


Spring 5-18-2018

# Investigative Practices for Large Money Laundering Crimes

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## Recommended Citation

Hutley-Washington, Mary, "Investigative Practices for Large Money Laundering Crimes" (2018). *Economic Crime Forensics Capstones*. 26.  
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Investigative Practices for Large Money Laundering Crimes

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CAPSTONE

Date: April, 16th 2018

Professor Margaret McCoe

## MONEY LAUNDERING

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## MONEY LAUNDERING

### **Executive Summary:**

Reportedly, governments, states departments, analysts and law enforcement state, "money laundering has a corrosive effect on a country's economy. The degree of destruction caused by money laundering interrupts the business flow, runs the risk of financial burdens on banks, and ruins countless countries' reputation for allowing widespread laundering. Money laundering's significant consequences are the exposure to the communities; because of the criminal elements individuals are subjected to laundering, i.e., fraud, drug trafficking, and other financial crimes" (Freeman, 2011).

It is no surprise that internationally all communities want the battle against money laundering and its use to finance terrorism to become a priority. Therefore, investigators' efforts focus on the protection of integrity, the international front of financial systems. Money is the lifeblood for many terroristic organizations, which is why money-laundering investigations focus on stopping the flow of funds and availability to terrorists, in hopes of causing difficulty in profiting from the criminal aspects. Surveillance and expertise in financial investigations, are an essential part of an international attempt to combat money laundering and run interference to financing terrorism (Freeman, 2011). The strategy is to reassert commitments to secure financial systems from all criminals and financiers of terror.

This investigative report will focus on money laundering and the various illegal forms it takes. In addition it will identify the techniques and the many countermeasures used to detect and prosecute those who manipulate currency in an effort to help terroristic causes. Existing international standards and vital international players are assisting in the fight against money laundering and terrorist financing. Combating money laundering will take a team effort (Freeman, 2011).

## MONEY LAUNDERING

### Investigation Practices for Large Money Laundering Crimes

#### History

"Money laundering" is often described as a term from the times of famous American gangsters who arose originally during Prohibition, the outlawing of alcoholic beverages. There were different executions used to disguise the origins of mass amounts of money generated by selling of alcohol and other "rackets" such as illegal gambling. "Ironically, one of the methods used for concealing the source of the money was legal gambling." The biggest struggle gangsters faced was that the proceeds were a collection of cash, mostly in a small denomination of coins.

If deposits were made to the banks in coins, it would have raised suspicion, leading to unwelcomed questions being asked (Teacher, Law, 2013). Therefore, the gangster faced a severe nightmare and storage problem for low-value coins of money collected from sales. For this reason, they created businesses, "one of which was slot machines, and another of which was laundries so, it is said, that the term "Money laundry" was born (Teacher, Law, 2013).

Money laundering describes a scheme in which criminals try to camouflage the identity, original ownership, and destination of money that they have obtained through criminal conduct. The laundering is done with the intention of making it seem that the proceeds have come from a legitimate source. Reportedly, governments realized the pursuit and confiscation of all illegal monies obtained from crime, are definitely an effective way of attacking crime, even more than arresting the felons, given that many drug barons can continue to conduct business from their prison cells, e.g., Pablo Escobar" (Teacher, Law, 2013).

Similarly, laundering is the process of transforming the profits of crime and corruption into legitimate assets, according to numerous legal and regulatory systems. However, defining the term money laundering has merged with other forms of financial and business crime. It is

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described in large parts, to include misuse of the economic system, using “securities, digital currencies, credit cards, and traditional currency and including terrorism financing and evasion of international sanctions (Teacher, Law, 2013).

Some countries define money laundering as overshadowed sources of cash, either intentionally or merely using economic policies or services that do not practice identifying or tracking sources or destinations. A more straightforward definition of money laundering would be a series of financial transactions that are intended to transform ill-gotten gains into legitimate money or other assets or to merely label its behaviors as financiers through crimes; furthermore, investigating money laundering and seizing the dividends from crimes, hopefully will offer insights to further discourage money-laundering (Teacher, Law, 2013). If criminals use the funds from money laundering to seek properties to rent as a vessel to hide the money it needs to be circumvented.

