Reexamining the 'Placement–Layering–Integration' Model of Money Laundering

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Contents

Executive Summary 6
Our Approach 7
An Introduction to Money Laundering 8
Predicate Crimes to Money Laundering 9
The Traditional Three-Stage 'Placement-Layering-Integration' Model 12
Limitations of the P-L-I Model 14
Case Studies 15
Trade-Based Money Laundering 15
Crypto Laundering 16
Street-Level Drug Dealing 17
Informal Value Transfer Systems 18
Alternative Models 20
Generation–Consolidation–Placement–Layering–Integration–Realisation 20
Enable–Distance–Disguise 21
APPT framework 22
Conclusion 24
References 25

Executive Summary

This report explores the traditional framework of money laundering, known as the ‘Placement–Layering–Integration’ (P-L-I) model, to reassess its relevance and efficacy in the context of modern financial systems and emerging technologies. Through an in-depth analysis of recent academic literature, case studies, and international guidelines, this study critically evaluates how the conventional stages of money laundering have evolved or may be bypassed in today’s digital and global financial environment. This report identifies the model’s current limitations, adaptability, and need for a revised framework that addresses contemporary challenges in money-laundering schemes facilitated by technological advancements, such as cryptocurrencies, online-banking platforms, and digital wallets.

Key questions this report intends to address include:

- How do modern financial technologies challenge the traditional phases of the money laundering process?
- In what ways can the current ‘Placement–Layering–Integration’ model be updated or supplemented to effectively combat money laundering in the digital age?
- What role do emerging technologies play in both facilitating and preventing money laundering, and how can regulatory bodies adapt?
- Are there identifiable patterns or new methodologies in money laundering that bypass traditional detection frameworks, and how can these be integrated into existing models?

The report advocates for a two-pronged approach that updates and broadens the understanding of money laundering and moves beyond the limits of the outdated P-L-I model. First and foremost, money laundering should simply be viewed as any activity that generates benefit from any criminal conduct. Second, money laundering involves the transfer of value: it does not matter whether this value is represented as cash, indirect monetary gain, or through intangible assets. Through adopting this new approach, law enforcement officials, policy makers and other professionals will better appreciate the variety of money-laundering methods and the context in which money launderers operate towards strengthening international anti-money laundering efforts.

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Our Approach

How money laundering is conceptualised, taught and applied is subject to much debate. The process of money laundering has traditionally been viewed as a circular process involving the ‘placement’ of illicit funds into conventional banking systems, ‘layering’ funds through small and multiple amounts, and then ‘integrating’ funds back into the legitimate economy. However, as this report demonstrates, this ‘Placement-Layering-Integration’ (P-L-I) model is outdated, limited in scope, and cannot account for various modern and emerging methods of money laundering.

This report offers an in-depth analysis of the vast literature on money laundering that spans the last two decades. It incorporates academic peer-reviewed papers, textbooks and monographs and ‘grey’ literature sources, including government reports, legislation and other legal discourse, general guidance, online blogs, papers from international organisations, and law-enforcement training manuals. This report is the culmination of detailed research into the concepts of money laundering and how these concepts are applied to real-world situations.

The report’s methodological approach is strengthened through theoretical and empirical data on the methods of money laundering to illustrate real-world offending and case study examples on how modern money laundering occurs.

It employs a variety of international perspectives on money laundering that help to understand the important contextual settings in which money launderers operate, providing insights into typologies of money laundering and organised crime, and the factors that impact international efforts to counter money laundering.

An Introduction to Money Laundering

Money laundering is the unlawful act of converting and disguising the proceeds of crime into ostensibly legitimate funds (Gilmour, 2023). It involves the practice of washing so-called 'dirty' money, so it appears clean, to avoid detection by law enforcement and regulatory authorities. Money launderers will want to use the proceeds of crime to reinvest in future criminal activities and support their criminal enterprise (Idzikowski, 2021). Money laundering is always illegal and closely connected to its underlying predicate crimes. However, money laundering can be difficult to detect due to the various methods that launderers use to cover their tracks to conceal their activities and distance them from the source of criminal income (Nazri et al., 2023). Moreover, whilst money laundering is proscribed in many jurisdictions, the processes by which launderers convert and disguise their proceeds of crime are often overlooked.

Combating money laundering is of great importance. Latest estimates suggest that money laundering costs the global economy upwards of USD $2 trillion per year (Ferwerda & Reuter, 2024). According to the United Nations Office on Drugs and Crime (UNODC) between 2-5% of global GDP is laundered each year (Nazar et al., 2023). This widely reported figure is somewhat questionable considering its reliance on historic official data arising from analyses of US and UK economic policies of the 1980s and early '90s—prior to modern developments in globalisation, technology and new payment mechanisms (see Quirk, 1996, p. 19). Indeed, the true scale of money laundering is difficult to judge due to the inherent clandestine nature of money laundering, and difficulties in measuring and tracing international illicit flows (Moiseienko & Keatinge, 2019; Nazar et al., 2023). In October 2021, the magnitude of international networks of illicit finance was revealed by the Pandora Papers leak.[1] These international networks enable criminals to launder illicit proceeds, hide assets, engage in corruption and sustain a globalised criminal economy. The total amount of wealth held offshore globally is estimated at EUR 7.5 trillion, with the EU share being valued at EUR 1.5 trillion. This represents over 10% of global GDP.

