Project data

**What Is Money Laundering?**

Money laundering is the illegal process of making large amounts of money generated by criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source. The money from the criminal activity is considered dirty, and the process “launders” it to make it look clean.

Money laundering is a serious financial crime that is employed by white-collar and street-level criminals alike.1 Most financial companies today have [anti-money-laundering](https://www.investopedia.com/terms/a/aml.asp) (AML) policies in place to detect and prevent this activity.2

### **KEY TAKEAWAYS**

* Money laundering is the illegal process of making “dirty” money appear legitimate instead of ill-gotten.
* Criminals use a wide variety of money-laundering techniques to make illegally obtained funds appear clean.
* Online banking and cryptocurrencies have made it easier for criminals to transfer and withdraw money without detection.
* The prevention of money laundering has become an international effort and now includes terrorist funding among its targets.
* The financial industry also has its own set of strict anti-money laundering (AML) measures in place.

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## How to Prevent Money Laundering

Governments around the world have stepped up their efforts to combat money laundering in recent decades, with regulations that require financial institutions to put systems in place to detect and report suspicious activity. The amount of money involved is substantial. According to the United Nations Office on Drugs and Crime, global money-laundering transactions account for roughly $800 billion to $2 trillion annually, or some 2% to 5% of global [gross domestic product](https://www.investopedia.com/terms/g/gdp.asp) (GDP), although it is difficult to estimate the total amount due to the clandestine nature of money laundering.3

In 1989, the [Group of Seven](https://www.investopedia.com/terms/g/g7.asp) (G-7) formed an international committee called the [Financial Action Task Force](https://www.investopedia.com/terms/f/financial-action-task-force-fatf.asp) (FATF) in an attempt to fight money laundering on an international scale. In the early 2000s, its purview was expanded to combating the financing of terrorism.6

The United States passed the [Bank Secrecy Act](https://www.investopedia.com/terms/b/bank_secrecy_act.asp) in 1970, requiring financial institutions to report certain transactions, such as cash transactions above $10,000 or any others that they deem suspicious, on a [suspicious activity report](https://www.investopedia.com/terms/s/suspicious-activity-report.asp) (SAR) to the [Department of the Treasury](https://www.investopedia.com/terms/u/ustreasury.asp).14 The information that the banks provide to the Treasury Department is used by the [Financial Crimes Enforcement Network](https://www.investopedia.com/terms/f/fincen.asp) (FinCEN), which can share it with domestic criminal investigators, international bodies, or foreign financial intelligence units.7

While these laws were helpful in tracking criminal activity, money laundering itself wasn’t made illegal in the United States until 1986, with the passage of the Money Laundering Control Act.8 Shortly after the Sept. 11, 2001, terrorist attacks, the [USA Patriot Act](https://www.investopedia.com/terms/p/patriotact.asp) expanded money-laundering efforts by allowing investigative tools designed for the prevention of organized crime and drug trafficking to be used in terrorist investigations.1

The Association of Certified Anti-Money Laundering Specialists (ACAMS) offers a professional designation known as a [Certified Anti-Money Laundering Specialist](https://www.investopedia.com/terms/c/cams.asp) (CAMS). Individuals who earn CAMS certification may work as brokerage compliance managers, Bank Secrecy Act officers, financial intelligence unit managers, surveillance analysts, and financial crimes investigative analysts.9