Moreover, the extent to which money laundering facilitates criminals to embark on activities destructive to the economy is validation that efforts need to continue to prevent this activity. Financial institutions are oblivious to the magnitude of destruction which money laundering causes through world financial markets and world-banking system, the banking world is the nexus for filtering and processing illegal monies (Teacher, Law, 2013).

Banks and financial institutions are exposed to being used for money laundering activities, because these institutions fail to perceive their new legal culpability in battling money laundering. Therefore, banks and financial institutions are open to prosecution of illegal crimes and ensuring adverse publicity for their business. As a result, the investigation of money laundering is a means to countering crime, to stop the institution of substantial economic costs on society while not jeopardizing the proper functioning of the economy that can threaten the

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security of the banking system (Cuéllar, Mariano-Florentino, 2002).

Studies revealed concepts of money laundering regulations went back to ancient times and were associated with the development of money and banking. History has shown individuals hiding wealth from the state to avoid tariff or seizure or possibly both and this constitutes money laundering. In China around 2000 BCE merchants would conceal their wealth from rulers who would directly confiscate and banish them (Teacher, Law, 2013). Moreover, they were forced to hide monies, move it and invest in businesses located in remote provinces as well as outside of China (Teacher, Law, 2013).

The imposition on wealthy citizens is reported to have created offshore banking and tax evasion. Similarly a method called Hawala has allowed coordinated banking also known as free value. It gave the flexibility for individuals to move money out of countries avoiding state audit. In the 20th century, the seizing of wealth again became famous when it was considered an additional crime prevention tool. As mentioned earlier, money laundering took life in 1930's during the period of Prohibition in the United States (Cuéllar, Mariano-Florentino, 2002).

The crime created a new significance for the state and law enforcement agencies to design a path or course of action to confiscate money. Similarly, the sale of illegal alcohol provided organized crime a considerable boost from Prohibition and an abundant source of new funds that were obtained from illicit alcohol sales. Furthermore, 1980 brought the war on drugs and gave the government a platform to utilize money-laundering rules, in the effort to attempt to seize proceeds from drug crimes. This process enables law enforcement the ability to catch the organizers and individuals running drug empires (Cuéllar, Mariano-Florentino, 2002).

It also provided benefits from a law enforcement point of view of turning rules of evidence upside down. Typically law enforcement presents proof individuals are guilty of an

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illegal infraction to get a conviction. Consequences of laws mean funds can be confiscated, and the burden of proof is left up to the individual to establish the legitimacy and origin if they expect money returned. Therefore, this lowers the burden of proof for law enforcement agencies (Cuéllar, Mariano-Florentino, 2002).

### Types of Crimes/Criminal Activity

Investigating money laundering enlightens the investigator that perpetrators want a way of ensuring that, in the end, crime pays. This requirement necessitates that criminals (drug traffickers, organized criminals, terrorists, arms traffickers, blackmailers, or credit card swindlers), disguise the origin of their illegal money. Research has revealed the purpose of laundering is to avoid detection and the risk of prosecution when funds are retrieved.

Government agencies provide how critical money laundering is to the efficient operation of virtually every form of transnational and organized crime (state.gov, 2017).

Investigations of anti-money-laundering (AML) efforts are designed to prevent or limit the ability of criminals to use their illegal gains and are both a critical and practical component of anti-crime programs. Money laundering involves a series of multiple transactions used to disguise the source of financial assets. It eluded the compromise of criminals who are seeking to use them. These operations typically fall into three stages, placement, layering and integration (state.gov, 2017)

**1. Placement** - the channels in which to place illicit proceeds into financial institutions through deposits, wire transfers, or other means; **2. Layering** - the action of distributing the profits from criminal activities in their origin, using several complicated financial measures; and **3. Integration** -the step of applying an apparently legitimate trade through falsified illegal



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proceeds. As a result a criminal tries to transform the monetary profits derived from unlawful activities into funds with an apparently legal source (state.gov, 2017).

### **The Economic Effects Of Money Laundering**

One of the most significant consequences of money laundering is attacking legitimate private sectors that are often used for financing terrorism. This is considered to be a most severe microeconomic effect of laundering. Moreover, laundering use front companies and co-mingle profits of unlawful activity with genuine funds, to disguise ill-gotten gains. For example, in the U.S., a pizza business has been used by organized crime to mask funds gained from heroin trafficking. Additionally, front companies' access considerable amounts of illicit money, allowing criminals to contribute to front companies products and services, well below market amounts (McDowell, Novis, 2001).

