

## What is money laundering?

Money laundering is the illegal process of making money generated by criminal activity, such as drug trafficking or insider trading, appear to have come from a legitimate source. The money from the criminal activity is considered “dirty”, and the process “launders” it to make it look “clean”.

Other criminal activities where large amounts of illegal money might be made include:

- › fraud
- › tax evasion
- › smuggling / trafficking
- › embezzlement
- › bribery and corruption.

Money laundering offences assume that a criminal offence has occurred in order to generate the criminal property which is now being laundered. This is often known as a predicate offence. The above are examples of “predicate offences”.

### Circular process

Money laundering is essentially circular in nature - collecting, processing, and returning proceeds of crime “back” to the criminal.

By successfully laundering the proceeds of criminal activities, the illicit gains can then be enjoyed, avoiding seizure or confiscation.

A criminal may, for example, put a deposit down to purchase property with funds received from drug trafficking. They will eventually go on to sell it. This process makes the illegally gained money appear legitimate at the same time as seeking to safeguard and grow the investment value/capital. In this example drug trafficking is the “predicate offence”.

The traditional money laundering cycle is set out below:

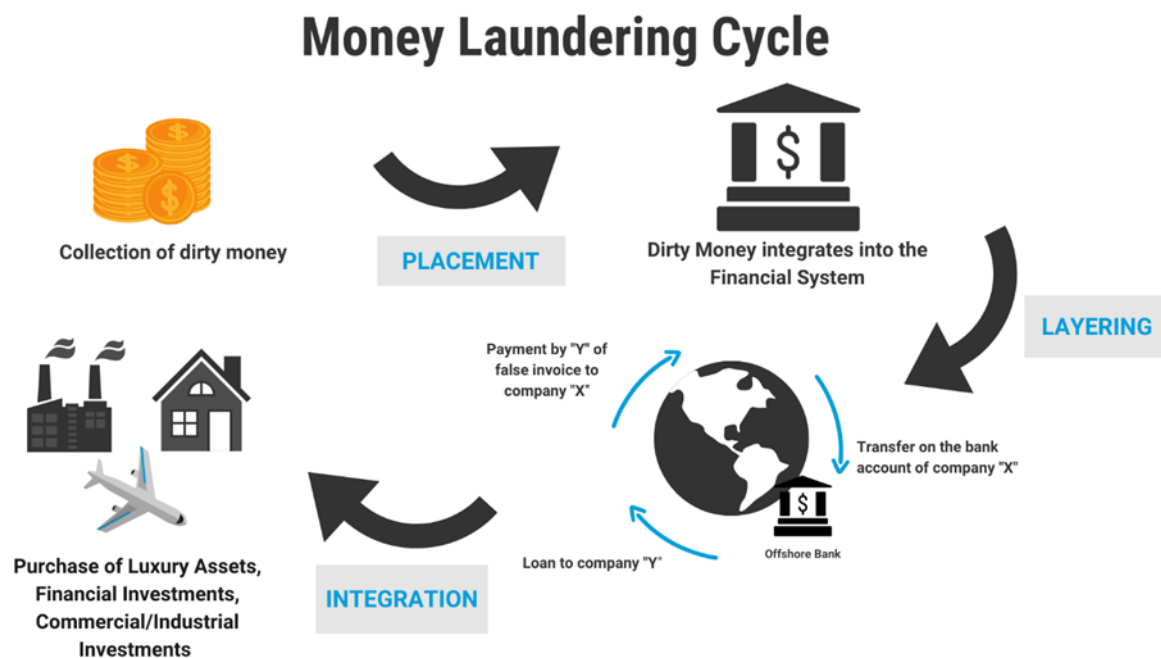


Image source: United Nations Office on Drugs and Crime ([UNODC](#))

In its annual report for 2021 MONEYVAL estimated that funds laundered worldwide had a value ranging from USD500 billion to USD1 trillion.

It is not unusual for the traditional money laundering cycle to use the following, to conceal the true beneficial ownership and control of funds and other assets.

- › complex corporate structures
- › offshore jurisdictions
- › front companies and/or shell companies.

#### Gate-keepers

Money laundering may be facilitated by “gate-keepers”, such as lawyers and accountants, who provide assistance to access the global financial system. These gate-keepers may also provide a perception of legitimacy.

