

Checklist for

Identifying Shell Company Misuse for Ensuring Robust AML/CFT Compliance



Introduction

A Shell Company is an entity existing primarily on paper with no significant operations, is a dual-use tool. In legitimate commerce, it can function as a holding company or facilitate tax planning. In the hands of a criminal, it becomes a primary weapon for financial crime. Their purpose is to create deliberate obscurity, severing the link between illicit proceeds and the ultimate beneficial owner (UBO). The National Risk Assessment (NRA) notes that criminals establish Shell Companies specifically to conceal illicit funds and obscure beneficial ownership.

Designated Non-Financial Businesses and Professions (DNFBPs) are critical gatekeepers in this context. Lawyers, Accountants, and Trust and Corporate Service Providers (TCSPs) are particularly vulnerable, as their services can be used to create the very structures that enable this misuse.

This definitive checklist provides the methodology for identification. It is a practical framework for DNFBPs to detect, assess, and mitigate the specific risks associated with Shell Company misuse, aligning internal controls with national risk findings.

This checklist provides a definitive, action-oriented methodology for identifying and mitigating the high-risk vulnerabilities associated with Shell Company misuse, aligning the DNFBP's controls with national legal and regulatory obligations.

Applicability

- Financial Institutions
- Virtual Assets Service Providers (VASPs)
- Designated Non-Financial Businesses and Professions (DNFBPs):
 - Trust and Corporate Service Providers (TCSPs)
 - Lawyers and Notaries
 - Accountants
 - Real Estate Agents
 - Dealers in Precious Metals and Stones (DPMS).

How to Use This Checklist

Effective identification is a shared responsibility. This checklist is a solution-oriented tool designed for specific roles within the DNFBP's governance structure:

- **Frontline Teams** utilize this checklist during onboarding to identify initial red flags related to complex structures or jurisdictional risk.
- **AML Compliance Officers/ MLROs** apply these indicators during Client Risk Assessment and periodic reviews, using "Yes" answers as a basis for risk scoring and Enhanced Due Diligence (EDD) and integrate these findings into the rationale for escalating investigations and filing Suspicious Transaction Reports (STRs).
- **Transaction Monitoring Teams** correlate transactional behavior (e.g., rapid fund flows) with the structural red flags identified here.