There is a great possibility that money laundering has the momentum of devastating economic, security, and social reputations (McDowell, Novis, 2001) Money laundering fuels drug dealers, terrorists, illegal arms dealers, corrupt public officials, the opportunity to operate and increase engagement of criminal activities. There, is a rapid growth of advanced technology along with globalization in financial services corporations, making the crimes more complex. Ultimately, laundered money flows into global financial systems, where it can cripple national economies and currencies. Moreover, laundering is just not a law enforcement problem; it can pose a serious national and international security threat (McDowell, Novis, 2001).

### **The Consequences of Money Laundering and Financial Crime:**

The Financial Action Task Force (FATF) has shown terrorists use money-laundering mechanics as their resource for funding their strikes against American enemies and the American

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allies. Terrorists know it will affect the country's economy and the financial stability internally and/or externally. The economic intrusion has a global effect on the integrity of markets and the financial framework. It is imperative to gain knowledge into the process of money laundering and to investigate the movements of the illegal funds (IMF, 2000).

Analysts report their concerns that terrorist schemes are migrating, using tools of money laundering through charitable organizations, and filtering the monies through legitimate and illegitimate businesses. This measure is to avoid the inquiry of the Assistant U.S. Attorney General. The sources in which the cash flows are an essential element of illegal and legal money slipping under the radar, in the attempt to keep a terrorist organization from being flagged or profiled (Dorrell, Godowsky, 2005).

Since the common thread is money for financial activities of terrorism, finding the most efficient way to move money, gives faster and accurate access to the funds. For this reason having necessary unique and trustworthy tools to launder money, assist terrorists executing their hideous and fraudulent schemes (Dorrell, Gadawski, 2005). In the cases of money laundering, the resources are always of unlawful origin. Financing terrorism includes the process of concealing the illicit origin and proceeds of money laundering crimes.

In the case of terrorist financing, funds can stem from both legal and illegal sources. Legal Funds can be gotten from applying for short term or seasonal jobs, with UPS, department stores, also applying for state welfare and using student loans. All monies are saved in legitimate bank accounts to be used by potential plotters or those wishing to travel to the terrorist countries. The illegal funds arise from mall kiosks; they sell fake name brand electronics, phony name brand handbags and clothing stores. They are set in low-income neighborhoods to sell counterfeit Nikes, Timberland, Gucci, Louis Vuitton and other franchise name products (Levitt, 2015).

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Petty robberies are often committed, and these funds are saved to launder later. Terrorist financiers dabble in drug trafficking, credit card fraud and skimming devices. All monies are transferred through illegal means (wire transfers) and techniques. Electronic transfers, official checking accounts, credit cards, debit cards, and traveler's checks, are the most common ways to launder money. The fundamental goal of individuals or materials involved in the funding of terrorism is therefore not necessary to conceal the origins of the money but to conceal both the funding activity and the nature of the funded events (Levitt, 2015).

Terrorist financing indicates the need for the terrorist organization illegal money laundering, to be used to purchase places to live separately so as to distract attention from the other groups formed to assist in the terroristic support. Communication needs are explicitly acquired to have continuous reinforcement to those who are sympathetic to the cause and helping to maintain and strengthen it. Therefore, the purchase of throwaway cell phones with walkie-talkies and cameras are funded through the money cleaned for legitimate use. The funds are invaluable for terroristic multi-purpose functions (Dorrell, Gadawski, 2005).

There are multitudes of ways to investigate and detect money-laundering schemes, most of these factious groups leave trails to follow, and the rushed activities and movement of their attacks leave them vulnerable to exposure. Researchers have shown "the most complex fraud and financial crime schemes include a mixture of legitimate and illicit activities." For this reason, challenges exist for investigators to recognize the illegal from the legitimate, and to detect fraudulent activity, because the money has to be laundered to appear legit (Kranacher, Riley, Wells, 2011).

As an investigator detecting the source of communication and the types of technology used in the movement of money is critical but very involved, it is imperative for forensic

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examiners to move quickly. Therefore, any collection of Internet transfers or infrared cell phone usage in laundering money needs tracking down before it is destroyed through disposal technology (Kranacher, Riley, Wells, 2011).

