

MONEY LAUNDERING

A Guide for Criminal Investigators



John Madinger
Sydney A. Zalopany

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PREFACE

There are no dull subjects. There are only dull writers.

H. L. Mencken *Esquire* 1965

This is a book about how to find money – other people’s money, to be precise – money that they’re trying to hide. People have been hiding money for centuries, if not forever, usually because they’re concealing something worse than their lust for money, such as a crime.

The recent passage of money laundering legislation around the world is acknowledgment of an activity that’s been around for a long time. Smart criminals have always recognized the need to have a plausible-sounding explanation for their wages of sin. Schemes to launder dirty money are the result.

As is often the case, law enforcement remains a step behind. The average law enforcement officer possesses the intelligence and innate ability, but not the skills or training, to detect and investigate complex money laundering schemes. Like smuggling techniques, these schemes are constantly being refined and improved upon, and we are forced to play catch-up.

The legislators have given law enforcement the tools needed to chase the proceeds of crime, in the form of forfeiture statutes, anti-money laundering laws, and currency transaction reporting requirements. What is needed is the *will* and the *skill* to use these measures.

Will, in this case, describes the purpose or determination to use whatever legal means are available to us to bring the criminal to justice. Some of those means now include money laundering statutes and so-called “financial investigative techniques.”

Skill relates to the ability to follow the money along the often convoluted path taken by the money launderer. We won’t pretend that

this is always an easy task, but we believe it to be less intimidating than most would suppose.

With this in mind, this book has two themes. First, there are excellent reasons *why* law enforcement officers should use the laws and techniques available to investigate these crimes. Second, learning *how* to be effective in this area is not that difficult.

Many case examples are included in these pages. We hope these demonstrate that money laundering is a near-universal part of almost any crime you can mention that involves money. The cases also illustrate how financial investigative techniques can be used to resolve these crimes. In reading about these historical crimes, which include piracy, kidnapping, murder, drug trafficking, bootlegging, prostitution, gambling, espionage, and extortion, look at how successfully the investigators integrated the financial approach into their overall case.

This, too, is one of the themes of this book. Most people we know didn’t get into law enforcement so they could pore over someone else’s canceled checks. The worlds of accounting, finance, banking, and business law are areas in which most law enforcement personnel never tread, and our guess is that most are quite content with that situation. It is difficult to imagine, for example, a police officer heading home after work and curling up with a favorite accounting textbook.

The good news is that the “traditional” investigative techniques – interviewing, surveillance, informants, searches and seizures, undercover operations, and the like – are essential parts of a money laundering case. You’re just getting some new information which will make the package complete.

Even if the skills are not that difficult to acquire, why should we learn and use them? For four main reasons:

- **Money laundering is a serious crime, involving hundreds of billions of dollars.** The really big criminals (and their money), those whom we should be going after, are protected by money laundering schemes.

- **Financial evidence and investigative techniques work.** They often work better than some of the other stuff we do, and (as logic alone tells us) they are absolutely essential in cases where financial manipulations are a part of the crime.

- **Changes in law and policy are making an understanding of this subject even more important.** Think, “FORFEITURE.” The crooks didn’t do all those nasty things so somebody like you could walk in and take all their goodies away. The legal fights over assets are getting tougher, and financial evidence is extremely powerful – more so as the schemes get more complicated.

- **Financial crimes aren’t going away.** As long as people commit crimes motivated by greed, financial investigative techniques can be used to resolve those crimes.

In short, I hope to convince you that these cases are extremely worthwhile, *and* that they aren’t as difficult as they’re cracked up to be.

Financial information is powerful, especially when it is combined with evidence about a criminal activity. This can be decisive in a criminal prosecution. Juries sit right up when they’re told the defendant made or (even better) spent a couple of million dollars, never had a legitimate job, and sold drugs. That financial evidence is almost impossible to challenge, much less refute, unlike the testimony of some of the people we have to drag into court. This is the benefit of taking an integrated approach to your investigation.

You’ll notice that Al Capone is a featured player in these pages. He is a good ex-

ample because Capone is still a recognized figure in American society and because financial techniques were used in the case that sent him to prison. The tax case against Capone only charged him with evasion of \$1,038,654.84 over 6 years, yet in 1928 *alone*, his organization was estimated to have grossed over \$105 million. That’s a pretty successful piece of money laundering.

