COUNTERING MONEY LAUNDERING

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Illicit assets recovery: complex issue with complex measures

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Abstract

Illicit asset recovery is the key to the global fight against corruption, given the staggering amount of siphoned-off wealth to corrupt practices (estimated in the trillions of US dollars). The study here examines the complex process and procedure of tracing and recovering assets gained illegally, on the basis of international judicial mechanisms and best practices. By taking on a systematic qualitative approach, the research compares relevant international treaties such as the United Nations Convention against Corruption (UNCAC, 2003, October 31) in particular, alongside domestic legislation and expert reports in an effort to identify how looted property is obscured and how it is recovered. The paper reports a range of methods of transferring and concealing assets unlawfully to overseas locations, such as offshore banking, shell companies, investment in overseas real estate, cryptocurrency, and trade-based-money laundering. The paper concludes that effective asset recovery relies upon effective detection mechanisms (e.g. financial intelligence units using “red flag” triggers) and effective mechanisms for cooperation across borders. Informal arrangements (e.g. the Egmont Group of Financial Intelligence Units and Asset Recovery Inter-Agency Networks) are no less critical than formal mutual legal assistance treaties in tracing, freezing, confiscating, and repatriating assets. High-profile cases (like Malaysia's 1MDB or Brazil's “Car Wash” scandals) show that collaborative legal and diplomatic effort has the power to reclaim billions in stolen assets. Overall, asset-recovery of ill-obtained assets is a complex undertaking that requires collaborative global effort, greater transparency (such as registers of beneficial ownership), and continued strengthening of anti-corruption frameworks. Policy advice is that governments need to make legal assets-recovery instruments stronger and get involved in active international cooperation, and further research is also needed in the form of refining asset-tracing techniques and cooperation mechanisms.

Keywords: illicit asset recovery, international cooperation, asset tracing, anti-corruption, money laundering

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1. Introduction

According to estimates, today's losses of the world to corruption amount to nearly three trillion USD [1]. To better understand the size of the number, let us suppose that nearly 365 USD is stolen from every living individual on the face of the earth. Of course, the losses incurred through corruption are not equally borne by the people, but the example brings into perspective the gigantic size of the problem. On that score, the recovery of the ill-earned sums for the people they rightfully belong to amounts to the triumph of justice and the ultimate affirmation of the rule of law. On that basis, this underscores the utmost importance of standing up to combat corruption.

The fight against corruption and the return of criminal assets is of fundamental relevance but also of significant difficulty. Asset recovery is among the core principles of the United Nations Convention against Corruption (UNCAC), as ranked in the Convention. The Member States should exercise broad and close cooperation among themselves and mutual assistance in the return of such assets. In practical terms, tracing, freezing, confiscating, and returning the assets imply the effective cooperation of the competent authorities of the different states, the activation of international organizational networks, as well as robust legal prerequisites.

For that purpose, the means of transferring assets abroad, of discovering such transfers, of international cooperation through the formal and the informal networks, as well as the mechanisms of identification of assets, e.g. freezing, confiscation, repatriation, together with the difficulties of allocation and management of the assets, are examined based on the international practice and the legislations of a state.

2. Literature Review

Illicit asset recovery measures in the anti-corruption efforts are discussed as a gigantic scholarship. There are various academic experts that have studied on illicit asset recovery as a core component of anti-corruption policies [2]. For example, Helfer, Rose, and Brewster [3] assert that the asset recovery is a “fundamental principle of anti-corruption law”, in the absence of which the monetary losses from the corruptions cannot be recovered. Rose also opines that UNCAC provided new precedent in including a whole chapter dedicated to the return of assets, making the recovery of ill-obtained assets the core duty of the states [4].

Ivory [5] investigated the relationship between asset recovery and international law, asking whether strenuous seizure of ill-gotten gains is compatible with the kind of human rights that are inherent in property ownership. These all emphasize that the recovery of stolen assets is a necessary component of anti-corruption, both to prevent the corrupt practices and to reverse the damage they inflict in the social sphere. Experts have also studied the flow and concealment of corrupt crime proceeds. Reuter and Truman [6], in analyzing a number of hundreds of money-laundering cases, found that corrupt officials routinely employ relatively simple means, namely, liberal use of bank wire transfers, to send bribe money abroad.

Chaikin and Sharman [7] describe corruption and money laundering as a “symbiotic” crime duo because corrupt actors need to launder crime profits, and poor anti-money laundering systems enable further corrupt activities. Case studies and typologies in the literature document how kleptocrats launder proceeds through offshore shell companies, secret bank accounts, and complex structures of transactions (FATF/OECD: "Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing", 2020). For instance, robbed public monies are commonly disguised through corporations registered in secrecy havens and subsequently laundered into high-end properties in financial centers like London or the city of New York. Another method reported in the literature is the conversion of illicit proceeds into high-risk, high-return assets, including cryptocurrencies, which can serve both as an investment vehicle and a tool to conceal the origin of funds [8]. In general, the literature indicates that the means of laundering corruption proceeds vary from simple wire transfers to complex trade-based structures and digital currencies, all aimed at hiding the origin of the money [9].

