
4.2. Analysis of the misuse of legal persons

4.2.1. Classification and statistics of companies

Legal persons can be divided into legal persons governed by public law and legal persons governed by private law. Legal persons governed by public law are the state, local government units as well as legal persons governed by public law that are established in the public interest on the basis of law. Legal persons governed by private law are established for private purposes – this category includes the partnership, limited partnership, private limited company, public limited company, commercial association, foundation, and non-profit association. Additionally, the specific types of legal persons such as the apartment association, land improvement association, political party, building association, church, and congregation.

The following companies operate under the European Union law: the European company (SE), European cooperative society (SCE), European economic interest grouping (EEIG), and European grouping of territorial cooperation (EGTC).

The different types of companies are the partnership, limited partnership, private limited company, public limited company, and commercial association. Based on the organisational structure, legal persons can be divided into membership-based associations of persons, e.g., the public limited company, private limited company, partnership, limited partnership, commercial association, and non-profit association, and pools of assets that have no members – the only type of such associations are foundations.

Based on the management structure, companies can be divided into corporations (public limited company, private limited company, commercial association, non-profit association) and partnership associations (partnership and limited partnership). Additionally, the Estonian law also recognises a legal entity that is not a legal person – the civil law partnership.

Corporations can be characterised by the existence of bodies, i.e., foreign management, and by the fact that the existence of the association is not directly related to the number of members or the existence of specific members. Management bodies may not be the members or shareholders of the association itself.

Partnership associations do not have a corporate management structure and they are based on the personal contribution and connection among the members. There are no separate management bodies, the management tasks are organised by the members themselves and generally all the members are also personally liable for the obligations of the association.

Companies can also be divided into capital companies which are based on the capital contributions of the members (private and public limited companies) and partnership associations which are based on the personal contribution of the members (partnership and limited partnership).

Table 17. Number of associations.

Type	01/08/2020	01/01/2020	01/01/2019	01/01/2018	01/01/2017
Commercial association	1,694	1,707	1,726	1,713	1,707
Partnership	1,374	1,364	1,367	1,363	2,447
Limited partnership	4,565	3,469	3,089	3,052	2,929
Private limited company	212,128	202,849	194,354	175,288	169,030
Public limited company	2,843	2,893	2,997	3,092	3,284

Foundation	807	812	812	790	786
Apartment association	23,547	23,329	22,918	3,692	-
Non-profit association	22,177	21,779	22,026	29,999	32,066
Land improvement association	62	37	-	-	-
European company (SE)	12	12	11	7	8
European economic interest grouping (EEIG)	19	19	19	19	18
European cooperative society (SCE)	1	0	0	0	0
Total	269,229	258,270	249,319	219,015	212,275

Source: Website of the Centre of Registers and Information Systems <https://www.rik.ee/et/e-ariregister/statistika>

4.2.2. Trends in the exploitation of legal entities based on the assessment of the Estonian public authorities

Supervisory authorities¹ have observed an upward trend where the Estonian companies, especially private limited companies, are used in money laundering schemes at different stages of money laundering, i.e., both in predicate phases, such as committing fraud, as well as in cover-up activities. This tendency is promoted by a favourable environment which has been created for establishing private limited companies (speed, reasonable costs, e-Residency programme). The fast and convenient procedure for establishing private limited companies has been associated by the supervisory authorities with the large number of applications for the licenses for virtual currency service providers.²

Due to their limited liability, it would be easy to exploit companies for committing money laundering crimes. The body of a legal person can be abandoned and a new one can be created. It is also deemed possible to hide one's identity (and one's connection with suspicious money) by using figurehead board members. At the same time, it is also clear that companies with limited liability still serve as extremely necessary instruments for civil uses and which cannot be waived regardless of the exploitation risk associated with them. The money laundering indictments between 2017 and 2019 indicate a clear trend of the exploitation of Estonian companies: according to 60% of the court judgements, private limited companies were used in money laundering schemes, including in 15% of the cases, a foreign legal person was also used (a certain trend of using Finnish private limited companies emerges here)³. Considering the disproportionately large number of private limited companies compared to other associations and foundations, using private limited companies could not be considered a self-standing trend.