Today, money laundering charges, with their heavier penalties and broad reach, would have been a key part of Capone’s indictment. In the week this was written, a telemarketer, a drug trafficker, and a public official were named in money laundering counts.

Crimes motivated by greed have been with us since time immemorial – so have efforts by the criminals to conceal those ill-gotten gains, to launder their money. They’re getting better at it, and it’s up to us to keep up. The legislative branch has given law enforcement the legal tools we need – money laundering, currency transaction, and racketeering laws. We must find effective ways to enforce those statutes. We hope this text illustrates why we should have the will and the skill to do so.



Alphonse Capone
(National Archives)

ABOUT THE AUTHORS

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Disclaimers

Every effort has been made to assure the accuracy of this information, but the reader should be aware that this area of law enforcement is fluid. The statutes and case law are subject to change at any time. Investigators should consult with the government's attorneys when in doubt.

With the exception of those persons clearly identified as historical figures or who were the subjects of prior criminal prosecutions and are identified as such, all of the names used in this textbook are fictitious. Any resemblance to any person, living or dead, is purely coincidental.

Credits

The original cartoon art was produced by the talents of Cameron Matsumoto. Other artwork is by Corel Gallery.

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The photographs in the Annual Report section of Chapter 9 are credited as follows: Al Capone, Jack McGurn, Jake Guzik, John Torrio, Tony Lombardo, Murray Humphreys, Rocco Fischetti, and Sam Hunt, are reprinted courtesy of United Press International. We would like to thank Kathrine Driscoll at UPI for her assistance. The photographs of Al Capone and Capone's soup kitchen are courtesy of the National Archives. Photographs of Ralph Capone and Frank Nitti are from the Chicago Historical Society.

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INTRODUCTION

"Where large sums of money are concerned, it is advisable to trust nobody."

Agatha Christie, author, *Endless Night*

"Whoever profits by crime is guilty of it."

French proverb

"As good Pyrates at land..." Henry Every's Second Big Mistake

It's been awhile since Henry Every made his *second* big mistake. He should never have turned to crime to begin with, which was the first. Not that Henry Every and his associates were unsuccessful criminals. On the contrary, they were daring, resourceful, and overcame tremendous hardships. At a time when few people ever ventured more than ten miles from home, their pirate career spanned five years and half the globe. And they made loads of money. In their last seizure, the Portuguese ship *Gung-i-Suwaie*, they took treasure valued at £325,000. This would be \$400,000,000 in today's money. Every is alleged to have offered to retire the British national debt in exchange for a pardon, which he never received. Three hundred years later, leaders of a drug cartel would make similar offers to their government.

No, the problem was not that Henry Every and his men were poor criminals. Their problem was that they were *so* successful. This led directly to Every's second big mistake. Having accumulated a vast treasure, Henry Every and his crew of pirates decided to divide the spoils and leave the high seas forever. Somewhat surprisingly, they chose to return to England. Europe represented a civilized place to spend the loot, and there were sentimental ties, but England was nevertheless one of the few places in the



Arch-Pirate Henry Every, from a contemporary image. Every's career as a pirate in the Atlantic and Indian Oceans was very successful, but legend has it that he came undone trying to launder his share of the treasure. (National Archives)

world where discovery of their past would result in rapid capital punishment. Aware of this, Every and his shipmates had radically different ideas about how to go about retiring from a life of crime. Neither one would ultimately prove to be very successful.

Every's crew landed in Scotland and split up, each carrying his share of the treasure. Many of the crew members immediately drew attention to themselves by spending money freely. ("Like a drunken sailor" is the phrase which comes most immediately to mind.) Curious townspeople began to question the background of the men and their money. This caused the crew to panic, with members offering extravagant sums for transportation out of town. Arrests ensued, followed by prompt, well-deserved hangings. One mystery remained. None of the condemned men were able to shed any light on the whereabouts of their leader, who had evidently taken a more refined approach to his financial affairs.

Legend has it that Every moved quietly into the small Devonshire town of Bideford, a place with a strong maritime tradition. Up to the moment Henry Every turned over his treasure to the Bideford merchants, his criminal career had been almost letter perfect. Although he was the most wanted man in all of England, his travels throughout the world had kept his face from becoming well known in his home country. Those same travels had provided him with more wealth than was possessed by the entire populations of some English towns. Although Every had had to do some fairly unpleasant things to amass his fortune, he was now confident that his riches would enable him to live out his days in quiet retirement. In short, he thought he was home free. The Bideford merchants had other ideas.

