

Canadian entities involved in global laundromat style company formations

Background

United Kingdom legal entities have long been at the heart of known laundromats. For example, the Proxy Platform, the Russian Laundromat, the Azerbaijani Laundromat and the Danske Bank scandal have all had a significant UK legal entity presence. These are primarily Limited Liability and Scottish Limited Partnerships but, to a lesser degree, private limited companies are also employed.

These entities bear certain hallmarks which help to typify their activity, and which are explainable in terms of that activity.

They are believed to be utilised for a number of reasons.

1. The UK has a mature online creation and filing service so remote access is easy and encouraged
2. The costs are low in order to encourage entrepreneurial activity in the UK economy
3. The UK is seen as a safe and prestigious location which provides a sense of security and assurance to banks who create bank accounts on their behalf.

Hallmarks of a UK Laundromat entity

Because the UK has a transparent corporate registry, it is possible to obtain significant levels of details about both entities that have been identified within Laundromats and those which bear the same or similar characteristics. Taking each entity in turn, they are:

Limited Liability Partnerships (LLP)

- Large numbers registered at the same, virtual address
- The use of corporate “designated members” resident in offshore or secrecy locations
- Failing to declare a “person with significant control” or, when they do, it is either another legal entity or an anonymous individual, based often in a Central or Eastern European jurisdiction with no obvious internet presence and no previous experience of owning and running a business
- Filing either dormant accounts or very low levels of activity utilising templates that are consistent across a wide variety of similar LLPs and with commonalities of account signatories
- Little or no corporate internet presence

Note: Although LLPs are required to file accounts with Companies House they are not subject to any form of corporate taxation and therefore do not need to file accounts with HMRC (the UK tax collector) meaning there is no separate, independent way for investigators to verify their account filings

Scottish Limited Partnerships (SLP)

- Large numbers registered at the same, virtual address
- The use of corporate partners (both general and limited) resident in offshore or secrecy locations
- Failing to declare a “person with significant control” or, when they do, it is either another legal entity or an anonymous individual, based often in a Central or Eastern European jurisdiction with no obvious internet presence and no previous experience of owning and running a business
- Little or no corporate internet presence

Note: these are unique amongst UK (and possibly global) Limited Partnerships as they have legal personality and can open bank accounts and sign contracts as a “legal person”. However they have minimal filing requirements, largely consisting of an annual return and declaring a PSC.

Canadian entities involved in global laundromat style company formations

Private Limited Companies (Ltd Co)

Although Ltd Cos are taxable as an entity and file accounts with both Companies House and HMRC, there is little evidence to suggest that there is any liaison between the two.

- Directors who are not based within the UK (typically Panama, Cyprus and other well known jurisdictions)
- PSCs who are themselves legal entities, often based in secrecy locations (although these are technically not capable of being PSCs there is little due diligence performed on the filings and so no one notices)
- The use of four proxy shareholders, often residents of small, far away places. The reason for four is that a person becomes a PSC if they own or control more than 25% of the entity

Case Study

Within the leaked material relating to Danske Bank (as well as both Russian and Azerbaijani Laundromats) are a large number of UK LLPs.

A significant proportion of them were created by the same company, International Overseas Services (<https://ioserv.com/en/ioserv/about/>)

They used two corporate designated members (DMs) called Ireland & Overseas Acquisitions Ltd and Milltown Corporate Services Ltd. It is believed that these two entities have acted as DMs for more than 3,200 UK LLPs (<https://offshoreleaks.icij.org/nodes/200554>, <https://opencorporates.com/officers?q=ireland+%26+overseas&utf8=%E2%9C%93>)

They were located in the British Virgin Islands before relocating to Belize.

Initially, all of the LLPs they formed were registered to 39 Wetherby Mansions, Earls Court, and filed accounts signed off by one of a handful of different people, mostly Latvians (see below).

At this point in time, there was no PSC requirement.

One UK LLP held an account in Danske Estonia for 14 months during which time \$1.2bn was moved through the account. The LLP only ever filed one set of accounts before being dissolved, but they are no longer retrievable.

Over time, and with the advent of adverse publicity, Irish & Overseas and Milltown ceased to act as DMs and a new raft of entities started to replace them, based in a variety of overseas locations.

The same *modus operandi* is true of SLPs which started to emerge a few years after LLPs.

The emergence of Canadian Limited Partnerships (CLP)

With the advent of the PSC regime, IOS and other corporate service providers had to become more creative in circumventing the transparency requirements whilst maintaining the use of UK entities which were, clearly, seen as being advantageous to money laundering operations.

