

CONDUCTING FINANCIAL INVESTIGATIONS (FOUNDATION) PROGRAMME

Ostia, Italy

March 2023





Paul Khan

**Senior Investigating Officer
His Majesty's Revenue & Customs (HMRC)**

United Kingdom



**HM Revenue
& Customs**

OVERVIEW

- ELE
- Scenario
- Money laundering – where it began
- International bodies/ co-operation
- What is money laundering
- Basic principles of Money Laundering
- Methods criminals use to launder criminal proceeds
 - Cash
 - IVTS / HOSSP's
 - Corporate vehicles
 - Gold



Expert Laundering Evidence (ELE)



Cadre of Law Enforcement personal who have 'areas' of expertise.

Co-ordinated by the National Crime Agency (NCA)

Current Cadre is made up of Police, Serious Fraud Office (SFO) & HMRC

Delegates also include members from Five Eyes law enforcement agencies:

- Australian Federal Police
- FBI
- Homeland Security
- New Zealand Police
- Royal Canadian Mounted Police

Expert Laundering Evidence (ELE)



Role (areas of money laundering expertise)

- Provide independent expert evidence to assist the courts
- Provide investigative support to Law Enforcement (UK & Overseas)
 - Increase awareness

Expert Laundering Evidence (ELE)

Main Areas of Expertise

Cash Based Money Laundering Strategies:

- Cash
- Structuring
- Bulk Cash Smuggling

Money Transmitters:

- Money Service: Businesses
- Informal Value Transfer System

Professional Money Laundering Networks:

- International Controller Networks
- Chinese Underground Banking

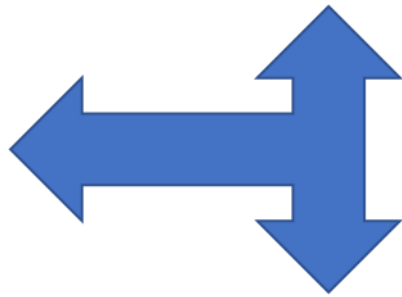
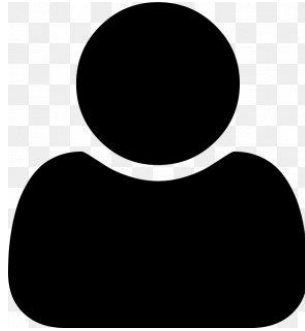
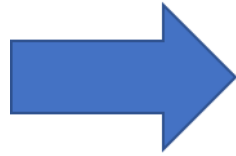
Non Cash Based Money Laundering Strategies:

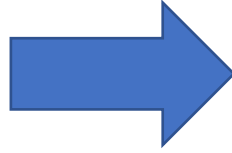
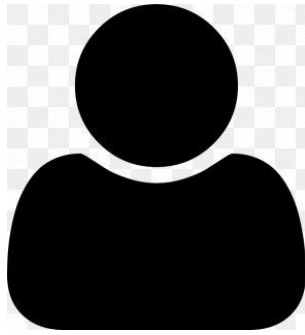
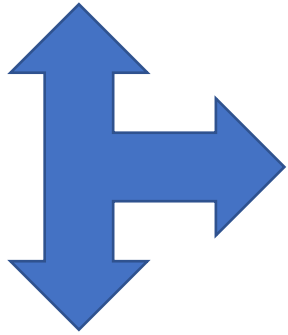
- TBML
- High Value Portable Assets
- Shell Companies
- Crypto Assets

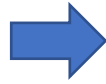


Scenario

What do you have ?

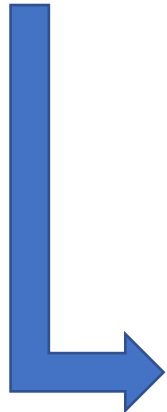






27/04/15

357	1000	TSB
362	2000	China
392	10000	Bar
398	5300	Bar
399	151640	RBS
400	1650	Net
395	5000	Hand
401	3000	China
402	50,000	Ahsan fsh
348	12,000	Horse
246	8,000	China
378	7,000	China
403	1000	China



MSG: #246
 Bank: China
 Sort Code: 34.00.01
 Account: 12345678
 Account name: Bob Smith
 Amount: £8,000



Money laundering

Where and how it began



Money laundering



The term is believed to have come from the infamous Al Capone's practice of using a chain of laundromats he owned to launder large amounts of cash he earned through the sale of illegal alcohol



The UN *Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988*

The Convention required the criminalisation of:

- The conversion or transfer of property derived from criminal offences.
- The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property derived from criminal offences.
- The acquisition, possession or use of property derived from criminal offences.

What are the Money Laundering Offences in your jurisdiction ?

Do they follow the, similar, to the UN Convention ?



UK Money Laundering Criminal Offences Proceeds of Crime Act 2002 (PoCA)

- s327 - Concealing** criminal property
(Conceals, disguises, converts, transfers or removes).
- s328 - Arrangements** in relation to criminal property
(To facilitate another to acquire, retain, use or control criminal property).
- s329 - Acquisition, use and possession** of criminal property.

Proceeds of Crime Act 2002 (PoCA)

CASH SEIZURE	LISTED ASSETS	ACCOUNT FREEZING ORDERS (AFO's)
<p>Power to seize cash in excess of £1,000 upon detection and detain for an initial period of 48 hours and then on the authority of a Magistrate for up to 2 years</p>	<p>Power to seize named assets in excess of £1000.00 upon detection and detain for an initial period of 48 hours and then on the authority of a Magistrate for up to 2 years.</p> <p>6 hour rule</p>	<p>Power to freeze funds held in a bank account in excess of £1000 within UK based bank and building society accounts for up to 2 years on the authority of a Magistrate.</p>



Proceeds of Crime Act 2002 (PoCA)

CASH SEIZURE

LISTED ASSETS

ACCOUNT FREEZING ORDERS (AFO's)

'CASH'

- Notes and coins in any currency,
- Postal orders
- Cheques of any kind (including travellers' cheques)
- Bankers' drafts
- Bearer bonds
- Bearer shares

'LISTED ASSETS'

- Precious metals (gold, silver or platinum whether manufactured or not)
- Precious stones
- Watches
- Face-value vouchers
- Postage stamps
- Artistic works (defined by section 4(1)(a) of the Copyright, Designs and Patents Act 1988)

'ACCOUNT FREEZING ORDERS'

- Money held in an account maintained by a Bank or Building Society or Electronic Money Institution (EMI)

Proceeds of Crime Act 2002 (PoCA)

CASH SEIZURE	LISTED ASSETS	ACCOUNT FREEZING ORDERS (AFO's)
<p>An officer may seize any cash if they have reasonable grounds to suspect that it is—</p> <ul style="list-style-type: none">(a) recoverable property, or(b) intended by any person for use in unlawful conduct. <p>Can also seize cash which contains part recoverable property if it is not reasonably practicable to seize only that part.</p>	<p>An officer may seize any item of property if they have reasonable grounds to suspect that the property:</p> <ul style="list-style-type: none">(1) is a listed item.(2) is recoverable property.(3) Is intended by any person for use in unlawful conduct. <p>Can also seize property which contains part recoverable property, if it is impractical not to only seize part.</p>	<p>The relevant court may make an order if they have reasonable grounds to suspect that money held in the account (whether all or part of the credit balance of the account)</p> <ul style="list-style-type: none">(a) is recoverable property, or(b) is intended by any person for use in unlawful conduct.

Proceeds of Crime Act 2002 (PoCA)

Restraint Orders	Property Freezing Order - Part V	Unexplained Wealth Order
<p>What is it?</p> <p>An order of the court prohibiting a person from dealing with assets and property</p> <p>What is the purpose?</p> <p>To freeze assets to protect recovery via a confiscation order where there is a risk of dissipation of assets</p>	<p>What is it?</p> <p>An order freezing specific property to prevent it being dissipated before civil recovery proceedings have been concluded</p> <p>What is the purpose?</p> <p>To freeze assets where civil recovery proceedings may be brought either at the start of or before the start of such proceedings</p>	<p>What is it?</p> <p>An interim freezing order is a court order that freezes property identified under an Unexplained Wealth Order (UWO) which is an investigatory power.</p> <p>What is the purpose?</p> <p>An IFO is intended to prevent property being dissipated while it is subject to an UWO and may not be applied for as an alternative to freezing orders under other provisions</p>



International bodies / co-operation

Financial Action Task Force (FATF)

Established in 1989 by the G7, FATF is the global money laundering and terrorist financing watchdog.

Its core objective is to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering and terrorist financing

FATF Recommendations: sets out the generic international standard for combating money laundering, the financing of terrorism and proliferation of weapons of mass destruction.
(available at www.fatf-gafi.org)

Financial Intelligence Unit (FIU)

FATF member countries have established operationally **independent and autonomous** Financial Intelligence Units (FIU's) that serve as a national centre for the receipt and analysis and secure dissemination of:

- (a) Suspicious transaction reports (STRs) or Suspicious Activity Reports (SARs); and
- (b) Other information relevant to money laundering, associated predicate offences and financing of terrorism.

Egmont Group of FIUs

In 1995 a group of FIUs met at the Egmont Arenberg Palace in Brussels, Belgium where it was decided to establish an informal network of FIUs for the stimulation of international co-operation in tackling money laundering and the financing of terrorism.

The Egmont Group of FIUs meet regularly to find ways to promote the development of FIUs and to cooperate, especially in the areas of information exchange, training and the sharing of expertise.

www.egmontgroup.org

Camden Asset Recovery Inter Agency Network (CARIN)

CARIN is an informal network of 54 jurisdictions and 9 international organisations, mainly EU Members, concerned with all aspects of confiscating the proceeds of crime.

It is linked to similar asset recovery networks in Southern Africa, Latin America, Asia Pacific, Eastern Africa and Western Africa.

carin@europol.europa.eu

What do Criminals want

- **Succeed** in perpetrating a crime
- **Avoid** detection
- **Benefit** from the crime
- **Retain** the benefit of crime

What is Money Laundering

Break out session 1

- (1) What is money laundering?
- (2) Ways money can be laundered ?
- (3) How cash generated from crime can be disguised
- (4) What is property can be laundered

What is money laundering?

- Turning dirty money into clean money
- Turning money from the illegitimate economy into money in the legitimate economy
- Washing drug money
- Disguising criminal money

The **Financial Action Task Force (FATF)** defines money laundering as –

"the processing of criminal proceeds to disguise their illegal origins in order to legitimise the ill-gotten gains of crime"

‘Money laundering occurs every time any transfer or purchase takes place or any relationship is formed which involves any form of property or benefit that has come from crime’

Ways money can be laundered ?

- Banks and financial institutions
- Money Service Businesses
- Trustees
- Lawyers
- Accountants
- Brokers
- Trust and Corporate Service providers
- Precious metals
- Cash smuggling

How cash generated from crime can be disguised

- Property
- Branded goods
- Pre-paid store cards
- Art
- Antiques
- Motor cars
- Virtual currency
- Gold
- Precious metals
- Corporate vehicles

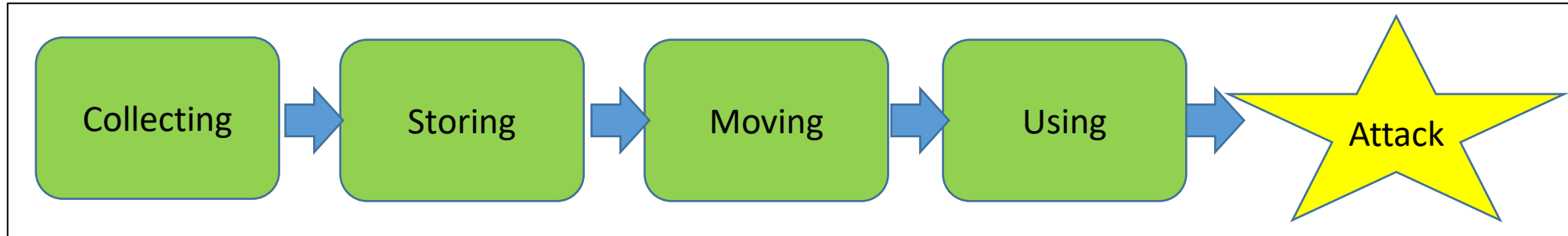
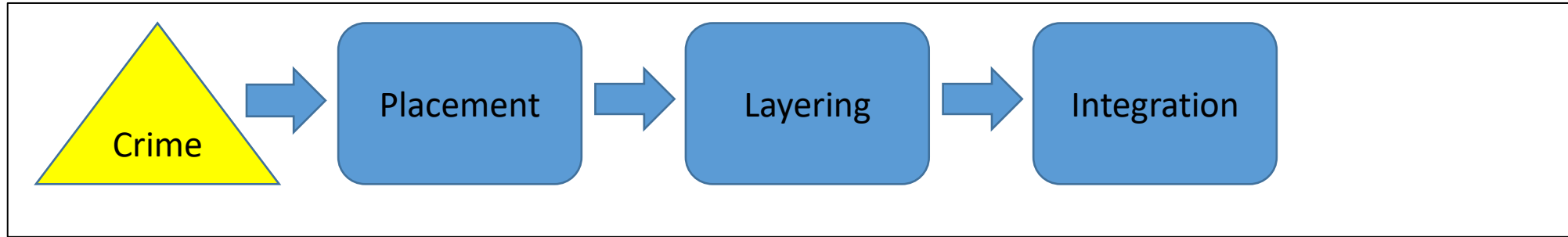
What is criminal property?

