



Centro *de* Estudios Hemisféricos
de Defensa William J. Perry
25 años empoderando a los profesionales de seguridad y defensa en las Américas

The Digitalization of Illicit Networks in the Americas

LIV EXPERT GROUP MEETING
FOR THE CONTROL OF MONEY LAUNDERING (GELAVEX)

ORGANIZATION OF AMERICAN STATES (OAS)
WASHINGTON, DC

23 May 2023

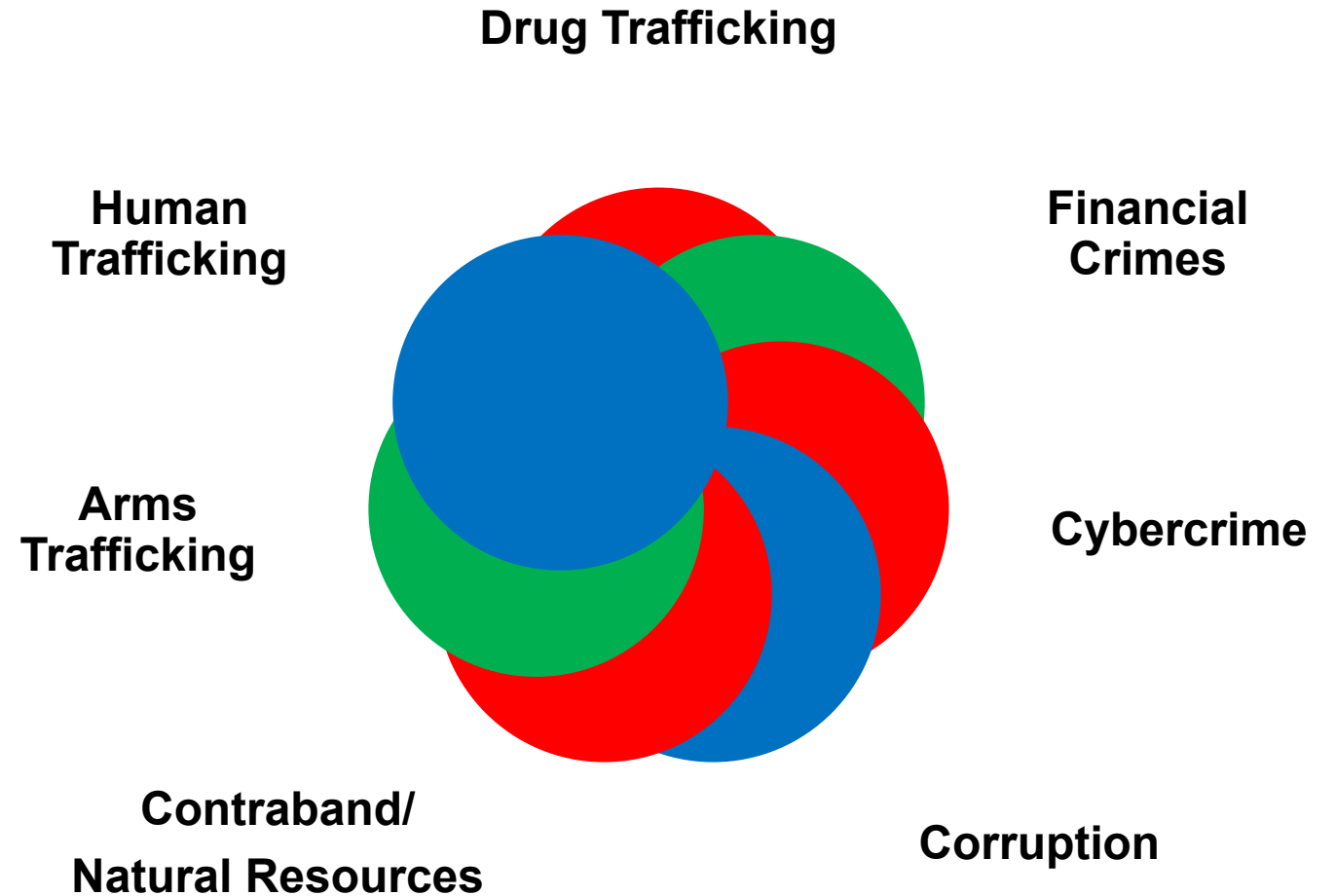
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The Globalization of Illicit Networks



