

Concerns and Considerations In Financial Crime Analysis



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Value Touches Everything

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Learning Objectives:

TLO1. Incorporate into financial investigations an understanding of the actions and roles of illicit actors operating in networks and the tools and techniques they utilize.

ELO 1.1 Explain the value in application of financial investigation techniques to investigations.

ELO 1.2 Explain the concept of risk as it applies to illicit networks.

ELO 1.3 Describe the sources for illicit revenue generation.

ELO 1.4 Briefly describe the role of a gatekeeper.

ELO 1.5 List the characteristics of a front, shell and shelf business.



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“The attraction of the complexities of high finance to the criminal is clear, as the movement of illicit funding is best achieved when the financial audit trail is as complex as possible.” – Shima D. Keene

- Keene, S.D. (2012) *Threat Finance, Disconnecting the Lifeline of Organized Crime and Terrorism*. Gower Publishing.



So, what is this all about?

- Law enforcement is most often a reactive process. Processes are present in business and finance to identify and alert to suspicious activities.
- Money laundering is not the only financial crime, but AML tools give us a lot to work with.

- | | |
|------------------------------------|------------------------------------|
| • Customer Identification Programs | • Enhanced due diligence processes |
| • Anti-money laundering programs | • Know Your Customer processes |
| • Customer due diligence processes | • Automated Transaction Monitoring |

We will go beyond bank statements and canceled checks.



The Value in Application of Financial Investigation Techniques

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Investigation vs. Intelligence

There are different goals between the processes:

- Proof (Evidence) vs. Probabilities
- Protected Actions vs. Public
- Prosecution vs. Disruption / Denial



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What is “Illicit Money”? (Global Financial Integrity)

Money that is illegally:

- **Earned**
- **Transferred**
- **Utilized**



**Where did most of the tools in
financial investigations first develop?**

The same processes that are used to manipulate illicit money is applicable when trying to mask the sourcing and use of legitimately earned money (donors, charities, etc.).

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The Three-Legged Stool Supporting Illicit Networks

“Attack the business components that support the markets (ab)used by illicit actors to further their objectives.” – *Dr. Clay Fuller*

- ✓ *Value touches everything!*
- ✓ *Money (value) does not move without a purpose.*
- ✓ *Remove financial network support - attack the money!*



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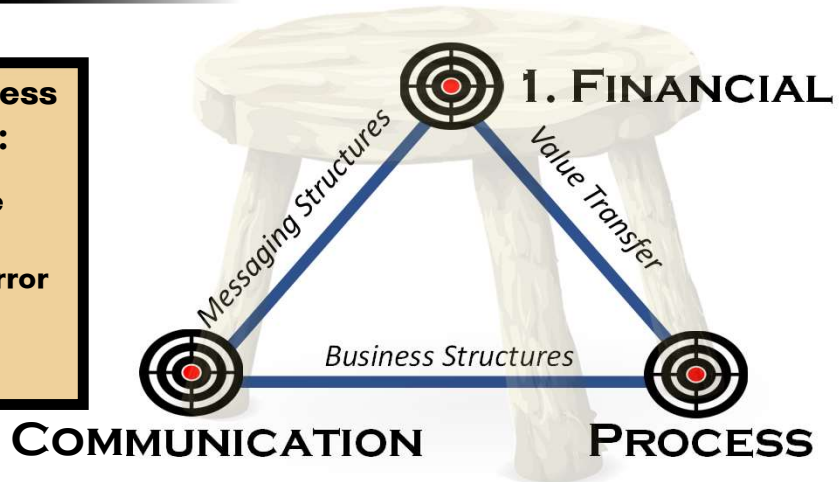


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Illicit Network Vulnerability Targets

Financial and Business Systems contain:

- ✓ Storage of evidence
- ✓ Instruments of financial crime & terror finance
- ✓ Victim of crime



