

MONEY LAUNDERING INDICATORS

Indicators for money laundering can be divided into three subgroups. Firstly, there are **money laundering typologies**. A money laundering typology describes the characteristics that point towards money laundering on the basis of experience. An extensive analysis of criminal investigations usually forms the underlying basis. Typologies are internationally established by the FATF and at national level by FIU – the Netherlands [Financial Intelligence Unit-the Netherlands]. The Explanatory Memorandum on money laundering shows that both the Public Prosecution and the Courts may admit money laundering typologies in evidence. Refer to the Parliamentary Papers II 1999/2000, 27159, 3 (Explanatory Memorandum), page 9. FIU – the Netherlands also always publishes the most recent list of typologies on its website.

Generally known facts are facts that everyone is deemed to know. It is a legal concept. Generally known facts do not require evidence according to article 339(2) of the Dutch Code of Criminal Procedure. We included generally known facts in our overview when these have been qualified as such in Dutch case law. The overview lists the source in order to be able to refer to it in official reports, for example. What remains is the group referred to as **other indicators**. These are characteristics that point towards the act of money laundering, but they are not a generally known fact, nor have they been established as a typology.

All these categories of money laundering indicators may play an important role both in terms of giving rise to the suspicion of money laundering as well as in providing actual evidence of money laundering. Below is a summary. We start with the money laundering typologies established by FIU – the Netherlands. This is an exhaustive overview. The summary continues by listing the generally known facts and other indicators, all categorised by subject. This is a non-exhaustive overview. We have listed a number of frequently used generally known facts and indicators, however, there are numerous other generally known facts and indicators that could also be applied. We conclude with an overview of FATF reports. These reports show typologies and / or indicators in relation to specific subjects.



Money Laundering typologies

Exhaustive list – Source: <https://www.fiu-nederland.nl/en/general-legislation/money-laundering-typologies>

- The fact that there is no legal economic explanation for the exchange of the different currencies and the frequency thereof.
- The absence of a legal economic explanation for the exchange of large sums of money.
- The absence of a legal economic explanation for exchanging foreign currency.
- The transactions are not in proportion to the income.
- Within a money laundering cycle, it is common practice to exchange currency into cash money in order to interrupt the paper trail.
- In case of large sums of cash money of various currencies: it is a generally known fact that various forms of crime are associated with large sums of cash money of various currencies.
- In case of physical transport of large sums of cash money: it is a generally known fact that the physical transport of large sums of cash money poses a significant security risk.
- The fact that, regarding the suspect, there is no economic activity known relating to the different countries with which transactions were being carried out.
- The fact that multiple currency conversions have been carried out on one single day at different exchange offices / banks or different branches of these exchange offices / banks.
- The fact that, on several occasions, the money was supplied though not counted.
- The fact that, on several occasions, small denomination notes were exchanged for large denomination notes.
- The fact that drug trafficking results in large amounts of money using small denominations.
- The fact that drug trafficking results in large profits in different currencies.
- The fact that the suspect maintains or has maintained frequent contact with persons having a criminal background.
- The way in which the money was shipped and / or offered.
- The fact that the suspect refuses to make any statement on the origin of the money.
- The fact that the apparent intention was to evade the reporting threshold.
- The fact that a reward was obtained for the exchange transactions carried out by the suspect.
- The fact that many Money Transfer transactions from the Netherlands to different persons in the Caribbean often involve the smuggling of cocaine from the Caribbean into the Netherlands.
- With the use or frequent use of Money Transfers: It is a fact that it is considerably more expensive to transfer money abroad via Money Transfers than via cashless transactions.
- The fact that Dutch citizens have foreign money in bank accounts opened abroad in order to conceal this from Dutch authorities and / or Dutch investigative services.
- The fact that previous investigations have shown that exchanging British Pounds and Scottish Pounds into smaller denominations outside the United Kingdom can often be associated with drug trafficking.
- Sums of money of a considerable size, in cash denominations, which cannot be retrieved in the (official) records nor be accounted for by means of documents of regular trading activities.
- Having large amounts of cash available, without the need thereto from a business perspective or profession.
- Unusual way of transport (hiding the cash money). Consider hiding cash money in items not suitable for money transport, such as rods or drawbars of a trolley, packs of nappies, shampoo bottles, wrapped in panty hoses and hidden underneath one's clothing, hidden in the body.

