

Fighting illicit financial flows: key learnings from GI ACE research

Devi Pillay

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The GI ACE research programme generates actionable evidence that leads to more effective anti-corruption initiatives. We move away from national-level, top-down technical and regulatory approaches towards operationally relevant, problem-driven, rigorous, and actionable research that takes into account specific context and the complexity of corruption. Since its inception, GI ACE has supported research projects on topics including anti-money laundering approaches, beneficial ownership, cross-border trade, medical theft, procurement risks, and urban planning. GI ACE funds research with innovative approaches tied to concrete challenges around our priority areas and promotes collaboration with practitioners who directly deal with these challenges.

About CSC

Founded in 2011 and located at the University of Sussex, the Centre for the Study of Corruption (CSC) is the UK's foremost academic centre dedicated to objective and independent interdisciplinary research, policy impact and teaching on corruption and the anti-corruption measures necessary to combat it. The CSC uses world class innovative academic approaches to understand and track the nature of corrupt practices, as well as to test the effectiveness of anti-corruption measures.

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Executive summary

This synthesis document presents insights from GI ACE research on the topic of illicit financial flows (IFFs). UNCTAD and UNODC define IFFs as ‘financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders.’¹ The synthesis is based on GI ACE publications produced between 2020 and February 2026, including research reports, journal articles, books, and policy briefs.

Four key themes emerge from this body of research, which are summarised below:

- Patchy effectiveness of the current global AML regime
- Centrality of professional enablers
- Rapid adaptation to new laws and enforcement
- Key areas for strengthening policy and regulatory responses

1. Patchy effectiveness of the current global AML regime

Problem statement: The past few decades have seen growing international efforts to detect and combat IFFs, through the development of regulatory frameworks for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), and anti-tax evasion/avoidance. Despite the increasing scope and complexity of this regulatory agenda, however, there has been limited evidence on the effectiveness of these reforms, leading to challenges in evaluating and elaborating upon existing policy. Research from GI ACE demonstrates how the structure of global illicit financial networks has evolved in conjunction with the changing global regulatory landscape over the past few decades.

Key research findings:

- [Haberly et. al](#) (2024a, 2024b) analyses the global IFF regulatory landscape and the geographic patterns of IFFs, and how they have changed over the last few decades. This is a critical evidence base for determining how to tackle illicit financing. Key observations include:
 - There is broad international regulatory convergence across offshore jurisdictions and OECD countries in AML/CFT compliance. However, there remains a gap between jurisdictions in some critical areas of financial secrecy, notably a) statutory banking secrecy, and b) the scope and accessibility of beneficial ownership data. This may encourage new strategies of regulatory arbitrage by actors seeking secrecy.
 - As regulation tightens, the centre of gravity of sanctioned financial networks is shifting from Western to non-Western financial centres (most significantly from London to ‘the Dubai-Kong axis’). Corruption-linked networks continue to exploit financial centres of Western countries and the offshore jurisdictions under their control – most significantly the UK and its overseas territories, especially the British Virgin Islands. Among banking secrecy centres, the United States is now the dominant global hub for corruption-related banking,

¹ UNCTAD and UNODC, *Conceptual Framework for the Statistical Measurement of Illicit Financial Flows* (Vienna, 2020), https://unctad.org/system/files/official-document/IFF_Conceptual_Framework_EN.pdf.

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replacing Switzerland as the leading banking centre associated with FCPA cases.

- While offshore jurisdictions still have regulatory gaps, the most consequential deficiencies in AML and financial transparency are now in the United States and China. Weak standards in the world's two largest economies undermine the legitimacy and effectiveness of the global IFF regulatory framework.

2. Centrality of professional enablers

Problem statement: Effective action against IFFs must include addressing the role of professional intermediaries that obscure, launder, and protect illicit funds. These intermediaries include financial professionals like bankers, as well as non-financial professionals, such as lawyers, accountants, real estate agents, and other service providers.

Key research findings:

- [Arshinoff et. al's](#) (2022) analysis of policy reforms in various jurisdictions shows that, while many countries have made strides in establishing AML policies, there is little evidence that these measures have meaningfully curbed the role of enablers in IFFs. Significant data gaps have made it difficult to evaluate the effectiveness of specific policy responses.
- [Heathershaw et. al's](#) (2021, 2025) research investigates how global networks of enablers facilitate money laundering and reputation laundering, revealing the mechanisms used by kleptocrats to conceal illicit wealth. The UK has become a key centre of professional services for post-Soviet kleptocrats, enabling transnational kleptocracy while undermining the integrity of important UK institutions and weakening the rule of law. Current regulatory frameworks have not been robust enough to address the risks posed by kleptocratic networks.
- [Taylor and Beizsley](#) (2022) and [Prelec et. al](#) (2025) analyse the role of the legal profession in facilitating corruption and IFFs. Taylor and Beizsley outline a number of regulatory vulnerabilities that can be addressed. Prelec et. al provide a comprehensive evidence base for determining which strategies might be the most effective for ensuring ethical decision-making by UK lawyers and law firms.
- [Dell'Osso et. al](#) (2025) examine how a private bank in the DRC facilitated IFFs through trade mis-invoicing, fictitious loans, fraudulent cash transactions, and the abuse of internal accounts, all enabled by weak oversight and complicity from both domestic regulators and international financial partners, offering insights for reform of the banking sector.
- [Angélico et. al's](#) analysis (2025) of real estate sector dynamics and regulatory frameworks in the Global South identifies distinct real estate money laundering (REML) characteristics present compared to jurisdictions in the Global North, which are not adequately accounted for by the international AML regime. Kundai and Oldfield's (2025) research into [REML in Kenya](#) demonstrates key vulnerabilities in the real estate sector and the need for context-sensitive policy making.

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3. Rapid adaptation to new laws and enforcement

Problem statement: As AML regulatory regimes across the world are converging and tightening, corrupt actors are finding new ways to evade scrutiny and facilitate IFFs. Sanctions evasion and illicit trade have become significant risk areas with the substantial increase of sanctions following Russia's invasion of Ukraine.

Key research findings:

- [Vladimirov and Kostova's](#) (2025) research finds that IFFs in the Western Balkans and the Black Sea region swelled to \$31 billion in 2023; this expansion can be traced directly to the surge of imports of dual-use goods from the EU and their re-export to Russia through established networks, smuggling routes, and mis-invoicing techniques. Countries in the Western Balkans play an important role in enabling EU dual use goods flows to Russia, underscoring their functions as key re-export hubs that facilitate evasion and/or avoidance of sanctions. Companies exploit the grey zone between 'illegal' and 'illicit' and neglect due-diligence measures, enabling Russia and third-country actors to take advantage of procedural loopholes. This, in turn, facilitates the supply of sanctioned dual-use items to Russia and contributes to the proliferation of IFFs through the circumvention of international sanctions. The research demonstrates how highly-motivated international actors can rapidly find and exploit loopholes in the current global AML and sanctions frameworks.
- This echoes the displacement effect identified in [Haberly et. al](#) (2024), which finds that sanctioned financial networks have moved from Western financial centres, to major non-Western centres with strong institutions and ties to the West – most notably from London to Dubai and Hong Kong.

4. Key areas for strengthening policy and regulatory responses

Problem statement: There has been limited evidence on whether the international anti-IFF regulatory reform agenda is having an appreciable impact on stopping illicit flows. Beneficial ownership transparency (BOT) regimes and asset recovery mechanisms are key elements of the global anti-IFF agenda, but evidence concerning their effectiveness is limited. New approaches are needed to tackle transnational kleptocracy and the role of professional enablers.

Key research findings:

- [Haberly et. al's](#) (2024a) analysis of the regulatory landscape demonstrates the need for a broader public financial transparency-oriented approach to global IFF-regulatory reform, which recognizes the key role played by non-governmental actors, alongside governments, in policing financial crime, and is led by example by the world's wealthiest and most powerful countries.
- [Haberly et. al's](#) (2024b) research shows that the current FATF-led regulatory review process has major shortcomings. There is a strong case for more logical targeting of review processes, and for the international implementation of two urgent, specific reforms: publicly available beneficial ownership registers and the removal of restrictive banking secrecy measures.
- [Nizzero et. al's](#) (2026) research identifies recurring obstacles that prevent effective recovery of kleptocratic assets in the UK. They argue that the current asset recovery

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regime is ill-equipped to deal with the realities of modern kleptocracy, which is systemic, transnational, networked, and operates as a 'kleptocratic enterprise'. A more effective approach to combat transnational kleptocracy, developed based on comparative analysis of anti-racketeering regimes in other jurisdictions, would involve targeting organisational structures (the enterprise) rather than individuals acts.

- [Heathershaw and Mayne](#) recommend several policy and implementation changes in order to more effectively tackle the UK's role in facilitating transnational kleptocracy. [Taylor and Beizsley](#) identify key reforms to improve the AML supervisory regime for the legal sector. [Dell'Osso et al.](#)'s proposals on reforming the banking sector are targeted at the government of the DRC and Congolese banks, but some are directed at improving oversight and accountability by international governments and organisations.
- [Heathershaw and Mayne's](#) (2021) analysis of Unexplained Wealth Orders (UWOs) in the UK identified key weaknesses in the legislation and implementation of UWOs, highlighting the ability of corrupt elites to evade asset freezing and confiscation by employing professional enablers to legitimise their funds and assets. While some of the weaknesses in the legislations have been remedied, other implementation challenges – such as the under-resourcing of the NCA – remain.
- Beneficial ownership regulations are relatively new and there is limited research on their effectiveness in practice. However, early evidence demonstrates significant obstacles to the implementation and monitoring of BOT regimes in practice. [Harvey et. al.](#)'s research into Nigeria's anti-corruption and asset recovery regime examined how international AML standards and anti-corruption frameworks operated within the Nigerian context, with a particular focus on improving BOT. This research identified key gaps in implementation and enforcement, offering lessons for other developing countries working to close regulatory loopholes and strengthen enforcement of international anti-corruption frameworks.

