

What are the three stages of money laundering?

i. Placement,

1. Where cash is placed in the financial system.
2. Organized criminals accumulate a large amount of cash. This cash is heavy and bulky. At one time, money launderers would simply deposit the cash in the bank.
3. Money laundering techniques
 - a. Today money is divided into smaller amounts and deposited into multiple accounts on a steady and continuous basis. A “smurfer” might go to thirty banks in one day to deposit less than the \$ 10,000 threshold amount to avoid detection. Cash may be deposited into accounts of third parties such as lawyers (they might go to attorneys to ask them to hold cash in their escrow accounts), real estate brokers (professional trust accounts), and security firms.
 - b. An untold number of accounts may be opened in different branches of the same bank using fake identities.
 - c. Numerous accounts may be opened at different banks with the objective of consolidating these accounts at a later time.
 - d. Cash deposits may be structured with the help of “corrupt” bank staff.
 - e. Postal orders or traveler’s checks.
 - f. Front companies are used as a technique to launder money. Money launderers will mix dirty money with clean money by putting the dirty money into a legitimate business to disguise the source of the dirty money (a cash intense business – pizza, bar).

- g. As far as asset purchases go, launderers will use real estate, gold, art, and antiques. The number of ways to launder money using these devices is as vast as the imagination: selling “top shelf” items for a ridiculously low price or selling very cheap items for an exorbitant sum of money and fraudulently reporting the sales price on financial documents and tax returns.
- h. Another method: An organized crime group from S. Africa bought a highway w/o a toll. Then they put a toll booth on it so that they could launder money through the tolls

ii. Layering

1. Involves a series of complex transactions designed to hide the source and the ownership of the money and confuse the investigators
2. Launderers use complex transactions/transfers to disguise the trail. Very often, this involves moving money out of the country. ML use different financial services or products to create layers to disguise the origin of the money
3. Most effective way: Create a corporation and an offshore financial center that is, in turn, owned by a trust in a different offshore financial center. Money is wire transferred to a corporation in the Bahamas and it appears that the paper trail stops there but the international business corporation might be owned by a trust in the Mediterranean.

iii. Integration

1. Laundered money is reintroduced into the economy appearing to come from a legitimate source.
2. Money is returned to the legitimate economy. Loans, sham transactions, inheritance, gifts, redemptions of life insurance policies can all be used in different ways to bring money back into the economy. Property purchases, false import/export invoices can

be used to cover up the origin of the money and then bring the money back into the legitimate economy.