

PROFESSIONAL MONEY LAUNDERING

STRATEGIC ANALYSIS
REPORT

Strategic Analysis Section

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The measures and indicators described in this report are not exhaustive and this report does not set limitations on the steps to be taken by obliged entities in order to meet their legal and regulatory obligations. In devising internal processes, establishing red flag indicators, and taking decisions to file suspicious activity or transaction reports, obliged entities should consider any other factors and indicators and take any other measures as appropriate to their activity.

For comprehensive guidance on AML/CFT-P obligations in Monaco, obliged entities should continue to refer to the law (loi n° 1.362 du 3 août 2009 relative à la lutte contre le blanchiment de capitaux, le financement du terrorisme et de la prolifération des armes de destruction massive et la corruption, modifiée) and to AMSF Generic Guidelines.



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OVERVIEW

WHAT IS PROFESSIONAL MONEY LAUNDERING?

The Financial Action Task Force (FATF) defines professional money laundering as the provision of money-laundering services in exchange for a commission, fee or other type of profit.

WHY CRIMINALS SEEK PROFESSIONAL MONEY LAUNDERING SERVICES

- To support illicit activities at a transnational scale and often high level of complexity
- To conceal the criminal nature of their activities behind a seemingly legitimate paper trail, often by misrepresenting the amounts of funds and goods, their movements, location, disposition or property

WHAT MAKES IT PROFESSIONAL

BUSINESS NATURE

Professional money laundering is the act of an external service provider, as opposed to strictly in-house. As such, professional money launderers may serve multiple criminals, advertising their services by word-of-mouth or on illicit marketplaces, such as darknet or encrypted platforms. Crucially, some professional money launderers maintain a licit activity alongside their illicit ones.

LEVEL OF EXPERTISE

Professional money launderers are sophisticated actors who exploit their knowledge of loopholes in regulatory frameworks, banking systems, and corporate structures. They may also use advanced technological tools. As a result, they are often present in high-value organised crime groups and networks.



TYOLOGICAL ANALYSIS

The Financial Intelligence Unit's operational activities have allowed to identify typologies which illustrate and contextualise the phenomenon of professional money laundering.

Each of them corresponds to a scheme which is common to several cases, and is presented so as not to reflect the exact circumstances of any individual case.

TYOLOGY 1

EXPLOITING FALSE INSURANCE POLICIES TO HIDE ILLICIT TRADE

Company A is a road transport firm incorporated in Country Alpha. It holds accounts with financial institutions in Monaco.

These institutions report unusually high insurance premium payments from Company A to Company B, an insurance firm incorporated in Country Beta which provides insurance for Company A's trucks and cargo.

One of Company B's former beneficial owners, Mr X, has been the object of adverse media coverage for his alleged links to organised crime.

It appears upon investigation that Company A is operating as a front for illicit transnational trade. In doing so, it relies on fraudulent insurance policies from Company B.

The insurance policies misreport the nature, origin, price, and destination of goods, making them consistent with false customs statements produced by Company A which give its activities an appearance of low risk.

The overvalued premium payments allow Company A to compensate Company B for its role in the money-laundering scheme.

TYOLOGY 1

EXPLOITING FALSE INSURANCE POLICIES TO HIDE ILLICIT TRADE

Red-flag indicators

- Atypical premium payments unrelated to insurance risk
- Transfers and insurance contracts involving multiple jurisdictions
- Adverse media exposure of connected individuals

Conclusion

The case involves structured laundering using multiple professional launderers. Each actor plays a distinct role in a compartmentalised scheme.

They operate in separate jurisdictions and appear legally and financially independent, which reduces the visibility of the scheme when examined through a single lens.

This illustrates the interconnected nature of those activities, which may form part of an even larger criminal network.

TYOLOGY 2

MOVING FUNDS THROUGH A LEGAL INTERMEDIARY

Company C is a commercial company incorporated in Monaco. It has received repeated transfers from Company D, a law firm from Country Delta.

The payments are recorded under vague labels, such as “contractual settlement” and “escrow release”.

Company C provides limited service or contract history to justify the transactions.

The operational analysis reveals that Company D, acting as an intermediary, is pooling funds transfers from multiple sources and clients before remitting them in bulk to Company C.

International co-operation later allows to determine that one of the payments originates from a bank account in Country Omega, a high-risk jurisdiction.

Company D is thus mixing funds from Country Omega with low-risk funds - a tactic known as blending.

