

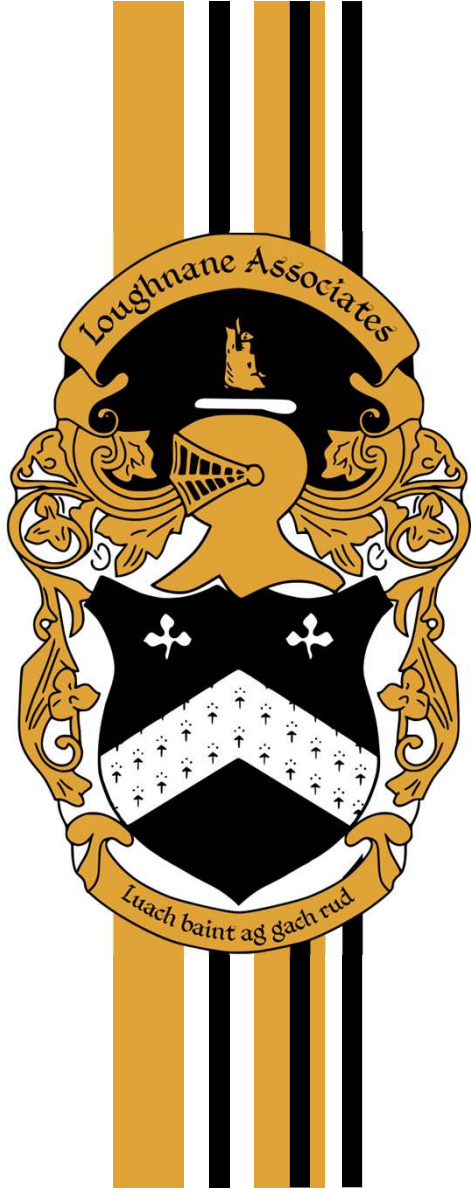
# Gatekeepers

---

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



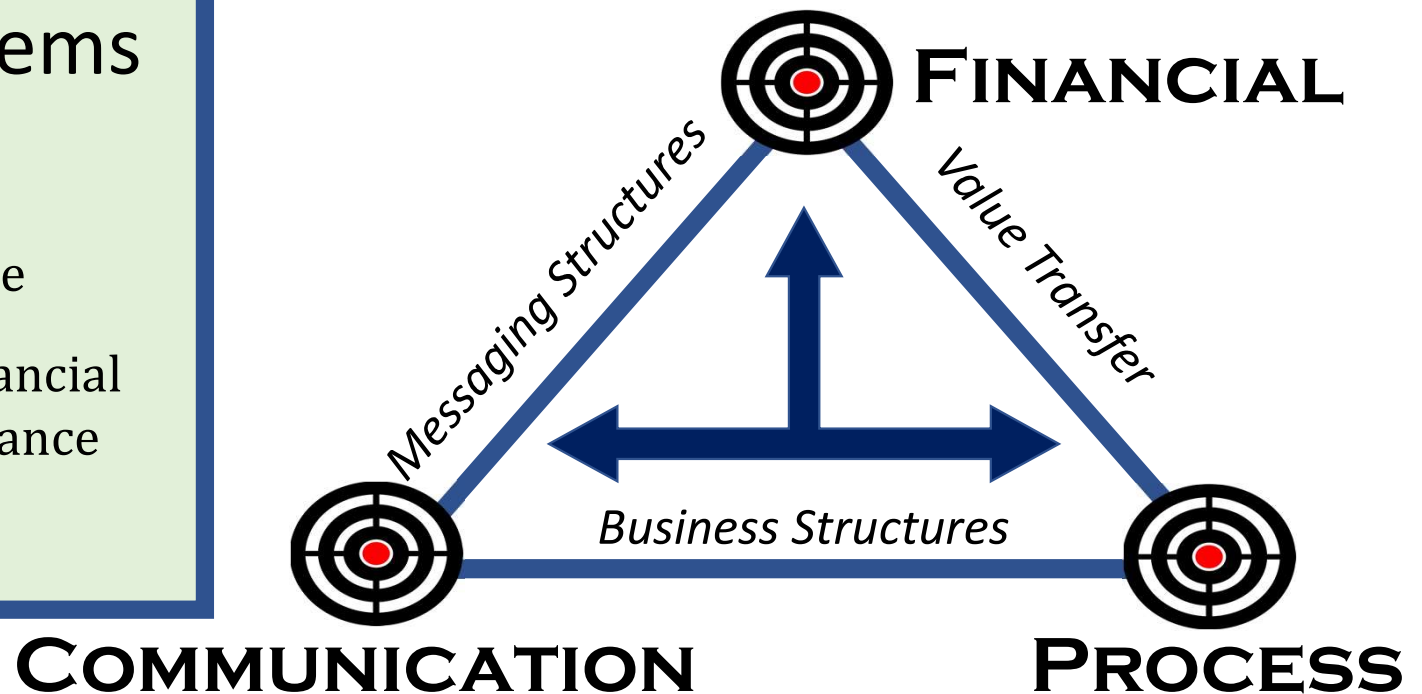
**Huxley Orion**

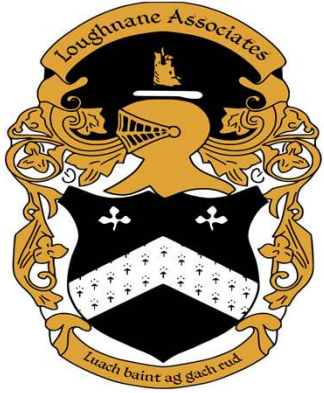


# We target Illicit System Vulnerabilities

## Financial Systems Are:

- ✓ Storage of Evidence
- ✓ Instruments of Financial Crime & Terror Finance
- ✓ Victim





# Session Agenda

- Introduction
- Professional Tiers
- Challenges
- Pandemic Creates Opportunities for MLPs
- MLP Failures and Case Studies
- Points of Analysis