Illicit financial flows: a review of research from GI ACE

1. The evolving landscape of IFFs: patchy effectiveness of the current global AML regime

Transnational financial networks have long enabled grand corruption, with offshore secrecy jurisdictions and tax havens facilitating the movement and concealment of illicit funds. While international reforms have sought to increase financial transparency and curb these practices, there has been limited evidence on whether these efforts have reduced the use of offshore structures for illicit purposes. [Research by Dan Haberly et. al](#) provides a more robust evidence base than has been available to date for anti-IFF policy, demonstrating how the structure of global illicit financial networks has evolved in conjunction with the changing global regulatory landscape over the past few decades.

Research into patterns of global shell company formation demonstrates how, why and where shell companies are used by individuals wishing to hide illicit wealth.² This analysis shows that IFFs are facilitated by a network of connected jurisdictions which fulfil different roles in enabling them. A small number of offshore jurisdictions (notably the British Virgin Islands, Panama, Bermuda and Cayman Islands) have played a disproportionately large role in facilitating international business for Politically Exposed Persons (PEPs), who are individuals at higher risk of involvement in corruption. These jurisdictions are connected in chains to international financial centres, such as London, Geneva, Dubai, and Miami, where a range of enabling professionals provide services and safe havens.

Three important datasets have been analysed to explore the changing geography of corruption-enabling financial networks:³

- A dataset of information from US FCPA cases between 1978 and 2023 enables comprehensive analysis of third country financial structures which span countries other than that of the bribe payer or recipient.
- A database compiled from information on more than 10,000 US sanctioned entities, including entity functions, network relationships, and financial service providers, allows for a comprehensive analysis of the changing historical architectures of cross-border sanctioned entity networks.
- The Regulation of Illicit Financial Flows (RIFF) dataset is a historical, jurisdiction-level database of financial secrecy indicators, providing annual data on 23 regulatory indicators, in 70 jurisdictions, for 1990-2020.⁴ This dataset provides a comprehensive evidence base for analysing how the global anti-IFF regulatory landscape has changed over the past 30 years.

² Daniel Haberly et al., *Corruption, Shell Companies, and Financial Secrecy: Providing an Evidence Base for Anti-Corruption Policy*, CSC Working Paper no. 16 (GI ACE, 2023), <https://giace.org/resources/corruption-shell-companies-and-financial-secrecy/>.

³ Daniel Haberly, Georgia Garrod, et al., *From Secrecy to Scrutiny: A New Map of Illicit Global Financial Networks and Regulation*, CSC Working Paper no. 18 (GI ACE, 2024), <https://giace.org/resources/from-secrecy-to-scrutiny-a-new-map-of-illicit-global-financial-networks-and-regulation/>.

⁴ Daniel Haberly, Valentina Gullo, et al., *The Regulation of Illicit Financial Flows (RIFF) Dataset: A New World Map of 30-Years of Financial Secrecy and Anti-Money Laundering Reforms*, CSC Working Paper 20 (GI ACE, 2024), <https://giace.org/resources/the-regulation-of-illicit-financial-flows-riff-dataset/>.

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Together, these datasets demonstrate how the structure of different types of illicit financial networks have evolved in conjunction with the changing regulatory landscape over the past few decades.

This research shows that the overall centre of gravity of sanctioned financial networks is shifting from Western to non-Western financial centres (most significantly from London to Dubai/Hong-Kong). These jurisdictions offer access to English common law and Western financial services, while falling outside Western political reach. However, corruption-linked networks (as opposed to other types of illicit networks) remain largely centred in Western financial centres and the offshore jurisdictions under their control – most significantly the UK and its overseas territories, especially the British Virgin Islands, which remain disproportionately important. Among banking secrecy centres, the United States is now the dominant global hub for corruption-related banking, replacing Switzerland as the leading banking centre in FCPA cases.

The RIFF data shows that there has been broad international regulatory convergence, across offshore jurisdictions and OECD countries, in anti-money laundering and countering the financing of terrorism (AML/CFT) compliance, and international information exchange. However, there is a widening disconnect between AML compliance instruments and financial transparency, especially in traditional offshore jurisdictions which retain persistent statutory banking secrecy laws despite performing well across other regulatory indicators (often outperforming OECD members). These key areas of financial secrecy – banking secrecy, opaque trust registration, and non-public beneficial ownership registers – may facilitate new strategies of secrecy-seeking arbitrage, including the exploitation of the widening gap between the beneficial ownership transparency requirements imposed on corporate entities and the absence of such measures for other entities such as trusts.