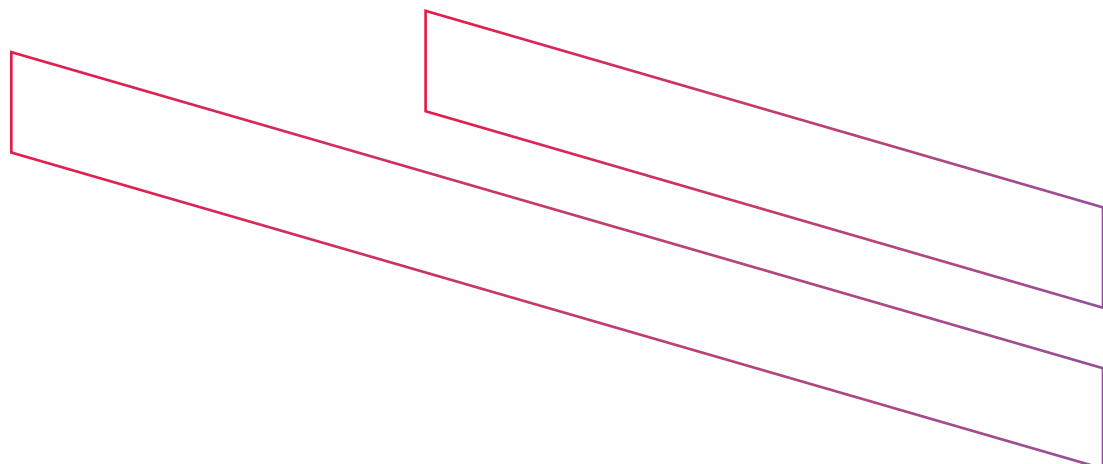
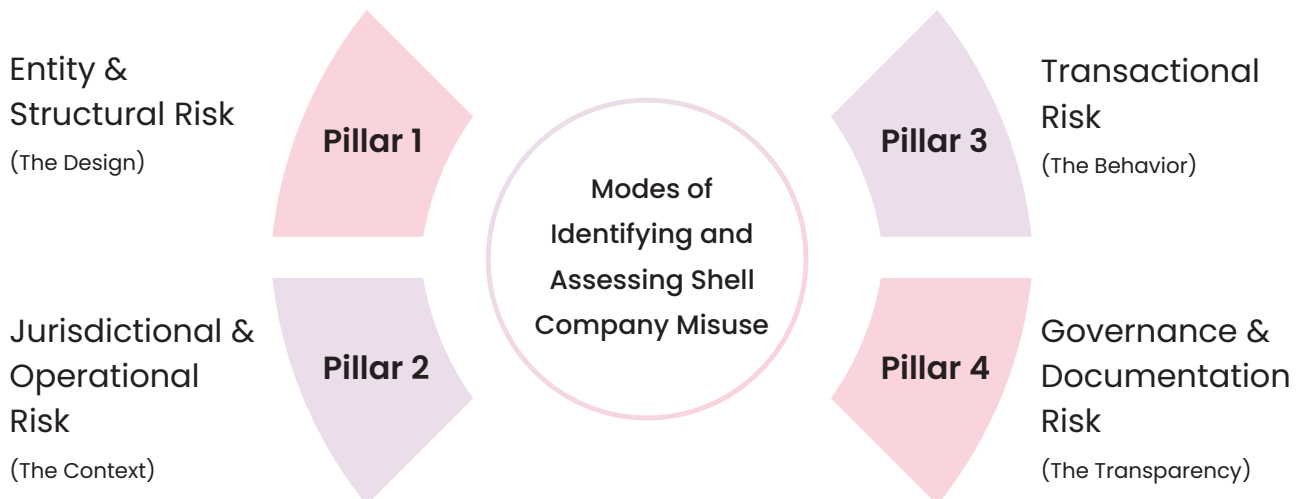
Your staff are the first line of defense against Shell Company misuse.

We deliver expert training on identifying structural red flags and UBO deception.

[Book Your AML Training Session](#)

Shell Company Red Flag Checklist

A "Yes" answer to any of the following questions indicates a potential risk factor that requires further investigation, documentation, and possible escalation, enabling the identification of shell-company misuse.



Pillar 1: Entity & Structural Risk (The Design)

This pillar identifies and assesses the company's design, focusing on indicators of deliberate anonymity and opacity, enabling the identification of Shell Company misuse.

	Yes	No
— Complex Ownership: Is the corporate structure unnecessarily complex, involving multiple layers of legal persons or arrangements (e.g., Trusts) with no clear economic purpose?	<input type="checkbox"/>	<input type="checkbox"/>
— Nominee Appointments: Are nominee shareholders or directors, who have no independent role or connection to the business, listed as the controlling parties?	<input type="checkbox"/>	<input type="checkbox"/>
— Shared Address: Does the company's registered address function as a "mass registration" address shared with hundreds or thousands of other unrelated companies (a common "letterbox" sign)?	<input type="checkbox"/>	<input type="checkbox"/>
— Bearer Shares: Does the company utilise bearer shares or bearer share warrants, which are explicitly prohibited?	<input type="checkbox"/>	<input type="checkbox"/>
— Aged "Shelf" Company: Is the company a pre-registered, "aged" or "shelf" company that has been dormant for a long period before its recent acquisition by the client?	<input type="checkbox"/>	<input type="checkbox"/>

Pillar 2: Jurisdictional & Operational Risk (The Context)

This pillar identifies and assesses the company's context, focusing on geographic risk and the lack of a legitimate business footprint, enabling the identification of Shell Company misuse.