Detecting illicit assets within these schemes is an inherently complex task. Numerous studies have focused on the tools and institutions designed to uncover hidden wealth. Among the most crucial actors are Financial Intelligence Units (FIUs) [10], which specialize in analyzing financial data for warning signs. Since financial flows nearly always leave an audit trail in banking records, FIUs are able to sift through suspicious transactions and identify anomalies that may signal corruption [11]. The Egmont Group is an international network of FIUs established in 1995 facilitates this process by offering a secure platform for the rapid exchange of information to combat money laundering and corruption.

Yet detecting suspicious assets is only the beginning. The next, and often more challenging, step is tracing these assets and identifying their true ownership, an issue explored extensively by scholars. In their landmark World Bank study The Puppet Masters, Van der Does de Willebois and colleagues [12] demonstrated that virtually all major corruption cases involved the use of corporate vehicles, such as shell companies, trusts, or foundations, to obscure the identity of the ultimate beneficial owners. Researchers emphasize that this obfuscation is deliberate: according to Transparency International, in around 85% of significant corruption cases, complex legal structures were employed to mask who actually controlled the assets [13]. To address this challenge, scholars have increasingly called for stronger beneficial ownership transparency (FATF-Egmon Group publication "Concealment of Beneficial Ownership", 2018). A practitioner's guide by the Basel Institute on Governance from 2015, for example, underscores the importance of "piercing the corporate veil" during asset tracing investigations.

International networks for information exchange are frequently cited in academic literature as indispensable tools for recovering illicit assets that have crossed borders. One notable development has been the emergence of regional Asset Recovery Inter-Agency Networks (ARINs). These ARINs connect investigators across jurisdictions, enabling rapid and direct peer-to-peer cooperation. According to a recent analysis by the Financial Action Task Force (FATF), ARINs significantly enhance the effectiveness of cross-border asset recovery by fostering trust and establishing direct communication channels between officials involved in ongoing cases [14]. In parallel with these practitioner-focused networks, the Egmont Group continues to play a vital complementary role by enabling confidential exchange of financial intelligence across jurisdictions. INTERPOL has also contributed to international cooperation by launching its Global Focal Point Network on Anti-Corruption and Asset Recovery. This secure electronic platform allows designated officers around the world to exchange information and request assistance in real time.

Many authors[15] examine the formal legal assistance mechanisms required to actually recover illicit assets and return them to their rightful jurisdiction. Mutual Legal Assistance (MLA) treaties and related legal processes are central here, as they allow one country's courts to request evidence or enforcement actions in another country. Stephenson et al. [16] analyzed common barriers in this process, noting that asset recovery via MLA is often time-consuming and difficult. Their World Bank study "Barriers to Asset Recovery" documented issues like overly stringent evidentiary requirements, lack of resources in central authorities handling requests, and even political resistance, all of which can delay or derail efforts to confiscate stolen assets abroad.

Other research[17] highlights the gap between what international conventions promise and what happens in practice. For example, UNCAC obliges states to assist each other in asset recovery, but in reality countries vary greatly in their legal ability or willingness to freeze assets upon a foreign request. Consequently, scholars have proposed reforms to streamline legal cooperation. Betti, Kozin, and Brun[18] suggest adopting "direct enforcement" of foreign confiscation orders, whereby a court in one country can directly recognize and execute an asset freeze or forfeiture judgment from another country without requiring a full domestic proceeding[19].

This approach, piloted in some jurisdictions, aims to bypass the duplicative court processes that slow down MLA. Other proposed solutions include expanding non-conviction based confiscation (so assets can be recovered even if the corrupt official cannot be criminally convicted) and developing faster channels for sharing evidence (such as electronically rather than through diplomatic pouches) [20]. In summary, the literature by authors such as Stephenson and colleagues, as well as more recent legal scholarship, emphasizes that strengthening both formal MLA frameworks and innovative legal tools is essential. By improving cooperation agreements, simplifying procedures, and using creative legal mechanisms, the international community can more effectively overcome obstacles in recovering illicit assets and ensure that stolen wealth is ultimately repatriated as part of the fight against corruption.

Corruption and illicit financial outflows remain pressing challenges in Central Asia, impeding development and governance. Scholarly analyses indicate that transnational corruption networks have blurred the lines between legal and illicit activities in the region[21]. In particular, Kazakhstan and Uzbekistan have experienced high-profile cases of grand corruption and capital flight, prompting reforms to strengthen asset recovery mechanisms. For instance, an estimated $140–$160 billion in illicit capital left Kazakhstan over the past 25 years, of which only about 20% has been recovered[22-23]. This context has spurred both countries to adopt legal frameworks, build institutions, and seek international cooperation to trace and repatriate stolen assets.