Money laundering undermines legitimate economies, thereby raising costs incurred by public and private industry, and reducing productivity of business through unfair competition and market distortion (Gueddari et al., 2024). The effects of money laundering can damage long-term economic growth, while increasing volatility in the banking sector and reducing inward foreign investment (Nazar et al., 2023). Such effects contribute to the instability of the global

[1] The Pandora Papers was a leak of almost 12 million documents that expose hidden wealth, tax avoidance and money laundering by prominent individuals and politically exposed persons (PEPs). The Pandora Papers leak included 6.4 million documents, almost three million images, more than a million emails and almost half-a-million spreadsheets.

financial system, threatening the functioning of fair democracies.

Further, the INTERPOL Global Financial Fraud Assessment has emphasised the global expansion of human trafficking for the purpose of forced criminality in call centres, particularly to carry out ‘pig-butchering’ scams. These scams (predominantly carried out of call centres in Southeast Asia) combine romance and investment frauds and utilise cryptocurrencies.

INTERPOL Secretary General Jürgen Stock said:

> “We are facing an epidemic in the growth of financial fraud, leading to individuals, often vulnerable people, and companies being defrauded on a massive and global scale.” (INTERPOL, 2024, para. 4)

Therefore, addressing the global threat of money laundering is vital. Understanding how money launderers operate will enable law enforcement, regulators and other authorities to better identify suspicious transactions, trace criminal proceeds, and investigate and prosecute illicit activities. This report reexamines the ‘Placement–Layering–Integration (P-L-I) model of money laundering that is so often advocated in government and academic literature. It acknowledges the limits to this model and considers alternative perspectives. In doing so, this report offers new insights towards contributing to the global efforts in combating money laundering.

Predicate Crimes to Money Laundering

A predicate crime is any underlying criminal activity that generates profit, or which aids or is connected to the laundering of funds. Predicate crimes vary by jurisdiction and typically include serious offences. These crimes provide the illicit proceeds that individuals or organisations attempt to integrate into the legitimate financial system through money laundering. Each country may have specific legislation that details which crimes are considered predicate offences to money laundering as guided by the Financial Action Task Force’s (FATF, 2023) latest Recommendations.

> Countries should criminalise money laundering on the basis of the Vienna Convention and the Palermo Convention … and … apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences. (p. 12)

The FATF has published a broad list of designated categories of offences that may be considered predicate crimes and stipulates that the list of these offences is not exhaustive. A total of 22 predicate crimes are listed under the European Union’s 6th Anti-Money Laundering

Directive. Table 1 lists examples of predicate crimes.

Drug trafficking	The illegal production, distribution, and sale of drugs.
Fraud	Deceptive practices intended to secure an unfair or unlawful gain.
Grievous bodily harm	Inflicting wounding or other severe physical injury on someone.
Bribery	The offering, giving, soliciting, or receiving of any item of value as a means of influencing the actions of an individual holding a public or legal duty.
Corruption	Acts involving bribery or dishonestly misusing power by government officials or individuals in high office or status.
Terrorism financing	Providing financial support to terrorist activities.
Human trafficking	The illegal trade of humans for exploitation
Tax evasion	Illegally avoiding paying taxes owed or abusing the tax system through illegal means.
Smuggling	The illegal import or export of goods.
Environmental crime	Illegal activities causing significant harm to the environment, including the trafficking of wildlife specimens.
Insider trading	Trading securities based on non-public, material information.
Forgery	The act of falsely making or altering a document with the intent to deceive.
Murder	The unlawful killing of another person.

Table 1. Examples of predicate crimes to money laundering.

Predicate crimes are closely linked to money laundering and should be considered and persecuted as a separate offence. As figure 1 illustrates, the illegal profit that is generated can be reinvested in the commission of further crimes.

