

Gatekeepers

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Learning Objectives:

TLO: Describe the roles of Money Laundering Professionals and their value in illicit organizations.

ELO 1 Describe the role of Money Laundering Professionals in illicit networks.

ELO 2 Identify the three levels of Money Laundering Professionals.

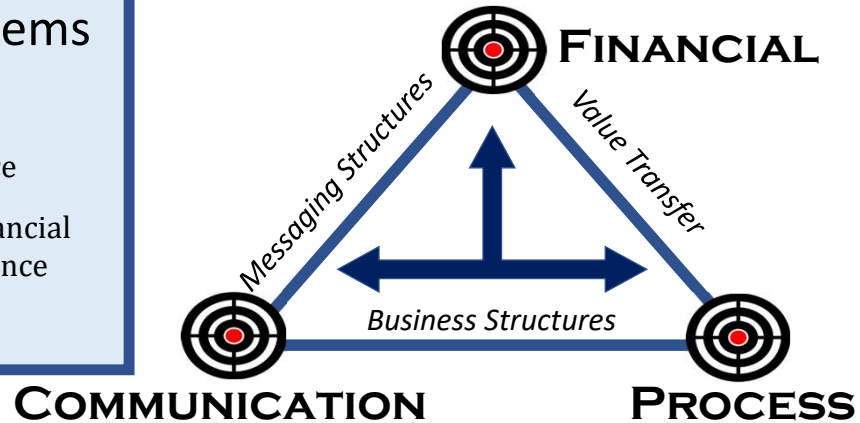
ELO 3 Describe the value of Money Laundering Professionals to an investigation.



Where Money Laundering Professionals Operate

Financial Systems Are:

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



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Define Gatekeepers

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Gatekeepers

Those who abuse a special skill or position of public or private trust

- Lawyers
- Certified public accountants
- Stockbroker/hedge
- Insurance
- Real estate brokers
- Pawn brokers
- Car salespeople
- Notary/actuary
- Tax assessors
- Bank officers/employees
- Appointed officials /politicians
- Business associates
- Nominees
- Family members

Consider the insider threat



“...we are not putting the lessons learned from this experience behind us. When a colleague knowingly violates a firm policy, or much worse, the law, we – as a firm – have to accept responsibility and recognize the broader failure that individual behavior represents for our firm.”
- Goldman Sachs CEO
David Soloman

Goldman Sachs | Press Releases - Goldman Sachs' Statements Relating to 3M08 Government and Regulatory Settlements. (2020, October 22). Goldman Sachs. <https://www.goldmansachs.com/media-relations/press-releases/current/goldman-sachs-2020-10-22.html>

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Is this a Gatekeeper?

Case Study:
Charles
McGonigal

...McGonigal abused the skills and influence his country entrusted him with by secretly working for the very threats he had previously protected it against... (sentencing memo)

1:23-cr-00016-JHR-2 USA v. MCGONIGAL



Charles McGonigal

- Retired Special Agent in Charge, Counterintelligence Division of the FBI's New York Field Office
- 2017: Abused his position to establish a relationship with a known agent of the Albanian government
- 2018: While still with the FBI he joined Spectrum Risk Solutions, owned by a friend
 - Set up an email account under a fake name
 - Forged a illegal contract and laundered money through the business
- Sentenced to 50 months

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Yvgeniy Fokin and Oleg Derispaka

- Derispaka is a Russian national (considered an oligarch)
- Placed on the Sanctions list on April 6, 2018
- OFAC's determination that Deripaska acted as an agent of Russian President Vladimir Putin was supported in court
- Fokin previously served as a diplomat for the Soviet Union and the Russian Federation, and was rumored in public media reports to be a Russian intelligence officer
- Sergey Shestakov alleged Albanian agent, acted as an intermediary between McGonigal and Fokin



Oleg Deripaska

Also had
business
dealings with
Paul Manafort

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“Our friend from Vienna”

- McGonigal arranged for Fokin’s daughter to work as an intern at NYPD
- After retirement McGonigal and Shestakov introduces Fokin to a NY law firm toward getting Deripaska “delisted” (McGonigal paid \$25,000)
- Through Fokin, Deripaska then hired McGonigal to investigate Vladimir Potanin, a rival Russian oligarch and competitor to get Potanin placed on the sanction list
 - Through a Cyprus corporation called Pandean would pay Spectrum \$51,280 upon execution of the contract and \$41,790 per month
 - McGonigal told Shestakov that he had not informed Spectrum’s owner—McGonigal’s friend—that he was using Spectrum to receive Deripaska’s money. And forged the friend’s signature on the contract

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Is he a
Gatekeeper?