Tracking the money laundered is the basis of an investigation detecting how the cash flow is generated, moved, and controlled. It will also help an investigator understand how the terrorism is occurring and the movement of financial activity. Knowing an illegal act has taken place can assist in tracing where the funds are originating. Resources must be available and unrestricted. Therefore, traditional fraud detection techniques used by fraud investigators and forensic accountants, need to be observant, searching for accounting anomalies, internal control weaknesses, and lifestyle symptoms (Kranacher, Riley, Wells, 2011).

Investigators need to catch the laundering at the beginning stages and start the trace, relying on the unlawful and prohibited movement of laundered money used for terrorist activity is a plus for investigators; the money must start and stop at the same spot. Identifying the ultimate beneficiary lets the investigator know who is controlling the movement (Kranacher, Riley, Wells, 2011).

Moreover, the focus of evidence that needs collecting includes;

- Money flowing to foreign benefactors known for state-sponsored terrorism,
- Unusual business wire transfers,
- Inconsistent financial activities,
- Bank accounts amounts that do not match the stated occupation,
- Multiple accounts at that same bank,
- High dollar currency and traveler's check usage not matching banking rules,
- Deposits at different branch locations of the corresponding named bank,

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- False identities, documents or straw men,
- Violation of international jurisdiction (Kranacher, Riley, Wells, 2011)

Experienced investigators know criminals involved in money laundering hide their funds in many ways. It could be legitimate or illicit businesses, either way there has to be an existence of activity records and obtaining financial statements reveal the source of funding. Therefore, through investigations, law enforcers need to find the operating systems such as; charitable organizations, educational institutions, governmental and non-governmental organizations, a collection of balance sheets and income statements which list assets, liabilities, and other possible evidence (Dorrell, Gadawski, 2005).

### Case Study

In 2014 Banque Nationale (BNP) de Paris Paribas, a French bank with global headquarters in London and other global locations, admitted and pleaded guilty to falsifying business records after the discovery of the violations of U.S. sanctions against Cuba, Sudan, and Iran. BNP was forced to pay penalties that amounted to \$8.9 billion, reportedly to be the most fine ever imposed for violating those sanctions. (DOJ, 2015). This case is a prime example of unauthorized disbursements on behalf of sanctioned existence in Sudan, bound by a U.S. embargo.

What is the basis of the Sudan role in aiding terrorism, what is the abuse of human rights? Reportedly, BNP processed years worth of monetary funds through the U.S. on behalf of the Sudanese and another resource through financial institutions, which were owned by Sudan. There were internal emails sent by employees concerning billions of dollars assisting Sudanese government, especially since the Sudanese were involved in supporting international terrorism.

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This ideology of crimes using money laundering causes inhumane abuse on innocent humanity (DOJ, 2015).

It is critical that money laundering has become the mechanism for terrorism, and investigators need to maintain close ties with Anti-Money Laundering, Department of Defense, Financial Crimes Enforcement Network, Money Laundering Schemes and the Securities Exchange Commission, as well as other government entities. All observed suspicious behavior that is indicative of operational planning towards terrorism and intelligence gathering is a fundamental component of an investigation into terrorist finances (DOJ, 2015).

### **Predicate Crimes**

According to U.S Department of Treasury, the multiple transactions used by money laundering hide sources of monetary gains. The financial assets collected are spread out to avoid compromising the criminals who are accessing the funds. In addition, cash acquired from crimes, such as extortion, insider trading, drug trafficking, and illegal gambling are "dirty" and need to appear untarnished. It is a necessity for the funds to have the appearance of deriving from legal activities. Otherwise, banks and financial institutions would become suspicious; money can be laundered by many methods, which vary in complexity and sophistication (U.S.D.T, 2001).

Defining predicate crimes are crimes whose proceeds are laundered. In most countries, however, only the laundering of the proceeds of specified crimes (sometimes known as 'specified unlawful activities' or (SUAs) is illegal. In some countries, the range of SUAs is quite extensive and may include all significant crimes whether committed domestically or offshore. In others, the field is more limited. For example, according to British law, both official corruption and tax evasion, if committed abroad, are SUAs, although according to U.S. law they are not.

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(Monetary and Exchange Affairs, 2001).