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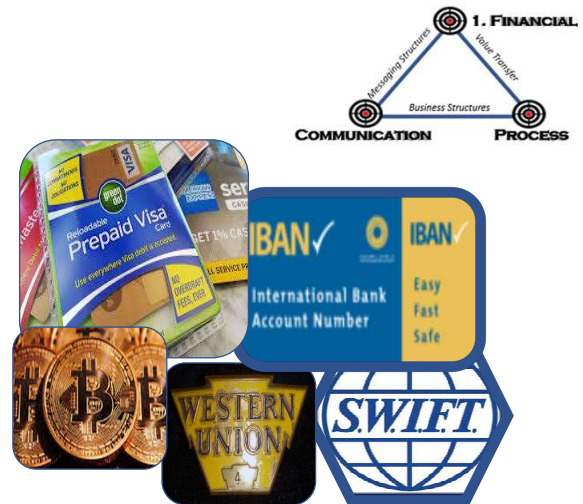
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Target 1: Financial

- Use of banking and messaging systems
- Fronts, Shells Shells
- Use of foreign havens off shores
- Selection of various value transfer systems
- Use of virtual asset systems



*THE CONCEPT OF
WILLFUL BLINDNESS*

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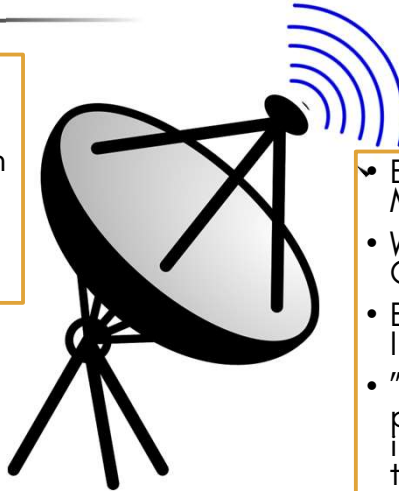
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Target 2: Communication

- Encrypted Apps
- Coded Language
- But there has to be truth in information shared with the financial sector or the transaction may fail



- Bank to Bank Messaging
- Wire Transfer Content
- Business/Banking Instructions
- "Normal" business processes (orders, invoicing, trade, tax/audit, & much more)

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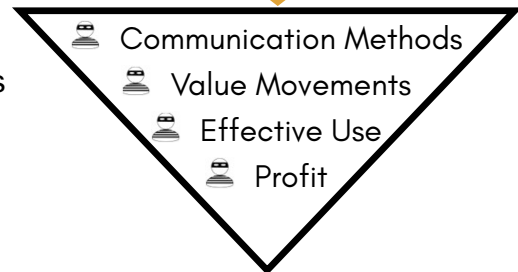
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Target 3: Business Process

- Activity consistent with the business
- "Be a Needle in a Haystack of Needles"
- Maintenance and use of Fronts, Shells, Shelves
- The paperwork MUST line up!
- Employ Facilitators/Gatekeepers
- Taxes/Audit/Inspection/Business Filings



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Risk



Risk Defined

What is risk?

**Wolfsberg Group (2001)
identified these risks to
banks:**

- ✓ **Reputation**
- ✓ **Legal (Investigation, Court)**
- ✓ **Operations**
- ✓ **Concentration
(Portfolio)**



Risk Based Approach



1. Identify all possible risks.
2. Rank the risks to the possibility of encountering them.
3. Decide which risks to mitigate.
4. Live with the rest.

- If you work in financial investigations (FI), you are going to hear about a risk-based approach quite a bit.
- This impacts the amount and type of information that an FI will collect based on their risk profile.
- They will have differing forms and questions, different sized investigations and compliance offices, and different training and skills.

If you were a bad guy, would you choose small credit unions or mega banks? Why?

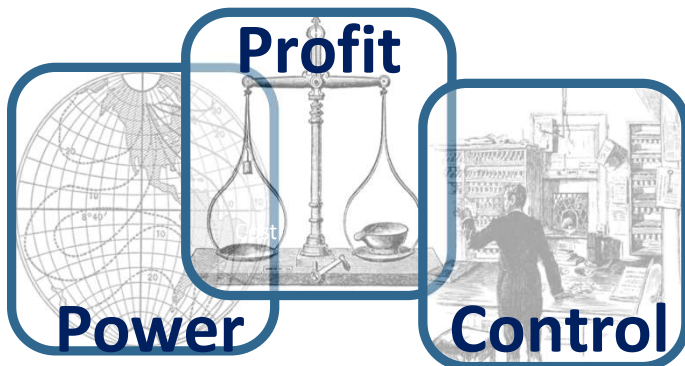
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Acceptable Level of Risk



Risk is always present

***Risk versus Reward
or
What will keep them
awake at night?***

Risk-Based Approach (RBA)
What are the possible risks?
What do we mitigate?
What do we live with?