Criminal Property which may be cash or any other form of tangible or intangible property

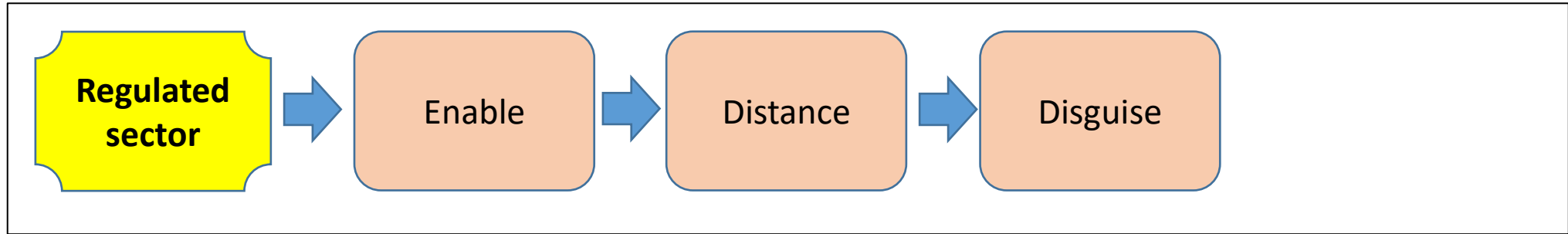
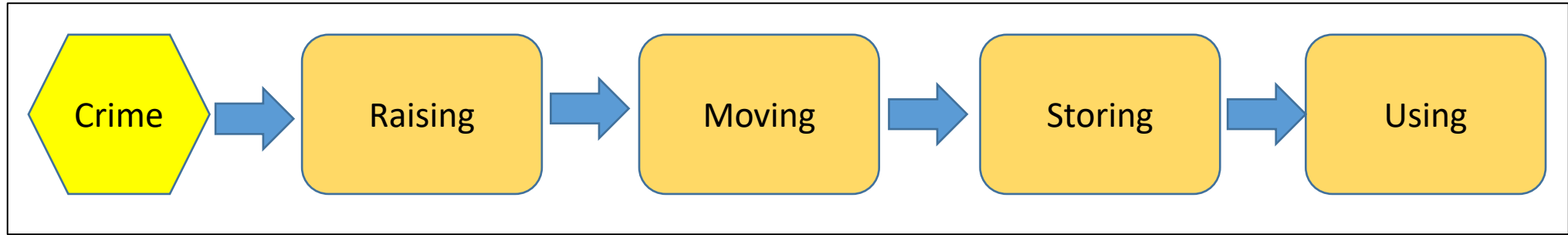
Tangible Property may include : Jewellery, precious metals, watches, cars, yachts, planes, land, houses, etc

Intangible property may include : shares, stocks, bonds and other financial instruments, leases, loans, patents etc

An Overview of Money Laundering

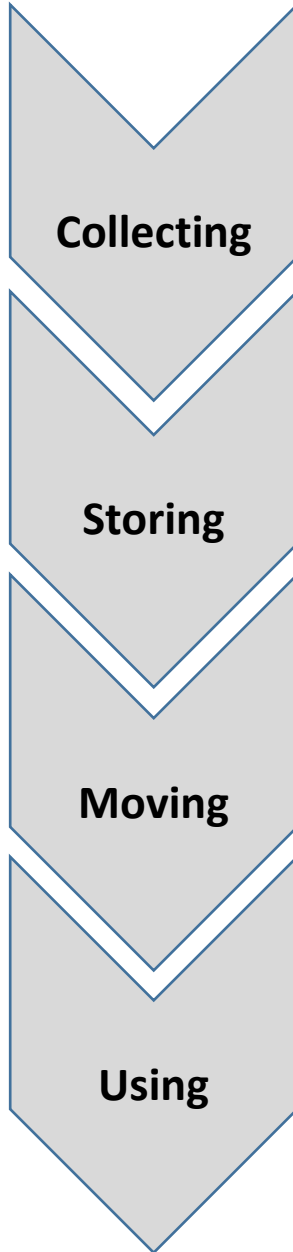


An Overview of Money Laundering



3 stages of Money Laundering, FATF

PLACEMENT	LAYERING	INTEGRATION
<p>Illicit money/proceeds introduced and placed into the financial/legal systems</p>	<p>Multiple financial transactions to conceal the original source and create complex layers</p>	<p>Funds integrated into legitimate economies and appears to be normal business</p>
<ul style="list-style-type: none"> • Comingling illicit and legitimate funds • Stored value cards/foreign exchange • Structuring/Smurfing • TBML • Cross border smuggling • Offshore accounts • Purchase of assets • Loan repayments 	<ul style="list-style-type: none"> • Moving funds electronically • Converting cash into monetary instruments • Re-selling high value goods • Stocks, bonds, insurance products • Real estate • Shell Companies 	<ul style="list-style-type: none"> • Investing in property, high end cars, artwork & jewellery • Loans issued to stakeholders • Dividends issued • Front Companies • Fake employees • Fraudulent import/export invoices



Terrorist fund raising

Generating the funds:

Donations, Charities, Non-profits, legitimate business, Crime

Storing the funds:

Bank accounts, Pre-paid cards, Precious metals,

Moving:

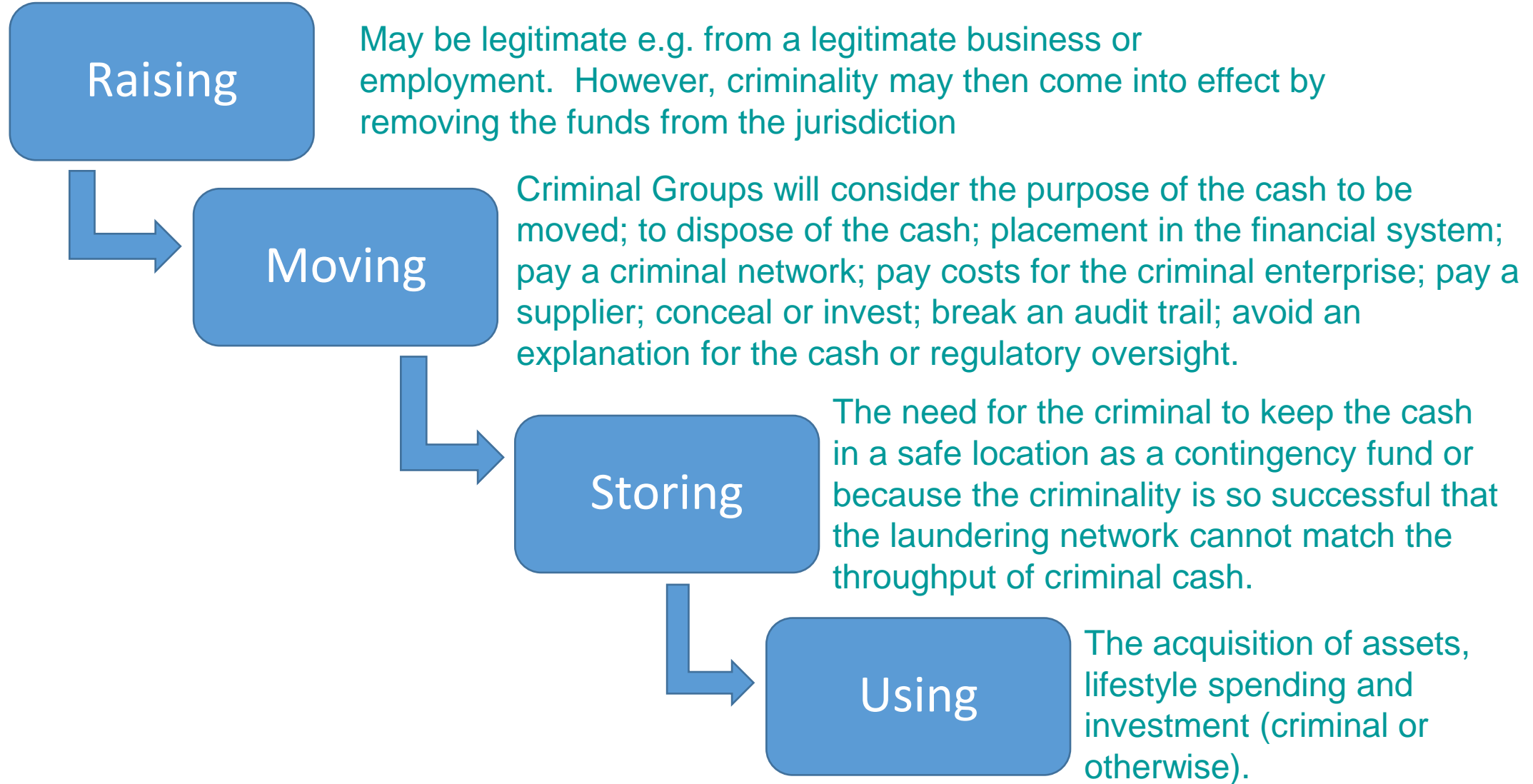
Traditional banks & financial sector, Precious metals, MSB's, IVTS/HOSSP's

Using:

Weapons, Material, Equipment, Overheads, Media, Messaging, Training, Travel and Salaries



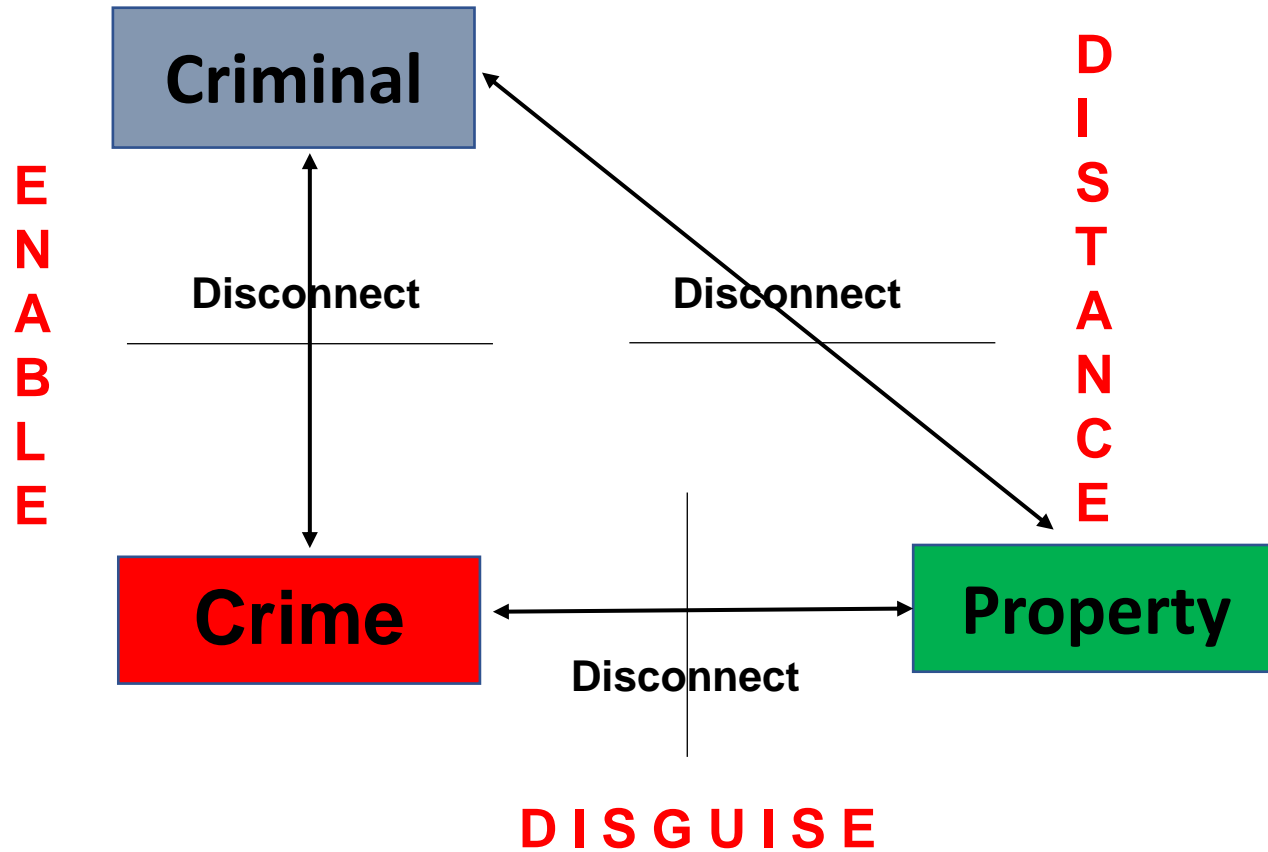
Movement of cash





Enable, Distance, Disguise

Regulated businesses in the Financial Sector **ENABLE** crime, both helping the criminal to commit crime and to distance themselves from the initial act



Regulated businesses **DISTANCE** the proceeds from the crime itself, through processing it for different corporate purposes, this does not necessarily involve moving it from company to company, or country to country

Regulated businesses **DISGUISE** the ownership of assets purchased with criminal property, or of the criminal property itself.



Break out session 2

In your groups discuss the following and where possible provide one example;

Group 1 – What is structuring?

Group 2 – What is smurfing?