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Gatekeeper Knowledge Levels

- Knowledge of Banking and SWIFT Messaging Systems
- Use of offshore banking
- Use of various types of value transfer systems
- Create/maintain business records (taxes/compliance)
- Use of virtual asset systems (crypto)



Gatekeeper Concern - Showing Activity is Consistent with the Process

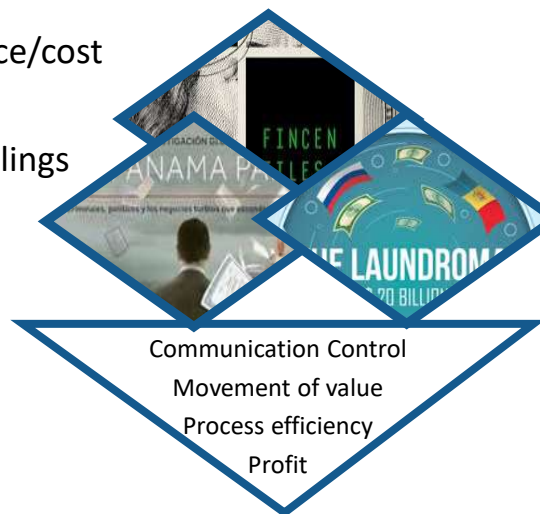
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Gatekeeper Controls Considerations

- Front, shell, shelf, nominee use/maintenance/cost
- Employ other facilitators/gatekeepers
- Ensure taxes/audits/inspections/business filings
- Maintain appropriate business records
- Maintain appropriate online visibility
- Consistency with “like” businesses
- Avoid unusual business relationships
- Professional association memberships
- Ability to explain anomalous actions



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Why Gatekeepers?

Nature and structures within financial crime continuously evolve in number/type/ scope

- Change funding source?
- Change communications?
- Change personnel?
- Change countries?
- Avoid detection?
- Meet objectives?

Will adjust business structures for security, control, and efficiency

- More complex?
- Change revenue sources/process
- Increase costs
- Reassess risk and consider mitigation

Maintain some business structure to support financial crime objectives

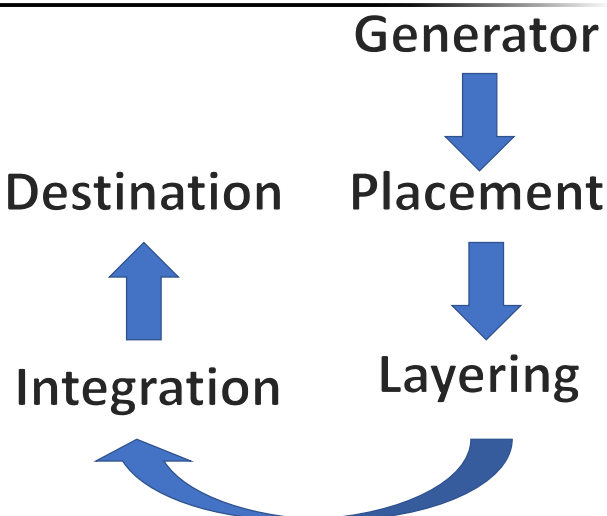
- Control over planning
- Control over operations
- Control over costs
- Control over personnel
- Positive/negative deviation
- Counteraction in the business, financial, and “real” worlds

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Why Gatekeepers?



- Trade based money laundering
- Black market peso
- Use of mobile banking
- Use of virtual assets
- Use of financial and remittance systems
- Otherwise legitimate value transfer systems
 - Cash oriented businesses
 - Value transfer business types
 - Real estate
 - Art/antiquities

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Gatekeeper Tiers

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Money Laundering Professional Tiers

Local

- Smaller sphere of influence
- Perhaps less skilled
- Perhaps advantage in position
- Finance
- Local elites
- Supplies/coordination



International

- More skilled
- More influence
- Knowledge of international markets
- International transport
- Contract/trade documents
- Broad finance expertise



Political

- Politically positioned
- Perhaps indirect actor
- Shadow facilitators
- Influence government decisions
- Laws, policy, regulations
- Support kleptocrats, corruption

