be detected by identifying money laundering channels.

### Case study 5: Money laundering network for the proceeds of drug trafficking

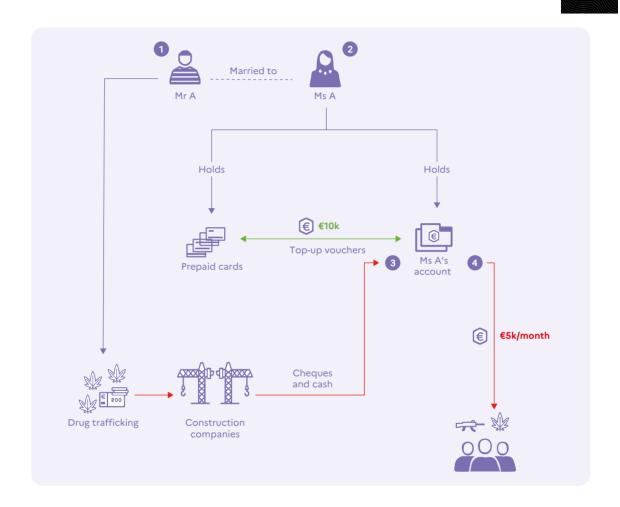
Which reporting entities are most likely to be concerned? Banking sector institutions.

Potential recipients of Tracfin's analysis: Courts and criminal investigation departments.

- 1 Mr A was sent to prison for drug trafficking. He was the husband of Ms A, whose income as declared to the tax authority indicated financial hardship.
- 2 Ms A held several prepaid payment cards credited with €10,000 through cash top-up vouchers.
- In addition, Ms A's bank account showed large cash receipts together with cashing of cheques issued by construction companies, which was not consistent with Ms A's economic profile. These companies showed no actual activity since having been set up and had a very short lifespan. It seems that in reality they were shell companies intended to conceal the origin of the proceeds of drug trafficking deposited as cash on behalf of Mr A.
- Ms A also had financial ties to some members known to the police for drug possession. In particular, she made a monthly transfer of €5,000 to an individual abroad who was known for various offences.

#### Analysis criteria and warning signs

- Holding of several accounts linked to prepaid cards.
- Volume and frequency of money transfers from a single sender.
- Transfers from multiple senders in France to the same recipient in countries vulnerable to ML/TF and drug trafficking risks.
- No obvious economic link between senders and recipients of funds.
- Business activity declared by senders not consistent with the amounts sent.



**Suspected predicate offence(s):** Drug trafficking **Other keywords:** CASH, E-MONEY INSTITUTION

### FOREIGN INTERFERENCE

In its 2022/2023 annual report, the Parliamentary Delegation on Intelligence (DPR) states that "the threat level for foreign interference is high in a global context that is fraught and brazen". Foreign interference seeks to destabilise the country targeted and comes in various guises: disinformation, cyberattacks, espionage, bribery, etc. It also takes the shape of influence peddling for the purpose of altering a country's policy positions.

### Case study 6: Influence peddling organised by a foreign power through a cultural non-profit organisation in France

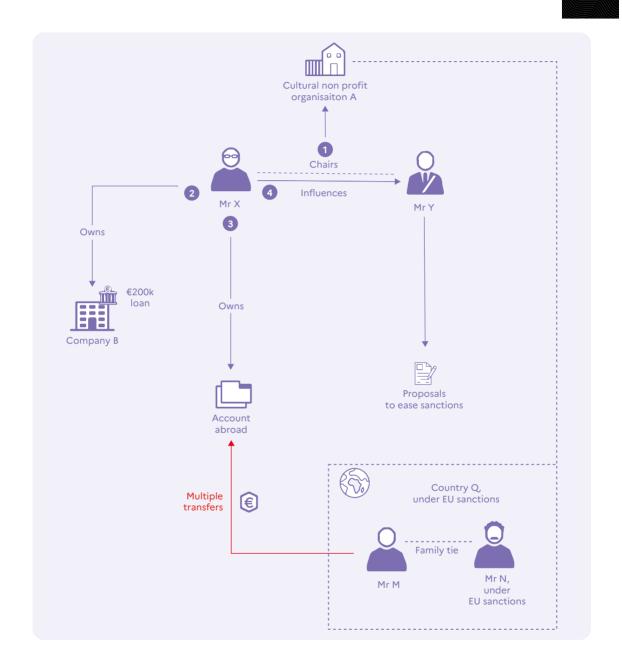
Which reporting entities are most likely to be concerned? Banking sector institutions, chartered accountants and auditors.

**Potential recipients of Tracfin's analysis:** Courts, criminal investigation departments, government entities.

- 1 Mr X and Mr Y (a French elected official) jointly chaired a cultural non-profit organisation (A) based on spreading the language and culture of country Q, which was subject to sanctions imposed by the European Union (EU).
- Mr X also ran a microbusiness (company B), which he had bought for €300,000 with a €200,000 bank loan and a personal contribution of €100,000, €30,000 of which came from the sale of a previous business. The purchase of this business seemed inconsistent with Mr X's income.
- In an account abroad, Mr X received a number of transfers from Mr M, who was a citizen of country Q. Mr M was not sanctioned by the EU. However, he was the cousin of Mr N, who was subject to EU sanctions.
- Because of their close relationship, Mr X had ideological influence over Mr Y and encouraged him to take a stance in favour of country Q in France. Mr Y publicly promoted an easing of the sanctions imposed on some of country Q's nationals. Mr X could thus be considered a channel of influence for that country.

### Warning signs

- Purchase inconsistent with an individual's income.
- Transfers received from third parties abroad having no obvious link to the recipient account holders.
- Presence of politically exposed persons (PEPs).
- Business relationship or corporate purpose connected with a country or territory under sanctions (international, EU or other) or engaged in an open conflict.



**Suspected predicate offence(s):** Influence peddling, breach of trust, interference with a nation's fundamental interests

Other keywords: INFLUENCE

### FRAUD

France has a system of tax incentives for productive investment – known as RAFIP or Girardin incentives – that reduce the income tax paid by individuals or businesses domiciled in France and investing in real estate or industries located in French overseas territories. The aim is to develop and modernise the stock of rental property in those territories and support local businesses there. Reports on these tax incentives have recently been published by the Inspectorate General of Finance<sup>6</sup> and the Government Audit Office,<sup>7</sup> questioning their effectiveness and identifying numerous failings that could lead to fraud.

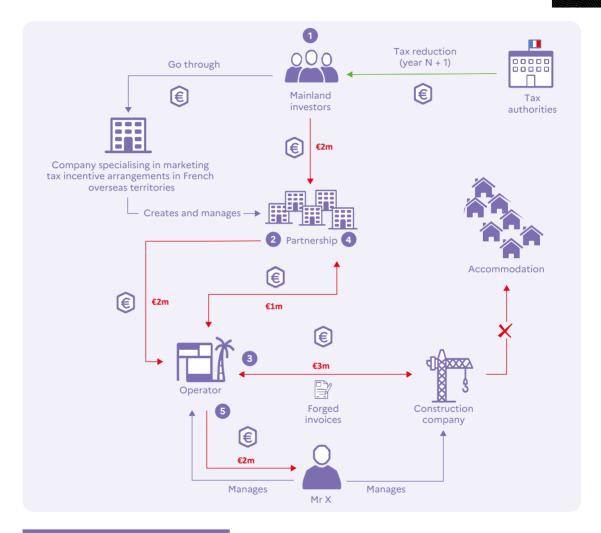
### Case study 7: Fraudulent use of Girardin tax incentives in French overseas territories

Which reporting entities are most likely to be concerned? Establishments in the banking sector, chartered accountants and auditors.

Potential recipients of Tracfin's analysis: Courts and law enforcement, tax authorities.