The most consequential deficiencies in both AML and financial transparency are now in the United States and China. Weak standards in the world's two largest economies undermine the legitimacy and effectiveness of the global IFF regulatory framework.

Analysis of the RIFF data highlights the critical disparity between the emphasis of the global anti-IFF regulatory framework and the requirements of anti-corruption accountability. In countries with high levels of corruption, reforms promoted under the banner of 'good governance' (such as privatisation, deregulation, investment promotion policies, and liberalisation in the financial sector) can create incentives or opportunities for wealth to be taken offshore.⁵ Good governance reforms in these contexts often merge measures aiming to strengthen rule of law and those which liberalise economies. The two should be decoupled, with rule of law being prioritised in contexts where political corruption is highly prevalent.

While the primary focus of the regulatory framework has been on state structures and activities, anti-corruption initiatives have been generally driven by non-governmental actors such as journalists and civil society organisations. These actors are largely excluded from intergovernmental mechanisms, especially in states captured by corrupt interests,

⁵ Tom Mayne and John Heathershaw, *Criminality Notwithstanding: The Use of Unexplained Wealth Orders in Anti-Corruption Cases*, Power Briefs: Central Asia (GI ACE, 2022), <https://giace.org/resources/criminality-notwithstanding-the-use-of-unexplained-wealth-orders-in-anti-corruption-cases/>.

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demonstrating the need to redefine the IFF framework to better support the broad public foundations essential for government accountability.⁶

2. The centrality of professional enablers and facilitators

To date, efforts to uncover and combat IFFs have focused on targeting the perpetrators generating revenues from illicit activities. But actors require the assistance of professional intermediaries – often located in the Global North and in secrecy jurisdictions – to shift their funds and make them appear legitimate. These intermediaries include finance professionals like bankers, as well as non-financial professionals, such as lawyers, accountants, realtors, and other service providers. Enablers use a myriad of strategies to obscure the source of IFFs: setting up shell companies and structuring corporate vehicles, providing tax advice, investing money through offshore secrecy jurisdictions, handling anonymous cash transactions, and others.

A [comprehensive report by Arshinoff et al.](#) analyses the roles of various professional enablers and the regulatory frameworks that address – or fail to address – their role in facilitating IFFs.⁷ This analysis of policy reforms in various jurisdictions shows that, while many countries have made strides in establishing anti-money laundering policies, there is little evidence that these measures have meaningfully curbed the role of enablers in IFFs. Significant data gaps make it difficult to analyse the effectiveness of individual policy responses, leaving open several questions including what type of regulation is most effective, what elements are crucial to a successful beneficial ownership registry, how to avoid forum shopping, and whether global standards result in professional regulatory improvements.

[Research by Heathershaw et. al](#) into how global networks of enablers facilitate money and reputation laundering illustrates the mechanisms used by kleptocrats to conceal illicit wealth. Professional enablers operate within a networked, interdependent, global ecosystem. Individually, each of these service providers may facilitate a transaction that is legal and within the established professional norms and codes of conduct. Although the coordination of enabling activities is usually not done through explicit joint intent, the services provided by various professionals complement each other. In many ways, they could not exist independently from one another and collectively they create a system which facilitates the movement and laundering of illicit funds.

This research shows the UK's role as a hub for professional service providers and intermediaries.⁸ UK-based enablers and their overseas partners provide an exceptional set of hiding and laundering services which generate demand from kleptocrats and other corrupt elites. The UK's AML framework has not been able to adequately address this problem. [Heathershaw and Mayne's research](#) has shown that the UK's 'risk-based' approach to anti-money laundering has been ineffective.⁹ The UK's approach has relied on professionals in

⁶ Haberly, Gullo, et al., *From Secrecy to Scrutiny*.

⁷ Noah Arshinoff et al., *Global Finance and the Enablers of Corruption* (GI ACE, 2022), <https://giace.org/resources/3760/>.

⁸ John Heathershaw et al., *Indulging Kleptocracy: British Service Providers, Postcommunist Elites, and the Enabling of Corruption* (Oxford University Press, 2025); John Heathershaw et al., *The UK's Kleptocracy Problem: How Servicing Post-Soviet Elites Weakens the Rule of Law* (Chatham House, 2021), <https://www.chathamhouse.org/2021/12/uks-kleptocracy-problem>.

⁹ Heathershaw et al., *The UK's Kleptocracy Problem*.

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regulated industries such as banking, property, and accountancy to assess various risk factors and adjust the level of scrutiny depending on the apparent risk of money laundering, with enhanced due diligence mandatory in certain circumstances, including on PEPs. But this regime has not delivered the intended results: banks appear to have become both risk-averse – operating blanket restrictions on certain kinds of transactions – and risk-insensitive, failing to identify actual cases of potential money laundering. Other professions have failed to implement effective risk identification and due diligence systems.