Predicated crimes are the principal reason and the primary purpose anti-money laundering laws exist and help to reduce the incidence of such proclaimed crimes. It has been suggested that other countries often applied their anti-money laundering laws only to those crimes that they believed generated sufficient profits. Efforts to seizing those benefits would materially reduce the frequency of the crime.

Also, especially when considering which international crimes to include as SUAs, countries often would only cover those crimes that had detrimental effects in their own countries. Until recently, the most important of these crimes was narcotics trafficking (Monetary and Exchange Affairs, 2001)

### Typologies

The term “typologies” refers to the multiple techniques used to launder money or finance terrorism. Perpetrators have become very talented in developing these methods to launder money and finance terrorism. In several locations money laundering and terrorism financing typologies are severely influenced by the economy, financial markets, and anti-money laundering/counter financing of terrorist regimes. Consequently, investigators rely on information from others who are battling the fight against money laundering or financing terrorism. The methodology varies from different places as well as over time (IMF, 2000).

Everyone involved in the fight against money laundering or the financing of terrorism is dependent upon up-to- date information relayed on the most current material on typologies. For this reason, information provided by FATF, will give the investigators recent observation. Updated typologies will assist in keeping up with the trends and help in adapting to money laundering and terrorist financing risks (IMF, 2000)

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### Why is Customer Due Diligence necessary?

Lauderers' methods for using the financial system are based on the vulnerability of many of the techniques applied by crooks who abuse the banking the system to launder money or finance terrorism because institutions are easily accessible. For investigators, the best practice is for banks and financial institutions to implement customer due diligence. For their protection, it involves the use of adequate controls and essential procedures to keep from being exposed and defenseless to money laundering. The facilities need the ability to know the individuals they are dealing with beforehand (IMF, 2000).

Therefore, creating sufficient due diligence with their perspective new and current customers is significant to their controls. Applying strict Customer Due Diligence (CDD) through the financial industries along with a high degree of clarity is a crucial high-priority in the fight against money laundering and terrorism financing. Moreover, it is imperative to apply CDD upon establishing a relationship with new customers and assist in preparing monetary transactions that surpass a certain amount (IMF, 2000).

The CDD will also alert the institution to any suspicions of money laundering or terrorist financing. **Essential and necessary steps are** 1. Proper identification of customer/beneficial owner, 2. Verification of identities of all parties seeking accounts, 3. Information of customer's nature for exploring a business relationship. These standards are under the auspice of the FATF (IMF, 2000).

### Case Study

The 2012 Hong-Kong and Shanghai Banking Corporation Holding Public Limited Company (HSBC Holding Plc) case involved anti-money laundering and sanction violations.



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They failed to maintain sufficient programs against money laundering and were also accused of not having necessary due diligence on some account holders. Reports by Assistant Attorney General stated HSBC had been held liable for severe failures and worst oversights. This infraction allowed drug traffickers and others to launder through HSBC Holding large amounts of money in the millions using HSBC subsidiaries, and also facilitated hundreds of millions in several transactions involving sanctioned countries (DOJ, 2012).

The red flags were prevalent for years, and it was reported in court documents that HSBC Bank USA did not provide adequate staffing to enforce its AML compliances. Moreover, the implementation of anti-money laundering programs failed to monitor suspicious transactions and activities from HSBC Group adequately. It was noted that their HSBC Mexico affiliates were deemed by U.S. HSBC to have had the lowest AML risk, because the Mexico bank was placed standard in the category; it caused U.S.HSBC to fail in monitoring billions of dollars in U.S banknotes. (DOJ, 2012).

### **What are Financial Intelligence Units?**

The critical and essential elements of AML/CFT administration required from financial institutions and designated non-financial businesses or profession (DNFBPs), are to dispatch any suspicious transactions they suspect to be of criminal nature or terrorist activity. Traditionally, the confidentiality connected to financial transactions interferes with reporting because the financial institutions do not have the instruments to corroborate criminal suspicions. Therefore, it has proven challenging to give reports directly to the enforcing authorities in charge of criminal laws (IMF, 2000).

For this reason, governments had to enact specialized agencies, Financial Intelligence Unit (FIU), whose purpose was to focus on processing financial information that may be

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related to the criminal or terrorist activity. After an FIU receives an account of suspicious transactions from financial institutions, individuals or other entities, the agency analyzes and disseminates the results to intelligence. As a result of sharing information, the local law-enforcement agencies and FIUs use the data to combat money laundering (IMF, 2000).

