

MONEY LAUNDERING MODELS: ANALYSIS AND REAL CASES OF IMPLEMENTATION

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The problem of money laundering is constantly relevant, because as long as there are criminals, there will be a demand for the legalization of illegally obtained funds. The article provides a classification of money laundering models. Two-phase, three-phase and four-phase money laundering models are analyzed. The tools that are used by criminals at each stage of this process are also considered. The purpose of this article is to systematize known information about the structure of money laundering models and present it in an easy to digest form. That is why the article describes not only all stages of money laundering, but also the various financial instruments used at each stage.

Keywords: money laundering, money laundering models

Legalization of shadow income causes significant damage to the economy of any country, which leads to a slowdown in economic growth and the welfare of the population.

The process of money laundering is quite complex and consists of many different operations and methods, which are constantly being improved in the light of new regulations and laws.

Currently, there are several approaches to the analysis of the money laundering process. In general, money laundering models can be divided into two groups:

1. phase – the most common schemes, based on the name of which we can say how many levels they consist of:

- P. Bernasconi's two-phase model,
- three-phase model,
- four-phase model;

2. circulatory – a symbiosis of money-laundering models, as well as - when in the circulation part of the money is used to finance further illegal activities, and another part, after its legalization, is invested in the legal economy or placed in bank accounts.

P. Bernasconi's two-phase model consists of:

1. the money laundering stage, it is characterized by:

- short-term banking operations;
- the aim is to hide the traces of the crime;
- It is carried out by means of the transfer of big cash funds into easily manageable and highly liquid assets. For example, the short-term acquisition of securities with high liquidity, or the purchase of precious stones or metals,

as well as the exchange of one for another denomination of bills or for another currency, i.e., something that can be used quickly and without additional costs.

2. the return-to-currency stage, it is characterized by:

- medium- and long-term banking operations;

the aim is to join the “laundered” money to the legal economic turnover and to give the appearance of being obtained from legal sources;

It is carried out by means of:

- establishing control over financial institutions;
- the illegal use of exceptions to the law;
- the use of correspondent relationships between banks;
- the creation of a false paper trail;
- merging legitimate and illegitimate funds;
- the transfer of funds derived from illegal activities abroad;
- the use of “collective» accounts;
- the use of transit accounts;
- the use of a mechanism where credit serves as a guarantee.

In this model, it is necessary to distinguish between the country of the main crime, which has become a source of income, and the country of «money laundering». The proceeds obtained as a result of illegal activities are transferred through the banking system from the country where the crime itself was committed to the country of «money laundering», and after their legalization, are reinvested back [3, p.9-10].

Thus, we can say that this scheme is the most risky for the criminal and works only if the country where the «dirty» money is «laundered» has a weak banking system and gaps in legislation, and the countries through which the money is «laundered» are characterized by an inefficient system of state supervision of banks. These states do not participate in international cooperation on issues related to money laundering.

The three-phase model is the most common and assumes that the following stages are distinguished in the single process of legalization:

1. Placement stage:

• illegal money is introduced into the financial system (for example, by crushing the amounts and then placing them in bank accounts or by purchasing money market instruments);

- the weakest link in this money laundering mechanism;
- possibly easy to detect at this stage.

2. Layering stage:

Money laundering through a series of transactions that layered on top of each other to make it difficult for law enforcement to identify them;

The goal is to conceal or distort the sources of their origin;

Conducted through:

- acquisition of financial instruments;
- circulation on stock exchanges;
- the transfer using a large number of bank accounts opened in different jurisdictions;
- transfer of money under the guise of payments for goods and services.

3. Integration stage

- money acquires a legal source of origin and returns to the legal economy, including through real estate transactions, price distortions or other means;
- creating, at this stage, the appearance of authenticity of the sources of origin of illegal money.
- if the money laundering scheme has not been detected at the previous two stages, it is extremely difficult to separate legal from illegal proceeds;
- detection of the «laundered» capitals at the stage of integration is almost impossible without the use of covert undercover work.

An important stage when it is still possible to identify the «movement» of illegal capital is the «placement» stage. At the following stages, transactions become indistinguishable from legal ones, and all the risks are placed on the banks.

The four-phase model.

This approach to structuring the process of «laundering» is used by UN experts. The main stages of legalization are:

The first phase is the deposit of cash and its further transfer to the accounts of front persons and firms.

The second phase is the distribution of cash through banking and securities transactions.

The third phase is the disguise of the traces of the crime committed through:

- the use of banks remote from the place of the crime and the place of residence of the criminals to open accounts;
- transferring money from the accounts of foreign firms to the criminals' accounts under fictitious business contracts;
- the use of a clandestine system of bank accounts.

The fourth phase is the integration of the money supply through the investment of «laundered» capital into the legal economy. The key element of the model is the use of financial instruments and banking operations, in which smurfing (organized purchase of easily convertible financial instruments) and structuring (payments in small amounts on various grounds to a single bank account) are actively used.

Presented models are of theoretical character and reflect long worked out schemes. Fraudsters find gaps in the legislation of the countries, as well as

quickly react to changes in the «rules of the game», rapidly improving the schemes and methods of «laundering» of illegal funds, using the bureaucratic difficulties in changing the law.

The peculiarities of circulatory models:

- part of the money is used to finance further criminal activity; the other part, after being «laundered», is placed in bank accounts or invested in the legal economy by investing in global financial markets and purchasing participation in legal businesses;

- the banking system is used at all stages of the legalization process, and the list of banking services that can be used to «launder» the proceeds of crime is constantly expanding.

- the ideal situation for criminals is when banks do not impose any customer identification requirements and it is possible to open/possess an anonymous account.

- Thus, having analyzed the models and schemes of legalization («laundering») of illegal income, we can note that they include 4 processes:

1. Placement of money (property) in financial and credit institutions (the number of operations may not be limited)

2. Transfer of money from the shadow economy to the official economy

3. Concealment of cash sources by conducting various financial operations to this end

4. Giving legal status (the triad of powers of ownership)

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