The transfers originating from Country Delta thus seem, at first glance, less risky than if Company C were receiving them directly from Country Omega.

TYOLOGY 2

MOVING FUNDS THROUGH A LEGAL SERVICE PROVIDER

Red-flag indicators

- Incoming transfers from foreign legal intermediaries with limited supporting documentation
- Unknown origin of funds
- Repeated use of generic transaction labels
- Link with a high-risk jurisdiction

Conclusion

The scheme allows to move funds from high-risk jurisdictions through a seemingly legitimate intermediary, using the Monaco-based company as a pass-through.

This typology exemplifies how legal professional money launderers can circumvent scrutiny by AML/CFT-P actors. The use of blending is also present in many professional money-laundering schemes - involving, among others, payment aggregators for online merchant services, invoice factoring firms, and cryptocurrency tumblers.



RED-FLAG INDICATORS

The red-flag indicators presented below are warning signs of potential illicit activity, identified by the Financial Intelligence Unit through the analysis of recent operational cases and international publications on the modus operandi of professional money launderers.

They must be evaluated cumulatively and in light of contextual risk factors.

RED-FLAG INDICATORS

PROFESSIONAL INTERMEDIARIES

- Use of legal, accounting, corporate or other service providers to act as a buffer between the client and financial institutions, especially where their involvement has no clear business rationale
- Intermediaries managing client funds or assets through accounts in their own name, particularly where the client remains undisclosed
- Frequent switching between law firms, accountants, trust and corporate service providers
- Use of third-party professionals located in high-risk jurisdictions without a clear business rationale

INSURANCE-BASED MECHANISMS

- High or suddenly increasing insurance premia without clear connection to the insured activities
- Frequent or increasing insurance claims

TRANSACTION PATTERNS

- Use of trust accounts or escrow mechanisms to move funds without clear contractual justification
- Change in transaction patterns, especially in the case of a professional intermediary
- Sudden and significant provision of immaterial services (consulting, advertising, marketing, insurance, licensing, brands...) without a track record in such activities
- Use of shell companies or multiple accounts without a clear economic rationale
- Unjustified use of alternative payment methods (e.g. virtual assets)
- Generic or seemingly coded transaction labels

RED-FLAG INDICATORS

TBML (TRADE-BASED MONEY LAUNDERING)

- Involvement in trade transactions that are inconsistent with the customer's business profile
- Inconsistencies between trade records (contracts, customs declarations, insurance policies or other document)
- Signs that a document recording trade might have been forged as part of under-/over-invoicing or other known TBML schemes

ADVERSE MEDIA

- Negative press coverage by generalist or investigative media suggesting connections with organised crime groups
- Associated persons or entities flagged as having been the object of sanctions and/or convictions

COMPANIES AND CORPORATE STRUCTURES

- Use of multiple layers of companies and trusts without clear economic rationale
- Incorporation of multiple shell companies with similar names, suggesting templated formation
- Use of bearer shares, nominee shareholders, or other means of opacifying beneficial ownership
- Rapid changes in ownership or directorship, particularly when linked to high-risk jurisdictions
- Involvement, in the commercial and financial circuit, of a short-lived company, or short-term reactivation of a formerly inactive company

RED-FLAG INDICATORS

FINANCIAL STATEMENTS

- Inconsistencies between a legal person's financial statements, its reported revenues, its known operations and/or its tax information
- Audited financial statements signed by auditors with no online presence or verifiable physical address
- Cash-flow statements which do not match transactional activity or do not reflect a viable business model
- Signs of shadow record-keeping, such as coded references or paper records

ADVERTISING

- Dummy advertising, including poor quality of materials, limited informativeness, or other signs that a company or professional does not actively seek licit clients
- Open promotion of services which may be particularly advantageous to criminals, such as registration of ships in non-targeted jurisdictions
- Covert promotion of money-laundering services through word-of-mouth or darknet advertising

INTERNATIONAL LINKAGES

- Transactions involving jurisdictions with weak AML/CFT-P regulations, or presenting any potential advantage for criminals
- Movement of funds between countries with no apparent business reason, seemingly to exploit regulatory gaps



CONCLUSION

Through the study of typologies and indicators, this report supports the detection of activity and transactions which may give rise to the identification and reporting of suspicions of professional money laundering.

The AML/CFT-P ecosystem in Monaco must stay alert and informed on fast-evolving professional money-laundering modus operandi. Co-operation between reporting entities, financial intelligence and other national authorities is critical to identifying those actors, as well as prosecuting the criminal organisations they support.



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