Because FIUs units are government agencies, the expectation of them is to retain sufficient independence, to complete and accomplish their missions without unwarranted interference or influence. According to reports from The Egmont Group, the association for informal international of FIUs, there are approximately 101 other countries demonstrating operational FIU components, with others in development stages (IMF, 2000).

In order for these intelligence units to do their jobs accordingly it has to be an understanding from all multi-agencies task forces that investigators partner with, to share pertinent information. Moreover, the comprehension and compliances process of laws involving anti-money laundering and terrorist financing, will benefit the investigation.

## Compliance Laws

In the U.S. there are several mechanisms to enforce and implement compliances such as The Financial Crimes Enforcement Network (FinCEN). FinCEN is one of the bureaus of the Department of the Treasury and serves as an entity to advance its aims against money laundering and terrorist financing. FinCEN has implemented lawful regulations that outline publicly issued requirements to individual banks and other businesses that transmit money. The procedure is to report to FinCEN any dispatched orders associated with certain cross-border electronic transmittals of funds (CBETFs). Similarly, FinCEN has introduced a plan that requires an annual filing with FinCEN by all banks, and a listing of all taxpayer

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identification numbers of those accountholders who either transmitted or received a CBETF (UDT, 2018).

Another mechanism is the use of Suspicious Activity Reports (SARS). These are reports with a requirement to be filed with FinCEN by various businesses when they observe suspicious activities. The purpose of the SAR is to identify illegal activity including tax fraud, money laundering, terrorist financing and other financial fraud. Therefore, when any business institution detects suspicions of federal criminal violations, through any transactions exceeding \$5,000, and it is the belief of the financial institution the activity is of a criminal nature, a SARS has to be completed. Similarly, if any occurrences executed through any financial institution where the funds are more than \$5,000 and it is known to be or suspected that the proceedings were done intentionally to evade and promulgate the Bank Secrecy Act regulations, a SAR report is required to be submitted (Brager Tax Law Group, 2018).

The USA Patriot Act of 2001 is short for Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism. Congress passed this act as a result and response to the terrorist attacks of September 11, 2001. This Act provides federal officials an inordinate amount of authority to track and intercept all interchanging transmissions, for the principle of law enforcement and foreign intelligence gathering. It also provides the Secretary of the Treasury with national regulatory powers to combat corruption of US financial institutions for foreign money laundering purposes. The USA Patriot Act assists in actively obstructing the entrance to our borders from foreign terrorists and to apprehend and remove those within our borders. (U.P.A, 2001).

The 2003 National Money Laundering Strategy (NMLS) is an expansion of framework and operational functions towards the identification, disrupting, and annihilating

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global terrorist financing and money laundering operations. The Strategy focuses on the ongoing needs for cooperation amongst the intelligence and law enforcement communities working towards achieving the common goal. Furthermore, under the 2003 NMLS it is important to implement the process of closing off the financial conductors that are causing threats to our National Security. The 2003 Strategy is also ensuring effective regulation is the paramount objective of protecting the international financial system. The highlights of the 2003 Strategy are the recent achievements in the fight to stop the money as well as addressing evolving methods of terrorist financing (U.S. D T, 2003).

### **Current Events of the IMF**

The International Money Fund (IMF), referred to as the Fund, was formed at a 1944 UN conference in Bretton Woods New Hampshire in the United States. In attendance were 44 other countries that all were in agreement with the IMF to build a structure for the efforts of economic cooperation. The goal was to avoid the redundancy and competitive devaluations, which was a contribution to the 1930s Great Depression. Moreover, IMF's responsibilities to date are:

- ❖ the assurance and central purpose to secure the stability of the international monetary system;
- ❖ the classification of exchange rates and global payments that empower the countries and citizens to transact with each other;
- ❖ 2012 updates mandated IMF to include all macroeconomic, along with financial sector issues bearing global stability (IMF, 2018).

There are other analytical avenues such as looking into the links between corruption and money laundering since there is a grave concern for IMF. Both fraud and money laundering are of great interest for the IMF, as they are an integral part of its work. There are numerous

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disruptive consequences that each has on national and regional economies. Anti-corruption and anti-money laundering work are linked in innumerable ways, and especially in recommendations that promote in general, transparency, integrity, and accountability (IMF, 2000).

