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MONEY-LAUNDERING AND COVID19: Profit and Loss

KEY JUDGMENTS

- Due to COVID19 social distancing, **some law enforcers around the world report disrupted access to secure Anti-Money Laundering intelligence systems. This has decreased capacities to pursue Money Laundering and Terrorist Finance cases.** Some Suspicious Activity / Transaction reporters have also found it difficult to submit reports. Despite this, operational casework continues.
- **Fiscal and non-fiscal frauds related to the public response to COVID19 are increasing.** Cryptocurrency and other Pyramid Scheme scams are likely to grow.
- **Traditional cash-courier money laundering has been significantly reduced through ports and airports.** It is unclear if Organized Criminals will seek alternative remittance methods for their criminal finances, such as cryptocurrencies or wire transfers, or await the reopening of borders.
- **Transnational Organized Crime Groups and Terrorist Financiers will seek to exploit opportunities to offer financial services when State/Private Sector capabilities are reduced.** The ensuing global economic downturn will present myriad of criminal finance (and investigative) opportunities.

Context

1. This briefing provides a snapshot of anti-money laundering and terrorist-finance threats within the context of the COVID19 pandemic. It has been sourced from confidential debriefs of UNODC law enforcement, governmental, NGO, academic, media, open-source and private sector partners around the world during early April 2020. Recommendations are presented at the end of each thematic section.

Picture-of-Threat

2. Whilst front-line policing focuses on quarantine control, many specialist Anti-Money Laundering (AML) and Terrorist Finance (TF) officials are working remotely. Private financial institutions, including compliance departments, are taking similar measures. Some jurisdictions could not access secure systems remotely which decreased their ability to gather, process, analyse and assess intelligence on ML/TF cases. Others have been largely unaffected and continue to work as close to normal as possible.
3. Some Suspicious Transaction Report / Suspicious Activity Report officials from the regulated sector have found difficulty in submitting information to their local Financial Intelligence Unit (FIU). Others have, however, been largely unaffected.



4. Money Laundering remains a core enabler of COVID19-related Transnational Organised Crime, with a tangible increase in fraud. Frequently cited criminality includes:
 - a. the purchase of fraudulently-obtained, genuine medical equipment and medicines.
 - b. non-delivery of advertised equipment.
 - c. the redirection, interception of and misuse of charitable donations.
 - d. the fraudulent collection of state funds that are part of economic and public health relief efforts.
5. Cash-courier movements and interception at port have effectively ceased. There is a paucity of information regarding how specialist money-launderers and terrorist financiers are responding to the cessation of flights and the closure of borders. It is unclear if Organized Criminals will seek alternative remittance methods for their criminal finances, such as cryptocurrencies or wire transfers, or await the reopening of borders.
6. **UNODC recommends that Member States should mitigate Financial Intelligence Unit risks by enabling key staff to access AML/CFT systems securely, either remotely or, with appropriate health precautions in place, from the office. The increased proportionate, legal, accountable and necessary submission of information and intelligence to salient organizations such as INTERPOL and Europol will help the global threat analysis and inform strategic decision-making.**
7. **UNODC also recommends that strategic intelligence regarding the threat, its evolution and the ability (or not) of States to respond, is routinely shared with UNODC, INTERPOL, Europol and the Financial Action Taskforce (FATF).**

Analysis

- a. *Profit remains at the heart of Transnational Organized Crime. The threat will continue to evolve and persist during, and after, the pandemic. Organized Criminals, including professional Money Launderers and Terrorism Financiers, will continue to assess and exploit demand for crisis-related goods and services.*
- b. *The full functionality of FIUs and other competent AML/CFT authorities must be publicly and visibly maintained. This will minimize criminal actors seeking to exploit perceived opportunities with impunity. It is possible that such criminal perception leads to greater risk-taking behaviour than normal and, counter intuitively, may create new covert law enforcement opportunities.*
- c. *Overall, however, UNODC assesses that the economic impact of COVID19 creates the greatest criminal risks for government, and the reporting sector, to address. As economies try to recover, professional money launderers will seek to grow their business. Other Organized Criminals will offer high-risk financial services (especially in areas where traditional governmental and private sector capabilities have ceased). Extortion and other linked criminality will increase. People will take ever-greater risks to try and pay-off high-interest loans.*
- d. *UNODC's specialist AML and CFT staff are available, around the globe, to support Member States in countering financial crime, 24 hours a day, 7 days a week.*

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**COVID-19
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