

# Anti-Money Laundering



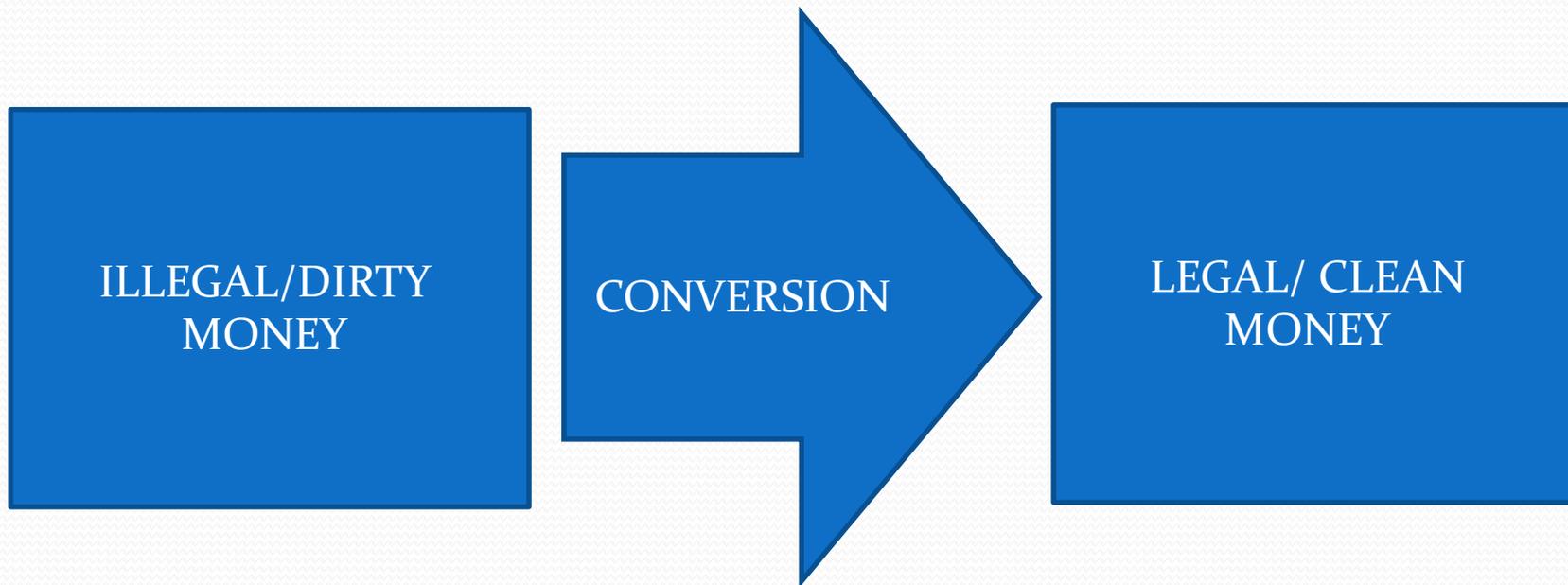
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# WHAT IS MONEY LAUNDERING?

'Money Laundering' is the process by which illegal funds and assets are converted into legitimate funds and assets