In addition, various scholars[24] analyzed different aspects of illicit assets recovery in Uzbekistan, including the broad anti-corruption framework [25]. Theoretical parts of illicit assets recovery process[26], international cooperation of Uzbekistan in this regard[27-28], overview of the process in Uzbekistan[29] were explicitly examined by various authors. However, taking into account that, this sphere is changing dynamically in response with modern threats as virtual currencies and etc., also OECD Baseline Reports on Kazakhstan[30] and Uzbekistan[31] there is an urgent need to conduct feasible research on current situation, as well as opportunities and challenges for these two Central Asian countries.

3. Methods

This study employs a qualitative legal and comparative analysis to explore illicit asset recovery mechanisms. The research approach involves examining international conventions and standards alongside national laws to understand the legal tools available for asset tracing and repatriation. Key international frameworks (such as UNCAC provisions on asset recovery) and regional agreements were analyzed to compare their requirements and implementation.

In addition, a review of expert reports and analyses by organizations like the FATF, Transparency International, and the World Bank was conducted to incorporate global best practices and empirical findings. The methodology also includes case study analysis of high-profile corruption and asset recovery cases. Finally, relevant statistical data (for instance, global estimates of corruption proceeds and the prevalence of certain laundering methods) were reviewed to contextualize the scale of the issue. By triangulating legal analysis, expert commentary, and case evidence, the study's methodology ensures a comprehensive examination of illicit asset recovery processes, and it helps identify both effective measures and gaps where further policy development or research is needed.

4. Results and Discussion

4.1. Methods of transfer illicitly acquired proceeds of corruption

Officials and criminals often move illicitly acquired assets abroad using several concealment techniques:

Banking Transfers. A common method is transferring large sums via the banking system using falsified transaction purposes. Nearly 80% of funds stolen through corruption in Africa end up in foreign banks and developed economies[32]. Such funds often pass through multiple intermediaries before consolidation and transfer to jurisdictions like Switzerland, Hong Kong, or the UAE, implementing the typical stages of money laundering: placement, layering, and integration (FATF and MENAFATF (2015), Money Laundering through the Physical Transportation of Cash).

Offshore Companies and Accounts. Offshore jurisdictions like the British Virgin Islands and Panama provide tax secrecy and anonymity, enabling the use of shell companies to hide beneficial ownership. Transparency International's analysis of 78 cross-border corruption cases involving African assets in 2024 finds that in 85% of cases, companies and trusts (often organised in complex cross-border corporate structures) were used to obscure the real ownership of assets. Offshore bank accounts in places like Switzerland and Luxembourg are widely used to store illicit funds due to strict banking secrecy.

Real Estate Investments. Buying property abroad is another way to store corrupt proceeds. Luxury real estate in cities like London or Dubai is often purchased through offshore companies, hiding the true owner (At Your Service: Investigating how UK businesses and institutions help corrupt individuals and regimes launder their money and reputations, Transparency International 2019). Until recently, countries like the UK allowed anonymous ownership of real estate. In the U.S., real estate agents are not required to verify fund origins, facilitating large-scale laundering according to "The Great Rip Off: Anonymous company owners and the threat to American interests", published by the Global Witness in 2014.

Cryptocurrencies. Digital assets like Bitcoin and Ethereum are increasingly used due to their anonymity and lack of centralized control. FATF reports (Virtual Assets: Red Flag Indicators of Money Laundering and Terrorist Financing, 2020) growing misuse of crypto in laundering and bribery, with red flags including rapid transfers to multiple wallets across jurisdictions. Recent investigations in India have shown that corrupt officials and their intermediaries converted extortion proceeds and bribes into cryptocurrencies in order to conceal the origin of the funds and "whiten" them (The New Indian Express, 2025).

Trade-Based Money Laundering (TBML). TBML involves falsifying trade documents or mispricing goods to legitimize money transfers. For instance, overpricing exports allows corrupt officials to channel excess value abroad. FATF and World Bank in the paper titled Trade-Based Money Laundering: Risk Indicators, 2021 emphasize the scale of TBML, highlighting its complexity and its appearance as legitimate commerce. As Basquill observes, "the amount of illicit money laundered through the international trade system is estimated to total hundreds of billions or even trillions of dollars per year" [33].

Often, these methods are used in combination, for instance corrupt funds may move from a state budget to an offshore account, then into foreign real estate, and finally be converted into cryptocurrency. This layered system complicates asset tracing and demands rapid, coordinated international response.

4.2. The Process of Recovering Illicit Assets

Regardless of where and how assets obtained through corruption and other crimes are hidden, identifying, confiscating, and returning them to the victims represents one of the most critical stages in combating corruption. Chapter V of UNCAC is entirely devoted to these matters and explicitly states that asset recovery is a legal obligation for every State Party. The recovery of illicit assets is a difficult, complex, and multi-step process, and its effective implementation requires the systematic completion of the core stages as identification of assets, tracing and monitoring, freezing, seizure, confiscation and direct return of assets.