The first "sighting" of CLPs was as part of the shareholder structures of UK Limited Companies or Scottish Limited Partnerships who were themselves acting as PSCs to UK LLPs (see example below).

More recently, I have seen the emergence of CLPs as the appointed designated members of UK LLPs. For example, Craftberg Consulting LLP was registered with Companies House on 5 October 2018 (<https://beta.companieshouse.gov.uk/company/OC424352>). It has declared two DMs, Edoran Services LP and Quadrotop Services LP, both of 2323 32 Avenue N.E., Suite 260, Calgary, Alberta, T2e

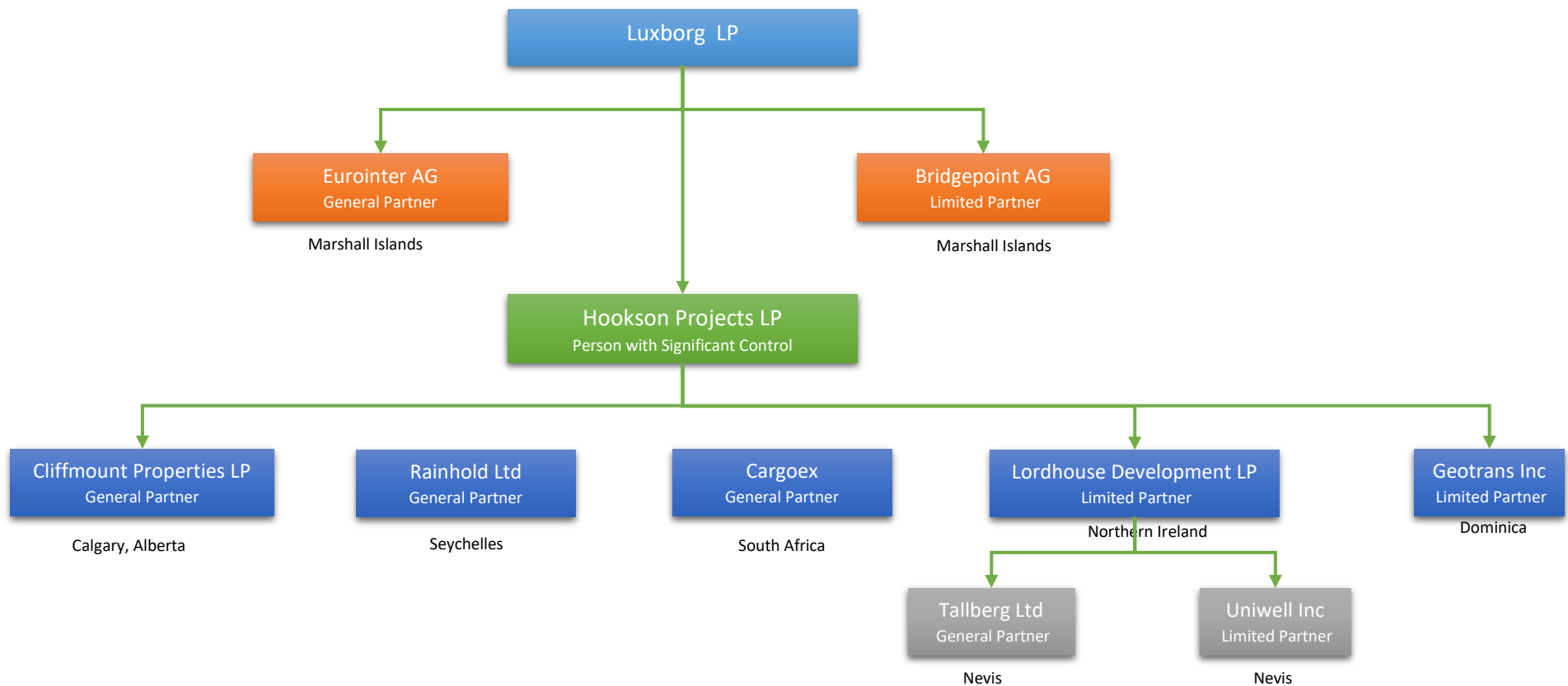
Canadian entities involved in global laundromat style company formations

6z3, the same address as all the others I've seen. The declared PSC for Craftberg Consulting LLP is a Latvian called Martins Rauda (aka Martin Rauda) <https://beta.companieshouse.gov.uk/company/OC424352/persons-with-significant-control> a known director of Fynel Ltd (see below) and strongly associated with previous money laundering activity (see, for example: <https://www.reportingproject.net/proxy/en/behind-the-proxies>).