Group 3 – What are 3rd party payments

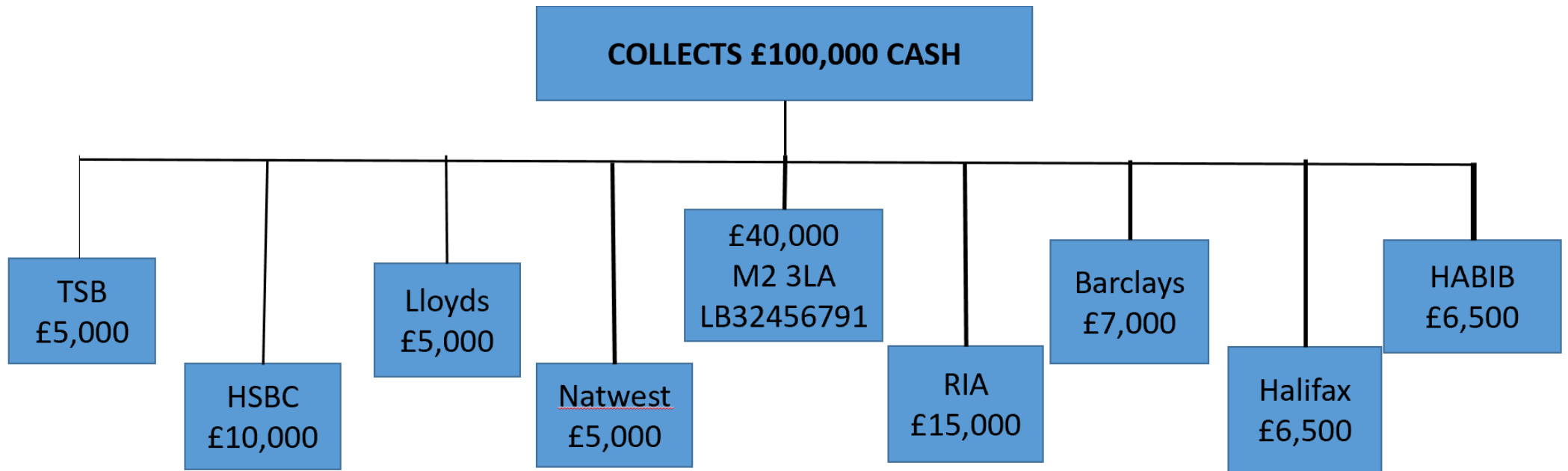
Group 4 – What is co-mingling?

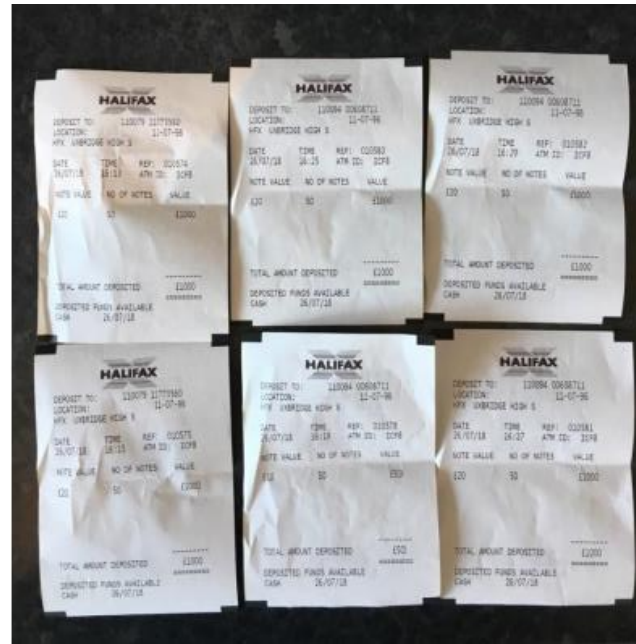


Structuring

Structuring is breaking transactions into different sums in order to avoid the regulations and AML/CTF transaction reporting requirements.

Many money launderers rely on this placement approach since it allows them to make several deposits without triggering the cash reporting requirements







Smurfing

A **smurf** is a colloquial word for a money launderer who attempts to avoid regulatory inspection by dividing major transactions into a series of smaller transactions that each fall below the reporting brink.

Are often separated into multiple distinct accounts. Smurfing is a popular placement method.

Cash obtained illegally is distributed among 'deposit experts' or 'smurfs,' who make several deposits into many accounts (sometimes under different identities) at a variety of financial institutions.

Suspicion is frequently avoided since it is difficult to establish a link between the smurfs, deposits, and accounts.



3Rd Party Payments

Third party payments are a common trait within money laundering (both trade-based and otherwise)

It's a method in which can move value from one location to another; by using funds received from a criminal client in one location to complete a trade transaction on behalf of a client (either legitimate or criminal) in a different location.

Good business practice dictates that trade should be as simple and straight-forward as possible.

If a third party payment appears to complicate the transaction, add unnecessary layers which protract the final settlement, appear to incorporate separate and unconnected jurisdictions, or involve separate business sectors or unrelated parties, then the transaction may require further scrutiny.

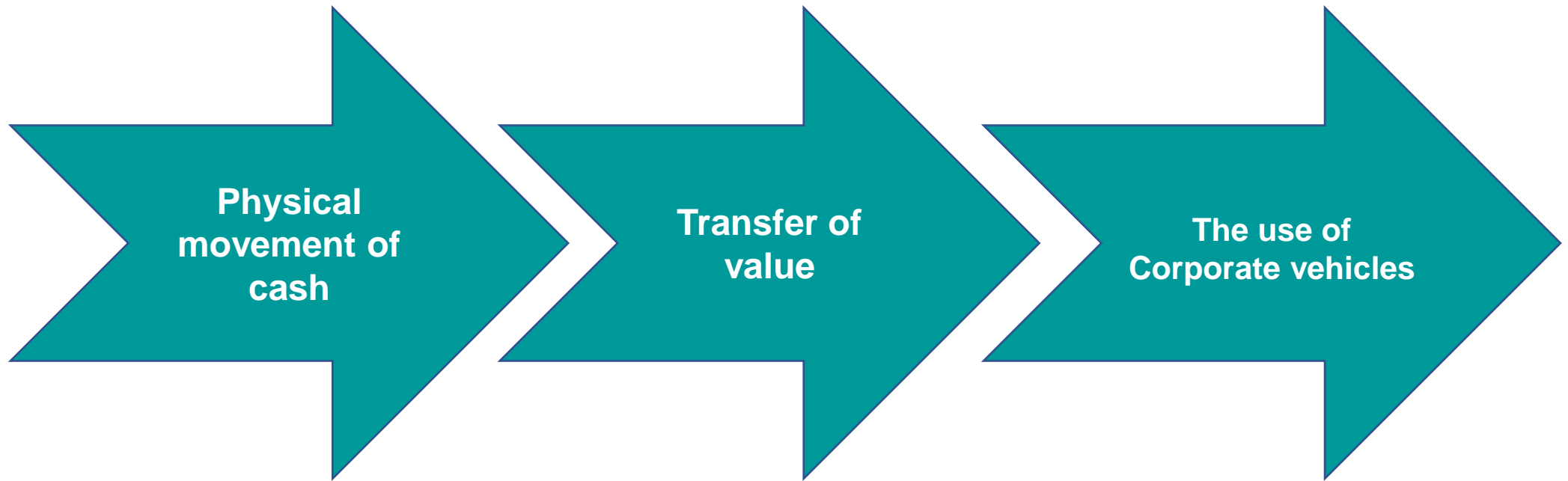
Co-Mingling



‘Hiding in plain sight’

- Mixing criminal funds with legitimate business funds
- Business that are ‘cash intensive’

3 ways by which criminals launder criminal proceeds





Cash

Cash remains popular amongst serious and organised criminality.

- Cash can be anonymous - it's origin, possession and use.
- Therefore difficult to track.
- Gives opportunity to disguise its origin.
- No records / No connecting paper trail.

Cash Smuggling

Cash is frequently smuggled in baggage in a similar manner to other contraband.

Some smugglers do this in a relatively subtle way others just fill the case with it

Some smugglers use coffee, bleach or paprika smeared on the wrappings to deter detector dogs

This shows a detection of around £1,000,000 in a suitcase at London Heathrow. The interior bags were heat sealed to reduce odour.

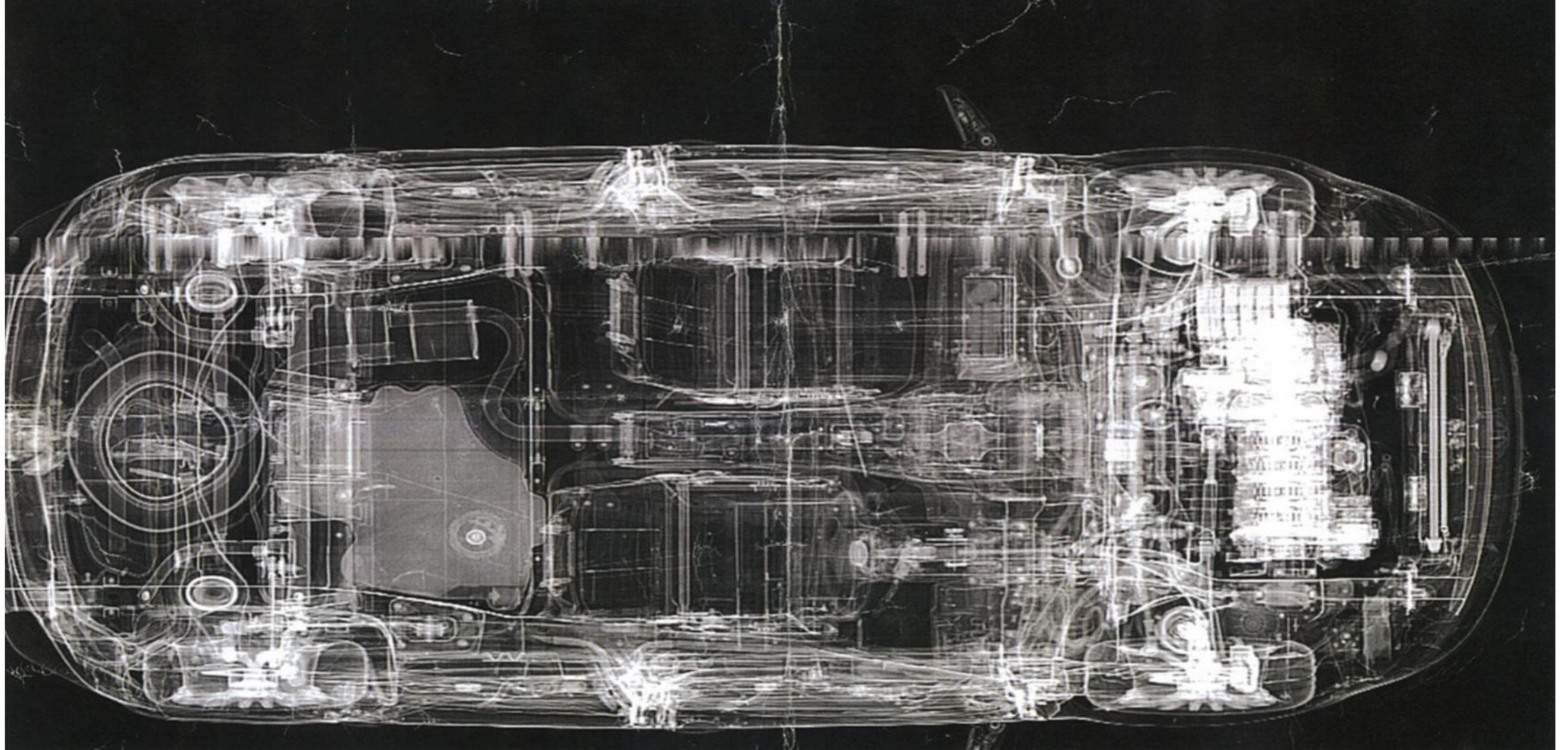


Cash Smuggling



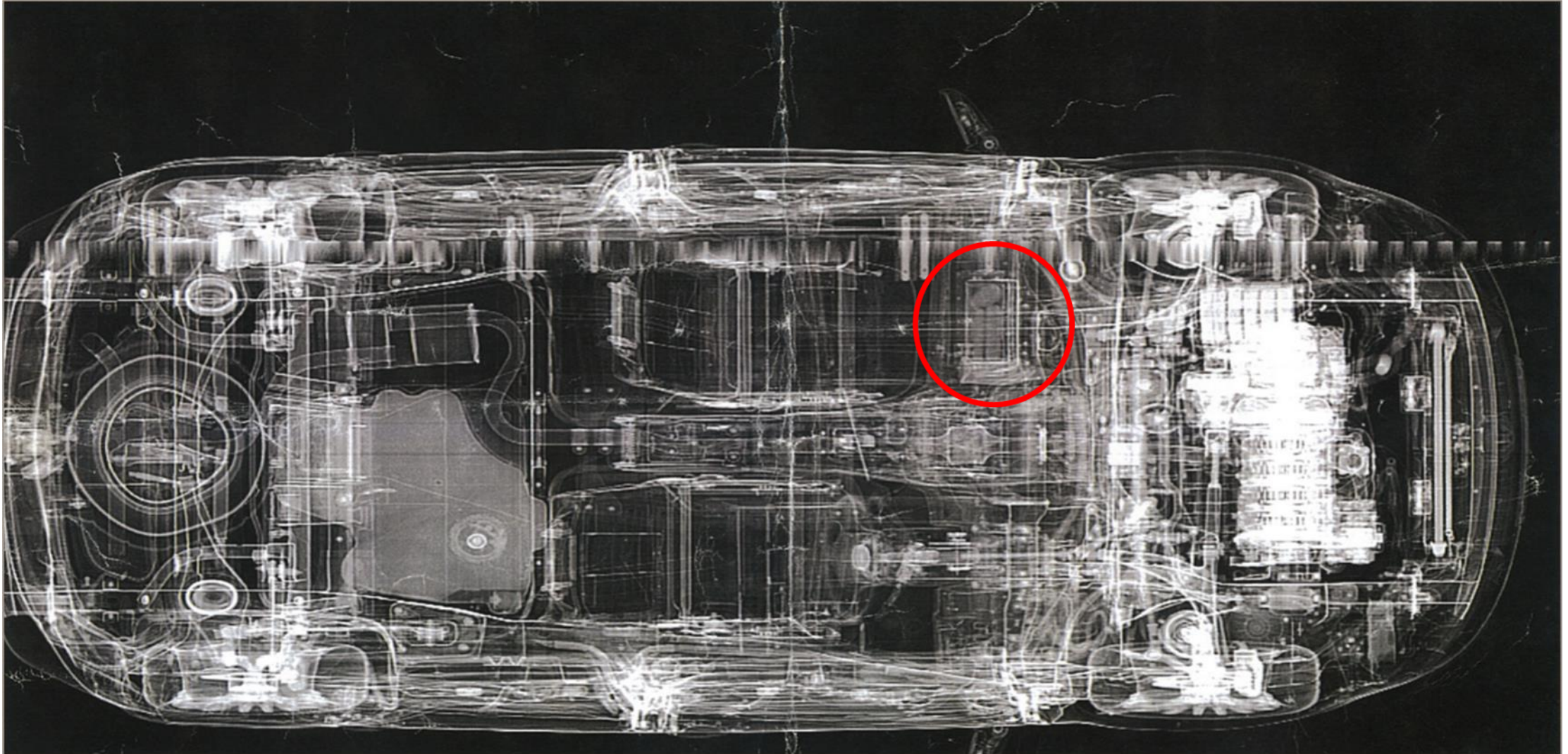


Cash Smuggling





Cash Smuggling



‘Street Cash’

