



CONTEXT:

Corruption represents a significant economic burden worldwide, costing the world economy roughly 6% of its Gross Domestic Product, according to United Nations (UN) estimates. Transnational corruption, or cross-border corruption, is a growing and deeply entrenched phenomenon, forming a central part of the global corruption landscape, with the **bribery of foreign public officials (BFPO)** being a key component.

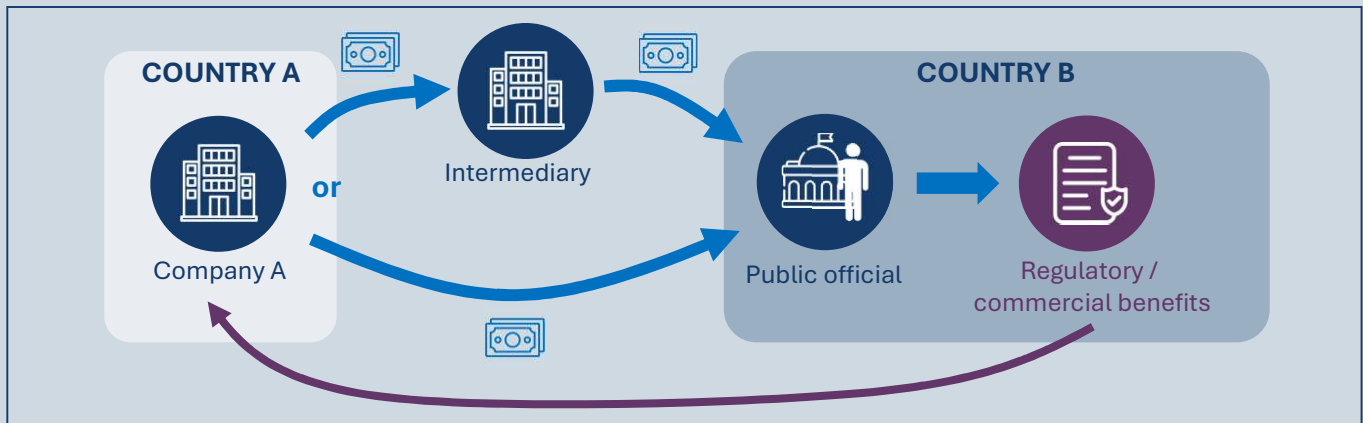
Since 2021, Luxembourg is a party to the OECD's **Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**, which provides the international reference framework in this area.

This paper is part of Luxembourg's efforts to raise awareness of this phenomenon by providing an outline and practical guidance to help reporting entities improve detection of such cases.

DEFINITION:

Under the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the offence of bribery of foreign public officials consists of intentionally offering, promising, or giving any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official — for that official or a third party — in order to induce the official to act or refrain from acting in relation to the performance of official duties, with a view to obtaining or retaining business or another improper advantage in the conduct of international business.

HOW DOES IT WORK?



Generally, a COMPANY A (incorporated in COUNTRY A) grants an **undue advantage** to a public official in COUNTRY B in exchange for **regulatory/commercial benefits** in COUNTRY B, often in connection with public procurement and other high-value governmental decisions.

The undue advantage may consist of monetary payments, inflated commissions or fees, or non-cash benefits, including luxury goods or services. In most cases, they are not directly provided to the public official but channeled through **intermediaries**, such as agents, consultants, subsidiaries or other corporate vehicles.

These intermediaries may be established in the same country as the foreign public official or in third jurisdictions, including offshore financial centers, and are used to **obscure the origin, purpose and final destination of the funds**.

BFPO schemes generally involve cross-border financial flows and are designed to reduce transparency and hinder detection.

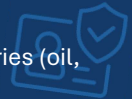
Luxembourg may become implicated at different stages of such schemes, either as the jurisdiction from which corrupt payments are initiated, as a financial system through which undue advantages are routed, or as a corporate platform for intermediaries involved in facilitating the transactions.



RISK INDICATORS

KYC RISK INDICATORS

- Transaction parties are foreign public officials, PEPs, their family members, or close associates, receiving or sending unusually large amounts of funds.
- Funds received into accounts or structures controlled by PEPs, family members or proxies (strawmen, nominees) without apparent commercial justification.
- Transactions originate from foreign jurisdictions with simplified company registration procedures.
- Transfers from PEP-controlled accounts to high-risk offshore structures such as trusts or shell companies.
- Inconsistencies between declared wealth and professional background, age, or skills.
- Unexplained and abrupt lifestyle upgrades by a PEPs or their associates immediately after leaving office.
- Financial flows revealing complex financial mechanisms and involving foreign legal entities or corporate structures.
- Recipient or beneficiary of a transaction linked to ongoing investigations or flagged in open-source information as linked to corruption issues.
- Recipient or beneficiary of a transaction is located in a high-risk jurisdiction for corruption.
- Company is active in a sector considered high risk for bribery of foreign public officials (e.g. extractive industries (oil, gas, mining, etc.), telecommunications, defense and military equipment).



TRANSACTIONAL RISK INDICATORS

- Payments made to foreign PEPs or foreign public officials.
- Payments or transfers routed through intermediaries, shell companies, or other corporate vehicles without a clear commercial justification.
- Payments routed through legal structures or accounts where the beneficial owner is obscured (e.g. offshore companies, trusts).
- Consultancy fees, advisory services, commissions, etc. disproportionate to the actual services provided.
- Account openings using unnecessarily complex structures linked to PEPs or foreign public officials.
- Urgent requests for time-sensitive transactions.
- Explanations for payments using euphemisms for bribes (e.g., “commission”, “marketing fees”, “surcharge”).



DISTORTIONS IN TENDERS / PURCHASING

- Services provided to state-owned companies or public institutions by shell companies or companies registered in jurisdictions with simplified company registration requirements.
- Subcontractors/intermediaries added to business deals once a contract has already been agreed, without a clear or legitimate reason.
- Subcontractors have common director(s) and/or are related with the management of the contractor.
- Procurement projects which are funded through loan agreements but where the tender price put out is significantly higher than the loan amount requested.
- Legal entities with little or limited experience receiving highly complex and technical government projects that are not related to their field of business.



NOTE:

If you file a report via goAML related to the matters outlined in this document, we kindly request that you **include the hashtag #UN-2026-001** in the reason for suspicion. This will support our assessment of the product effectiveness and facilitate the monitoring of this phenomenon. You may also provide us with your feedback or comments regarding this document by e-mail at the following address: crf@justice.etat.lu.