Contents

Preface		xi
Acknowledgn	nents	xix
CHAPTER 1	Understanding the Process of Morey	
	Laundering	1
	What Is Money Laundering?	1
	Money Laundering Defined	2
	Why Do People Laurder Money?	4
	The Money Laurgering Cycle	6
	Money Laundering Is a Criminal Business	10
	Money Laundering Is Global	11
	Money Launderers Adapt Technology	13
	The Role of Technology	14
	The Role of Banks	15
	The Role of Nations	17
	Regional Hotspots	18
	The Birth of the Financial Action	
	Task Force (FATF)	20
	Conclusion	22
CHAPTER 2	Motivations for Getting Involved	23
	Involvement Is Personal	23
	People Weigh the Odds of Success	24
	Where Do Laundered Funds Come From?	26
	The Impact of Corruption	27

v

		Contents
	Why Is Corruption Increasing?	28
	Corruption Always Begins Small	30
	Bribery and Corruption of Your Employees	31
	Bribery and Corruption by Your Employees	33
	Evolution of Government Attitudes	34
	Official Corruption Impacts Individual	
	Corruption	35
	Tax Evasion as a Gateway to	
	Money Laundering	36
	Moving from Taxes to Criminal Activity	37
	The Rise of Regional and Multinational	
	AML Organizations	38
	The Connection between Fraud and	
	Money Laundering	40
	Money Laundering as a Do-It-Yourself	
	Activity	42
	The Service Providers: Bankers,	
	Accountants, and Lawyers	42
	Conclusion	45
CHAPTER 3	Mechanisms for Moving Money	47
	Money Laundering Requires Movement	
	through the System	47
	Broken Windows Encourage Other Crimes	48
	Look Local, Think Global	49
	Expanding International Requirements	51
	Financial Havens Are Expanding	52
	Money Laundering Is a Growth Industry	53
	Law Enforcement Gets a Big Boost	54
	Profit Drives Criminal Activity	56
	Structuring the Scheme to Succeed	57
	Why Use a Bank, When You Can Own One	? 58
	Learning from the Big Fraud Schemes	59
	Confronting the Inevitable	60

FTOC 04/12/2011 11:27:49 Page 7

Contents

	Balancing Security and Cost	61
	Effective Fraud Prevention Strategies	62
	The Fraud Triangle	63
	Where to Start	64
	Mitigating Improper Behavior	67
	Conclusion	68
CHAPTER 4	Going Global	71
	Taking Money around the World	71
	Moving the Money Offshore	72
	Avoiding Detection	74
	Historical Basis for Money Laundering	75
	Role of Private Banking	76
	Enhanced Regulations	77
	The Black Market Peso Ezchange	79
	Increasing Cooperation in Regulation	80
	Regional Distinctions	81
	Global Efforts 💉	83
	The Law Enforcement Focus	84
	Conclusion	87
CHAPTER 5	Technology and Tomorrow	89
	The Impact of Technology	89
\sim	The Next Phase of Money Laundering	91
	Everything Old Becomes New Again	92
	Being Anybody You Want to Be	93
	Welcome to the Future	94
	So What Is the AML Response?	94
	Evolution of AML Controls	96
	Adjusting to Rapidly Increasing Scale	97
	A Highly Flexible Methodology Results	
	in Processes that Are Difficult to Stop	99
	AML Is a Process, Not a Destination	100

FTOC 04/12/2011 11:27:49 Page 8

		Contents
	All Countries' Depulatory Drograms	
	All Countries' Regulatory Programs	101
	Are Not Equal	101
	Technology and Offshore Havens Intersect	103
	The Cost vs. the Benefit	104
	Consider the Pace of Change and Progress Conclusion	105 106
CHAPTER 6	Discovery and Prevention	109
	Early Warning Is Essential to AML	109
	Proactive Means Active	110
	By the Numbers	111
	Paradigm Shift Testing Your Own AMI Systems	112
	Testing Your Own AML Systems	114
	Expanding the Business Comparison	115
	The Regulatory Framework	116
	High-Risk Areas	117
	Money Laundering Meets Terror	
	Financing	119
	Hiding in Plain Sight	121
	Criminalizing the Concealment	
	Activițies	122
	Creating Financial Fronts	124
	Keeping the Money Moving	125
	Keeping the Tax Man Happy	126
	Conclusion	128
CHAPTER 7	Terror Financing	131
	Terrorists Use Money Laundering	
	Techniques	131
	Similarities and Distinctions	132
	Application of the Methodology	
	to Terror Financing	133
	Global Impact of Financial Crimes	135
	Alternative Laundering Mechanisms	137

Conte	ents

	Regulatory Responses	139
	Conclusion	141
CHAPTER 8	Identifying Risk Exposures	143
	AML Exposures: Assessing Financial	
	Institution Risk	143
	Language, Culture, and Ethnicity	144
	The Legal Landscape	145
	Geography: Distance Matters	147
	The Goal of the Launderer Is to Hide	147
	The United States Takes a Different	
	Approach	149
	Laundering Groups Seek to Evade Detection	151
	A Fractured Enforcement and	
	Regulatory Picture	152
	The Regulatory Position on Cyber Risks	152
	Simple Fraud, Still Successful	154
	Conclusion	158
CHAPTER 9	Investigating Money Movement	159
	Money Laundering Is Now Transnational	
	Organized Crime	159
	Succeeding in the Investigative Process	160
	Government Access to Information	161
•	Mining Data for Money Laundering	163
	Some Products Help the Perpetrators	164
	Investigating Virtual Payment Technologies	165
	Looking to the Future Investigative Issues	167
	Putting an Investigative Plan in Motion	169
	People Are Essential to Proof	170
	Finding Money Laundering Abroad	172
	Money Laundering Exposure during	
	the Financial Industry Consolidation	173
	Conclusion	177

ix

CHAPTER 10	Reporting and Recovery	179
	Reporting to Law Enforcement	179
	Honest People Act Differently	180
	Anticipating Challenges with Cyber	
	Recoveries	181
	Building Appropriate Controls into	
	Online Payment Systems	183
	Global Coordination on Future Issues	185
	Weighing Access vs. Privacy	185
	Compliance Issues	187
	Putting Recovery Plans into Action	188
	Conclusion	191
CHAPTER 11	Conclusion	193
About the Au	thor the state of	<i>19</i> 7
Index	2000	199
~	Compliance Issues Putting Recovery Plans into Action Conclusion Conclusion thor thor	

Contents