

DATE OF CLASS : 17 JUNE 2021

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MBA SEM I / SUB - MB 104 AFA / UNIT 5

TOPIC : LAYERING

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Crimes that generate significant financial proceeds, such as theft, extortion, drug trafficking and human trafficking, almost always require a money laundering component so that criminals can avoid detection by authorities and use the illegal money that they make in the legitimate economy.

Given the regulatory scrutiny on money laundering in most jurisdictions, criminals must develop a laundering process that evades anti-money laundering (AML) controls. To this end, criminals incorporate layering into the process to better conceal the illegal source of their funds.

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To detect Layering, it is important to understand its place in the money laundering process...

Layering is essentially the use of placement and extraction over and over again, using varying amounts each time, to make tracing transactions as hard as possible.

### Pre Layering

The ML process begins after criminals acquire illegal money or funds from criminal activity and seek to introduce them into the legitimate financial system. Accordingly, the first stage of the money laundering process is known as 'placement'.

Layering is often considered the most complex component of the money laundering process because it deliberately incorporates

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multiple financial instruments and transactions to confuse AML controls. There are numerous approaches to layering available to money launderers.

### Example

- Transferring funds electronically between countries and into and out of offshore bank accounts.
- Moving funds between multiple banks or financial institutions or between accounts within the same institution.
- Converting cash into financial instruments such as money orders, wire transfers, life insurance, stocks, bonds, and letter of credit.
- Reselling high value goods, such as artwork, or any type of store-value product such as - credit card prepaid card or jewelry.



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- Investing in real estate
- Investing in other legitimate business interests
- Setting up or using shell companies to move illegal funds and obscure ultimate beneficial ownership and assets.
- Using professional intermediaries or associates to handle transactions.

When money launderers need to ~~also~~ clean large sum of money the layering process must become more complex and diverse. Some times layering methods will be nested within each other & money will be invested in a business; for example, which will be open multiple ~~to~~ a/c in bank or begin investing in fund on the shell company to provide a security. "

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