



Australian Government  
Australian Taxation Office

# Introduction to Money Laundering

OECD Tax Academy for Tax and  
Financial Crime Investigation

Presented by Darren Latimore

November 2024

# What is Money Laundering?



# Definition of Money Laundering

Money Laundering ... is the **process** of converting cash or other property derived from criminal activity, to give it the **appearance** of having been obtained from a legitimate source ...

# Money Laundering & Terrorist Financing Objectives

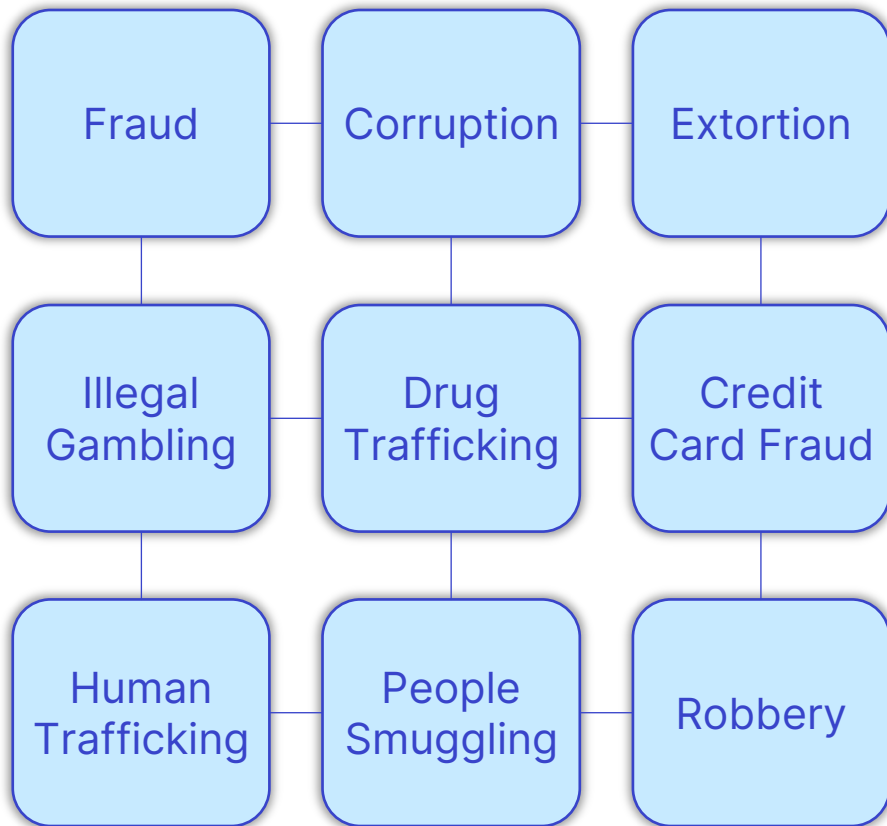
- **With money laundering, the criminal seeks to distance the proceeds of crime from the crime**
- **Terrorists seek to move the money undetected from the source of the funding**
- **Immediate aims are different but the mechanisms used are effectively the same**

# History of Money Laundering

- **Over 2,000 years ago, Chinese merchants cleaned their profits to circumvent trading**
- **US Prohibition – gangsters needed to launder proceeds of illicit alcohol sales, prostitution and gambling**
- **First official reference 1973 – Watergate scandal. Term was derived from gangsters ownership of laundromats**



# Common Offences – Proceeds of Crime



## Proceeds of crime can be:

- **Cash**
- **Bank cheques**
- **Bank drafts**
- **Promissory notes**
- **Telegraphic transfers**
- **Precious metals & stones**
- **Debit and credit cards**
- **Commodities**
- **Purchase of valuable assets (car, house, race horses etc)**

# Why do Criminals launder money?

1. **Money laundering provides a legitimate cover for a criminals source of income**
2. **Money laundering helps criminals to avoid prosecution, conviction and confiscation of their illegal funds**
3. **Enables criminals to maintain control and power within their criminal organisation**
4. **Protects the criminal organisation and their operations from other criminals**



# Money Laundering – Risk Management

Money laundering is a tool used by criminals to manage the risks of:

- being caught
- prosecuted, and
- losing their assets

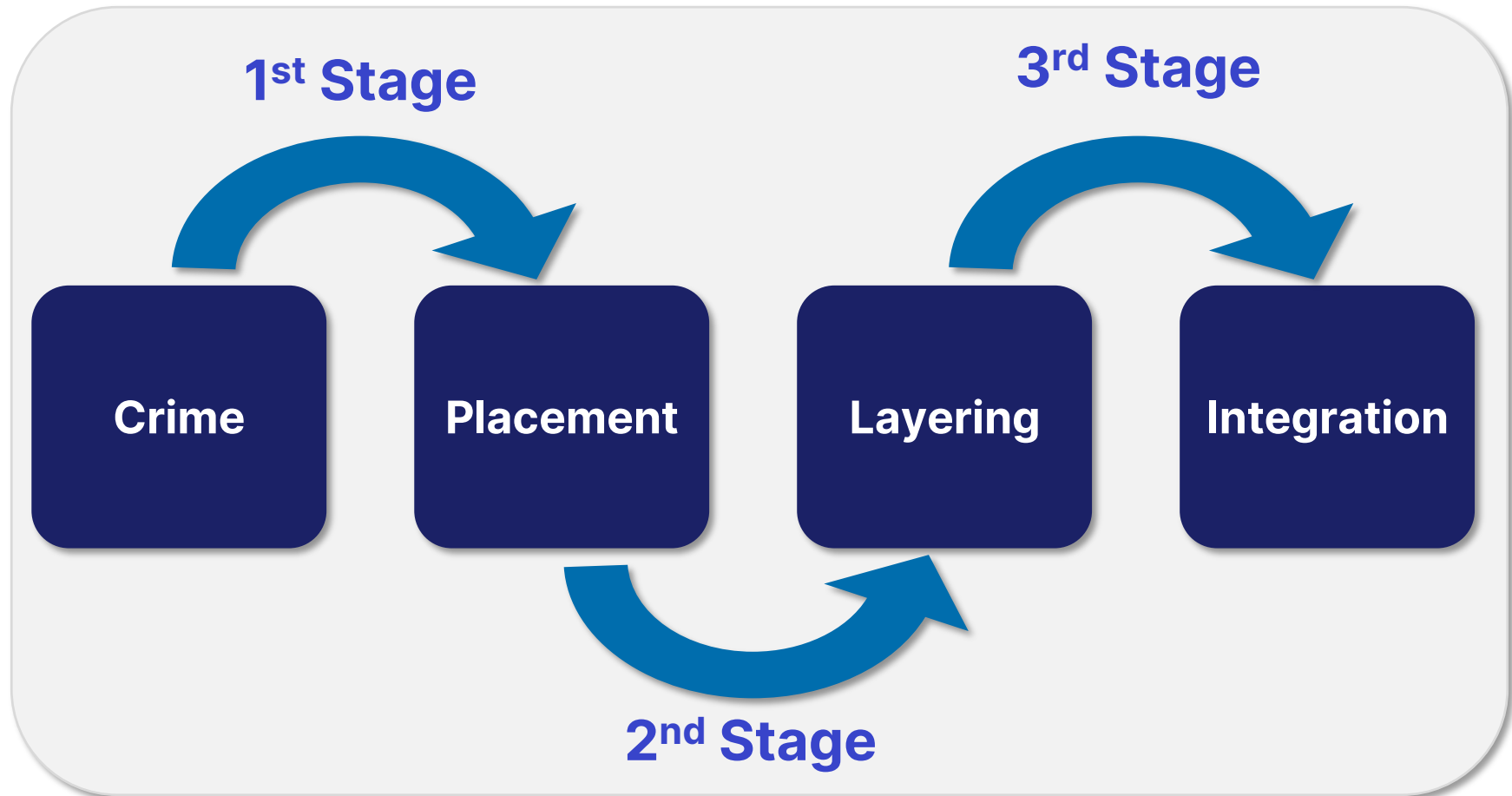




# Money Laundering Stages



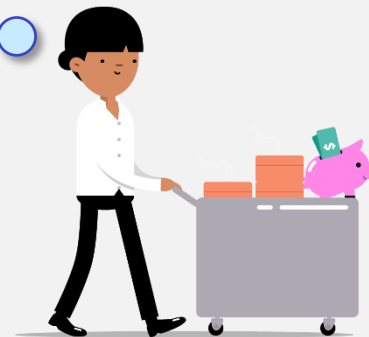
# Three Stages of Money Laundering



# The Money Problem!!

Most profit driven crime, particularly the sale of illegal commodities, generates cash.

Problem: *What am I going to do with the money?*



1 Kg Heroin



Cash

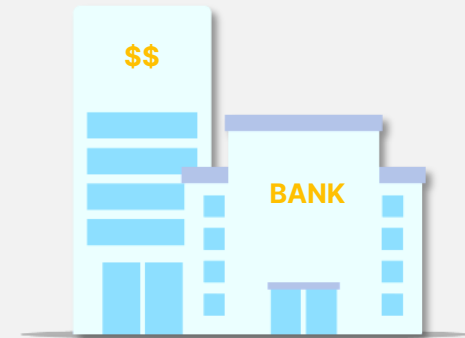
# Placement

- **Placement involves putting or introducing illicit cash into the financial system**
- **Placement is the first & most vulnerable stage of the money laundering cycle**

# Meaning of the Financial System

In placement, the financial system has a broad meaning and includes:

- Banks, credit unions and finance companies
- Money remitters (e.g. Western Union)
- Casinos
- Betting agencies
- Art and antique dealers (that accept cash)
- Bullion dealers



# Examples of Placement Activity

- Large amounts of cash are broken into smaller amounts and deposited over time into different branches of a financial institution
  - Exchange of one currency into another
  - Conversion of smaller notes into larger denominations (refining)
- Conversion of funds into financial instruments e.g. money orders, bank cheques, travellers cheques
  - Purchase of precious metals or art
  - Gambling at a casino, betting establishment or at any gambling facility

# Placement Activity

**Placement activity also involves:**

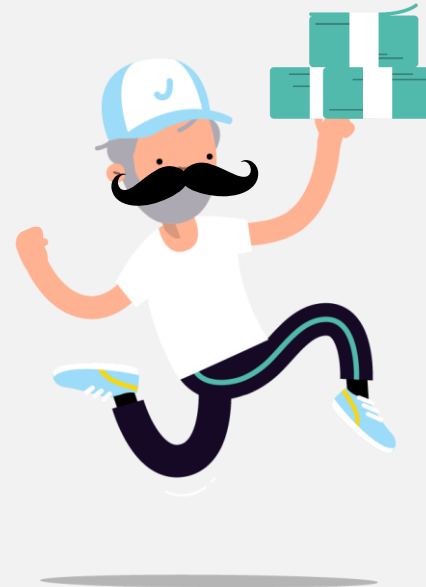
- **Currency smuggling**
- **Co-mingling of illicit cash with the proceeds of a legitimate business**

**Smuggled funds and co-mingled funds are ultimately introduced in the financial system.**



# Placement Activity

- **Use of dormant/false name accounts**
- **Smurfing**
- **Alternate remittance services/Hawala dealers**