# Introduction





# Types of Money Laundering Professionals

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

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

**Do not forget 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



# Vulnerabilities Are Fluid and Can Change Over Time, As Laws, Regulations, Policies Change

**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**

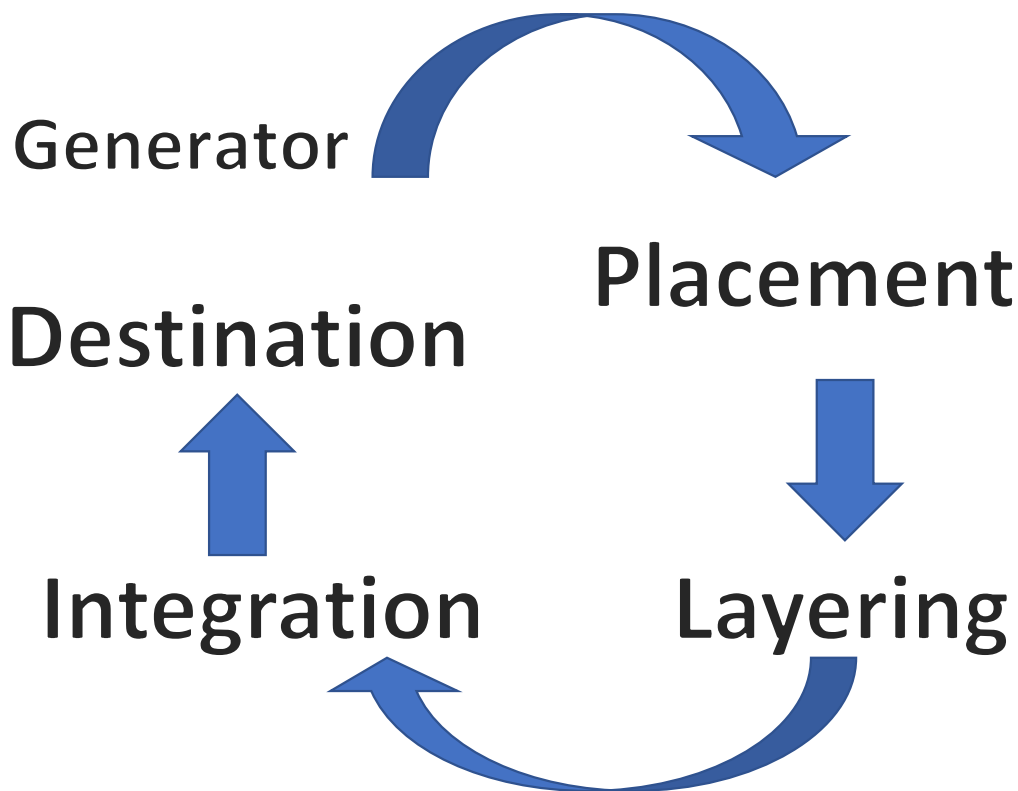
- ☠ More complex?
- ☠ Change revenue sources/process
- ☠ Increase costs
- ☠ Reassess risk and consider mitigation

**Maintain some business structure to support financial crime objectives**

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



# Criminal revenue generation requires money laundering



- Trade based money laundering
- Black market peso
- Mobile banking
- Virtual assets
- Financial and remittance systems
- Alternate remittance
- Otherwise legitimate value transfer systems
  - Cash oriented businesses
  - Value transfer business types
  - Real estate
  - Art/antiquities



# Complexity is the Key to Illicit Network Success (Transcrime)

Companies with high complexity

- 4.7 times more likely to have sanctions or enforcement issues
- Are 10.8 time more likely to have intermediaries with sanctions or enforcement issues
- Beneficial ownership secrecy - companies with very high secrecy are 3 times more likely to have sanctions or enforcement



# Professional Tiers



# Money Laundering Professional Tiers

## Local

- Finance
- Local elites
- Supplies



## Political

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

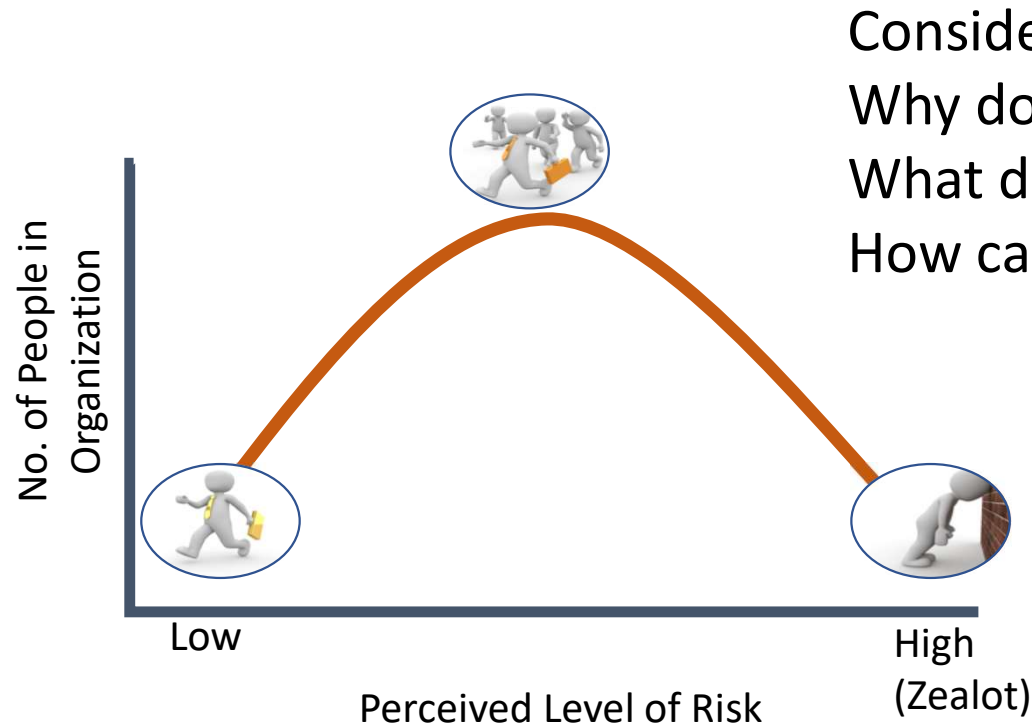


## International

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



# Consider the Motivation of the Facilitator:



Consider:  
Why do they do what they do?  
What do they know?  
How can we exploit?



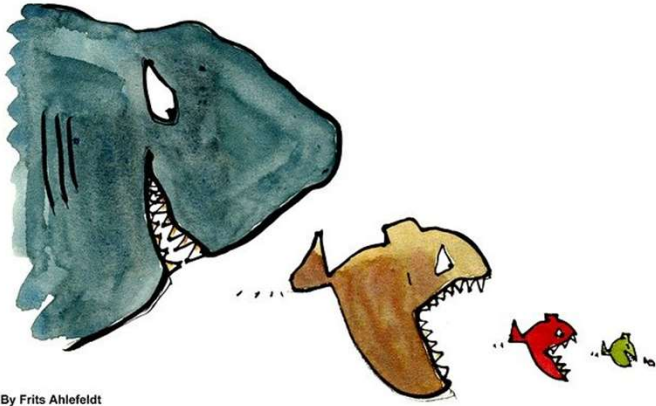
Jacob Shapiro (Associate Professor, Princeton University)





# Be Kind to Money Laundering Professionals

- Usually, looking 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



By Frits Ahlefeldt



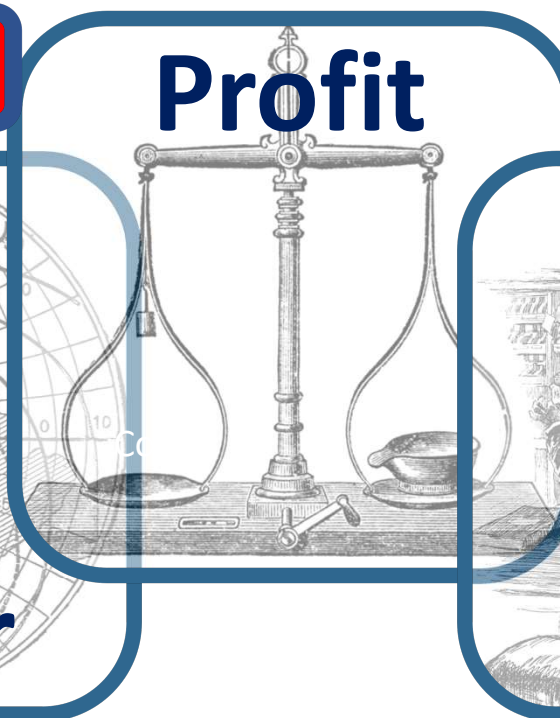


# The Roles of Money Laundering Professionals

*Experts for Hire*

**Profit**

*Financial Networks Are Always Present*



Organization Risk versus Reward  
or, What Will Keep Them Up at Night?