The Activities of Illicit Networks Threaten the National Security of Our Countries



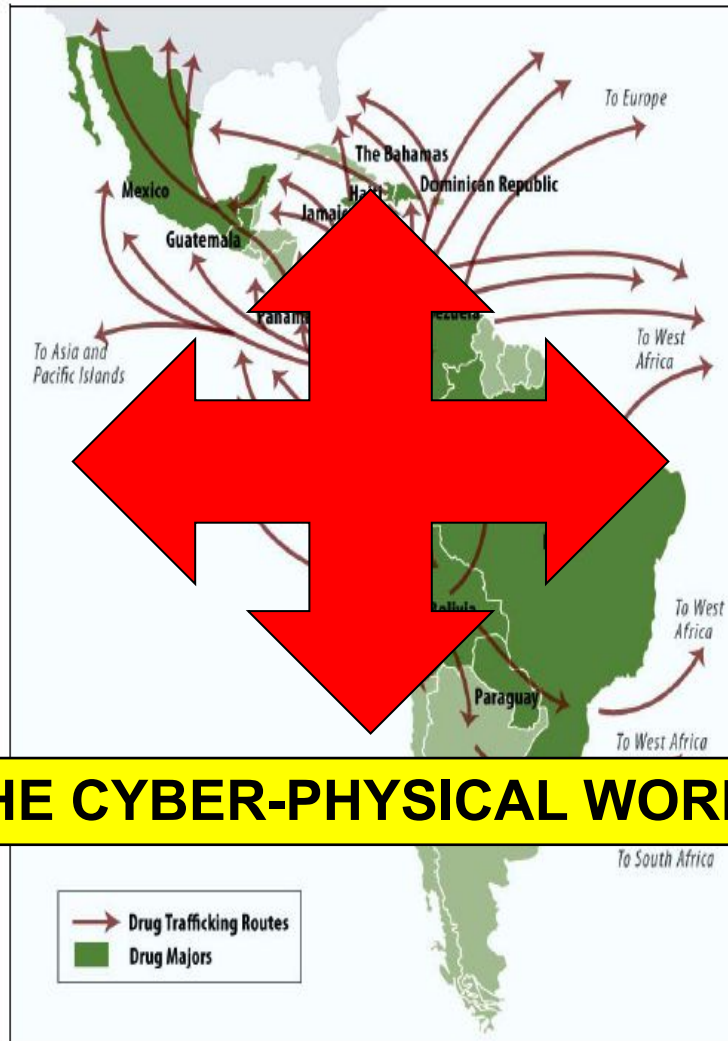
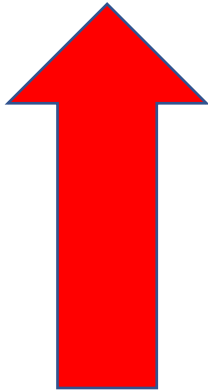
The Digitalization of Illicit Networks in the Americas



The Convergence of Illicit Networks in the Americas

NORTHBOUND

**DRUGS
PEOPLE**



THE CYBER-PHYSICAL WORLD

SOUTHBOUND

**MONEY
ARMS**





SOCIAL MEDIA ARE ENABLING ILLICIT NETWORKS

- **Recruitment by gangs, cartels and terrorists**
- **Advertising online drug markets**
- **Commercializing human smuggling**
- **Pornography**
- **Disinformation/Fake News**
- **Social Protests**
- **Cybercrime**
- **Money Laundering and Terrorist Financing**

The Categories of Illicit Financial Flows



THE CYBER-PHYSICAL WORLD

the acts themselves are illegal (corruption, tax evasion);

the funds are the result of illegal acts (smuggling and trafficking of drugs, people, minerals or wildlife); or

the funds are used for illegal purposes (financing of organized crime or terrorism)

The background image shows a hand holding a 100-dollar bill in front of an open safe filled with stacks of money. The safe is open, and the interior is packed with various denominations of US currency. The hand is holding a single 100-dollar bill prominently in the foreground. The safe's interior is visible, showing the door and the heavy door mechanism. The overall scene suggests a secure storage of large amounts of cash.

