ANTI-MONEY LAUNDERING

INTRODUCTION

Definition of Money Laundering

HM Revenue and Customs define Money Laundering as: Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.

Money laundering does not mean just cash; it can include anything gained from the proceeds of a crime, for example jewellery, antiques or even high-value cars.

Concealing of Funds

By laundering money, criminals are attempting to disguise the true origin and ownership of the proceeds of their criminal activities and follow three distinct stages:

- Placement
- Layering
- Integration

Placement of Funds

Placement is where 'dirty' money is placed into the legal financial system.

Criminal money is disguised by being placed into legitimate sources such as offshore accounts.

Layering of Funds

Layering involves a complex web of transactions that moves money into the financial system, and obscures the audit trail through the strategic layering of financial transactions and fraudulent bookkeeping.

Integration of Funds

Integration is where the 'dirty' money is absorbed into the economy, for example, via real estate.

The funds are reunited with the criminal with what appears to be a legitimate source.

Regulations

Firms must verify the identity of clients, have an internal money laundering reporting process, provide training to staff to ensure awareness of the regulations and keep adequate records.

There is not a "one size fits all" approach. The systems and controls should be comprehensive and proportionate to the firm's activities' nature, scale and complexity.