# Layering

- **Layering is the most complex stage of the money laundering process**
- **Layering is commonly achieved by conducting multiple transactions with the illicit funds and moving it between different accounts, different entities, and/or locations – usually offshore**
- **The objective of Layering is to separate funds derived through illegal activity from their true source & obscure the money trail to foil any pursuit**



# Examples of Layering

1. Funds are telegraphically transferred to multiple financial institutions
2. Funds are used to purchase other securities e.g. shares
3. Use of offshore companies
4. Accounts held offshore are used to receive or transmit funds



# Layering

- **Using multiple banks and accounts**
- **Converting cash into**
  - **Money orders**
  - **Wire transfers**
  - **Letters of credit**
- **Having professionals act as intermediaries**
- **Transacting through corporations and trusts**
- **Stocks, bonds, or purchasing valuable assets, such as art or jewellery NFT's.**

**Layering techniques are limited only by imagination and connections.**

**Layering increasingly utilises international connections making it more difficult for investigators to trace.**

# Integration

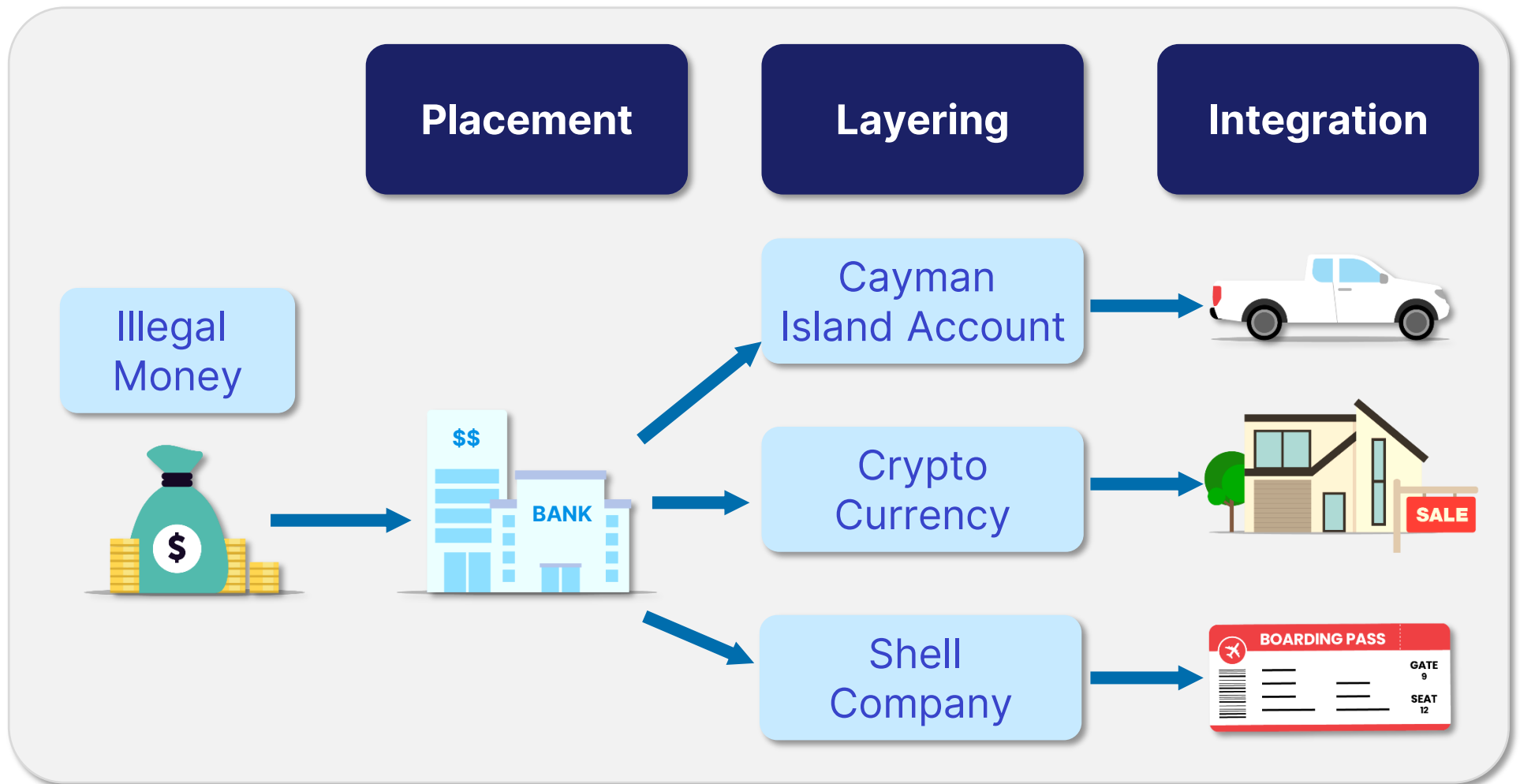
- **Integration is the final stage, where funds return fully assimilated into the legal economy**
- **The money is made available to the criminal again, once the manner of its acquisition and geographical provenance cannot be traced**



# Integration

- **Illegal money has the appearance that the funds were derived from a legitimate source**
- **Accomplished through the purchase of assets: real estate, luxury goods, securities etc.**
- **Used to fund other crimes**
- **Used to fund lifestyle**
- **But not necessarily in the jurisdiction where the offender principally resides**

# Money Laundering Stages



# Money Laundering Legislation

- **Vienna Convention 1988**
- **Push to criminalise money laundering for broader range of crimes**
- **FATF**
- **40 + 9 Recommendations**
- **Mutual evaluations**
- **What constitutes a predicate offence for money laundering in your jurisdiction?**