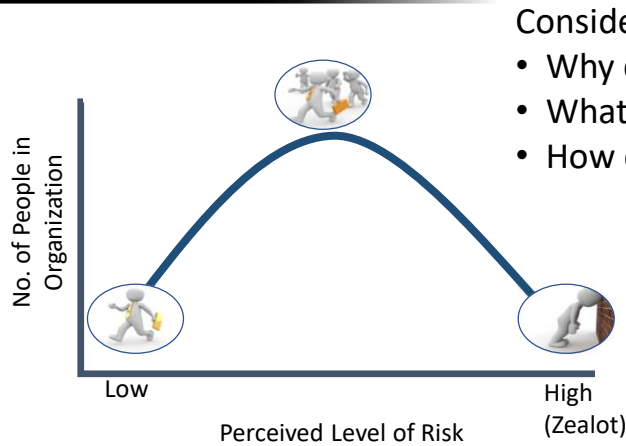


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Motivation of the Money Laundering Professional



Consider:

- Why do they do what they do?
- What do they know?
- How can we exploit?

Jacob Shapiro (Associate Professor, Princeton University)

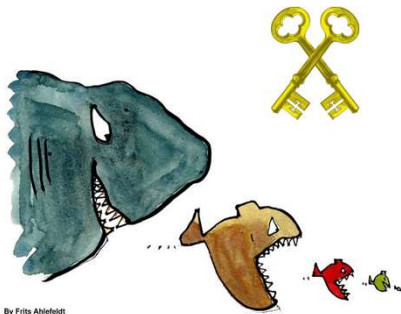


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Be Kind to Money Laundering Professionals



By Frits Ahlefeldt

- May negotiate for lighter sentences
 - “It’s only money”
- Roll them up “...let me tell you about”
- They hold the “keys to the kingdom”
- Perhaps to more than one network
- Testimony, evidence, expertise

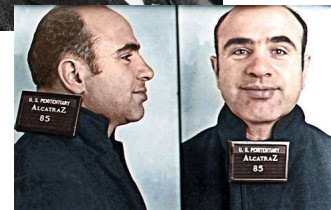
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Local Gatekeeper: Who was Edward O'Hare, aka "Easy Eddy"

- Position: Attorney, President of the Sportsman's Park Racetrack
- Activity: Operated the racetrack and paid Al Capone a cut of proceeds from tracks in Chicago, Miami, and Boston
- Rolled: Provided information to the IRS that led to Capone's conviction
 - Led government to the bookkeeper and helped break the code used in the ledgers
 - Tipped off the jury had been fixed
 - Key witness for the Capone trial
- Deal Cut: To get son into Naval Academy
 - Son died in WWII as a war hero
- Shot and killed November 8, 1939



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Some source information to consider

- Bank information (statements, SAR, KYC due diligence, TMS, investigation)
- Law enforcement/intelligence sources
- Virtual asset service providers (exchanges, KYC, TMS, investigation)
- SWIFT messaging
- Credit card tracking and due diligence/KYC (authorized users, all transactions)
- Remitter (MSB) KYC, documentation

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Professional Failures



Is this a failure?



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When A Gatekeeper Is Not Used

FOR IMMEDIATE RELEASE

Thursday, July 16, 2020

Little Rock Woman Charged with COVID Relief Fraud

Defendant Allegedly Received Nearly \$2M for Defunct Businesses

- “Suga Girls Customs” \$1,385,903 in wages paid Q1 2020
- “Little Piglet Soap Shop” \$414,375
- No activity business activity prior to 2020
- Used personal phone number & home address
- 210 employees at one company, 56 at another
- Loan sent to personal account at another bank



- Two Days after loan, made \$8000 payment on student loan
- \$6999 personal purchases
- \$150,000 to niece
- “Won the Lottery”

Little Rock Woman Sentenced to 41 Months in Prison For COVID Relief. (2021, March 12). US DOJ. <https://www.justice.gov/usao-edar/pr/little-rock-woman-sentenced-41-months-prison-covid-relief-fraud>

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When A Gatekeeper Is Not Used

FOR IMMEDIATE RELEASE

Tuesday, August 4, 2020



Houston entrepreneur charged with spending COVID relief funds on improper expenses including Lamborghini and strip club

- ~\$1.6 million in loans for 2 companies
- Information doesn't match what's in state registry
- CEO of one company is dead
- CFO "Mike Smith" did not exist




 No records of hiring
 Claimed 50 employees
 Falsified tax forms
 Used father's SSN

