

Money Laundering and Aspects

Shirley B. Woodson

Department of Economics & Business Administration

Southern University at New Orleans

Email: shirleywoodsonb@yahoo.com (Author of Correspondence)

USA

Abstract

Money Laundering is a topic which is important to know. In this article, we will discuss more topics related to money laundering. We will discuss the way of laundering. We will suggest some aspects to resolve this problem. Importantly, how this can affect to others that will be revised here.

Keywords: Way; How Occur; Business; Prevention; Detection.

1. Introduction

There are many ways to launder money, from the simple to the very complex. One of the most common techniques is to use a legitimate, cash-based business owned by a criminal organization. For example, if the organization owns a restaurant, it might inflate the daily cash receipts to funnel illegal cash through the restaurant and into the restaurant's bank account. After that, the funds can be withdrawn as needed. These types of businesses are often referred to as "fronts."

2. The idea of Money laundering

Money laundering is the act of concealing the transformation of profits from illegal activities and corruption into ostensibly "legitimate" assets. Money Laundering is the process by which the Proceeds derived from criminal activity (i.e. the predicate offense) are disguised in an effort to conceal their illicit origins to legitimize their future use.

Money laundering only attracted interest as a crime in the 1980s essentially within a drug trafficking context and since then the fight against money laundering has become a global priority as the world has witnessed the devastating effects of these criminal activities on the integrity and functionality of financial systems, anti-corruption efforts, Economic growth, and development.

Money laundering can occur in any country whether developed or developing but it can have adverse economic growth and development

3. The Scale of the Problem

The main problem with trying to determine the scale of money laundering is that you are attempting to measure money that is being hidden from you. Therefore direct observation by the macroeconomist or statistician is not possible. In the absence of hard statistical data and the appropriate methodology, indirect methods have been used to estimate the potential volume of such activities. Estimates have used two different types of information, inference based on available macroeconomic data and direct information collected by law and tax enforcement agencies. Both approaches have problems and neither is particularly reliable

4. How is Money Laundered?

In the initial stage of money laundering, the launderer introduces his illegal profits into the financial system. This might be done by breaking large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc) that are then collected and deposited into accounts at another location.

After the funds have entered the financial system, the second or layering stage takes place. In this phase, the launderer engages in a series of conversions or movement of the funds to distance them from their source. The funds might be channeled through the purchase and sales and investment instruments or the launderer might simply wire the funds through a series of accounts at various banks across the globe. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services thus giving them a legitimate appearance.

Having successfully processed his criminal profits through the first two phases of the money laundering process, the launderer processes then move them to the third stage-integration- in which the funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures.

5. Where does money laundering occur?

Money launders seek areas where there is a low risk of detection due to weak or ineffective anti-money laundering program.

As money laundering is a necessary consequence of almost all profit-generating crime, it can occur practically anywhere in the world. Generally, money launders tend to seek out areas in which there is a low risk of detection due to weak or ineffective anti-money laundering programs. Because the objective of money laundering is to get the illegal funds back to the individual who generated them, launders usually prefer to move funds through areas with stable financial systems.

Money laundering activity may also be concentrated geographically according to the stage the laundered funds have reached. At the placement stage, for example, the funds are usually processed relatively close to the underlying activity, often but not in every case, in the country where the funds originate.

With the layering phase, the launderer might choose an offshore financial center, a large regional business center or a world banking center-any location that provides an adequate financial or business infrastructure. At this stage, the launder funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination.

Finally at the integration phase launderers might choose to invest laundered funds in other locations if they were generated in unstable economies or locations offering limited investment opportunities.

6. How does money laundering affect business?

The integrity of the banking and financial services and the market place depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards. A reputation for integrity is one most valuable asset of a financial institution.

If funds from criminal activity can be easily processed through a particular institution either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds –the institution could be drawn into active complicity with criminals and become part of the criminal network itself. Evidence of such complicity will have a damaging effect on the attitudes of other financial intermediaries and of regulatory authorities as well as ordinary customers. The Bank of Credit and Commerce (BCC) scandal in the early 90's bears testimony on such sentiments.

As for the potential negative macroeconomic consequences of unchecked money laundering, the International Monetary Fund has cited inexplicable changes in financial transactions and increased volatility of international capital flow and exchange rates due to unanticipated cross border asset transfers.

7. What influence does money laundering have on economic development?

Launders are continuously looking for new routes for laundering their funds. Economies with growing or developing financial centers but inadequate controls are particularly vulnerable as established financial center countries implement comprehensive anti-money laundering regimes.

Launders that tend to move their networks to countries and financial systems with weak or ineffective countermeasures will exploit differences between national anti-money laundering systems.

Some might urge that developing economies cannot afford to be too selective about the source of the capital they attract. But postponing action is dangerous. The more it is deferred, the more entrenched organized crime can become.

As with the damaged integrity of an individual financial institution, there is a damping effect on foreign direct investment when a country's commercial and financial sectors are perceived to be subject to the control and influence of organized crime.

8. What is the connection with the society at large?

The possible social and political costs of money laundering, if left unchecked or dealt with ineffectively, are serious. Organized crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments.