- 1 Individuals on the French mainland invest using the Girardin incentives in order to benefit from a reduction in their income tax. They go through a company specialising in marketing tax incentive arrangements, which offers them the opportunity to invest in a Girardin-eligible project via an umbrella partnership over a five-year period.
- 2 The partnership finances the construction of furnished tourist accommodation based in French overseas territories in an amount of €2m. It pays the funds sourced from mainland investors to the operator of the project.
- 3 The operator places an order to build the accommodation with a construction company of which it is also a manager. That construction company produces forged invoices in an amount of €3m supposedly for the construction of new tourist accommodation, and the operator submits them to the partnership. The partnership therefore becomes the owner of the fictitious tourist accommodation for five years.
- The partnership arranges a vendor credit with the operator to finance the remainder of the transaction (€1m). For five years, the operator pays rent to the partnership for the operation of the fictitious tourist accommodation, then becomes its owner for the nominal sum of €1.
- The following year, the investors obtain a tax reduction that is greater than the amount invested (around 125% of the sum invested). The company that markets the tax incentive arrangement has received a payment taken from the €2m invested in the partnership, while the manager of the construction company supposedly building the tourist accommodation has pocketed the money from the mainland investors. No accommodation has been built.

<sup>6</sup> Inspectorate General of Finance, report no. 2023-M-047-04 "Évaluation du régime d'aide fiscale à l'investissement productif en Outre-mer" (Assessment of the system of tax incentives for productive investment in French overseas territories), July 2023. 7 Government Audit Office, "Les financements de l'État en Outre-mer" (State funding in French overseas territories), March 2022.



### Analysis criteria and warning signs

- Payments featuring the word "Girardin" or coming from a partnership are recorded in the account of a legal entity, but the money is not used for any investment.
- No presence in the register of the relevant prefecture.
- No tax approval obtained.
- Failures by the investment advisor (e.g. the advisor is not registered with ORIAS, whose register can be consulted online).

Suspected predicate offence(s): Fraud, forgery

Other keywords: OVERSEAS TERRITORIES, TAX INCENTIVE, REAL ESTATE, FORGERY

### FRAUD AGAINST PUBLIC FINANCES

The MaPrimeRenov' (MPR) scheme offers government grants to homeowners wishing to make energy efficient upgrades to their homes. The work or expenditure must be undertaken by companies with RGE environmental certification. MPR scheme fraud is fraud against public finances, which is constituted by any omission or irregularity committed intentionally to the detriment of public revenue or expenditure.

### Case study 8: MPR scheme fraud

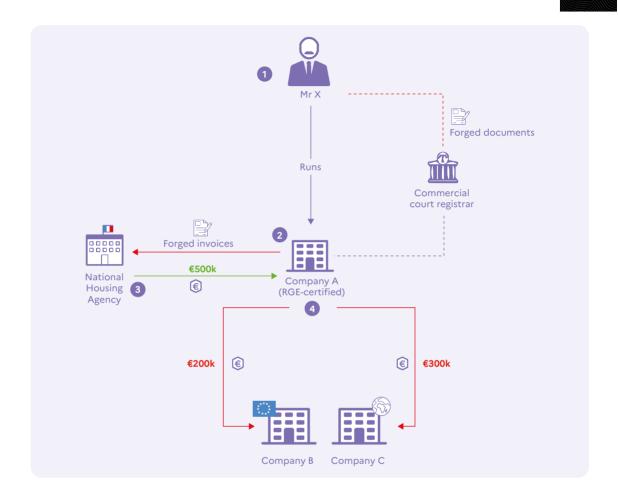
Which reporting entities are most likely to be concerned? Banking sector institutions, commercial registered office providers, commercial court registrars, chartered accountants and auditors.

**Potential recipients of Tracfin's analysis:** Courts and criminal investigation departments, tax authorities, foreign FIUs.

- 1 Mr X ran company A, a startup which specialises in the installation of solar thermal and solar photovoltaic systems. It was set up through a commercial court registry but rested on forged identity documents and fake certificates of deposit.
- The company was registered with the National Housing Agency (ANAH) to handle applications on behalf of private individuals. This allowed it to carry out all the steps associated with putting together and filing grant applications online and then to receive these grants directly in its own account. Company A submitted forged invoices to the National Housing Agency without doing the work.
- 3 A €500,000 grant was then paid into company A's account by the National Housing Agency.
- Company A transferred the public funds received under the MPR scheme: it remitted €200,000 to the accounts of Subcontractor B and €300,000 to those of Subcontractor C, in France and abroad; these subcontractors were not on the list of RGE-certified companies and their corporate purposes were not consistent with company A's field of activity. Company A then promptly ceased trading.

#### Warning signs

- Startups.
- Building- or improvement-related activity.
- Companies not declaring employees to URSSAF or not paying their social insurance contributions.
- No RGE certification.
- No financial transactions with subcontractors registered with the National Housing Agency.
- No work done for the individuals for whom the work was claimed.



#### Warning signs (cont.)

- Credit transactions in the, sometimes sole, form of public grants, such as money from the National Housing Agency under the MPR scheme.
- Debit transactions in the form of payments to home improvement companies without RGE certification or even companies with no connection to home improvement and/or located abroad.
- Geographical discrepancies between customers of the company implicated and that company's place of business.

**Suspected predicate offence(s):** Fraud against public finances, fraud involving public funds, forgery and use of forged documents

Other keywords: STATE AID, FRAUD AGAINST PUBLIC FINANCES

## G

### GAMBLING

The gambling sector, which presents a "medium" ML/TF risk according to the 2023 NRA, covers not only gambling establishments (casinos and gaming clubs) but also land-based and online gambling operators. In addition to firms licensed to offer online gambling and betting on sports or horse racing on the free market, gambling operators also include organisations licensed to provide land-based gambling under exclusive rights, such as *La Française des Jeux* (FDJ) and *Pari Mutuel Urbain* (PMU), which are well-represented in France, with over 29,000<sup>8</sup> and 14,000<sup>9</sup> points of sale respectively.

### Case study 9: Money laundering through gambling

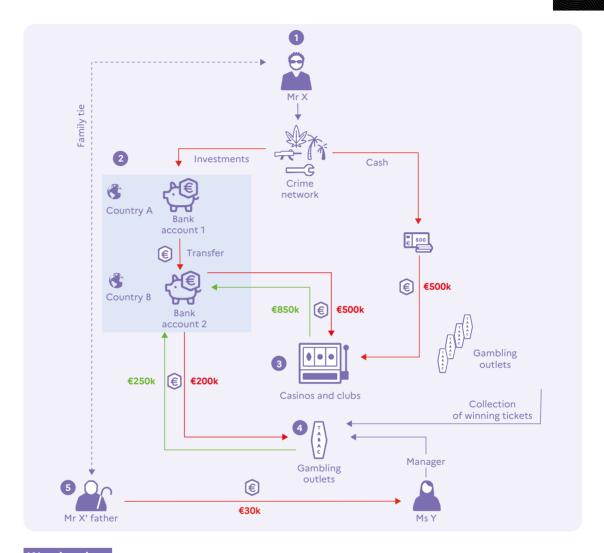
Which reporting entities are most likely to be concerned? Banking sector institutions, gambling sector (casino operators, gaming clubs and land-based and online gambling operators).

**Potential recipients of Tracfin's analysis:** Courts and criminal investigation departments, government entities, supervisory authorities (Central Racing and Gambling Unit, National Gambling Authority).

- 1 Mr X, a French tax resident, was a member of an organised crime network and was in charge of laundering the proceeds of offences committed by this network.
- In order to obscure the original source of the money, Mr X channelled it through a first bank account abroad and then a second bank account, still abroad but in a different country. He kept the remainder of the money in cash.
- Mr X then used a smokescreen involving the gambling sector: he gambled €1m in casinos and gaming clubs for several months, of which €500,000 was by card and €500,000 in cash, and collected winnings of €850,000 (a loss of €150,000).
- 4 At the same time, with the help of Ms Y, who managed a point of sale, Mr X was to all appearances buying winning tickets for small prizes, as indicated by his exceptional return-to-player (RTP) percentage of 150%. These winning tickets were bought beforehand by Ms Y from other gambling outlets, which apparently paid the winning players without registering their tickets (thus enabling these tickets to be resold subsequently).
- Mr X's father, who had no apparent connection to Ms Y, made a €30,000 transfer to the latter's bank account. This was most likely a payment for services rendered regarding the winning tickets.