Houston entrepreneur charged with spending COVID relief funds on. (2020, August 4). US DOJ. <https://www.justice.gov/usao-sdtx/pr/houston-entrepreneur-charged-spending-covid-relief-funds-improper-expenses-including>

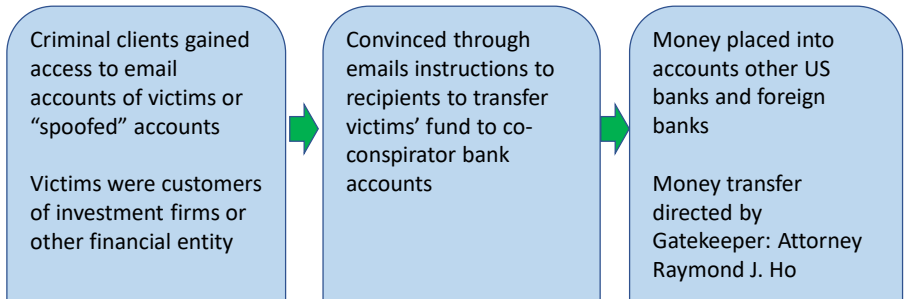
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Gatekeepers in Fraud Schemes: Raymond Jawain Ho

- Gatekeeper Role: move money stolen from individuals and corporate entities (including investment firms)
- Accessed accounts, impersonated individuals, money transfers controlled by Gatekeeper using his networks
- \$2.1M laundered



Raymond Jawain Ho:
Case 1:17-cr-00215-LMB

SENTENCING MEMO:

"Money Laundering, at its core, is the criminal's way of ensuring that crime pays"
-(sentencing memo)

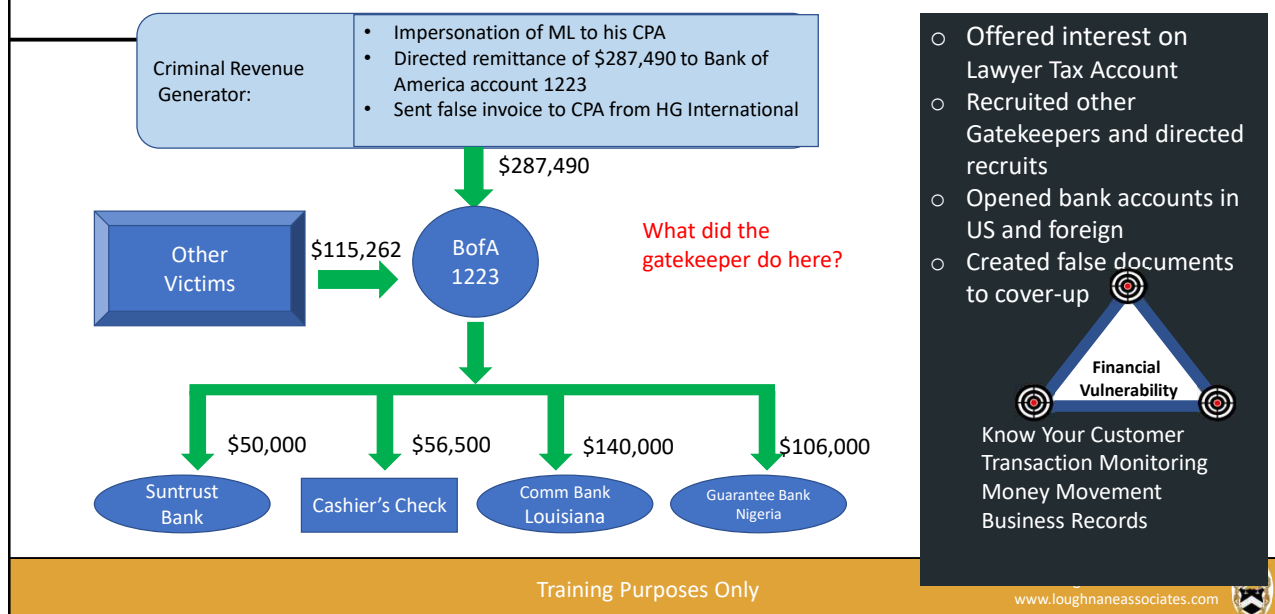
...the Defendants believed that his position as an attorney and his legal skillset insulated him from criminal liability"

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Gatekeeper Network: Victim "ML"



International Tier: Tim Leissner, Southeast Asia Chairman Goldman Sachs (1MDB)