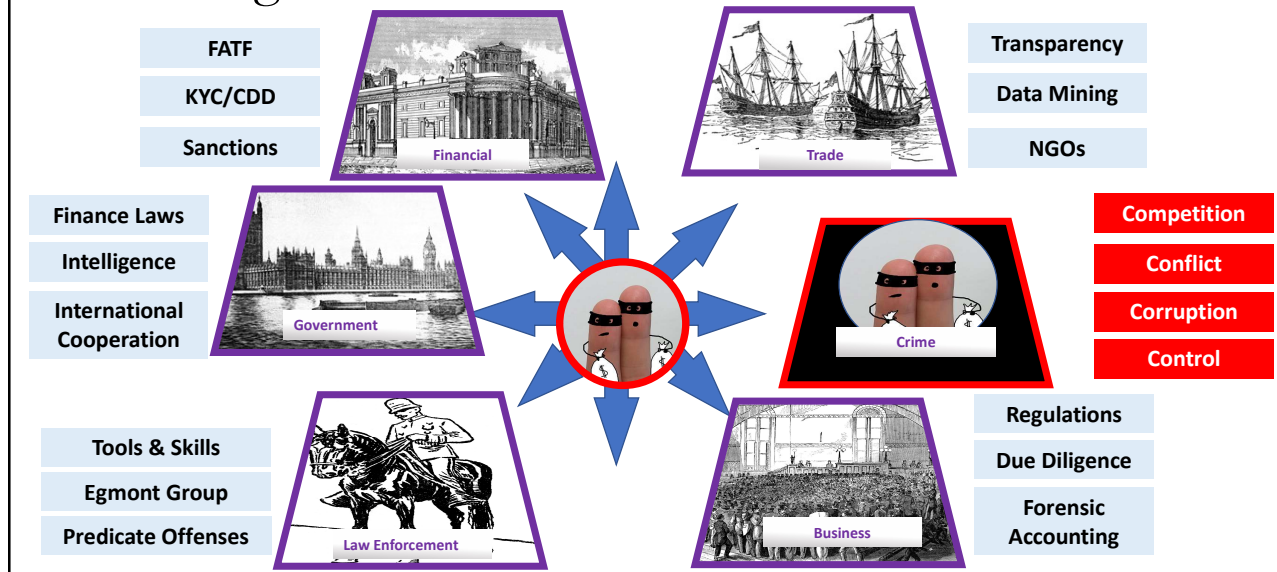
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Risk Facing Illicit Networks



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The Gatekeepers

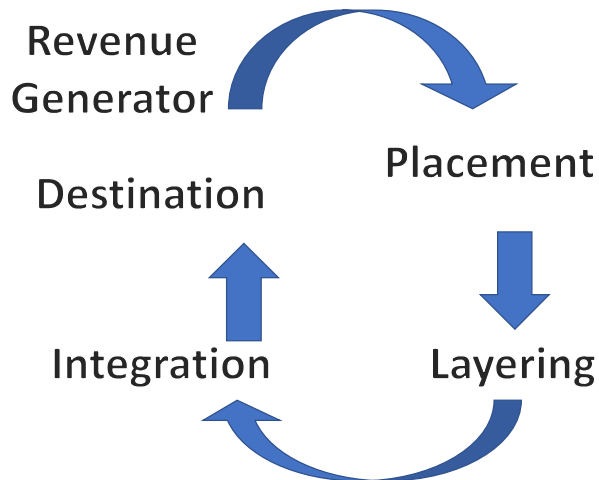
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Gatekeepers are usually expected in money laundering