Moreover, there is an absence of effective law enforcement. Even when suspicious activity reports (SARs) are filed by regulated professionals, the National Crime Agency (NCA) lacks the necessary capacity and resources to deal effectively with the information it receives. The net effect of these weaknesses in legislation, implementation and enforcement is that the UK remains in practice a global money-laundering capital.

[Prelec and Soares de Oliveira](#) argue that a conceptual shift is needed in the way professional enablers are framed, dividing them into ‘upstream’ and ‘downstream’ service providers.¹⁰ Upstream enablers enter into deals with kleptocrats in full knowledge of both the political status of their clients and the sources of their wealth, and broker the initial steps of the laundering process. They are more likely to be involved with the acquisition and outflows of illicit funds. Downstream enablers come later into the value chain of money-laundering activities, when they are able to claim plausible deniability, and proceed with the part of the process that is not obviously illegal. Large, respectable firms are instrumental for the validation of illicit wealth and reputations, involved with the spending of illicit funds or their transfer to secrecy jurisdictions.

Bankers: Large-scale money laundering through multinational banks is a key feature of IFFs. Banks are highly regulated and, in most jurisdictions, are required to identify and report suspicious activity concerning money laundering, tax evasion, and other activities related to IFFs. But there is little accountability in this industry, and banks continue to be implicated in money laundering schemes. Banks’ due diligence procedures are often oriented towards process compliance, designed to meet the letter of the law and appear compliant with regulations, rather than effectively detecting IFFs. Drawing on millions of leaked internal documents, [Dell’Osso et al.](#) examine how BGFIBank DRC, a private bank in the Democratic Republic of Congo, was used as a tool for grand corruption by former president Joseph Kabila and his network.¹¹ The bank facilitated this through methods including trade mis-invoicing, fictitious loans, fraudulent cash transactions, and the abuse of internal accounts, all enabled by weak oversight and complicity from both domestic regulators and international financial partners. The case highlights the systemic risks posed by politically connected banks, the failures of global compliance systems, and the urgent need for reforms to prevent similar abuses worldwide.

Lawyers: Lawyers provide key services to criminals, kleptocrats and other corrupt actors, from setting up anonymous offshore corporations or tax structures using secrecy jurisdictions,

¹⁰ Tena Prelec and Ricardo Soares de Oliveira, ‘Enabling African Loots: Tracking the Laundering of Nigerian Kleptocrats’ Ill-Gotten Gains in Western Financial Centres’, *Journal of International Relations and Development* 26, no. 2 (2023), <https://doi.org/10.1057/s41268-023-00292-4>.

¹¹ John Dell’Osso et al., *Inside the Congo Hold-Up: How a Captured Bank Enabled Grand Corruption*, GI ACE Research Paper (Anti-Corruption Data Collective, 2025), <https://giace.org/resources/inside-the-congo-hold-up-how-a-captured-bank-enabled-grand-corruption/>.

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to initiating Strategic Lawsuit Against Public Participation (SLAPP) suits and other litigation to thwart investigations and reporting into their clients.

[Taylor and Beizsley](#) investigated AML regulation in the legal profession, based on a comprehensive review and analysis of existing supervisory data over three years.¹² Their findings show that the legal sector continues to display significant non-compliance with the UK's AML regime 15+ years after its introduction. The legal industry is largely self-regulated through professional associations, and is sheltered from oversight by the state. Supervisory enforcement has been weak and inconsistent in both policy and practice – urgent and radical reform of the AML supervisory regime is needed to ensure that legal professionals, alongside other regulated professionals, do not enable money laundering.

A report by [Prelec et al.](#) explores the contested role of lawyers in relation to kleptocracy, state capture and grand corruption.¹³ The research analysed the different narratives used to criticise and defend lawyers and law firms who act for the beneficiaries of kleptocratic wealth, revealing key ethical fault lines that policymakers and regulators must navigate when grappling with the role of UK lawyers in facilitating global illicit financial flows.

[Heathershaw et. al](#) analysed a dataset of £2 billion of domestic real estate in the UK owned by elites from post-Soviet states in the period 1998–2020, finding clear evidence of an incumbency advantage: those in or close to power kept their property and position while exiles most often lost theirs.¹⁴ In rare cases where exiles retained their properties, effective legal enabling was behind this retention. This demonstrates a serious risk that current AML mechanisms are only used effectively against those marginalised or persecuted by incumbent regimes and, therefore, may unintentionally reinforce the very power relations they seek to challenge.