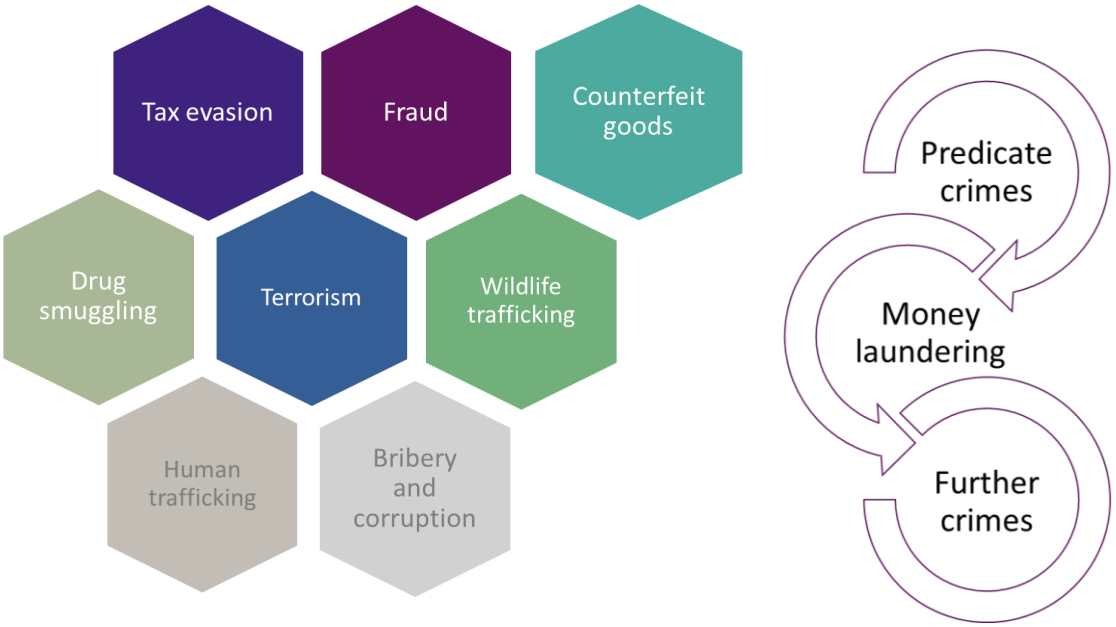

Figure 1. A predicate crime is any underlying criminal activity that generates profit, or which aids or is connected to the laundering of funds. The illegal profit that is generated can be reinvested in the commission of further crimes.

Matanky-Becker and Cockbain's (2022, p. 405) study of money-laundering investigations raised concerns about the usefulness and relevance of the P-L-I model to tackling predicate crimes. Their study found that the P-L-I only applied in under a third of the cases they analysed and may not apply in 'simple' money-laundering cases. They found that there was no predicate offence, or at least the predicate offence was unknown, in 68% of the sampled cases. This led Matanky-Becker and Cockbain (2022, p. 425) to conclude that the P-L-I model "could potentially be misinforming and misdirecting anti-money laundering efforts".

Furthermore, according to EUROPOL's (2021) Serious and Organised Crime Threat Assessment (SOCTA) more than 80% of active criminal networks in the European Union utilise legal business structures for their criminal activities. About half of all criminal networks set up their own legal business structures or infiltrate businesses at a high level. Money service providers, offshore companies and cash-intensive businesses involved in hospitality and retail, are used to move and launder illicit profits. Meanwhile, currency exchanges facilitate the integration of criminal proceeds into the legal economy. Obscuring the source and ownership of funds facilitates untraceable payments as part of corruption schemes. Consequently, those who have been corrupted and have accepted bribes can hide their illicit funds, creating more difficulties for the detection of criminal activity. The Pandora Papers revealed that many of those hiding assets in offshore locations are high-level political elites or Politically Exposed Persons (PEPs) i.e. persons entrusted with prominent public functions, their immediate family members, or persons known to be close associates of such persons, are particularly vulnerable to

corruption.

Enhanced EU anti-money laundering (AML) legislation and resulting increased financial supervision within the banking sector, has encouraged criminal networks to avoid traditional banking channels to introduce illicit proceeds into the legal economy. Money laundering activities have become displaced towards sectors with nascent, or limited controls and oversight, including as underground remittance agencies, alternative banking platforms, international trade, and anonymous virtual currencies. The use of virtual currencies is another area of growing concern, due to the absence of a common regulatory regime and the level of anonymity these products offer.

The underlying mechanics of money laundering have not changed over time. However, how money laundering is being implemented is a reflection of the technological changes inherent in today’s society. In addition to the increased criminal use of cryptocurrencies, the ever-growing digitalisation of public administration means that targeting individuals within companies and public services has become simpler. These individuals, once targeted, can then manipulate processes and decisions in digital systems.

Therefore, addressing predicate crimes to money laundering requires a multi-faceted approach involving updated regulations, international cooperation, technological advancements, and strong public-private partnerships. Ongoing research and proactive measures are essential to thwart the criminals who continuously seek to adapt their methods to exploit vulnerabilities in the financial system.

The Traditional Three-Stage ‘Placement–Layering–Integration’ Model

Money laundering has traditionally been taught as a process involving three distinct stages: placement, layering, and integration. These stages help to separate the criminal proceeds from its source and avoid detection by law enforcement and other interested authorities. This is represented as a cycle as shown in figure 2. The P-L-I model describes a methodical strategy that money launderers employ to infiltrate financial institutions and eventually reintroduce ‘cleaned’ money back into the economy. This cycle starts when illicit money is first injected into the financial system, continues with a number of intricate transactions to cover up the money's true source, and ends when the money is reintegrated into the economy as ostensibly legitimate funds. The P-L-I model has been depended upon since the creation of the FATF in 1989 to direct Anti-Money Laundering (AML) policies and measures aimed at identifying and stopping money laundering. The stages of the cycle are described below.