<sup>8</sup> FDJ official website: https://www.groupefdj.com/notre-reseau/

<sup>9</sup> PMU official website: https://entreprise.pmu.fr/



### Warning signs

- No lawful financial resources or obviously sufficient assets allowing this level of expenditure on gambling.
- Cash payment for bets.
- Cash flows between international bank accounts.
- No explanation for source of funds.

**Suspected predicate offence(s):** Various economic and financial offences, drug trafficking **Other keywords:** MONEY LAUNDERING, GAMBLING



### MISAPPROPRIATION OF PUBLIC FUNDS

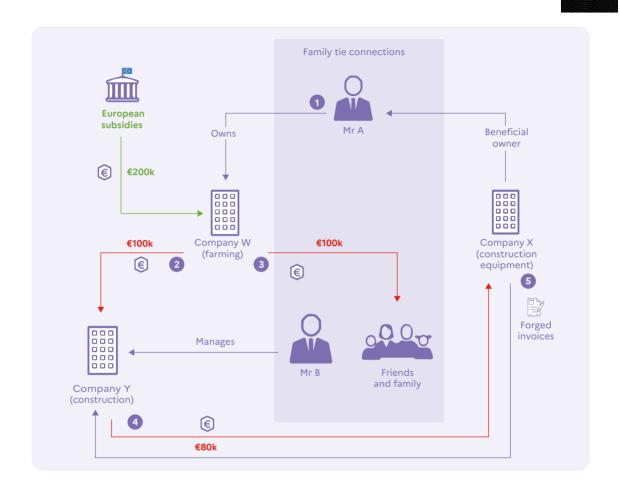
Misappropriation of public funds is one of the six main offences that constitute corruption. It involves a person who is in a position of public authority or entrusted with a public service mandate who misappropriates, destroys or conceals public funds or assets entrusted to them because of their role or remit. In its 2023 annual report, the European Public Prosecutor's Office (EPPO) revealed a sharp increase in investigations and court proceedings involving fraud affecting the finances of the European Union in an estimated amount of €19.2bn. Efforts to combat fraud involving European funds in France are a good example of Europe's joined-up fraud strategy, with national entities that have the primary responsibility for remaining vigilant, as the main beneficiaries of those funds.

### Case study 10: Misappropriation of European public funds and money laundering

Which reporting entities are most likely to be concerned? Establishments in the banking sector, auditors and chartered accountants, notaries and real estate professionals.

Potential recipients of Tracfin's analysis: Courts and law enforcement.

- Mr A owns company W, which specialises in farming. He receives a €200,000 grant from the European Union. The payment of that grant is subject to the construction of new agricultural infrastructure. The amount of the grant is equal to the investment needed to build the infrastructure.
- When the money is received, €100,000 is transferred to company Y, which is in charge of carrying out the work. Company Y is owned and managed by Mr B, who is a member of Mr A's family. However, no construction takes place on Mr A's farm.
- 3 The remaining €100,000 of the grant held in company W's account is transferred to several accounts belonging to Mr A's close friends and family. Mr A sends forged bank statements to the department that provided the European grant to show where those payments were made.
- Several transfers are then made by company Y to company X, which specialises in construction equipment, in an amount of €80,000. Company X, whose beneficial owner is Mr A, is registered in the trade and companies register and has opened several bank accounts using a forged identity document and a forged share capital deposit certificate.
- Company X produces forged invoices aiming to conceal the fact that no construction equipment was actually delivered by company X to company Y. Most of the money credited to company X's accounts comes from company Y, and is transferred into the account of Mr A.



### Analysis criteria and warning signs

- Companies without genuine business activities.
- Money going into and out of a company's account in a way that is inconsistent with its corporate purpose.
- Wrongfully received funds pooled in a different account.
- Use of the company's account for personal purposes.

**Suspected predicate offence(s):** Misappropriation of public funds, fraud, forgery and use of forged documents, money laundering

Other keywords: EUROPEAN FUNDS, FRAUD, MONEY LAUNDERING



### MONEY LAUNDERING

Criminals may launder the proceeds of their crimes themselves or use professionals specialising in money laundering. There are many ways to launder money, for example by buying real estate, luxury goods, gold, crypto-assets and winning tickets, and via shell companies. Several methods can be used together, and multiple bank cards and accounts may be used to obscure the origin of the funds.

### Case study 11: Laundering proceeds from drug trafficking

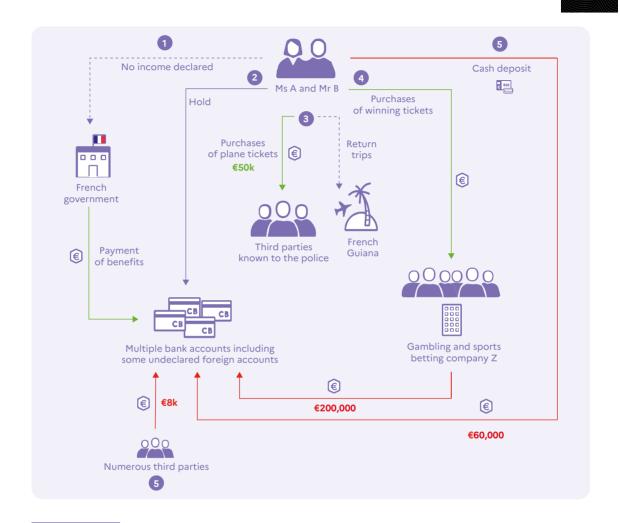
Which reporting entities are most likely to be concerned? Establishments in the banking, gambling, art and luxury goods sectors.

Potential recipients of Tracfin's analysis: The courts and tax authorities.

- 1 Ms A and Mr B are a couple who do not declare any income to the tax authorities. Mr B is still a student and as such receives state benefits.
- However, Ms A and Mr B hold numerous bank accounts with various French banks, along with several foreign accounts. Those accounts are not declared, and some accounts have up to 30 cards associated with them.
- Although the couple's resources are in theory limited, they have bought numerous plane tickets to French Guiana at a cost of €50,000 over a two-year period. They make several return trips per year, but never travel together. They also regularly buy tickets to French Guiana for third parties. Those third parties are sometimes close friends and family, but not always, and many of them are known to the police in connection with the trafficking and transportation of narcotics. The information suggests that narcotics or cash from the sale of narcotics is being transported by mules from French Guiana to mainland France.
- Ms A and Mr B are also heavy gamblers and very frequently win money from sports betting. They receive numerous transfers into their accounts from company Z, which specialises in lotteries and sports betting, totalling €200,000 over two years. However, some of the winning tickets were purchased from locations very far apart from each other but at times and dates very close to each other, indicating that the couple has been buying winning tickets.
- \$\int 60,000\$ of cash of unknown origin has also been deposited into their accounts, along with \$\int 8,000\$ of transfers from numerous third parties. The accounts also show numerous items of expenditure that do not correspond with the couple's stated lifestyle. Multiple transfers are made to third parties, in addition to the plane tickets purchased for third parties as mentioned in the third point.

It therefore appears that the couple is at the very least engaged in tax evasion (failure to declare income and foreign accounts), because movements in their accounts indicate large withdrawals and items of expenditure. They are also suspected of laundering the proceeds of their tax evasion by purchasing winning tickets.

It is also likely that the laundered money comes from the trafficking of narcotics between French Guiana and mainland France.