Changes have occurred since 2000 and have produced substantial progress in strengthening the aspiration to combat money laundering and terroristic financing. IMF implemented additional information on the efforts of criminal activity. The September 11th tragedy has all 188 countries participating and intensifying IMF work to combat AML/CFT and broaden its goal towards fighting against financing terrorism. Globally the events of AML/CFT have sparked the IMF:

- ❖ to assess the compliance of its member countries with the international standard;
- ❖ to pay particular attention to effects of money laundering and terrorist financing towards the economy of its membered nations (Chatman, 2015).

In 2018 IMF has reported focusing on increasing usage of crypto currencies, which allows criminals and terrorists to move assets across the borders secretly. According to IMF Christine Lagarde managing director, the digital funds are distributed in a decentralized way. Therefore there is no need for a central bank, and the crypto-asset transactions constitute anonymity for cash like transactions, (Sputnik, 2018).

What IMF states is the criminal activity produced by the digital offerings is a majorly new transmission of money laundering and the financing of terrorism. With this current information the managing director of IMF, suggests adapting current types of advanced technologies to assist law enforcement and give a way to police the movement of crypto currency. It will also entail the

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usage of a biometric system, artificial intelligence as well as cryptography, which will enhance notification of suspicious transactions and hopefully block illegal exchanges, (Sputnik, 2018).

In 2017 the chief of IMF ordered the shutdown of Alpha Bay. It was considered to be a booming online criminal marketplace. This accomplishment was an example of international cooperation to battle crime. Additionally, before its removal offline, it generated transactions over 1 billion dollars through crypto-assets, which were used to "buy and sell illegal drugs, hacking tools, firearms and toxic chemicals, (Sputnik, 2018).

### **IRS (2017) Money Laundering Investigation Cases**

There were 22 cases of money laundering committed in 2017 and reported by the IRS, which extend from numerous criminal activities:

- an Arizona man and co-conspirators sentenced for \$23 million fraud scheme on January 9, 2017, in Houston, Texas, all were convicted of conspiring to engage a scheme to defraud and conspiracy to commit money laundering.
- an Arkansas man sentenced for defrauding insurance customers on January 12, 2017, in Fort Smith, Arkansas Phillips pleaded guilty in June 2016, to mail fraud, wire fraud, and money laundering, in the amount of \$1,600,000.
- a Colorado businesswoman sentenced for employee benefit plan embezzlement. On January 27, 2017, in Denver, Colorado, Emily Strunk pleaded guilty to a Sept. 29, 2016, to charges of wire fraud, money laundering, and embezzlement of \$ 2,590,608.
- a Mexican National sentenced to prison for participating in marijuana

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trafficking and money laundering ring. on April 11, 2017, in Las Cruces, New Mexico, Christian Hugo Contreras, a Mexican national residing in El Paso, Tex., was sentenced to 97 months in prison for his role in marijuana trafficking and money laundering ring.

- a Texas man sentenced for drug trafficking, money laundering, on April 12, 2017 in Sherman, Texas Melvin Sanchez, his co-conspirators also engaged, or attempted to engage, in a monetary transaction in an amount greater than \$10,000 through a financial institution, knowing the proceeds were from the trafficking of illegal drugs (IRS, 2018).

The DOJ's current focus is a shift towards charging banks and other financial institutions, for their lack of promoting a stable compliance system to catch the illicit money flow of criminal activity. The ongoing misconduct has the DOJ focus on using the Bank Secrecy Act (BSA) to increase AML/CFT criminal cases and hold financial institutions and their subordinates responsible for taking steps to combat money laundering (Wolf, Viswanatha, 2012).

The Head of DOJ Asset Forfeiture and Money Laundering Section, predicts an increase in enforcement across a broader spectrum, involving, commercial banks, credit unions, broker-dealers, insurers, casinos, and pawnbrokers. An example from the DOJ is the case against Wachovia in 2010. The institution failed to implement adequate AML controls, which resulted in more than a \$100 million of Colombian and Mexican drug cartel illicit funds to be laundered through accounts (Wolf, Viswanatha, 2012).

