

Misuse of Utility Companies for Money Laundering

1. Introduction

Through its operational analysis of cases, Unit A of the Hellenic Anti-Money Laundering Authority (Hellenic FIU) has identified a money laundering practice. It involves the abusive exploitation of companies that provide utility services by natural persons who present themselves as residing in Greece.

Under this method, the companies concerned are used, without their knowledge, as “intermediary entities” for laundering illicit proceeds. The funds end up in the natural persons’ bank accounts as refunds made in the course of legitimate, routine transactions.

The phenomenon appears to be highly organized, with a specific preparatory process. Its ultimate aim is to mislead financial institutions as to the original source of the funds and to legitimize them.

The methodology identified is becoming more frequent and calls for systematic study and analysis by the competent bodies. The aim is to improve detection mechanisms and to adopt the necessary preventive measures.

2. Methodology

2.1. Stages of execution

The sequence of actions observed in all the cases examined follows specific stages. Together they form a complete laundering method, whose final result is to enhance the apparent legitimacy of the illicit funds and integrate them into the legitimate economy.

Specifically:

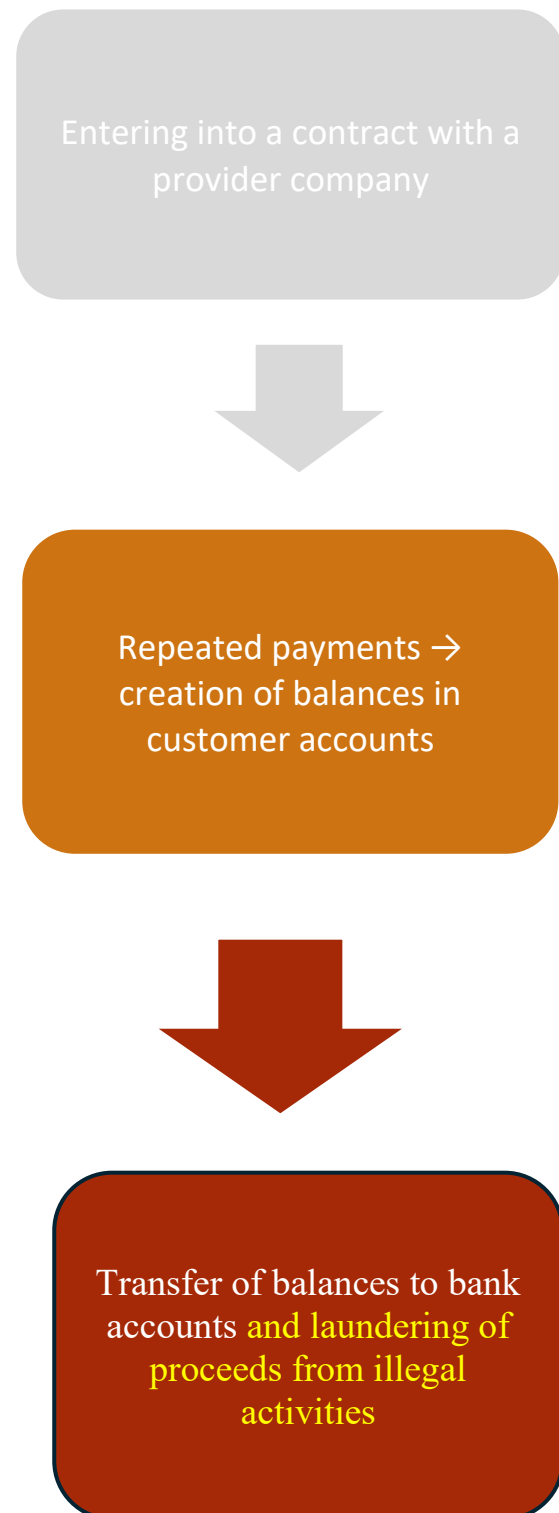
1. Natural persons who present themselves as residing in Greece enter into contracts with companies providing utility services, on the basis of rights over real estate (lease/ownership).

In many cases, the same persons contract simultaneously with several companies for the provision of services to several different properties.

2. The contracting customers (the perpetrators of the laundering) make payments of unjustified amounts to the contracted companies. These payments are characterized by repetition and by a mismatch with any outstanding debts or with prior consumption. The amounts are transferred from cards and financial instruments/products which, in a large share of the cases analysed, are held at institutions based outside Greece. In this way, large credit balances build up in the customers' accounts (held with the provider companies).

3. At the request of the contracting person (customer), the credit balances are transferred to bank accounts in order to integrate them into the legitimate economy.

These accounts are held mainly at institutions based in Greece, and in most cases they differ from those that originally credited the funds to the customer accounts held with the utility service providers. In several cases, the same recipient accounts received refunds from many different providers.



2.2. Origin of the funds

In all cases, the funds credited could not be justified on the basis of the tax or, more generally, the financial profile of the persons involved, and are considered to be of suspicious origin.

In addition, in some cases the funds derived from frauds committed mainly through the banking system.

3. Risk indicators (red flags)

The following indicators emerged from the investigation and analysis of the relevant cases and may point to the abusive exploitation of utility service providers to facilitate the laundering of proceeds of criminal activities. They can be used by obliged entities under Law 4557/2018, mainly credit institutions, to take and apply further measures for preventing and combating money laundering. They can also be used by utility service providers to prevent the abuse of the products and services they offer. Some indicators are not, on their own, sufficiently strong. When they appear in combination with others, however, they make scrutiny more necessary. For example:

- i. Payments to providers with no corresponding debt.
- ii. Unusually high amounts per payment relative to the debt or to the consumption/use of the services provided.
- iii. A markedly increased frequency of payments that do not follow the set deadlines or due dates and instead resemble deposits.
- iv. The customer frequently uses different financial instruments to make payments. The risk indicator is heightened when this pattern is observed in every payment transaction.
- v. Payments made with financial instruments held at institutions based outside Greece.
- vi. High accumulated credit balance in the customer accounts of the providers.
- vii. Requests for refunds of amounts paid in error.
- viii. Refunds paid to accounts different from those from which the customers originally made the payments.
- ix. The same bank account receives multiple refund credits from different utility companies within a short period of time.
- x. Funds that is inconsistent with the tax or, more generally, the financial profile of the beneficiary natural persons.