# FATF Recommendations

**40 Recommendations require countries to:**

- **Implement relevant international conventions**
- **Criminalise money laundering and enable confiscation of proceeds of crime**
- **Implement customer due diligence (identity verification) and STR's**
- **Establish FIU to receive and disseminate STR's**
- **Cooperate internationally in investigating and prosecuting money laundering**



# Money Laundering Emerging Trends



# Money Laundering – Emerging Trends

- **Smart ATM**
- **Stored Value Cards**
- **Online betting platforms**
- **Crypto currencies**
- **Digital Identities**
- **Remittance Platforms/  
Correspondent banking**
- **Online bank accounts**
- **WeChat Pay**
- **Online markets (eBay)**

# Smart ATM's

**Smart Automatic Teller Machines (ATMs) accept cash deposits which:**

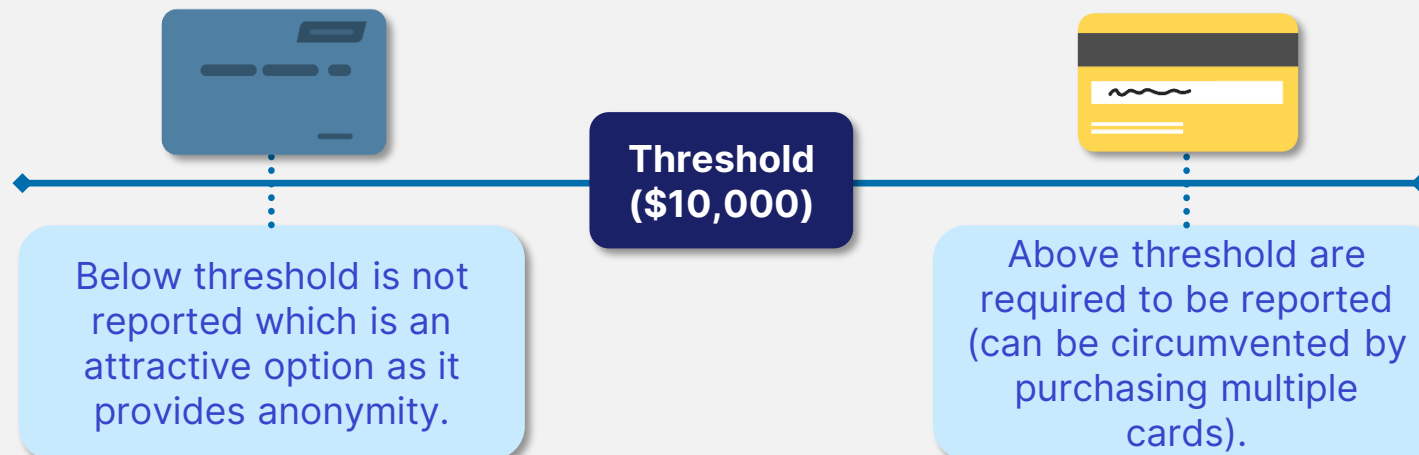
- **Allow people to make illicit cash deposits into third party accounts (with consent).**
- **Avoid face-to-face interactions with staff meaning any suspicious transactions (and the person depositing the cash) are less likely to be identified or reported.**



# Stored Value Cards and Gift Cards

Above threshold stored value cards (SVCs) are used to move large sums of money derived from the proceeds of crime through established financial networks (often off-shore).

They are subject to anti money-laundering or counter terrorism financing reporting.



# Online Gambling Platforms

- **Serious and organised crime entities may have access to and control of online wagering platforms**
- **This provides multiple opportunities for domestic and international criminals to utilise online platforms to launder proceeds of crime, and profit from the corruption of sporting and racing events**
- **Access includes the capacity to bet large amounts of money anonymously through offshore bookmakers**
- **Bookmakers operating online wagering platforms are increasingly basing their operations in jurisdictions where regulation and oversight of gambling activities ranges from minimal to completely absent.**

# Cryptocurrencies

- Are becoming increasingly popular with new versions being developed constantly
- Provide an excellent way to store money without the problem of storage space that cash has, or having cash seized or stolen
- Can be stored in anonymous wallets and can only be accessed with the right private key (i.e. Bitcoin)
- Can be easily transferred to another wallet, or withdrawn in cash from crypto ATM's or through a crypto exchange who will then deposit funds into a nominated bank account
- Can be used to purchase assets online



# Remittance platforms

- **Remittance services allow the transfer of funds anywhere in the world quickly and easily**
- **Funds can be sent through a number of different accounts in different jurisdictions to obscure the original source**
- **Remittance service providers are required to be registered (in Australia) and report suspicious or threshold transactions**
- **Pooled transactions can be used to hide the transfer of funds**
- **Criminal remitters may fail to report**



# Digital Identities

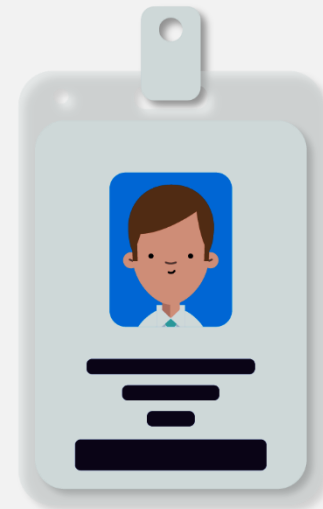
- A digital identity is **a collection of information about a person that exists online**
- When this information is grouped together, it can provide a digital representation of an individual to help them access services and goods once a business has verified the identity of the customer
- Where identities are compromised or stolen, those identities can be used to access services, open bank accounts, apply for loans, or seek government welfare payments fraudulently
- Digital identities are a target of cyber-criminals, who then use the identities for illegal purposes, or sell the identities on the dark web.