#### Warning signs

- Several active bank accounts in France and accounts held outside France that are not declared to the tax authorities.
- Large amounts of cash deposited in the account.
- Purchases inconsistent with the income declared (e.g. purchases of plane tickets).
- Frequent, large gambling wins.
- Frequent long-haul journeys purchased for third parties with whom they have no apparent connection.

Suspected predicate offence(s): Drug trafficking, tax evasion

Other keywords: GAMBLING, SPORTS BETTING, TAX EVASION

#### **NFTs**

NFTs (non-fungible tokens) are assets traded on the blockchain like other crypto-assets, but unlike bitcoin, for example, each is issued in a single indivisible copy that is distinct from the others and can be tracked individually.¹⁰ An NFT therefore vests a digital product such as an image or a video with scarcity value. Being crypto-assets, NFTs are taxable once converted into legal tender. Thus an individual making capital gains of over €305 has a choice between the progressive income tax scale¹¹ and a 30% flat tax (prélèvement forfaitaire unique, PFU).¹²

#### Case study 12: Tax evasion by using NFTs

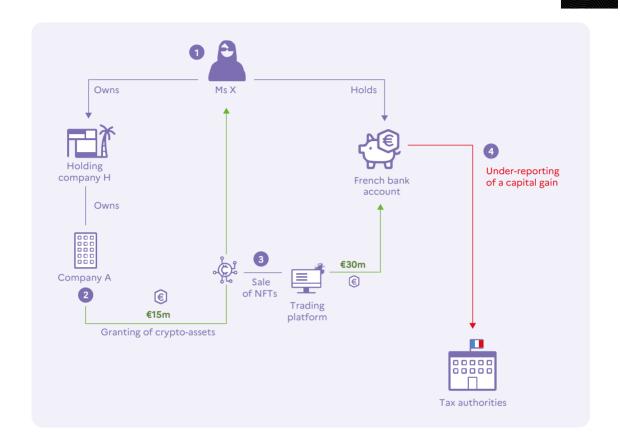
Which reporting entities are most likely to be concerned? Banking sector institutions, VASPs. Potential recipients of Tracfin's analysis: Tax authorities.

- 1 Ms X set up an online video game company, which she owned through a holding company (H), established in a tax haven. She was both the manager and a salaried employee of the company.
- Ms X's employment contract showed two types of compensation: a monthly salary of €200,000, and video game tokens produced by the company and granted free of charge (NFTs), which she could sell under certain conditions. After four years, Ms X had accumulated €15m of NFTs.
- Ms X decided to sell these NFTs on a trading platform. She sold them for €30m, a capital gain of €15m, paid into her French bank account. This significant capital gain generated over four years suggested the existence of fraud.
- The capital gain was declared to the tax authority on the proper forms, but it did not appear in her income tax return. This sale of NFTs looked like disguised compensation: Ms X took advantage of the 30% tax rate by converting the NFTs into fiat money (legal tender, backed by a central bank), when she should have been taxed at the "wages and salaries" rate, since the securities (NFTs) were granted to Ms X in her capacity as an employee and did not entail any financial risk-taking (and therefore seemed to be part of Ms X's compensation rather than a financial asset).

<sup>10</sup> Inspectorate General of Finance report, May 2022, "Les jetons à vocation commerciale dans l'économie française : cas d'usage et enjeux juridiques", p. 1 https://bit.ly/41oKeDH

<sup>11</sup> Right to opt for application of the progressive income tax scale to capital gains from digital assets sold occasionally, directly or through intermediaries, by private individuals, established by the 2022 Budget Act (Act no. 2021-1900 of 30 December 2021, section 79)

<sup>12</sup> Act no. 2017-1837 of 30 December 2017 (2018 Budget Act).



#### Warning signs

- Sale of NFTs on an online trading platform.
- Overvaluation of securities and other assets: spectacular rise in the value of an NFT over a short period.
- Business sector connected to blockchain technology and NFTs.
- Capital gain not declared in annual income tax return.

Suspected predicate offence(s): Tax evasion

Other keywords: NFT



#### OBSCURING OF THE SOURCE OF FUNDS

A trust is a legal transaction whereby an individual ("the settlor") entrusts some or all of their assets to the provisional management of a third party ("the trustee"), who holds it separately from their own property. In France, although it is lawful to set up a trust, not declaring it to the tax authorities is illegal.

#### Case study 13: Trusts and tax evasion

Which reporting entities are most likely to be concerned? Banking sector institutions, insurance companies, lawyers, notaries and real estate professionals.

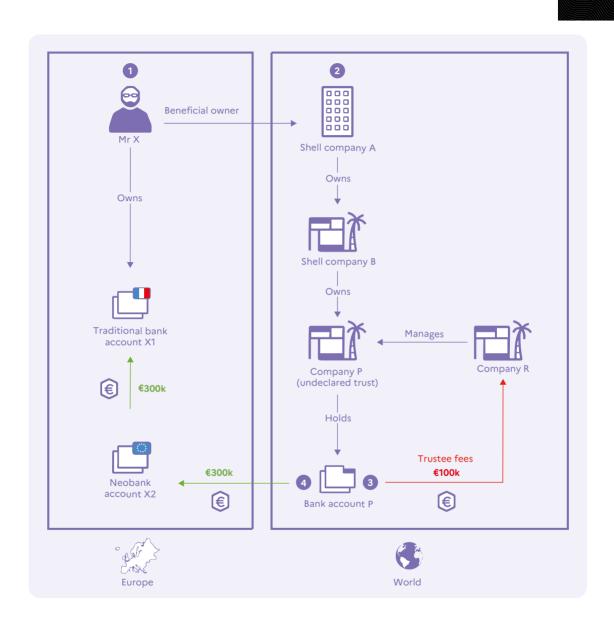
Potential recipients of Tracfin's analysis: Tax authorities, foreign FIUs.

- 1 Mr X, French tax resident liable to property wealth tax, ran a business management consulting firm.
- In order to obscure his connection with company P registered in country P, which was on the FATF grey list, <sup>13</sup> Mr X went through two shell companies, A and B. By holding the capital through companies registered in two different low-tax countries, he was able to conceal the fact that he was the beneficial owner of company P. Company P did no business in country P: its bank accounts, in dollars, showed only transfers to and from other countries.
- 3 Company R provided services as a trust and a commercial registered office provider. Company P's bank statements showed transfers to company R for trustee fees. Company R therefore ran trust P for Mr X. However, this trust was not declared to the French tax authority, suggesting an intent to conceal the income derived from company P's business.
- Company P made a €300,000 transfer to Mr X's bank account with a neobank (X2). Subsequently, Mr X repatriated this money to a bank account with a French bank (X1), which he had held for over 20 years. This looked like unreported income from business conducted by company P, of which he was the ultimate beneficial owner.

#### Warning signs

- Existence of shell companies.
- Accounts located in different countries from where the company is registered.
- · Country on the FATF grey list.
- Customer trading in an amount inconsistent with their usual behaviour.
- Transfers received from third parties abroad having no obvious link to the recipient account holders.
- Not entered in the National Register of French Trusts.

<sup>13</sup> Financial Action Task Force.



Suspected predicate offence(s): Tax evasion

Other keywords: SHELL COMPANY, FOREIGN ACCOUNT

#### REAL ESTATE SECTOR

The threat of money laundering in the real estate sector centres on purchases. The luxury residential sector is particularly vulnerable owing to high-value transactions, market volatility and the absence of a benchmark for checking the consistency of prices in this field.

# Case study 14: Conspiracy to launder money through complex arrangements involving sales at a discount, with fraud and misuse of company assets

Which reporting entities are most likely to be concerned? Notaries, real estate professionals and banking sector institutions.