The economic and political influences of criminal organizations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society. For countries in transition to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering enables criminal activity to continue.

9. How does fighting money laundering help fight crime?

Money from criminal activities hidden through money laundering. Fighting with money laundering help fighting with a crime.

Through money laundering investigation it can be located where the money derived from criminal activities. Targeting the money laundering aspect of criminal activity and depriving the criminal of his ill-gotten gains. Prevent them from money laundering activities. So the criminal activities reduce which is done for money.

Money laundering is a threat to the good functioning of a financial system; however, it can also be the Achilles heel of criminal activity.

In law enforcement investigations into organized criminal activity, it is often the connections made through financial transaction records that allow hidden assets to be located and that establish the identity of the criminals and the criminal organization responsible.

When criminal funds are derived from robbery, extortion, embezzlement or fraud, a money-laundering investigation is frequently the only way to locate the stolen funds and restore them to the victims.

Most importantly, however, targeting the money laundering aspect of criminal activity and depriving the criminal of his ill-gotten gains means hitting him where he is vulnerable. Without a usable profit, criminal activity will not continue.

10. What should individual governments do about it?

The government aims to increase awareness about anti-money laundering regimes both within the private and public sector. The government should formulate a money laundering crime act. Give investigative agency the authority to trace, seize and ultimately confiscate criminally derived assets and building. The government should develop an anti-money laundering program.

11. Should government with measures in place still be concerned?

Money laundering has shown themselves through time to be extremely imaginative in creating new schemes to circumvent a particular government's countermeasures. A national system must be flexible enough to be

able to detect and respond to new money laundering schemes. Anti-money laundering measures often force launderers to move to parts of the economy with weak or ineffective measures to deal with the problem. Again a national system must be flexible enough to be able to extend countermeasures to new areas of its own economy. Finally, the national government needs to work with other jurisdictions to ensure that launders are not able to continue to operate merely by moving to another location in which money laundering is tolerated.

12. Multilateral Initiatives

In response to the growing concern about money laundering and terrorist activities, the international community has acted on many fronts. This part of this Guidelines discusses the various international organizations that are viewed as the international standard setters. It further describes the documents and instrumentalities that have been developed for anti-money laundering (AML) and combating the financing of terrorism (CFT) purposes.

The United Nations (UN) was the first international organization to undertake significant action to fight money laundering on a truly worldwide basis. The role of the UN is important for several reasons which are - First, it is the international organization with the broadest range of membership. The UN, founded in 1945, has 191 members from all across the world. Second, the UN actively operates a program to fight money laundering; the Global Program against Money Laundering, which is headquartered in Vienna, Austria, is part of the UN Office of Drugs and Crime (UNODC). Third, and perhaps most importantly, the UN has the ability to adopt international treaties or conventions that obligate the ratifying countries to reflect those treaties or conventions in their local laws. In certain cases, the UN Security Council has the authority to bind all member countries through a Security Council Resolution, regardless of other actions on the part of an individual country.

13. Role of the FATF

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The Task Force is, therefore, a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. It is a multi-disciplinary body that brings together the policy-making power of legal, financial and law enforcement experts from its members.

14. FATA'S Forty Recommendations

The FATF monitors members' progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In performing these activities, the FATF collaborates with other international bodies involved in combating money laundering and the financing of terrorism. For more on Mutual Evaluations see monitoring implementation of the FATF Recommendations.

The FATF does not have a tightly defined constitution or an unlimited life span. The Task Force periodically reviews its mission. The FATF has been in existence since 1989. The current mandate of the FATF (for 2004-2012) was subject to a mid-term review and was approved and revised at a Ministerial meeting in April 2008. For more information on the FATF's role, please see the FATF's standards.

15. Bangladesh Perspective

In line with international efforts, Bangladesh has taken initiatives to prevent money laundering and terrorist financing. Some important initiatives are given below:

Bangladesh is a founding member of Asia Pacific Group on Money Laundering (APG) and has been participating in the annual plenary meeting since 1997. As a member of APG, Bangladesh is committed to implementing FATF's 40 recommendations. Subsequently, Bangladesh, as the first South Asian country,

To address the shortcomings of the MLPA, 2002 and to meet the international standards Bangladesh enacted Money Laundering Prevention Ordinance (MLPO) in 2008 which was replaced by MLPA, 2009 by the parliament. To strengthen the AML/CFT regime of Bangladesh and meet the international standards, MLPA, 2012 has been promulgated repealing the MLPA, 2009 and Anti-Terrorism Act (ATA), 2009 has been amended in 2012 and 2013.

Bangladesh has enacted Mutual Assistance in Criminal Matters Act, 2012 to enhance international cooperation on ML/TF and other related offenses.

Financial Intelligence Unit (FIU) was established in June 2012 in Bangladesh Bank named as Anti Money Laundering Department (AMLDD).

To enforced and ensure the operational independence of FIU, AMLDD has been transformed into the Bangladesh Financial Intelligence Unit (BFIU) on 25 January 2012 under the provision of MLPA, 2012.