# Online Bank Accounts

- **Anti money laundering strategies require proper verification of identities when opening bank accounts**
- **Most banks allow accounts to be opened online**
- **Various methods are used such as DVS for identity verification**
- **No checks are undertaken to confirm the digital identity document matches the person using the document**



# WeChat Pay

- **WeChat is a Chinese instant messaging and social media platform**
- **It is the largest standalone mobile app with over 1 billion active users**
- **WeChat includes a mobile payment app which allows payments and online transactions**
- **WeChat Pay can be used to “gift” money to contacts**
- **Requires a Chinese bank account**

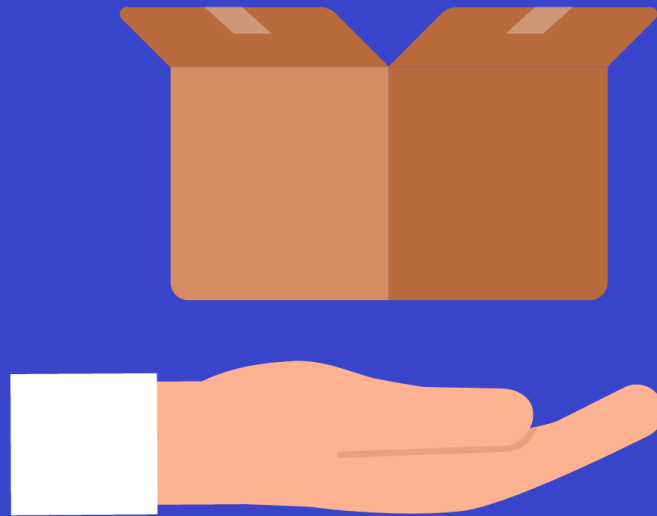


# Online Markets – eBay

- **eBay is an online market place that allows people to buy and sell items in 190 markets worldwide**
- **eBay is based in the United States and records relating to users and user accounts are outside the jurisdiction of most countries**
- **eBay account holders can sell illegal goods**
- **Allows for fake sales or cancelled sales**



# Trade Based Money Laundering



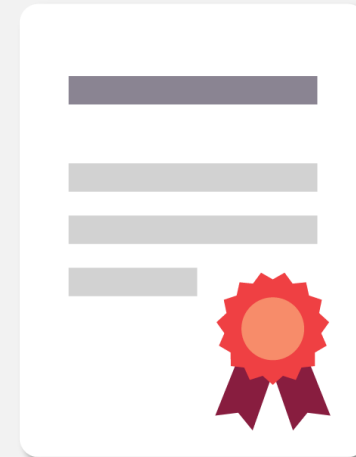
# Trade Based Money Laundering

- **Trade-based money laundering (TBML) is a method used by criminals to move money across borders, disguise its origins, or legitimize illegal gains**
- **It involves manipulating trade transactions through the buying and selling of goods and services to obscure the source and destination of funds**



# Trade Based Money Laundering

- **Over/Under- Invoicing:** Criminals manipulate the prices of goods to bring illicit funds into a country and to move money out
- **Falsifying Descriptions:** Criminals may misrepresent the quality or type of goods, making it difficult for authorities to identify the actual product involved

