

How money can be laundered

BY **NICK BUTCHER**

A FORMER LAWYER WHO RECENTLY COMPLETED researching the vulnerability of New Zealand lawyers, accountants and real estate agents to being caught up in money laundering, says it is being done with ease.

Ron Pol, principal with amlAssurance, is studying for a political science PhD on policy effectiveness, outcomes and money laundering.

For example, he says, take six restaurants located close to each other. Five of the restaurants are busy and one isn't but has a Maserati parked outside it. The restaurant also has a 'cash only' sign displayed in its window.

Mr Pol says the slow 'cash only' business may be completely legitimate.

"However, if it is washing dirty money, it'll mix the cash from its 'real' business through the restaurant's genuine takings, and if the restaurant's tax returns look similar to the busy neighbouring restaurants, no-one may be any wiser to the money laundering that is really going on," he says.

He says the 'cash only' sign helps explain to the bank and tax department the otherwise unusually high proportion of cash sales.

"The Maserati also had the restaurant's logo on its door. Perhaps it was bought with proceeds of crime and a tax deduction. Or the restaurant trade might be good in that part of town, with customers requiring a fast delivery service," he says.

What about the property market?

Ron Pol says the Auckland property market is an easy place for lawyers to be unwittingly exposed to money laundering.

"Or worse, deemed 'wilfully blind' if they don't ask questions about the origin of funds, if any of dozens of common 'red-flags' appear in the transaction. Nor is it just about cash sales. For most sales with criminal funds these days, the funds will come into trust accounts from banks, and the research shows that lawyers and real estate agents are often exposed to more red flags than banks," he says.

And the more inflated the market, the better it is for

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money launderers who can wash millions of dollars through the real estate sector.

"Picture yourself as a real estate agent. You get an overseas inquiry about houses available in an excellent school zone. As an agent you email back a list of properties for sale. Your prospective buyer says he will buy all six properties and millions of dollars is transferred electronically into a lawyer's trust account. Did you just deal with a genuine buyer or were you played," he says.

Another example of money laundering, Mr Pol says quite possibly occurred at a wine and food festival a couple of years ago.

Mr Pol's friend noticed the operation, but it got Ron Pol pondering.

When the day ended his friend was exchanging 36 unused festival dollars for credit at a winery, and noticed another customer doing the same with about \$2,000 of festival francs, still in its original wrapper from that morning.

"It got me thinking that if this person bought the francs with criminal cash, they could now both

replenish their cellar or on-sell the wine, and then bank the seemingly 'clean' money," he says.

As it turned out Mr Pol says Police informed him that local drug dealers had been operating another scheme that day - selling their product for festival francs they also intended to exchange, but they were arrested before they could do so.

There is a laundry involved...

If you've ever wondered where the term money laundering came from?

The money trail is often said to lead back to the Italian mafia and such criminals as Al Capone who allegedly purchased cash intensive businesses like laundromats to mix their illegal profits from prostitution and bootlegged liquor sales with legitimate business sales from the laundromats to hide their illegal profit.

"Although the activity was commonplace in Capone's time, and long before, the modern 'laundering' phrase itself originated during the 1973 Watergate hearings," Ron Pol says. ■