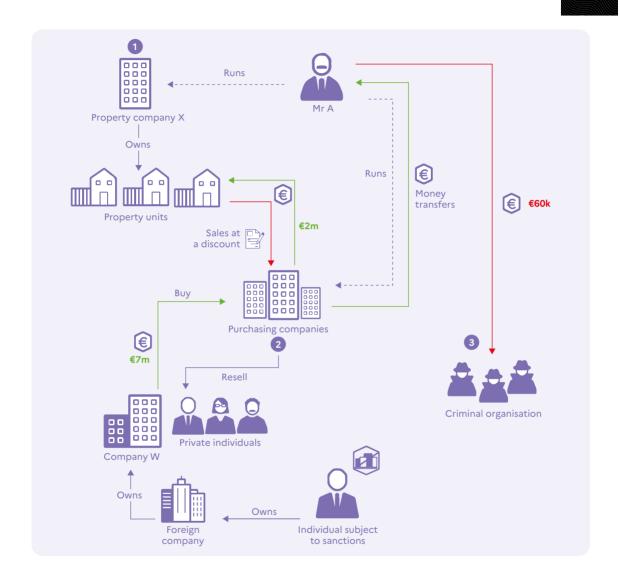
Potential recipients of Tracfin's analysis: Judicial authorities, government entities.

- 1 Company X, run by Mr A, sold a number of property units at well below market price to companies linked to Mr A (run by him or by members of his family) for a total of €2m. Most of these sales were not registered in notaries' accounts and often took the form of debt offsetting.
  - a) Sale of units at prices below the market average was used to reduce a number of tax bases for both the selling company, run by Mr A, and the purchasing companies.
  - b) Moreover, these sales were against the interests of company X.
  - c) These offsetting payments not registered in notaries' accounts amounted to a money laundering scheme.
- The purchasing companies linked to Mr A then resold the units for a total of €7m to individuals and legal entities, including company W. Company W's tax returns and exemptions from tax on the market value of the properties further indicate a foreign company as a unit owner. The capital arrangements put in place were used to obscure the beneficial owner, who was on the French asset-freezing list.¹⁴
- 3 Selling of the units in a relatively short time through companies owned or closely linked to Mr A also made it possible to recover the initial capital used to buy some of the units. Subsequently, €60,000 was transferred to accounts belonging to members of criminal organisations and was then difficult to trace.

#### Analysis criteria and warning signs

- Sale of property without registration in a notary's accounts.
- Seller in a hurry to sell property.
- No bank loan for buying a property.

<sup>14</sup> The Directorate General of the Treasury publishes and keeps up to date the national asset-freezing register, which lists all individuals and legal entities covered by the asset-freezing measures in force across French territory. The register can be accessed online on the website of the Directorate General of the Treasury.



#### Analysis criteria and warning signs (cont.)

- Selling price below market average.
- Properties bought and sold solely by persons not resident in France for tax purposes.
- Negative press surrounding recipients of the money transferred.

**Suspected predicate offence(s):** Fraud, misuse of company assets, money laundering, tax evasion **Other keywords:** MORTGAGE, DISCOUNTED PRICES, ORGANISED CRIME, NON-RESIDENTS

#### SOCIAL MEDIA

Social media allows influencers to be paid in various ways, including by offering their followers paid subscriptions and enabling them to send "virtual gifts" (akin to gifts of virtual currency) as proof of their engagement. The complexity of forms of remuneration for content creators and the lack of routine identity verification when money is repatriated from applications make social media vulnerable to money laundering and the financing of terrorism.

### Case study 15: Financing of terrorism through remuneration of influencers on social media

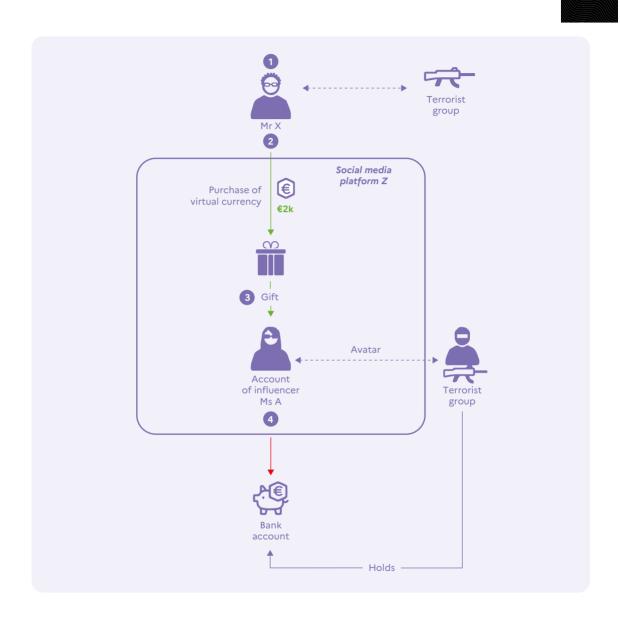
Which reporting entities are most likely to be concerned? Banking sector institutions.

**Potential recipients of Tracfin's analysis:** Courts and criminal investigation departments, government entities, foreign FIUs.

- 1 Mr X was known to the police and gendarmerie because he had already been convicted of serious acts of terrorism.
- Through his e-money wallet Mr X bought €2,000 of virtual currency on social media platform Z, which he then converted into "virtual gifts". These "virtual gifts" allowed followers to support and pay the content creators that they followed on this social media platform.
- Mr X decided to send virtual gifts to the influencer Ms A, who regularly posted photos and videos on her account with social media platform Z. Ms A's posts seemed to be commending terrorism. Since these "gifts" were sent directly through the platform, it was not possible to trace them or ascertain the identity of the recipient. This information could only be recovered by the social media platform, since only the transfer from Mr X to social media platform Z, rather than gifts to Ms A, would be shown in Mr X's bank statements.
- Ms A, which was actually an avatar created and controlled by a jihadi group, decided to convert the virtual gifts thus accumulated into fiat money (legal tender, backed by a central bank) and transfer them to her bank account, which belonged to the jihadi group. These funds collected in the form of gifts thus seemed to be helping finance terrorism.

#### Warning signs

- Transfer of not insignificant funds to a social media platform.
- Transfer of funds to an e-money wallet.
- Negative press surrounding the customer.



Suspected predicate offence(s): Terrorist financing

Other keywords: TERRORISM



#### TERRORISM

According to the 2023 NRA, the AML/CFT threat to crowdfunding platforms is high. Furthermore, large-scale use of online fundraising is a warning sign for terrorist financing according to the sectoral ML/TF risk assessment of the Prudential Supervisory and Resolution Authority (ACPR). An individual can conceal the unlawful origin and/or intended use of their funds by setting up bogus online fundraising accounts. Payments with illicit funds can then be made to the individual through these accounts and be used to finance terrorism under the guise of a harmless project.

### Case study 16: Financing of terrorism through an online fundraising account

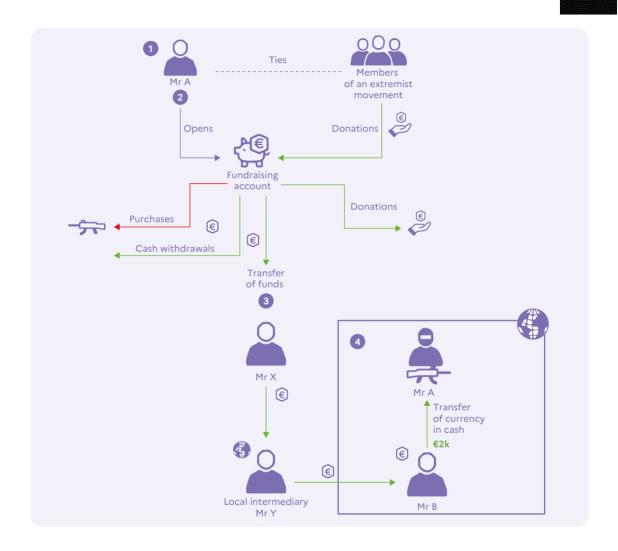
Which reporting entities are most likely to be concerned? Crowdfunding intermediaries and banking sector institutions.

Potential recipients of Tracfin's analysis: Courts and criminal investigation departments.

