

ALERT

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AUSTRAC Money Laundering Report

The Australian Transaction Report and Analysis Centre has released a report on money laundering that aims to improve money laundering detection and enforcement, while also increasing general awareness throughout the public and industry sectors. Money laundering has been described as a critical risk to Australia's financial system and economy through its consequential effect of corrupting individuals, businesses and government function, while enabling serious and organised criminal activity to thrive.

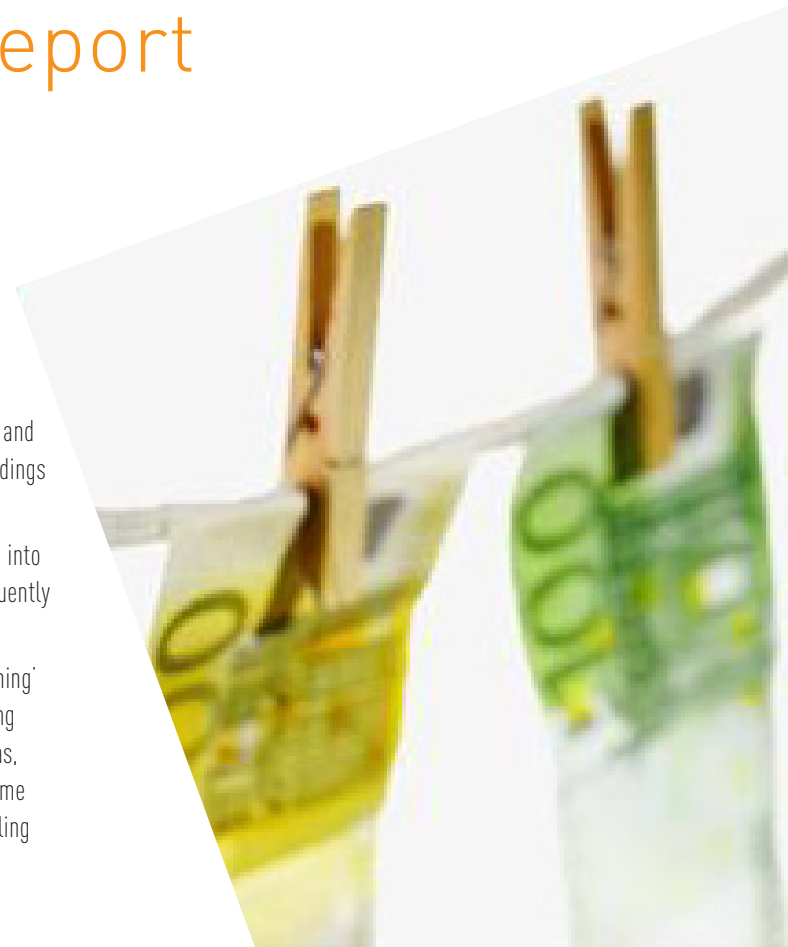
A key focus of the report has been identifying the most frequently used methods and strategies adopted in money laundering activity, while also providing basic guidelines to assist in triggering suspicion. Particular regard is given to methods associated with banking, business, gambling and disbursement through high-value goods. Less suspicious methods have also been targeted, which include investment in professionals to maximise financial gains, disrupting investigations and monitoring cross-border transfers and investment.

How is money laundered?

Money is typically laundered via a three step process:

- i. First, through 'placement' – introducing illegal funds into the formal financial system. Examples of such behaviour include 'fractioned' deposits into various bank accounts.
- ii. Secondly through 'layering' – involving a series of moving and dispersing illegal funds over a variety of accounts and holdings to assist in concealing their true origin.
- iii. Lastly, through 'integration' – where funds are re-invested into legitimate businesses or expensive items, and are subsequently disguised as legitimate funds.

Key features of laundered money include the 'mixing' or 'combining' of legitimate and illegitimate funds into the same pool, engaging specialist money laundering syndicates in Australia and overseas, and the 'internationalisation' of the funds – meaning that at some point, the funds will be transferred offshore to assist in concealing their origin.



Banking sector

The most significant money laundering channel is the banking sector and its preferability stems from its large number of clients and daily transactions, which better assist to disguise illegal behaviour. Access to the banks is primarily achieved through regular banking accounts, international money transfers, loans and safe deposit boxes. This is compounded by ease of accessibility and usability, particularly with recent advances in internet and mobile banking technology.

Systems have been implemented to assist in detecting laundering operations, such as policy obligations requiring banks to communicate parties undertaking transactions with a value greater

than \$10,000. Improvements in identity and fraud detection alongside a broader scope for fraud-related offences are examples of recent and successful responses by the Australian government.

Money transfer businesses

These, and related remittance services, provide a popular avenue to transport illegally obtained funds outside the formal and modern banking systems. Funds are transported to countries without detection measures in place, so the source of the finances ultimately becomes undetectable.

A process known as 'cockoo-smurfing' has been particularly popular over the last decade and is predominantly facilitated by the co-operation of 'money transfer' businesses. The process involves interfering with legitimate money transfers where a person who is expecting to receive funds actually receives the same amount from illegal proceeds, while the legitimately sent funds are then transferred to the individual.

Recent amendments have increased regulation and registration processes for 'financial transfer' bodies, rendering detection and policing of illegal activity substantially more successful.

The gaming sector

Gambling venues have always been a popular system for laundering to occur. Popular methods adopted include replacing cash for gaming tokens, exploiting third parties to gamble or transact on the criminal's behalf, involvement in high stakes gambling with illegitimate money and laundering through online gambling.

Government response has increased casino 'flagging' – where suspicious gamblers or transactions are to be reported to the government body AUSTRAC.

High value goods

Criminals often purchase goods of high value as a means of transporting and converting funds into legitimate finances. Jewellery, artwork, boats and real estate are all commonly used and legitimate and illegitimate funds are used to fund the purchases to assist in concealing the laundering process. This area has been one of particular concern due to the very few, if any, financial indicators available to trigger suspicious activity.

The *Proceeds of Crime Act 2002* has been a government response to this phenomenon and empowers the policing bodies to confiscate property where wealth cannot be explained. The power operates even in the absence of a criminal conviction.

Alternative money laundering outlets

Organised crime syndicates are increasingly relying on the role of professionals to assist in reducing suspicion and to assist in providing effective and safe means to launder money. Cash intensive businesses such as restaurants, hotels, pubs, taxi businesses and certain retail venues are also used as a conversion source.



Government response and benefits

The response primarily involves gathering and compiling financial information with domestic and international agencies and government bodies, effective and co-ordinated investigation, implementing effective and accurate statutory regulation that hinders such conduct and increasing awareness to help create a social environment more hostile toward money laundering. This benefits the public through preventing and disrupting crime and businesses through isolating transactions to legitimate outlets.

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