The term **‘street cash’** refers to cash from the street obtained from a range of acquisitive crimes, such as drug trafficking, cigarette smuggling, robbery and other acquisitive crimes that generate large sums of cash.

‘Street cash’ cannot easily be explained and therefore needs to be ‘washed’, ‘cleaned’ or ‘laundered’ so that criminals do not draw attention to themselves.





'Street Cash'



Cash Ledgers

- Cash facing money laundering networks need to keep track of transactions so often keep ledgers.
- Monetary amounts often appear as round figures.
- The nature of the business means these records are periodically destroyed.
- Whilst the data may employ a code, its crude nature allows for interpretation.



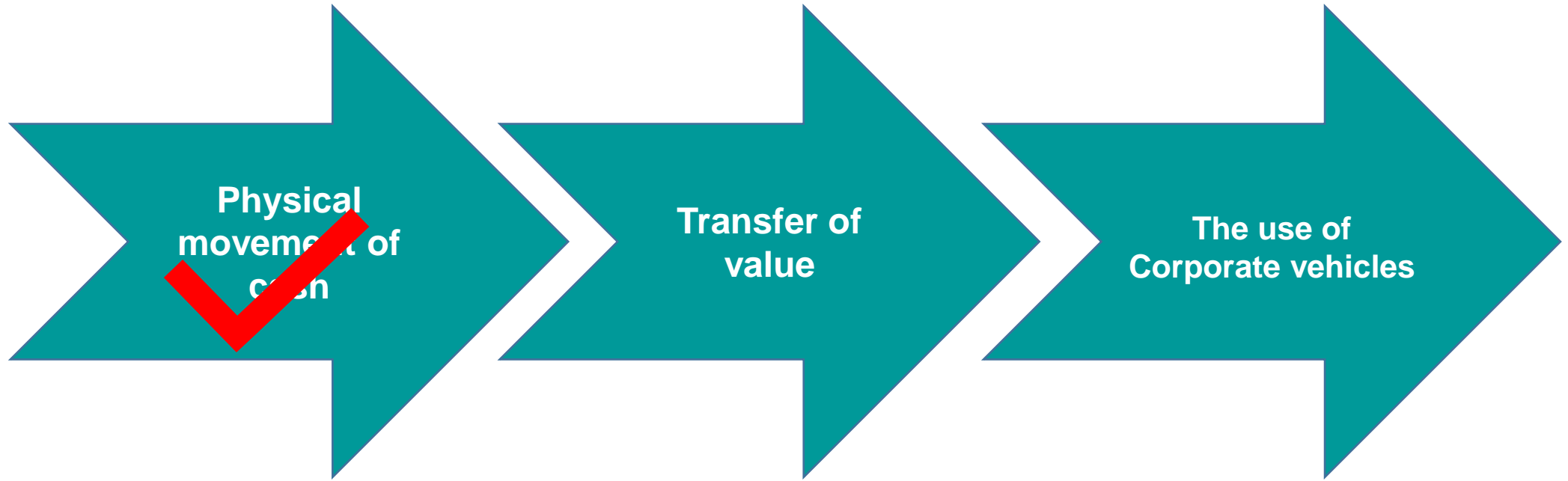
Cash Ledgers

27/04/15		
357	1000	TSB.
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400	1650	Net.
395	5000	Hand.
401	3000	China.
402	50,000	Ahsan FSH
* 348	12,000	Horse.
* 246	8,000	China.
* 378	7,000	China.
* *		
403	1000	China.
404	1000	China.

Ledger for 27 April 2015

TSB	Trustee Savings Bank	Deposit £1,000
China	HSBC	Deposit £8,000
Bar	Barclays	Deposit £10,000
Bar	Barclays	Deposit £5,300
RBS	Royal Bank of Scotland	Deposit £13,640
Net	NatWest	Deposit £3,000
Hand	Cash Handover	£5,000
Ahsan FSH	Handover to Ahsan	£50,000
Horse	Lloyds	Deposit £12,000
China	HSBC	Deposit £12,000
China	HSBC	Deposit £8,000
China	HSBC	Deposit £7,000

3 ways by which criminals launder criminal proceeds



Informal Value Transfer Systems (IVTS) Hawala & Other Similar Service Providers (HOSSP)

Types of alternative remittance schemes which have been in existence for many hundreds of years and pre-date modern day financial systems.

Despite having been described as an ancient method there is good evidence that IVTS continues to evolve and adapt, keeping up with the modern way of life.

The core ethos behind these systems is the transfer of value as opposed to the physical movement of money.

‘Informal’ in so far that these mechanisms are often (but not always) not operated within the legal requirements of the countries in which they operate

Informal Value Transfer Systems (IVTS) Hawala & Other Similar Service Providers (HOSSP)

- Examples include - **Hawala** (Middle East, Afghanistan, Indian Sub-Continent);
 - **Hundi** (India)
 - ***Fei Ch'ien*** / 飞钱 / "flying money"; China)
 - ***Phoe Kuan*** (Thailand)
 - ***Black Market Peso Exchange*** (South America)
-
- Tend to operate in areas where conventional financial systems are unreliable (conflict zones, less developed countries) or non-existent (e.g. Somalia, Syria, Iraq)

Informal Value Transfer Systems (IVTS) Hawala & Other Similar Service Providers (HOSSP)

Based upon two relationships:

- (i) the first between the clients and their respective operator,
- (ii) the second between the operators themselves.

IVTS works on a **‘reputational based system’**



Informal Value Transfer Systems (IVTS) Hawala & Other Similar Service Providers (HOSSP)

HAWALA TRANSACTION SYSTEM

How hawala works

Hawala is a legal but informal means of transferring money across the globe.

STEP 1
In Country A...



SENDER HAWALADAR A

Sender gives cash to hawala agent (Hawaladar A). Agent gives sender a code.

STEP 2
Hawaladar A to B...



HAWALADAR A HAWALADAR B

Hawaladar A tells a counterpart in country B how much cash has been received.

STEP 3
Sender to Recipient...



SENDER RECIPIENT

Sender passes the code to the recipient, saying how much cash was handed in.

STEP 4
In Country B...



HAWALADAR B RECIPIENT

Recipient gives code to Hawaladar B who hands over cash, minus fee. Hawala agents settle their account separately.

Sources: Financial Action Task Force (FATF); Interpol

Informal Value Transfer Systems (IVTS) Hawala & Other Similar Service Providers (HOSSP)

IVTS is not illegal, in the United Kingdom, any IVTS would be classified as a MSB and falls into the regulated sector.

Provided they have submitted a registration application to HMRC and are compliant with the MLR 2017 they are entirely legal.

IVTS is being particularly vulnerable to money laundering due to:

- (i) a lack of supervisory will or resources
- (ii) settlement across multiple jurisdictions through value or cash outside of the banking systems make it very difficult for law enforcement to follow the money

The use of IVTS does not necessarily mean money laundering!

International Controller Networks (ICN's)

Known to have been specifically set up to facilitate the laundering of criminal proceeds and to dispose of cash on behalf of Organised Crime Groups.

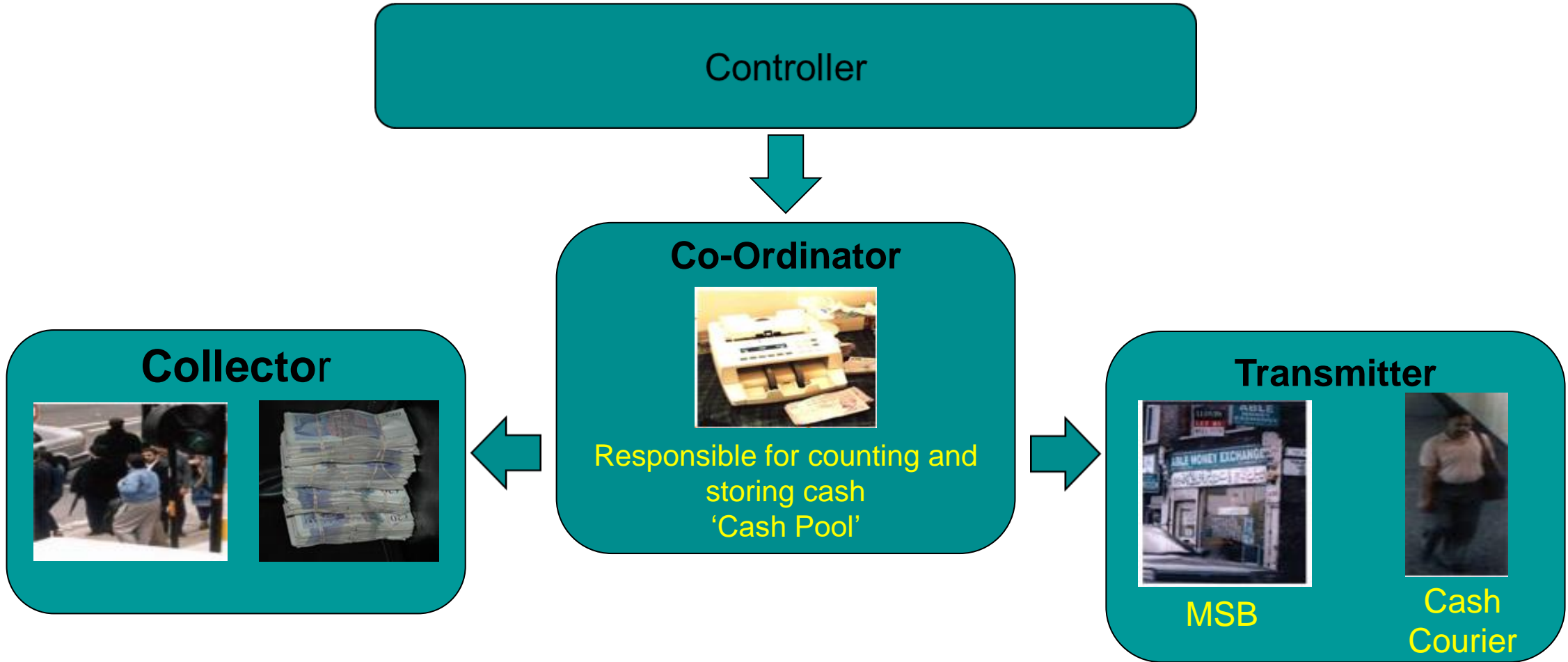
Permits for the movement of large sums money across international boundaries that operate outside the supervised banking system.

Criminal proceeds are moved globally without the physical movement of cash across borders.

