

# Money Laundering

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*Value Touches Everything*



## 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: Refresh knowledge about money laundering and align processes with financial crime investigations**

ELO 1 Describe the phases of money laundering.

ELO 2 Explain challenges in health care fraud.

ELO 3 Describe the synthetic identification process.

ELO 4 Describe the relationship between money laundering and specified unlawful activities.



# Money Laundering Process

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## 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 organization **goals & objectives**
- **Mask connections** made apparent during financial activity
- **Control expenditures** and **maximize efficiency**
- **Operate as a means of control to other parts of the network**
  - Including funding/inflow to/from influenced & inspired, independents, third parties, and affiliates

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# Three Phases of Money Laundering

## PLACEMENT

Where and how are the proceeds inserted into the financial system?

## LAYERING

How and where are the proceeds moved?

## INTEGRATION

How are proceeds spent?

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# Three Phases of Money Laundering

Revenue Generator



## PLACEMENT

Where and how are the proceeds inserted into the financial system?

Organization Structure



## LAYERING

How and where are the proceeds moved?

## INTEGRATION

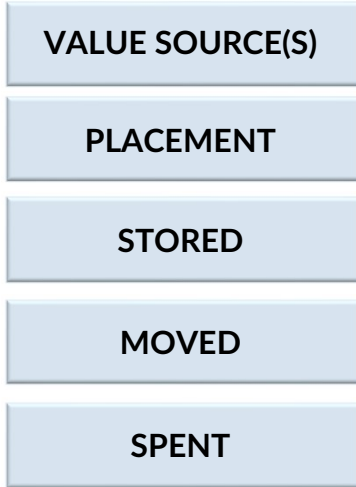
How are proceeds spent?

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# Approach - Investigation & Detailed Analysis



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## Revenue Generation

What are the sources of proceeds that go into the financial systems?

### LEGIT SOURCE(S)

Legitimate sources can be laundered to mask source and destination.

Antiquities	Health Care	Donation
Real Estate	Commerce	?????

Uses:

Tax Avoidance	Sanction Avoidance	???????
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### ILLICIT MARKET

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 – Investigation & Detailed Analysis

Revenue Generation

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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## Considerations – Investigation & Detailed Analysis Placement

**PLACEMENT**

What placement mechanisms are used and where is it done?

As investigators we must:

- Attempt to identify the revenue generator
- Determine by what method was the revenue placed into the money laundering process
- Consider the actors, culture, geography, the type of financial institution, type of services, etc. used as a means of placement

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## Considerations – Investigation & Detailed Analysis Layering

Layering

STORED

MOVED

In what form and where are the proceeds stored?  
Short Term? Long Term? Commodity? Other?



### Discussion

- What are some of the activities that need to occur for storage?
- What activities are necessary for movement (value transfer)?
- What is necessary to provide for the transition to integration?

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## Definition – Investigation & Detailed Analysis Integration

Integration

How do threat networks use their laundered money without retribution?  
To maintain operations  
Growth based on profit  
To reap the benefit of the activity

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## Fraud and Money Laundering: Mass Mailing Case Study

Trademark Compliance Center  
Trademark Compliance Office

Offers at \$395 a “trademark and monitoring service”  
“official government” appearance

Mailings to over 100,000 | 4,446 victims identified

\$1,661,569.73 stolen

Placement? Layering? Integration?  
Consider the investigation process.

Financial investigation included:

- Mailing process to victims
- Mail drop in Alexandria, VA (they were in California)
- Created websites/false domain names
- Obtained phone numbers
- Steal identities (names, DOB, SSN)
- Bogus email accounts
- Paid with money orders
- Changed cell phone numbers regularly
- Money withdrawn from accounts in cash or cashiers check and used to purchase gold

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## Points of Placement and Layering? Integration?

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## Financial Action Task Force: Specified Unlawful Activities

### Recommendation 3: Money laundering offense

Countries should criminalize money laundering on the basis of the Vienna Convention and the Palermo Convention.