In 2019, 77 notaries submitted a total of 394 suspicious transaction notifications to the Financial Intelligence Unit (FIU), whereas < 50% of them were related to the establishment of companies and transactions with shares.⁴

¹ Financial Supervision Authority, Chamber of Notaries, Tax and Customs Board, Financial Intelligence Unit

² For information about the problems with virtual currency service providers, see the respective analysis of the FIU: <https://www.politsei.ee/files/Rahapesu/virtuaalvaeaeringu-teenuse-pakkujate-uuring.pdf?9fd7e5611b>

³ Input from the threat assessment working group: Money laundering court judgements from 2017 to 2019

⁴ Over a half of the notices were related to real estate transactions. Input from the Chamber of Notaries to the NRA NV working group of 27 Oct 2020

During their supervisory activities, the Bar Association has not identified any trends which could be specifically connected with the (attempts of) exploiting companies by the activities of lawyers.⁵

To identify the beneficial owners (BO) of the companies registered in Estonia, each company has to declare the beneficial owners of the entity to the Commercial Register. Formally, all interested parties have the opportunity to obtain such information. Based on the assessment of the FIU, however, the information in the Commercial Register may often be misleading since there is no factual control over the accuracy of the declared data. Even if a company has listed its beneficiary, there is no certainty about the correctness of such data because for the purpose of exploiting companies, they can be registered to the names of figureheads. The fact that in reality companies also struggle to identify their beneficial owners, since the concept is complicated and the existing guidance material does not provide sufficient support for all the different situations, has also proved to be a problem. This problem is typical when determining the beneficial owners of limited partnerships and companies with complex ownership structure. There are also companies whose board members have difficulties with collecting information about their beneficial owners (especially foreign owners).

Information on beneficial owners is also requested from other countries and such inquiries are eminent in the practice of all investigative authorities, however, there are no detailed statistics about the volume of such inquiries. If the information is available, the data of beneficial owners will be forwarded in the form it is presented on the Commercial Register; as an exception the Tax and Customs Boards adds the data from the banks to the data from the Commercial Register – if the inquiry comes in the framework of the automatic exchange of financial information.⁶

In reality, however, the registration of beneficial owners has continuously improved:

Table 18. Number of legal persons without declared BOs

Date	31/12/2018	31/12/2019	31/12/2020	16/03/2021
Number of private limited companies	194,354	220,165	218,854	223,287
Total number of legal persons	234,343	260,699	259,429	263,697
Legal persons without declared BOs, %	37%	31%	19%	18%
Number of private limited companies without declared BOs, %	17%	16%	16%	15%

In addition to the reporting obligation of the BOs of companies, the activeness of legal persons in submitting their annual reports (AR) is not as high as expected. In the reference period of 2010–2018, an average of 23–24% of the companies failed to submit their ARs. The largest group of companies who fail to submit their AR are active in the wholesale and retail sector (24% of all the non-submitters). 40% of the non-submitters are very new undertakings who have been active only for 1 to 3 years and generally the most problematic are the undertakings registered in Tallinn, and micro-undertakings.

The study also concentrated on analysing the quality of the submitted ARs by non-resident undertakings, however, since they do not have a unique identifier, the selection included private and public limited companies with the largest shareholder as a foreigner – and it turned out that these companies are averagely more problematic.⁷

⁵ Input from the Bar Association to the NRA NV Working Group of 19 Oct 2020

⁶ Legal basis: Directive 2014/107/EU (DAC2) and FATCA agreement and OECD CRS multilateral agreement

⁷ https://www.rahandusministeerium.ee/system/files_force/document_files/lopparuande_ettekanne_2020_12_14.pdf?download=1

Therefore, it can be concluded that the publication of data on companies should be improved and it would be relevant to establish additional control measures for checking the reporting obligations and information submitted on beneficial owners.