- Started at Goldman-Sachs 1998; subsidiary Goldman-Sachs Asia, LLC
 - Chairman and Participating Managing Director
 - Responsible for the 1MDB business relationship
- Worked with Jho Low in maintaining a network of 1MDB, the Malaysian government, and government in Abu Dhabi, providing bribes and kickbacks in return for supporting Goldman-Sachs Asia position
 - But kept hidden his relationship with Low from Goldman-Sachs
- Raised \$6.5 Billion to support 1MDB
- \$2.7 Billion was misappropriated and distributed in bribes and kickbacks to officials, families, and himself.
- And received substantial bonuses and status in the company

"Individual conduct lies at the heart of all bribery schemes... Here, Leissner abused his leadership role at Goldman Sachs by engaging in a massive bribery scheme targeting the highest levels of two foreign governments in order to bring in lucrative business to the firm and enrich himself."

- Charles Cain, Chief of the SEC Enforcement Division's FCPA Unit

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Leissner pled guilty November 2019

Willingly circumvented internal FCPA processes

- Misled Compliance Group and Intelligence Group
- Did not disclose the relationship with Jho Low
- Count 1: Indicted for Conspiracy to violate the Foreign Corrupt Practices Act
- Count 2: Conspiracy to commit money laundering
- Similar pattern, each scheme:
 - Divert money to shells and a holding company
 - Pay Bribes and Kickbacks for approvals
- Goldman-Sachs paid \$2.9 Billion to US, \$3.9 Billion to Malaysia
- Leissner forfeits \$43.7 million

*"I knew that the use of shell companies in this fund – those fund transfers was designed, at least in part, to conceal and disguise the nature, location, source, ownership and control of the diverted and stolen funds."
(allocution, November 9)*



Photo: New York Times

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Key Takeaways: Money Laundering Professionals

- ✓ Gatekeepers operate at all levels, locally, internationally, politically - simple to complex
- ✓ Their skills are in manipulating the Financial, Communication, and Business Process systems and minimizing red flag alerts
- ✓ They can hold the keys to the kingdom (and other kingdoms)
- ✓ Support and inform the regulated entities. They are the best source to detect activity. *They are proactive, you are reactive.*
- ✓ Roll, Roll, Roll...

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Questions?



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Reference Material



Points of Analysis: “Red Flag” - No Common Sense

- ✓ **It just does not make economic sense!**
 - The use by Business is not consistent with the purpose for which it was established
- ✓ **Actions are not consistent with known business or profession**
 - Doctor?
 - Accountant?
 - Real Estate?
- ✓ **Inconsistent with the account’s normal activity**
 - ✓ Due Diligence, KYC
 - ✓ Structuring
 - ✓ Source
- ✓ **Multiple cash deposits and withdrawals with suspicious references**
- ✓ **Possession of multiple, foreign bank accounts**

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Potential Exposures

Business Sources

Corporation Records
Taxes and Accounting Records
Bank Accounts Onboarding
Continuous Monitoring Data
Beneficial Ownership

Value Movement

Bank Information
FedWIRE
Automated Clearing House
SWIFT Messaging
Use of Alternate Remittance
Use of Middlemen

Forensic Accounting

Business Operation Records
Tax Preparer Workpapers
CPA Audit Workpapers
Insurance Due Diligence
Real Estate Purchases in Cash
(Large cash purchases, generally)
Loan Due Diligence
Mutual Agreements
Treaties

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Identifiable Activities

- Unusual transaction purposes in SWIFT messaging
- Accounts are “stagnant” where it appears to be only holding amounts
- Transfers from multiple, unusual sources (as in “mules”)
- Unusual history of opening/closing accounts around the world
- Masking/avoiding of disclosure of beneficiary owners on forms or during direct questions
- Unusual business relationships/geographic anomalies
- Unusual pressure/demands of the bank transactions/approve money transfers
- Unusual questions from other financial institutions
- Inquiries from authorities about customer
- Frequent alerts enough to trigger but considered low risk

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Identifiable Activities

- Inconsistent with the business of the customer
- Inconsistent with the business of the bank
- Why are they opening the account? Why with you?
- They are going to make efforts to blend in and operate under the radar
- Money moving/from to high-risk areas not consistent
 - Funnel account activity (fast in, fast out)
- Quick opening/closing bank and business accounts with no apparent reasons.
- Transfers between accounts that make no sense
- Evasive/incomplete responses to bank inquiries
 - Difficulties in creating/maintaining risk profile
 - Delay, refusal to provide records
- Not using bank offered services that are normally accepted by like businesses

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