Every's request was straightforward. He wanted to sell some diamonds. This was not an unusual transaction; Devon was home to a large seafaring population, many of whom acquired precious stones in their travels throughout the world. What was different about Every's case was the size of the sale. The retired sailor who gave his name as "Henry Bridgeman" had literally a king's ransom in diamonds, worth several thousand

pounds. In a time when the average seaman might see 500 pounds over a lifetime, Every's hoard was quite literally, a fortune. The Bideford merchants put two and two together, and got exactly four. They made Every a generous offer, paid a small deposit, took all of the diamonds, and refused to give him another shilling. When Every complained, the merchants suggested he contact the local sheriff, perhaps that good man would be interested to learn of the large number of diamonds brought to his quiet town.

According to Daniel Defoe, Henry Every, the retired arch pirate who lost his treasure to the merchants of Bideford in 1697, lived on in poverty for a number of years. He occasionally received a small sum from the merchants, whom he died cursing as being "as good Pyrates at Land as he was at sea." (They were much better money launderers, too.)



Henry Every's Big Mistake

In this painting by Howard Pyle, Henry Every, Arch-Pirate, anxiously awaits the verdict of the Bideford merchant who's about to cheat him out of a king's ransom. Plunder from the merchant ship Gung-i-Suwaie rests on the table before the men. The story of Every's failed career as a money launderer comes to us from Daniel Defoe, author of "Robinson Crusoe". (Harper's Magazine, September 1887)

A couple of lessons from this short and unhappy career in money laundering are still valid today. First, criminals should be aware that no matter how successful they are at the crime itself, there may still be problems disposing of the loot. Henry paid dearly for this wisdom. Second, the mere existence of wealth may result in exposure of the criminal. A failure to adequately explain the source of the wealth may even be fatal, as Henry's crew discovered. Finally, those of us who enforce the law might take note of the fact that although the British government spent huge sums in a futile attempt to catch Every and his crew while they were pirating, it was the spending of the loot, not some fierce sea battle that ended the pirate's career.

Business Week magazine called money laundering "the crime of the 1990s," but it's older, of course. Certainly those who commit crimes for financial gain have gotten more sophisticated in the concealment of their wealth, but as the Every case shows, the need to dispose of the wages of sin is ancient indeed. Law enforcement today has more resources than ever to address this difficult problem, but the criminals strive to stay at least one step ahead. It is, after all, their necks (and their money) that are on the line.

Several factors have combined to make money laundering more important than ever before. Advances in communications and transportation have made the world a smaller place. Concealment of crime and the proceeds of crime is a much easier proposition today. Criminals have the ability to move themselves and their stolen property between countries within hours. Funds can be wired from one world financial center to another in seconds. Located in different time zones, one such center would always be open.

A second factor involves the internationalization of crime. Organized crime, in its various forms and assorted ethnic faces, has become a problem in countries around the globe. The home-grown syndicate has given way to a new

breed of criminal, at home in many cities, able to move quickly from place to place, and capable of using contacts and facilities in foreign countries. These criminals, be they members of Japan's *Boryokudan*, Sicily's *Mafia*, or Colombia's drug cartels, represent a serious challenge for law enforcement. It is no longer possible for a police officer to "know his beat" and all of those people on it. Today, a jewel thief can meet with a fence in New York on the same business day as the theft in France – and have his money in Hong Kong the day before!

Drug trafficking between nations and across international borders has contributed greatly to the internationalization of crime. Since the source countries for drugs such as cocaine and heroin are generally not those where the drugs are consumed, transport of the commodity is required. Customs officers are all too familiar with the almost infinite variety of methods by which drugs are smuggled. The constant testing and probing of Customs' resources by smugglers have led to an intimate familiarity with the ways and means of international travel.

Drug trafficking organizations are capable of moving their product by land, sea, and air, using commercial or private facilities. Recent cases on the United States–Mexico border have led to the discovery of tunnels leading between the two countries. Smuggling by private aircraft is a common means of moving quantities of drugs quickly between nations, or couriers may be employed to carry the drugs aboard commercial airliners. The sheer volume of traffic at airports or at border crossings makes detection of these efforts most difficult.

In addition to travel for the purpose of smuggling, international criminals have discovered that movement between countries is an excellent way to avoid detection by local authorities. Sensitive meetings can be scheduled for a foreign country. There would be little reason to anticipate that local police would follow, or that those at the meeting site will be alerted or interested in the activity.