4.2.1. Identification of Assets

Illicit assets must first be identified, which means establishing their connection to a crime. It is necessary to determine what forms of assets were obtained as a result of corruption or other crimes, to whom they are registered, and where they are located. Such assets are often concealed in offshore bank accounts, registered under the names of various companies or close relatives. Therefore, the identification process must include financial analysis, accounting audits, and the use of law enforcement databases, as well as information exchange among international FIUs. It is equally important to expose the origin of illicit assets and to prove which specific offense led to their acquisition in some jurisdictions, in others the fact of obtaining illicit assets is enough for the criminal/civil actions.

The first step is to identify initial red flags or indicators suggesting that a crime, such as corruption has occurred. This involves collecting adequate information related to suspicious financial transactions, signs of concealed wealth, and discrepancies between declared and actual income of public officials or other persons of interest. At this stage, national financial monitoring systems and the implementation of "red flag" indicators play a critical role. These systems help detect unusual patterns and raise alerts that can trigger further investigation. The effective identification of such signs is essential for initiating a deeper inquiry into the potential existence of unlawfully acquired assets.

FIUs and Monitoring Systems. Virtually every country has established a system to combat money laundering, with its central element being the FIU. In Kazakhstan this function is performed by a specially authorized state body – Committee for the Return of Assets of the Prosecutor General's Office of the Republic of Kazakhstan according to the Presidential Decree from October 5, 2023 No. 366. In Uzbekistan – the Department on Combating Economic

Crimes under the General Prosecutor's Office of the Republic of Uzbekistan according to the Anti-Money Laundering (AML) Law of Uzbekistan from Aug. 26, 2004, No. 660-II. The primary role of FIUs is to receive, analyze, and disseminate reports on suspicious transactions submitted by banks and financial institutions to competent law enforcement agencies. In this domain, more than 160 FIUs around the world operate in coordination through the Egmont Group, which facilitates rapid and confidential exchange of information across borders.

FIUs monitor large-scale movements within domestic bank accounts and track assets transferred abroad without violating banking secrecy. For example, if a substantial amount is transferred abroad from the account of a public official in a domestic bank, the bank system automatically flags the operation as unusual or suspicious. The FIU collects such reports, conducts relevant inquiries, gathers and compares additional data where necessary, and undertakes further appropriate measures. If the presence of indicators of criminal proceeds is confirmed, the FIU compiles a case file and forwards the materials to the competent authority, for instance, the prosecutor's office in accordance with jurisdictional responsibilities.

In the context of Uzbekistan, the documents collected by the specialized division (under the Department on Combating Economic Crimes under the General Prosecutor's Office) responsible for combating the legalization of proceeds of criminal activity and are subsequently forwarded to the operational-investigative or investigative division of the Department, its territorial branches, or, depending on jurisdiction, to the State Security Service, internal affairs authorities, or prosecutorial bodies. It is worth noting that this stage often plays a crucial role in the exposure of large-scale corruption schemes. For instance, after the "Panama Papers" offshore leaks were exposed in 2016, the FIUs of many countries began investigating public officials who had transferred money to Panamanian offshore structures via domestic banking systems, initiating efforts to trace and recover illicit assets.

For financial monitoring to be effective, it is essential to first establish clear criteria for identifying unusual and suspicious transactions. International experience has identified a number of typical indicators associated with the laundering of funds derived from corruption. Based on global analysis, international experts have developed a list of red flag indicators specifically applicable to the laundering of corruption-related criminal proceeds. These indicators have been recommended to banks and financial institutions worldwide by the Egmont Group of FIUs:

1. Large transfers of funds to offshore companies by Politically Exposed Persons (PEPs) and their close relatives. If a high-ranking public official or a close family member transfers a large amount of money to an obscure company registered in a jurisdiction such as the British Virgin Islands, this serves as a critical red flag. Normally, public officials are not expected to make payments to offshore companies; therefore, such transactions may strongly indicate the laundering of illicit assets. Similarly, when direct payments are made from companies that have won public procurement contracts or other large-scale tenders into the personal accounts of officials, the identity of the legal entity making the transfer and the stated purpose of the transaction must be scrutinized, as such payments may in fact constitute bribes.

2. Registration of offshore companies in the names of public officials or their family members. These entities often serve as shell companies, created solely for the purpose of opening bank accounts, without engaging in any legitimate economic activity or generating real income. For example, to conceal illicit assets and move them abroad, a public official may register a company in an offshore jurisdiction under the name of a relative. Then, large sums are transferred to this company's bank account from a domestic company controlled by an associate

of the official. The transfers may be falsely justified by contracts for consulting services or goods deliveries, which in reality are never rendered or delivered.

3. Discrepancy between declared income and the volume of financial operations. When the scale of financial transactions is disproportionate to a person's lawful income, this raises suspicion. For instance, if a public servant transfers funds via the banking system or acquires valuable assets in amounts exceeding their monthly salary by tenfold, such activity warrants investigation. A key characteristic of illicit assets is the lack of a clear, documented origin.

4. Unusual payment patterns in goods trade transactions. These include cases where payments in export-import contracts are routed through offshore company accounts in third countries, or where the price of goods significantly deviates from market value. Such discrepancies are typical indicators of money laundering.