**Countries should apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offenses.**



### Recommendation 5: Terrorist financing offense

Countries should criminalize terrorist financing on the basis of the Terrorist Financing Convention and should criminalize not only the financing of terrorist acts but also the financing of terrorist organizations and individual terrorists even in the absence of a link to a specific terrorist act or acts. **Countries should ensure that such offences are designated as money laundering predicate offenses.**

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## Specified Unlawful Activities

The list of SUAs change 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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# Virginia Money Laundering Statute

**§ 18.2-246.3. Money laundering; penalties.**

A. It shall be unlawful for any person knowingly to conduct a financial transaction where the person knows the property involved in the transaction represents the proceeds of an activity which is punishable as a felony under the laws of the Commonwealth, another state or territory of the United States, the District of Columbia, or the United States. A violation of this section is punishable by imprisonment of not more than forty years or a fine of not more than \$500,000 or by both imprisonment and a fine.

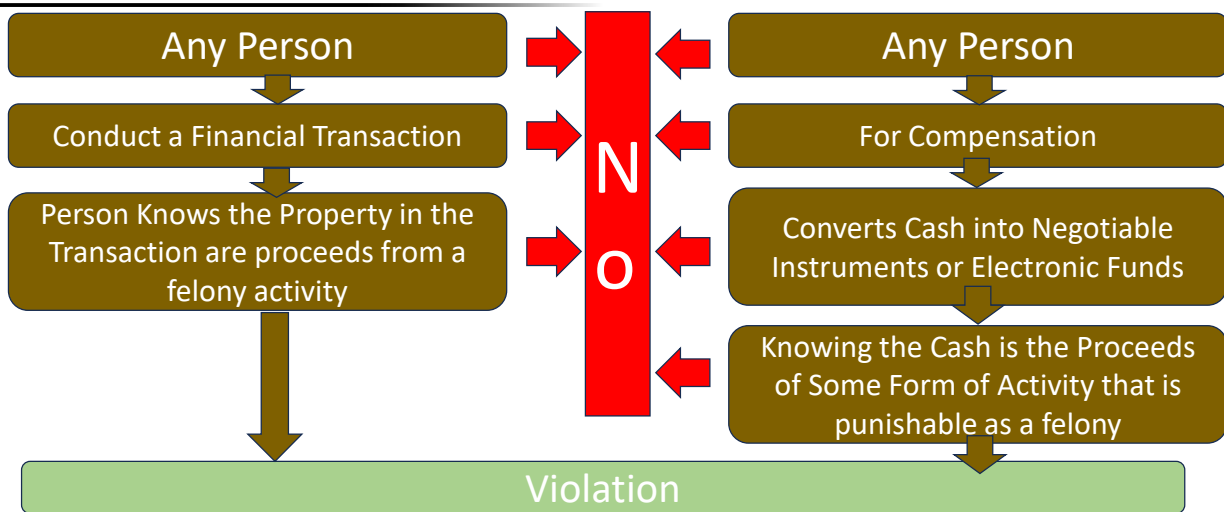
B. Any person who, for compensation, converts cash into negotiable instruments or electronic funds for another, knowing the cash is the proceeds of some form of activity which is punishable as a felony under the laws of the Commonwealth, another state or territory of the United States, the District of Columbia, or the United States, shall be guilty of a Class 1 misdemeanor. Any second or subsequent violation of this subsection shall be punishable as a Class 6 felony.

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## Violation Map Virginia Money Laundering Statute 18.2-246.3