	Yes	No
<p>— High Risk Jurisdiction: Is the company, or its UBO, registered in or operationally linked to a high-risk jurisdiction known for secrecy, weak AML/CFT controls, or identified by FATF?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— No Physical Presence: Does the company lack a physical presence, such as a verifiable office, factory, or retail space, and have few or no verifiable employees?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— Generic Business Purpose: Is the stated business purpose overly vague (e.g., "international trade," "consulting," or "investment holdings") and disconnected from the client's known profile?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— Anonymity/Non-Face-to-Face: Was the company established through third-party introducers or intermediaries from high-risk jurisdictions, or through non-face-to-face channels, without robust verification?</p>	<input type="checkbox"/>	<input type="checkbox"/>

Your clients define your business risk.

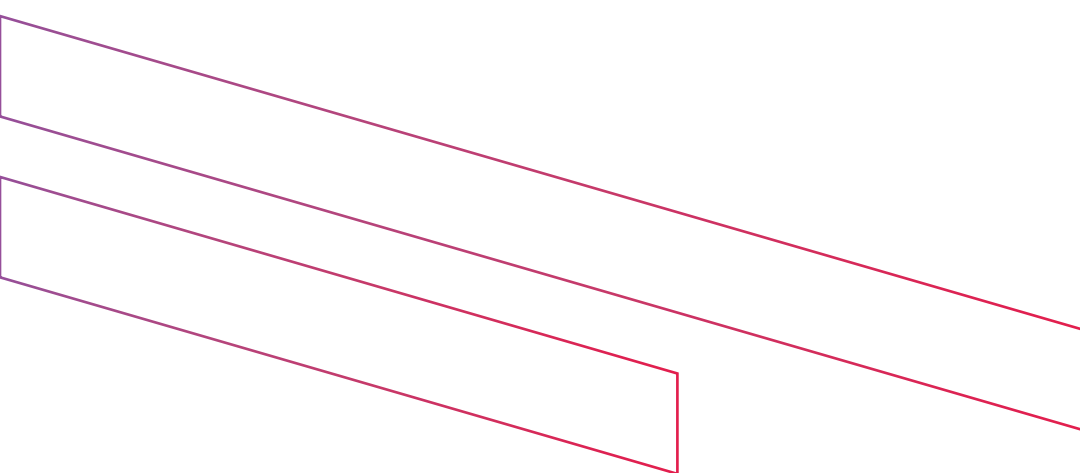
We identify your specific vulnerabilities to Shell Company misuse.

[Request Your Business Risk Assessment](#)

Pillar 3: Transactional Risk (The Behavior)

This pillar identifies and assesses the company's behaviour, focusing on financial flows that lack economic rationale, enabling the identification of Shell Company misuse.

	Yes	No
<p>— Lack of Economic Rationale: Are the transactions unexplained, unnecessarily complex, or lacking an apparent economic or commercial purpose?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— Inconsistent Activity: Are the company's transactions (in value, volume, or type) inconsistent with its stated business profile (e.g., a "consulting" firm moving millions in high-volume, pass-through payments)?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— Rapid Fund Movement: Do transactions show a pattern of rapid movement, where funds are received and almost immediately transferred out ("layering"), especially to or from offshore entities?</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>— Unrelated Third Parties: Are payments frequently made to or received from third parties who have no clear connection to the company's stated business?</p>	<input type="checkbox"/>	<input type="checkbox"/>



Pillar 4: Governance & Documentation Risk (The Transparency)

This pillar identifies and assesses the client's transparency and the quality of the information provided, enabling the identification of shell-company misuse.

	Yes	No
— UBO Evasion: Is the client reluctant to provide, or unable to explain, the identity and source of wealth of the Ultimate Beneficial Owner?	<input type="radio"/>	<input type="radio"/>
— Incomplete Documentation: Does the client fail to provide standard business documents (e.g., utility bills, supplier invoices, tax filings) that would verify a legitimate operational footprint?	<input type="radio"/>	<input type="radio"/>
— Adverse Media: Is the company, its UBO, or its directors linked to adverse media, sanctions lists, or other intelligence reports indicating involvement in financial crime?	<input type="radio"/>	<input type="radio"/>
— Refusal/Suspicion: Does the client refuse to provide CDD documentation or provide documents that appear false, misleading, fraudulent or forged?	<input type="radio"/>	<input type="radio"/>

Complex clients require a deeper level of scrutiny.

