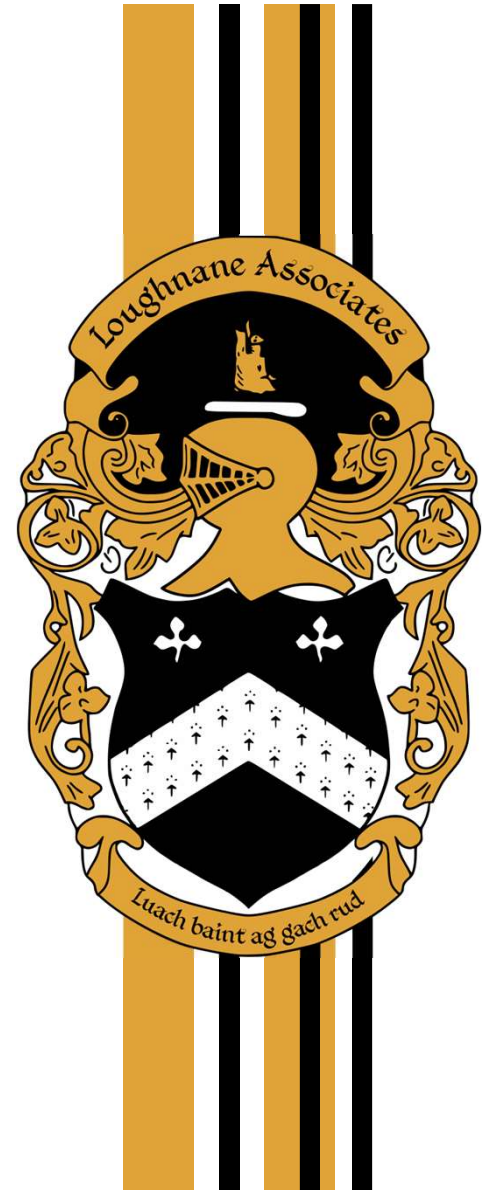


# Money Laundering

**Loughnane Associates LLC**  
*Value Touches Everything*



**Huxley Orion**



# DEFINITION

- Money laundering is the processing of criminal proceeds to disguise their illegal origin.



# DEFINITION – TRADITIONAL THEORY

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Three phases...

PLACEMENT

LAYERING

INTEGRATION



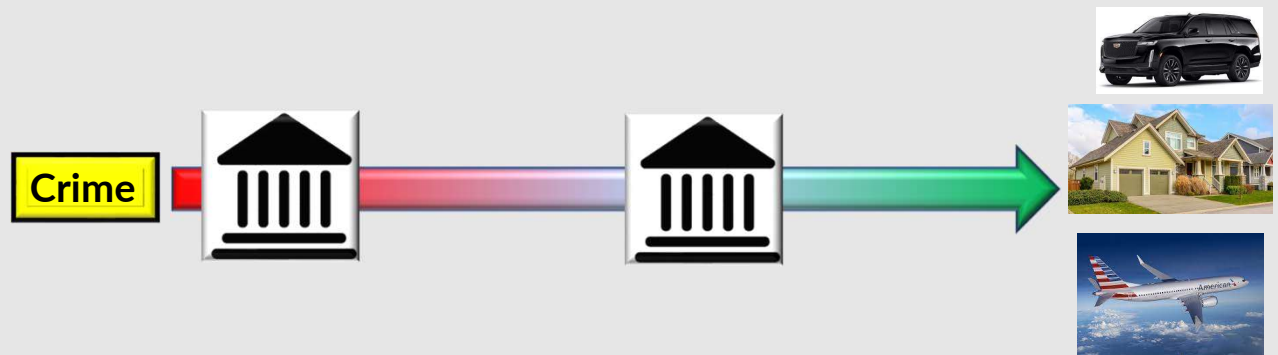
# DEFINITION – TRADITIONAL THEORY

Three phases...