4.2.3. Trends and examples of misuse of companies

Although throughout times, certain trends can be observed in misuse of companies, the below described ways are the most common.

Using shell companies⁸

The categories of companies established for hiding the BO are the following:

* shelf companies, i.e., undertakings which are established by company service providers for the purpose of selling.

* shell companies, i.e., undertakings which are used for removing assets by using sham transactions from among actual business operation, e.g., for avoiding taxes, and who do not have any assets or usual business operations.

Both categories may also be dormant, i.e., companies waiting to be used. The share of such companies can be indicated by the number of ARs with 0 sales revenue. In 2017, the share of such companies was 6.58%, in 2018, 6.02 and in 2019, 5.87% of all the companies that submitted ARs.⁹

The use of shell companies is a practice not associated with Estonia but also known to take place in other countries.¹⁰

In Estonia, the aim of using companies that do not have any actual business operations seems to be **avoiding the payment of labour taxes** because these are known to be the most burdensome taxes for employers. Economically active companies may also be interested in avoiding labour taxes because this helps to achieve a market advantage which allows to offer services at lower prices. Both VAT-liable and non-VAT liable Estonian and foreign shell companies are used for that. For instance, based on a fictitious invoice, money is transferred to a shell company's bank account which is usually located abroad and from where it will be transferred for the "salaries" of the employees of the company that transferred the money or is withdrawn from an ATM and the cash is used to pay the "salaries".

As the result of using Estonian VAT-liable shell companies, a company can, in addition to not paying the labour taxes, among its own input VAT to unfoundedly deduct the VAT indicated on the fictitious invoices prepared on behalf of the shell company, thus **reducing its payable VAT amount or creating unfounded VAT refunds**. From the Tax and Customs Board's point of view, the positive thing is that with the implementation of annex INF to the VAT return, which makes it mandatory for the companies to declare the data based on their transaction partners and invoices, such fraud can be quickly identified and serious damage is not caused. At the same time, it has also increased the use of non-VAT liable shell companies due to the fact that non-VAT liable companies do not have to submit the monthly VAT return and therefore the misuse cannot be quickly identified and stopped.

In addition to avoiding labour taxes and paying VAT, both domestic and foreign VAT liable and non-VAT liable shell companies are used to **remove funds from companies without paying the income tax** by using sham transactions. Since in Estonia, legal persons are subject to paying income tax not during the period in which the profit was made but when withdrawing the funds from the company, fictitious transactions for hiding the withdrawals are quite common.

⁸ Due to the different definitions that institutions use for shell companies, the present chapter uses this notion in a wider sense – it includes, *inter alia*, buffer companies as well as shelf companies established either for sales purposes or without any actual business operation.

⁹ Source: Commercial Register. Regardless of the downward percentage trend, the total number of such ARs has still grown: The total number of ARs with 0 sales revenue in 2017, 2018, and 2019 were the following: 12,850, 13,477, and 13,589, respectively.

¹⁰ See <http://www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html>

Case 1 – taking profits out without paying income tax by using fictitious loan transactions
 Company X, engaged in real estate development, transferred 30,000 euros in consecutive days at the beginning of each month to company Y, engaged in consulting service business, marking it with an explanation “loan”, which the recipient then transferred to the personal bank account of a board member of company X on the very same day and in the same sum, using again the explanation “loan”. The board member of company X officially only received minimum salary from the company, although this board member was the CEO of a profitable company. The sums were withdrawn from company X based on fictitious transactions instead of declaring them as the salary and remuneration of the member of the management board.