These red flags are often integrated into information technology systems within banks, which automatically flag operations that fall into suspicious categories. For example, AML compliance software will not allow large transactions that contradict a client's profile to proceed without additional checks. Even cryptocurrency exchanges and platforms are now implementing algorithms to monitor suspicious transaction patterns.

According to the FATF's 2020 report, the identification of money laundering through cryptocurrencies often requires attention to multiple "red flag" indicators within a single transaction. For instance, if small-value crypto payments are collected from several wallets and then aggregated into a large sum, which is subsequently converted into fiat currency via a foreign exchange the transaction should be examined to assess whether it bears the characteristics of money laundering (FATF/OECD: "Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing", 2020). Of course, each red flag indicator does not in itself automatically signify the commission of a crime; however, such signs must be examined carefully. Only when all indicators are analyzed in connection with one another can a more accurate conclusion be drawn. Otherwise, there is a risk of misinterpreting a legitimate commercial transaction as suspicious, leading to erroneous assumptions. Therefore, it is essential that law enforcement agencies conduct regular trainings and consultations in cooperation with banks, in order to stay informed on best practices for identifying suspicious transactions and to enhance their operational capacity in the detection of illicit financial activity.

4.2.2. Tracing and Monitoring of Assets

Once identified, efforts are made to trace the suspected assets and monitor their movements. This involves documenting the transfer of assets for example, from one bank account to another, or from one form of property to another[34]. Because such assets may be transferred across borders, mutual legal assistance requests must be sent and information exchanged between the competent authorities of the involved states. During this stage, it is often necessary to use specialized financial forensics and technological tools.

The first and most essential step in the process of tracing assets and identifying the beneficial owner is the detection and analysis of suspicious transactions. A transaction involving funds or other assets is considered suspicious if there is reason to believe based on criteria and indicators established in internal control rules that it is being prepared, carried out, or has been completed for the purpose of laundering the proceeds of crime or financing terrorism (AML Law of Uzbekistan).

The identification of suspicious transactions is the initial phase, while the primary objective is to locate the assets and determine their true beneficiaries. In corruption-related offenses, such assets are often held in the form of real estate, bank accounts, company shares or capital, securities, precious metals, works of art, or cryptocurrencies. This is because the customer's routine transactions are generally of lower value, and a sudden transfer of such a large amount to an offshore zone prompts the bank to conduct a detailed analysis of the client's previous transaction history, financial capacity, and available information on the offshore company involved. If the bank suspects that the transaction may be illegitimate, it is required to immediately report the case to the FIU.

The FIU then analyzes the information received from the bank, examining questions such as the true origin of the funds, who the legal owner or beneficial owner is, and whether the transaction is legally justified or potentially linked to money laundering activities. If signs of illicit assets are identified, the FIU may suspend the transaction and take further investigative or enforcement measures in line with the "Internal Control Rules for Combating the Legalization of Proceeds of Crime, Financing of Terrorism, and Proliferation of Weapons of Mass Destruction in Commercial Banks", annex to Resolutions No. 343-V and No. 14 adopted by the Central Bank of the Republic of Uzbekistan & General Prosecutor's Office.

Next, it becomes necessary to identify the real owner behind the offshore company and to determine which asset was acquired or where the transferred funds were directed. At this stage, operational-investigative or investigative authorities initiate the collection of information through appropriate requests. For instance, a request may be sent to the jurisdiction where the offshore company is registered, asking for data on its founders and directors, while a separate inquiry is made to the bank to trace the subsequent use of the transferred funds (e.g., whether the money was used to purchase an asset). If the suspicious funds were used to purchase real estate, then a request would be sent to the competent land registry authority of that country. If the funds were held in foreign bank accounts, inquiries would be submitted through the appropriate communication channels to obtain information from the foreign bank.

One of the most challenging aspects of this process is identifying the beneficial owner. As mentioned above, individuals often conceal assets behind various shell companies [35]. For example, it is not easy to determine who stands behind a company registered in the name of nominal directors or third parties, with no actual business activity, employees, or physical office, yet holding a bank account in Switzerland. However, based on FATF Recommendation 24, many countries have recently amended their legislation to require the registration of company founders and beneficial owners in unified state registers. For example, since 2016 the United Kingdom has maintained the Persons with Significant Control (PSC) Register, which obliges each company to disclose any individual who owns more than 25% of its shares according to the Companies Act 2006 (Part 21A).

As a result, the ability to identify individuals behind offshore entities is gradually increasing. Even formerly opaque jurisdictions such as Cyprus, the British Virgin Islands, and Luxembourg are now joining global conventions on financial information exchange. At the same time, investigations reveal that professional assistance is increasingly being used in large-scale corruption schemes to help beneficial owners conceal their identities. According to reports by FATF and the Egmont Group (Concealment of Beneficial Ownership, 2018), shell companies and front companies are frequently involved in a wide range of corruption schemes. Only when there is effective information exchange and inter-agency coordination can the international movement of illicit assets be successfully tracked, and a legal basis be established for their confiscation.

