

Foreign bribery red flags

This quick reference guide summarises key red flags (also known as indicators) associated with foreign bribery. The red flags are organised into categories to help recognise and assess elevated bribery and corruption risks across different contexts and activities.

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Any organisation, in any sector, that engages in international business transactions can use this guide to identify potential foreign bribery risks, inform risk assessments, strengthen due diligence processes, and support the timely escalation of suspicious activity for further review.

It is also relevant to those who provide professional services to such organisations and have legal obligations to report suspicious transactions or activity. Many of the red flags featured in this guide may also indicate potential money laundering or other financial crime risks.

Foreign bribery is a serious and harmful crime that can be difficult to detect. The Serious Fraud Office welcomes information about suspected foreign bribery involving public officials or private organisations.

If you see something, report it. If you are unsure, report it anyway.

- Visit sfo.govt.nz/report/report-foreign-bribery



Foreign bribery red flags by category

The following red flags are organised into categories to help identify and assess potential foreign bribery risks. Red flags should be considered collectively rather than in isolation. The presence of a single red flag, or even a combination of red flags, does not necessarily or automatically indicate foreign bribery. However, multiple red flags, particularly across different categories, may suggest an elevated risk and warrant enhanced due diligence, further enquiries or escalation for review.

The red flags in this guide are not exhaustive and should be used alongside professional judgement and organisational risk assessments. The red flags have been grouped into categories for ease of reference. Some red flags may apply across multiple categories and should be considered in the broader context of the business activity in question.

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Operational red flags

These operational red flags may indicate an elevated risk that a business is attempting to conceal its true ownership, activities or sources of revenue. They may also indicate an increased exposure to undue influence, particularly in higher-risk jurisdictions where interactions with public officials can create opportunities for improper conduct.

- ▶ Provides or uses multiple email addresses across different domains or platforms.
- ▶ Regularly establishes new companies that are short-lived or quickly dissolved.
- ▶ Operates through or is linked to shell companies.
- ▶ Registers charities with names similar to associated commercial entities.
- ▶ Regularly changes industries or business sectors without clear rationale.
- ▶ Business activities are inconsistent with the known occupations or experience of officeholders.



- ▶ Is engaged in, or pursuing, foreign government contracts.
- ▶ Requires foreign government approvals, permits or licences to operate.
- ▶ Uses third-party agents, intermediaries or consultants.
- ▶ Experiences rapid or unexplained business growth in high-risk countries.
- ▶ A sudden increase in business success in high-risk countries.

Shell companies

A company that legally exists but has no active business operations, employees or significant assets, essentially being a “shell” with little substance. While shell companies have legitimate uses, such as holding assets, protecting intellectual property, or facilitating corporate transactions for startups, they are also frequently associated with illegal activities like money laundering, tax evasion and hiding beneficial ownership due to their ability to obscure financial dealings.

Financial red flags

These financial red flags may indicate an elevated risk that funds are being used to conceal the true purpose, source or destination of financial transactions. They may also indicate an increased exposure to foreign bribery or the improper transfer of benefits to public officials.

- ▶ Makes large or unexplained payments to overseas third parties, intermediaries or consultants without clear justification.
- ▶ Transfers funds to offshore accounts or entities, including to known or suspected shell companies.
- ▶ Transfers funds to personal accounts of public officials, or to persons or entities associated with a public official, including family members.
- ▶ Pays inflated amounts or accepts invoices that appear excessive relative to the services provided.



- ▶ Engages in cash transactions or requests settlements in cash without legitimate business rationale.
- ▶ Transacts in cryptocurrency assets, particularly where the source of funds is unclear.
- ▶ Transactions are supported by incomplete, vague or missing documentation.
- ▶ Payments are described in generic terms (for example, “consulting”, “support” or “facilitation”), with no evidence of deliverables or services rendered.
- ▶ Provides explanations for funds transfers that are inconsistent, implausible or contradictory.
- ▶ Demonstrates patterns of financial activity that are difficult to reconcile with stated business purpose.
- ▶ An overseas public official exhibits significant gambling activity with spending increasing markedly over time and not aligned with known sources.