4.2.4. Indicators of the use of shelf companies

A. It is often an Estonian private limited company which is created solely or mainly for the purpose of finding an interested party who would start using a “ready-made” business undertaking. Such usage allows, *inter alia*, the private limited company to be used as a party of a money laundering scheme. In certain cases, such companies already have a bank account.

Observe/ take notice:

- the Estonian private limited company is recently established,
- the Estonian private limited company is established for another purpose, it has very many fields of activities (in very different economic fields) with EMTAK (Estonian classification of economic activities) codes,
- the selected fields of activities do not correspond to the actual situation,
- the founder of the Estonian private limited company is a company service provider.

B. The private limited companies used by criminals are often established by the same company service providers. The due diligence measures do not apply for the sales of such shelf companies due to the restrictions in the Money Laundering and Terrorist Financing Prevention Act (MLTFPA). The MLTFPA does not refer to the sales of the so-called ready-made (shelf) companies as a qualifying characteristic for any type of obliged entity.¹¹ The purpose of further exploiting the companies is indicated, *inter alia*, by the fact that many private limited companies are registered at the same addresses and by the same company service providers, i.e., in bulk, and not in the framework of the service provided by the company service provider for a specific customer.

Observe/ take notice:

- the registered address of the company is unlikely / is knowingly the same for many different companies,

¹¹ The trust management and company service provider provides at least one of the following services to third parties: 1) establishment of a company or another legal entity, including the *procedures related to the transfer of shareholdings*; 2) operating as a manager or a board member in a company, a shareholder in a partnership or on a similar position in another legal entity, also arranging another person taking the said positions; 3) offering the opportunity to use the address of location or operation, including using the address as a part of the contact data or for receiving postal items and services related to the above said for a company or another legal entity, civil law partnership, or another association of persons that does not have the status of a legal entity; 4) acting as a trust manager or a representative of a civil law partnership, union or another association of persons that does not have the status of a legal entity, or assigning another person to take this position; 5) acting as the representative of a shareholder or arranging another person to represent the shareholder, except for the legal entities whose securities are admitted to trading on a regulated securities market and who is subject to the publication requirements based on the legal acts of the European Union or equivalent international standards.

The provider of legal services is subject to the MLTFPA when such provider is acting for and on behalf of their customer in a financial or real estate transaction. Also, if such service provider directs the planning or making of such transaction or performs an official act or provides a professional service, which is related to: 1) purchase or sales of real estate, company, or shares of a company; 2) management of the money, securities, or other assets of the customer; 3) opening or managing payment, savings, or securities accounts; 4) obtaining the necessary means for establishing, operating, or managing a company; 5) establishing, operating, or managing a trust management, company, foundation, or association of persons that does not have the status of a legal entity.

- it is known that the address of the company is a so-called mailbox.

Case 2 – payment of envelope wages using the money taken out of the company based on the fictitious invoices of a non-VAT liable foreign company.

Construction company Z obtained a large quantity of intra-community service for a large sum from a non-VAT liable company W from the UK. During inspection it turned out that the transaction was allegedly related to obtaining accounting software from a UK company which was represented by an Estonian citizen. The money for the service was transferred to a bank account in Poland, which was used by an Estonian citizen. The information from Poland regarding the use of the account revealed that the said company from UK was used for reducing the tax load of at least 4 Estonian companies and such mediation services resulted in additional undeclared income for this Estonian citizen as a natural person. There were 18 sub-accounts of the Polish account used by the UK company W, which were used by company Z employees who were additionally paid concealed wages from the account of the UK company. As a result of the inspection, company Z was subject to labour taxes on the envelope wages in the amount of 57,875 euros. Additionally, tax evasion was also identified in other companies who transferred funds out of their companies based on their fictitious transactions with the UK company for payments of envelope wages.

For transactions, **observe/ take notice:**

- unclear purpose for establishing a company, e.g., a foundation,¹² and a suspicion of hiding the actual objectives;
- unusual/suspicious business operations and transactions with third persons with whom there is no business related connection;
- submission of large quantities of different documents which creates a suspicion that attempts are being made to conceal the real activities of the company or to add legitimacy to them.