# Money Laundering Professional Challenges

FATF

KYC/CDD

Sanctions



Transparency

Data Mining

NGOs

Finance Laws

Intelligence

International  
Cooperation



Competition

Conflict

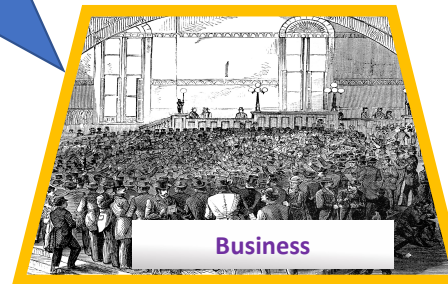
Corruption

Control

Tools & Skills

Egmont Group

Predicate Offenses



Regulations

Due Diligence

Forensic  
Accounting





# MLP Financial System Considerations

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



**MLP Concern: Activity is not Consistent with the Process**





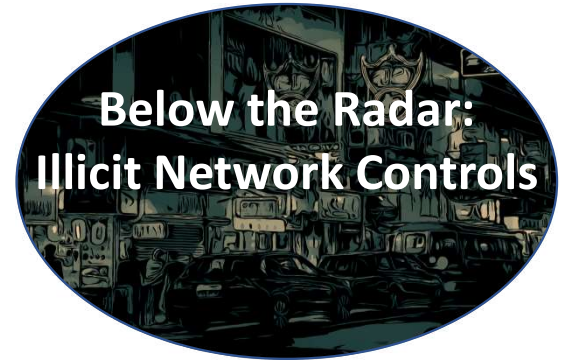
# MLP Considerations: Communication

*Exploit/Manipulate:*

Networking services  
Hosting services  
Communication  
Systems  
Apps  
Encrypted  
Business



## Above the Radar: Business/ Financial Transactions



**Below the Radar:  
Illicit Network Controls**

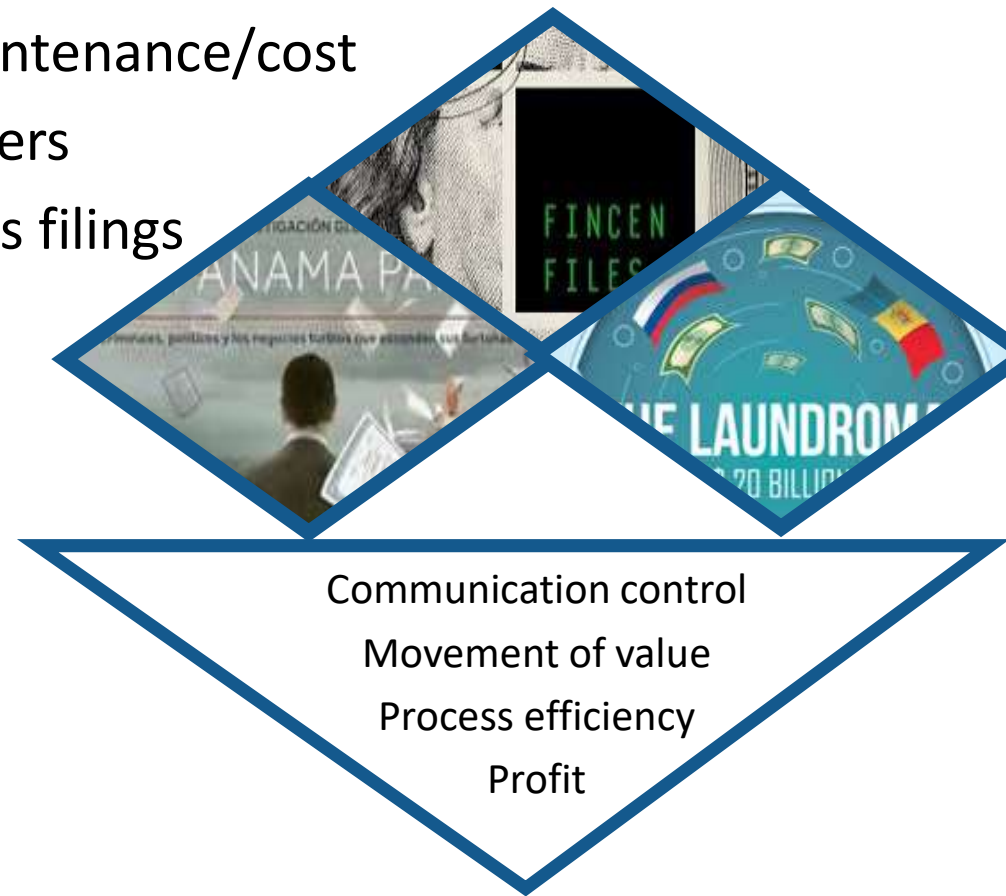






# MLP Process Consideration: Control

- Fronts, shells, shelves, nominees: use/maintenance/cost
- Employ other mlps/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