4.2.3. Freezing of Assets

Once evidence emerges that certain assets were obtained through illicit means, they must be immediately frozen, meaning that temporary measures are taken to restrict access to or movement of those assets. Freezing of assets refers to a court or authorized body's decision to prohibit the transfer, sale, disposal, or concealment of suspicious assets.

In the legislation of the Republic of Uzbekistan, instead of the term "freezing," the legal terms "suspension" and "seizure" (AML Law of Uzbekistan) are used. According to national law seizure refers to the prohibition of using funds or other assets, including their transfer, conversion, disposal, or movement. Suspension of operations refers to the halting of the execution of instructions to transfer, convert, assign ownership of, or otherwise dispose of funds or assets belonging to a client, including the performance of any other legally significant actions.

Regardless of the specific terminology, the core purpose of this measure is to prevent the assets from being quickly moved or hidden. For example, in 2014, the U.S. Department of Justice successfully froze over USD 450 million that had been illicitly acquired by Sani Abacha of Nigeria and transferred through the U.S. financial system, ultimately leading to the assets' confiscation (OCCRP, 2024). Once assets are frozen, they remain held in accounts or preserved as property, pending further decisions regarding seizure or confiscation. Freezing is typically carried out in response to an official request from a foreign state or based on information obtained through international channels in the context of a criminal investigation.

4.2.4. Seizure of Assets

The next step following the freezing of assets is their formal seizure. Seizure refers to the official prohibition against the owner or holder of the property from disposing of the assets, and where necessary, from using them. It may also include the physical taking of the property and its transfer to another party for safekeeping. As a result of the seizure, a complete inventory and valuation of the property is conducted, and the assets are placed under strict control according to the Criminal Procedure Code of Uzbekistan. At this stage, seizure may also be applied to assets located in foreign jurisdictions, depending on necessity and cooperation mechanisms. Seizure serves to create a legal basis for eventual confiscation. It is during this stage that proof of the criminal origin of the assets and the evidentiary record are compiled. Additionally, issues related to the preservation and management of seized assets must be addressed, such as temporary administration of property or ensuring the value of funds in bank accounts is maintained.

4.2.5. Confiscation

Confiscation of assets refers to the permanent transfer of assets to state ownership by decision of a court or a competent authority, once it has been proven that the assets have a criminal origin.In other words, after a confiscation decision is rendered, the assets are seized from the owner, beneficiary, or any individual associated with them and are converted into state property. According to UNCAC, confiscation means the permanent deprivation of property by order of a court or other competent authority. Typically, confiscation is carried out on the basis of a criminal conviction. However, in some countries, confiscation can also be applied without a conviction when the suspect has absconded or died; although no conviction has been secured, there is sufficient evidence of the criminal origin of the assets; the assets are registered under a company or collective entity rather than a person; the assets have been transferred to a third party, even though the original holder was not convicted. In such cases, civil or administrative proceedings may be used to execute confiscation.

Through confiscation, assets obtained through corruption or other crimes are reclaimed, and the offender is deprived of unjust enrichment. In most instances, the confiscation decision is issued by the court of the country where the crime was committed. However, in certain circumstances, foreign courts in the jurisdiction where the assets are located may also issue confiscation orders. For example, in the case of former South Korean president Chun Doo-hwan, U.S. authorities brought civil forfeiture actions against assets in California and Pennsylvania that had been purchased with corruption proceeds laundered into the United States (U.S. Department of Justice, 2015.). Following a court-approved settlement, approximately USD 1.13 million in illicit assets was forfeited and returned to the government of the Republic of Korea.

Uzbekistan's current anti-corruption laws have notable gaps on confiscation. Monitors in 2024 found that Uzbekistan's legal framework for seizing corrupt assets "does not comply with international standards" in important respects[31]. Uzbek legislation has no provision for confiscating unexplained wealth: there is no illicit enrichment offense and no legal avenue to forfeit unjustified assets of public officials[31]. This means authorities cannot seize unexplained assets of officials without a criminal conviction which is considered as a weakness in asset recovery. Moreover, the absence of advanced tools like value-based confiscation (taking equivalent value when direct proceeds are unavailable), third-party confiscation (recovering assets transferred to associates or relatives) or non-conviction-based forfeiture leaves loopholes that offenders can exploit to protect their illegal gains[31].

Kazakhstan has taken steps to strengthen its confiscation regime. Kazakh courts imposed confiscation in some corruption cases, but more complex measures were not applied[30]. In July 2023 a new Law on the Return of Illegally Acquired Assets introduced a mechanism to confiscate "assets of unexplained origin" № 21-VIII ZRK, which includes responsibility also for entities. This is a positive step toward empowering asset recovery, though observers note that certain provisions of the law may conflict with property rights and create corruption risks if not carefully implemented[30]. Moreover, Kazakhstan has yet to recover any corruption proceeds sent overseas, highlighting the need for stronger cross-border asset recovery tools[30].