- 1 Mr A subscribed to the views of an extremist movement. He had ties with a number of other members known to the police.
- 2 Mr A opened an online crowdfunding account with the stated aim of consolidating donations to a humanitarian organisation. In actual fact, the funds thus obtained did not go towards any humanitarian projects but allowed Mr A to cover certain expenses with specialist shops selling goods promoting an extremist ideology (books, clothing, accessories, etc.). His spending with the funds raised also encompassed purchase of military accessories. In addition, he resorted to significant cash withdrawals in order to obscure the end use of these funds. He also made online donations to another ostensibly humanitarian organisation involved in a theatre of operations.
- Because he wanted to travel to this theatre of operations, Mr A also transferred money so that he could use the remainder of the funds from the crowdfunding account when there. He organised a clearing system with Mr B, who lived near the theatre of operations:
  - a) Mr A contacted a French intermediary, Mr X, and paid him €2,000 in cash;
  - b) Mr X then asked Mr Y, a local intermediary, to hand over an equivalent sum in local currency to Mr B;
  - c) Mr X subsequently sent Mr Y €2,000 as reimbursement.
- 4 Once he had left France for good, Mr A collected the funds transferred to Mr B.

#### Analysis criteria and warning signs

- Change in customer's usual behaviour.
- Opening of a fundraising account by a customer known for their ideological positions.
- Transfers to countries vulnerable to ML/TF risks.



#### Analysis criteria and warning signs (cont.)

- Payments and withdrawals in geopolitically exposed regions.
- Ties to individuals known from open sources to belong to a terrorist movement.
- Transactions with shops known to the authorities.
- Expenditure relating to travel to and visiting of high-risk countries or countries in their vicinity.

Suspected predicate offence(s): Terrorist financing

Other keywords: HAWALA, WEAPONS, CASH TRANSFER, CROWDFUNDING



#### UNLAWFUL TAKING OF INTEREST/CORRUPTION

Unlawful taking of interest is the act, by a person holding public authority, exercising a public function or vested with an electoral mandate, of taking, receiving or retaining, directly or indirectly, an interest of such a nature as to compromise that person's impartiality, independence or objectivity in a business or transaction for which that person had, at the time in question, the duty of ensuring, in whole or in part, the supervision, management, liquidation or payment.<sup>15</sup>

### Case study 17: Unlawful taking of interest by and bribery of a person exercising a public function

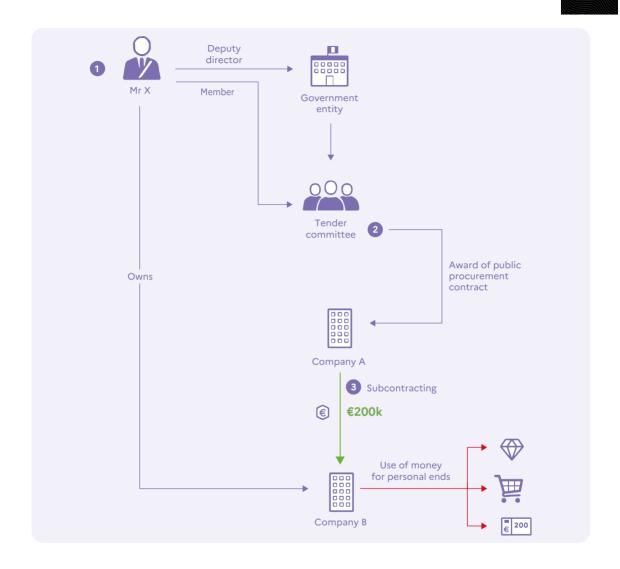
Which reporting entities are most likely to be concerned? Government entities, banking sector institutions, chartered accountants, auditors and commercial court registrars.

Potential recipients of Tracfin's analysis: Courts and criminal investigation departments.

- 1 Mr X was the deputy director of a French government entity. This entity published notice of a public invitation to tender for provision of IT services. Mr X was a member of the tender committee and took an active part in selecting the provider.
- Some companies wanted to submit tenders but eventually did not do so because of the time-limit for submission, which was very short. Company A was the only company to submit a tender considered admissible. The government entity notified it a few months later that it had been awarded the public procurement contract.
- 3 Company A subcontracted some of its work to company B, a startup, and transferred €200,000 to it. As it happened, company B was owned by Mr X. The money was then used for Mr X's personal expenses.
- Mr X was suspected of the offences of favouritism, unlawful taking of interest and passive bribery for having facilitated award of the public procurement contract to company A and received money from company A through payments made to company B, which he owned. Company A was suspected of the offence of active bribery for having paid €200,000 to Mr X through company B in exchange for his active involvement in awarding the public procurement contract.

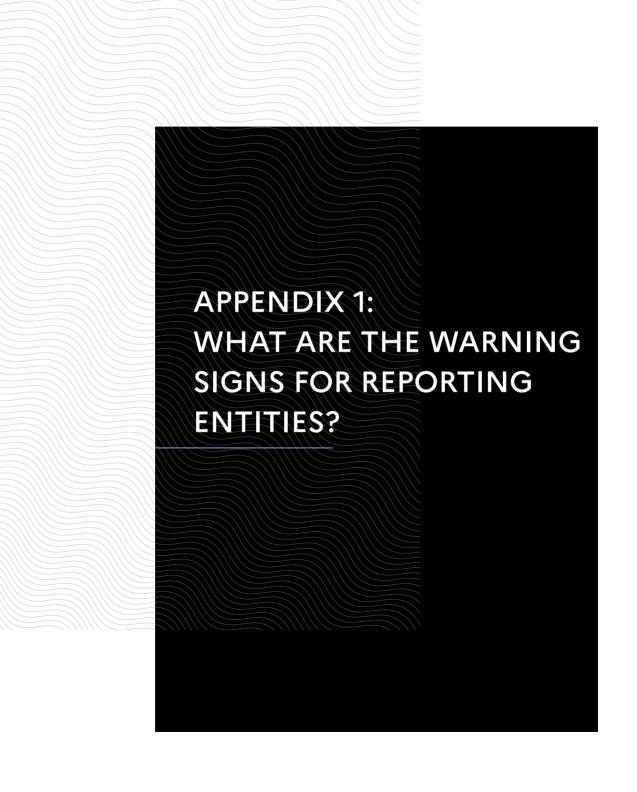
#### Warning signs

- Short time-limits for submission of tenders.
- No obvious explanation for successful bidder selected by public authority.
- Subcontracting not followed by provision of services.
- Successful bidder holding public office or connected with persons holding public office.



**Keywords:** CORRUPTION, PEP, UNLAWFUL TAKING OF INTEREST, ACTIVE BRIBERY, PASSIVE BRIBERY, FAVOURITISM





The table below compiles all the warning signs listed in the case studies of this report. The warning signs include those noted by reporting entities in their suspicious transaction reports and those detected by Tracfin investigators during their investigations. Their inclusion, whenever possible, in the AML/CFT system tools of reporting entities should improve the prevention and detection of ML/TF situations.

These warning signs should be read alongside those listed in the 2022-2023 report.