4.2.5. Indicators of the use of shell companies

Several important FATF surveys¹³, the Stolen Asset Recovery Initiative (StAR) of the World Bank and the UN Office of Drugs and Crime (UNODC)¹⁴ have investigated the abuse of associations for illegal purposes, including for money laundering and terrorist financing purposes. Generally, it was found that the lack of sufficient and accurate data of real owners / beneficial owners facilitates the concealment of money laundering and financial assets, including

- helps to conceal the identity of known or suspected criminals,
- helps to conceal the actual purpose of using the account or assets of the association and/or
- helps to conceal the origin or use of the financial means or assets related to the association.

For instance, information on actual owners can be concealed if the following is being used:

- a) shell companies (structures with different forms of ownership), especially when foreign ownership is divided in different jurisdictions;
- b) complex ownership and control structures which include different bodies and sets of assets where shares/rights are registered on behalf of other legal entities;
- c) bearer shares;

¹² Notaries, company service providers, legal counsels, lawyers.

¹³ For instance, see: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html>; <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/transparency-and-beneficial-ownership.html> and <http://www.fatf-gafi.org/publications/financialinclusionandnpoissues/documents/bpp-combating-abuse-npo.html>

¹⁴ *Puppet Masters Report*, published by the World Bank / UNODC StAR in 2011. The report thoroughly investigated over 150 extensive corruption cases and found that large-scale corruption mostly includes the use of one or several companies for hiding the actual owners. The report examines the use of legal structures for concealing illegal assets, thoroughly describes how associations are used for facilitating corruption, outlines the important challenges the countries face when implementing measures to avoid the abuse of associations in corruption schemes, and provides recommendations for the countries for solving these problems.

- d) legal entities as the directors/managers of the company (replacing the management board);
- e) representatives of shareholders, owners, and managers if it is not clear who has appointed them;
- f) nominee representatives and managers (figureheads), e.g., close co-workers and family members;
- g) trusts and similar legal agreements which allow to separate the legal ownership from the actual beneficiary of the assets;
- h) using mediators for establishing legal entities, including professional mediators for establishing companies.¹⁵

The public Commercial Register and the legal meaning of entries has helped to reduce or avoid the above phenomena in Estonia. However, one must be aware that the regulations of other countries may be different and allow such abuse.

Additionally, cases of abuse of non-profit associations as a legal form can also be pointed out. As it is not mandatory to limit the activities of non-profit associations to non-profit-making activities, the selection of this legal form may not always be accidental misuse (the wrong legal form has been chosen): the field of activity and transaction data of the non-profit association raises the question of whether it can be a non-profit activity, e.g., there are non-profit associations which based on the EMTAK classification are active in the following fields: sale of other motor vehicles; investing in trusts, funds, and similar financial entities; information regarding the field of activities given by the customers of financial institutions: rental of physical and virtual servers, forestry and construction assistance. Money laundering suspicions may arise when suspicious persons or persons related to other (several) legal entities are also related to the non-profit association, e.g., persons who are active in similar fields.

Case 3 – income tax free transfer of profit by using fictitious transactions with a foreign company

An Estonian private limited company intermediated a package holidays market research service for a company in Tenerife with a 0% markup, which was obtained from a Cyprian company. During inspection it was revealed that the owner of the Cyprian company was the board member / sole owner of the Estonian private limited company and that the funds from the bank account of the Cyprian company were withdrawn with a bank card in Estonia and payments were made to companies in Panama, Estonia, and Cyprus. Officially the sole owner of the Estonian private limited company only declared the board member's fee of 300 euros each month and allegedly did not have any other income in 4 years. The funds transferred from the company through the Cyprian company were regarded as the dividends of the sole owner of the Estonian private limited company and were subjected to income tax.