However, as mention above, it is not just Danske Bank that features CLPs as the flowing case study demonstrates.

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Luxborg LP (a Scottish Limited Partnership) was identified as an entity appearing in the Azerbaijani Laundromat sending or receiving significant sums from three of the four central entities involved in the movement of around \$3bn in total out of Azerbaijan. The control structure of Luxborg is detailed below and, on the following page, are details of the specific sums remitted by or received into the Luxborg account with Danske Bank, Estonia from three of the central players in the Azerbaijani Laundromat (themselves either UK LLPs or SLPs).



Canadian entities involved in global laundromat style company formations

Luxborg LP			
date	amount	account holder	
07/12/2012	\$600,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
17/01/2013	\$150,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
17/01/2013	\$18,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
04/02/2013	\$500,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
08/02/2013	\$260,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
08/02/2013	\$330,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
11/02/2013	\$504,400.00	LCM ALLIANCE LLP	Danske Bank, Estonia
12/02/2013	\$500,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
12/02/2013	\$500,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
25/02/2013	\$1,000,000.00	LCM ALLIANCE LLP	Danske Bank, Estonia
21/06/2013	\$320,000.00	HILUX SERVICES LP	Danske Bank, Estonia
21/06/2013	\$500,000.00	HILUX SERVICES LP	Danske Bank, Estonia
01/07/2013	\$2,500,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
03/07/2013	\$1,500,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
08/07/2013	\$1,502,850.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
09/07/2013	\$1,500,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
15/07/2013	\$1,050,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
15/07/2013	\$950,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
24/07/2013	\$1,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
25/07/2013	\$1,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
29/07/2013	\$1,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
13/08/2013	\$1,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
19/08/2013	\$2,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
29/08/2013	\$500,000.00	HILUX SERVICES LP	Danske Bank, Estonia
05/09/2013	\$5,000,000.00	POLUX MANAGEMENT LP	Danske Bank, Estonia
25/11/2013	\$2,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
25/11/2013	\$2,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
27/12/2013	\$4,500,000.00	HILUX SERVICES LP	Danske Bank, Estonia
13/05/2014	\$3,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
16/05/2014	\$1,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
20/05/2014	\$3,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
12/06/2014	\$2,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
30/06/2014	\$1,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
23/07/2014	\$1,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
18/08/2014	\$3,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
25/08/2014	\$2,250,000.00	HILUX SERVICES LP	Danske Bank, Estonia
25/08/2014	\$2,750,000.00	HILUX SERVICES LP	Danske Bank, Estonia
27/08/2014	\$1,500,000.00	HILUX SERVICES LP	Danske Bank, Estonia
27/08/2014	\$3,500,000.00	HILUX SERVICES LP	Danske Bank, Estonia
02/09/2014	\$2,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
19/12/2014	\$2,000,000.00	HILUX SERVICES LP	Danske Bank, Estonia
29/12/2014	\$3,200,000.00	HILUX SERVICES LP	Danske Bank, Estonia
TOTAL	\$65,385,250.00		

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State Oil Company of the Republic of Azerbaijan (SOCAR)
Azneft Production Association

11041-16 LOT 2	
<i>The subject of the procurement contract</i>	<i>Control devices and automation tools</i>
<i>Name of the counterpart</i>	<i>Luxborg LP</i>
<i>Contract Price</i>	<i>279 689.00 US Dollars (two hundred seventy nine thousand six hundred eighty nine 00 cents)</i>
<i>Effective date of the contract</i>	<i>September 30, 2016</i>
<i>Terms and conditions of supply of goods (Incoterms - 2010)</i>	<i>9 0 calendar days on condition of CIP Baku</i>
<i>Duration of works or services</i>	<i>-</i>

11041-16 LOT 1	
<i>The subject of the procurement contract</i>	<i>Regulatory valves</i>
<i>Name of the counterpart</i>	<i>Luxborg LP</i>
<i>Contract Price</i>	<i>66 950.00 USD (sixty-six thousand nine hundred and fifty) US \$ 00 cents)</i>
<i>Effective date of the contract</i>	<i>10 October 2016</i>
<i>Terms and conditions of supply of goods (Incoterms - 2010)</i>	<i>8 0 calendar days , provided CIP Baku</i>
<i>Duration of works or services</i>	<i>-</i>

11050-16 Lot 2	
<i>The subject of the procurement contract</i>	<i>Control t measuring devices and automation tools</i>
<i>Name of the counterpart</i>	<i>Luxborg LP</i>
<i>Contract Price</i>	<i>82 050,00 (eighty-two thousand fifty) US \$ 00 cents)</i>
<i>Effective date of the contract</i>	<i>06 October 2016</i>
<i>Terms and conditions of supply of goods (Incoterms - 2010)</i>	<i>75 calendar days under CIP Baku</i>
<i>Duration of works or services</i>	<i>-</i>