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
Cash deposits/ payments	Large amounts of cash deposited in the account	X					X	X	X	X	X		X	X	
Business sectors vulnerable	Promotion of a crypto-asset project on the internet, social media, online messaging services	X		X					X	X					
to ML/TF	Sale of NFTs on an online trading platform	X		X											

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	Business sectors connected to blockchain technology or NFTs	X		X					X	X					
Business sectors vulnerable to ML/TF (cont.)	Opening of a fundraising account by a customer known for their ideological positions	X		X	X										
	Involvement of crypto-assets blacklisted by the AMF	X		X					X	X					
	Building- or improvement-related activity	Х	X			Х	Χ		Χ	X		X			
Asset price manipulation	Overvaluation of securities and other assets based on available information	X					X		X	X					
	Spectacular rise in the value of an NFT over a short period	X		X											

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
Company and shareholder	Companies without genuine business activities	X	X			X	X	X	X	X					
presence/ involvement	Existence of shell companies	X	X				Χ	X	Х	X		X			
	Startup	Χ				Χ				Χ		Χ			
	Frequent, large gambling wins	X									X			X	
Unusual cash flows and cash-flow discrepancies	Frequent long- haul journeys purchased for third parties with whom they have no apparent connection	X													
(1): all cases	Transfers to wallets known to the authorities (from transactional analysis)	X		X											

	Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
		Payments featuring the word "Girardin" or coming from a partnership are recorded in the account of a legal entity, but the money is not used for any investment	×							X	×					X
flo	nusual cash ows and ash-flow	Transfer of funds to an e-money wallet	X							X	X					
(1)	screpancies I: all cases ont.)	Transfers from multiple senders in France to the same recipient in a country vulnerable to ML/TF and drug trafficking risks	×													
		Transactions with shops known to the authorities	X							X	X					

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	Money going into and out of a company's account in a way that is inconsistent with its corporate purpose	X					X		X	X					
l lavoural angle	No employees/ no payment of wages	Χ				X				X					
Unusual cash flows and cash-flow discrepancies (2): KYC	Same individual runs two separate businesses that have numerous financial transactions with each other without any obvious economic justification	×	×				×	×	×	×					
	Small payroll for companies' turnover and transactions	X					X			X					

	Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	nusual cash	Companies' accounts credited and debited with numerous transfers and cheques from individuals and/or legal entities abroad with no apparent link to the companies' line of business	X					X		X	X					
ca dis	ows and sh-flow screpancies :: KYC (cont.)	Transfer of not insignificant funds to a social media platform	X							X	X					
		Customer trading in an amount inconsistent with their usual behaviour	X	X				X	X	X	X					
		Purchases inconsistent with the individual's declared income	X	X						Х	Х	Х				

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	No personal financial resources allowing this level of expenditure on gambling	X	X						X	X				X	
Unusual cash flows and cash-flow discrepancies	Transfers received from third parties abroad having no obvious link to the recipient account holders	X							X	X					
(2): KYC (cont.)	No obvious economic link between senders and recipients of funds	X					X		X	X					
	Business activity declared by senders not consistent with the amounts sent	Х	Χ												

	Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
		Request to change the name of the buyer on the invoice to that of a company operating in a field unconnected with works of art	×							×	×	×				
i ( (	nconsistencies n the purchase of high- value goods works of art, uxury goods and property)	Request to include several individuals or legal entities on the purchase invoice for the work of art	×							X	×	×				
		Lack of connection between the corporate purpose of the paying company and the art market	×	×						×	×	×				

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
Inconsistencies in the purchase of high- value goods	Inconsistency between the value of the item (work of art, luxury good, property) and the financial resources of the buyer	×	×						×	×	×				
(works of art, luxury goods and property) (cont.)	Hammer price very different from the upper end of the guide price range for the item (work of art, luxury good, property)	×							×	×	×				

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
Inconsistencies in the purchase of high-value goods	Work of art, luxury good or property purchased using an account held by someone other than the beneficial owner	X	×						X	X	X				
(works of art, luxury goods and property) (cont.)	Invoice paid through several transfers by individuals and legal entities that have no objective connection with the purchase	X							X	X	X				
Inconsistencies in interactions with a public or quasi-public organisation	For MaPrime-Renov' grants: no financial transactions with subcontractors registered with the National Housing Agency	X							X	X					

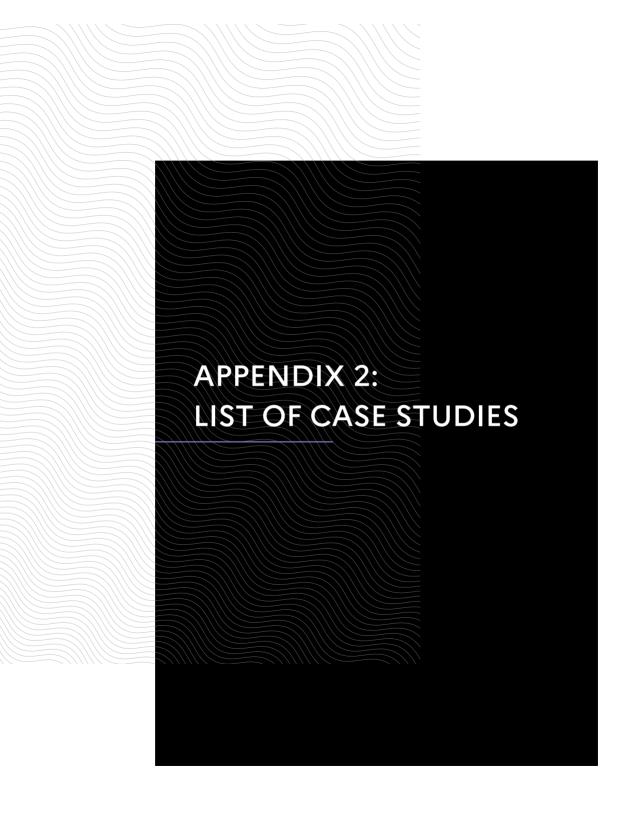
Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	Virtually all credit transactions in the form of public grants from the National Housing Agency under the MPR scheme	×				X				×		X			
Inconsistencies in interactions with a public or quasi-public organisation	For Girardin incentives: promoter is not included in the trade register of the relevant prefecture	X								X					
(cont.)	For Girardin incentives: no tax approval obtained	X							X	X					X
	Failures by the investment advisor (e.g. the advisor is not registered with ORIAS, whose register can be consulted online)	×								×					

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	Wrongfully received funds pooled in a different account	X					X			X					
Inconsistencies in interactions with a public or quasi-public organisation (cont.)	Debit transactions in the form of payments to home improvement companies without RGE certification or even companies with no connection to home improvement and/or located abroad	X				X				X		X			
Forgery and document fraud	High-value invoices for business that might not have happened	X	X				X		X	X	X				
	Subcontracting not followed by provision of services	X	X			X			X	X					

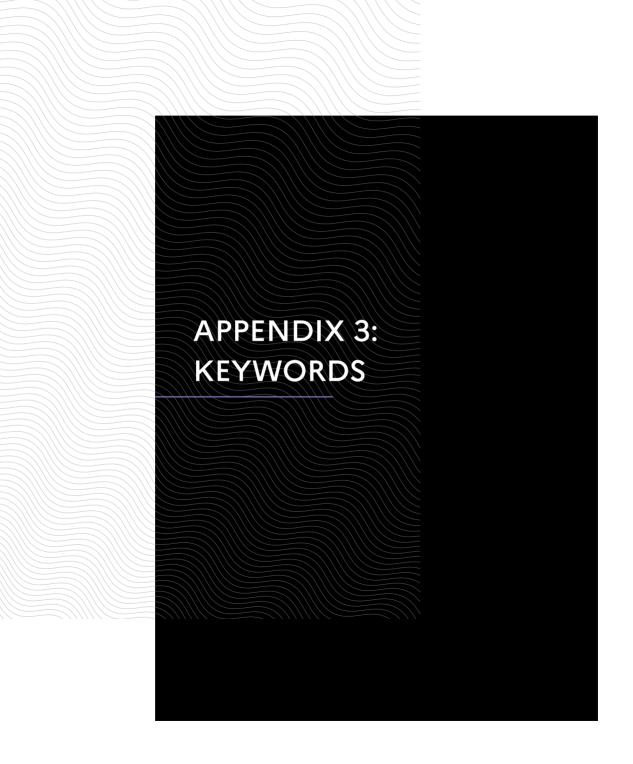
Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
Forgery and document fraud (cont.)	No work done for the individuals for whom the work was claimed	X	X			X			X	X		X			
Prepaid cards	Holding of several accounts linked to prepaid cards	X							X	X					
Accounts and income not declared to the tax authorities	Several active bank accounts in France and accounts held outside France that are not declared to the tax authorities	X					X		X	×	X	X	X		
	Capital gain not declared in annual income tax return	X	X	X					X	×					
Identity and behaviour of participants	Difficulties identifying beneficial owners	X	X	X	X	X	X	X	X	X	X	X	X	X	