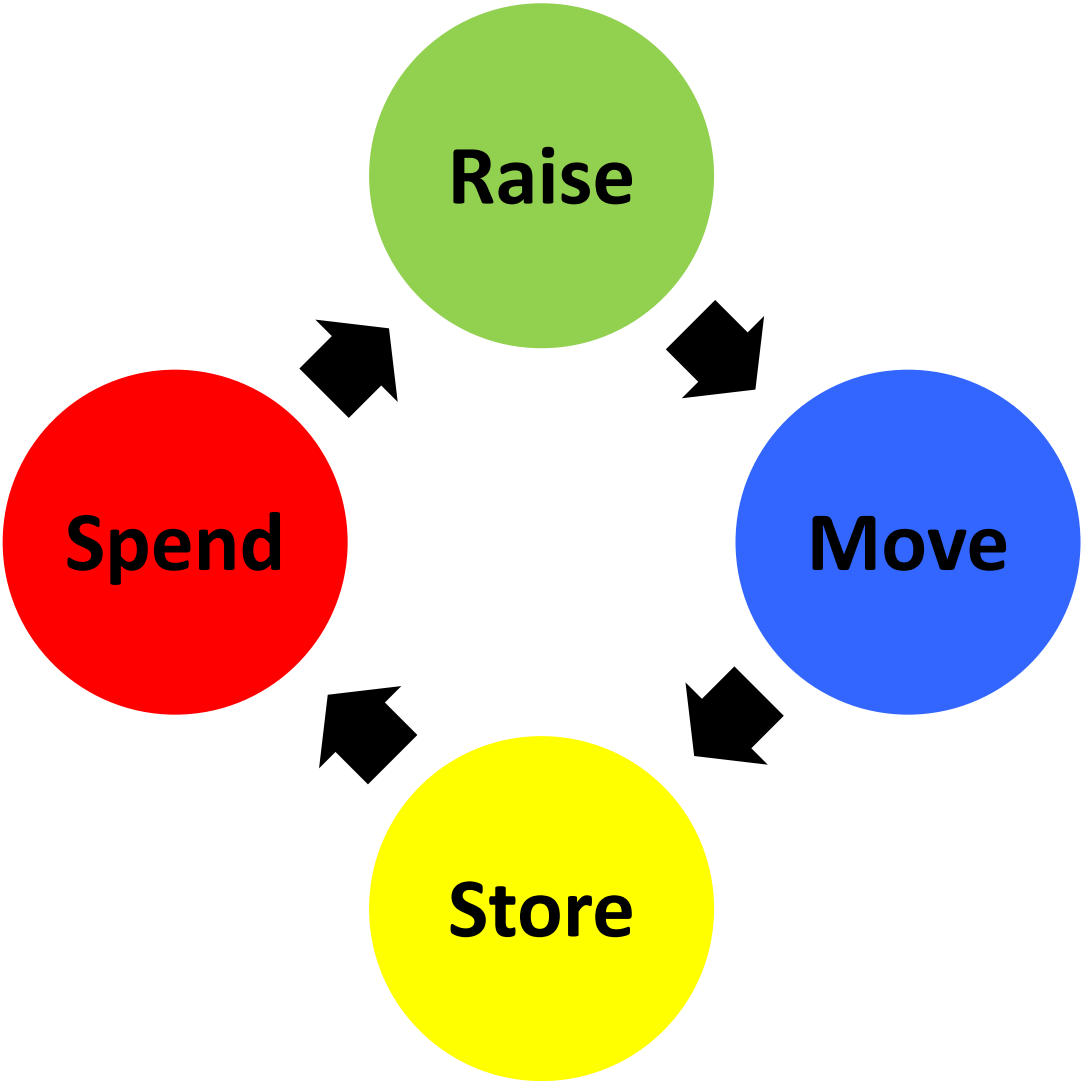
Money Laundering vs. Terrorist Financing