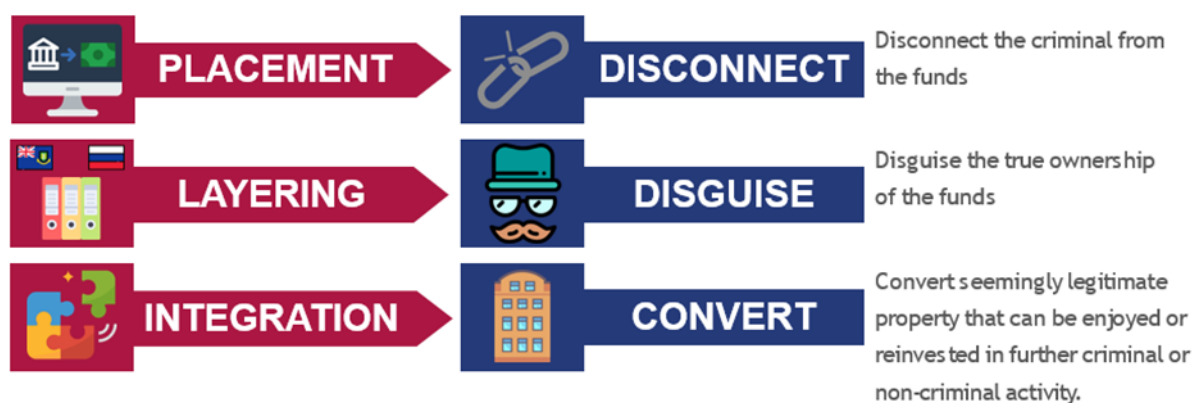
Examples of other forms of money laundering are:

- › handling funds gained from predicate offences
- › handling stolen goods
- › being directly involved with any criminal or terrorist property
- › entering into arrangements to facilitate the laundering of criminal or terrorist property
- › investing the proceeds of crime in financial products and services.

## Money laundering typologies

Money laundering typologies constantly evolve and are often complex.

Newer money laundering trends present new challenges, such as those relating to the emerging virtual assets sector and other elements of “de-centralised finance”. These new ways of transacting remove traditional controls that businesses, such as banks, have on financial flows and associated services. The traditional money laundering model may not fit in such circumstances. An alternative way of considering the process is as follows:



Examples of money laundering typologies can be found on [Government of Jersey](#) and [MONEYVAL](#) websites.

## Money laundering predicate offences and examples

Jersey legislation applies the offence of money laundering to all serious offences. It includes all the designated categories of offences that are listed in the [FATF Recommendations](#).

### Drug trafficking

Drug trafficking is a global illicit trade involving the cultivation, manufacture, distribution and sale of substances which are subject to drug prohibition laws. It involves carrying out, or being concerned in, any of the activities that contravene provisions of the Misuse of Drugs (Jersey) Law 1978, whether in Jersey or elsewhere.

Additional information can be found on the [UNODC website](#).

This FATF report provides interesting studies on financial flows related to the Afghan opiate trade:

[Financial flows linked to the production and trafficking of Afghan opiates \(fatf-gafi.org\)](#)

## Human Trafficking

Trafficking in human beings takes place when someone is taken against their will, bought, sold and transported into slavery for such things as sexual exploitation, sweat shops, child brides, circuses, sacrificial worship, forced begging, sale of human organs, farm labour, or domestic service. It can take place both domestically and internationally and always has an exploitation aspect of trafficking that is absent in migrant smuggling operation.

This FATF report describes the money flows related to these two distinct problems and attempts to assess their scale:

[Money Laundering Risks Arising from Trafficking of Human Beings and Smuggling of Migrants \(fatf-gafi.org\)](#)

## Migrant smuggling

Migrant smuggling is a transnational crime that only takes place across borders. It consists of assisting migrants to enter or stay in a country illegally. Smugglers make a profitable business out of migrants' need and/or desire for a better future in another country, and their lack of legal documents to do so. It often causes migrants significant physical harm, suffering and violation of their human rights.

This FATF report identifies the most common methods to transfer and launder the proceeds of migrant smuggling:

[Money Laundering and Terrorist Financing Risks Arising from Migrant Smuggling \(fatf-gafi.org\)](#)

## Illicit firearms trafficking

Illicit firearms trafficking involves illicit manufacturing of and trafficking in firearms, their parts, components and ammunition.

In Jersey, a licence is required to export military and dual-use items. Dual-use items are those which can be used for both civil and military purposes and include software and technology.

Further information on can be found on the UNODC website.

[The Firearms Protocol \(unodc.org\)](#)

## Corruption

Corruption is the abuse of public office for private gain. The offenses can range from petty or systemic corruption, in which public officials or employees receive money to perform (or refrain from performing) official acts, to what is known as 'grand corruption', where public figures at the decision-making levels of government use their office to enrich themselves, their families, and their associates.