The DOJ also reported the first case in June of 2012 against check cashing facilities in Brooklyn and Los Angeles, with failing to file individual transaction reports. The government stated the check cashing business was used to move more than 50 million dollars, which were connected, to fraud. This high charge was the first case not involving a bank and to indict

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individuals and the owner with failing to have an adequate AML system in place (Wolf, Viswanatha, 2012).

Another case according to the DOJ includes one of the most significant casino companies, Las Vegas Sands, run by financier Sheldon Adelson . He is being investigated by the department for a potential violation of AML laws in the amount of 7 million dollars. These new criminal occurrences sparked the DOJ to promote a special unit for investigations (Wolf, Viswanatha, 2012).

## NEW DOJ UNIT

In 2010, DOJ created a specialized unit of prosecutors as a division within the asset forfeiture section, money laundering, and bank integrity. The group is designed to focus exclusively on financial institution cases and fortifying the U.S. financial system to combat money laundering and illicit finance. The unit is charged with implementing more aggressive enforcement of the Bank Secrecy Act (Wolf, Viswanatha, 2012).

The unit will also deal with "stripping", which are banks that commit violations of removing or masking data transactions. Stripping is used to circumvent imposed restricted economic sanctions. It was alleged that a few world banks disguised some Iranian linked transaction that was related to past conduct. The British Standard Chartered bank case was an investigation by regulators in Europe and Asia into the assets that were held by Guernsey trust unit.

The clients were mainly Indonesian, and reportedly some clients were linked to the military. The allegation accuses the bank of transferring 1.4 million dollars in late 2015, from Guernsey to Singapore. The transaction occurred right before the Channel Island adopted the



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Common Reporting Standard. This is a global framework for a new tax transparency rule, which began at the start of 2016. (Wolf, Viswanatha, 2012).

### **Conclusion**

In order to conduct a successful investigation, there has to be a comprehensive plan of actions taking into consideration the requirements that incorporate essential and valuable steps towards the corruption and money laundering. The research points to the same ideology committed to the establishment of a worldwide networking system dedicated to encompassing an anti-money laundering connection on a global scale. This is in recognition that money laundering develops from serious crimes and has become a series of international incidents causing the expansion to effect and threaten continents and regions.

Money laundering crimes on a large scale are compromising the very existence of our financial and trade system, their integrity, reliability and stability, including the government structure on compliances and regulatory mechanisms. Investigating anti-money laundering requires the stringent measures of countermeasures by U.S. and international communities, dismantling any safe havens for criminals and denying their illicit profits to be laundered. The primary task at hand calls upon all governments to continue to work at global network programs, and technical support against money laundering.

### **Recommendation:**

It is critical for an investigator to continue to build the capacity of combating money laundering and terrorist financing through our allied partners. It can be achieved by utilizing cooperative efforts, and training along with technical assistance programs, this recommendation

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is vital towards our national security. Establishing an appreciable and comprehensive regime for anti-money laundering should include:

- developing concrete legislation and regulations,
- assembling an alert signal to detect skeptical transactions,
- creating Global Units that received the same investigatory training,
- allowing financial system supervisors to have the capability to block administratively due to doubtful accounts,
- continuing to share data and tools to inhibit and dismantle money laundering along with terrorist financing.

These recommendations are by no means considered a cure-all. Instead they are meant to be an exhaustive list to emphasize suggestions for how law enforcement and government agencies might think about addressing the sources of money laundering and terrorist financing. There are no secure solutions to disrupt the sources. Nevertheless, more can and should be done. Money is the lifeblood of launderers and terrorist organizations, attacking it in better and smarter ways will result in a more efficient fight overall.

Therefore, the continuation of global information sharing can assist and help overcome the difficulties law enforcement comes across. Sometimes refining the facts to gain a better understanding can help discover a better understanding of the causes and effects. For example, there is a new threat to contend with, Bitcoin is an avenue recommended for examination in the near future, criminals will figure out a way to disguise Bitcoin for money laundering and illicit financing for criminal trafficking.

Assembling teams from all allies to help interpret cases and identify critical elements and consequences can help in recognizing relevant documents. With the large complex cases, it is

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crucial to constructing multiple disciplinary agencies to offer diversity in investigations. An investigator should gather from a spectrum of sources; public records, Internet, money service providers, real estate brokers, as well as any relatives or business associate, any relevant documentation in pursuit of combating, preventing and finding more efficient solutions to halting laundering.

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