



# ACAMS conference: Professional syndicates changing the face of laundering

By Nathan Lynch, head regulatory analyst, Australia & New Zealand

Apr 03 2012

The emergence of large-scale laundering syndicates in recent years has redefined the law enforcement environment and significantly increased the challenges for anti-money laundering (AML) practitioners, a conference has heard. Detective Superintendent Nicholas McTaggart, from the Australian Federal Police, said that the AML regime had inevitably driven laundering into the hands of sophisticated operators who were now offering it as a service to criminals. He said that criminal groups were moving away from the old vertically integrated model, where they laundered their own proceeds of crime, to instead using service providers and gatekeepers to help them wash their funds.

McTaggart, who was speaking at the ACAMS Asia-Pacific conference in Bali, said that the proliferation of professional laundering outfits was creating a new challenge for financial institutions and law enforcement agencies. He said that laundering was now much harder to detect because launderers were becoming virtually indistinguishable from legitimate customers.

"What criminal groups do nowadays is they've gone from the 'Costco' model effectively to what is the '7-Eleven' model. So while they pay a little more for their money they take less risk," McTaggart said, in reference to the use of laundering shops.

"When you talk about professional money laundering syndicates the problem is that they've now got to the stage where I could probably assert to [the banks] that they are no longer people who are your customers, they're actually in competition. They will move money at a price," he said.

Within the banking community there is a strong recognition that typologies are changing as a laundering "profession" emerges and operators become far more sophisticated.

Al Demeter, regional director at Citigroup Security and Investigative Services, said that the AML landscape had been transformed in recent years. This had created a huge challenge for AML compliance practitioners who needed to differentiate between legitimate and illegitimate customers and transactions, he said.

"As we say in business, these organisations have 'differentiated their product line'. They now have specialists who do nothing but set up mule networks, for instance. It has become a cottage industry for organised crime," Demeter told delegates during a panel session.

McTaggart said that the emergence of specialist laundering outfits had also posed other technical challenges for prosecutors. He said that for law enforcement agents to lay laundering charges they needed to be able to identify a predicate offence. With professional launderers this became more challenging due to the separation between the entity that carries out the underlying crime and the entity that launders the proceeds.

"The difficulty when you start getting these professional launderers is they don't care where the money comes from. As a matter of fact, they don't even ask. So from a law enforcement point of view for us to charge an individual with money laundering you have to demonstrate what crime that money came from. But the guy you're talking to often doesn't have a clue — it doesn't really matter to him," McTaggart said.

McTaggart said that there were a number of factors that had accelerated the growth of professional laundering outfits. These factors included the conviction and asset forfeiture laws, the increases in risk of detection, changes in legislation and regulation and improved AML monitoring at banks.

Another trend that has accelerated in recent years is the globalised nature of money laundering activities. As professional launderers become more sophisticated they have also become more adept at using global networks and money flows to disguise and sanitise their transactions. When banks and prosecutors try to secure information on laundering activity they often find themselves coming head-to-heads with privacy legislation in offshore jurisdictions. This not only frustrates intelligence gathering, it also slows down any subsequent investigations or prosecutions.

Demeter said that for banks with a global presence the various privacy frameworks around the world had become a significant challenge to negotiate. "The countries of the world don't have a uniform legal system to deal with requests for information. You have to go through letters rogatory, or you have to go through a mutual legal assistance treaty. It can take some countries literally years to comply with a treaty request," he said.

"Some countries are more difficult than others. It's extremely difficult, for example, to get anything out of Japan."

Demeter noted that in the same way that some institutions had engaged in defensive suspicious activity reporting as a response to the emergence of the AML regime, so they too had become extremely cautious about sharing information. He said that with severe penalties in some countries such as Japan for getting this wrong, many financial institutions were inevitably taking an overly cautious approach to information sharing requests — even if it involved potential fraud.

"It's like we saw a few years ago with SARs. You get the reverse on privacy — banks won't reveal anything," Demeter quipped.

*This article was first published by the Compliance Complete service of Thomson Reuters Accelus. Compliance Complete (<http://accelus.thomsonreuters.com>) provides a single source for regulatory news, analysis, rules and developments, with global coverage of more than 230 regulators and exchanges.*