PLACEMENT

LAYERING

INTEGRATION



# IMPLIED INVESTIGATIVE QUESTIONS

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## PLACEMENT

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

## LAYERING

How and where are the proceeds moved to?

## INTEGRATION

How are proceeds spent?



# DEFINITION – DOD COUNTER THREAT FINANCE

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Four phases...

**GENERATED**

How do threat networks generate their wealth?

**STORED**

How do threat networks store value or wealth?

**MOVED**

How do threat networks move their wealth?

**SPENT**

How do threat networks operationalize their wealth of fund?



# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

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ILLICIT MARKET

PLACEMENT

STORED

MOVED

SPENT



# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

## ILLICIT MARKET

What are the illicit sources of proceeds?

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





# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

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ILLICIT MARKET

What are the illicit sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?



# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

---

ILLICIT MARKET

What are the illicit sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?

## PLACEMENT DETECTION & ANALYSIS THOUGHTS

During placement... illicit actor are **HIGHLY VULNERABLE** to be detected.

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



# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

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ILLICIT MARKET

What are the illicit 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 mechanism/typology to place the proceeds
- You need to understand player, geography, the type of financial institution, type of services, etc. used to place the money...



# DEFINITION – INVESTIGATION & DETAILED ANALYSIS

---

ILLICIT MARKET

What are the illicit sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?

STORED

In what form and where are the proceeds stored?



## DEFINITION – INVESTIGATION & DETAILED ANALYSIS

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ILLICIT MARKET

What are the illicit sources of proceeds?

PLACEMENT

What placement mechanisms are used and where is it done?