Finally, international organizations have learned the value of currency movement, and are now as skilled and experienced in moving money from nation to nation as any financial expert in the world. Criminals have traditionally taken advantage of the confidentiality afforded by some countries' banking laws. The banks of Switzerland have long been a haven for foreign capital, some of which stems from questionable sources. Recently, many other nations have imitated the Swiss example, creating havens for foreigners seeking to conceal wealth or income at home. Many of these nations create "dead ends" for investigators who attempt to follow the trail left by the money. More than one investigator has seen his case go into a black hole in Switzerland, The Cayman Islands, The Bahamas, or Hong Kong, never to emerge again.

Improvements in Law and Law Enforcement

Along with the gains on the part of the criminals, law enforcement has made some progress of its own. This progress is reflected in both the statutes enforced, and in the methods used to investigate new, sophisticated international financial crime.

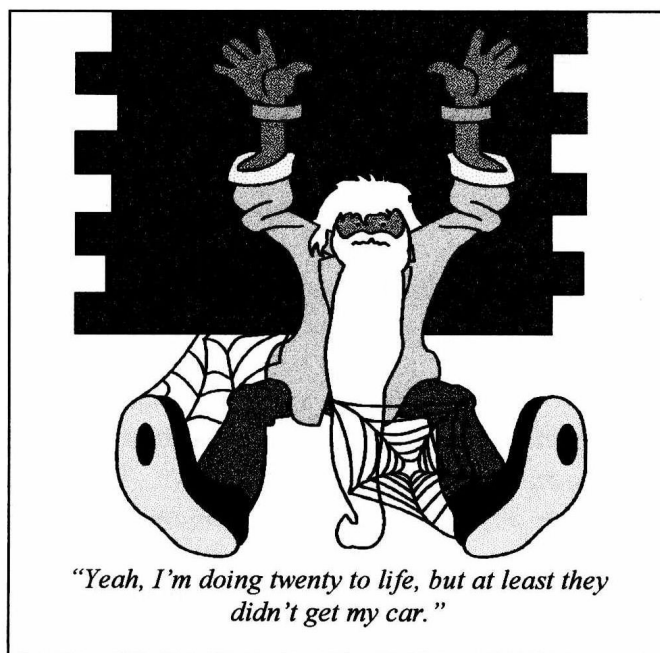
Thirty years ago, the drug laws of the United States were relatively simple, and most could easily fit on one page of the statute book. Drug offenders were charged with distribution or possession of the illegal substance, and occasionally, with conspiracy to possess or distribute. Today, such provisions as the Continuing Criminal Enterprise statute and the much enhanced conspiracy provisions greatly improve the ability of investigators to penetrate a large organization and reach its upper echelons.

Laws directed at organized crime, such as the Racketeer Influenced and Corrupt Organizations (R.I.C.O.) act, Interstate Travel in Aid of Racketeering (ITAR) or "travel" acts, and similar laws have taken direct aim at the ability of criminals to combine or conspire for some nefarious purpose. Some of these statutes, such as the R.I.C.O. law also provide for the seizure of assets

held by the criminal, thereby constituting even more potent weapons against crime.

In some countries, laws directed at organized crime include anti-membership provisions, the banning of organizations, or a prohibition against association with certain groups. These laws can have a major impact on the criminals' ability to associate, and make conducting an illegal business more difficult and expensive.

Finally, and perhaps most significantly, the expanding use of forfeiture around the world has made life most uncomfortable for the criminal. The prospect that a government may be able to take away all of one's ill-gotten gains, even those earned in another country, must be extremely disheartening for the mobster, drug trafficker, or syndicate hoodlum. Law enforcement has become an enthusiastic supporter of the forfeiture laws. Governments worldwide are becoming much more creative in using these provisions against all sorts of criminal activity.



All of these factors are well known to the law violator, who is offered on one hand a world of much broader opportunities, and on the other, one with much greater risk. Smart criminals respond by finding ways to conceal their interest in illegal operations, and this most definitely includes hiding any financial interest.

Modern Law Enforcement Methods

Just as the information age has increased opportunity for the criminal, so has it provided new benefits for the law enforcement officer. Agencies on the national and international level have recognized the need to adjust and take advantage of new technology, laws, and techniques.