16. Money Laundering Prevention Act 2002

The Money Laundering Prevention Act 2002 received the consent of the President to become law on 5 April 2002. The act was amended in 2003(BB, 2003). The act understands 'Money Laundering' as illegally

earning or gaining resources directly or indirectly and as perpetrating or assisting in illegal transfer, conversion or concealing the position of legal or illegal resources earned or gained directly or indirectly. Responsibilities and powers of BB in prevention: The BB is entrusted with the responsibility of suppressing and preventing money laundering crimes by implementing the act. Bangladesh Bank has an Anti-Money Laundering Department who has the following responsibilities: Investigating money laundering crimes Supervise and observe activities of banks, financial institutions and other bodies involved in financial activities; Calling up report on money laundering from banks, financial institutions and other bodies involved in financial activities; Reviewing the aforementioned reports and act accordingly; Train officers and staffs of banks, financial institutions and other bodies involved in financial activities; and Conducting other activities required for fulfilling the objectives of the act.

Power of investigation: BB or a person empowered by BB can investigate money laundering crime(s). All money laundering investigations are initiated by BB. If a case concerns a bank official, BB conducts the whole investigation. But if the alleged perpetrators are general people, BB gives power to police/CID/Bureau of Anti-corruption, etc. to investigate the case. It often happens that police or other law enforcement agency comes across a money laundering crime. Then they request BB to empower them to investigate and she obliges. Reasons of launching money laundering investigation: Money laundering investigation can be launched for a number of reasons: absence of source or destination of money in a bank transaction; imbalance of a transaction with the known earning of the account holder; suspicious TT; hundi; money recovered from public place like road, rail station, port or airport; complaint from bank(s), other financial institution(s) or law enforcement agency/agencies. Money laundering court: Trial of money laundering cases will take place in a session court. Any session court will be considered as money laundering court while the trial of a money laundering case is underway in the court and the judge hearing the case will be called money laundering court judge at that point of time. Punishment for money laundering: A person can be given a minimum of 6 months to a maximum of 7 years jail sentence along with fine worth double the amount of money involved for money laundering.

International agreements: The act provides scope for entering into agreements with foreign governments to fulfill its objectives. After it came into being, Bangladesh was approached by Thailand last year for an agreement to prevent inter-state money laundering. But that agreement stipulated for the existence of Financial Intelligence Unit (FIU) which Bangladesh is yet to have. Formation of FIU is currently under active consideration of the government. Evaluation: Bangladesh is the first South Asian nation to have a specific law for the prevention of money laundering and money laundering court for the trial of such cases. Pakistan and Sri Lanka are yet to establish such specialized laws and courts to deal with money laundering.

India has framed money laundering law in 2003. Since the introduction of the act, BB received around 300 complaints of money laundering. After investigation, 17 of them turned out to be criminal offenses. All 17 cases are currently under trial. However, in general, the prosecution process in Bangladesh is extremely slow-paced. In many instances, cases remain unresolved for decades. For effective implementation, the prosecution process has to be streamlined, of course, maintaining due course of law.

18. Customer's identification profile

Customer's correct identity shall have to be carefully collected in respect of each transaction. In application case in this regard importance may be awarded on a personal interview with the customer. In order to ensure full satisfaction in respect of establishing correct identification profile of the customer, that information out of the information and documents listed below as applicable for customers as described along with any other additional relevant information shall have to be collected.

A. Account-holder

a) Personal Account.

Name, Present, and permanent address, Date of birth, age, Nationality, TIN, Passport Identity, Photograph of the account holder.

B. An account of corporate or Business Enterpriser

a) Proprietorship Firm

Relevant information as mentioned in para (1) above in respect of the identity of account operator including trade license.

b) Partnership Firm

Relevant information as mentioned in para (1) above in respect of the identity of partners including partnership deed trade license.

c) Limited Company

Certificate of incorporation, articles of association, memorandum of association, formal resolution in a board meeting, a declaration regarding directors and relevant information as mentioned in para 1(a) above in respect of account partners.

C. Customers other than the account holder

Preservation of full name and address of the remitter and the beneficiary in case of extending different banking services including remittance facilities to the customers other than account-holder.

19. Detection of Suspicious Transaction

Data mining, “the extraction of hidden predictive information from large databases”, is a powerful new technology with great potential to help for detecting the Anti-money Laundering. To detect suspicious money laundering transaction in the real world financial is a critical task. The database is taken important role to store various kinds of useful and meaningful information. Data mining technique like Decision tree easily extracts the information from a large dataset. For detection of Anti Money laundering, Data mining is used extensively, because of limited scalability, adaptability, and validity. The main motivation for detecting money laundering used in real-time application like classification, clustering, neural network, machine learning, prediction, etc. In this review paper, we study various Data mining techniques and Anti Money laundering detection methods. And based on that we decide that the clustering techniques are the best techniques for detecting anti-money laundering.

20. Conclusion

Anti-money laundering refers to a set of laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income. Though anti-money-laundering (AML) laws cover a relatively limited range of transactions and criminal behaviors, their implications are far-reaching. The more modern and relevant view now, is that compliance brings real value to the entire organization, rather than being a distraction or inhibition to business. So, while the nature of compliance and its *raison d'être* has not changed, its priority and position within an organization have changed.

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