- Trade-based money laundering
- Black market peso processes
- Virtual assets
- Alternative financial and remittance systems
- Real Estate
- Art and Antiquities
- Automobiles
- And more

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Gatekeeping Tiers

Local

- Finance
- Local elites
- Supplies



Political

- Shadow facilitators
- Influence government decisions
- Laws, policy, regulations
- Support kleptocrats, corruption



International

- International markets
- Transport
- Contract/trade documents
- Finance



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Examples of Gatekeepers



- Lawyers
- Certified public accountants
- Stockbroker/hedge
- Insurance
- Real estate broker
- Notary of public
- Pawn broker
- Car salesmen



- Tax assessors
- Bank officers/employees
- Appointed officials /politicians
- Business associates
- Nominees
- Family members

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Tools in a Network

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Fronts

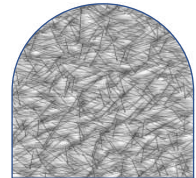
Location to introduce illicit revenue and represent as legitimate

- “Brick and mortar”
- Public facing
- May generate “legitimate” revenue as well



What is the value of a Front?

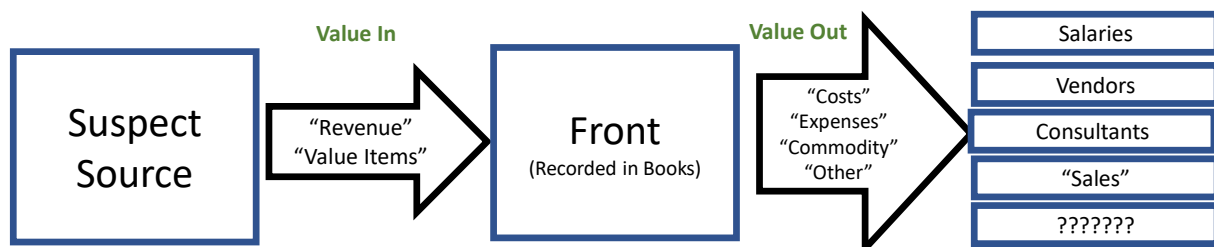
- Used in various phases in money laundering schemes
- Used in various fraud schemes, smuggling, corruption, sanctions
- Masks beneficiaries, value sources, connection to other businesses/networks



Typical Front Characteristics

What makes a front an easy placement of dirty money?

- Cash Intensive: Produces revenue from cash transactions with highly variable amounts
- Use variable expenses that are difficult to measure
- Examples: Art galleries, pawnshops, bars, nightclubs, restaurants



Fraud At Gallery Antiques

- Business owner conspires with criminal to use excess inventory to help launder illicit proceeds
- Customer (criminal associate) makes a purchase of Roman coins and pays cash
- Dirty money placed with business proceeds
- Business owner adds an expense (logistics and security) commiserate with cash proceeds minus fee for laundering
- Criminal or associate receives access to funds from business as clean income

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Shells: “Corporate Vehicles”

Businesses that are registered but have no significant operations or assets

- Companies/LLCs
- Trusts
- Foundations
- Partnerships
- Other types of legal persons or arrangements
- Easily created in multiple countries with ready access to the international financial system
- **Corporate Transparency Act of 2020**