Observe/ take notice:

- suspicion of the use of figureheads or the so-called covert identity which has been observed in favour of both close relatives as well as foreign citizens;
- a complex ownership structure of foreign legal entities and difficulties in identifying the BO, the representatives of the company itself do not know the BO of the foreign parent company or consider it impossible to find out their identity;
- suspicion that accountants, lawyers, brokers, and legal practitioners are being used to cover up the BOs and source of illegal income;
- suspicion of the use of shell companies if economically illogical transactions are being made and non-profit associations are not used purposefully (in economic activities which are not clearly related to the purpose of the non-profit association).

4.2.6. Buffer companies and chains of companies

The misuse of Estonian companies for money laundering or other illegal purposes has also been observed in the combinations of international schemes and of (chains) of foreign companies.

¹⁵ FATF guidance on “TRANSPARENCY AND BENEFICIAL OWNERSHIP“, October 2014

In relation to the measures taken by credit institutions against non-residents, the Financial Supervision Authority (FSA) has observed a tendency that the number of Estonian private limited companies established with a non-resident BO is increasing.

Case 4 – the use of a network of non-VAT liable business units for the purpose of hiding turnover and removal of profit without paying the income tax

Private limited company A is a VAT-liable company that operates a retail store chain. The shareholder and board member of company A has also set up private limited companies B, C, D, E, and F which are not registered as VAT-liable. Inspection of the use of bank accounts revealed that the said companies have constantly transferred money to company A with an explanation “Loan”, which they had received for the goods sold in the shops of company A (the card payment terminals of different companies were simultaneously used in the shops). Additionally, the bank statements revealed that company A has also withdrawn large quantities of cash and transferred some of it to the personal bank account of the board member with an explanation “Loan”. Based on the results of the inspection, it was determined that private limited company A and the related companies formed one single business undertaking and the purpose of the buffer companies was to hide the turnover of company A and to remove profits from the company income tax free. As a result of the inspection, company A was subject to the payment of 20,900 euros of VAT for concealed turnover, 20,000 euros of income tax and 33,100 euros of social tax on the payments made to the board member.

The use of a chain of companies is made more complex as the members of such chains include foreign companies and other foreign entities.

Observe/ take notice:

- assets are used for large scale transactions between companies, where the companies are connected with foreign persons, e.g., non-resident BOs;
- offsetting large amounts against previous claims, e.g., against previous loans;
- unusual and suspicious transactions with cash;
- large amounts of unsecured loans;
- large inflow from bank accounts in Russia, USA, United Arab Emirates, and Switzerland;
- the company makes transactions for an unclear or illogical economic purpose, chains of different associations are formed, use of holding companies.

4.2.7. Abandonment of companies for the purpose of evading liability and confiscation prevention schemes

The problem lies in the deliberate non-payment of tax arrears arising in the course of the daily operations of an actual company and to evade such tax liabilities, a figurehead is signed up as a board member of the company or a liquidator of companies is used, who knowingly offers such services. Since the transfer of companies and the change of the management board is very easy in Estonia¹⁶ – as is the establishment of new companies – the operation of abandoned companies is often continued by the old owner in a new legal body, to where all the necessary assets and employees were also transferred prior to the abandonment.

Quite often the law enforcement agencies are facing a problem in criminal proceedings, where the legal person that has committed a crime is either liquidated or reformed (merged/split). Since it is essentially possible to liquidate legal entities during criminal proceedings, it thus also entails the termination of the proceedings related to the legal person.

Another problem is the declaration of bankruptcy of the legal entity, where the motivation lies in the fact that upon the declaration of bankruptcy, all the property seizures become invalid and artificial bankruptcies thus help to release the seized property. New amendments were introduced to the draft of the act amending

¹⁶ It is worth noting that a recent amendment to the Commercial Code (in spring 2020) no longer requires notarisation for some transactions constituting an obligation, i.e., transfer agreements. For the disposition of transfers, the requirement of notarisation has still been preserved in some cases.

the Bankruptcy Act and other acts (195 SE), according to which a seizure or a judicial mortgage applied to secure possible confiscation or substitution of confiscation in criminal proceedings shall no longer terminate with the declaration of bankruptcy (§ 45 (2) of the Bankruptcy Act).

