

What is Money Laundering

Money laundering, at its simplest, is the act of making money that comes from Source A look like it comes from Source B. Criminal activities, such as drug trafficking, smuggling, human trafficking, corruption, and others, tend to generate large amounts of profits for the individuals or groups carrying out the criminal act. More precisely, it may encompass three distinct, alternative actus reas: (1) the conversion or transfer, knowing that such property is the proceeds of crime (2) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; and (3) the acquisition, possession or use of property, knowing, at the time of the receipt, that such property is the proceeds of crime.

Methods of Money Laundering

[1] [Wikipedia](#)

- Structuring: Often known as *smurfing*. Cash is broken into smaller deposits of money for the use of smaller amounts of cash to purchase bearer instruments, such as money orders, and then ultimately deposit those, again in small amounts.
- Bulk cash smuggling: This involves physically smuggling cash to another jurisdiction.
- Cash-intensive businesses: In this method, a business typically expected to receive a large proportion of its revenue as cash uses its accounts to deposit criminally derived cash.
- Trade-based laundering: This involves under- or over-valuing invoices to disguise the movement of money.
- Shell companies and trusts: Trusts and shell companies disguise the true owners of money. Trusts and corporate vehicles, depending on the jurisdiction, need not disclose their true owner.
- Round-tripping: Here, money is deposited in a controlled foreign corporation offshore, preferably in a tax haven where minimal records are kept, and then shipped back as a foreign direct investment, exempt from taxation. A variant on this is to transfer money to a law firm or similar organization as funds on account of fees, then to cancel the retainer and, when the money is remitted, represent the sums received from the lawyers as a legacy under a will or proceeds of litigation.
- Bank capture: In this case, money launderers or criminals buy a controlling interest in a bank, preferably in a jurisdiction with weak money laundering controls, and then move money through the bank without scrutiny.
- Casinos: In this method, an individual walks into a casino and buys chips with illicit cash. The individual will then play for a relatively short time. When the person cashes in the chips, they will expect to take payment in a check, or at least get a receipt so they can claim the proceeds as gambling winnings.
- Real estate: Someone purchases real estate with illegal proceeds and then sells the property. The price of the property is manipulated: the seller agrees to a contract that underrepresents the value of the property, and receives criminal proceeds to make up the difference.
- Black salaries: A company may have unregistered employees without written contracts and pay them cash salaries. Dirty money might be used to pay them.
- Tax amnesties: For example, those that legalize unreported assets and cash in tax havens.
- Life insurance business: Assignment of policies to unidentified third parties and for which no plausible reasons can be ascertained.



[2]How Stuff Works

Art and Money Laundering

[3]

- 1) There are reports of crimes committed by employees of museums and specialized companies, usually from collectors and dealers. (crimes committed in this field are perpetrated by participants in the market, including curators, collectors, volunteers, dealers, appraisers and even professors.)
- 2) A general lack of transparency as to how prices are arrived at is a characteristic of this market.
- 3) Fences or forgers engaged in selling the proceeds of crime to an unsuspecting public have also played an important role. Criminals pass forged or stolen items along to fences who in turn sell them to the unwary.
- 4) Consigning a piece of art for sale requires the name, address and telephone number of the consigning artist, a description of the item or items, price set by the artist, date negotiated, percentage agreed upon between artist and consignee and their signatures, but it says nothing about forms of payment. It does not require it state if the art is original, a replica, reproduction or copy. Further the two largest auction houses in the world, Sotheby's and Christie's, are self-regulated and required to act in good faith in the interest of their clients or consignors. Both have accepted cash payment and are not under any specific obligation to report suspicious operations. [Sotheby's does not prohibit cash payments, but does subject them to unspecified legal restrictions](#), whereas [Christie's limitations on cash payments depend on the country](#), which may be made by electronic transfer, payment order, cash or check. It is entirely up to international auction houses whether to make out a Suspicious Activity Report if they determine that a payment is not made in good cleared funds.

Disconcerting there are not necessary questions about the origin of the buyer's money once handed over or deposited, because there is no legal obligation to conduct customer due diligence. And some of them only take payment from those named on the invoice. This could, however, be some third party hired by someone who would rather remain hidden.

- 5) International auction houses in the United States all follow the Uniform Commercial Code, which does not restrict the use of cash as a form of payment. They may therefore accept cash payments, irrespective of knowledge of illegality or whether the money comes from unlawful activity—this despite the requirement that they act in the best of good faith. Because they are self-regulated, it is easy to shift responsibility to the consignor and assume no obligation toward the international community.

[3] [The Problems of Laundering Money in the Art World](#)

[Challenges of Anti Money Laundering and Embargo Filtering](#)

[Valuable as Art, but Priceless as a Tool to Launder Money](#)

[No Secrets about Money Laundering](#)

[Art World's Response to Money-Laundering Concerns Draws Critics](#)

[Self-Regulation in the Art World and the Need to Prevent Money Laundering](#)

[United States Money Laundering and Financial Crimes](#)

[Senators Propose the Combatting Money Laundering, Terrorist Financing, and Counterfeiting Act](#)

[Has the Art Market Become an Unwitting Partner in Crime?](#)

[The New York Times Still Doesn't Get Art & Money Laundering](#)

[The link between art and money laundering](#)

[The need of forensic and anti-money laundering services for art market professionals](#)

[Criminals seeking to launder millions through art market, warn experts](#)

[Laundering money through art, if you're into that sort of thing](#)

[Myths and Realities: How to Launder Money in the 21st Century](#)