The FATF has prepared reports on the corruption related money laundering typologies and risk assessment:

[Laundering the Proceeds of Corruption \(fatf-gafi.org\)](https://fatf-gafi.org/en/publications/laundrying-the-proceeds-of-corruption/)

[Specific Risk Factors in the Laundering of Proceeds of Corruption - Assistance to reporting institutions \(fatf-gafi.org\)](https://fatf-gafi.org/en/publications/specific-risk-factors-in-the-laundering-of-proceeds-of-corruption-assistance-to-reporting-institutions/)

## **Bribery**

Bribery is the corrupt solicitation, acceptance, or transfer of value in exchange for official action. Along with corruption, bribery has been addressed by FATF within its framework through a series of initiatives, publications and statements available on the [FATF website](https://fatf-gafi.org/en/publications/).

## **Fraud**

Fraud covers a range of offences. These include fiscal offences, such as tax evasion and exchange control violations, and the obtaining of goods or services by deception or false accounting.

Fraud is capable of predicated an offence of money laundering in Jersey. A deliberate false representations made with the intention and consequence of causing actual prejudice to a revenue authority and actual benefit to another, may constitute common law fraud.

For example, this FATF report provides a study on laundering the proceeds of VAT carousel fraud:

[Laundering the Proceeds of VAT Carousel Fraud Report \(fatf-gafi.org\)](https://fatf-gafi.org/en/publications/laundrying-the-proceeds-of-vat-carousel-fraud-report/)

## **Illegal wildlife trade**

Illegal wildlife is a major transnational organised crime which fuels corruption, threatens biodiversity and can have a significant negative impact on public health and the economy.

An example of this crime is illicit wildlife trafficking, which may lead to the spread of zoonotic diseases like rabies and plague.

This FATF report provides examples of good practices and risk indicators to identify potential suspicious financial activity for the illegal wildlife trade:

[Money Laundering and the Illegal Wildlife Trade \(fatf-gafi.org\)](https://fatf-gafi.org/en/publications/money-laundering-and-the-illegal-wildlife-trade/)

## **Environmental crime**

Environmental crime includes, but is not limited to, illicit:

- › land clearance
- › logging
- › mining and
- › waste trafficking.

This FATF report provides examples of good practices and risk indicators to identify potential suspicious financial activity related to money laundering from environmental crimes.

[Money Laundering from Environmental Crime \(fatf-gafi.org\)](https://fatf-gafi.org/en/publications/money-laundering-from-environmental-crime/)

## **Types of money laundering**

The FATF distinguishes between different types of money laundering.

### **Self-money laundering**

Self-money laundering is the laundering of criminal proceeds by a person who was involved in the commission of the predicate offence. The sums laundered, and the number of parties involved, are usually smaller. The traditional money laundering model is often used.

In Jersey, self-money laundering is a criminal offence. A money laundering investigation is frequently the only way to locate the stolen funds and restore them to the victims, especially when criminal funds are derived from robbery, extortion, embezzlement or fraud.

### Third party money laundering

Third party money laundering is the laundering of proceeds by a person who was not involved in the commission of the predicate offence.

An example of third party money laundering would be the facilitation of financial transactions for a drug dealer by a family member or friend through their personal or business bank account.

### Professional money laundering

Professional money laundering networks involve organisations and individuals facilitating money laundering, often in return for a fee or commission, and often in a highly sophisticated and organised manner. It may involve utilising complex, opaque and global ownership structures, cross-jurisdictional transactions and the handling of larger sums of money.

This FATF report provides case studies and describes the relevant money laundering typologies and schemes:

[Professional Money Laundering \(fatf-gafi.org\)](https://fatf-gafi.org)

### Stand-alone money laundering

Stand-alone (or autonomous) money laundering refers to the prosecution of money laundering offences independently, when there is no evidence of the true source/origin, or a specific predicate offence. This could be particularly relevant when there is insufficient evidence to pursue the particular predicate offence, or when in receipt of a guilty plea.

### Money laundering involving a foreign predicate offence

Money laundering involving a foreign predicate offence refers to various scenarios where multiple countries may have jurisdiction over a predicate offence. Depending on factors like the foreign country's judicial system and interaction of the relevant authorities, the money laundering case can be linked to the committing of the foreign predicate offence, or prosecuted as an autonomous offence.

## Money laundering vs terrorist financing and proliferation financing

Money laundering is a distinct financial crime, however it may share certain characteristics with other forms of financial crime, such as terrorist financing and proliferation financing of weapons of mass destruction.

Our [comparison table](#) displays examples of the differences and similarities between various characteristics of money laundering, terrorist financing and proliferation financing.

Countries' risks also vary between money laundering, terrorist financing and proliferation financing as shown in the [Appendix D2](#) of the Handbook.

## Reporting suspicions of crime

For reporting requirements refer to [Section 8 of the Handbook](#).