

# Professional Money Laundering Individuals: Organizations: Networks

A Professional Money Laundering Report published in July 2018, by the Financial Action Task Force (FATF), explained that based on the results of the FATF's Fourth Round Mutual Evaluations conducted thus far, many jurisdictions are not sufficiently investigating and prosecuting a wider range of money laundering activities. Most resources are geared to criminals who launder the proceeds of drug trafficking, fraud, tax evasion, human trafficking or other criminality. Though these investigations may address self laundering, they do not impact on those persons who assist individuals with money laundering. Professional Money Launderers (PMLs), their organizations and networks are highly skilled and operate in diverse settings, making it easy to evade the attention and prosecution of law enforcement.

## What is Professional Money Laundering?

Professional Money Laundering (PML) involves the use of individuals that specialize in enabling criminals to avoid anti money laundering and counter terrorist financing (AML/CFT) safeguards and sanctions in order to enjoy the profits of illegal activities. PMLs include individuals, organizations and networks who often operate on a large scale and conduct elaborate international schemes.

When criminals or organized crime groups need to utilize the services of PMLs, they often gravitate to persons acquainted with the criminal network. PMLs are identified as professionals who previously acted in a legitimate capacity and are now:

- \* Accountants
- \* Lawyers
- \* Notaries
- \* Trust and Company Service Providers
- \* Bankers
- \* Brokers
- \* Tax Advisors
- \* Dealers in precious metals or stones
- \* Electronic and cryptocurrency exchange owners

## What Services do Professional Money Launderers (PMLs) Provide?

PMLs can be involved in one or all of the stages of money laundering and provide specialized services to either manage, collect or move funds. These services include the following:



## Key Characteristics of Professional Money Launderers

The Caribbean Financial Action Task Force (CFATF) defines third party money laundering as the laundering of illicit funds by a person who was not involved in the commission of the predicate offence. PML is conducted using the third party money laundering structure. There are several characteristics which make PMLs unique.

- \* Money Laundering services are provided for a fee, commission or other type of profit. The amount depends on the complexity of the scheme, methods used and the reputation of PMLs. PMLs may take commission in cash or transfer a portion of the money to their own accounts.
- \* PMLs use specialized knowledge and expertise to exploit legal loopholes, find opportunities for criminals and help them to legitimize the proceeds of crime. They are good at what they do!
- \* PMLs are most times not familiar with the predicate offence and are generally not concerned with the origins of the money to be moved.
- \* PMLs actively market their services by word of mouth through the criminal network. Authorities have also identified the use of advertisements on the Dark Web.
- \* PMLs often keep a shadow/hidden accounting system that contains detailed records with code names. The information may contain client names, funds laundered, the origin and the destination of the funds as well as the relevant dates and commissions received. These records represent an invaluable resource for Authorities in the prosecution of the PMLs as well as their clients.

### Topics Discussed:

- ⇒ **What is Professional Money Laundering?**
- ⇒ **What services do Professional Money Launderers provide?**
- ⇒ **Key Characteristics of Professional Money Launderers**
- ⇒ **Roles Played in Professional Money Laundering**
- ⇒ **Supporting Mechanisms used by Professional Money Launderers**

## Role Players in Professional Money Laundering



PMLs exploit the vulnerabilities in businesses, financial institutions, or designated non financial businesses and professions (DNFBPs). PMLs pose a threat to the financial system as they facilitate money laundering and greatly profit from these illegal activities. The following are roles and functions that are necessary for the successful operation of the PMLs. Understanding these roles is paramount to the identification of all the relevant players and ensure that all PMLs are detected, disrupted and ultimately stopped.

### *Leading and Controlling*

PML organizations have individuals who take control of the decision making and strategic planning. They may also be responsible for determining the amount of commission to be charged for services and paying salaries to other members of the network for their services.

### *Introducing and Promoting*

There are often individuals who are responsible for bringing clients to the PML and establishing and maintaining contact with the clients until the completion of the services rendered.

### *Maintaining Infrastructure*

These individuals are responsible for the establishment of the PMLs' tools used to conduct business such as setting up companies, bank accounts and credit cards. They also recruit persons to register shell companies, receive banking information and buy SIM cards for undetected mobile communication.

### *Managing Documents*

Specific individuals are responsible for the creation of documents needed to facilitate the money laundering process. These include the creation of fake documentation, bank statements, invoices for goods and services, consultancy, promissory notes and loans, false résumés and reference letters.

### *Managing Transportation*

The transporters are responsible for receiving and forwarding goods either domestically or internationally. They also ensure that transport or customs agents (often linked to the criminal organization) receive the necessary customs documentation to complete the transactions.

### *Investing or Purchasing Assets*

PMLs seek assistance in purchasing real estate, precious gems, art or other luxury goods to discreetly store value until needed. They have been known to use elaborate schemes using shell companies to facilitate the purchases.

### *Collecting*

These persons are at the front end of the money laundering process as they collect illicit funds and layer the illicit proceeds by comingling funds using cash intensive businesses. They often leave no paper trail.

### *Transmitting*

These individuals ensure that funds are successfully moved from one location to another without detection. They usually use the traditional banking system or Money Value Transfer Service Providers (MVTSPs).

## Supporting Mechanisms Used by Professional Money Launderers

PMLs use a variety of money laundering tools and techniques. Among the most significant mechanisms are Trade Based Money Laundering (TBML), Account Settlement Mechanisms and Underground Banking.

### Trade Based Money Laundering (TBML)



HOW DOES IT WORK?

TBML is the process of disguising the proceeds of crime through the use of trade transactions to legitimize their origin. By using TBML strategies, PMLs can break the link between the predicate crime and the related money laundering activity making it almost impossible to associate the criminals with the money laundering activity. Mechanisms to conduct TBML include the following:

1. Purchasing High Value Goods using illicit funds followed by the shipment and re-sale of the goods overseas.
2. Falsifying the quantity and/or value of goods being shipped to be higher or lower than the payment, allowing for the transport of the proceeds of crime.
3. Transferring the funds for the purchase of goods which were never shipped or received. These are known as *phantom shipments*.
4. Using the proceeds of crime to purchase goods for legitimate resale, with payment for the goods to be made to criminals by legitimate business owners.
5. Using Money Brokers who purchase drug proceeds in the location where the illicit proceeds are earned by drug cartels at a discounted rate. Money Brokers often employ individuals responsible for collecting the illicit proceeds and disposing of the proceeds as instructed by the criminal organizations or the Money Brokers.

### Account Settlement Mechanisms

This involves the settlement of accounts between multiple organized crime groups operating in different jurisdictions. PMLs may provide services to criminals who have cash and want to send funds to bank accounts in other countries or to criminals who have money in their bank accounts but need cash to pay workers and associates.

### Underground Banking

Underground Banking is used to bypass the heavily regulated financial services sector creating a parallel system of moving and maintaining records of transactions. This is referred to as an Alternative Banking Platform (ABP). This platform is effective in transferring the ownership of money anonymously and providing banking services without regulations and customer due diligence (CDD) checks.

The identification of PMLs and the persons behind or associated with these organizations is key to the effective dismantling of PMLs. It is therefore imperative that Financial Institutions and DNFBPs develop and implement adequate CDD procedures to ascertain whether an individual is associated with criminal activity or associated with an individual involved in criminal activity.

### REFERENCES

- \* Professional Money Laundering—Caribbean Financial Action Task Force 2018
- \* <https://www.moneylaunderingnews.com/2018/08/fatf-report-professional-money-laundering-and-related-threats/>