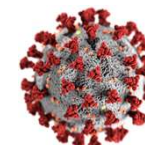


# Vulnerabilities in the Pandemic

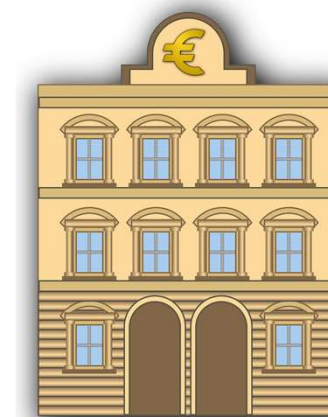


# Pandemic Weaken Normal Operations

## Helps Money Laundering Professionals

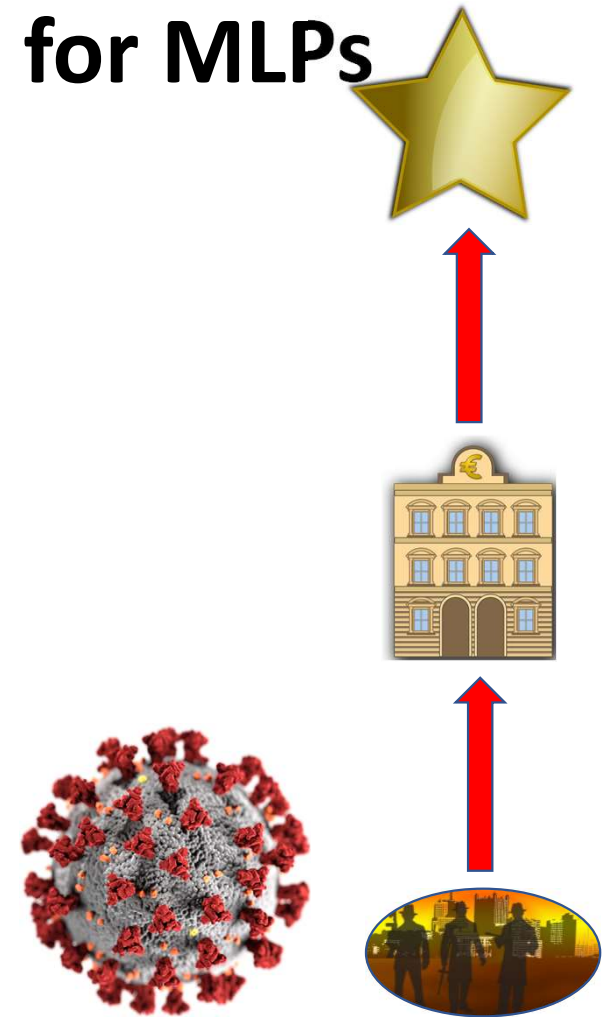


- **Document and Know Your Customer verifications hampered**
  - Expired documents because government is not open
  - Documents not updated as timely
  - Verification processes may be unavailable
- **Customer activity changed, affecting risk profiles**
  - Increase in cash withdrawals
  - Closing certificates of deposit
  - Stock selloffs
  - Loan program fraud (speed vs. service)
  - Change in transaction monitoring system schemes
  - Increase in unusual purchases
    - boats, motorcycles
- **Government examination of institutions have been largely limited or suspended**
  - More tolerance by examiners
  - Creates opportunities to hide internal vulnerabilities



# Pandemic Created Opportunities for MLPs

- **Criminal opportunism emerges as the crisis unfolds**
  - EUROPOL: Criminals have quickly exploited established legal business structures to orchestrate supply and fraud schemes, the distribution of counterfeit goods, and money laundering.
- **As the attention of police forces and policy-makers is diverted elsewhere, some criminal groups have quickly used this opportunity to scale up their activities**
- **Supply Chain: Law Enforcement Impaired**
  - Reactive vs. Proactive
  - “Eyes and Ears” are impaired
  - Reliance on trustworthy data available in order to audit, compliance and investigate impacted





# Money Laundering Case Studies





# Money Laundering Professional Failures

What were  
they  
thinking?



# When a MLP 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”



# When a MLP is not used

FOR IMMEDIATE RELEASE

Tuesday, August 4, 2020

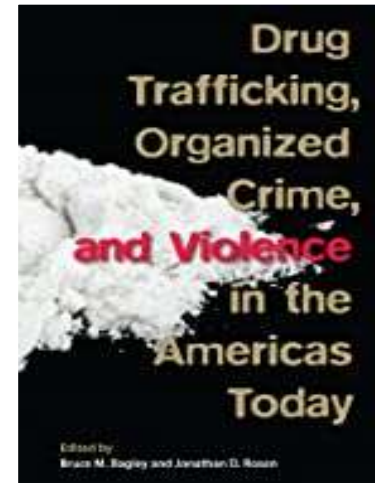
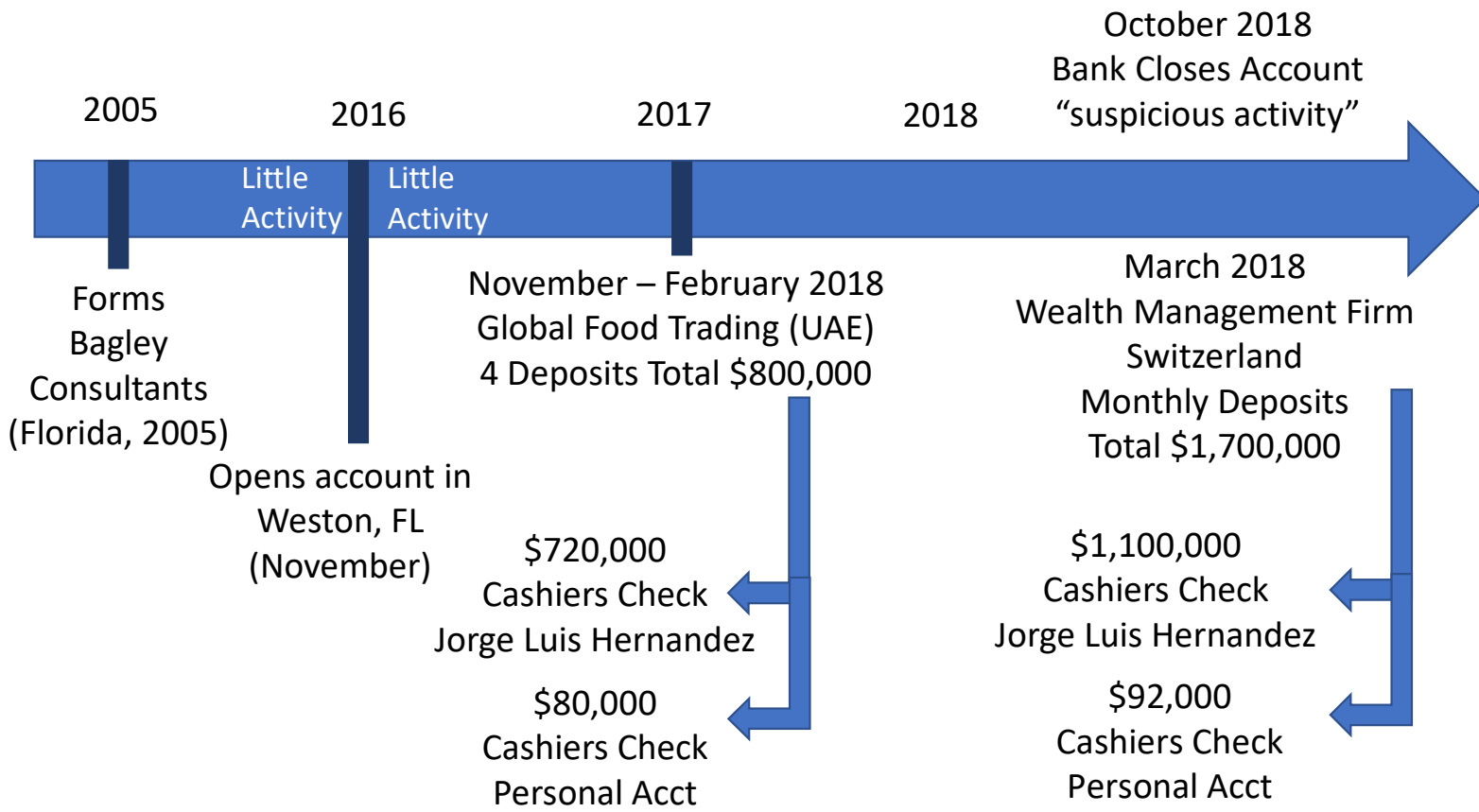
## Houston entrepreneur charged with spending COVID relief funds on improper expenses including Lamborghini and strip club

- ~\$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



# Local Tier MLP: Bruce Bagley, Ph.D.



# Small Fish to Catch the Big One

- Bagley opens new accounts, receives more money (KYC concerns)
  - Same scheme
- Bagley created “sham” contracts to cover (CDD concerns)
- Jorge Luis Hernandez was an undercover informant

## The Big One: Alex Saab – a Political Tier MLP

- Food Company and Wealth Management Firm controlled by Saab
- Saab an international/political tier MLP for President of Venezuela
- Low-income house construction in Venezuela, provide food for needy, Venezuelan energy business (Switzerland)
- Narcotics trafficking – connection to Hernandez (informant)
- Bagley was the conduit for some of the money to come to the US



InSight Crime:

“The arrest of Alex Saab not only takes away a Maduro ally but also is a blow to the government’s ability to prop itself up through illicit proceeds.”