Real estate: Real estate money laundering (REML) is a critical vulnerability in the global financial system. [Angélico et. al's analysis](#) of real estate sector dynamics and regulatory frameworks in the Global South identifies distinct REML patterns present compared to jurisdictions in the Global North, including the central role of construction and development activities, the prevalence of cash transactions, and the intersection of formal and informal financial systems.¹⁵ International AML standards do not adequately account for these distinct characteristics, leading to persistent vulnerabilities in the global AML regime. In-depth [research on Kenya's real estate sector by Kundai and Oldfield](#) builds on this analysis.¹⁶ The

¹² Helen Taylor and Daniel Beizsley, *A Privileged Profession: How the UK's Legal Sector Escapes Effective Supervision for Money Laundering* (GI ACE, 2022), <https://giace.org/resources/a-privileged-profession-how-the-uks-legal-sector-escapes-effective-supervision-for-money-laundering/>.

¹³ Spotlight on Corruption, *Gatekeepers, Enablers or Technicians? The Contested Role of Lawyers as Facilitators of Kleptocracy and Grand Corruption* (GI ACE, 2025), <https://www.spotlightcorruption.org/report/gatekeepers-enablers-or-technicians-the-contested-role-of-lawyers/>.

¹⁴ John Heathershaw et al., 'The Incumbency Advantage and the Enabler Effect: How Londongrad Beat the UK Anti-Money Laundering Regime', *Europe-Asia Studies* 0, no. 0 (2025): 1–36, <https://doi.org/10.1080/09668136.2025.2549806>.

¹⁵ Fabiano Angélico et al., 'Real Estate Anti-Money Laundering in the Global South – Are the Laws and Policies Covering the Actors They Should Cover?', *Trends in Organized Crime* 28, no. 4 (2025): 524–51, <https://doi.org/10.1007/s12117-025-09578-0>.

¹⁶ Lewis Kundai and Jackson Oldfield, *Challenges in Addressing Illicit Finance in the Kenyan Real Estate Sector* (CIFAR, 2025), <http://giace.org/resources/challenges-in-addressing-illicit-finance-in-the-kenyan-real-estate-sector/>.

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real estate sector remains a high-risk area for money laundering and terrorist financing in Kenya due to pervasive use of cash, the involvement of PEPs, as well as weaknesses in the regulatory ecosystem. Real estate agents play a central role in property transactions, yet a large proportion operate outside formal regulatory and/or oversight structures, while other professional enablers like lawyers and bankers facilitate the movement and obscuring of funds. Regulatory bodies face resource and capacity constraints, and the oversight ecosystem is fragmented, with overlapping mandates creating gaps in detection and enforcement.

Reputation laundering is also an emerging and under-studied area of concern. By investing illicit resources into ‘legitimate’ social and political institutions, corrupt actors can evade accountability, avoid unwanted attention, and influence politics. This can be done in different ways, such as through the creation of charitable foundations; philanthropic giving; financial support for think-tanks and academic programmes at elite universities; the acquisition of prestigious commodities such as football clubs; or the endorsement of a member of the Western elite. [Cooley et al](#) examine how foreign donors engage with universities to launder their reputations in the UK.¹⁷ [Heathershaw et al](#) show how kleptocrats and their allies gain traction in British society by managing their reputation through PR agents, forging ties with political, business and other leaders and stifling reporting of alleged wrongdoing.¹⁸

3. Rapid adaptation to new laws and enforcement

Sanctions evasion and illicit trade have become significant risk areas of IFFs with the substantial increase of sanctions following Russia’s invasion of Ukraine. [Research by Vladimirov and Kostova](#) found that sanctions imposed by the West, intended to cut supplies to Russia, have instead empowered trade networks and intermediaries with neighbouring states.¹⁹ IFFs in the Western Balkans and the Black Sea region swelled to \$31 billion in 2023; this expansion can be traced directly to the surge of imports of dual-use goods from the EU and their re-export to Russia through established networks, smuggling routes, and mis-invoicing techniques.

Long-standing governance and enforcement capacity issues in the region, the existence of state capture and oligarchic networks interlinked with Russian state-owned monopolies and their state-backed contracts, as well as geopolitical rivalry and sanctions have contributed to the increase in IFFs. Armenia has emerged as a major transit hub, followed by Serbia, Georgia, Bosnia and Herzegovina, and Moldova, all countries well-known for their special links and vulnerabilities to Russia. IFFs reinforce geopolitical faultlines opened by Russia after the invasion of Ukraine. This research identifies weaknesses in the EU’s regulatory framework

estate-sector/; Lewis Kundai et al., *Kenya’s Real Estate Ecosystem* (CIFAR, 2025), <http://giace.org/resources/kenyas-real-estate-ecosystem/>; Lewis Kundai and Jackson Oldfield, *Anti-Money Laundering Rules & Reporting: Kenyan Real Estate Sector* (CIFAR, 2025), <https://giace.org/resources/anti-money-laundering-rules-reporting-for-the-kenyan-real-estate-sector/>.