11034 -17	
<i>The subject of the procurement contract</i>	<i>Heat cable accessories</i>
<i>Name of the counterpart</i>	<i>" LUXBORG LP "</i>
<i>Contract Price</i>	<i>26 799.00 USD</i>
<i>Effective date of the contract</i>	<i>06 September 2017</i>
<i>Terms and conditions of supply of goods (Incoterms - 2010)</i>	<i>DAP Baku</i>
<i>Duration of works or services</i>	<i>45 days</i>

<i>The subject of the purchase contract</i>	<i>Sieve nets</i>
<i>Name of the counterpart</i>	<i>Luxborg LP</i>
<i>The value of the contract</i>	<i>43812.00 USD</i>
<i>Effective date of the contract</i>	<i>1 4 .0 4 .2016</i>
<i>Consolidation of Goods (Icotresm-2010) and timing</i>	<i>CIP Baku , 45 days</i>
<i>The period for the completion of work or service activities</i>	

These are screen grabs from the official Azerbaijani contracts award page showing Luxborg continuing to operate well after the Laundromat activity.

LUXBORG L.P.

Company number **SL011661**

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Date	Description	View / Download
03 Mar 2020	Place of business changed from 1/2 35 tait's lane, dundee, DD2 1DZ, scotland.	View PDF (2 pages)
13 Nov 2019	Confirmation statement made on 31 October 2019	View PDF (2 pages)
14 Nov 2018	Confirmation statement made on 31 October 2018	View PDF (2 pages)
20 Nov 2017	Confirmation statement made on 31 October 2017	View PDF (2 pages)
27 Oct 2017	1 general partner appointed. General partner appointed:HOOKSON projects L.P..	View PDF (3 pages)
25 Oct 2017	Notification of Hookson Projects L.P. as a person with significant control on 6 October 2017	View PDF (4 pages)
14 Dec 2015	Place of business changed from suite 178 montgomery street, edinburgh, EH7 5JA, scotland.	View PDF (2 pages)
05 Apr 2014	PRE14 document package	View PDF (4 pages)
31 Oct 2012	1 general partner(s) appointed,1 LIMITED partner(s) appointed and the contributed amount is 1000 gbp •	View PDF (4 pages)

Companies House page showing Luxborg is still an active Scottish Limited Partnership. Note the change of address on 3 March 2020.

HOOKSON PROJECTS L.P.