4.2.6. Direct Return of Assets

Once the assets have been confiscated and transferred to state ownership, steps are taken to return them to the country of origin. In this restitution process, the role of international legal cooperation is of great importance. According to Article 57 of the UNCAC, States Parties shall, in the first instance, return confiscated property to the requesting State Party, taking into account the return of such property to its prior legitimate owners or the payment of compensation to the victims of the crime. In practice, the return of assets can take various forms: direct transfer of property by court decision to the benefit of another State; sharing the value of the property based on a bilateral agreement; return through targeted funds with the mediation of international institutions. The primary objective of this process is to ensure that illicit assets are returned swiftly and transparently to their rightful owner, thereby serving the interests of the affected population.

The return of illicit assets is a complex process that requires global cooperation, and only if each stage (from identifying the assets, freezing them, confiscating them, and ultimately returning them to the harmed population) is carried out correctly and consistently, can countries affected by corruption recover their rightful wealth into the economy. This not only restores justice, but also sends a deterrent signal to public officials tempted to engage in corrupt practices, namely, that assets acquired through crime will inevitably be reclaimed by the state.

4.3. The Role of International Information Exchange

Since national authorities cannot access foreign financial data directly, international cooperation is vital for asset recovery. Mechanisms such as the Asset Recovery Inter-Agency Network (ARIN), the Egmont Group of Financial Intelligence Units, and INTERPOL enable countries to exchange financial intelligence, trace assets, and coordinate investigations efficiently. Informal communication is particularly effective in early asset tracing. For instance, Uzbekistan's Prosecutor General's Office may request account verification from another ARIN-WCA member via its Secretariat. These informal channels allow for rapid, secure data exchange before formal legal action is pursued.

ARINs are informal, operational networks of law enforcement and prosecutors. CARIN, founded in 2004 by Europol, connects over 60 countries and organizations, including INTERPOL, FATF, and the UNODC. Its regional branches include ARIN-WCA (West and Central Asia), ARIN-AP (Asia-Pacific), and others. These platforms assist in tracing, freezing, and recovering criminal assets. Kazakhstan and Uzbekistan are members of ARIN-WCA. ARIN-WCA supports investigative authorities by organizing information exchange, advising on asset recovery procedures, and liaising with institutions like the UNODC, World Bank, and Egmont Group. It also encourages states to develop national asset management systems and holds seminars on best practices.

The Egmont Group links over 180 FIUs, including Kazakhstan (Agency of the Republic of Kazakhstan for Financial Monitoring) and Uzbekistan (the Department on Combating Economic Crimes under the General Prosecutor's Office in accordance with the AML Law of Uzbekistan). It enables secure information sharing to detect cross-border money laundering and terrorism financing. Although such intelligence cannot be used directly in court, it plays a key role in preliminary investigations and can guide formal mutual legal assistance.

INTERPOL enhances international police cooperation via secure notices. These include Red (arrest), Blue (location), and Silver (asset identification). Kazakhstan and Uzbekistan, are members since 1992 and 1994, uses INTERPOL to trace assets and suspects involved in corruption cases.

Together, these mechanisms allow states to coordinate complex asset recovery operations, balancing informal efficiency with formal legal frameworks. As the above analysis demonstrates, international cooperation in asset recovery is multifaceted, involving both informal networks, such as ARIN, the Egmont Group of FIUs, and INTERPOL, and formal legal cooperation, including mutual legal assistance requests. Diplomatic channels, in turn, play an important role in resolving emerging legal and political challenges. For the successful recovery of illicit assets, all forms of cooperation must function in coordination and solidarity. The World Bank's StAR (Stolen Asset Recovery) Initiative also emphasizes that, in many cases, asset recovery is a multi-stakeholder process based on mutual trust and cooperation [36]. This shows that global cooperation plays a crucial role in the fight against corruption.

4.4. Mechanisms of Legal Assistance in the Recovery of Illicit Assets

In the process of recovering illicit assets, informal communication and information exchange alone are not sufficient in all cases. In order to confiscate and directly return such assets, formal legal cooperation is necessary. This is carried out within the framework of bilateral or multilateral treaties on mutual legal assistance, by sending a written request to the competent authority of the foreign state for legal assistance in accordance with the Criminal Procedure Code of Uzbekistan.

In such cases, reference to international legal instruments becomes essential. Chapter V of the UNCAC, titled “Measures for Asset Recovery”, establishes that States Parties must cooperate with one another in this field. In particular:

1. Article 54 of the Convention states that a confiscation order issued by the court of one state may be recognized and enforced by another state, or that states may adopt non-conviction-based confiscation measures under their national legislation;
2. Article 55 sets out the procedure for confiscation upon request of a foreign state;
3. Article 56 provides for the possibility of spontaneous information sharing without a prior request;
4. Article 57 outlines that confiscated assets should be returned to the requesting State Party.

In summary, the Convention imposes a broad duty of mutual legal assistance on States Parties. Based on this, the majority of countries have concluded bilateral treaties or participate in relevant international conventions. For example, Uzbekistan has signed mutual legal assistance agreements with more than 30 countries.