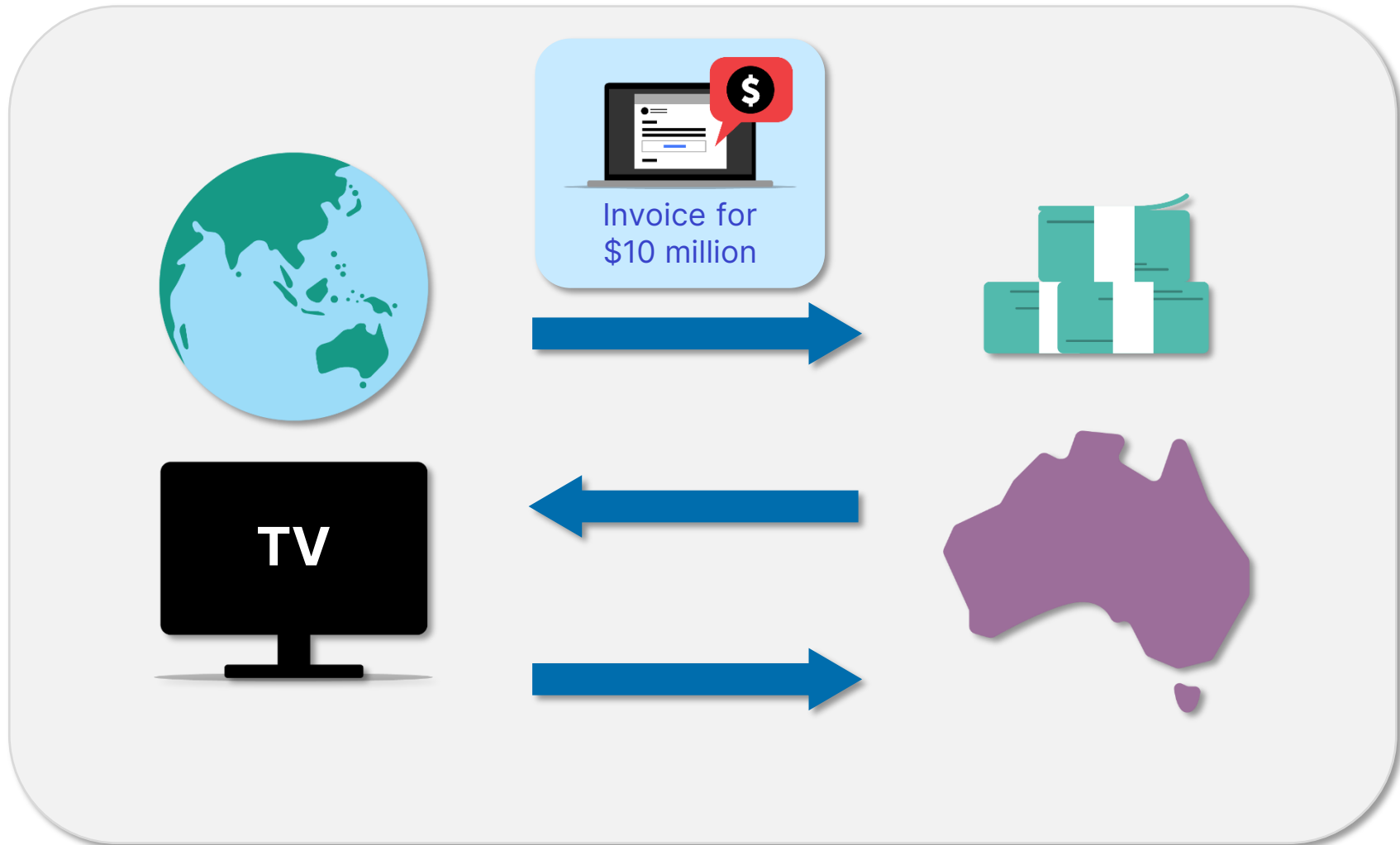


# Trade Based Money Laundering

- **Phantom Shipments:** Criminals create fake shipments that never occur. These transactions are used to move money without any actual trade happening.
- **Multiple Invoices:** Criminals create multiple invoices for a single shipment allowing them to move more money than declared. One invoice may show the real value, while others inflate the prices allowing the TBML process.