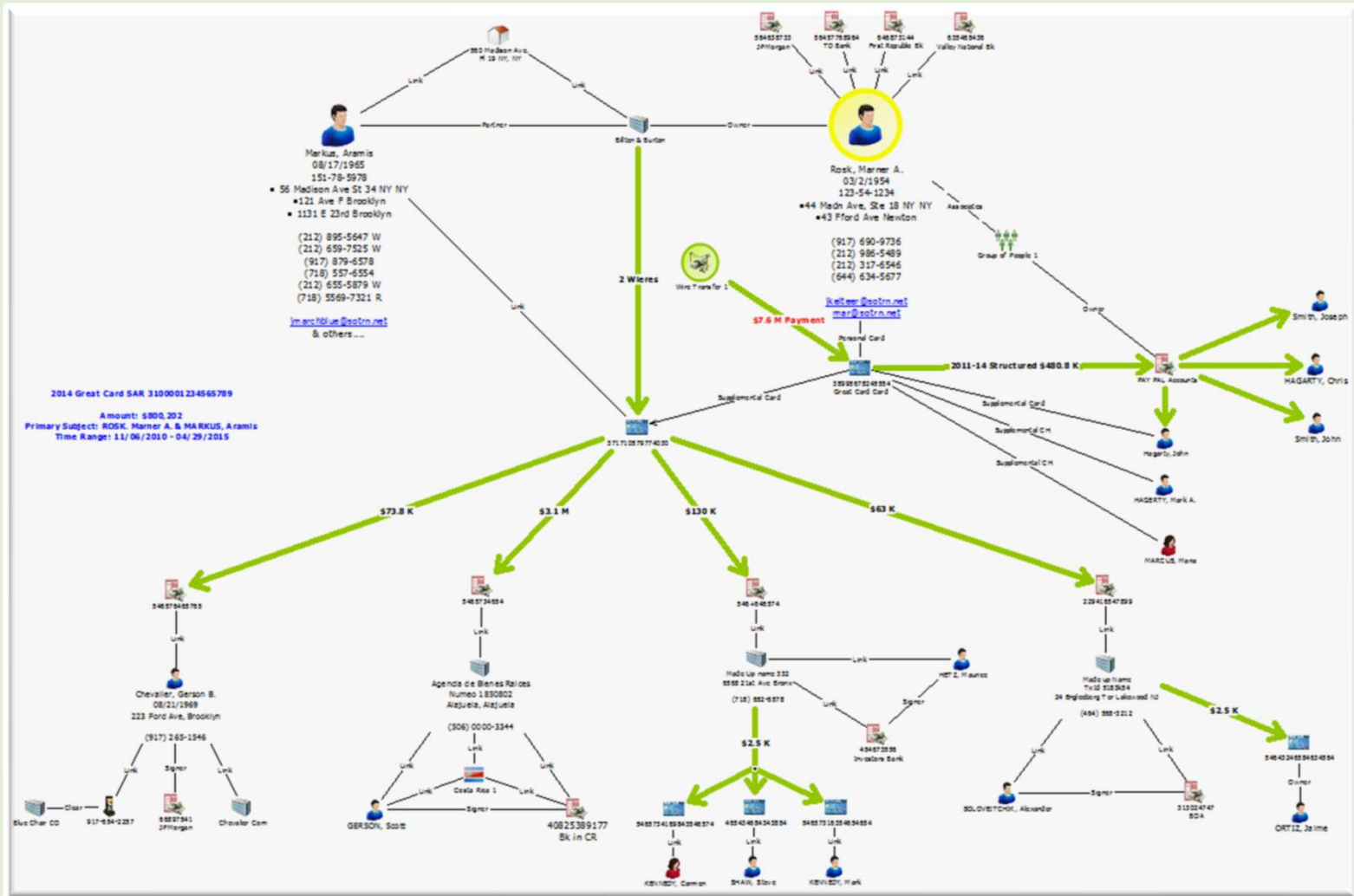
STORED

In what form and where are the proceeds stored?

MOVED

How and where are the proceeds moved to?





## DEFINITION – INVESTIGATION & DETAILED ANALYSIS

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ILLICIT MARKET

What are the illicit 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 threat networks operationalize their wealth of fund?**



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# FEDERAL AML STATUTES





# THE 1986 ANTI MONEY LAUNDERING ACT (AMLC)

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Prior to 1986, laundering money was not a crime.

- The act of concealing or helping to conceal illegal proceeds were prosecuted as conspiracy.
- Money laundering was not punished per se...



# THE 1986 ANTI MONEY LAUNDERING ACT (AMLC)

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During the 70s and early 80s it became clear to enforcement and legislators that transnational criminal organizations (TCO) (especially drug cartels) were becoming very powerful and pervasive.



## EARLY 1980s PRE-AMLC COALESCING FACTORS

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- Concerned legislators and law enforcement were worried about by then, that money laundering was an essential process for criminal organizations
- Public opinion was forming about the abuse criminals made of financial institutions (Scarface)
- Concern arose about the corruptive influence of dirty money flowing freely would have within the financial and political systems
- Legitimate businesses had a difficult time competing with dirty cash supplied companies
- 1970 BSA was circumvented by criminals



## **EARLY 1980s PRE-AMLC COALESCING FACTORS**

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The coalescing factors prompted legislation that provided the law that became the primary federal anti money laundering statute.

→ Money Laundering Control Act of 1986 (AMLC Act)  
(Public Law 99-570)

This law defined, described, and prohibited money laundering.



## **EARLY 1980s PRE-AMLC COALESCING FACTORS**

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**The 1986 AMLC Act was codified in Title 18 U.S.C. and contained in Sections 1956 & 1957**

- **Money laundering is clearly defined and typified as a violation in its own**
- **It has been amended to keep up to date with emerging threats and trends**



# **ASSET FORFEITURE – LAW ENFORCEMENTS NEUTRON BOMB**

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**Asset forfeitures becomes a powerful tool as part of the National crime control strategy.**

**Asset identification becomes an important task for the investigator.**

**Useful deterrence and enforcement tool for  
CRIMINAL & CIVIL PRECEEDINGS**



# TWO ELEMENTS OF MONEY LAUNDERING

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For any act to become a money laundering violation, two elements must be in evidence by investigators:

- **Illegal/deceitful financial transaction**
- **Specified unlawful activity (SUA)**



# FORMULATING CHARGES

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For the investigator to charge for ML, the four following key intents must be evidenced

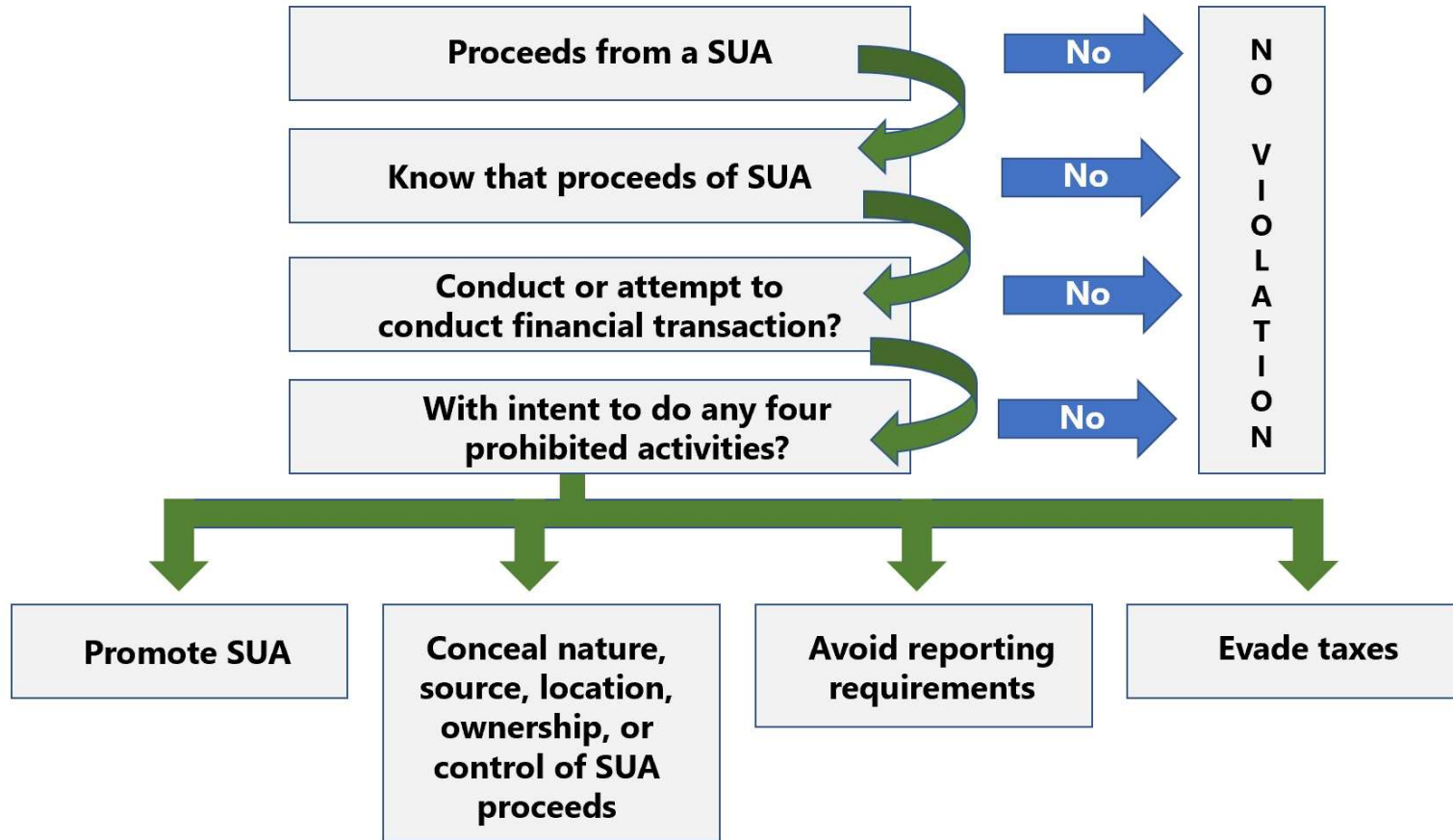
- 1. A financial transaction was conducted or attempted**
- 2. The defendant knows that the proceeds were generated by criminal activity**
- 3. The proceed were generated by a SUA**
- 4. The defendant acted with the intent of any prohibited activity listed in § 1956**