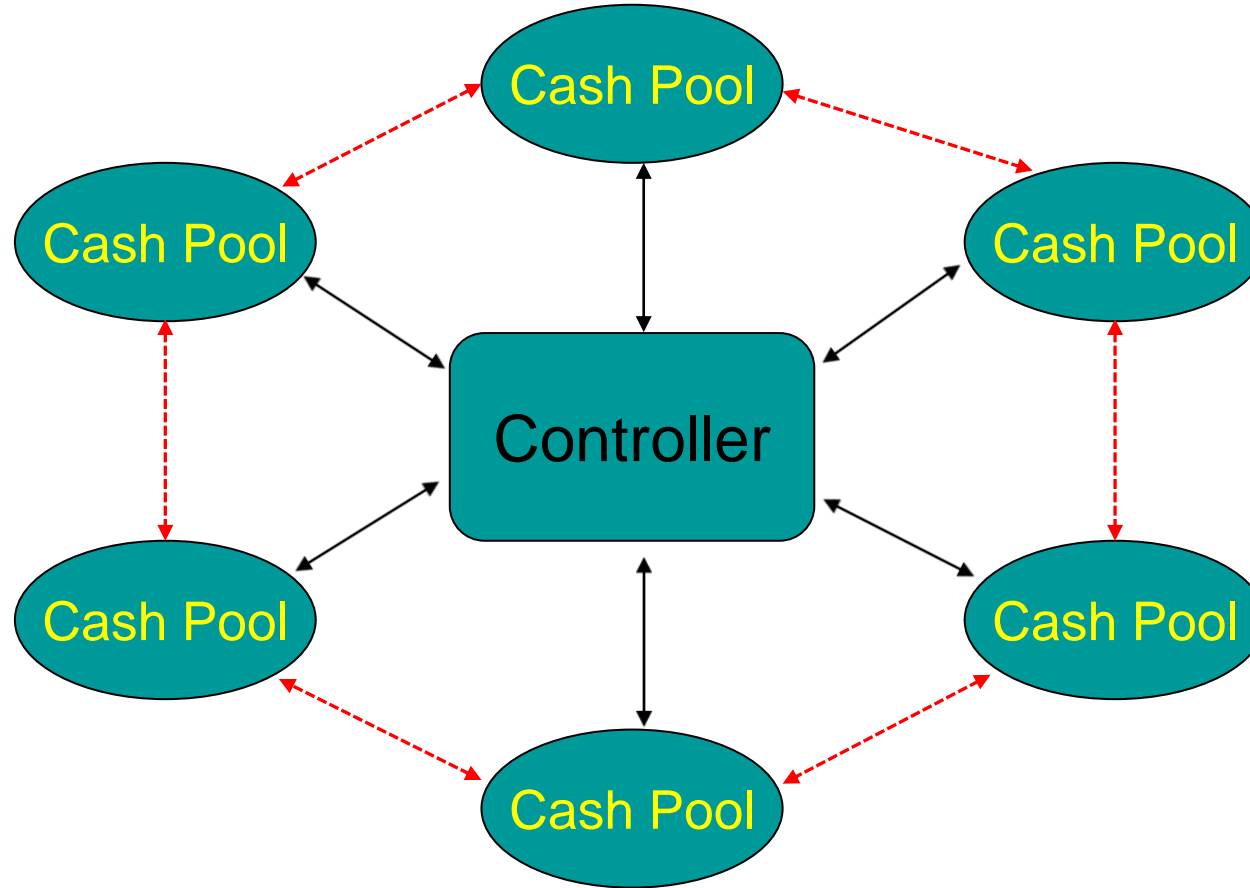
Structured business with key roles globally



International Controller Networks



International Controller Networks



Cash Pools

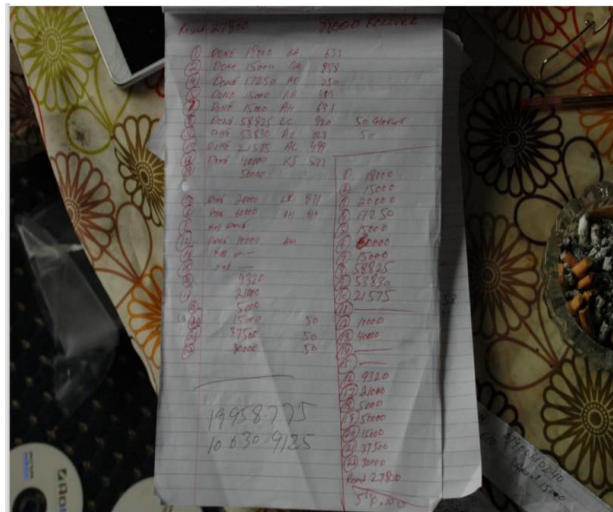
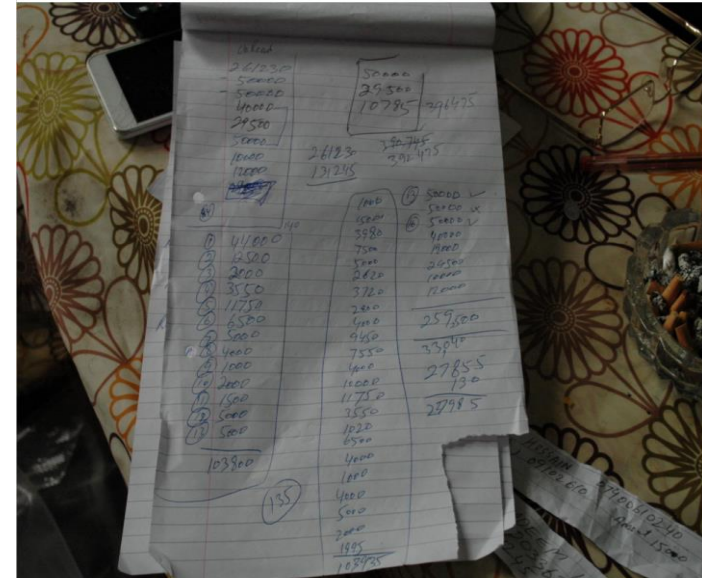
Each Controller must have access to funds in numerous locations in order to settle debts when value is transferred from one area to another.



These 'cash pools' may take the form of cash, bank accounts or other means of value.



Cash Pools & records





Cash Pools & records

No	Date	Time	Cost	P	at	Exp	Bel	DD
	26/4 Sat		Previous Delta				97740	20
①	27/4 Sun		Carri Hunt	90	630	x	89370	
							= 187110	
②	" "	180	Sabinadze	235	1650		233350	3
							= 420460	
	28/4 Mon		Sanatkh Solid Nam				- 21	
			K71085				= 399460	
			RIP				- 50	⑤
							= 399460	
	" "	200	Shaper Sankh					
			MAG1465					
	" "		Sula South yellow				- 50	⑬
			DB 82700P				= 399460	
	29/4 Tue		Waharwala				- 25	x
			2SP 11PM				= 374460	
	30/4 Wed		Sula with 1850				- 90	
			LE 13445				= 184460	3
			90P					

No	Date	Time	Cost	P	at	W	Bel	DD
⑬	23/5 Fri		New Inter	44	350	x	49152	0
	" "		Bha-pci Sankh				- 40700	x
			HB 816910				= 8450+	
			40700P					
⑭	24/5 Sat		New Inter	46	325		45675	
			3 PM				= 54125	10
	" "	30	Mnyu w...				- 36520	
			EB 649510				= 17625..	
			36520P					
	25/5 Sun		Wetnaki				- 17625 +	10
			19245P				1620 ←	
							= 19245	
	Sunday 26/5							
			7570 - 2230 = 5340					
			Santa 3240/2					
			- 2100 = 3240/2 = 1620					
							1620	

Cash Pools & records



The Token System

- A system that has been established and widely used as a receipt for proving the cash handover has taken place is the use of banknotes with a unique serial number referred to as a '*Token*'.
- Token systems have been used since ancient times and remain in use today
- It is a method of verifying transactions and ensuring handovers are conducted accurately, between parties who may have no prior knowledge of each other.
- The “token” system is widely used by International Controller Networks.

Managing Handovers : The Token System

- The Criminal Group will contact the Controller to arrange a collection
- The Controller usually requests a Token number from the Collector
- This will be texted on to the criminals bringing the cash to the handover by the Controller
- At the handover the criminals will confirm they are passing the cash to the right person by examining the token and confirming the unique number
- They will exchange the Token for the consignment of cash. The Token then acts as a receipt for the criminal Group handing over the cash

The Token





The Token



The Token – Text messages

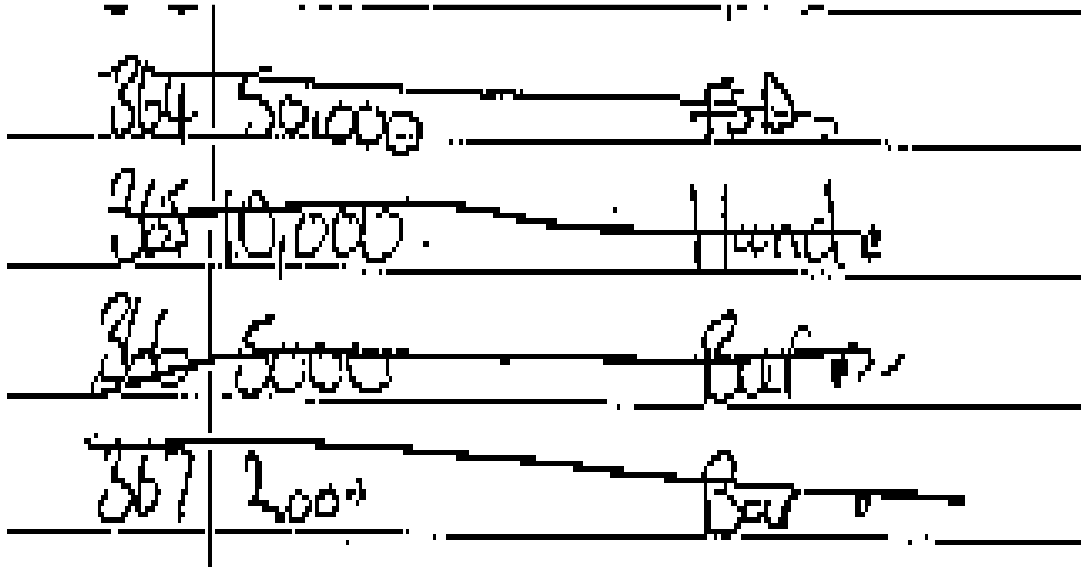
2 Unread messages

ABC#7
Mouse
+44 07777 123456
P/C HA4 6BV
GDP 30,000
20:01

ABC#8
Ducky
+44 07700 987654
P/C HA7 3TP
(GDP 30,000)
TK £5 – AL10548275
20:10



Any ideas?



Reference 365 states “£10,000 Hand” the text message below, taken from an uplifted burner shows this was for “Shazad” and gives just his mobile and the “token” number. The dialling code (+92) shows the instruction came from Pakistan.

	+923212XXX009	N/A	24/04/15 10:39:27	+447XXX00111	Read	Inbox	<p>Msg#365 amt 10000 Shazad</p> <p>Note# Mc 19378753</p> <p>Ph#00447XXX43131</p>
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Any ideas?

07802 -9781\$\$	10/10/14	16:01	Any work today ?
07854 -7105&&	10/10/14	16:01	Asif wants 100 Rani
07802 -9781\$\$	10/10/14	16:02	Where
07854 -7105&&	10/10/14	16:03	NG2 6DX
07802 -9781\$\$	10/10/14	16:04	What is <u>Tk</u> ?
07854 -7105&&	10/10/14	16:05	JB 50883431



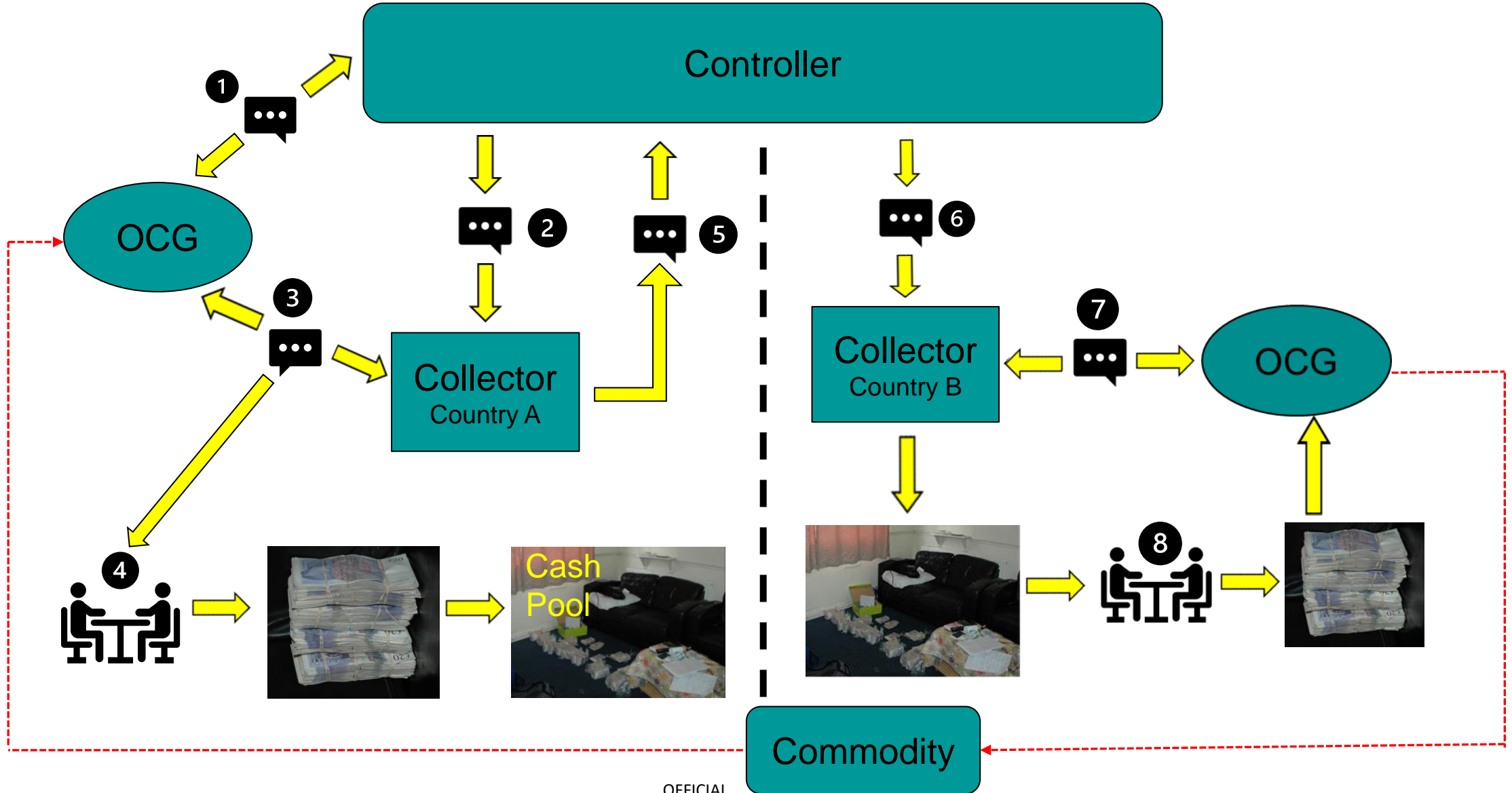


Any ideas?