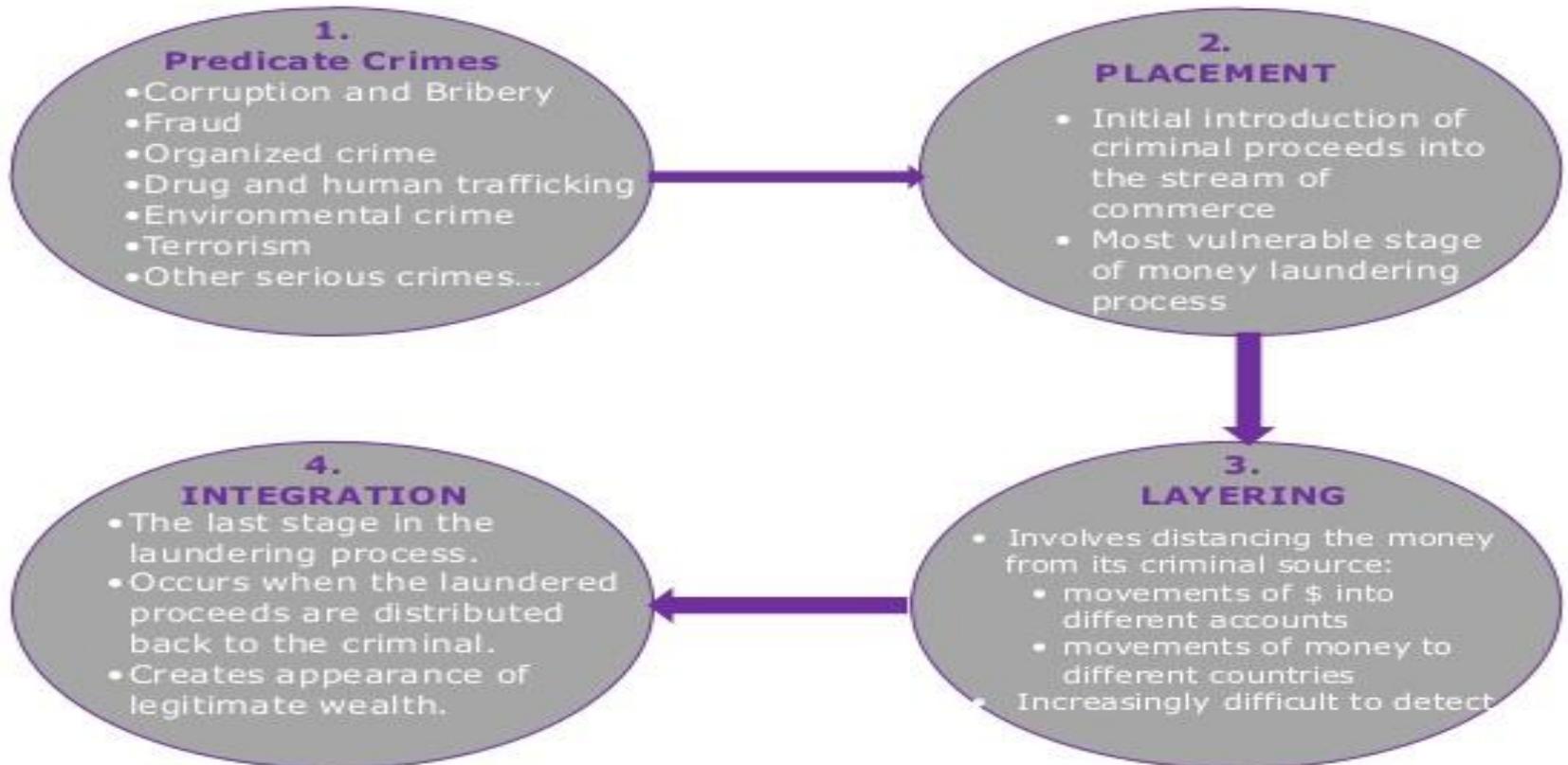
# Offences

**Money Laundering generally refers to 'washing' of the proceeds or profits generated from:**



# Stages of Money Laundering

## Money Laundering Cycle:





## Money Laundering Techniques

There are many forms of money laundering though some are more common and profitable than others. Some of the more popular money laundering techniques include:

**Bulk cash smuggling** involves literally smuggling cash into another country for deposit into offshore banks or other type of financial institutions that honor client secrecy.

**Structuring**, cash is broken down into smaller amounts, which are then used to purchase money orders or other instruments to avoid detection or suspicion.

**Trade-based laundering** is similar to **embezzlement** so invoices are altered to show a higher or lower amount in order to hide the movement of money.

**Cash-intensive business** occurs when a business which legitimately deals with large amounts of cash uses its accounts to deposit money obtained from both everyday business proceeds and money obtained through illegal means. Businesses able to claim all of these proceeds as legitimate income include those that provide services rather than goods, such as bars, car washes, parking buildings or lots, and other businesses with low variable costs.



**Shell companies** and trusts are used to disguise the true owner or agent of a large amount of money.

**Bank capture** refers to the use of a bank owned by money launderers or criminals, who then move funds through the bank without fear of investigation.

**Real estate laundering** occurs when someone purchases real estate with money obtained illegally, then sells the property. This makes it seem as if the profits are legitimate.

**Casino laundering** involves an individual going into a casino with illegally obtained money. The individual purchases chips with the cash, plays for a while, then cashes out the chips.