1956 (a) (1)

**Financial transaction**



# PROCEEDS

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Most crime is done for profit...

Motive: FINANCIAL GAIN

Profit as:

- Money
- Property
- Values
- Services



**Proceeds**



# THE INVESTIGATIVE LOGICAL PROGRESSION

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1. Identify the SUA
2. Identify the point-of-placement
3. Identify the transaction
  - Who, when and how

# THE INVESTIGATIVE LOGICAL PROGRESSION



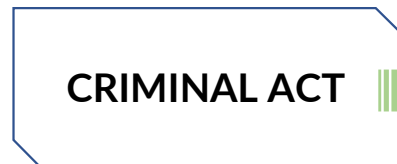
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# MONEY LAUNDERING INVESTIGATIONS



# PREDICATE OFFENSE & MONEY LAUNDERING

Predicate Offense  
SUA



PROCEEDS

Secondary  
Criminal Act  
-Money Laundering-



What are the SUAs?

What type of  
transaction was used  
to place proceeds?



# INVESTIGATIVE TECHNIQUES

What are the SUAs?

## Six basic investigative techniques:

- Informants
- Undercover operations
- Forensics (CSI)
- Surveillance
- Interrogation/interviews
- Wiretapping (Title III)
- Open-source
- Cyber research

What type of transaction was used to place proceeds?

## Criminal finance investigative techniques:

- Money laundering
- Unknow source of income
- Book's review
- FinCEN data intelligence
- Open-source research
- Commercial data aggregator review



# CORRELATION ANALYSIS

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What are the SUAs?

What type of transaction was used to place proceeds?