- A common feature is that acts take place which - apart from the intended money laundering scheme - cannot serve a reasonable economic business purpose.
- A frequently used method in terms of exchange offices is the regular exchange of large sums of foreign currency, divided into small denominations, for Dutch currency. This is done by couriers or front men, sometimes accompanied by others – apparently those supervising these transactions. Those offering the money sometimes agree to unusual and highly unfavourable exchange conditions. This method particularly pertains to proceeds from drug trafficking.
- A more refined method involves the use of front companies. The person offering the money claims to act on behalf of a company, often established abroad. He commissions for the money to be transferred to a bank account of that company, after which the money is immediately withdrawn from that account or further transferred to another account. The amounts that are being transferred into these accounts are often inexplicably high in view of the type of activity the front company was said to perform.
- A typical form of money laundering involves the circulation of money by frequently transferring money between different bank accounts. For inexplicable reasons, credit and debit transactions follow each other in rapid succession and balances go from zero to several millions of euros and back again within one single month. The paper trail is often interrupted by cash withdrawals or the purchase of cheques. Documentary evidence shown to substantiate the transaction, such as loan agreements, purchase contracts, warranties and such, often appear counterfeit or legally defective. Parties to such transactions sometimes appear to be related or even simply be one and the same person.

Within the framework of **underground banking**:

1. Amounts of money bundled with small elastic bands in packets of 100 pieces of banknotes, where a number of bundles of 100 pieces of banknotes are bundled together again, is a typical feature of the bundling of illicit money.
2. The following characteristics or a combination of these characteristics suggest criminal financial flows:
 - The exchange of funds takes place in a public place as opposed to a fixed location;
 - A number / token is used for the exchange of funds, identities are unknown;
 - Money transfer takes place between different nationalities as opposed to within the same ethnic group;
 - There are language barriers;
 - Large amounts of money are involved in the transfers;
 - Communication takes place via veiled use of language;
 - There is no or only summary administration in which names have been left out;
 - The exchange of the funds takes place with the use of money couriers as opposed to on location;
 - The clients often have a criminal background.

Within the framework of the purchase and sale of **virtual currencies**:

1. Multiple withdrawals of substantial cash amounts, in whole or in part, from bank account(s), within a relatively short period of time, without any apparent economic necessity and in combination with multiple receipts by giro (where, in the case of the trader in virtual currencies, these amounts apparently originate from the sale of virtual currencies).
2. The purchase of virtual currency that meets at least two of the following characteristics:
 - a. the buyer offers their services via internet, via sites servicing supply and demand;
 - b. the buyer does not verify the identity of the selling party;
 - c. the buyer shields off the own identity;
 - d. the buyer settles the amounts in cash;
 - e. the buyer charges an unusually high exchange fee;
 - f. the transaction takes place in a (public) area with many people present, thus reducing the buyer's safety risk;
 - g. there is no plausible economic explanation as to why the exchange takes place in this manner;
 - h. the size of the purchased virtual currencies do not match the average personal use;
 - i. the buyer is not registered with the Chamber of Commerce nor known with the Tax and Customs Administration for their exchange activities.
3. The buyer and / or the seller make / makes use of a so-called mixer in selling the virtual currencies.

Please also refer to the memorandum on the [Bitcoin trader](http://www.fiu-nederland.nl) on www.fiu-nederland.nl.

Generally known facts and other indicators

Non-exhaustive list

Crime and cash

- It is a generally known fact that drug trafficking generates profits in cash money and that large sums of money circulate in the drug scene, as well as in the cannabis cultivation and cannabis trade. (ECLI:NL:HR:2019:1137)
- It is a generally known fact that trafficking large amounts of cocaine is a highly lucrative business. (ECLI:NL:RBAMS:2015:714)
- It is a generally known fact that various forms of crime, including the possession of hard drugs, go hand in hand with large amounts of cash money. (ECLI:NL:GHAMS:2018:1972)
- It is a generally known fact that batches of stolen goods are further traded in cash, often at a price that lies significantly below the economic value. (ECLI:NL:RBSHE:2012:BX6681)

Denominations

- The court deems it a generally known fact that various forms of crime go hand in hand with large amounts of cash money in usually large denomination notes, while denomination notes of € 100 and € 500 are seldom used in normal Dutch payment transactions. (ECLI:NL:RBAMS:2019:4153)
- Experience shows and it may be deemed to be common knowledge that payment by a bank of such an amount of money [ed. € 20,000] for reasons of efficiency is usually done in larger denominations, unless explicitly requested otherwise by the person withdrawing the money. (ECLI:NL:HR:2009:BKo679)