Placement

Placement involves introducing funds into the formal financial system, for example, crediting cash into a bank account, structuring funds, or combining deposits with legitimately obtained profits, such as those from a respected business.

Layering

Layering refers to the technique of redirecting funds already in the financial system through a series of complex transactions to obscure their trail. This stage can involve mixing criminal proceeds with legitimate funds to confuse the money trail or using offshore companies and bank accounts to distance the illicit funds from the source.

Integration

Integration involves layered funds being incorporated back into the financial system through the purchase of luxury goods, real estate, or other investments and earnings that appear to have been legitimately obtained.

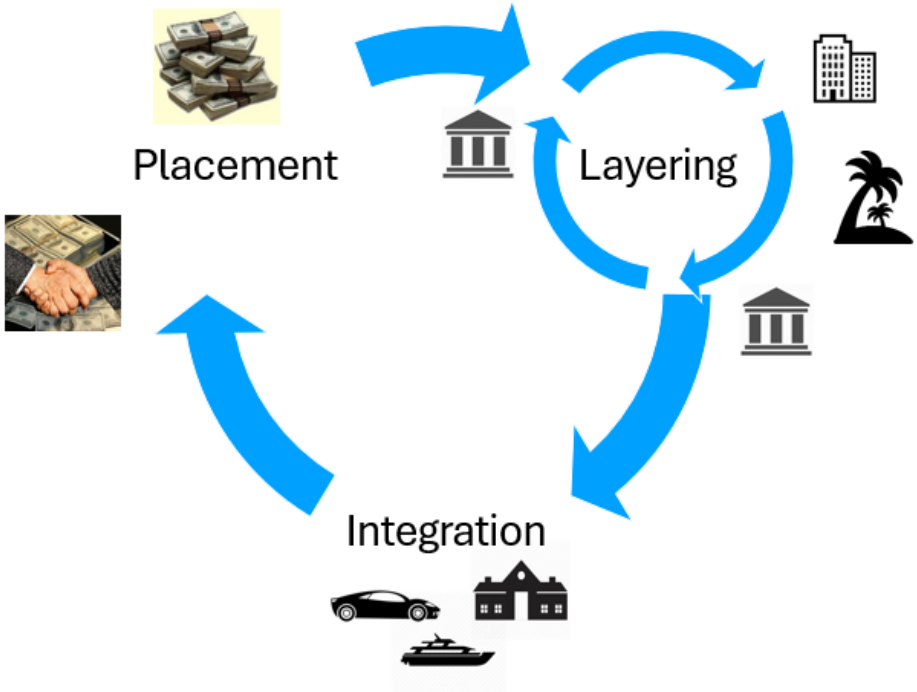

Figure 2. A traditional three-stage model of the money-laundering process.

Limitations with the P-L-I model

Money laundering is essentially “making a benefit from any criminal conduct” (Menz, 2019, p. 621). The conventional three-stage model of money laundering offers a basic knowledge of how criminals might seek to benefit from criminal conduct, but it needs to be continuously modified to stay up with the latest developments in technology and increasingly complex laundering schemes (Keesoony, 2016). It is important to consider *why* money laundering occurs to identify patterns in occurrence and help trace who is involved (Gilmour, 2022, 2023). Criminals frequently adapt to changing AML measures imposed by governments and often find new ways to conceal their criminal proceeds quicker than many governments can implement new laws (Gilmour, 2022, p. 189). The misalignment of the P-L-I model with the prosecutorial requirements in a money laundering case is also problematic. While the P-L-I model may assist investigators in deciphering complex transactions, prosecutors must focus on proving the specific elements of the crime itself rather than the methods used to commit it. This distinction highlights the discrepancy between investigative approaches and legal standards in court (Gilmour, 2020).

The three-stage P-L-I model does not easily account for funds that are already placed within the financial system, which means many authorities may be unaware of the link between criminal proceeds and established placement methods. A significant flaw in the traditional P-L-I model is its reliance on cash-based criminal activity. A new aspect of layering has emerged with the growing usage of digital platforms and cryptocurrencies, as these technologies provide anonymity and enable cross-border transactions without the need for an intermediary.

Moreover, illicit money can remain part of the conventional financial system without having to be reinvested in other assets. They can be simply spent at casinos and nightclubs without being saved for other projects. Fraudulent investment plans do not entail the ‘placing, layering, or integration’ of funds; rather, they involve money laundering through subsequent investments.

Finally, the P-L-I model cannot account for the diverse methods used in money laundering. In reality, almost any financial transaction can constitute a money laundering offence if it meets the legal criteria. Many of these transactions do not involve the initial placement of large sums into the financial system, nor do they necessarily include complex schemes to obscure the money's origin or ownership.

Case Studies

Money laundering is often romanticised in government policy literature as a form of ‘serious and organised’ crime with illustrations of complicated case studies, which is counterproductive. This language is unhelpful because it presents money laundering as a complicated process, when in many cases, it is quite simple. This section presents several case studies to illustrate some key methods used by money launderers to demonstrate some simple money-laundering methods and how applying the traditional P-L-I model in all money-laundering cases can be limited.

