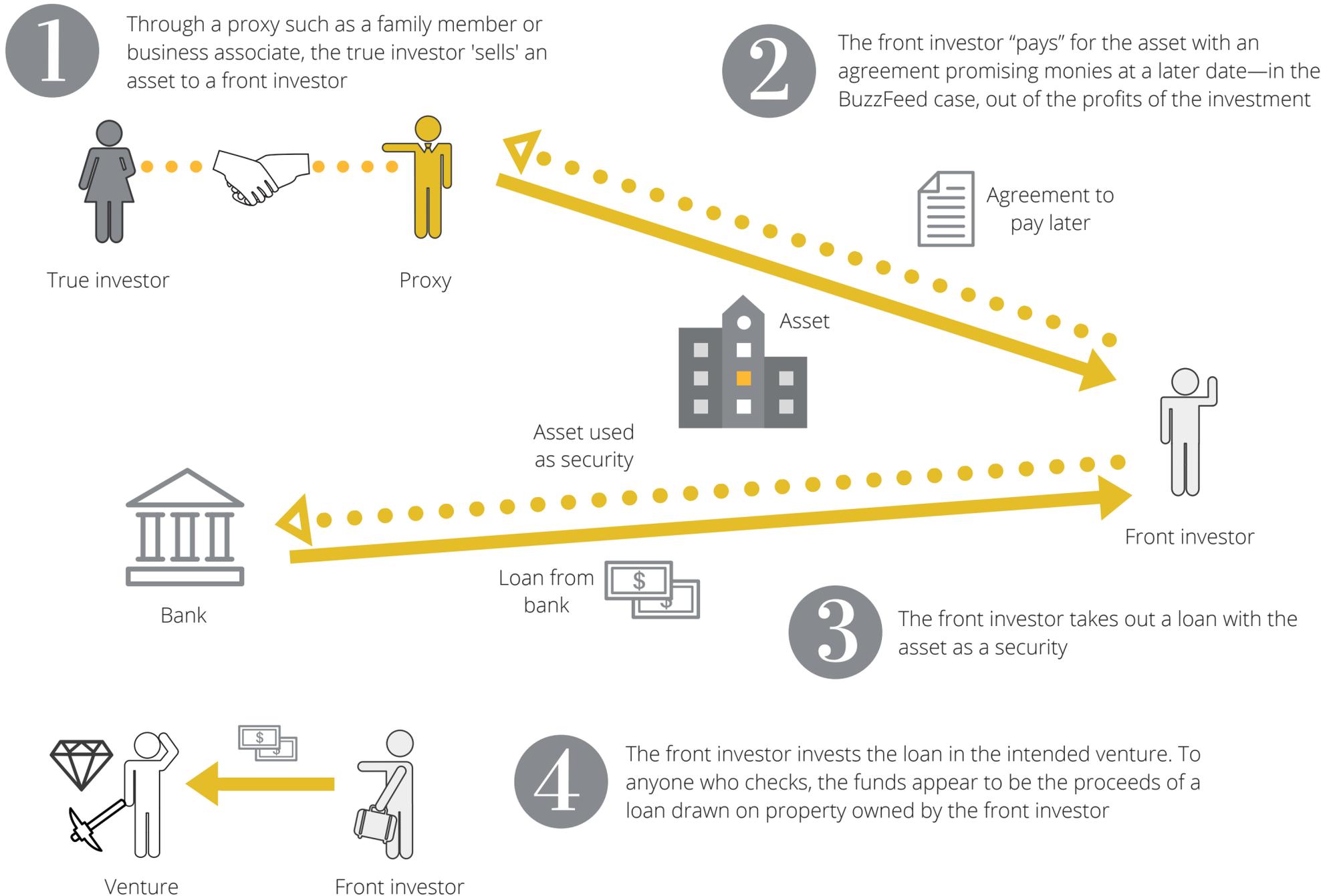


DISGUIISING THE SOURCE OF FUNDS FOR AN INVESTMENT

As part of their recent, highly detailed investigation into Russian involvement in brutal deaths on British soil, BuzzFeed News described an interesting methodology for disguising the source of funds for investing in a legitimate venture. The below graphic illustrates how it works.



The money has now been successfully laundered, but the front investor is left owing money to the bank. She can cover this either by selling the asset or by defaulting on repayments until the bank seizes it, the latter being the better option if there is any risk that value of the loan, with interest, now exceeds what might be generated by the sale of the asset.

In the BuzzFeed case, the technique was employed by a high-profile political exile from Russia who was looking to invest in a lucrative development in Moscow without drawing the attention of the Russian authorities. But it has a wide range of potential criminal applications—essentially, wherever an individual wishes to transfer a high-value asset (which may be relatively easy to purchase with criminal capital) into funds for investment in a legitimate venture (which may operate a more stringent AML regime).

Though lengthy the BuzzFeed investigation is well worth a read: it's full of real-life examples of sham business deals, Cypriot shell companies, obfuscating trust structures and other manifestations of the laundering methodologies we so often talk about. On top of which, it's a compelling cautionary tale about the dangers of getting mixed up in financial crime, especially when it's orchestrated by Russian oligarchs.