Financial Crime Investigations Fundamentals
(Two Day Course)

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Inherent in government, financial, and business are highly effective processes that generate, move, store and use items of value. In each sector, these processes manage a range of activities to promote efficiency, accuracy, productivity and, in many cases, used as a means to maximize profit. However, because these processes are so effective, they are manipulated and abused by illicit actors and used to support criminal and terror finance networks' operations. And these manipulations, fraud, and falsities create footprints that can be used in effective financial crime analysis and investigations.

Follow the Value. In discussing financial crime investigation, the catchphrase commonly used is "follow the money," a term that trends back to the 1976 movie "All the President's Men." While it certainly is a valid consideration in financial investigations, a focus on money alone as a means of value transfer is limited and confining. Money transfer project images of cash moving through bank accounts, gambling, to suitcases full of money. What may not be considered are the processes used in the movement of other value items, such as precious gems, objects of art and antiquities, activity in the insurance industry, real estate, illicit systems used in human and wildlife trafficking, and other means of value transfer that extend beyond the simple movement of currency. Financial investigators and analysts should therefore consider the concept of "follow the value" instead as it brings into the investigation process elements of trade, value flow, and business processes beyond money transfer.

Value Transfer. Illicit actors, from local activity to worldwide networks, make use of existing financial and business networks as a means of value transfer. Criminal and terror networks abuse legitimate processes, whether it is a cartel moving money generated through narcotics sales through the textile industry or a terror organization that is financed by moving money through a charity using virtual assets or the use of international shipping for transport of illegal elephant tusks or ancient antiquities. Illicit networks manipulate financial, communication, and business processes to use these networks in value transfer. However, illicit networks use existing systems, and their vulnerability is that much of their activity is visible measurable by third parties who are under specific requirements to identify and take action against these actors.

As it might be their preference, in the case of financial networks, criminals and terror networks need to operate in the open and not "under the radar." Therefore, in order for the illicit networks to be successful in using legitimate finance and business structures, they must add additional processes, business, and financial structures and go the extra step to mask their operation and present an appearance of legitimacy.
Criminal networks, small to large, local to transnational, operate with illicit value generation methods, then have support structures to manipulate the value generation to a point it can be used in support of the actors and their networks. This manipulation will likely involve the use of money laundering methods, international money movement through finance and business structures, the transfer of currency, and the convergence to various commodities such as in trade-based money laundering, and related schemes such as the black-market peso exchange.

**Two-Day Course.** This two-day (16 hour) course is designed for members of law enforcement and the intelligence community. Students with any level of familiarity with financial investigations will find the course beneficial.

This course aims to train students to identify investigative needs, practical tools and sources of information, and tools necessary to plan and execute effective financial investigations. We will begin with a description of the basic composition of elements within illicit financial networks and their vulnerabilities. We will then move through the role of critical actors operating within these networks and their efforts to manipulate legitimate financial and business systems. Course material will describe government, regulatory, and investigative activities within the United States and international partners that empower not only financial investigations but also the structures to detect and report illicit actors and networks' actions. The course will discuss considerations for investigation planning and promotion of creative thinking.

**Specific learning objectives are:**

- Recognize illicit network vulnerabilities as they establish and operate in legitimate business and finance.
- Identify and work with the movement of money and messaging systems used in the international movement of money and commodities, including bank to bank messaging.
- Application of the laws collectively known as the Bank Secrecy Act in case planning and investigations.
- Ability to examine value flow through money services businesses and remittance systems.
- Identify and analyze the local to transnational roles of gatekeepers and money laundering professionals and their use of tools and techniques such as fronts, shells, and shelf businesses.
- Prepare for investigations of money laundering, trade-based money laundering.
- Prepare for investigation of prepaid cards, stored value cards.

**Modules:**

- **Concern and Considerations in Financial Crime Analysis:** An overview of illicit networks, their operational needs, and vulnerabilities
- **Fronts, Shells, and Shelves:** Presentation about one of most critical components of an illicit financial network, their function, similarities and differences, and the element of beneficial ownership.
- **Money Laundering Basics:** Discussion of the three phases of money laundering (placement, layering, integration) and specified unlawful activities.
• **Trade-Based Money Laundering:** Presentation of the most common form of TBML, including the operation of the Black-Market Peso Scheme, Bulk Cash Smuggling, Free Trade Zones, and present some of the more common documents falsified.

• **Money Laundering Professionals:** The role of a critical member of illicit networks, the gatekeepers, and experts who build, maintain, and protect the essential payment, communication, and business structures.

• **Role of Finance and Business in Financial Crime Investigation:** This presentation will discuss the compliance requirements placed upon financial and business entities in the United States and around the world, including the Financial Action Task Force, the Egmont Group, banking, and money services businesses.

• **Documents for Financial Crime Investigations:** Description of the requirements under Bank Secrecy Act laws, Currency Transaction Reports, Suspicious Action Reports, Foreign Bank Account Reports, Cash Transaction Documents, and other financial reporting documents. We will discuss the developing requirements of beneficial ownership disclosure under the 2021 antimony laundering law updates.

• **How Money Moves:** Processes used by the United States and worldwide to move money and the data of value to investigators. An in-depth discussion and analysis of SWIFT messaging, a critical component of the movement of money and value.

• **Bank Operations:** Processes involved in core banking, the processes and data in customer identification processes, including know your customer, due diligence, and Politically Exposed Persons.

• **Alternate Remittance Systems:** Moving of value outside of bank systems, such as Virtual Assets & Prepaid Access Cards, Money Services Businesses, Hawala, and other processes.

• **Case Planning and Violation Mapping:** Elements in planning a financial investigation, working with a violation map, application of critical thinking in effective planning, and resources.

**About the Instructor**

Mike Loughnane is currently president of Loughnane Associates, LLC, a business designed to support the development of skills in the investigation of financial investigations, fraud, and employee integrity.

Mike is a former Director of Special Operations at the U.S. Environmental Protection Agency, Office of Inspector General, Office of Investigations. As a special agent for 27 years, Mike spent his career with both the U.S. Department of Transportation and the Environmental Protection Agency. During this time, Mike investigated a number of complex fraud allegations, including antitrust, contract fraud, grant fraud, and public integrity. Starting in 1999, while at EPA, Mike was assigned to lead the development of the EPA OIG computer forensics laboratory program and network security testing laboratory, as well as overseeing the growth of OIG's cybercrime investigation capability. He was appointed Director of Special Operations in 2003, with national oversight in the cybercrime/forensic program and all employee integrity investigations.

In 2007, Mike joined Booz Allen Hamilton as an I.T. security expert, where he managed contracted computer network security teams at the Department of Homeland Security. In 2010 became a contracted instructor at the Joint Military Intelligence Training Center, where he designed and
delivered training in counter-threat finance and financial crime investigation methods to the U.S. intelligence community, federal law enforcement, and the regulatory agencies.

In 2016 Mike formed Loughnane Associates, LLC, where he and collaborates with many subject matter experts to deliver training programs and webinars about financial crime investigations to the international law enforcement, intelligence, financial, business, and regulatory sectors.