Our experts conduct robust EDD and UBO verification on high-risk files.

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Understanding the RACI Matrix

The RACI matrix is a governance tool. Its purpose in this context is to bridge the operational gaps between different departments and ensure a seamless, auditable process for identifying and acting upon Shell Company risks.

Identifying misuse of shell companies is not a single department's task. A red flag identified by **Frontline Staff** (Responsible) during onboarding must be investigated by the **AML Compliance Officer** (Responsible), who may need to work with **Transaction Monitoring** (Consulted) to review the client's activity. The **AML Compliance Officer** remains **Accountable** for the final decision to file an STR.

This matrix prevents accountability gaps, improves follow-through, and provides clear documentation of roles for regulatory reviews.

A checklist is not a compliance department.

We build the in-house governance, roles, and controls to manage complex risks.

Setup Your In-house AML Department

RACI Chart: Shell Company Risk Identification and Management

This matrix clarifies the roles for identifying, investigating, and escalating shell red flags across the defined departmental structure.

Legend: R = Responsible | A = Accountable | C = Consulted | I = Informed

Activity	Frontline Staff	Compliance Team	AML Compliance Officer	Senior Management
Flag new clients with structural red flags (Initial KYC/CDD)	R	C	I	I
Conduct EDD on complex/opaque structures	C	R	C	I
Monitor high risk entity transactional behavior	C	R	C	I
Investigate & Escalate potential STRs (Suspicion confirmed)	I	C	R	A
Approve/Reject high risk client relationship (Final Decision)	I	C	R	A

Turn your operational plan into official, auditable policy.

We document your internal controls, procedures, and governance frameworks.

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How Does the RACI Framework Help?

- Clarifies who is doing what at each stage of Shell Company risk detection.
- Prevents accountability gaps and improves follow-through.
- Enables better documentation and role clarity during regulatory reviews.
- Supports integration of shell red flags into broader AML frameworks.

Key Action Items & Best Practises

The following actions and best practices represent the definitive implementation of a risk-based approach. These are the practical steps that a DNFBP must take to demonstrate to Supervisory Authorities that its identification processes are effective.

- **Document Economic Rationale:** DNFBPs must document the client's stated economic purpose for any complex structure. A lack of a clear, plausible rationale is one of the most significant red flags.
- **Trust but Verify:** Always verify UBO information using reliable, independent source documents. Do not rely solely on client self-declarations, especially when Shell Company indicators are present.
- **Train for the Typology:** Frontline staff must be trained on these specific red flags. They are the first to see the client's documentation and behaviour, and their training must cover this specific typology.
- **Report Suspicions:** A DNFBP must file an STR "without delay" if it has reasonable grounds to suspect a transaction or the funds are related to a crime, even if the transaction is not completed.

Your risk profile is not static; it evolves with every new client.

We help with Enterprise-Wide Risk Assessment.

[Reach for EWRA Services](#)

About AML UAE

AML UAE is an Anti-Money Laundering (AML) consulting firm with decades of experience supporting businesses across the UAE.

We have expertise in providing various AML services to DNFBPs, such as Lawyers, Real Estate Agents, Accountants and Auditors, Dealers in Precious Metals and Stones, and Company Service Providers. We also provide AML consultancy services to Virtual Asset Service Providers.

We are equipped to help you register on the goAML portal. We conduct Enterprise-Wide Risk Assessments and align your AML/CFT policies and procedures in line with them. We design customised forms and templates for carrying out KYC, Customer Risk Assessment, and Enhanced Due Diligence for your customers. We help you prepare and submit reports like SAR, STR, CNMR, PNMR, HRC, HRCA, DPMSR, etc. We ensure that your employees are well-trained from an AML perspective.

Not just this, we assist regulated entities with decoding the Remedial Action Plan and effectively implementing the authority's recommendations around the AML program.

AML UAE is your go-to partner for handling all your compliance-related requirements.