Trade-Based Money Laundering

Trade-based money laundering (TBML) involves criminals exploiting trade transactions to transfer the value of funds through the manipulation of trade invoices. The purpose of TBML is using trade transaction manipulation, a strategy to transfer value, while hiding the money's illegal source (Cassara, 2016). TBML can involve:

- Over- and under-invoicing of goods and services.
- Multiple invoicing of goods and services.
- Over- and under-shipment of goods and services.
- Falsely described goods and services.
- Phantom or non-existent shipments.

TBML is possibly the largest and most widespread money-laundering technique worldwide. Much international focus is on addressing the illicit flows through the global financial system, which ignores the threat posed by TBML (Menz, 2019, p. 617). There are three main methods of TBML:

1. Utilising financial institutions,
2. Bulk cash smuggling, and
3. Transferring value through authorised commerce channels (FATF, 2006).

According to Cassara (2016), the international community has closed down the first two options—using financial institutions and transporting large amounts of cash—pretty well through enforcement of regulations. Through strict laws and enforcement actions, the international community has considerably reduced the utilisation of financial institutions and the smuggling of bulk sums of money. As a result of this, criminals are now depending more and more on the third approach—transferring value through authorised commerce channels—which is still challenging to detect and regulate.

The conventional P-L-I money laundering model falls short of capturing the subtleties and realities of TBML. It can involve numerous entities across multiple jurisdictions, and indirect placements where criminals may not physically deposit large sums of money, making it distinct from the typical methods seen in the P-L-I model.

Owing to these variations, TBML necessitates detection and prevention techniques that surpass the conventional P-L-I model. Effective anti-money laundering initiatives in the global economy depend on an understanding of and response to the difficulties presented by TBML. Figure 3 shows the over- and under-invoicing of goods as an example of TBML.

Figure 3. Over- and under-invoicing of goods—an example of TBML.

Crypto Laundering

Criminals employ various methods to launder money through cryptocurrencies. Unlike traditional physical assets and fiat money, cryptocurrencies exist virtually on a distributed ledger system based on blockchain technology independent of a central authority. They offer a degree of anonymity through virtual wallets and computer-coded pseudonyms to transact, rather than the real-identifiers of traditional bank accounts. Anonymous virtual accounts help criminals to deposit funds, which are then cash out. Unlimited accounts can be opened on cryptocurrency exchanges and financial activities can be easily hidden. There are six methods that criminals typically use to launder their illicit funds:

1. Tumbling or mixing services.
2. Over-the-counter (OTC) services.
3. Privacy coins.
4. Decentralised exchanges (DEXs).
5. Retail transactions using cryptocurrency.
6. Cryptocurrency mining.

For example, criminals can use a cryptocurrency tumbler or cryptocurrency mixing service to

transfer their illicit crypto assets to the wallet addresses specified by the service (Şahin, 2023, p. 5). Cryptocurrencies are collected and mixed from many different customers, then sent to new wallet addresses. In the final stage, laundered money is converted into cash using PayPal or Western Union. Therefore, the transaction chain is disrupted and anonymised to obscure their origins.

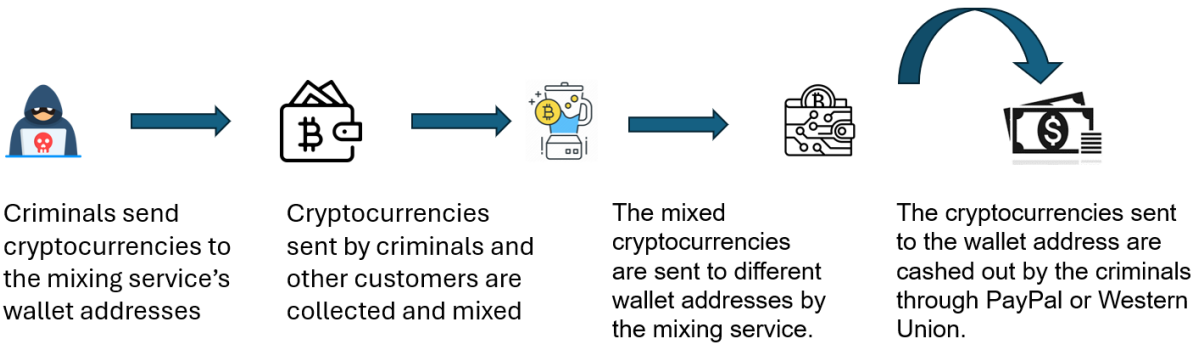

Figure 4. Crypto Laundering.

Street-Level Drug Dealing

The UK's National Crime Agency has recognised that many organised crime gangs use vulnerable individuals to sell drugs at a street level. For example, drug users may be forced to supply drugs to others, and they can then be convicted of possession with intent to supply offences under the Misuse of Drugs Act 1971. The street-level selling of drugs generates profit, which criminals will need to launder to disguise its origin.

