

# VIRTUAL ADDRESSES

## And Their Impact on Money Laundering Risk



The use of a virtual address in combination with nominee directors or beneficial owners significantly increases the money laundering risk of financial institutions.

We studied the addresses of almost 50,000 merchants requesting credit card acceptance. Our study shows how prevalent virtual addresses are on a global scale.

170

Countries

47,759

Merchants

53,461

Addresses

Study Period: 01/01/2018 - 03/06/2018

Seven steps were taken to determine if an address was virtual (\*)

\* Given that the exact process is considered a trade secret, only a rough description is given:



### COUNTRY RISK

We took into account whether a jurisdiction is a conduit for offshore financial centres.



### VICINITY ANALYSIS

Are there known virtual addresses in the vicinity of the address in question?



### IDENTIFIED ONLINE FRAUD INDICATORS

Have there been any online fraud or scam warnings for the researched address?



### IDENTIFIED or ADVERTISED HIGH-RISK BUSINESS

Does the company advertise products or services connected to any of 42 high-risk business areas?



### NUMBER OF REGISTERED ENTITIES

Is the number of registered entities at a specific address suspiciously high?



### IDENTIFIED ONLINE CUSTOMER COMPLAINTS

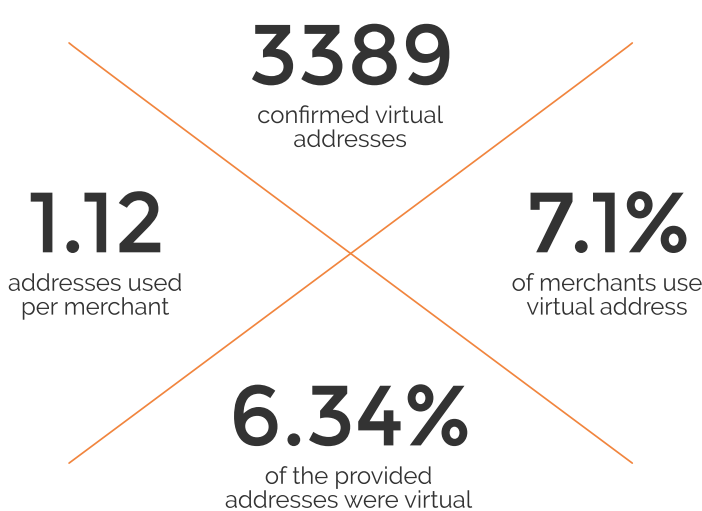
Are there online customer complaints for the researched address?



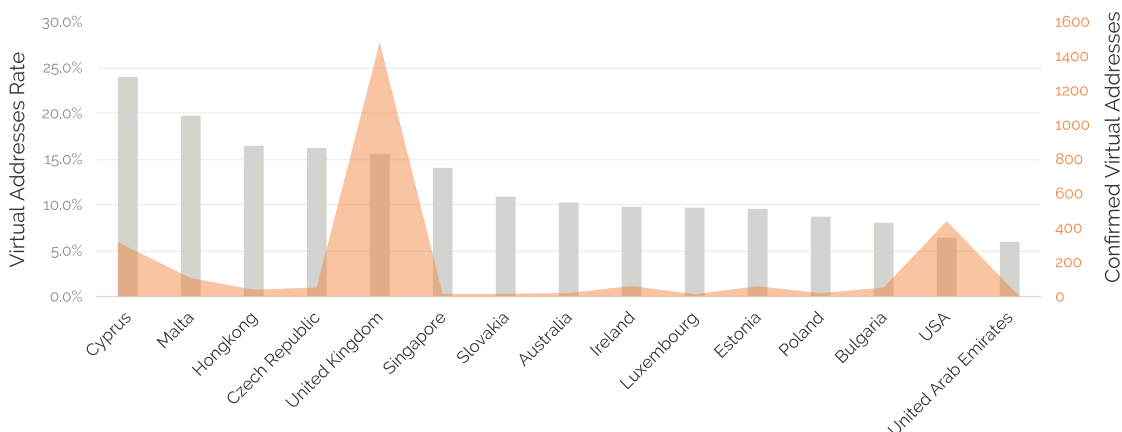
### OFFSHORE LEAKS DATABASES

Can the address in question be found in any leaks database?

## STUDY RESULTS



### The countries\* with the highest rate of virtual addresses



\* Only Countries with more than 100 surveyed addresses were taken into account.

## SUMMARY

Visa's Merchant Location Rules and Compliance Program requires merchants to have a physical location as opposed to a virtual one.

However our study illustrates that the use of virtual addresses is a global phenomenon and presents significant anti-money laundering challenges.



AddressReveal uses this study's methods to automatically identify virtual addresses:  
[addressreveal.com](http://addressreveal.com)

TRY IT OUT!