07802 -9781\$\$	10/10/14	16:01	Any work today ?	Caller asking the Co-Ordinator for work
07854 -7105&&	10/10/14	16:01	Asif wants 100 Rani	Rani or Queen is UK Sterling and wants £100,000.00
07802 -9781\$\$	10/10/14	16:02	Where	This is the post code for the meet
07854 -7105&&	10/10/14	16:03	NG2 6DX	
07802 -9781\$\$	10/10/14	16:04	What is <u>Tk</u> ?	Courier asks for the Token number and is provided it
07854 -7105&&	10/10/14	16:05	JB 50883431	



International Controller Networks



Money Laundering Through The Use of Gold



- Used as a method of payment throughout history and throughout most cultures.
- Universally accepted.
- Maintains its value.

Money Laundering Through The Use of Gold



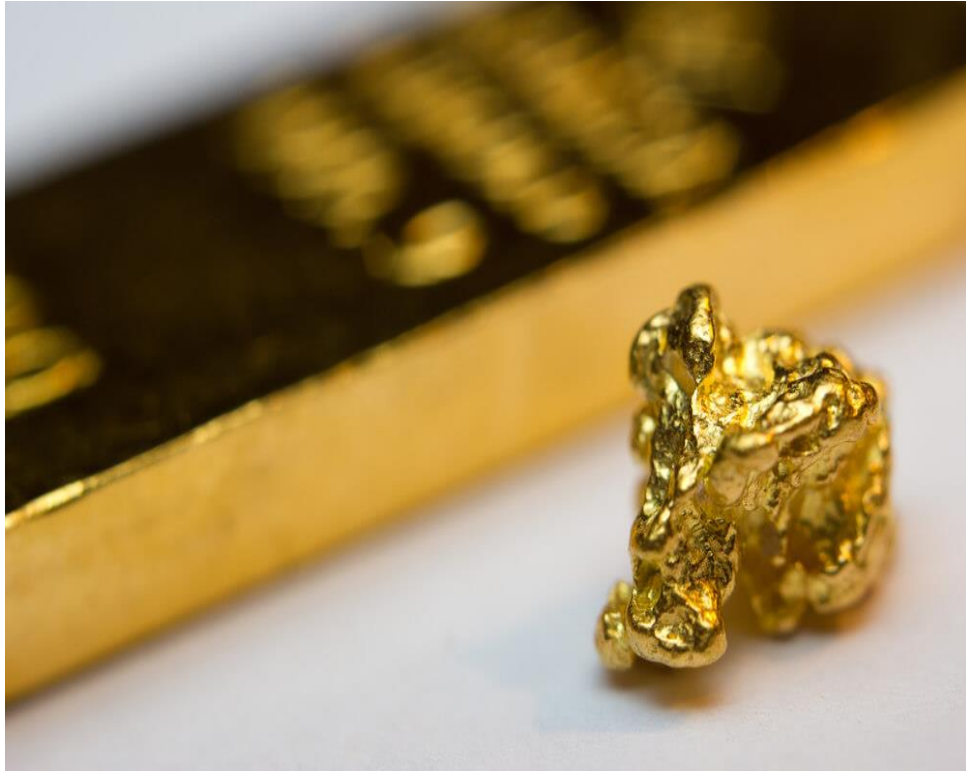
- The gold market is cash intensive.
- Gold can be traded anonymously and transactions are difficult to trace and verify.
- Gold is easily transformable and interchangeable.
- Gold is a stable form of global currency and acts as a medium for exchange in criminal transactions.
- Investment in gold provides reliable returns.
- Gold is easily traded, transported and smuggled

Money Laundering Through The Use of Gold



- The “**spot price**” is the current market price at which gold is bought or sold for immediate payment and delivery.
- Legitimate gold bullion dealers will usually sell gold bullion at 1.5% or more over the gold spot price.
- The London Gold Fix establishes a common transaction price for a large pool of purchase and sale orders.
- They do this twice each business day - first at 10:30am (the Morning Fix) and then again at 3pm (the Afternoon Fix).

Money Laundering Through The Use of Gold



- ‘Caratage’ is the measurement of purity of gold.
- ‘The lower the caratage the less gold’
- 24 carat is pure gold with no other metals.
- 18 carat gold contains 75 per cent gold
- 9 carat is the legal minimum accepted standard of gold in the UK.

(World Gold Council Website)

Money Laundering Through The Use of Gold



- Fineness is another way of expressing the precious metal content of gold jewellery, and represents the purity in parts per thousand. When stamped on jewellery, usually this is stated without the decimal point.
- The following are the common standards of fineness that are used:
 - ❖ .375 = 9 carat (England and Canada)
 - ❖ .417 = 10 carat
 - ❖ .583 (.585) = 14 carat
 - ❖ .750 = 18 carat
 - ❖ .833 = 20 carat (Asia)
 - ❖ .999 (1000) = 24 carat pure gold

(World Gold Council Website)

Money Laundering Through The Use of Gold

- Anonymity
- Easy to move value
- Can be cash intensive
- Holds value
- Investment
- Global currency
- Legitimate
- Simple to liquidate
- Simple to conceal
- Simple to change form.

Gold Smelting – Potentially Simple





Gold – Case Study



- **Organised Overseas**
- **Criminal Cash Used to buy Gold**
- **‘Cheap Finance’**
- **Gold Exported**

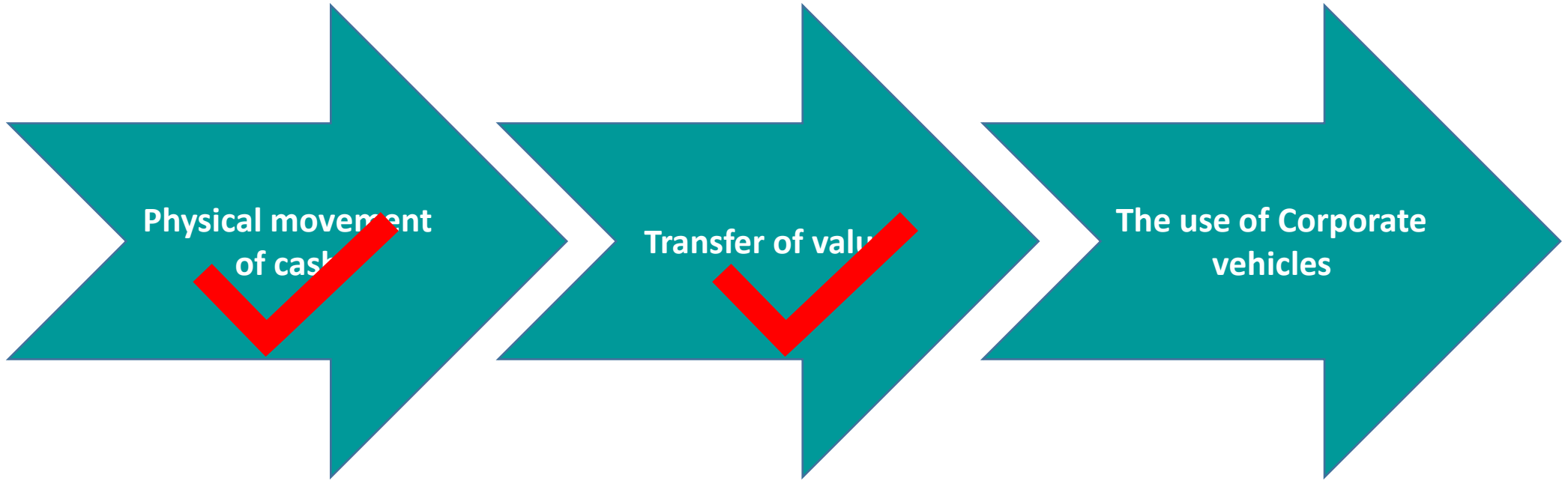
Gold – UK Experience and Recent Developments



Breakout Session

- Does anyone have experience of working on a case involving gold?
- What systems and/or procedures do you have to tackle gold being used to launder funds?
- What are the barriers you face when seizing and investigating gold?
- What are the powers that exist in your jurisdiction

3 ways by which criminals launder criminal proceeds





Corporate Vehicles

Corporate vehicles

“legal entities through which a wide variety of commercial activities are conducted and assets are held”

- They are the means by which investments are made, enterprises are run, and wealth is managed and inherited.
- Corporate vehicles are legal persons separate from members or shareholders, and they often have *limited liability* characteristics
- In most cases, they are legal

Corporate vehicles

Corporate vehicles include:

- Corporations
- Partnerships with limited liability
- Trusts
- Foundations

They have become an integral and indispensable component of the modern financial landscape However

They can also be exploited for unlawful purposes



Corporate vehicles

Corporate vehicles can be used to hide the true or ultimate *beneficial owner* of property, whether illegally obtained or otherwise.

‘Beneficial owner’ refers to the natural person(s) who ultimately owns or controls an asset, and directly or indirectly enjoys its benefits.

During a criminal investigation involving corporate vehicles, particularly those formed in offshore jurisdictions, the crux of the issue for any practitioner is identifying the ‘beneficial owner’ of the corporate vehicle.

Criminal abuse

The degree of attraction that a corporate vehicle holds to a criminal or criminal group can be dictated by a range of factors:

- Jurisdiction of its incorporation
- Rules governing the disclosure of beneficial ownership
- Permissibility of bearer shares (a type of instrument whose ownership need not be officially registered, freely transferable)
- The acceptability of corporate directors
- The nature of company disclosure requirements

The more opaque a company is - the more attractive it is to the criminal

Criminal abuse

Corporate vehicles have many legitimate uses, but are also highly attractive to criminals for the following reasons:

- (1) They are a form of legal person that can contract, own assets, operate bank accounts and possess credit cards in their own right.
- (2) They can be owned / controlled by criminals either in their own names or through nominees.
- (3) They provide a degree of formality and respectability to activities which if conducted in the name of a person may appear unusual or suspicious.

Corporate vehicles

Corporate vehicles play a central role in concealing the proceeds of crime.

They want to create a company or series of companies which can ...

- (i) Open bank accounts
- (ii) Buy expensive items, yachts, property
- (iii) Wire money around the world

Whilst making it difficult to trace the money back to them



Corporate vehicles

The ability to obscure identity is critical for criminals/criminal groups.

Whilst each of the corporate vehicles described previously provide a degree of 'natural' anonymity to the beneficial owner.

Anonymity can be enhanced through the use of the following mechanisms:

- (i) Bearer shares
- (ii) Nominee shareholders
- (iii) Nominee directors
- (iv) Chains of corporate vehicles
- (v) Intermediaries

Corporate vehicles

There are a range of corporate vehicles used in different jurisdictions, often they are referred to with the same names and have similar characteristics.

Commonly seen structures:

- (i) Shell companies
- (i) Shelf companies



Corporate vehicles – Shell companies

- A legal entity which exists, legally, only on paper.
- Shell companies have no:
 - (i) Full time employees
 - (ii) No Offices



Corporate vehicles – Shell companies

What is a Shell Company used for:

- Hold money
- Luxury homes
- Intellectual property
- Businesses
- Other assets



Criminals use Shell Companies to:

- Launder money
- Evade Taxes
- Commit frauds
- Hide ownership

Corporate vehicles – Shelf companies

Shelf Companies .. Companies set up and then not used for a period.

Gives an appearance of being in existence for longer than it has.



Corporate vehicles – Shell/Shelf companies

Both .. Use nominee directors and sometimes other shell companies to disguise true owners whilst giving the appearance of legitimacy.



Nominee directors .. are the linchpin to linking and disguising criminal organisations.

Corporate vehicles – Shell / Shelf companies

The main purpose of a Company is ...
Concealment



CONCEAL The nature,
origin or destination & the true-
owners and decision makers

Investigators need to unravel the
entire shell network .. It isn't easy !

So how



The main purpose for criminals to use corporate vehicles is concealment.



Tracing and tracking corporate vehicles to their owners isn't easy, but it's not impossible either.

The following tools and techniques can significantly help or at the very least, help uncover that one piece of information that could unravel the entire network.



Web history:

Criminals who want to establish shell companies must have websites to create the appearance of legitimate companies.

archive.org



Map the network:

Document the linkage between all the information you have uncovered. Map all information, however small, an address or telephone number could be key.