# Money Laundering strategies

- 1.Shipping Money Abroad**
- 2.Opening bank accounts**
- 3.Credit/ Debit cards**
- 4.Use Of “Pass Through” Or “Payable Through” Accounts**
- 5.Electronic Wire Transfers**
- 6.Loan Back Arrangement**
- 7.Correspondent Banking**
- 8.Trading And Other Business Activities**
- 9.Lawyers, Accountants & other Intermediaries**
- 10.Placement Using Insurance Products**
- 11.Placement Using Investment Related Transactions**
- 12.Misuse of Non Profit Organizations (NPOs)**

# Wachovia (2010)

- Failed to establish anti-money laundering (AML) Program
- Was aware as early as 1996 of high risk that drug money was being laundered through Casa De Cambios (CDCs)
- Entered into deferred prosecution agreement and paid \$160M to resolve charges
- Agreement is the result of an investigation into transactions with CDCs

# HSBC (2012)

- HSBC lacked an effective AML program
- Failed to conduct due diligence on certain foreign correspondent accounts
- Failed to detect and report evidence of money Laundering

HSBC Group agreed to pay \$1.92 billion as part of a deferred prosecution agreement

# The World's Response

The UN office on drug & crime is aimed to:

- Establish a global environment hostile to money laundering
- Establish Financial Intelligence Units around the world
- Establish protocols and platforms for sharing intelligence and evidence
- Secure technical assistance for countries to implement international standards

# PROHIBITION IN ISRAEL

A new law in Israel on money laundering, prohibits cash deals and requires greater disclosure.

Traders who receive more than \$12000 of diamonds & gems- a small amount, by the standards of the trade - have to declare it, as any two people who trade diamonds& gems worth more than \$12000 a month.





## Reduce the use of cash

Can you imagine a drug dealer using a credit-card terminal to accept payment? How about someone paying for a television who bought off the back of a truck with a personal check? Hard to imagine, right?

### Most criminals conduct their business in cash.

The world is moving toward a cashless society. In a digital age, cash will have no significance.

Implementation of reducing the use of cash as a policy will automatically reduce the shadow economy, the basis for the development of money laundering.



# Trustee

Trustees have a fundamental duty to maintain and prepare accounts and to attend to compliance obligations such as complying with tax laws.

## Foreign Account Tax Compliance Act (FATCA)

FATCA is aimed at combatting tax evasion by US taxpayers with overseas financial accounts. It requires non-US entities to identify US taxpayers who hold directly or indirectly certain foreign financial accounts and to report related information to the IRS (Internal Revenue Services) or to their local tax authorities as per the various Intergovernmental Agreements (IGA). Parties that do not comply will be subject to a 30% withholding on certain payments of US source income and may also be in violation of local country laws.

# IMPLEMENTATION

- KNOW YOUR CLIENTS
- MONITORING
- RISK ASSESSMENT

KNOW YOUR  
CLIENTS

DO WE REALLY KNOW OUR CLIENTS?



# KNOW YOUR CLIENTS

The objective of KYC (Know Your Clients) guidelines is to prevent us from being used, intentionally or unintentionally, by criminal elements for money laundering.

The KYC four key elements are:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transactions;
- Risk Management



# Client due diligence:

- Collect Identification information
- Verify the identity of the directors, beneficial owners and management
- Use reliable and independent documents or information
- Determination of the client's activities
- What is the professional service required by the client?
- Ask questions



Risk assessment



# Client Profile

## Develop customer profile:

- Ownership information
- Expected business
- Source of wealth
- Origin of funds

## Ongoing Profile monitoring:

- KYC data
- Assess transactions



Risk assessment

# Information

- Legal name
- Registered number
- Trading name /trading address
- Directors/beneficial owners
- Authorized signatories
- Understand the business structure
- Review public information, company registry search



Risk assessment

# Assessment

- Is the information being given **believable** and appearing likely to be true?
- Are the customer's transactions **rational** in the context of the customer's business?
- Does the customer have **obvious reasons** for doing business in that country?
- How payments are to be made? from where and by whom?

# Training & Maintenance

**Train your employees** to review KYC data , Determine when to review data:

During trigger event – changes to KYC policy, significant transaction, material change in business relationship, material change in nature or ownership of customer.

**KYC information is dynamic** - documentation and evidence should remain valid (e.g. passport expires), change of employment, personal situation (marriage, children etc).

How often to review? Risk based

**Keep KYC information accurate and up-to-date**



THANK YOU

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