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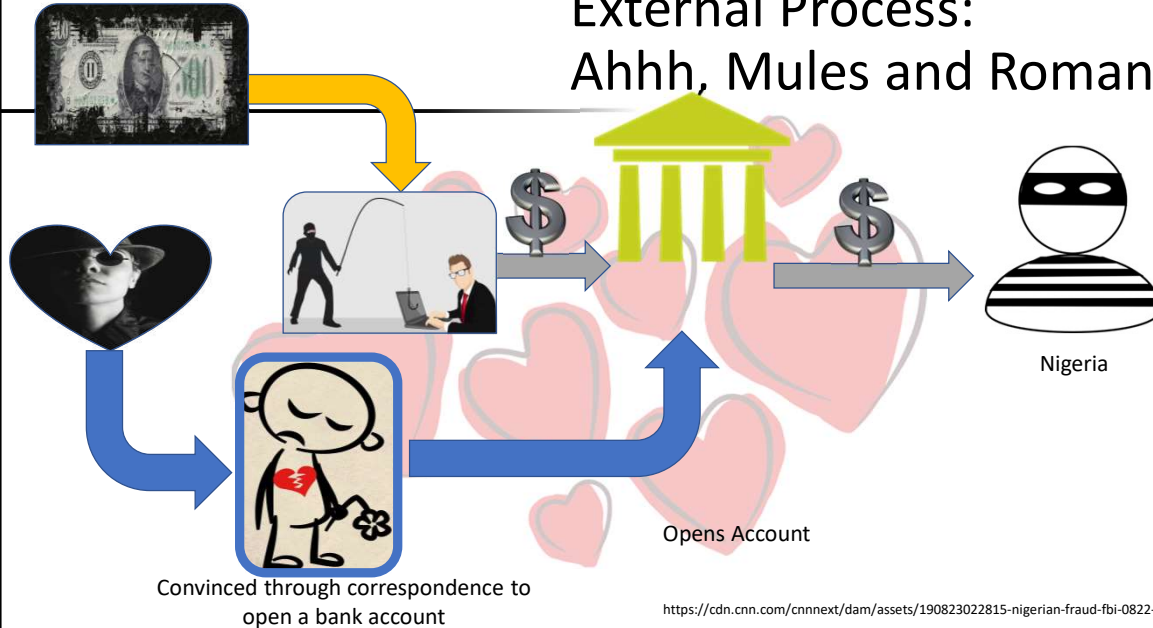
# Fraud Activities

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## External Process: Ahhh, Mules and Romance....



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# 2018 National Money Laundering Risk Assessment

## Over \$100 Billion a Year

*“Fraud is estimated to generate more illicit proceeds laundered in the United States than any other category of crime.”*

- Healthcare Fraud (~\$100B)
- Tax Refund
- Cybercrime (~\$652,518,777)

Provider Type	Filing Count	Percentage of Healthcare Provider Types
Home Healthcare	123	12%
Doctor	95	10%
Pharmacist	72	7%
Assisted Living	38	4%
Chiropractor	35	4%
Radiologist	27	3%
Medical Supplies	23	2%
Rehabilitative Services	22	2%
Personal Fraud	267	27%
All Others	281	28%

Top Ten Categories of Healthcare Professionals and Others Cited in SARs Marked by Filers as Indicating Potential Healthcare Fraud in a Study Sample (2016)

*“A trend across most categories of fraud is the use of stolen identities.”*



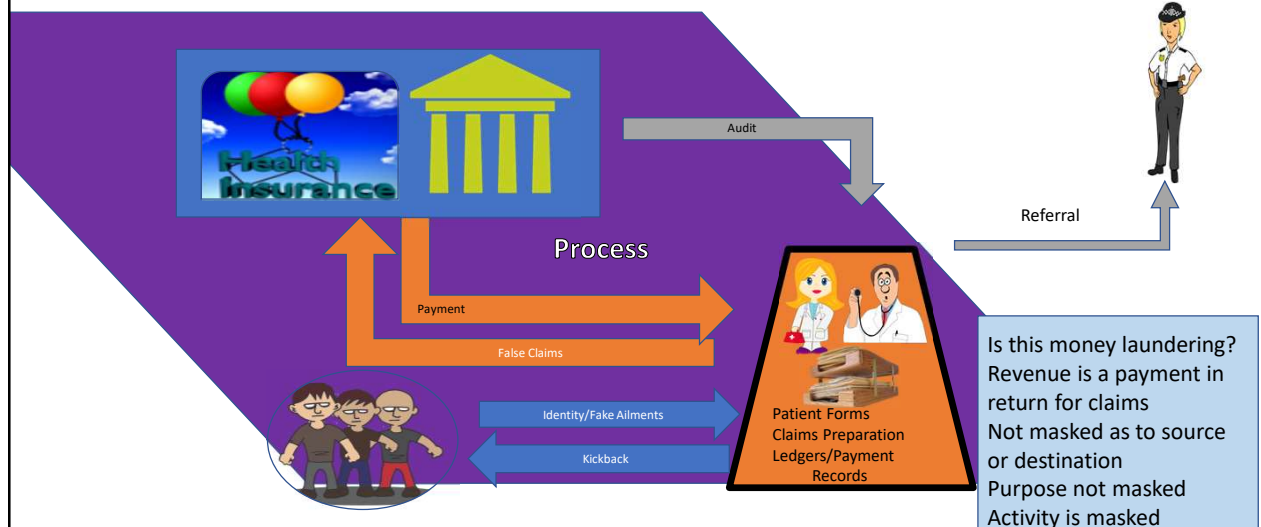
2018 National Money Laundering Risk Assessment. (2018). [https://home.treasury.gov/system/files/136/2018NMLRA\\_12-18.pdf](https://home.treasury.gov/system/files/136/2018NMLRA_12-18.pdf)

