

PROFESSIONAL MONEY LAUNDERING

SUMMARY OF FATF REPORT PUBLISHED ON JULY 26, 2018

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Professional Money Launderers (PMLs)

- Specialize in avoiding the safeguards laid down by governments to prevent the act of money laundering and terrorism financing.
- PMLs include the following:
 - Organised crime groups (OCGs)
 - Complicit actors, involving:
 - Lawyers
 - Accountants
 - Bankers
 - Brokers
 - Tax advisors
 - Dealers in precious metals
 - Cryptocurrency exchange dealers, etc.
- Complicit professionals are involved for their expertise about the subject and knowledge about the entire organizational system.

Categories of PMLs



Individual PML

They possess specialized skills and may be offering money laundering (ML) services while being part of a legitimate profession.



Professional Money Laundering Organisation (PMLO)

A group of two or more who come together to provide money laundering advice services. Each member is specialized in his subject. Money laundering may be one arm of this group's otherwise legitimate business.



Professional Money Laundering Network (PMLN)

It is a network of individual PML/ s and / or one or more PMLOs. This network is quite extensive, diversified, highly skilled and cater to multiple OCGs or criminal affiliates including terrorist organizations.

Features of PMLs:

- PML is not involved in the conduct of the offence that has generated the illegal proceeds.
- They act to provide money laundering service to their clients in exchange for a fee.
- They use their specialized knowledge and expertise to exploit legal loopholes and help criminals convert illegitimate funds into legitimate flows.
- The PML is concerned with the destination of the money and the process by which it is moved.
- PMLs usually do not possess any criminal background.

Specialised Services Provided by PMLs:

- Fake documentation
- Creating and registering shell companies
- Comingling legal and illegal proceeds
- Moving illicit cash
- Purchasing properties and assets on behalf of the client
- Recruiting and managing money mules, etc.

- Provide full leadership and control over ML activities including deciding fees and commissions.
- Bringing clients to the PMLs, establishing contact and relationship with PMLs in other jurisdictions, accessing the network of existing PMLOs, etc.
- Maintaining infrastructure or tools that enable to set up shell companies, open fake bank accounts and credit cards.
- Recruit money mule herder or cash hoarders and such appropriate staff.
- Generating and managing fraudulent documents like duplicate identification papers, fake company formation papers, bank statements, invoices, customs documents, resumes etc.
- Receiving and managing transport of good locally or internationally, getting everything cleared at customs in liaison with customs officials.
- Investing and purchasing assets like high end luxury goods and / or assets like real estate.
- Collecting illicit funds for laundering purpose. They co-mingle laundered funds with legitimate funds using cash intensive business.
- Assisting with fund movement, performing cash withdrawals and currency exchanges.

Role and Function of PMLs:

Business Model of PML Networks

- Funds are first transferred to PMLs or its representative. It can be in the form of cash, virtual currency or bank accounts.
- This is the layering stage wherein funds are actually laundered making it more difficult to trace the source of funds. Tools used are :
 - a. Cash:** Trade based money laundering, fictitious trade, accounts, settlements and underground banking.
 - b. Bank accounts:** Shell company bank accounts are majorly used.
 - c. Virtual currency:** Money mule networks are majorly used.
- Laundered funds are finally handed over back to the clients by transfer into their bank accounts or his close associates or its representative legal entities. PML may also invest the funds on behalf of its client in various asset classes.