Possession or the transport of cash money

- It is a generally known fact that the physical transport of large amounts of cash involves a substantial security risk. (ECLI:NL:GHSHE:2015:1181)
- It is a generally known fact that Schiphol Airport is often used for the import, export or transit of goods, including large amounts of cash, which, directly or indirectly, originate from criminal activities. (ECLI:NL:GHAMS:2013:BZ8274)
- The way of transport as well as ignoring the duty to report, are, in the opinion of the Court of Appeal, typologies pointing towards the exportations of money obtained by criminal activities. (ECLI:NL:GHAMS:2008:BD7281)
- The court deems it to be a generally known fact that having large amounts of cash money in one's possession is highly unusual for

private persons due to the risk of theft, amongst others, because the money is not insured. (ECLI:NL:RBMNE:2015:1838)

- After the arrest of the suspect and after the seizure of a large amount of cash money, it appeared that no one actually claimed the money. (ECLI:NL:RBOVE:2018:1637)
- Storing large amounts of cash money in a wardrobe is highly unusual, considering, among other things, the safety risks. Proceeds generated from crime apparently make it worth the risk. (ECLI:NL:RBOVE:2015:2282)
- It is a generally known fact that having such an amount of cash money in one's possession, by having it in one's home or car, presents major risks. Moreover, it is highly unlikely were this money had been legally obtained. (ECLI:NL:GHLEE:2011:BR5801)

Also refer to the typology established by FIU – the Netherlands:

- Unusual mode of transport (hiding the cash money). Consider hiding cash and cash equivalents in materials not intended for the transport of funds, for example: handles or rods of suitcases, packs of nappies, shampoo bottles, wrapped in tights and hidden underneath one's clothing, hidden in the body.

Also refer to the typologies established by FIU – the Netherlands within the context of underground banking.

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Receiving cash money from countries with a well-developed financial system set in place (as a safe and cheap alternative to cash transports)
- Incomplete, incorrect or partly incorrect or no explanation given for the origin of the cash
- The amount of the money, the denominations and the currency do not fit either the person's or the company's background
- Concealed transportation of cash
- Safety risks in method of transportation
- High costs of transportation compared to the obvious alternative modes of transport
- Cash deposits or withdrawals in denominations or currencies that are foreign to the company
- 'Smurfing': multiple transactions of cash deposits in amounts under the bank's reporting threshold, all done within a relatively short period of time.

Cash, other

- Substantial, unexplained cash withdrawals.

Social welfare benefits

- It is a generally known fact that people living on welfare benefits can often only barely make ends meet. (ECLI:NL:GHAMS:2020:532)

Inexplicable / unusual assets

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Substantial transfers to and from bank accounts that cannot be explained
- The person is living 'above their means'
- Unexplainable, unexplained or undocumented inheritance
- The person owns assets located abroad which have not been declared in their tax return
- Buying high-value assets far below market value
- Non-transparent or unverifiable origin of the money
- Investments by a foreign legal entity for the benefit of a local person, e.g. an apartment or a yacht.

Real estate

- It is a generally known fact that payments involving real estate transactions are not made in cash, but via bank accounts. (ECLI:NL:RBMNE:2015:986)
- It is the opinion of the Court of Appeal that it is a generally known fact that third parties' account numbers of holders of confidential information, such as civil-law notaries, may be used to conceal the money derived from crime (money laundering). (ECLI:NL:GHAMS:2015:633)
- It is a generally known fact that renting out housing to foreign people for short periods of time, involving large cash payments, may be associated with various forms of criminal activities. (ECLI:NL:RBAMS:2015:714)
- It is a generally known fact that criminal groups involved in (international) drug trafficking often make use of housing in Amsterdam, thereby remaining under the radar of the police and the judicial authorities as they are not registered and pay the rent in cash. (ECLI:NL:RBAMS:2019:5899)
- It is a generally known fact that large-scale production and trafficking of synthetic drugs takes place in the Dutch provinces of Zeeland, Noord-Brabant and Limburg. The production is usually set up in empty and sometimes remote barns and sheds, but also in cellars of

homes and business premises. Reportedly, the locations are often rented out to third parties without any agreements having been signed and / or made out in their name, in addition to which the rent is usually paid in cash. (ECLI:NL:GHSHE:2019:2366)