Area of concern	Warning signs	Banking and financial-sector institutions	Insurance companies	Digital service providers	Crowdfunding intermediaries	Commercial court registrars	Notaries and real estate professionals	Lawyers and CARPAs	Court-appointed receivers and trustees	Chartered accountants and auditors	Art and luxury goods sector	Commercial registered office providers	Sports agents	Gambling sector	Warning signs particularly concerning reporting entities in French overseas territories
	No explanation for source of funds	Χ	Χ	Χ	X	Χ	Χ	X	Χ	X	Χ	X	Χ	X	
	Presence of politically exposed persons	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Change in customer's usual behaviour	X	X	Х	X	X	X	×	X	×	X	×	X	Х	
Identity and behaviour of participants (cont.)	Ties to individuals known from open sources to belong to an extremist movement	X	X	X	X	X	X	X	Х	X	X	X	X	Х	
	Abnormally high return-to-player percentage, leading to the presumption of the purchase of winning tickets	×												X	
	Multiple accounts with different VASPs	X		X											

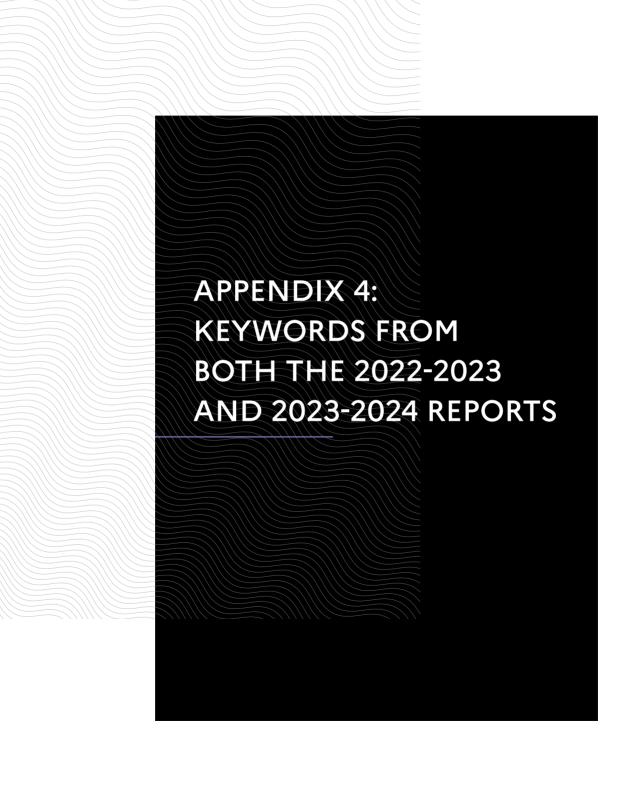
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Corruption	No obvious explanation for successful bidder selected by public authority	X	X			X	X	X	X	X					
Vulnerable countries	Ties with a country on the FATF grey list	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	Transfers to countries vulnerable to ML/TF risks	X	X	X	X	X	X	X	X	X	Х	X	X	X	Х
	Payments and withdrawals in geopolitically exposed regions	X	X	X	X	X	X	X	X	Х	X	Х	Х	X	X



1	Conspiracy to defraud purchasers of a non-existent technology
2	Money laundering through purchases of works of art in public auctions
3	Crypto-assets as a financing channel for child sexual exploitation abroad
4	Rug pull scam
5	Money laundering network for the proceeds of drug trafficking
6	Influence peddling organised by a foreign power through a cultural non-profit organisation in France
7	Fraudulent use of Girardin tax incentives in French overseas territories
8	MPR scheme fraud
9	Money laundering through gambling
10	Misappropriation of European public funds and money laundering
11	Laundering proceeds from drug trafficking
12	Tax evasion by using NFTs
13	Trusts and tax evasion
14	Conspiracy to launder money through complex arrangements involving sales at a discount, with fraud and misuse of company assets
15	Financing of terrorism through remuneration of influencers on social media
16	Financing of terrorism through an online fundraising account
17	Unlawful taking of interest by and bribery of a person exercising a public function



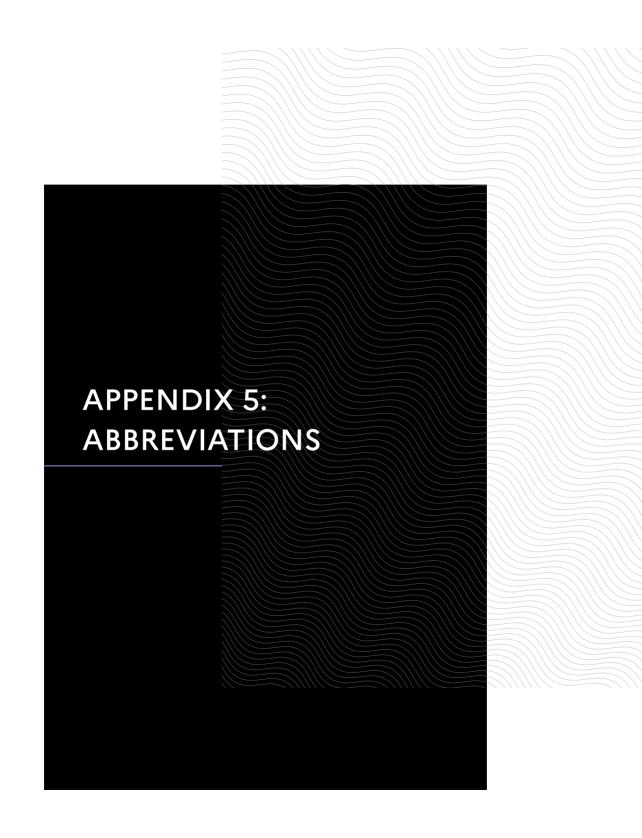
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This table presents the typical cases by keywords, thus making it possible to read all the typical cases according to several different approaches: sector exposed, vector, etc.

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Abbreviation	Full form
€K	Thousands of euros
€M	Millions of euros
ACPR	Prudential Supervisory and Resolution Authority
AMF	Financial Markets Authority
AML-CFT	Anti-money laundering and countering the financing of terrorism
ANAH	National Housing Agency
ANJ	National Gambling Authority
ANR	National ML/TF Risk Assessment
CARPA	Lawyers' financial settlement fund
CMF	Monetary and Financial Code
CNAJMJ	National Association of Court-Appointed Receivers and Trustees
CNB	National Bar Association
CNOEC	National Council of Chartered Accountants
COLB	AML/CFT Advisory Board
DeFi	Decentralised finance
DGCCRF	Directorate General for Competition Policy, Consumer Affairs and Fraud Control
DGDDI	Directorate General of Customs and Excise
DGFiP	Public Finances Directorate General
DPR	Parliamentary Delegation on Intelligence
DRFiP	Regional Public Finances Directorate
EPPO	European Public Prosecutor's Office
EU	European Union
FATF	Financial Action Task Force
FDJ	La Française des Jeux (national lottery operator)
FIU	Financial intelligence unit
ML	Money laundering
ML/TF	Money laundering and terrorist financing
MPR	MaPrimeRénov'
NFT	Non-fungible token
ORIAS	Central registry for insurance, banking and financial intermediaries

Abbreviation	Full form
PEP	Politically exposed person
PMU	Pari Mutuel Urbain (horse racing betting operator)
RAFIP	Régime fiscal d'aide à l'investissement productif (French system of tax incentives for productive investment)
RGE	Environmental certification
SCJJ	Central Racing and Gambling Unit
URSSAF	Union for the Collection of Social Security Contributions and Family Allowances
VASP	Virtual asset service provider

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