¹⁷ Alexander Cooley et al., *Reputation Laundering in the University Sector of Open Societies*, Working Paper (National Endowment for Democracy, 2021), <https://www.ned.org/reputation-laundering-in-the-university-sector-of-open-societies-working-paper/>.

¹⁸ Heathershaw et al., *The UK’s Kleptocracy Problem*.

¹⁹ Center for the Study of Democracy, *Illicit Financial Flows and Strategic Corruption*, Policy Brief (GI ACE, 2025), <https://giace.org/resources/illicit-financial-flows-and-strategic-corruption/>; Martin Vladimirov and Tihomira Kostova, *Shadow Economies: The Rise of Illicit Networks and Alternative Markets in Sanctions Circumvention* (Center for the Study of Democracy, 2025), <https://csd.eu/publications/publication/shadow-economies/>.

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and capabilities, and suggests potential reforms to close those loopholes, including the need for the EU, UK, Norway and Switzerland to adapt their global development aid programs accordingly, and the establishment of regional groups to monitor sanctions evasion and the use of advanced risk assessment and strategic planning mechanisms.

[Prelec](#)'s research on the emergence of the UAE as a new hub for money laundering demonstrates the need for heightened concern over its increased activities in the Balkans.²⁰ Prelec argues that 'no strings attached' style business practices in the Balkans, including special laws to favour the Emirati investors and generous government subventions, increase the possibility for money laundering operations between the Balkans and the UAE.

The research demonstrates how highly-motivated international actors can rapidly find and exploit loopholes in the current global AML and sanctions frameworks. This echoes the displacement identified by Haberly et. al, which finds that sanctioned financial networks have moved from Western financial centres, to major non-Western centres with strong institutions and ties to the West – most notably from London to Dubai and Hong Kong.

4. Key areas for strengthening policy and regulatory responses

The global regulatory agenda

[Haberly et. al](#)'s analysis of the regulatory landscape demonstrates the need for a broader public financial transparency-oriented approach to global IFF-regulatory reform, which recognizes the key role played by non-governmental actors, alongside governments, in policing financial crime, and is led by example by the world's wealthiest and most powerful countries. What is needed is a shift in the focus of the international IFF regulatory agenda, as coordinated by bodies such as the OECD and FATF, that is oriented towards boosting the basic institutional foundations of liberal democratic accountability. These foundations, above all, need to be understood as being rooted in the public dissemination, analysis, and discussion of information by a diverse array of societal actors outside of the state itself.

Despite international regulatory convergence, there remains a gap between jurisdictions in some critical areas of financial secrecy, notably a) statutory banking secrecy, and b) the scope and accessibility of beneficial ownership data. These gaps may facilitate new strategies of regulatory arbitrage based on seeking secrecy. Two specific reforms – publicly available beneficial ownership registers and removing restrictive banking secrecy measures – are urgently needed to close this gap and empower non-governmental anti-corruption actors who play a crucial role in uncovering illicit financial activities, and frequently instigate government enforcement actions.

[Haberly et. al](#)'s research shows that the current FATF-led regulatory review process has major shortcomings.²¹ There is a strong case to reform review processes to better: respond to the specific risks associated with the jurisdiction's function within transnational corruption schemes; emphasise implementation over global convergence of rules on paper; place countries with the largest implementation gaps under greater scrutiny; be conducted at a

²⁰ Tena Prelec, 'The United Arab Emirates (UAE) Profile Themselves as a New Global Hub for Money Laundering, with Implications for the Balkans', *IEMed Mediterranean Yearbook 2020*, 2020, <https://www.iemed.org/publication/the-united-arab-emirates-uae-profile-themselves-as-a-new-global-hub-for-money-laundering-with-implications-for-the-balkans/>.

²¹ Haberly et al., *Corruption, Shell Companies, and Financial Secrecy*.

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frequency which reflects a jurisdiction's importance to global movements of corrupt capital; acknowledge the crucial role played by journalists and civil society in anticorruption investigations, alongside law enforcement agencies, and assess the extent to which key jurisdictions create undue impediments to this role.

Beneficial Ownership Transparency (BOT) regimes

Beneficial ownership transparency (BOT) regimes regulate the reporting and collection of beneficial ownership data in order to reveal the true ownership of companies and other entities. This information is critical for revealing the true beneficiaries of anonymous shell companies and other vehicles which launder funds in secrecy jurisdictions, and as such, there has been significant interest in promoting BOT as a method of detecting and deterring IFFs. Beneficial ownership regulations are relatively new and there is limited research on their effectiveness in practice. However, early evidence demonstrates significant obstacles to the implementation and monitoring of BOT regimes in practice.