Once we enter the picture, AML compliance is ensured. With that, you can continue to be a highly reputed business, actively striving to counter Money Laundering, Terrorist Financing, and Proliferation Financing.

Our Team



Pathik Shah

Founder



CAMS, FCA, CISA, CS, DISA (ICAI), FAFP (ICAI)

Pathik is a Chartered Accountant with proven experience in governance, risk, and compliance. He helps companies with end-to-end AML compliance services, from conducting Enterprise-Wide Risk Assessments to implementing robust AML compliance frameworks. He has played a pivotal role as a functional expert in developing and implementing RegTech solutions for streamlined compliance.



Jyoti Maheshwari

Partner



CAMS, ACA

Jyoti is a Chartered Accountant and Certified Anti-Money Laundering Specialist (CAMS), with extensive hands-on experience in regulatory compliance, legal advisory, policy-making, tax consultation, and technology project implementation. Jyoti holds experience with Anti-Money Laundering regulations prevalent across various countries. She helps companies with risk assessment, designing and deploying adequate mitigation measures, and implementing the best international practices to combat money laundering and other financial crimes.

Our Team



Dipali Vora

Partner



CAMS, ACS

Dipali is an Associate member of ICSI and a Certified Anti-Money Laundering Specialist (CAMS). She has a strong background in the compliance domain, including Anti-Money Laundering, due diligence, secretarial audit, and managing scrutiniser functions. She currently assists clients by advising and helping them navigate through all the legal and regulatory challenges of Anti-Money Laundering Law. She helps companies to develop, implement, and maintain effective AML/CFT and sanctions programs.



Purva Buch

Senior Consultant



CAMS, LLB

Purva is a Certified Anti-Money Laundering Specialist (CAMS) and a Lawyer. She has substantial knowledge of Anti-Money Laundering Laws, Rules, Regulations, and AML Compliance Processes. Purva has been instrumental in drafting RegTech processes, corporate policymaking, and fulfilling various legal research and drafting requirements arising from AML laws and regulatory technology.

Service Matrix

Service	Common Drivers							Value Proposition
	Ensure legal compliance	Save time and costs	Need expert support	Automate compliance processes	Implement best practices	Crisis management	Change AML/CFT consultant	
goAML Registration	✓		✓					Streamlines the process of registering with the UAE FIU goAML portal. Ensures compliance and reduces administrative burden.
Enterprise-Wide Risk Assessment	✓	✓	✓		✓		✓	Identifies risk factors, gross risk, controls deployed and their effectiveness, residual risk, and need for additional controls.
AML/CFT Policy Drafting	✓	✓	✓		✓		✓	Provides tailored AML/CFT policy frameworks that are up-to-date with current laws, enhancing regulatory compliance.
In-house Compliance Department Set-up	✓		✓		✓		✓	Establishes a robust internal compliance structure, helps recruit the right resources and ensures ongoing compliance efficiency.
KYC Managed Services	✓	✓	✓		✓	✓		Outsourced KYC processes that speed up customer onboarding and maintain high compliance standards.
Ongoing AML/CFT Consulting	✓	✓	✓	✓	✓	✓	✓	Continuous expert advice tailored to address specific challenges, enhancing overall compliance strategies.
AML/CFT Health Check	✓		✓		✓	✓	✓	Conducts comprehensive reviews and assessments to pinpoint vulnerabilities and recommend improvements.
AML Training	✓	✓	✓		✓		✓	Offers comprehensive training programs that enhance the compliance skills of employees at all levels.
AML Software Selection	✓	✓	✓	✓	✓			Helps choose the best AML software that fits the company's needs, improving efficiency and cost-effectiveness.
Screening Software Validation	✓		✓	✓	✓			Tests and validates screening tools to ensure they meet regulatory requirements and operational needs.
Regulatory Reporting	✓	✓	✓		✓		✓	Streamlines the process of creating and submitting SAR, STR, PNMR, CNMR, DPMSR, REAR, HRC, and HRCA reports accurately and on time.

AMLVerse

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