- It is a generally known fact that the selling price of a home sold under execution is deposited with the civil-law notary. (ECLI:NL:GHSGR:2012:BX6755)

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Taking part in a property flipping transaction with no real estate background
- Income too low in relation to the purchase price
- Non-transparent ownership of a legal entity
- Unusual origin of the money, financier, the financed or financing arrangements
- Unusual transaction results (high profits during short period of ownership)

Tax return

- It is a generally known fact that large amounts of cash money must also be reported in the tax return, even if they relate to proceeds of criminal activities. (ECLI:NL:RBGEL:2019:2168)
- Failure to declare to the Tax and Customs Administration a large amount of money found during a search. (ECLI:NL:GHAMS:2019:434)

Registration

- It is a generally known fact that a registration in the name of a person other than the actual owner is done with the intention to conceal that ownership. (ECLI:NL:HR:2012:BU7335)

Games of chance

- It is a generally known fact that it is exceptional for a person to structurally make net profits from games of chance. (ECLI:NL:PHR:2017:1469)
- It is a generally known fact that money needs to be put in in order to gamble. (ECLI:NL:RBNHO:2018:8638)
- It is a generally known fact that match fixing in football is done to make gambling profits and to be able to make large sums of money. (ECLI:NL:RBNHO:2016:10015)

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Unexplainable, unexplained or undocumented gambling and lottery winnings

PGP phones

- It is a generally known fact that PGP phones (phones which can be used to send encrypted messages) are frequently used in criminal circles.
(ECLI:NL:RBAMS:2018:9892)

Virtual currency, darkweb

- It is a generally known fact that bitcoins are frequently used in criminal circles, in the drug trafficking scene amongst others.
(ECLI:NL:RBROT:2019:2408)
- It is a generally known fact that the online market place Silk Road was commonly used for criminal transactions.
(ECLI:NL:RBROT:2018:11321)
- The Court assumes that virtually all bitcoins from the darknet markets are derived from crime.
(ECLI:NL:RBMNE:2017:5713)

Also refer to the typologies established by FIU-the Netherlands within the context of virtual currency.

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Trading or having coins available from mining without having any relevant equipment or electricity costs
- Accepting, trading or having coins available with a history on the dark web
- Use of a debit card fuelled by crypto currencies
- Large cash deposits and large cash withdrawals via special crypto currency ATMs (coin ATMs)
- Crypto currency transactions for the purchases of luxury items that seem not be in line with the buyer's reported income / assets
- Withdrawal of large amounts of cash from the bank account shortly after having received money from crypto currency exchanges

Loan

- Loans of unknown lenders who are not registered with the Dutch Authority for the Financial Markets ([AFM](https://www.afm.nl))¹

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Obtaining a disproportionately high mortgage or other loan on a relatively low income
- Non-transparent ownership of the lender or the collateral provider
- Provision by a non-financial institution
- Unusual contracting partner / no business or family ties with the country of origin of the lender
- No written loan agreement present
- Unrealistic, insufficient or no collateral
- No or unrealistic repayment schedule
- Interest rate differs significantly from the market rate
- Loan comes in cash
- Nature of the use of the funds
- No measures are taken for debt collection
- Repayment is made without an actual flow of money to the lender (mutual set-off transactions)

Structures

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- International company structure with no apparent commercial, legal or tax benefits
- Use of overly complex transactions when a more conventional method is available

Legal entities

- Payments to bank accounts in countries other than where the recipient is located.
- Payments to personal bank accounts as opposed to corporate bank accounts.
- Payments to entities that have not taken any part in projects or transactions (unrelated third parties).
- Large or frequently completed payments or receipts.
- Large cash payments

¹ <https://www.afm.nl/nl-nl/consumenten/controleer-je-aanbieder>

- Derogations from the regular procedures for the authorisation of payments.
- The amounts received appear excessive in relation to the goods delivered or services provided.

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- Cash balances that are excessive within the industry
- Large increase in cash turnover / sales in a short amount of time, also in comparison with the purchase value
- Transactions in goods or services that do not fit the company's profile
- Transactions with offshore companies
- Denominations and currency of the amounts deposited or withdrawn from the bank account do not fit the company's profile
- Money flows without apparent economic reason or supporting correspondence / documentation
- Sales transactions in goods or services that do not fit the company's profile
- High-purchase invoices with a very general description
- The entity has little or no physical or online presence
- Spending funds for purposes other than specified in the articles of association or objectives
- Ultimate beneficial ownership cannot be determined
- Involvement of a foreign trust office in a local company

International trade flows

- Deposits on foreign bank accounts of individuals or companies with whom no business relationship exists.