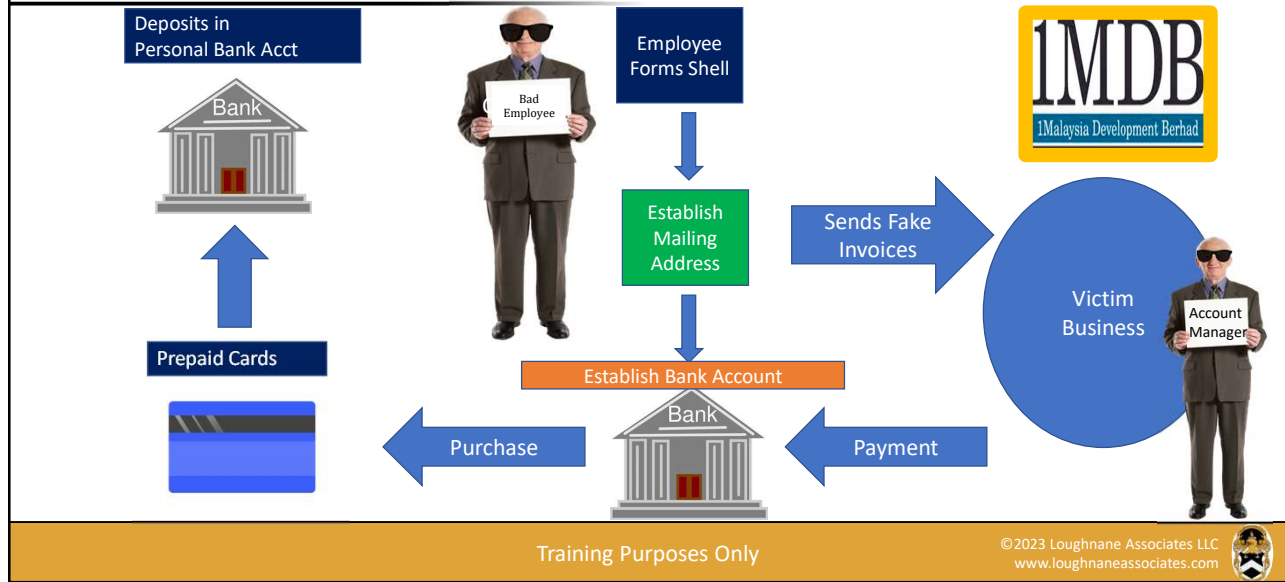
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Shell Business Used In A Fraud Scheme



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Shelf Corporations

Wyoming Corporate Services Inc.

Home Prices Aged Shelf Companies Order Here

Phone: 1-844-884-3485
Outside US: 1-307-224-7184
1712 Pioneer Ave, Suite 101
Cheyenne, Wyoming 82001

Aged Shelf Companies

Here is a partial list of the aged shelf companies and aged shelf corporations that we currently have for sale.

These lists change without notice. Unless otherwise noted, these aged corporations were incorporated by us and put on the shelf. These aged shelf companies come with Certificates Of Good Standing from the state, Certified Articles of Incorporation from the state, the corporate kit which includes 20 pre-printed stock or membership certificates, corporate seal, suggested meetings minutes and one year of Registered Agent Services. All state fees are paid up to the renewal date of the shelf corporation unless otherwise noted. If you need other services see our other services here.

These aged shelf companies for sale can be registered in any other state as a foreign company doing business in that state, if you need an aged company in a different state.

Unless otherwise noted, the aged corporations do not have EIN's issued yet. These are clean shelf companies. They have never been used and as such have no credit or assets.

Our Wyoming aged shelf corporations include Public Record Address Service. We also have aged corporations for sale in the other states listed below.

Alaska	Arizona	California	Colorado	Delaware
Florida	Hawaii	Idaho	Illinois	Indiana
Iowa	Michigan	Mississippi	Missouri	Montana
		Nebraska	Nevada	North Carolina

Check out the advantages of incorporating in Wyoming:

- Lower Startup Costs
- Privacy allowed
- Best Asset Protection Laws
- Nominee Officers are no longer needed
- Manager not listed with the state
- Members not listed with the state
- Wyoming draws little attention
- No Nevada "Stigma"
- No State Income Taxes

News release:
As of this year Wyoming has the best LLC asset protection law in the nation.

Freedom

If you have a Wyoming LLC, you can operate your Corporation and live anywhere in the world; you do not have to be a US citizen to incorporate in Wyoming. But, in order to give substance to your operation, you should know about our Office Service Contract and learn how use of this inexpensive option will give "presence" to your remote corporate operations.

Privacy

Wyoming does not require the manager nor the members of a Wyoming LLC to be listed on a public database. Nevada requires a tax ID number of the company and personal guarantee by you on the state's business license.

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Exercise: Be a Criminal

You are a small-time dope dealer. You make about \$4,000 every couple of days.

What are some of the challenges you face as you operate? What are the risks you face? How do you decide which risks you need to mitigate and what do you do about the remaining risks?

What do you need for your network and what would you use?

Financial, Communications, Process

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Questions?

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