

# Using Money Laundering Elements in Financial Crime Investigations



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## Learning Objectives

- The tools that have been built in the battle against money laundering have application beyond that type of crime.
- Fraud and financial crime use the same or similar mechanisms.

### **TLO 4. Refresh knowledge about money laundering and align processes with financial crime investigations**

ELO 4.1 Describe the phases of money laundering.

ELO 4.2 Explain challenges in health care fraud.

ELO 4.3 Describe the synthetic identification process.

ELO 4.4 Describe the relationship between money laundering and specified unlawful activities.



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# Money Laundering Process

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## The Process

Money laundering as a process is intended to:

- Protect the individual or organization from **exposure**
- Separate **“dirty money”** from its **source**
- Control a process that achieves **organizational goals & objectives**
- Mask **connections** made apparent during financial activity
- Control **expenditures** and maximize efficiency
- Control **other parts of the network**
  - Funding to/from influenced & inspired, independents, third parties, and affiliates

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# Phases of Money Laundering

Three Phases:

**PLACEMENT**

**LAYERING**

**INTEGRATION**

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# Implied Investigative Questions

**PLACEMENT**

How are the proceeds inserted into the financial system? Where?

**LAYERING**

How are the proceeds moved? Where?

**INTEGRATION**

How are the proceeds spent?

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## Approach - Investigation & Detailed Analysis

VALUE SOURCE(S)

PLACEMENT

STORAGE

MOVEMENT

SPENDING

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## Specified Unlawful Activities

The list of SUAs changes periodically.

- See 18 USC §1956(c)(7) for a definition of “specified unlawful activity”

SUAs are found:

- Under the Racketeer Influenced and Corrupt Organizations Act (RICO) statute 18 USC §1961(1)
- Non-RICO offenses can be found in 18 USC §1956(c)(7)

*18 U.S. Code § 1956 - Laundering of monetary instruments.* (2016, October 7). LII / Legal Information Institute.  
<https://www.law.cornell.edu/uscode/text/18/1956>

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# Definition – Sources of Proceeds

## Legitimate Sources

Legitimate sources can also be laundered to mask source and destination.

Antiquities	Health Care	Dom. Terror
Real Estate	Donors	?????

Used for:

Tax Avoidance	Sanction Avoidance	???????
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## Illicit Markets

MOST PREDOMINANT ILLICIT MARKETS	
Terrorism	Illegal pornography
Contraband of goods and services	Wildlife and endangered species trafficking
Executions	Kidnaping
Extortion	Weapons trafficking
Forgery of money, bonds & values	Cigarette trafficking
Forgery of documents	Drug trafficking
Credit card fraud	Undocumented trafficking
Murder	Radioactive material trafficking
Asset pilfering	Human trafficking
Money laundering	Organ trafficking
Prostitution procurement	Vehicle theft
Assault	Illegal wood harvesting
Counterfeiting	Cyber-crimes

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# Considerations

## VALUE SOURCE(S)

What are the sources of proceeds?

## PLACEMENT

What placement mechanisms are used and where is it done?

### PLACEMENT DETECTION & ANALYSIS THOUGHTS

During placement...illicit actors are **HIGHLY VULNERABLE** to being detected.

If placement is identified and proved, additional sets of **CHARGES** can be brought upon the criminal or facilitators.

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# Placement

VALUE SOURCE(S)

What are the sources of proceeds?

**PLACEMENT**

**What placement mechanisms are used and where is it done?**

As investigators, we must uncover:

- How, when, where, who, & why they use a particular method or mechanism to place the proceeds.
- The players, geography, types of financial institution, type of services, etc. used to place the money.

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# Layering

VALUE SOURCE(S)

What are the sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?

**STORED**

**In what form and where are the proceeds stored?**

**MOVED**



Layering

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# Integration

ILLICIT MARKET

What are the sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?

STORED

In what form and where are the proceeds stored?

MOVED

How and where are the proceeds moved to?

SPENT

How do criminal networks use their laundered money without retribution?

Integration

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# Operation Fashion Police



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## Why the LA Fashion District?

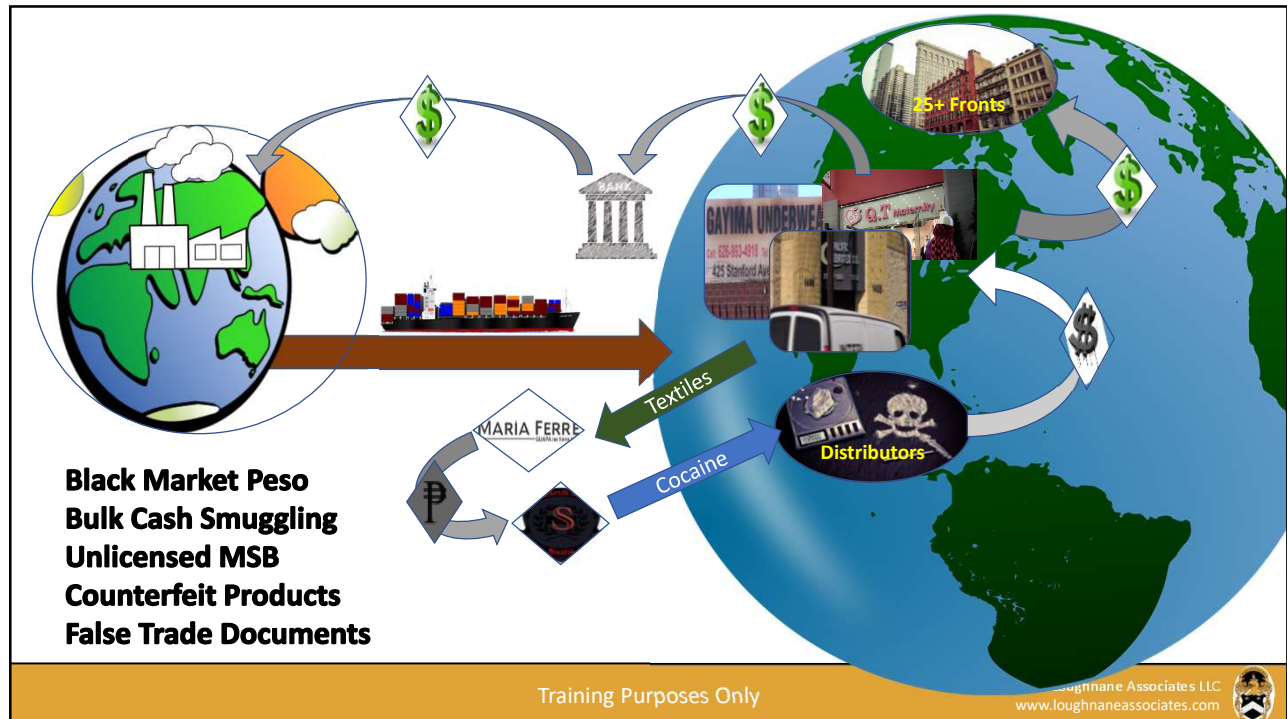
- Perfect Business Environment for illicit activity
- Over 2,000 businesses
- Cash sales are preferred
- Tremendous amount of business activity (millions in a day?)
- Other criminal activities such as tax avoidance, counterfeiting, smuggling, illegal workers, and many more create a “don’t look, don’t tell” environment

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Questions?

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