Within the framework of such agreements, the competent authority (such as a prosecutor's office or another authorized body) of one state may send an official request letter to another state to carry out specific investigative actions. In practice, although obtaining information through informal channels is often the most effective first step in asset recovery, to carry out procedural actions and to use evidence in court proceedings, it is necessary to submit an official request through formal legal cooperation channels.

In some cases, individuals who have transferred illicit assets abroad and have been found guilty of criminal offenses may reside outside their home countries, having acquired citizenship of another state or obtained residency status in exchange for investments. In such situations, the legal status of these individuals in foreign jurisdictions may create additional obstacles and legal uncertainties in international cooperation, thereby complicating the process of asset recovery. In such cases, states may resort to diplomatic negotiations to resolve the issue.

For example, in the 1MDB corruption case in Malaysia, assets confiscated from bank accounts in the United States, Singapore, and other countries were returned to Malaysia as a result of diplomatic agreements. The U.S. Department of Justice identified more than USD 4.5 billion in assets and signed special agreements with several countries to facilitate their repatriation [37]. Similarly, in Brazil’s “Car Wash” (Lava Jato) corruption case involving the Petrobras oil company, international cooperation was also effectively carried out through diplomatic means. As a result, hundreds of millions of U.S. dollars in assets obtained through corruption were returned to Brazil from Switzerland and other European countries as reported by Swiss Info in 2019. In these cases as well, legal frameworks were established through diplomatic dialogue to enable the temporary freezing of assets, followed by their procedural confiscation and repatriation.

Such diplomatic negotiations enhance the role of international legal mechanisms in asset recovery and contribute to the development of trusted cooperation between states. Furthermore, beyond the mere repatriation of assets, increasing importance is placed on allocating recovered funds to specific socio-economic projects. This, in turn, serves to protect the interests of victims of crime, support the creation of fair socio-economic conditions, and ultimately contributes to the well-being of the population.

5. Conclusions

The recovery of illicit assets has moved from the periphery to the centre of global anti-corruption discourse. No longer a secondary measure, it now constitutes a fundamental component in the restoration of public trust, the reparation of economic harm, and the deterrence of future abuses of entrusted power. As demonstrated throughout this study, asset recovery remains a multifaceted process: legally intricate, politically sensitive, and operationally demanding. Nonetheless, it is indispensable if the principle that corruption should not yield impunity is to hold in practice.

Empirical assessments, including the 2024 OECD Monitoring Reports on Uzbekistan and Kazakhstan, underscore a critical reality: despite measurable progress, both countries continue to exhibit substantive deficiencies in their legal and institutional frameworks concerning asset confiscation. While Chapter V of the UNCAC establishes a normative framework obligating States Parties to pursue the tracing, freezing, seizure, confiscation, and return of assets, effective implementation remains inconsistent.

A central conclusion to emerge from this analysis is that confiscation must be reconceptualised not merely as a legal instrument but as a moral and normative imperative intrinsic to anti-corruption enforcement. Measures such as value-based confiscation, third-party confiscation, and non-conviction-based forfeiture should be institutionalised as standard elements of domestic legislation.

Contemporary challenges further amplify the urgency of reform. The evolution of complex transnational financial architectures, including the proliferation of cryptocurrencies, offshore shell entities, trade-based money laundering schemes, and opaque real estate transactions, has significantly enhanced the concealability of criminal proceeds. In such a context, robust institutional capacity, proactive FIUs, and enhanced modalities for international cooperation are not optional; they are essential. Absent such tools, jurisdictions like Uzbekistan and Kazakhstan remain vulnerable to recurring patterns of capital flight and kleptocratic entrenchment.

Addressing these vulnerabilities requires a deliberate legislative recalibration. Specifically, both states must adopt reforms that fill normative lacunae and empower enforcement authorities with a comprehensive arsenal of asset recovery mechanisms. Such reforms should include the adoption of non-conviction-based confiscation regimes applicable to unexplained wealth; the establishment of public registers of beneficial ownership; capacity-building for independent FIUs; the harmonisation and expansion of mutual legal assistance frameworks; and the implementation of safeguards to prevent the political misuse of confiscatory powers.

Concurrently, the philosophy underlying asset recovery must be refined. Beyond punitive objectives, it should be anchored in a conception of reparative justice. Recovered assets ought to be transparently redirected toward public goods, for instance social infrastructure, health systems, education, and institutional integrity frameworks to reinforce the legitimacy of the rule of law and restore tangible benefits to affected populations.

Ultimately, the efficacy of anti-corruption regimes should be judged not by the density of their legal texts nor the visibility of their policy pronouncements, but by their capacity to return stolen assets and prevent their future misappropriation. Strengthening confiscation regimes is not a discretionary policy choice; it is an obligation born of international norms and domestic necessity. Uzbekistan and Kazakhstan, standing at a transitional inflection point, face a binary prospect: to establish themselves as regional exemplars of asset recovery or to persist as permissive environments for illicit enrichment. Their choices in the present will define their standing in the international anti-corruption order for years to come.

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