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## Detection of Healthcare Fraud



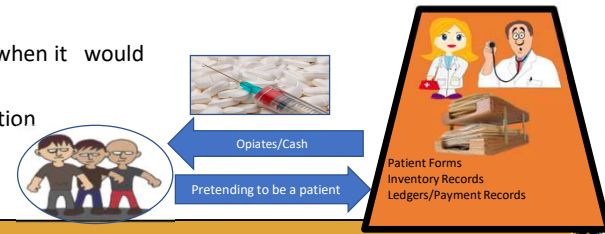
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# Healthcare Fraud Methods

- Cursory medical examinations
- Brief appointments
- Cash-only practice
- High patient volume
- Patients traveling far distances for appointments
- Lack of diagnostic testing
- Prescribing excessive amounts of controlled substance to patients
- Prescribing controlled substances for an unreasonable period
- Continuing to prescribe controlled substances to the patient when it would be ineffective for treatment purposes
- Elevating dosages of controlled substances with little justification
- Treating patients with only controlled substances
- Lots more...



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# Synthetic Identities

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# Synthetic Identities

- Uses of a combination of primary and supplemental elements to fabricate a person or entity in order to commit a dishonest act for personal or financial gain.

## Primary Elements

**Unique to an individual or profile**

Examples: name, date of birth, Social Security number, and other government-issued identifiers

## Supplemental Elements

**Elements that can help substantiate or enhance the validity of an identity but cannot establish an identity by themselves**

Examples: mailing or billing address, phone number, email address, or digital footprint

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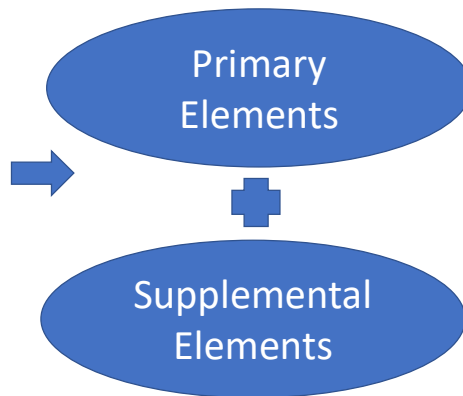
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# Recipe for a Synthetic Identity

### 1. Start With The Basics:

SSN/EIN  
Little-used SSN elderly, child, immigrant, deceased  
Closed business, shells, shelves?  
Start ups  
Date of birth



### 2. Add Ingredients

[www.fakenamegenerator.com](http://www.fakenamegenerator.com)  
[www.stevemorse.org/ssn/ssn.html](http://www.stevemorse.org/ssn/ssn.html)

### 3. Sprinkle with what's available

Phone numbers  
Social media  
Open bank acct  
Open credit card  
Join organizations  
Open crypto acct  
Create financial records online

### 4. Mix well

Data aggregators  
Credit infrastructure

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## Synthetic Identity Methods

- Apply for credit – creates a record for a new identity to be validated
  - Keep applying even if denied – someone will approve
  - Get credit line and start purchasing with the new card
- Establish history
  - Utilities, phone, rewards accounts, social media
- Manage the new identity
  - To be seen by credit monitoring services
  - Monitor using services like Credit Karma
    - Make sure no one is looking at you
  - Make payments
- Then they will come to you
  - New credit card offers
  - You become part of the market targeted family