INTERPOL, the International Criminal Police organization based in France, has established links to police departments and investigative agencies throughout the world. Communication via INTERPOL or other channels has steadily improved, aided by the stationing of law enforcement personnel in overseas postings. Today, representatives of at least six Federal law enforcement agencies are posted in American embassies or consulates on every continent. The primary function of this foreign presence is to establish an effective liaison with law enforcement counterparts in the host nation. Many of those nations also station their law enforcement personnel in the United States, although not in such large numbers.

Another medium of communication has been the exchange of ideas through training or international conferences which bring officers of many nations together. The International Asian Organized Crime Conference, held annually for the past two decades, is a good example. Attendance at this conference climbs each year, and representatives from virtually every Asian, North American and European nation are present.

By sharing ideas in all of these situations, law enforcement makes the job of the criminal more difficult. This is an especially important factor in the complex financial crimes which span international boundaries. As we draw nearer to a cashless society, the ability to track assets and unravel complicated financial schemes will require law enforcement personnel who are ever more sophisticated and aware. Law enforcement's response to this challenge will determine the success or failure of efforts against not just financial crimes, but organized crime in general.

Law Enforcement Response to Money Laundering and Organized Crime

The law enforcement response to money laundering and organized crime takes two forms. The first is an organizational response, in which agencies or entire governments react as a matter of policy. Obviously, one of these responses, probably the easiest, can be to adopt a "business as usual" approach. Following the theory that tried and true methods which worked in the past can be applied successfully to any new problem, this response ignores the sophistication of today's criminals, as well as the changed environment in which they operate. Law enforcement officers are basically conservative, slow to change, and reluctant to accept new ideas. These are all attitudes which often suffuse their organizations. One of the major goals of this book is to demonstrate that this "business as usual" approach cannot succeed against the new financial criminal.

In fact, law enforcement has already made many adjustments to its changed environment. Recognition of the importance of financial investigative techniques has been emphasized by the use of forfeiture laws, first against drug traffickers, and later against all manner of criminal activity. The ability of law enforcement agencies to take a flexible, integrated approach toward complex financial crimes such as money laundering will bear immediate fruit. By integrating financial investigative techniques into the law enforcement arsenal, we have the opportunity to become as flexible as the criminals we are now compelled to pursue. Law enforcement also gets the chance to make better use of forfeiture statutes, to use financial information in drug or other criminal cases, and to obtain and understand financial intelligence which can be of use in future cases.

The second response is individual. Each law enforcement officer whose career is going to extend into the 21st century must make an honest appraisal of his or her own ability to compete on this global playing field. One of the most important messages of this book is that money laundering and complex financial crimes are going to

be a part of our future. For the individual detective, investigator, or agent to properly address these crimes, he or she will need the right attitude, the right training, and administrative support.

The ability to investigate money laundering is not difficult to acquire. Most investigators already possess the skills required. It is not, for example, necessary to be an accountant, but a basic knowledge of financial systems, including accounting techniques, is essential. Many already have some of this knowledge through contact with banks, financial crimes, or similar job related intercourse. (You can actually learn quite a bit about banking operations and accounting just by balancing your own checkbook. Many of the accounting functions needed to do financial investigations are no more complicated than this simple process.)

Another important individual response is the development of sources of financial information. Whether this is a re-orientation of an informant to seek information of financial transactions, or the development of sources within the business community, financial information is critical to the development of money laundering cases. As we will see (and without giving away too much at the beginning), there are essentially two approaches to a money laundering investigation. In option one, you can look for the crime

which underlies the money laundering violation, drug trafficking, for example, then try to find out what happened to the money generated by that crime. In option two, you can look for the money, then trace it back to the crime which generated it. A surprising number of cases, many of which are going to be cited in this book, have been resolved in exactly this way.

It is definitely not the intent of this book to sell one option over the other. Both work, and both work well. Rather, it is hoped that the conscientious investigator will see the merits of each approach, understand the value of financial investigative techniques in each, and use the information in this book effectively in either approach. In any case, the development of financial information, either from traditional sources, i.e., informants, or financial sources, is an important key to success.

Summing up, this text has three principal goals. First, to provide an understanding of how money laundering works, and how it fits into the world of modern criminal activity. Second, to increase the investigator's ability to conduct money laundering and financial investigations. Finally, it is hoped that the reader will recognize how valuable this knowledge will be in the investigation of organized criminal activity, and be convinced to employ it in future cases.