Types of ML Organisations & Networks

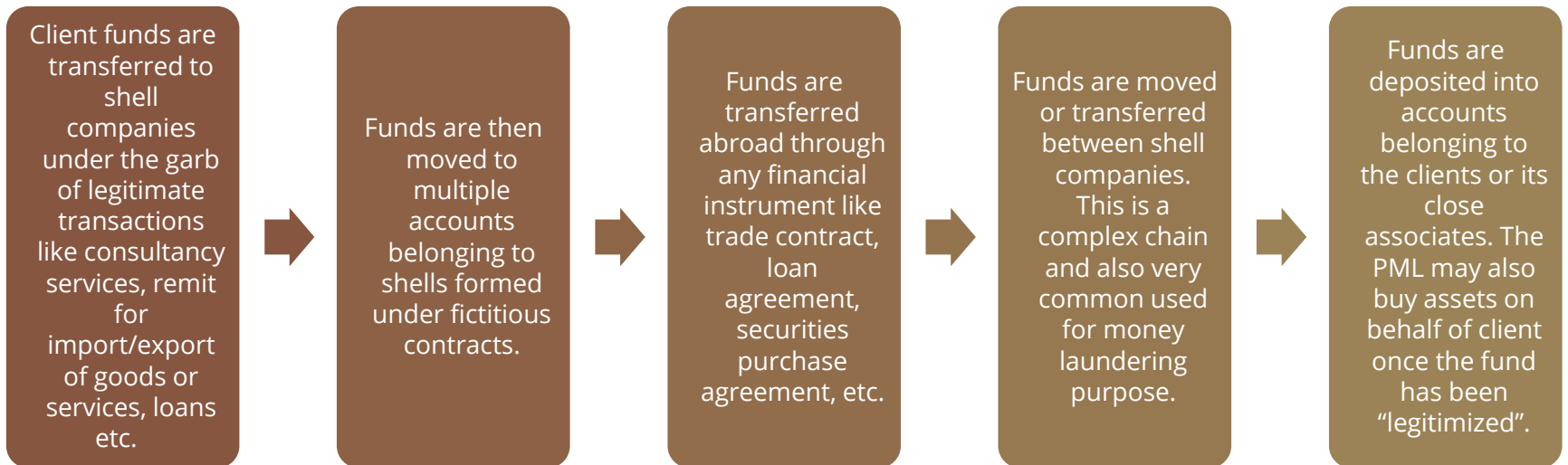
Money transport and Cash Controller Network	<p>Used to transmit vast sums of money.</p> <p>They perform the function of control, co-ordinate, collect and transmit of funds.</p> <p>They use the account settlement system – illicit funds are substituted for legitimate funds.</p> <p>Cash transportation network is used frequently to physically move bulk currencies.</p>
Money Mule Network:	<p>Money mule, also known as transaction managers physically transport stolen goods or merchandise or launder the money.</p> <p>Mostly young unwitting youth are incentivized by free travel and easy money to undertake this task.</p>
Digital money and virtual currency network:	<p>PMLs arrange for transfer of funds or virtual currencies to e-wallets.</p> <p>Complex web of e-wallet transactions are used to obscure the source of funds.</p> <p>The funds are finally sent to the e-wallet of the client which are then transferred to the client's bank cards and can eventually be withdrawn in cash.</p>

Proxy Networks

Proxy network

Proxy networks are PMLs who provide the services of banking transfers, particularly multi layered transfers, via bank accounts.

Proxy network led money laundering follows these steps:



Tools / Mechanisms used by PMLs

- **Trade based money laundering (TBML):** Defined as “the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origin”.
- **Account Settlement Mechanisms:** The modus operandi operates such that the PML acts as a middleman between two OCGs that have opposite financial needs in terms of cash requirement and bank transfers.
- **Underground banking and alternative banking platforms:** This is used by PMLNs to bypass the regulated financial sector and create a parallel system of moving funds and keeping records of these transactions. Alternative banking platform (ABP) is a banking system (using online financial software) which operates outside of the regulatory jurisdiction almost equivalent to the shadow banking system.

Complicit / Criminal Financial Service Providers & Other Professionals



Money value transfer service providers (MVTs)

They provide assistance in foreign exchange and cash based transactions and electronic fund transfer.



Financial institutions FIs

FIs are a major source of laundering funds and moving it across jurisdiction and accounts. Shell company fictitious accounts and complex layering schemes are a major tool of doing so.



Legal and professional services

For the depth of expertise that they possess and the ability to create more gap between the criminal activity and the laundered funds, legal and professionals are preferred by OCGs.



Payment processing companies

These payment processing companies are used by OCGs to mask transactions and launder the funds.

Telemarketing companies have been specifically suspected of providing payment processing services to enable the layering of funds.



Virtual currency payment products and services (VCPs)

Virtual currency exchangers have been used as MVTs providers to exchange criminal proceeds into virtual currency to fiat currency.

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