Pretty Shallow  
Missing things like:  
Lack of previous addresses  
Lack of previous phone numbers  
Lack of relatives

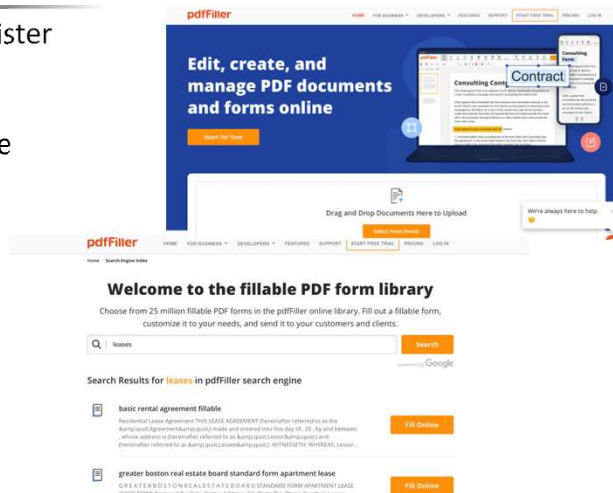
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## Merge Synthetic ID with Synthetic Business

- Create business name and register
  - County/City
  - State
- Incorporate business with state
- Create D&B profile online
- Register with entities
- Create false documents
  - Bank statements
  - Leases
  - Articles of incorporation
  - Payroll records
  - www.pdfFiller.com



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## Case Study

**Michael Griffin carried on an informal business operation which purported to "repair" the credit of individuals (2020-2021).**



Weekly, T. W. (2021, July 7). Prosecutors: Knightdale family pleads guilty in credit repair scam. <https://Restorationnewsmedia.Com>. <https://restorationnewsmedia.com/enterprise/news/prosecutors-knightdale-family-pleads-guilty-in-credit-repair-scam-4052412>

- Informed potential clients that he could boost their credit scores
- Provided alternative credit profile numbers to conduct credit transactions

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## Case Study cont.

**Griffin defrauded credit bureaus, end-users of credit information**



Weekly, T. W. (2021, July 7). Prosecutors: Knightdale family pleads guilty in credit repair scam. <https://Restorationnewsmedia.Com>. <https://restorationnewsmedia.com/enterprise/news/prosecutors-knightdale-family-pleads-guilty-in-credit-repair-scam-4052412>

- Credit reporting agencies (CRAs) – sell credit reports (Transunion, Equifax, etc.)
- Credit reports quantify the credit risk posed by customer
- Name and SSNs are identifiers CRAs use
- Furnishers: credit reports information is sourced from information provided by entities

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## Case Study cont.

### Griffin worked a couple of angles:

- Filed fraudulent disputes with the CRAs for “clients”  
Submitted false police reports he never filed and false dispute documents
- Offered “clients” the opportunity to utilize an alternative credit profile to conduct credit transactions.  
Credit profiles were fraudulently created by Griffin so that Griffin and co-conspirators could use them  
After the first accounts, additional accounts were opened

- Used stolen SSNs (incl. minors)
- Created a fraudulent credit profile
- Mail drop address
- Created temp. email and prepaid phone accounts
- Bought lots of open loop prepaid cards



Weekly, T. W. (2021, July 7). Prosecutors: Knightdale family pleads guilty in credit repair scam. <https://restorationnewsmedia.com>. <https://restorationnewsmedia.com/enterprise/news/prosecutors-knightdale-family-pleads-guilty-in-credit-repair-scam-4052412>

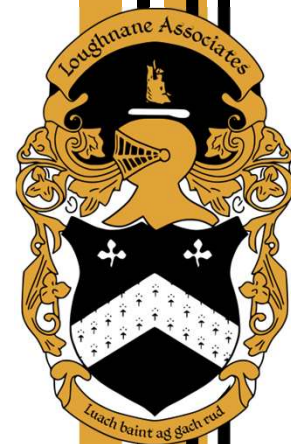
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# Questions?

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