CHAPTER 1

BASIC CONCEPTS

"Money is the fruit of evil as often as the root."

Henry Fielding

"The cost of living has gone up another dollar a quart."

W. C. Fields

A stockbroker and a lawyer were sitting in a bar, chatting with the bartender. The lawyer listened as the others argued about the existence of money.

"Of course, it's real," the bartender said. "My customers pay me with it. Look, I've got over a hundred bucks right here." He pulled out a wad of dollar bills. "See, you can feel it, hold it, it's real." He handed it to the lawyer, who used it to pay for the drinks.

"Big deal," sneered the stockbroker. "I handled over a million dollars today for some rich widow. Stocks, bonds, mutual funds, foreign exchange, gold, you name it. I never saw anything but little numbers on a computer screen. No way, money definitely does not exist."

Both men turned to the lawyer. "What do you think?" They wanted to know.

The lawyer thought about it. "What did you say that widow's name was?"

Money, Money, Money

As we start our discussion of money laundering, it's helpful to start with a clear understanding of the nature of *money* itself. In fact, this understanding is essential. Although most of us would not question the existence of money, many would be surprised at how broad its defini-

tion has gotten over the past three or four thousand years.

Money is, in fact, a concept. The idea that some object can be assigned a value and used in trade is ancient, but nearly universal. Whether or not money exists in a physical sense is probably, as our attorney friend pointed out, irrelevant. The inescapable fact is that anywhere you go on this planet, people will be working, fighting, lusting, and scheming for money, and it won't matter to any of them what form the stuff takes.

Author H. G. Wells once commented that money "*means in a thousand minds a thousand subtly different, roughly similar, systems of images, associations, suggestions, and impulses.*" Just about everybody has their own perspective on money, and it is not surprising that many of these views differ widely, especially in a world of many cultures, which grows increasingly smaller and more closely linked.

A clear comprehension of the money laundering process requires a similarly clear understanding of what money is and how it works. Since money laundering obviously starts with *money*, it's useful to find out where you stand. If you are like most people when asked to (to borrow a now overworked popular phrase) "show me the money," your first response is usually to hold up the contents of your wallet or purse. For most

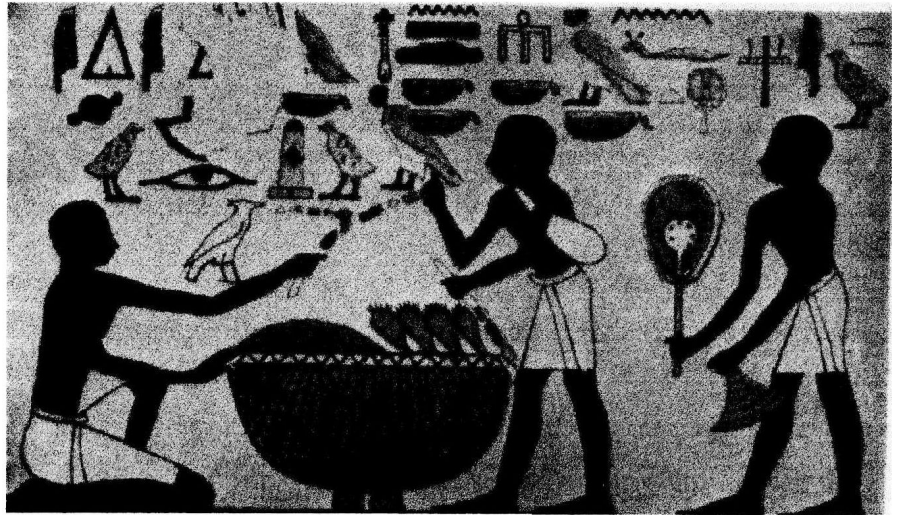
people, money = cash. In fact, the contents of your wallet are really pieces of paper, metal, and possibly plastic. They're all money, but none of these things have much value at all. What IS a penny really worth these days? A better definition might be, "anything which is generally acceptable as a means of settling a debt." This leaves the field wide open.

The notion of money goes back thousands of years, long before paper or printing, so we'll never know who first dreamed up the idea that some object could be assigned a value and used in trade. All commerce, now and in that distant time, is based upon exchange. Originally, trading took the form of *barter*, in which one item was directly exchanged for another. My hammer for your goatskin. Your cow for my saddle. Bartering is the most basic form of trade, one which enjoys many advantages, and continues to be practiced today. (For example, if you go to buy a car, you'll be asked if you're going to trade in another vehicle as part of the deal.) The greatest advantage to barter is that both sides wind up with exactly what they need. In the process, they each have a chance to get together, negotiate, and socialize a bit. "Doing lunch" was probably a regular feature of the early barter system.