# MLP Use in Fraud Scheme: Unauthorized Access and Emails

- Goal: Move money from individuals and corporate entities (including investment firms)
- Accessed accounts, impersonated individuals, money transfers controlled by MLP using his networks
- \$2.1m laundered

Criminal Clients gained access to email accounts of victims or “spoofed” accounts

Victims were customers of investment firms or other financial entity



Convinced through emails instructions to recipients to transfer victims’ fund to co-conspirator bank accounts



Money placed into accounts other US banks and foreign banks

Money transfer directed by MLP: attorney Raymond J. Ho

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)

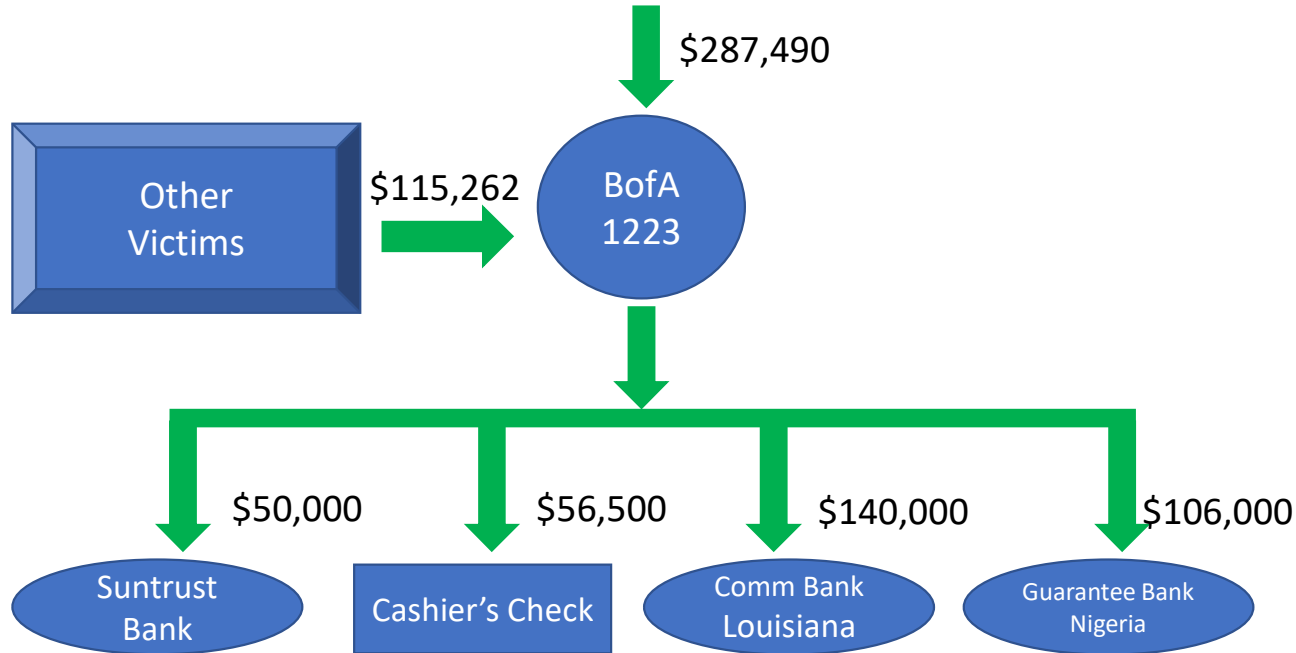
...the Defendants believed that his position as an attorney and his legal skillset insulated him from criminal liability”



# MLP Network: Victim "ML"

Criminal Revenue Generator:

- Impersonation of ML to his CPA
- Directed remittance of \$287,490 to Bank of America account 1223
- Sent false invoice to CPA from HG International



- Offered Interest On Lawyer Tax Account
- Recruited other MLPs and directed recruits
- Opened bank accounts in US and foreign
- Created false documents to cover-up



Know Your Customer  
Transaction Monitoring  
Money Movement  
Business Records



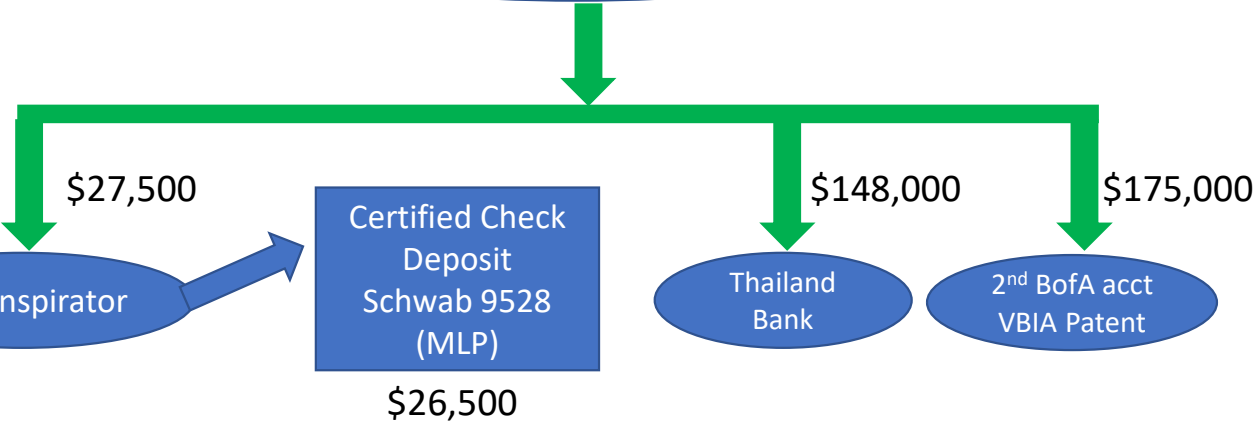


# MLP Network: Victim “JD”

Criminal Revenue Generator:	<ul style="list-style-type: none"> <li>• Impersonation of JD to investment firm</li> <li>• Directed transfer to Bank of America account</li> <li>• Disbursement controlled by MLP</li> </ul>
-----------------------------	--

\$185,000

Bank of America  
VRBIA Patent Group, PPLC  
(opened by co-conspirator)



