

Money laundering: A threat to the U.S. financial system

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A quick overview . . .

- <http://www.youtube.com/watch?v=SFKDmCbfMS4>

SUAs

- SUA = Specified Unlawful Activity
- For domestic money laundering, PROCEEDS of an SUA are required for a money laundering offense.
- For international money laundering, the funds do not have to derive from an SUA, but need only promote the carrying on of an SUA.

SUAs include many crimes -

- Narcotics violations.



- Fraud offenses.







Financial transaction required

- A financial transaction is required, but this is a broad concept, and can include a bank deposit or withdrawal, a sale or purchase, a loan, mailing currency, moving currency, or use of a safe deposit box.

Objects of money laundering

- Concealment - the transaction is designed to disguise the source, ownership or control of the SUA proceeds.
- OR
- Promotion - the transaction is intended to promote an SUA.

Why use banks?

- Cash is bulky!



Lifecycle of money laundering

- Placement
- Layering
- Integration

Placement

- The initial introduction of SUA proceeds into the financial system.
- Examples –
- Commingling of SUA proceeds with those of a legitimate business
- Structuring

Layering

- The purpose of layering is to further remove SUA proceeds from their source.
- Examples include movement of funds between accounts, including by wire transfers, or transferring funds between financial institutions by checks, money order, or other means.

Integration

- The goal of this stage is to make SUA proceeds appear legitimate
- Integration can be accomplished by the purchase of businesses or interests in businesses, or the purchase of real estate, automobiles, or other assets.

EXAMPLE ONE

- The Money Transmitter

EXAMPLE TWO

- The Restaurant

EXAMPLE THREE

- Banking Everywhere!

Wachovia: A Cautionary Tale

- In the 2000s, Wachovia moved \$378.4 billion, equivalent to 1/3 of Mexico's Gross National Product, from *cases de cambio* in Mexico.
- The Federal Government found that Wachovia had failed to apply proper AML controls to these transfers.
- Wachovia forfeited \$110 million for drug related transactions and paid a fine of \$50 million.

Takeaways

- If something is too good to be true, it probably is.
- Know your customer!
- Smaller banks can be targets.