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IDENTIFICATION OF PROFESSIONAL MONEY LAUNDERING FACILITATORS IN THE TRAINING SYSTEM OF LAW ENFORCEMENT AGENCIES

Raising awareness of current trends plays an important role in training law enforcement agencies in the area of money laundering. The Egmont Group, which combines the Financial Intelligence Units of the world, systematically conducts training to deepen its knowledge of money laundering and to facilitate the work of law enforcement agencies in detecting offences.

A topical issue today has been the identification of professional money laundering facilitators. The first attempt to clarify this phenomenon was made by the FATF in its report on professional money laundering [1]. On this basis, the Egmont Group developed its key trends in professional money laundering facilitators.

Who are the professional money laundering facilitators and what threat do they have to society?

Professional money laundering (PML) is a subset of third-party money laundering (ML). The main characteristic that makes PML unique is the provision of ML services in exchange for a commission, fee or other types of profit. PMLs can belong to three categories: individuals, organisations or networks [2].

An individual PML possesses specialised skills or expertise in placing, moving and laundering funds. They specialise in the provision of ML services, which can also be performed while acting in a legitimate, professional occupation. These services can include but are not limited to, the following: accounting services, financial or legal advice, and the formation of companies and legal arrangements (see specialised services, below).

A Professional Money Laundering Organisation (PMLO) consists of two or more individuals acting as an autonomous, structured group that specialises in providing services or advice to launder money for criminals or other OCGs. Laundering funds

may be the core activity of the organisation, but not necessarily the only activity. Most PMLOs have a strict hierarchical structure, with each member acting as a specialised professional that is responsible for particular elements of the ML cycle.

A Professional Money Laundering Network (PMLN) is a collection of associates or contacts working together to facilitate PML schemes and/or subcontract their services for specific tasks. These networks usually operate globally and can include two or more PMLOs that work together. They may also operate as informal networks of individuals that provide the criminal client with a range of ML services. These interpersonal relationships are not always organized and are often flexible in nature.

Understanding these roles is important in order to identify all relevant players and ensure that all relevant aspects of PMLs are detected, disrupted and ultimately dismantled [1; 2].

1. Leading and controlling: There may be individuals who provide the overall leadership and direction of the group, and who are in charge of strategic planning and decision making. Control over ML activities of the group is normally exercised by a leader, but may also be exercised by other individuals who are responsible for dealing with the funds from the time they are collected from clients until delivery (e.g. arranging the collection of cash and organizing the delivery of cash at a chosen international destination). These individuals are also responsible for determining the commission charged and paying salaries to other members of the PMLO / PMLN for their services.

2. Introducing and promoting: There are often specific individuals who are responsible for bringing clients to the PMLs and managing communications with criminal clients. This includes managers who are responsible for establishing and maintaining contact with other PMLOs or individual PMLs that operate locally or abroad. Through the use of these contacts, the PMLO gains access to infrastructure already established by other PMLs.

3. Maintaining infrastructure: These individuals are responsible for the establishment of a range of PML infrastructure or tools. This could include setting up companies, opening bank accounts and acquiring credit cards. These actors may also manage a network of registrars who find and recruit nominees (e.g. front men) to register shell companies on behalf of the client, receive online banking logins/passwords, and buy SIM-cards for mobile communication.

4. One example of managing infrastructure is the role of a money mule herder, who is responsible for recruiting and managing money mules (e.g. via job ads and via a personal introduction), including the payment of salaries to mules. This can be done either as a fee for their money transfer services or as a one-time payment for their services.

5. Managing documents: These individuals are responsible for the creation of documentation needed to facilitate the laundering process. In some cases, these individuals are responsible for either producing or acquiring fraudulent documentation, including fake identification, bank statements and annual account

statements, invoices for goods or services, consultancy arrangements, promissory notes and loans, false resumes and reference letters.

6. Managing transportation: These individuals are responsible for receiving and forwarding goods either internationally or domestically, providing customs documentation and liaising with transport or customs agents. This role is particularly relevant to TBML schemes.

7. Investing or purchasing assets: Where needed, real estate or other assets such as precious gems, art or luxury goods and vehicles to store value for later sale. Criminals seek assistance in purchasing real estate overseas, and PMLs have been known to use elaborate schemes involving layers of shell companies to facilitate this.

8. Collecting: These individuals are responsible for collecting illicit funds, as well as the initial placement stage of the laundering process. Given that they are at the front end of the process; they are most likely to be identified by law enforcement. However, they often leave a little paper trail and are able to successfully layer illicit proceeds by depositing comingling funds using cash-intensive businesses. These individuals are aware of their role in laundering criminal proceedings (compared to some money mules, who may be unwitting participants in a PML scheme).

9. Transmitting: These specific individuals are responsible for moving funds from one location to another in the PML scheme, irrespective of which mechanism is used to move funds. They receive and process money using either the traditional banking system or MVTs providers and are also often responsible for performing cash withdrawals and subsequent currency exchange transactions.

What situations need to be addressed that may be suspicious of money laundering [2]:

- Financial transactions via different bank accounts are managed from the same set of IP addresses;
- Different geographic locations of companies, banks accounts, owners and managing directors, while the same IP addresses are used for online account management;
- Individual or single entity opening or managing numerous bank accounts in a coordinated fashion;
- Transit movement of funds through bank accounts of companies (accounts of companies are used to receive and immediately transfer money, and the account balance by the close of the day is zero).
- No tax, insurance or social payments are conducted by companies that are used for the transit movement of funds;
- Regular cross-border transfers of funds via accounts of shell companies related to loan agreements and payments for services;
- Transferring funds abroad to buy goods that are never shipped, received or documented;
- Payments for real estate and other high-value assets are performed by offshore companies;

- Payments for goods delivered to third countries are performed by offshore companies that are not parties to contract;
- Bank accounts in one jurisdiction, held by corporate structures in a second jurisdiction with beneficial owners in a third jurisdiction, are used to pay or receive transactions for goods or services where they are unconnected to the businesses sending or receiving the transaction, or the trade the transaction is for;
- A significant number of STRs/SARs regarding legal entities registered via the same TCSP or having the same nominal shareholders and directors;
- Cash withdrawals or cash deposits from or to multiple bank cards are conducted systematically via the same ATMs (very small intervals between cash withdrawal or deposit transactions with different cards indicate that these transactions are managed by the same person);
- Participating companies are registered at one or more «virtual» addresses, at addresses of mailboxes using special services providers (advocates, lawyers and other).

The activity of professional money laundering facilitators is a complex issue and their detection is complicated by the rapid and flexible changes in the financial world. Systematic work, including training for law enforcement agencies, will help combat them and money laundering in general.

References:

1. Professional Money Laundering, FATF, 2018. URL: <http://www.fatf-gafi.org/media/fatf/documents/Professional-MoneyLaundering.pdf> (last accessed: 22.08.2019).
2. Egmont Group Bulletin: Professional Money Laundering Facilitators, Bulletin on professional money laundering networks, EG-Bulletin-02/2019. URL: <https://egmontgroup.org/sites/default/files/filedepot/external/20190701%20-%20IEWG%20Professional%20ML%20Networks%20Bulletin%20-%20final.v.pdf> (last accessed: 22.08.2019).