

# Financial Accounting

## Part E: Money Laundering

# I takes a thief...

To be a successful forensic accountant, you need to understand the types of fraud and how they can be perpetrated.

It all starts with understanding, or imagining, the motivation of the fraudster.

Let's put on our crooked caps and get to work.

# Money Laundering

Money laundering is the process used to disguise the source of money or assets derived from criminal activity.

-FINTRAC

Money Laundering often goes hand in hand with tax fraud/evasion.

**Note: Tax Evasion is a crime, not just a matter of paying what you owe.**

# **The Real Reason for Anti Money Laundering Laws...**

Tax evasion and the underground economy.

From the CRA...

If your lifestyle is not in line with the income you report, and you cannot explain the difference, the CRA can assess taxes based on indirect or alternate methods of calculating your income.

# Laundry Process

- Placement: involves placing the proceeds of crime in the financial system.
- Layering: involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds (e.g., the buying and selling of stocks, commodities or property).
- Integration: involves placing the laundered proceeds back in the economy under a veil of legitimacy.

You have a 'pile' of dirty cash. How do you make it clean?

a) you're willing to pay tax on it.

b) you are unwilling to pay tax on it.