Public records:

Will assist to link entities and individuals together, the nominee director – how many other nominee directorships do they hold ?

opencorporates.com

[ICIJ Database](#)

[Panama Free Search Database](#)



Domain ownership:

Use to see how many websites are located within an address

What is a robust online presence;

- Well designed website
- Regular updates of information
- Email address – not free email accounts



Whois lookup - for domain ownership, IP addresses

Ask these questions:

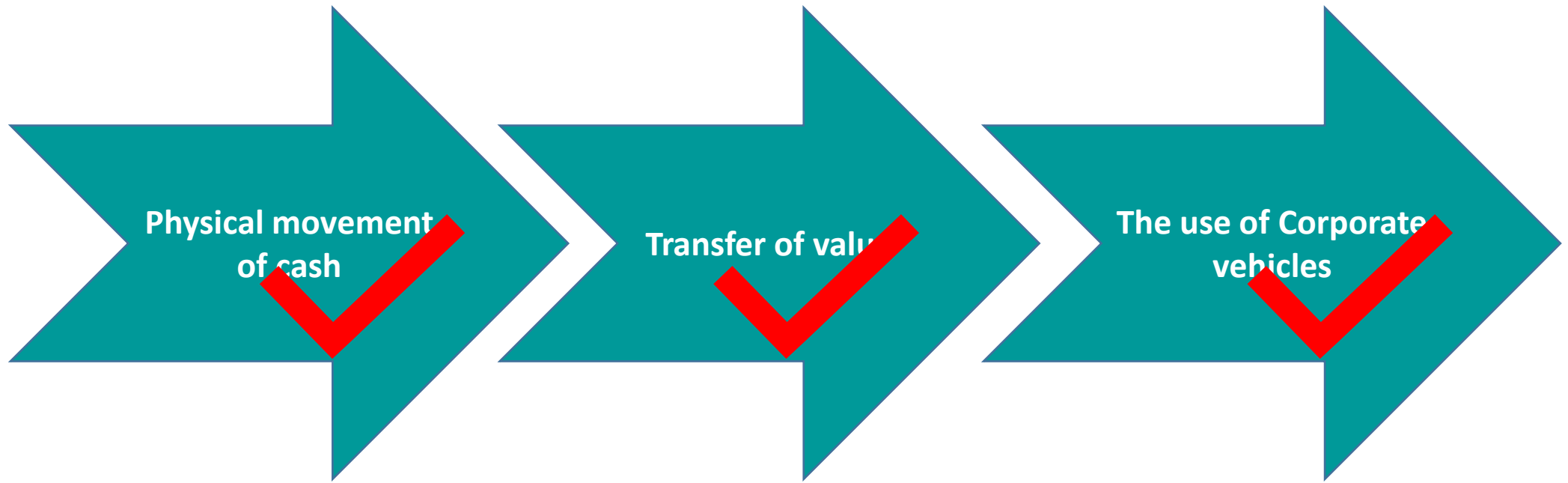
- No online presence (Huge red flag)
- Is the online information consistent with the goods/services that the entity is engaged in
- To much free online posting of information on the company

Look for:

- Information that doesn't make sense
 - Entity mismatch: address, phone etc..
 - No discernable online presence when compared to trading, goods/services
 - The 'entity' representative is associated with numerous other companies
 - 3rd party payments
- Will often post company and contact info on numerous free 411 sites, which are online white/yellow pages.
 - May create placeholder websites to get domain specific email addresses, such as micky.mouse@placeholder.com
 - Often create fake social media profiles for the company and its employees.

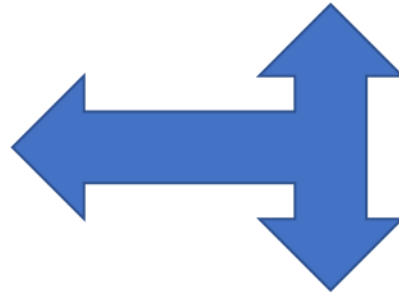
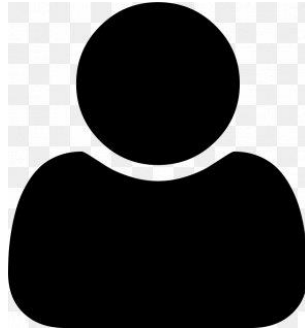
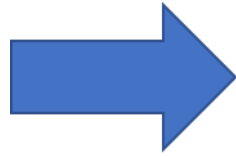


3 ways by which criminals launder criminal proceeds





Recap

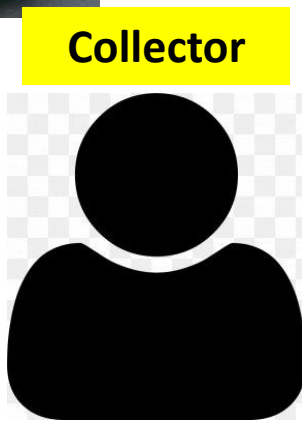
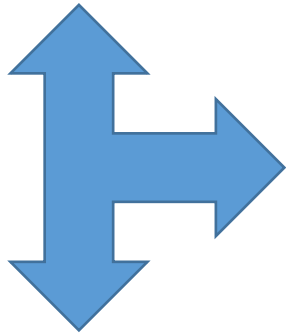


Instructions for Cash Handover



Token

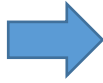




Instructions for Cash Handover

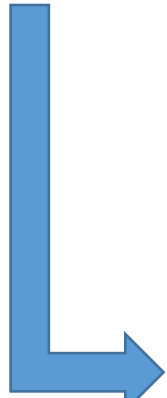


Structuring



Cash Pools

		27/04/15	Ledger
357	1000	TSB	
362	2000	China	
392	10000	Bar	
398	5300	Bar	
399	131640	RBS	
400	1650	Net	
395	5000	Hand	
401	3000	China	
402	50,000	Ahsan FSh	
348	12,000	Horse	
246	8,000	China	
378	7,000	China	
403	1000	China	



Tokens



MSG: #246
 Bank: China
 Sort Code: 34.00.01
 Account: 12345678
 Account name: Bob Smith
 Amount: £8,000

Smurfing





Transfers

Recap

“You follow drugs, you get drug addicts and drug dealers. But you start to follow the money, and you don't know where the fk it's gonna take you ---- *The Wire***

Purchases



Thank you

- **Paul Khan, Senior Investigations Officer**
- **HM Revenue & Customs**
- **Telephone no. +44 7810 153 203**
- **email@address: paul.khan@hmrc.gov.uk**



HM Revenue
& Customs

National Economic Crime Centre (NECC)

Working together to protect the public,
prosperity and the UK's reputation



OECD International Academy for Tax Crime Investigation

*Anti-Money Laundering: Current Trends, Prosecutions,
and the Challenges around Cryptocurrencies*



The NECC has been set up to protect the public, prosperity and the UK's reputation

Economic crime is complex and evolving; it has major impact on the public, business and UK economy



£190bn

Annual cost of fraud in the UK



£100bn+

Scale of money laundering impacting annually on UK



3.4 m

Incidents of fraud in England and Wales in 2017

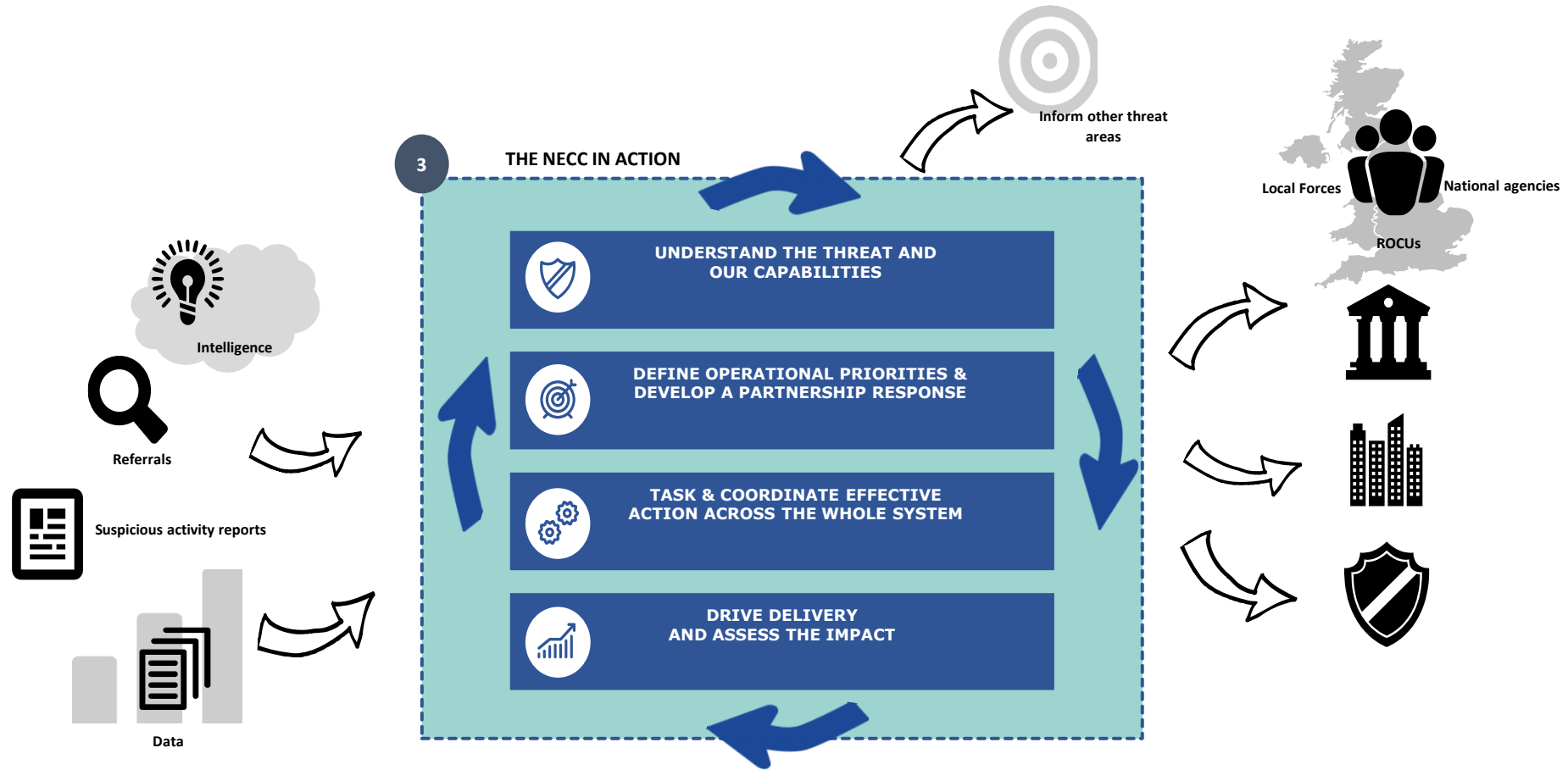
What is the NECC?

The NECC is a truly collaborative, multi-agency centre that has been established to deliver a step change in the response to tackling economic crime


Public and private sector working in partnership



How does the NECC work?



What do we not do?

 Intelligence development



Investigations



Assessed Reporting

How does the NECC add value?



Less harm

For the UK public
and business



More

Criminals disrupted
and prosecuted



More

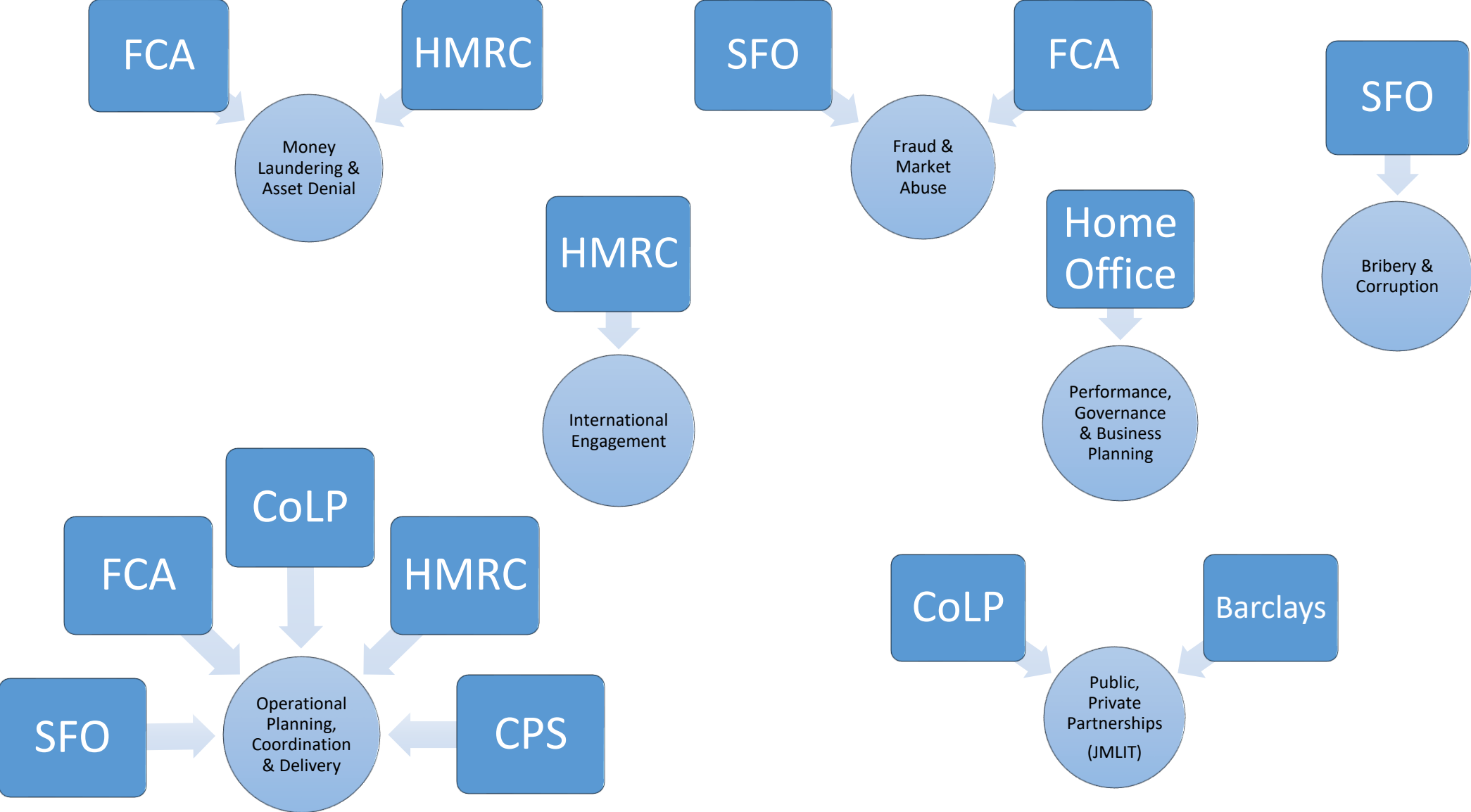
Criminals assets
denied



Stronger UK reputation

For business to operate
and invest in UK

NECC Partner profile: Dec 18 to Mar 19



Joint Money Laundering Intelligence Taskforce. JMLIT



OECD International Academy for Tax Crime Investigation

*Anti-Money Laundering: Current Trends, Prosecutions,
and the Challenges around Cryptocurrencies*