### Communications Vulnerability

- Email to co-conspirator listed account numbers and routing information
- "Defendant noted in his email that the co-conspirator already had his 'other affiliated bank accounts that are still current at Wells Fargo, RBC and etc...' and that he 'plan[ned] to open three more accounts due to closures at Bank of America, Citibank, and Wells Fargo'"

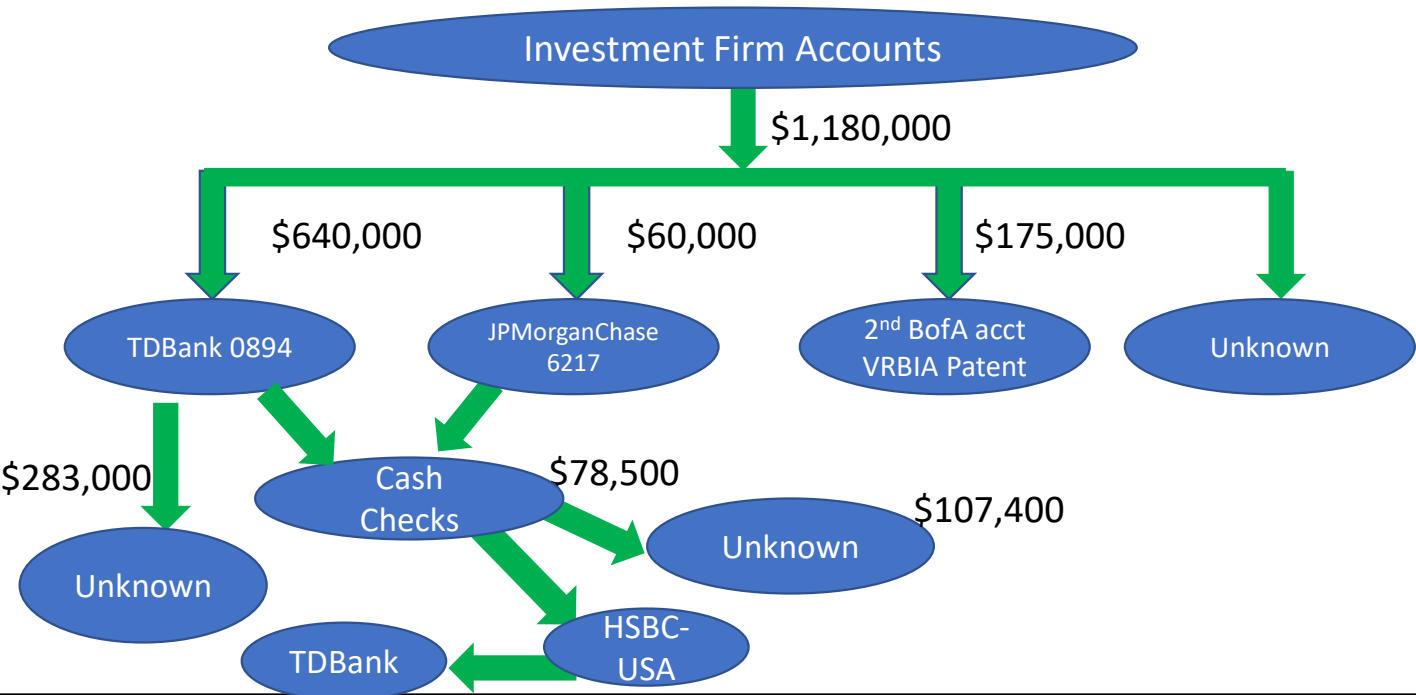


# MLP Network: Victim "MG"

**Criminal Generator:**

- Impersonating MG to MG's personal assistant
- Directed personal assistant to make transfers from investment firm
- Seven wire transfers totaling \$1,180,000

- Offered up IOLTA to co-conspirators
- Recruited other individuals
- Directed recruits
- Opened bank accounts
- Created false documents to cover-up



Public Safety  
 He was a partner at a major D.C. firm at 33. Now he's going to prison for 7 years. I

By Rachel Weiner  
 Feb. 2, 2018 at 12:11 p.m. EST

- Reduced to 5 years at Sentencing
- COVID Compassionate release to home detention June 2020

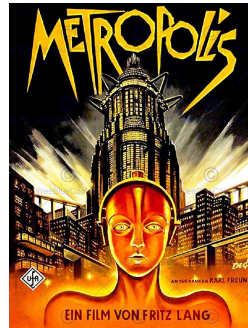
# International Tier MLP: Jho Low



Government of Malaysia  
Wholly Owns



\$4.5B Fraud



(D)rive strategic initiatives for long-term economic development for Malaysia by forging global partnerships and promoting for foreign direct investment



# Shell as a Tool: Good Star

Diligence

False Information provided To  
Coutts Bank by 1MDB Official:  
Beneficial Owners of Good Star  
are PetroSaudi and Joint Venture

Actual Beneficial Ownership and  
Control by JHO LOW



**1MDB**  
Malaysia Development Berhad

**PetroSaudi**

Joint Venture  
1MDB \$1B  
Petro Saudi \$2.7 B



\$700m US + \$330m

RBS Coutts Bank



Good Star Limited  
Account

Good Star  
Formed in  
Seychelles  
May 2009

Shell 1

Smart Power

Shell 2

Director  
Jho Low

Officer

“Exploit certain energy concession rights in  
Turkmenistan and Argentina that PetroSaudi  
purported to own”  
September 2009



# Work within a Shell – Good Star

## The Work of MLPs



Good Star Limited  
Account

### Bank Forms

“Application for Opening an Account/Custody Account by Legal Entities”  
Signed by Low

“Establishment of Beneficial Owner’s Identity”  
Low identified as sole beneficial owner  
Signed by Low