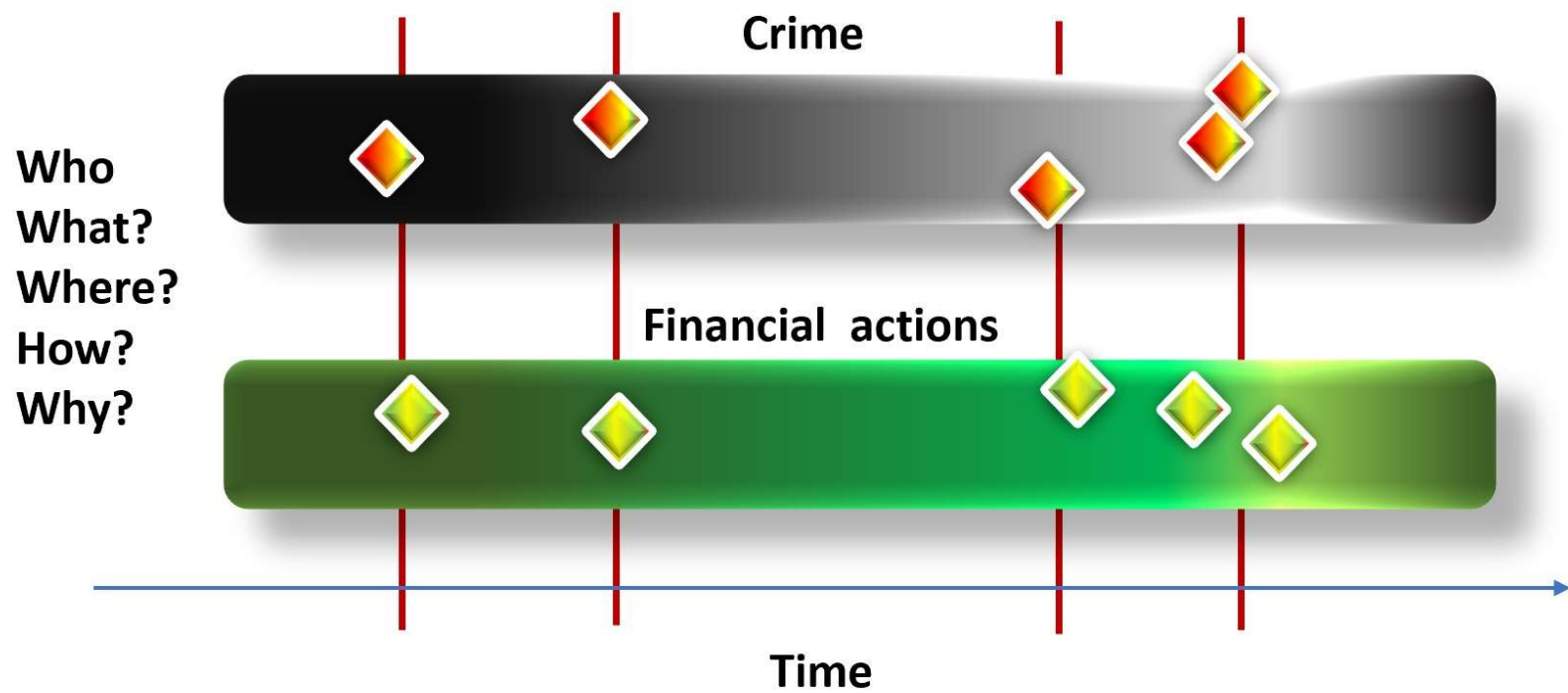
Six basic investigative techniques

CORRELATION

Criminal finance investigative techniques



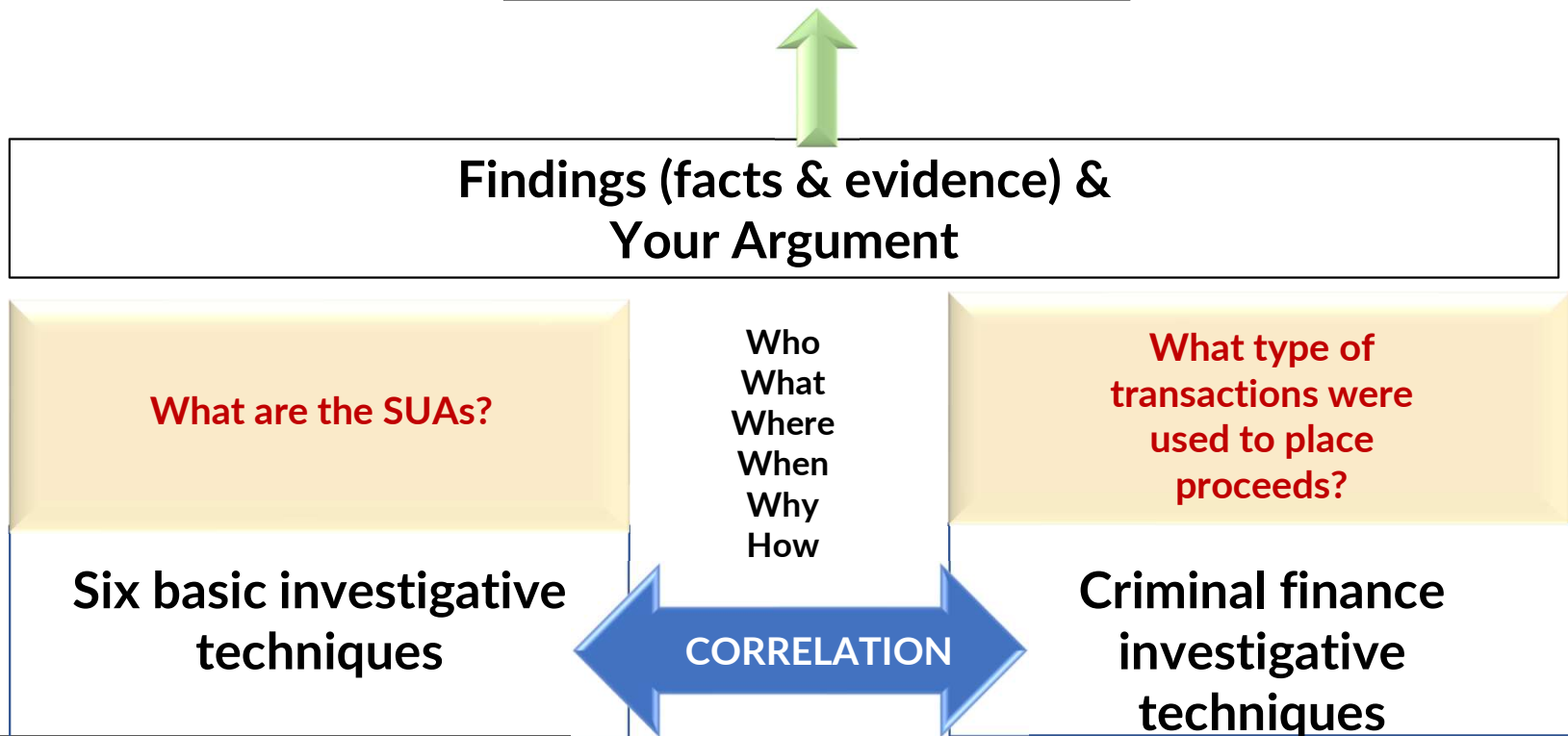
# PARALLEL INVESTIGATIONS





# DEVELOPING YOUR CASE

## THEORY OF THE CASE



## **NON SUA...**

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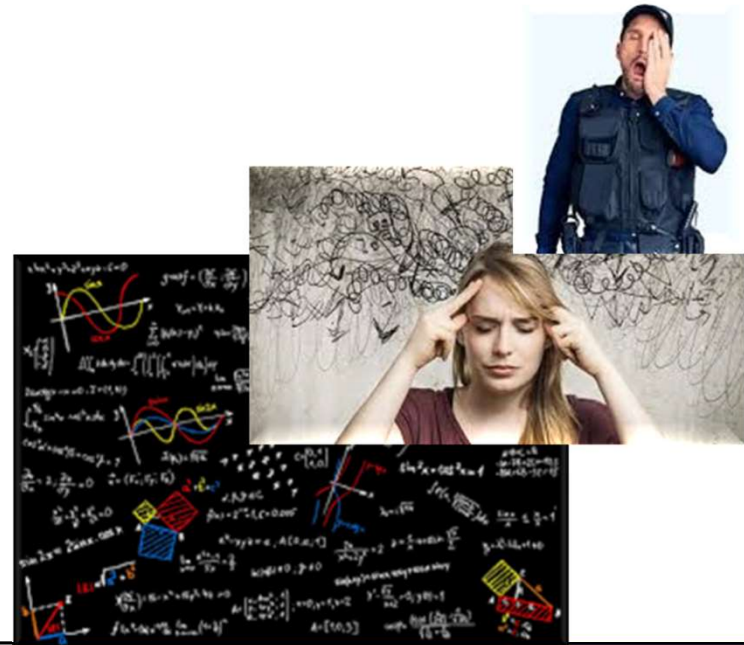
**So... what if the criminal act is not an SUA?**



# PROFESSIONAL EXPECTATION...

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- Not complicated
  - No need to be a financial expert
  - No need to be an accountant



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QUESTIONS OR  
COMMENTS...