Company number **SL026752**

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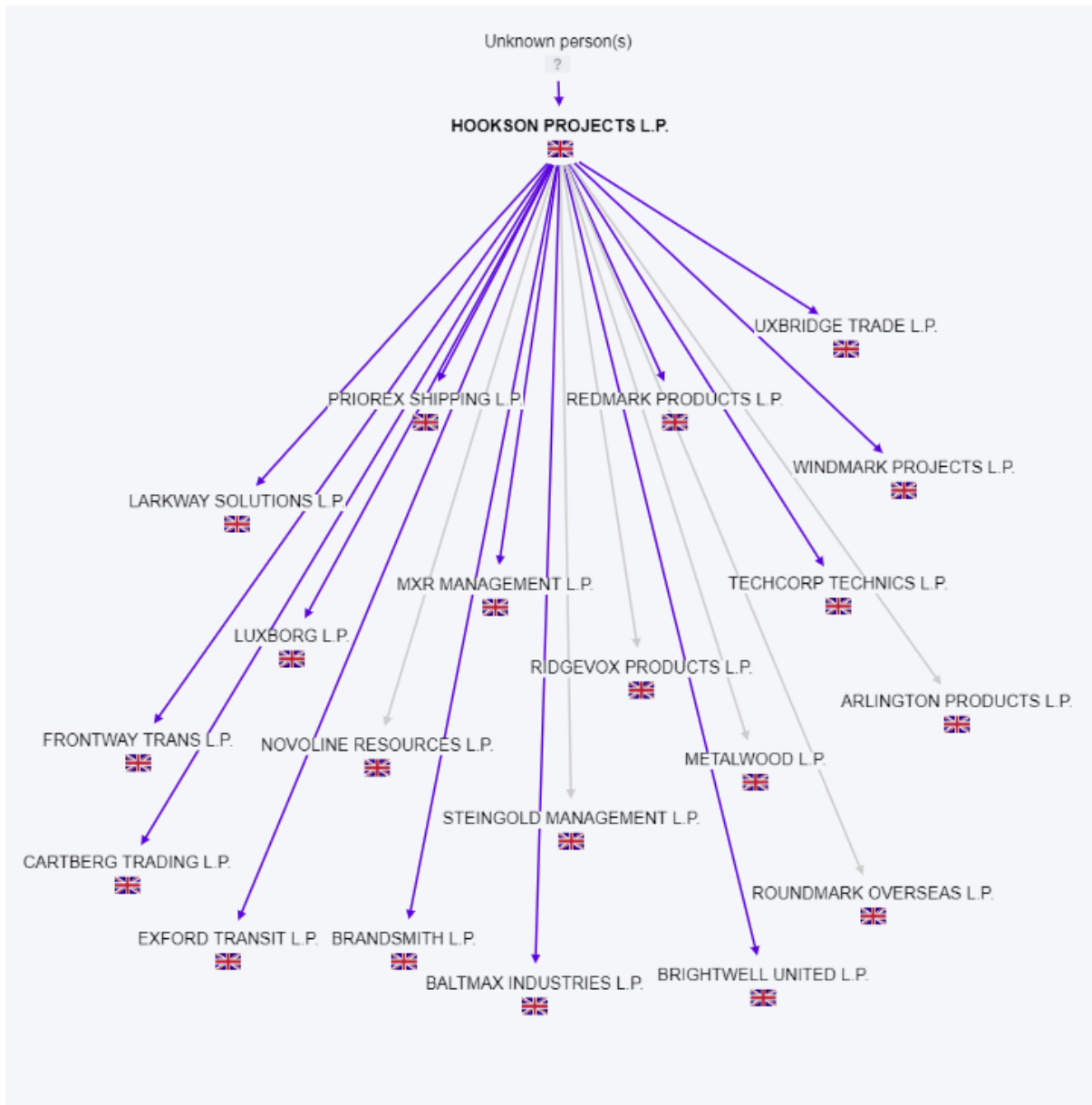
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- Incorporation
- Charges
- Officers

Date	Description	View / Download
03 Aug 2020	Confirmation statement made on 16 May 2020	View PDF (2 pages)
03 Mar 2020	Place of business changed from 1/2 35 talts lane, dundee, DD2 1DZ.	View PDF (2 pages)
16 May 2019	Confirmation statement made on 16 May 2019	View PDF (2 pages)
07 Jan 2019	Place of business changed from 71/b perth road, dundee, DD1 4HY.	View PDF (2 pages)
11 Jun 2018	Confirmation statement made on 15 May 2018	View PDF (2 pages)
09 Aug 2017	Notification of a person with significant control statement	View PDF (2 pages)
08 Aug 2017	1 general partner appointed. 1 general partner ceased to be general partner. General partner resigned:VECTOREX Inc.. General partner appointed:HILLMONT Inc..	View PDF (2 pages)
08 Aug 2017	1 general partner appointed. General partner appointed:CLIFFMOUNT properties LIMITED PARTNERSHIP.	View PDF (2 pages)
08 Aug 2017	1 general partner appointed. General partner appointed:RAINHOLD LTD.	View PDF (2 pages)
08 Aug 2017	1 general partner appointed. General partner appointed:CARGOEX.	View PDF (2 pages)
08 Aug 2017	1 general partner appointed. General partner appointed:LORDHOUSE development LP.	View PDF (2 pages)
19 Jul 2017	Place of business changed from office 1 145 kilmarnock road, glasgow, G41 3JA, scotland.	View PDF (2 pages)
16 May 2016	1 general partner appointed, 1 LIMITED partner appointed and the total amount contributed is 1000 gbp. General partner appointed:VECTOREX Inc. LIMITED partner appointed:GEOTRANS Inc. <ul style="list-style-type: none"> • Certificate of registration of a Limited Partnership 	View PDF (3 pages)

This is the Companies House page for Hookson Projects LP, the declared Person with Significant Control of Luxborg. Cliffmount Properties Limited Partnership, registered to an address in Alberta, is one of five General Partners, a total which obviates the need for Hookson to declare its own PSC.

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Hookson Projects is the named PSC for 20 entities in total, and for 14 of which it is still the active PSC.

Hookson is only one of dozens of Scottish Limited Partnerships, along with UK Limited Liability Partnerships and UK Limited Companies, which have utilised Canadian Limited Partnerships to obfuscate their ownership chain.

Overall there are probably hundreds of companies using this structure which, when taken together, are probably acting as PSCs to thousands of other UK companies.