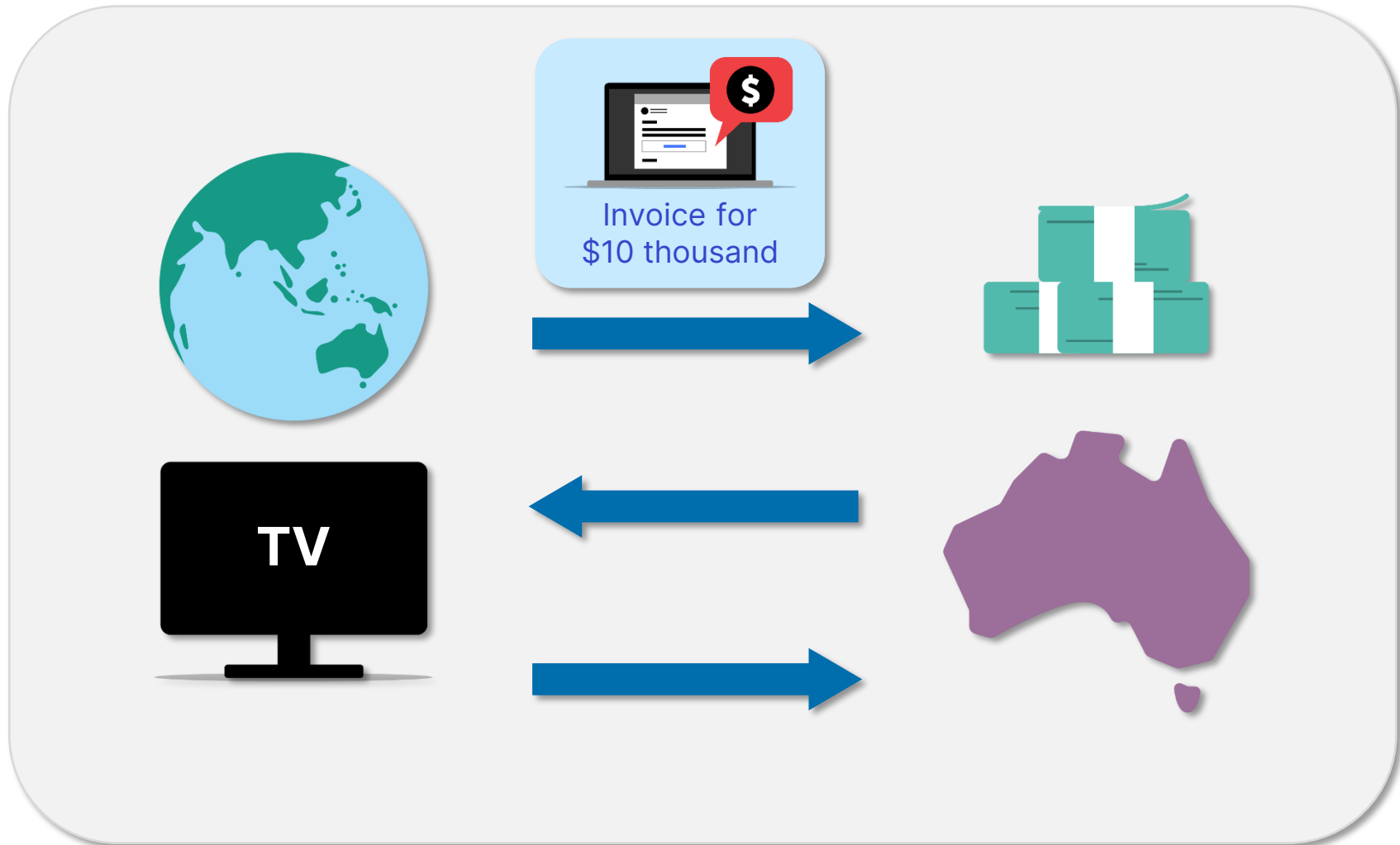


# Over Invoicing

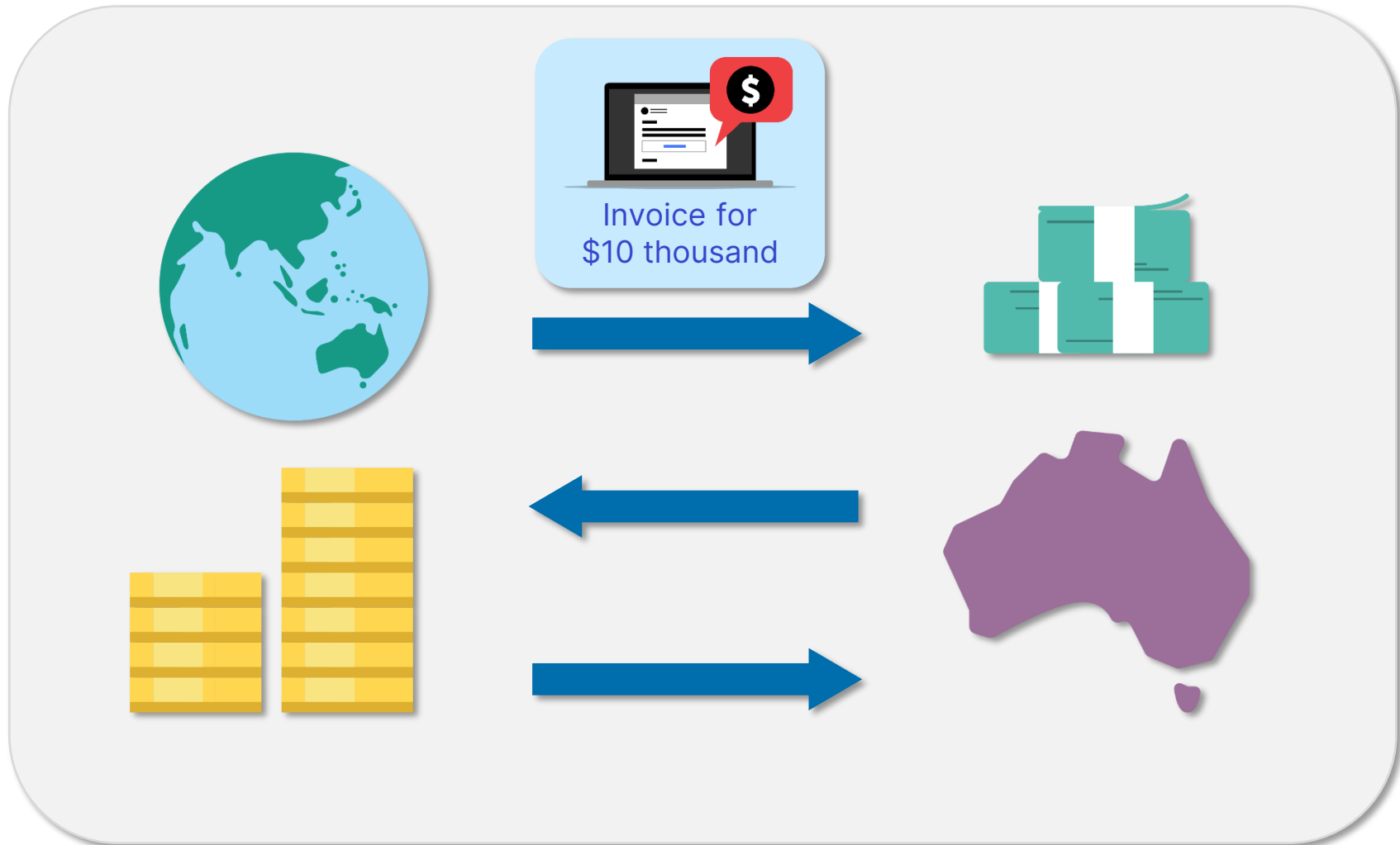




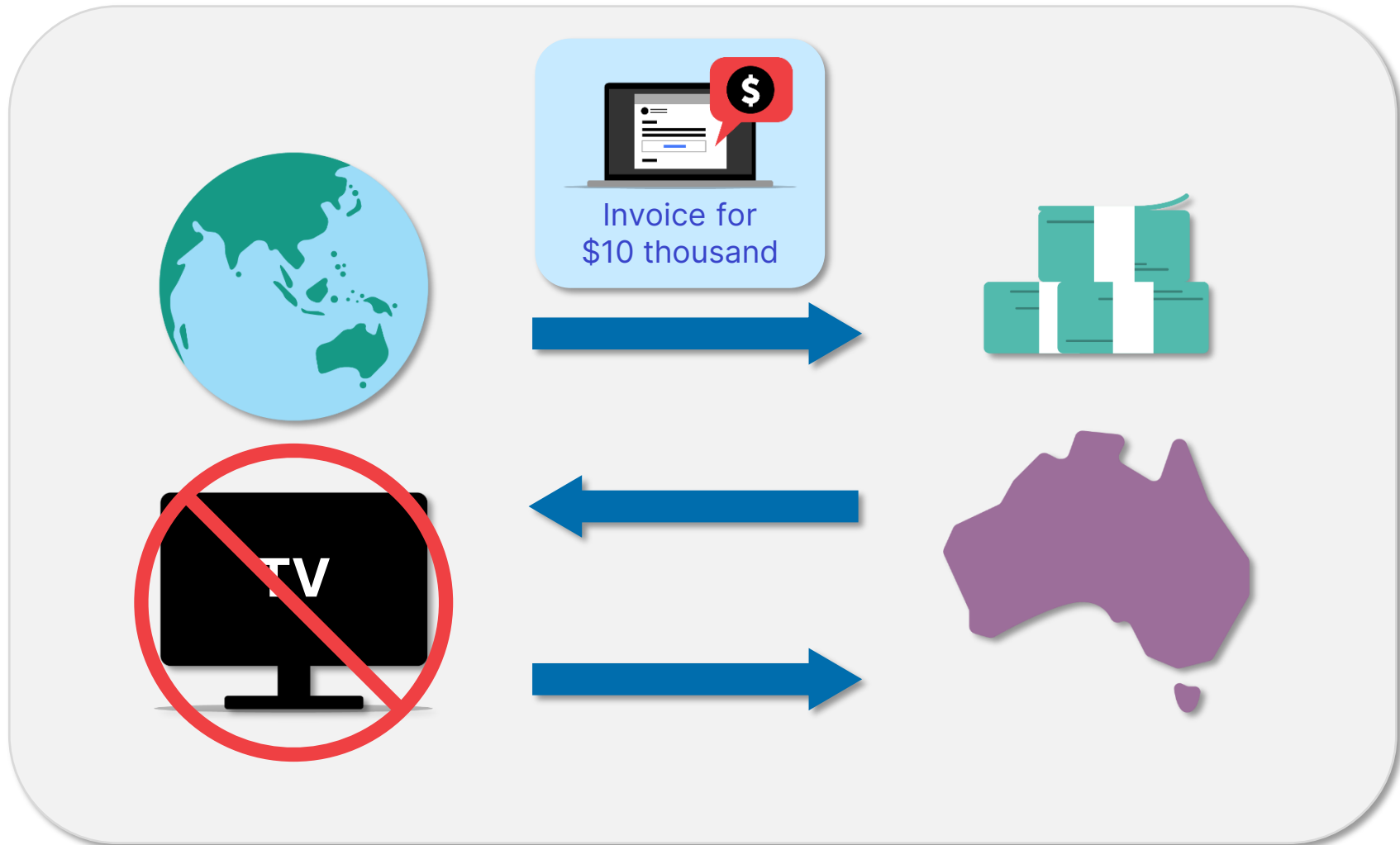