Illegal cash obtained through street-level drug dealing that is then concealed under floorboards or stairs in someone's house, intended for future drug investments, for example, are never placed into the traditional banking system. Yet, it is entirely possible to legitimately spend that cash through hairdressers, car washes, laundrettes, and other cash-intensive businesses, without using a bank account. Such funds also do not need to be layered to be spent.

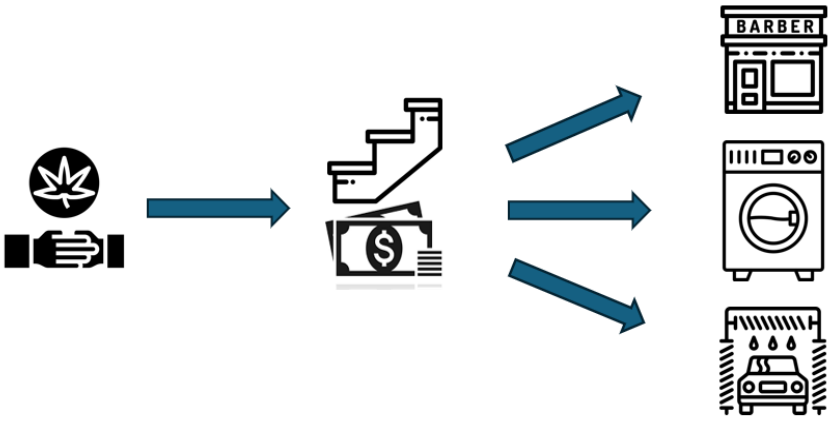

Figure 5. The concealment of cash derived through street-level drug dealing (and the possession of drugs themselves) is also a form of money laundering.

Informal Value Transfer Systems

Informal value transfer systems (IVTS) are alternative and unofficial remittance systems that predate modern banking systems. These involve casual agreements within a network of trusted people overseas acting as “financial service providers” to transfer funds across jurisdictions without funds ever entering the formal economy. An example includes ‘Hawalas’ and other similar service providers (HOSSPs) that arrange for the transfer and receipt of funds (or equivalent value) and settle through trade, cash, and other goods over an agreed period. The intention here is not to place or integrate any funds into the formal economy, rather, to transact through a trusted network of brokers, known as hawaladars. While hawaladars are spread throughout the world, they are mainly located in the Middle East, North Africa, the Horn of Africa and the Indian subcontinent. Informal banking systems, such as Hawala rely on trust, secrecy, and embeddedness, where Hawaladars are strongly connected to their own ethnic community (see van de Bunt, 2008). It should also be noted that Hawalas might still involve ‘layering’ because they can help to distance and obscure the origins of illicit transactions.

Another example is Fei-ch’ien, originating from China. Fei-ch’ien (flying money) represents an ancient IVTS that originated during the reign of Emperor Xianzong. It is a popular underground method for transferring money between different locations, allowing for faster and simpler money transfers independent of official banking systems. The network provides various laundering methods, including triangular transactions, fake invoices, shell companies, and even in person cross-border cash transportation. The global presence of the Chinese diaspora makes it a preferred choice for criminals. For example, in a recent European police case involving the Italian Mafia 'ndrangheta, the Chinese Fei-ch’ien network laundered at least tens of millions of euros for the mafia (Klaubert & Schiller, 2023).

Consider this example of how an IVTS works, while acknowledging that there are many local variations of IVTS throughout the world. Imagine someone wants to send money in Country A to someone in country B. However, the person in Country A does not have a traditional bank account, does not trust regulated financial institutions, or simply wants to avoid placing their illegal income into a bank account, so that they can avoid detection of law enforcement or tax authorities. They will instruct a trusted broker or dealer in their own country to transfer a password or remittance code to another broker in country B to facilitate the transaction. Once the remittance code has been passed from the broker, and the sender has also sent the same code to the receiver, the broker in country B will transfer cash to the receiver. The broker in country B must trust the broker in country A to settle their debt at a later date. Therefore, no actual money has been directly transferred between the sender in country A and receiver in country B.