Internal processes red flags

Effective governance, procurement and oversight processes are critical to preventing foreign bribery and corruption. The following red flags may indicate weaknesses in procurement practices, third-party due diligence, controls around gifts and hospitality, or the management and oversight of interactions with public officials that could be exploited for improper influence or corrupt conduct.

- ▶ Foreign contracts are awarded without a transparent or competitive procurement or bidding process.
- ▶ Contracts are granted to entities that lack the apparent demonstrated capability, experience or capacity to deliver the contract.
- ▶ Foreign agents or consultants are engaged without appropriate due diligence or vetting procedures.
- ▶ Excessive or frequent gifts, travel or hospitality are given to public officials.



- ▶ Has frequent or unmonitored interactions with government officials that are inadequately documented.
- ▶ Engagement with public officials occurs outside formal or monitored channels.

Politically exposed person

Also known as a “PEP”: a person who holds or has held a prominent public position, as well as their close family members and close associates. A PEP may be subject to enhanced scrutiny because their position or relationship could increase exposure to bribery, corruption or misuse of public funds.

Relationships and associations red flags

Relationships and associations can provide opportunities to exert influence, create conflicts of interest or obscure the basis on which decisions are made. Be aware of connections involving public officials, high-risk intermediaries, sanctions exposure, unexplained wealth, or networks that may facilitate inappropriate influence over commercial or government decision making.

- ▶ Employs or contracts individuals who are current or former public officials within countries of operation.
- ▶ Is a public official, or is closely associated with one, whose known wealth appears disproportionate to their official income.
- ▶ Engages in lobbying activities aimed at influencing foreign government legislation or regulatory outcomes.
- ▶ Is linked to professions or service providers commonly associated with enabling financial crime.
- ▶ Is a public official, or is connected to a public official, with associations to entities operating in high-risk industries.
- ▶ Maintains links to individuals or entities on sanctions, debarments or prohibited parties lists.



- ▶ Is connected to bespoke or project-specific charitable organisations with unclear purpose or funding sources.
- ▶ Maintains links with companies operating across a wide and unrelated range of industries.
- ▶ Has links to a public official in a high-risk country whose dependents are educated at offshore private institutions, potentially indicating access to unexplained wealth.
- ▶ Maintains regular interactions with public officials that are informal, undocumented or not subject to appropriate oversight.
- ▶ Patterns of behaviour or associations suggest potential access to unexplained wealth or inappropriate influence over public decision making.

Behavioural red flags

These behavioural red flags may indicate increased exposure to foreign bribery and corruption risks. They may highlight unusual payment requests, excessive secrecy, reluctance to provide transaction information, attempts to involve unexplained third parties, or other conduct that undermines transparency and warrants enhanced scrutiny.

- ▶ Business partners or agents are unwilling or unable to provide adequate details regarding transactions.
- ▶ Requests that payments are made through third parties or to accounts not obviously connected to the contracting entity.
- ▶ Requests an unusually high level of secrecy in relations to specific contracts, financial records or transactions.
- ▶ A high level of discretion requested around a particular contract.
- ▶ A foreign official requests additional or irregular payments outside agreed contractual terms.
- ▶ A third-party agent or consultant requests additional fees without clear justification or supporting documentation.
- ▶ Has a criminal history or is subject to adverse media or reporting, including in relation to allegations of foreign bribery or corruption.



Reputational red flags

These reputational red flags may indicate an elevated risk that an individual or business has been involved in, or is associated with, improper or unlawful conduct. They may indicate a history of non-compliance, unethical behaviour, or links to entities subject to regulatory action, sanctions, or debarment that may require closer scrutiny.

- ▶ Has a criminal history or is the subject of adverse regulatory findings related to foreign bribery or corruption.
- ▶ Is subject of adverse media or reporting, including in relation to allegations of foreign bribery or corruption.
- ▶ Is listed, or associated with entities that are listed, on sanctions, debarment or prohibited parties list.

