



Anti-Money Laundering

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Agenda

INTRODUCTION

Definition

Stages of Money laundering

Sectors Vulnerable to ML

Threat of Terrorist Financing

Combatting ML

Ex. Case.





Introduction

- ML is an indispensable, ever-present element of all financial crimes. It can occur at the start, middle or at the end phase, but it always happens. No financial crime (Fraud, Corruption, Tax Evasion) can be committed without acts of ML at some stage(ACFCS).

MONEY LAUNDERING (ML)

MONEY LAUNDERING (ML) is the placement, layering or integrating of money from a criminal enterprise so that it appears legitimate.

ML STAGES

(1) Placement

- Initial entry of funds into the financial system
- Typically – movement of illicit cash into bank, MSB, or securities broker –dealer
- Primary goal is to gain access to the financial system and distance funds from criminal origin
- Common placement methods:-
 1. Structured deposits – deposits below jurisdictions reporting threshold
 2. Exchange cash for commodities (gold, diamonds, high value goods)
 3. Purchasing digital currencies in cash via direct contact with the sellers or online sites

ML STAGES

(2) LAYERING

- Separates criminal proceeds from the source and origin by channeling through layers of financial transaction to disguise their flow and reduce traceability
- RUSSIAN LAUNDROMAT SCHEME – moved \$20.8 billion in suspicious funds through banks in Moldova and Latvia – to financial institutions and businesses worldwide.
 1. A web of shell companies in Russia was used to transfer funds to Russian Banks
 2. Shell companies also set up in UK, Cyprus and New Zealand to receive the funds
 3. A fake promissory note was then designed saying Russian companies owed monies to UK, Cyprus and New Zealand companies.
 4. Judge in Moldova then made an order for the Russian company to pay the debt

ML STAGES

(3) INTEGRATION

- Layered funds used to purchase real estate and asset investments
- Purchase of assets for exorbitant price – illicit funds now seem like legitimate profit
- Types:-
 1. Trade based money laundering – popular method to layer funds across borders using false or overpriced invoices
 2. Purchasing or investing in legitimate businesses using laundered funds
 3. Making investments in securities with laundered funds
 4. Business arrangements- zero interest loan between shell companies

TERRORISM FINANCING

- Detecting and preventing the movement of funds tied to TF is most the important and challenging components of Anti- Money laundering compliance, investigations and enforcement.
- MONEY IS NEEDED TO ;-
 - Recruit new members
 - Create and disseminate propaganda
 - Procure goods and supplies
 - Fund ongoing operations

COMBATTING ML

- Exploiting the commonalities of financial crime is key to an effective anti money laundering strategy.
- Ensure tax offences are criminalized
- Devise an effective strategy for addressing tax crimes
- Have adequate investigative powers
- Have powers to freeze seize and confiscate assets
- Put in place an organizational structure with defined responsibilities
- Provide adequate resources to support Tax crime Investigations

COMBATTING ML

- Make tax crimes a predicate offence to money laundering, along with other serious offences (1 year +)
- Have an effective framework for domestic inter-agency cooperation
- Ensure international cooperation mechanisms are available
- Protect the rights of suspects



ML Case

- The FIU was alerted by a SAR as to several cash transactions which were being received by the subject John Henry Smith and then forwarded through MoneyGram to people in Nigeria (received \$50K and forwarded a total of \$35K)
- money was coming in from seven different countries to include Caribbean and US jurisdictions.
- FIU alerted the Compliance officer as to the trend and made a request for information.
- Compliance officer failed to respond in a certain time and so the Compliance Unit sanctioned the MSB
- It was observed that the subject used different variation of his name each time a transaction was done, e.g., actual name: john Henry Smith...John Smith...John Henry...Henry Smith...etc.
- Subject has not been employed since 2008

ML Case Contd.

- Subject goes to the same MSB location each time and is attended by the same teller 95% of the time
- Requests were sent to the FIUs for information on the senders and recipients in various jurisdictions
- Pending Actions:
- Review of information requested will drive further actions
- Subject to be interviewed
- The MBS teller will be interviewed





Summary

An Effective anti-ML strategy requires an all-inclusive approach that includes freezing, seizing and confiscation of assets to take the profit away from criminals. .

Thank You

Marlon Proctor