Unfortunately, bartering has a number of shortcomings, which have caused it to be largely replaced by the monetary system of exchange. Some of the negative aspects are obvious. First, there's the fact that there are no assigned values. What if my hammer is worth more than your goatskin? Maybe that hammer is worth a goatskin and a half. But you might not want to cut up that second goatskin, and you may not agree with my opinion of the value of my hammer. I might end up hitting you with it, especially if we're trying to trade across a language or cultural barrier.

Barter is based upon a "double coincidence;" you just happen to have something I need, I just happen to have something you need, *and* we're both willing to trade. This works fine when dealing in like items, but things start to get a little complicated if I don't need a goatskin this week, or I do need some meat, which you don't have. If you can trade a goatskin for some meat, I would be willing to trade the hammer.

If a marketplace is available, people can engage in a number of trades, working, talking, getting the best deals they can, eventually winding up with all the things they need, and rid of all the things they don't. Maybe they've come out a little



Barter in Early Egypt - Before the Invention of Money

Early civilizations such as that in Egypt relied heavily on barter as a system of exchange. The Egyptians later used money, making the transition from barter to a cash transaction system.

ahead, so they can come back next week. The barter process takes time, and depends on goodwill and communication to work. This process works best when everybody stays pretty close to home, but less well when someone travels a long distance only to find that the items brought for trade are not wanted or needed. Advances in transportation such as the wheel and sails made it possible for people to travel farther, increasing their ability to trade, but making barter a riskier proposition.

Only one improvement was needed to revolutionize the barter system, this being the innovation of money. (Wouldn't you like to have

the patent on THAT little invention?) Money has almost all of the advantages of barter, with few of the drawbacks. As stated above, money is a concept, the *idea* that some specific item has value and will be accepted in all types of exchange.

As a concept, money can take any form. At various times, and in various places, almost everything imaginable has been used to represent money. Some of these things had intrinsic value. Tools, like knives, hatchets, or hoes were valuable because they were needed in agriculture or food production. Nails were used on the American frontier, and we still use the terms “ten penny” and “four penny” as a reference to their value in barter. Cattle are still used as money in some parts of the world.

Other items were valuable because of their scarcity. Gold, silver, copper, and other precious metals have been used as money. Other things, such as ivory, sea shells, whale or bear teeth, may also be scarce, but have the additional advantage of being somewhat uniform in size and shape, or they can be carved into a specific shape. Still other items have value as commodities, such as tea, tobacco, pepper, and salt. Easily measured or weighed, these items may also be scarce, and therefore in demand.

Salt was a very common form of money in many parts of the ancient world. Useful as a seasoning, as well as being one of the few means available of preserving food, salt was so essential to commerce that its name became synonymous with money. “Salary,” for example, is derived from the Latin word for salt.

The same Romans who used salt in commerce, paying their soldiers in this currency, also used coins made of metal. Coins were an almost ideal form of money, a fact which has preserved their usefulness for over 2,500 years. Coins can be given a precise value, assigned by weight, size, or design. They can be mass produced, with a uniform design that promotes acceptance. They can be made of durable metal, which gives them some permanence, and the metal can be scarce or precious, like gold, giving the coins value. Once

again, no one is able to identify the inventor of coins, but they seem to have been common in early societies from China to Africa. The earliest known coins were minted in Lydia, a kingdom in what is now Turkey, in the 7th century, B.C.

Many early coins were made of precious metals, such as gold, silver, or copper. Judas, we recall, received thirty pieces of silver for his betrayal of Jesus. These were probably Tyrian *shekels*, round coins displaying the Phoenician god Melqart.



One additional benefit of coins over something like seashells was that they allowed some important person, like the king, to put his picture before every member of the society. This caused the downfall of at least one such person, Louis XVI of France. Fleeing the revolution in disguise, he was spotted by an alert guardsman who recognized the King's face from a coin. (This can't happen with American money – you have to be dead to get your picture on those coins.)

Gold, silver, and copper coins were widely accepted in trade because of their content. A ten-gram gold coin made in Rome had the same value as a coin of identical weight made in Baghdad.