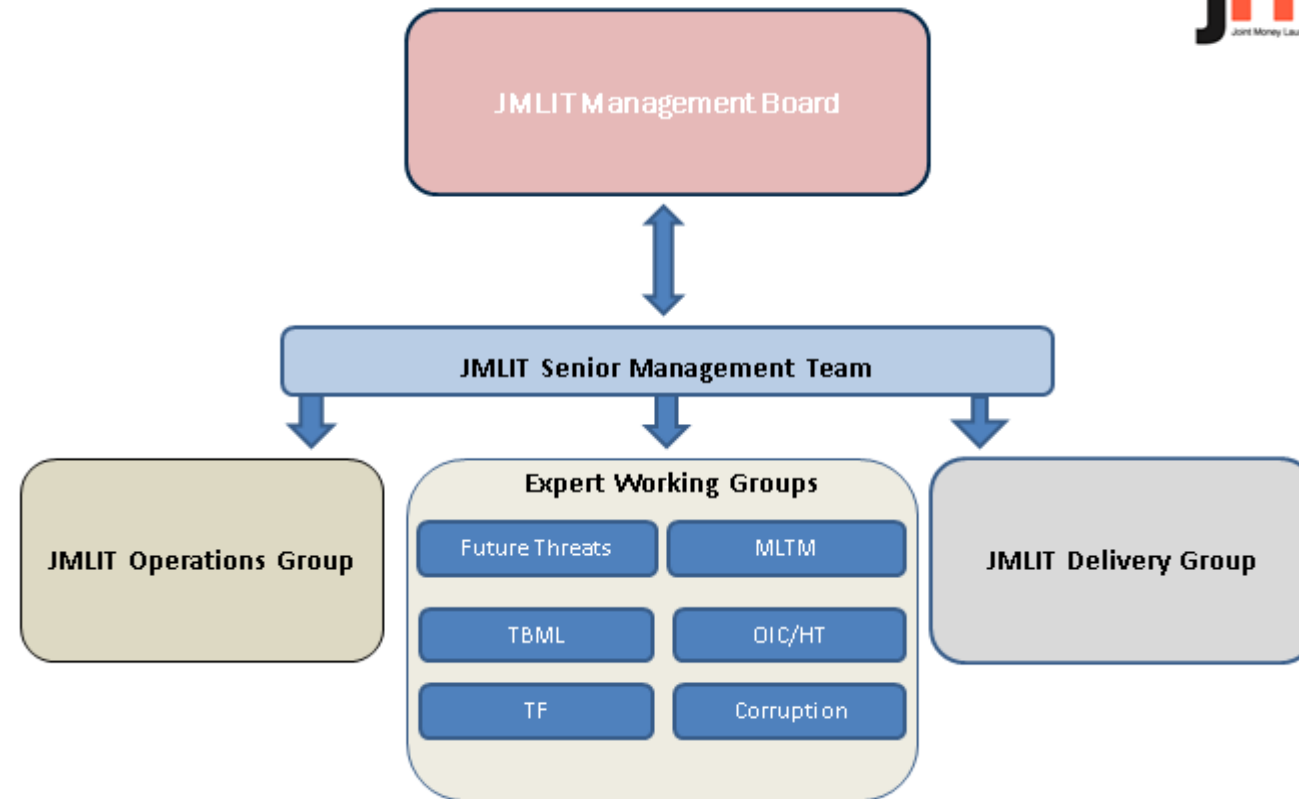


jmlit
Joint Money Laundering Intelligence Taskforce

What is JMLIT?

- A Public-Private Partnership between Law Enforcement, Government and the Financial Sector
- A Collaborative approach to the sharing of financial information
- A mechanism to:
 - allow the banking sector to work with law enforcement in line with their regulatory requirements and improve the collective understanding of the money laundering threat (Detect)
 - improve prioritisation of risks by financial institutions and inform the strengthening of banks systems and controls (Protect)
 - inform the prosecution and disruption of money laundering activity and allow law enforcement to establish a comprehensive understanding of financial information relating to a case (Disrupt)

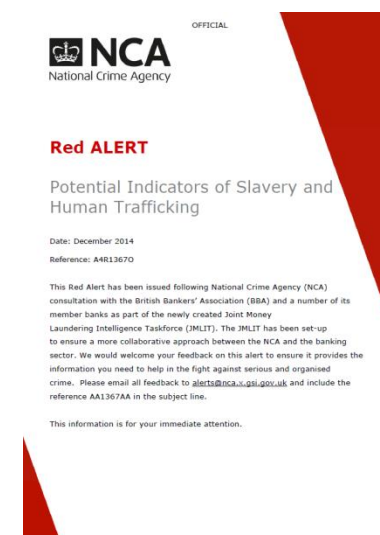
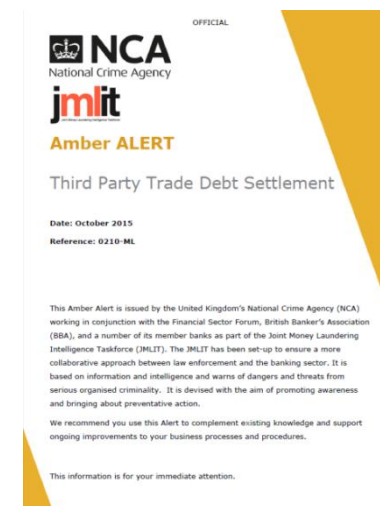
Overview: JMLIT Structure



Overview: The Expert Groups

- 1) Trade Based ML
- 2) ML Through Markets
- 3) OIC / MSHT
- 4) Proceeds of Corruption
- 5) Terrorist Finance
- 6) Future Threats

- Bank led (one exception)
 - Recognised experts
 - Wider membership
 - Bimonthly
- Alerts shared widely (UKF Portal)
 - Common language
 - Changes to transaction monitoring rules
 - Improved SARs (using JMLIT code)
 - RBA: better targeting of resource



Overview: The Operations Group

- Weekly meeting with vetted bank representatives
- Live requests for intelligence
- Law Enforcement requests
 - Is the request justified?
 - Do banks have points of clarification?
 - Do banks have capabilities that mean the SIO should be asking additional / different questions?
- Secure UKFinance portal is conduit

JMLIT Operations Group Members



Overview: The Operations Group Information Sharing Agreement

- Agreement between parties required for membership of Ops Group
- Data Protection Principles, including restriction on external EEA dissemination and data storage
- Information to be used for intelligence purposes only
- Information shared must not interfere with legal obligations under Part 7 of PoCA 2002
- Does not replace the SAR regime

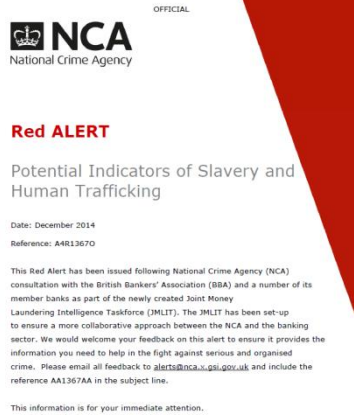
Overview: The Operations Group - Benefits

- One request to multiple institutions = efficient means to develop a comprehensive intelligence picture
- Follow up s7s - a virtuous circle
- Efficient targeting of evidential enquiries (saves LE, courts and banks time and money)
- Sharing of expertise, knowledge and awareness (eg correspondent banking, IP address data)
- Forum for member referrals – tasking into LE (eg Op Recoin)
- Inform and enhance financial sector understanding of risk
- Structure to link tactical and strategic intelligence and response

Case Study 1: Human Trafficking

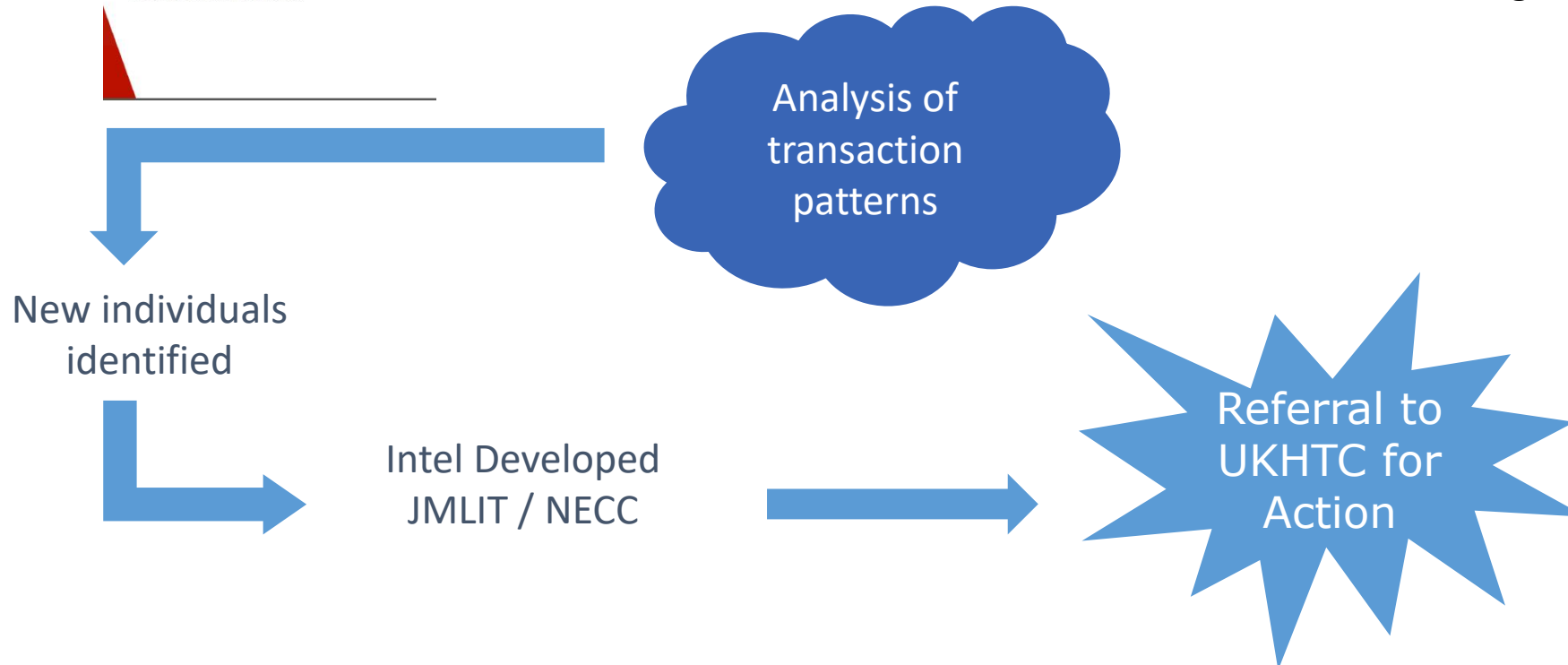
- Over 50 individuals trafficked for exploitation in dozens of brothels
- 4 previously unknown suspects identified
- Multiple previously unknown accounts identified and closed. These accounts also identified new victims, allowing them to be safeguarded.
- 5 UK arrests, including 1 professional enabler
- Further 15 Romanian arrests in coordination with UK team

Case Study 1 (cont): Alerts and the Link Between Operations and Experts Groups



Indicators

- Flights to / from eastern Europe
- No corresponding economic activity in eastern Europe
- Regular cash deposits in UK
- Payments to adult services websites
- Rental of high end apartments



Success – After three years

- **398** Section 7s developed
- **£9m** under restraint
- **99** Arrests
- **2572** accounts identified that were not previously known to law enforcement
- **2935** bank led investigations begun
- **>1000** customers subject to account closure

- **24** Alerts
- **1613** JMLIT SARs (many from non-JMLIT banks)
- **58** Enhancements to bank AML SYSC

- Collaboration / mutual understanding

Forward Look

- International network of PPPs
 - Cross border information sharing?
- Criminal Finance Bill 2017
 - s339ZB data sharing provisions
- Increased analytical capability