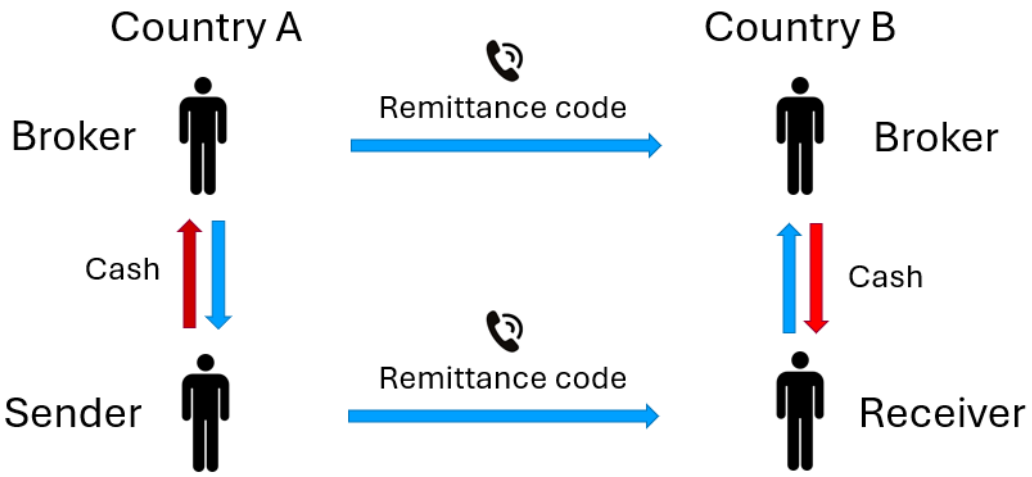

Figure 6. The Informal Value Transfer System (IVTS).

Some other examples:

- In June 2019, 10,400 kg of shark fins worth $208,000, to be shipped to the Philippines, were seized by Mexican customs officials. The shark fins were concealed in cardboard boxes and had export permits with false information.
- The terrorist attacks in Mumbai, India in 2008 were purportedly financed using the Hawala network. The attackers used Hawaladars to transfer money from Pakistan to India to fund the attacks and enabled the terrorists to move funds undetected, making it difficult for law enforcement to identify the source of the terrorist finance.
- Fei-ch'ien was used to facilitate payments in a rosewood smuggling scheme.
- Two individuals from the United States were charged with smuggling 3,100 wildlife products. They sold the goods using eBay and accepted payments via PayPal.

Alternative Models

Generation–Consolidation–Placement–Layering–Integration–Realisation

Broom (2005) expands the three-stage P-L-I model of money laundering by recognising the criminal conduct that occurs prior to the placement stage, and the benefit that launderers gain following the integration of proceeds of crime into the legitimate economy. Broom's (2005) five-stage model of 'Generation–Consolidation–Placement–Layering–Integration–Realisation' first considers how the source of illicit wealth is generated and the preparatory conduct that launderers must first undertake to successfully launder that illicit wealth. This model highlights that understanding the generation of criminal proceeds is crucial in identifying indicators that might help to predict potential money-laundering activity.

Second, money launderers unify their preparatory efforts through association with others and compromising on expertise and opportunities to ensure illicit wealth enters the traditional money laundering cycle in a cohesive manner. This 'Consolidation' stage applies to both cash and non-cash-based financial crime environments. Consolidation involves formulating and perfecting criminal associations and beneficial interests to thwart regulatory 'know your client' efforts. Broom (2005) argues that consolidation is crucial to money launderers being successful in placing illicit wealth into the financial system and offers key indicators of vulnerability. In doing so, understanding how the proceeds of crime are generated and consolidated helps to contextualise the launderers' placement efforts.

The model assumes the proceeds of crime are then laundered via the traditional three stages of placement, layering and integration. After integration, funds are reconnected with the launderer based on their expanding wealth through a final stage of 'Realisation'. Criminal proceeds are particularly vulnerable to detection during the realisation stage due to the quantity of excessive wealth reunited with the criminal and the timing of that acquisition. Realisation is helpful to acknowledge the movement of laundered proceeds of crime beyond Integration. Understanding the realisation of criminal proceeds enables authorities to discern varying amounts of financial flows, or better identify patterns or inconsistencies across the money-laundering process.

Regulators and private sector practitioners may find Broom's (2005) model useful in predicting and identifying money laundering, and raising and justifying suspicious transaction reports throughout their due diligence and compliance efforts. However, police and other law-enforcement officials carrying a criminal burden of proof will still need to prove all stages of money laundering to successfully prosecute offenders.

Enable–Distance–Disguise

Platt’s (2017) Enable–Distance–Disguise framework simplifies previous models of money laundering and arguably incorporates a broader range of facilitation and laundering activities. This model places more emphasis on ‘professional enablers’ (for example, lawyers, accountants, bankers, and trust and company service providers, and other intermediaries) that help to distance the proceeds of crime and potential criminal actors or other entities from the original source of criminality (Goldbarsht, 2020; Levi, 2021; Lord et al., 2019). Indeed, this model recognises that criminals can enable, distance and disguise the proceeds of crime at any stage of the money-laundering process.

This model outlines that criminals can appoint professionals to leverage their access to financial markets and knowledge of legal and corporate processes (Gilmour, 2023). For example, professionals might create and employ anonymous shell companies for another to hold and disguise illicit wealth. The corporate structure might involve companies registered in an offshore tax haven with strict client confidentiality or lax anti-money laundering rules. Professionals can provide a façade of legitimacy and moral authority to criminal conduct to enable the widespread abuse of the financial system. The 2016 Panama Papers highlighted the widespread role of professionals in facilitating criminal conduct on behalf of their clients through the use of offshore shell companies (de Groen, 2017; Christensen, 2012). Further, the company might hold assets managed by a nominee shareholder or trust arrangement to obscure funds and create distance from the real beneficiary.