# Under Invoicing



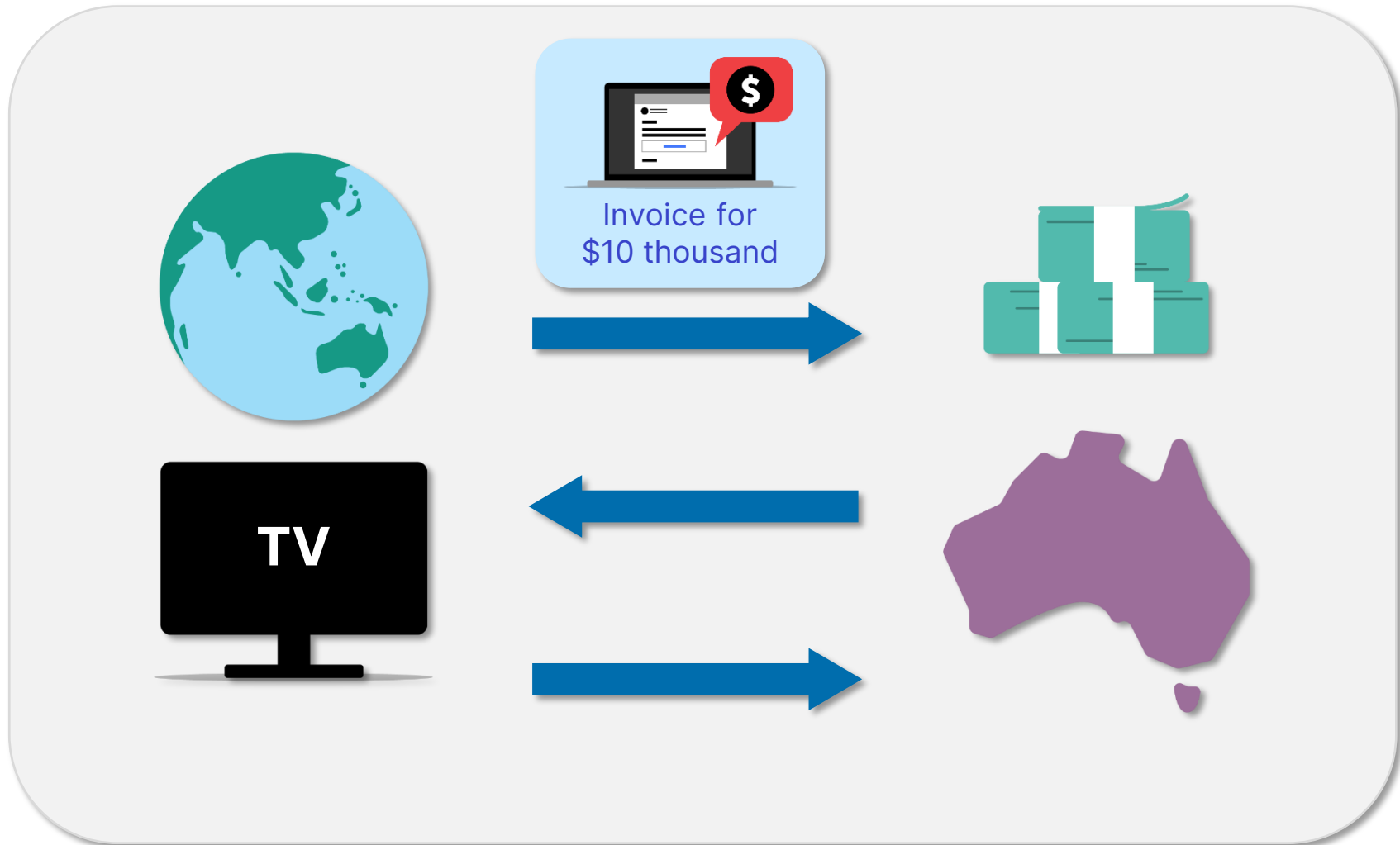
# False Description



# Phantom Shipment



# Multiple Invoices



# Questions