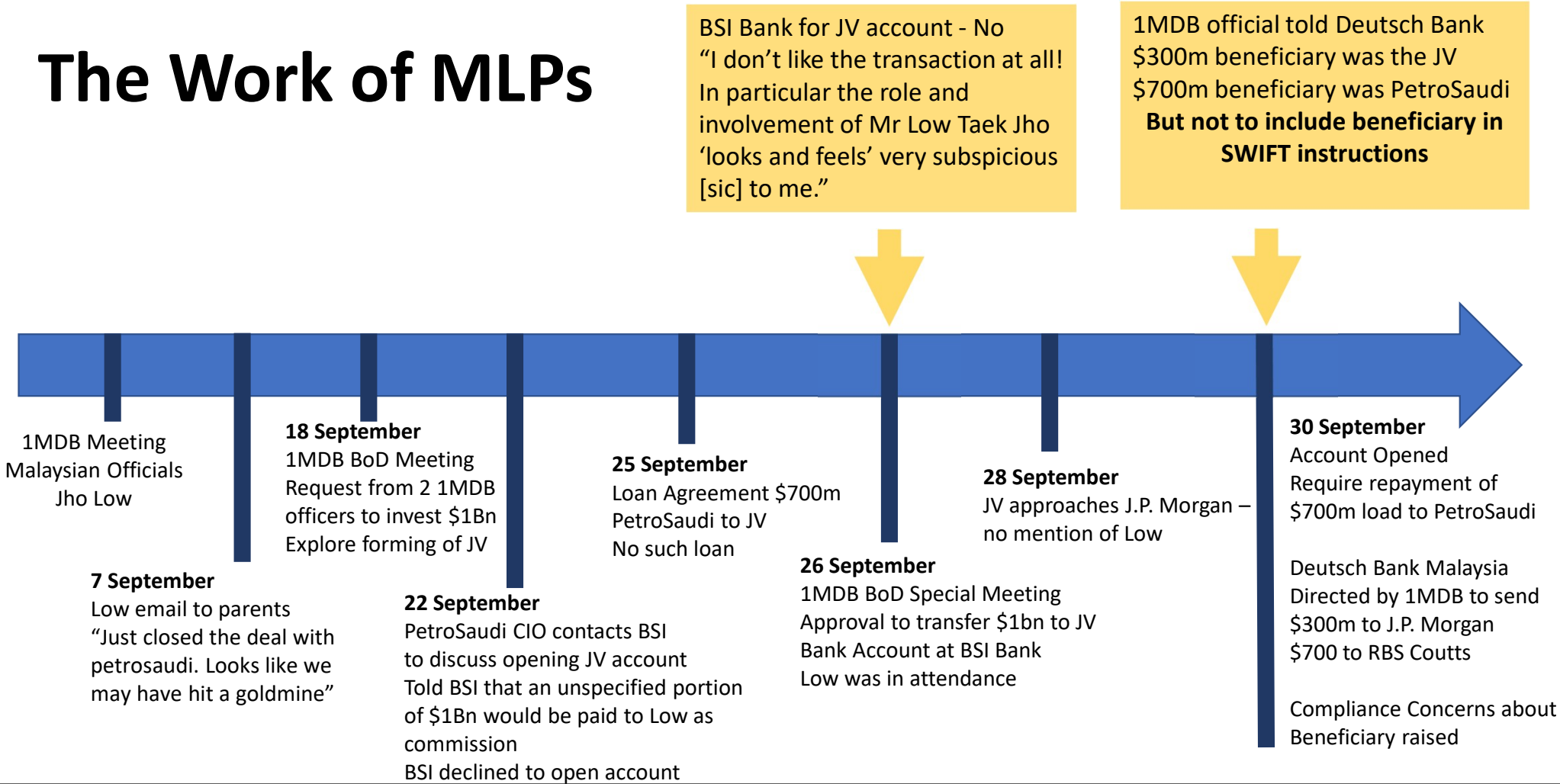
“Resolutions” form  
Low identified as sole signatory  
Signed by Low

Low’s Passport provided

Company Books and Records were to be in the possession of SINGAPORE  
BANKER, an employee of RBS Singapore



# The Work of MLPs



1MDB Executive Director Casey Tang Keng Chee: But----  
 Deutsch Bank Supervisor: --[it's my] compliance uh person  
 Chee: [You tell your] compliance.  
 Deutsch Bank Supervisor: Yeah.  
 Chee: If they don't sent it [ah]  
 Deutsch Bank Supervisor: Yeah.  
 Chee: \_\_\_ will [blame] them [\_\_\_], the deal goes off, you know.

**30 September**

Telephone call  
 Deutsch Bank Supervisor  
 Bank Negara Official  
 "so long as it does not  
 deviate from the original  
 intention and that is not for  
 Bank Negara to say..."

**30 September**

Deutsch Bank sends  
 payment order the RBS  
 Coutts for \$700m

Does not identify owner of  
 Good Star account

**30 September**

Deutsch Bank sends  
 payment order for  
 \$300m to JP Morgan  
 JV account

**2 October**

RBS demands from Deutsch  
 Bank to know the full name  
 and beneficiary of the  
 funds  
 Puts a hold on the transfer

**2 October**

Deutsch Bank tells 1MDB  
 Officer about RBS demand

**2 October**

1MDB Officer says to tell  
 RBS beneficiary is Good  
 Star. "Good Star is 100%  
 owned by PetroSaudi"

**2 October**

RBS meets with Low  
 Low presents a "Investment  
 Management Agreement"  
 between 1MDB and Good Star  
 1MDB was a "founding investor"

The funds were for investment in  
 real estate and private equity

Funds are released to Gold Star

**2 January**

Low changed justification to  
 "finance its strategic  
 objectives and future growth  
 through acquisition, in  
 particular, in the real  
 estate/hospitality area, the  
 energy sector and financial  
 services





## Payoff To Malaysia Prime Minister Through An Intermediary

- \$700 million diverted to Good Star
- Additional \$330 million in 2011
- Between February and June 2011 \$24,500,000 was transferred from Good Star to an account at Riyad Bank to two Saudi nationals associated with Low
- \$20,000,000 was then transferred within days to an account belonging the Najib Razak

## Low Moved \$368 Million To The United States

- ▶ October 21, 2009 – October 13, 2010
- ▶ To an Interest On Lawyer's Trust Account
- ▶ Bank records show (Excerpt):

Date	Amount	Notations on Wire Transfers
10/21/2009	\$148,000,000	N/A
1/20/2010	\$117,000,000	A.PH52A1 CPARK W .NY (BID-USD 35M C.STAKE V.H (USD 15M) D. VICEROY ST(USD 10M) E.PEARL ENERGY (THAILAND) USD 19.5M)
...		
10/13/2010	\$7,999,985	ACQUISITION OF ASSETS/PROPERTY BID HELMSLEY HOTEL NYC USD300M TRANCHE 2
TOTAL	\$368,539,770	





## International Tier: Tim Leissner, Goldman Sachs

- 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, Malaysian government, government in Abu Dhabi, providing bribes and kickbacks in return for support Goldman-Sachs Asia position
  - But kept his relationship with Low from Goldman-Sachs
- Raise \$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 company

**Consider: Financial, Communication, Business**

"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



# 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
- Goldman-Sachs paid \$3.9 Billion to Malaysia

*"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)*

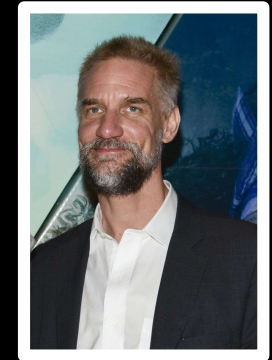


Photo: New York Times

**It's not that you did not know, it's that you should have known**



# Malaysia's AmInvestment Bank to pay \$700 million in 1MDB-linked settlement

Reporting by Rozanna Latiff and Joseph Sipalan; Editing by David Goodman, Barbara Lewis and Jonathan Oatis



- Former prime minister Najib Razak set up Najib was found guilty of corruption and money laundering over the transfer of millions of dollars linked to a 1MDB unit into his AmBank accounts between 2014 and 2015. He denies wrongdoing and has filed an appeal.
- Malaysia's securities regulator will require AmInvestment Bank Berhad to take corrective measures, including putting in place systems and processes to strengthen its due diligence framework, as part of the settlement.