One amendment regarding the 195 SE is the amendment of § 44 of the Bankruptcy Act. According to this, all the mortgages encumbering the bankruptcy estate and other pledges will be deleted and a pledgee who does not have a personal claim (the assets of the debtor are pledged for securing the claims of a third party) may submit their claim to the bankruptcy proceedings of the debtor. In a situation where, for instance, a judicial mortgage set on the assets of a person in criminal proceedings will remain valid (amendment to § 45 (2) of the Bankruptcy Act) but if a person (A) sells these assets to a person (B) who will be declared bankrupt, then as a result of amending § 44 of the Bankruptcy Act, the mandatory mortgage will still be deleted. Since the state does not have a claim against the debtor before the decision of confiscation or the replacement of confiscation (Supreme Court decision 3-1-1-68-16, items 48, 52, 53; § 107 of the Code of Enforcement Procedure (CEP)), then the state also does not have anything to submit during the bankruptcy proceedings of the person (B), which is why the judicial mortgage will be deleted and no claims can be submitted. The problem lies in the fact that confiscation of assets does not constitute a claim in the enforcement procedure, but these assets should be excluded from the enforcement procedure (§ 222 of the CEP).

Generally, based on § 176 (1) of the CEP, an application and documents verifying the claim can be submitted to the bailiff/enforcement agent, whereas the claim need not have become collectible and it can be submitted as conditional. However, there are no good solutions to the situation as to how the bodies conducting the proceedings would receive the relevant information timely, it is possible to order notifications on the specific person from the official publication *Ametlikud Teadaanded* (Official Announcements) but enforcement agents could probably also inform mortgagees about the disappearing rights, including already on the seizure of assets.

4.2.8. Proposals

1. The system for notifying the BO of a company to the Commercial Register should be enforced and made more efficient. One option is to set an aim to reorganise the Commercial Register and monitor the *de facto* accuracy of such information; in particular, entry of the details of the shareholders of private limited companies on the register card would help to increase transparency¹⁷. Additionally, in the information targeted to non-residents, the reporting obligation and the necessity of submitting correct information should be given more prominence.
2. In the preliminary investigation phase, a legal person subject to criminal proceedings could be liquidated or reformed only, for instance, with the permission of the prosecutor's office and in the judicial proceedings phase only with the permission of the court.
3. A seizure or a judicial mortgage applied to secure possible confiscation or substitution of confiscation in criminal proceedings should not terminate with the declaration of bankruptcy even if the assets have a new owner who is declared bankrupt (§ 44 of the Bankruptcy Act). Consideration could also be given to changing the legal status of the confiscation order in enforcement proceedings.
4. Also, consider introducing a requirement for enforcement agents to inform state-mortgagees separately about the seizure of assets.
5. The MLTFPA provides for an obligation to apply for a permit to operate in certain fields of activity. However, the question of how to find and check those companies who offer such services but deliberately fail to apply for a permit and are therefore out of the sight of the supervisory authorities still remains unsolved. One of the options would be to require the determination of the correct field

¹⁷ There is a different legal meaning on the data of the Commercial Register: there is the register card data and beside it there is the informative data from the business file. The plan is to use the corporate law audit to change the data of the shareholders of private limited companies to the data marked on the register card and to create a system similar to the Land Register for keeping the list of shareholders. From the point of view of the prevention of money laundering and terrorist financing, it is extremely essential that the described reform is enforced as quickly as possible.

of activity (EMTAK) already when establishing a company and linking it to the obligation to apply for an activity licence.