Identity and transparency red flags

These identity and transparency red flags may signal increased risk where the identity of an individual or the ownership or control of a business cannot be readily established.

- ▶ Uses aliases or multiple names without a clear explanation.
- ▶ Provides inconsistent identity information.
- ▶ Demonstrates a reluctance to provide ownership information.
- ▶ Limited or no verifiable open-source information about the company.
- ▶ Complex ownership, trust or charitable structures are used in a manner that may obscure beneficial ownership or the source of funds.

High-risk countries

When assessing country risk, a useful starting point is Transparency International's Corruption Perceptions Index. The CPI ranks countries according to perceived levels of public sector corruption. While it is not a measure of corruption in the country, it is indicative of foreign bribery risks.

- ▶ See the Corruption Perceptions Index: transparency.org/en/cpi



Country red flags

These country-related red flags may reveal links to high-risk jurisdictions, foreign public officials, secrecy or tax haven jurisdictions, unusual international business arrangements, or commercial activities that warrant enhanced scrutiny and due diligence.

- ▶ Has links to a country with a Corruption Perceptions Index score below 40.
- ▶ Has connections to a country with a Corporate Tax Haven Index score above 70.
- ▶ Has connections to a country with a Financial Secrecy Index score above 75.
- ▶ Is associated with jurisdictions offering citizenship or residency by investment schemes (golden passport/golden visa).
- ▶ Has links with a public official connected to a foreign commercial entity.
- ▶ Has links with a public official who owns real estate in a foreign country.
- ▶ Holds multiple passports (three or more) across different jurisdictions.
- ▶ Is incorporated in a jurisdiction which appears disconnected from genuine business activities.
- ▶ Engages in high-value financial flows involving a wide range of international third parties, including individuals, corporates and shell entities, particularly in high-risk countries.
- ▶ Open-source information suggests the New Zealand entity has been awarded contracts in preference to local competitors without clear justification.
- ▶ Operates predominantly in jurisdictions characterised as net exporters, potentially increasing exposure to cross-border trade risks.



Assets and ownership red flags

These asset and ownership-related red flags may signal heightened foreign bribery, corruption or financial crime risk. They include indicators of unexplained wealth, disproportionate asset ownership, complex ownership structures, limited beneficial ownership transparency, offshore asset holdings, and asset acquisition or management arrangements that lack a clear commercial, personal or legitimate purpose.

- ▶ Holds property through trust structures, potentially obscuring beneficial ownership.
- ▶ Owns businesses that are inconsistent with their known occupation, experience or income profile.
- ▶ Owns multiple properties with no or low mortgage exposure or unusually rapid repayment structures.
- ▶ Owns, buys or stores high-value assets in a foreign country.
- ▶ Holds cryptocurrency assets where the source of funds is unclear.
- ▶ Maintains a property portfolio that appears disproportionate to known personal income.
- ▶ Maintains a high-value property portfolio that is inconsistent with the size, revenue or activity of the associated business.
- ▶ Purchases assets from government entities at prices below market value.
- ▶ Has minimal assets in their own name while immediate family members hold significant wealth or assets.
- ▶ Owns or controls assets through complex corporate or multilayered ownership structures.
- ▶ Holds shareholdings via multiple layers of corporate entities, obscuring ultimate beneficial ownership.
- ▶ Transfers or manages property through trusts in a manner that may reduce transparency of ownership.
- ▶ Owns real estate or significant assets in foreign jurisdictions without clear connection or justification.
- ▶ Is associated with a bespoke or project-specific charitable entity that acquires property without a clear charitable purpose or funding transparency.

Acknowledgement

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The Serious Fraud Office Te Tari Hara Tāware is the lead law enforcement agency for investigating and prosecuting serious or complex fraud, including bribery and corruption. It works to strengthen the public sector's resilience to fraud and corruption through its Counter Fraud Centre Tauārai Hara Tāware.

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