Illicit wealth is then deposited into bank accounts to transform cash into luxury goods through multiple transactions or shareholdings to avoid the illicit wealth being traced. This creates distance of origin and ownership, in this case, between the illicit wealth and the luxury goods.

To disguise the source of the illicit wealth and avoid detection, the criminal might directly employ a trust arrangement that allows the transfer of the ownership of assets to a nominated trustee to be held for the trustor's beneficiaries. A company is registered in the trustee’s name, which further disguises the link between the criminal and the luxury goods.

Although this ‘Enable–Distance–Disguise’ model helps to explain how professionals might enable mechanisms and corporate structures, and distance and disguise the proceeds of crime. Yet, it overlooks how money is laundered without professional intermediaries or companies as found in casual or underground banking settings. Money laundered through trade transactions entails the simple transfer of value, while informal value transfer systems (IVTS), such as Hawala, have little or no involvement with traditional banking systems, professionals, or use of companies. Moreover, there are often actions by money launderers that overlap each

stage of the ‘Enable-Distance-Disguise’ process. This highlights some ambiguity and concern over the usefulness of this model.

APPT framework

The APPT framework by Tiwari et al. (2023) highlights the environmental and social factors that explain launderers’ choice of technique: the actors involved, predicate crime, purpose of laundering, and technological innovations. The criminal ‘actor’ committing the predicate crime may differ to the launderer of the proceeds of that crime and will be determined by their capability to partake in criminal conduct. The launderer might be the same person responsible for the predicate crime, or some other non-criminal entrusted from either the formal or informal economies. The predicate crime influences the decision of who is going to launder funds, whether the purpose of the laundering is to invest in further crime or simply clean the source of the dirty money. The amount of illicit funds, nature of the predicate crime, and where that crime occurs are also key determinants of launderers’ choice of technique. Technological innovations adopted might involve a range of electronic or computer-based tools required to facilitate the laundering of funds, which are becoming more readily available to the criminal. The money laundering technique (whether technological intensive, or less dependent on technology) ultimately employed by criminals will depend on their access to technology and technological capability.

It is important to note that the factors underpinning the APPT framework are largely interrelated and interdependent. The notion of the non-criminal ‘actor’ facilitating the laundering of funds integral to the APPT framework also draws some parallels with Platt’s (2017) perspective of the professional enabler. In this regard, the APPT framework primarily seeks to understand the decision making of launderers in determining their choice of laundering technique and how those decisions apply to new money-laundering cases, but is less concerned about the structured process of money laundering.

Conclusion

The rise of cryptocurrencies, online banking platforms, and digital wallets has introduced new layers of complexity to combating money laundering. These technologies offer anonymity and facilitate cross-border transactions, making detection and enforcement more challenging. Methods, such as trade-based money laundering, crypto laundering, street-level drug dealing and IVTS, illustrate how modern techniques can bypass traditional detection frameworks.

Various new models have been developed to support the understanding of money-laundering processes beyond the outdated P-L-I model. Broom’s (2005) inclusion of the ‘Consolidation’ stage helps to clarify how criminal associations and beneficial interests are formulated to thwart regulatory ‘know your client’ efforts. The ‘Realisation’ stage highlights the vulnerability of criminal proceeds during the final phases of money laundering where excessive wealth is reunited with the launderer, so those criminal proceeds are better detected. Platt (2017) incorporates a broader range of facilitation and laundering activities and places more emphasis on ‘professional enablers’ of money laundering. Meanwhile, the APPT framework developed by Tiwari et al. (2023) offers insights into how money launderers determine their preferred laundering technique.

This report argues that by broadening the understanding of money laundering and updating the traditional frameworks to encompass modern techniques and technologies, law-enforcement officials, policymakers, and financial institutions can better combat money laundering and strengthen global AML efforts.

The report advocates for a two-pronged approach that updates and broadens the understanding of money laundering and moves beyond the limits of the P-L-I model. First and foremost, money laundering should simply be viewed as any activity that generates benefit from any criminal conduct. Second, money laundering involves the transfer of value: it does not matter whether this value is represented as cash, indirect monetary gain, or through intangible assets. Through adopting this new approach, law-enforcement officials, policy makers and other professionals will better appreciate the variety of money-laundering methods and the context in which money launderers operate towards strengthening international anti-money laundering efforts.

In practice, this means AML authorities and financial professionals need to adopt more sophisticated, flexible strategies to detect and prevent money laundering. This involves understanding that money laundering can take many forms. There needs to be greater focus on developing intelligence on the criminal networks (including the professional enablers) and the methods they employ to gain a richer understanding of the breadth of money-laundering activities. There needs to be greater investment in training and learning programmes to remain

current with technological advancements in digital currencies, online transactions, and other emerging methods of money laundering. Combating money laundering effectively in the digital age requires stronger collaboration and knowledge exchange between different jurisdictions, financial professionals, and technology providers. This is especially the case when dealing with cross-border transactions facilitated by trade, or cryptocurrencies and other digital platforms.

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