- Payments made or received via intermediaries in third countries.

The OECD handbook of indicators for staff of the Tax and Customs Administration:

- The country is not known for producing, importing or exporting that type of goods
- Newly formed corporations with instant large imports and exports
- Major differences between description on customs filings and invoices (amount, type, quality)
- Major differences between description of goods on the documents and the actual goods transported (amount, type, quality)
- Risky goods: high-value goods
- Difference between the size of the money flow and the amount stated on the invoice

High-level risk countries²

- Payments to or by persons in high-level risk countries, of whom the identity cannot be verified or which are companies of which the ultimate beneficial ownership cannot be determined.
- Overpayments for the provision of services in high-level risk countries.

Services

- Commission payments are split into parts and transferred to different offshore bank accounts.
- Payments made or received in the absence of a written agreement or where the written agreements are unclear or unavailable.
- Payments of large provisions involving certain data, for example the date on which an agreement is concluded.

PEP's

- Payments made for the transport and stay of PEPs (politically exposed person).

² The FATF uses lists of countries which have insufficiently established a system to prevent money laundering (black list) and with countries under enhanced surveillance (grey

list). In addition, the European Commission, for example, uses its own list.

FATF reports

The website of the FATF (www.fatf-gafi.org) has various typology reports.

2018

- [Financial Flows from human trafficking](#)
- [Concealment of beneficial ownership](#)

2016

- [Terrorist Financing in West and Central Africa](#)

2015

- [Money Laundering Through the Physical Transportation of Cash](#)
- [Money laundering and terrorist financing risks and vulnerabilities associated with gold](#)
- [Financing of the Terrorist Organisation Islamic State in Iraq and the Levant](#)

2014

- [Virtual Currencies, key definitions and potential AML/CFT risks](#)
- [Financial flows linked to the production and trafficking of Afghan opiates](#)

2013

- [Money laundering and terrorist financing through trade in diamonds](#)
- [The role of Hawala and other similar service providers in money laundering and terrorist financing](#)
- [Money laundering and terrorist financing vulnerabilities of legal professionals](#)

2012

- [Trade-based money laundering typologies](#)
- [Illicit tobacco trade](#)
- [Operational issues – financial investigations guidance](#)
- [Specific risk factors in the laundering of proceeds of corruption – assistance to reporting institutions](#)
- [Specific risk factors in laundering the proceeds of corruption](#)
- [Operational issues financial investigations guidance](#)

2011

- [Laundering the proceeds of corruption](#)
- [Money laundering risks from trafficking in human beings and smuggling of migrants](#)
- [Organised maritime piracy and related kidnapping for ransom](#)

2010

- [Money laundering using new payment methods](#)
- [Money laundering using trust and company service providers](#)

- [Money laundering vulnerabilities of free trade zones](#)
- [Global money laundering & terrorist financing threat assessment](#)
- [Money laundering through money remittance and currency exchange providers](#)

2009

- [Money laundering and terrorist financing in the securities sector](#)
- [Money laundering through the football sector](#)
- [Money laundering vulnerabilities of the free trade zones](#)
- [Vulnerabilities of casinos and gaming sector report](#)

2008

- [Money laundering and terrorist financing vulnerabilities of commercial websites & internet payment systems](#)
- [FATF terrorist financing report](#)
- [Typologies report on proliferation financing](#)
- [Money laundering & terrorist financing risk assessment strategies](#)
- [RBA guidance for dealers in precious metal and stones](#)
- [RBA guidance for accountants](#)

2007

- [Money laundering and terrorist financing through the real estate sector](#)
- [Laundering the proceeds of vat carousel fraud](#)
- [The misuse of corporate vehicles, including trust and company service providers](#)

2006

- [Report on new payment methods](#)
- [Trade based money laundering](#)

Other years

- [Money laundering & terrorist financing typologies 2004-2005](#)
- Report on money laundering typologies 2001-2002
- Report on money laundering typologies 2000-2001
- Report on money laundering typologies 1999-2000
- 1998-1999 Report on money laundering typologies
- 1997-1998 Report on money laundering typologies
- 1996-1997 Report on money laundering typologies
- FATF-VII report on money laundering typologies