[Arshinoff et al](#) identified four key problem areas in BOT regimes:

- lack of standardisation in how registries are conceived and implemented;
- lack of accountability for completeness and accuracy;
- lack of maintenance to keep registries up to date; and
- lack of access both domestically and internationally, especially for law enforcement.²²

Politics, corruption, and IFFs are inextricably linked. But responses to IFFs are typically viewed technocratically, divorced from the political context in which they take place, resulting in disjointed and ineffective policy responses that are failing to curb IFFs. [Harvey et al](#) examined the establishment of the AML apparatus in Nigeria, including the introduction of legislation to meet FATF requirements, and how the AML framework has been operating in practice.²³ They found that, while Nigeria appears to be doing well in terms of compliance, these changes have created an opaque and complex regulatory environment in which agencies compete for scarce resources and undermine each other's efforts, preferring not to share information in case they expose their own inefficiencies. This has diluted agencies' effectiveness in relation to the investigation, prosecution and recovery of the proceeds of corruption.

Key concerns with the BOT regime in Nigeria included:

- agencies with overlapping mandates competing rather than collaborating;
- inadequate and deficient data, including outdated information;
- data collected without a clear purpose, duplication, and incompleteness;
- lack of standardisation; and
- sporadic verification and sharing of data and intelligence.

While incremental changes may improve the effectiveness of BOT in Nigeria, if certain key building blocks are not in place then any changes to the accessibility and availability of BO,

²² Arshinoff et al., *Global Finance and the Enablers of Corruption*.

²³ Jackie Harvey et al., *Transnational Criminal Law: A Case Study of the International Anti-Money Laundering Framework as Applied in Nigeria, A Case of Smoke and Mirrors*, Working Paper 10 (GI ACE, 2021), <https://giace.org/resources/smoke-and-mirrors/>.

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and its usefulness for investigative, prosecutorial and asset recovery purposes will be sub-optimal.²⁴

Unexplained Wealth Orders (UWOs)

Unexplained Wealth Orders (UWO) were introduced in the UK in 2017 to tackle organised crime and grand corruption emanating from kleptocracies. UWOs are a way for law enforcement agencies to freeze, and ultimately seize, property suspected to have been purchased via laundered or illicit funds. When a property is issued with a UWO, its owners must explain the sources of wealth behind the purchase. A failure to do so creates the legal presumption that the property has been acquired through the proceeds of crime and can thus be confiscated via subsequent civil recovery proceedings. [Heathershaw and Mayne's analysis](#) identified key weaknesses in the legislation and implementation of UWOs.²⁵ A key finding is that the UWO legislation may be better suited to tackle organised crime groups, rather than corrupt foreign officials, because the latter are able to employ professional enablers to legitimise their funds and assets. For the same reasons, outsiders and exiles from kleptocratic regimes are more likely to be successfully targeted by measures such as UWOs, while insiders and incumbents are rarely subject to effective freezing and confiscation of assets. UWOs are potentially a powerful tool, but have yet to be used effectively. While some of the weaknesses in the legislation have been remedied, other implementation challenges – such as the under-resourcing of the NCA – remain.

Asset recovery

Asset recovery is a critical component of the UK's anti-IFF strategy, but actual confiscations have remained limited while significant volumes of illicit finance continue to flow to and through the country. [Nizzero et. al's research](#) identifies recurring obstacles that prevent effective recovery of kleptocratic assets in the UK, including the abuse of complex ownership structures by kleptocrats, the difficulty in tracing historical criminality and establishing the criminal origin of specific assets, the involvement of professional enablers, uncooperative jurisdictions, and resource constraints faced by investigative and enforcement agencies.²⁶ They argue that the current asset recovery regime is ill equipped to deal with the realities of modern kleptocracy, which is systemic, transnational, networked, and operates as a 'kleptocratic enterprise', defined as a cross-border enterprise to indulge elites who have used their political access to enrich themselves and maintain political power.

Based on a comparative analysis of anti-racketeering laws from multiple jurisdictions, Nizzero et. al propose a new strategy that approaches kleptocracy as a transnational enterprise. Such an approach would entail targeting organizational structures (enterprises) rather than individuals, establishing liability through systemic patterns of conduct, employing flexible evidentiary standards, and justifying intervention based on societal harm. This would align asset recovery strategies with the reality of modern kleptocracy, reducing the burden on investigators by allowing them to focus on systemic patterns of conduct. This shift would

²⁴ Jackie Harvey et al., *Tracking Beneficial Ownership and the Proceeds of Corruption: Evidence from Nigeria*, Final Project Report (GI ACE, 2023), <https://giace.org/projects/benowner/>.

²⁵ Mayne and Heathershaw, *Criminality Notwithstanding*.

²⁶ Maria Nizzero et al., *The Kleptocratic Enterprise: Lessons from Organised Crime to Target Transnational Corruption and Strengthen Asset Recovery in the UK* (GI ACE, 2026), <https://giace.org/resources/the-kleptocratic-enterprise/>.

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strengthen the UK's capacity to recover stolen or corruptly acquired assets, hold enablers accountable, and demonstrate leadership in global anti-corruption efforts.

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