# FaceMaskCenter.com

## Properties Seized

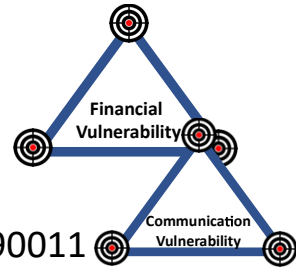
FaceMaskCenter.com

<https://www.facebook.com/pg/facemaskcentertr>

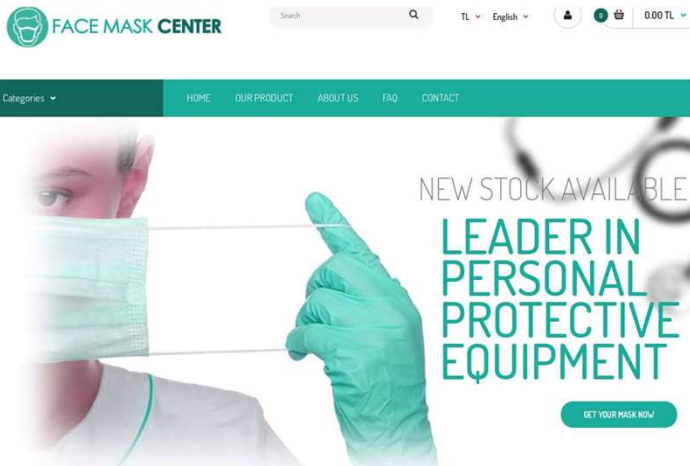
<https://www.facebook.com/toptantisort>

[www.facebook.com/pg/toptantaytr/988930137790011](https://www.facebook.com/pg/toptantaytr/988930137790011)

<https://www.facebook.com/people/Murat-Çakar/100008437367572>



Site falsely claims to sell multiple types of facemasks and PPE, including disposable hospital grade face masks, N95 respirator masks, washable facemasks, DuPont Tyvek coverall suits, and gloves



**False:** Owned and operated by sanitary experts

**False:** “We have come a long way since launching our website in 1996.”

**False:** Masks are produced by a Turkish company.



# “...Let me tell you about Murat Cakar”

November 26, 2018

Zoobia Shahnaz pled guilty to providing material support to ISIS



Sent more than \$150,000 to shell companies, including companies in Turkey that were fronts for ISIS, and attempted to travel to Syria to join ISIS.

Shanaz used more than a dozen fraudulently obtained credit cards to purchase approximately \$62,000 in Bitcoin, which she converted back to fiat currency to send to the shell companies

Financial records reveal that Zoobia Shahnaz sent approximately \$100,000 to an alias of Murat Cakar

Confidential source:  
Cakar is an ISIS facilitator who is responsible for managing select ISIS hacking operations, including activity involving FaceMaskCenter



August 5, 2020

Case 1:20-cv-02142-RC

**Placement:**

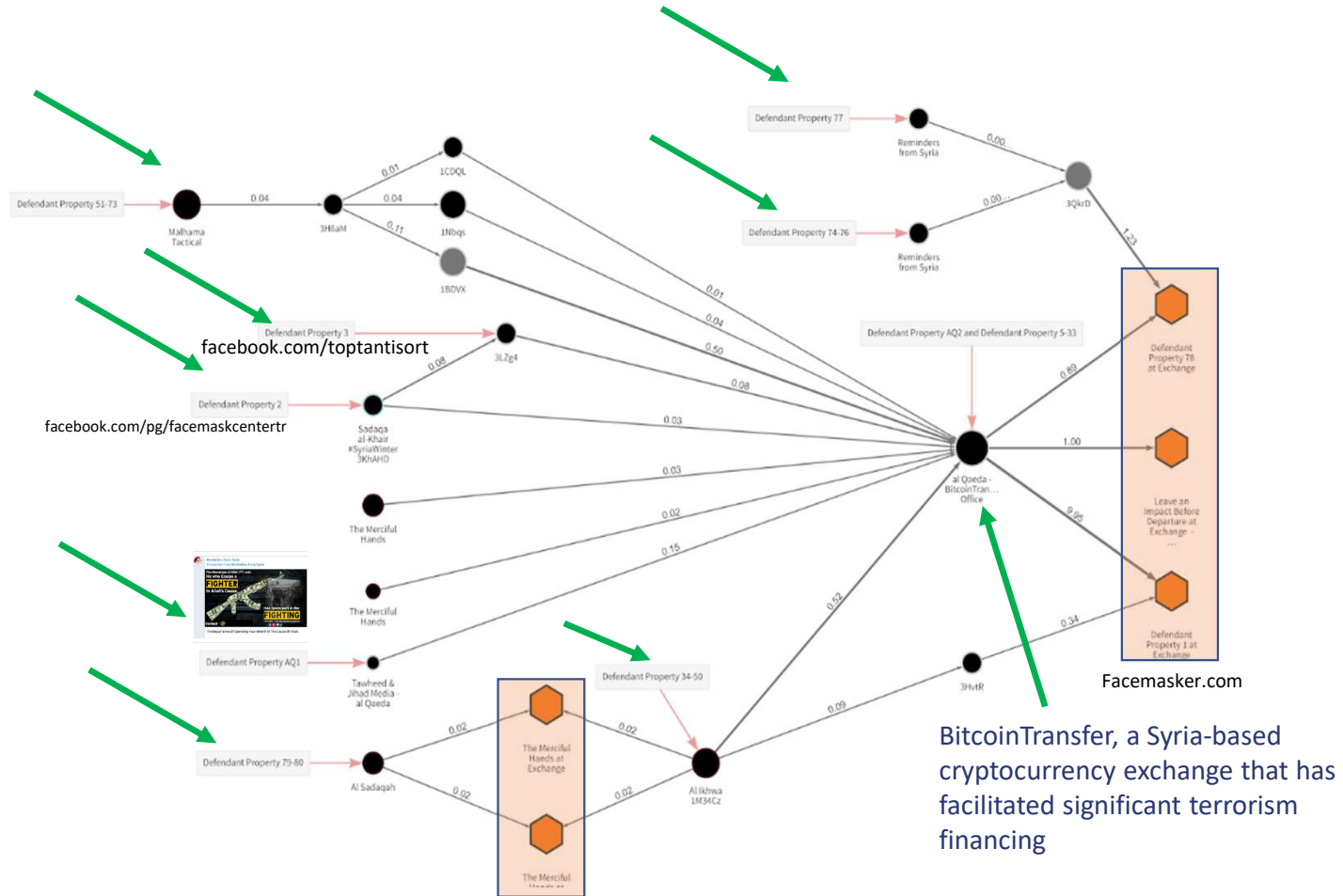
Money is generated from a number of sites

**Layering:**

Transferred to the Bitcoin Transfer Exchange in Syria.

**Layering/Integration:**

From there, the money is moved to accounts at larger, international exchanges



Source: Chainalysis blog: "Chainalysis in Action: Department of Justice Announces Takedown of Two Terrorism Financing Campaigns with Help from Blockchain Analysis" August 13, 2020



# Points of Analysis





# 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**



# 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



# 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



# 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



# Key Takeaways: Money Laundering Professionals

- ✓ MLPs 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....





# Money Laundering Professionals

*Questions?*