THE CYBER-PHYSICAL WORLD

Money Laundering is the process of taking the proceeds from criminal activities and making them appear legal

Terrorist Financing is the collection or processing of funds intended to sponsor or facilitate terrorism (funds may be licit or illicit)

Illicit Financial Flows





**MONEY
LAUNDERING
AND TERRORIST
FINANCING
METHODS**

Banks

**Bulk Cash
Smuggling**

Cryptocurrencies

Front Companies

**Store of Value
Prepaid Cards**

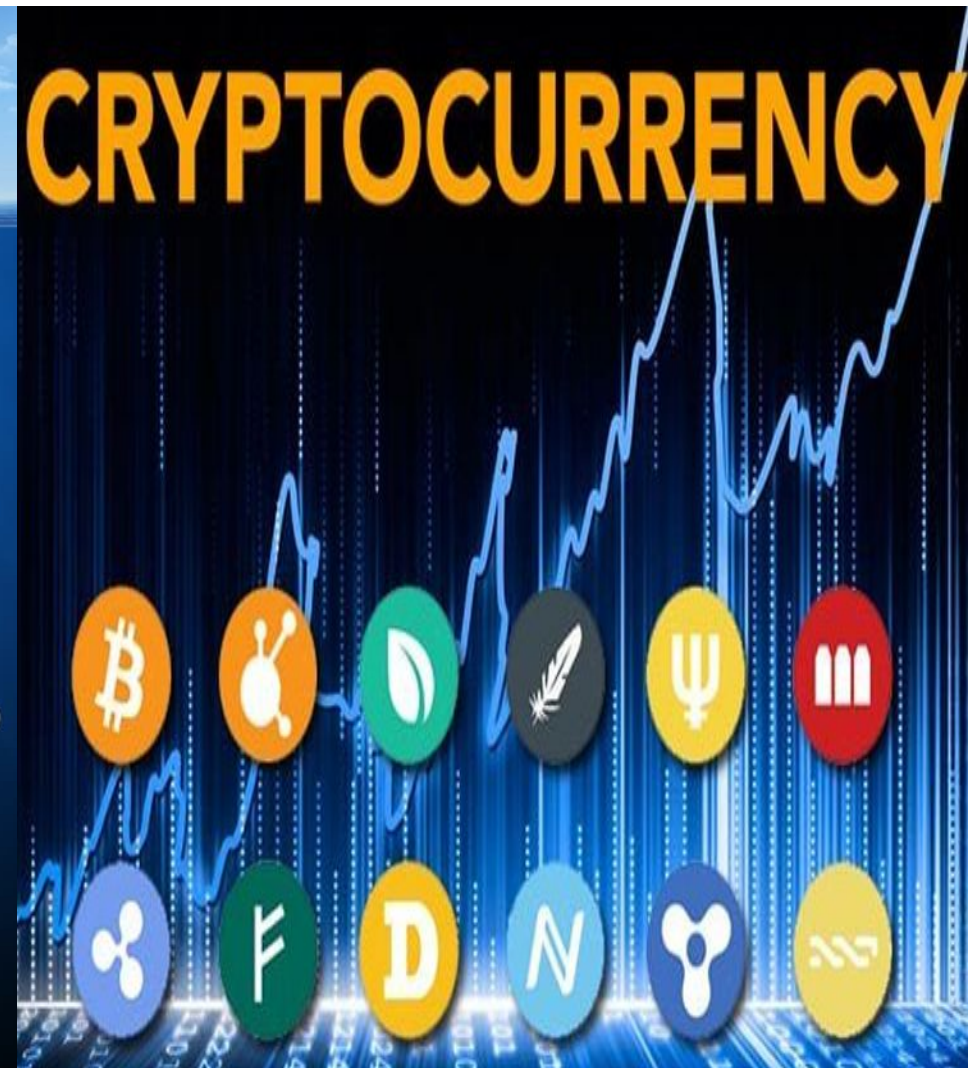
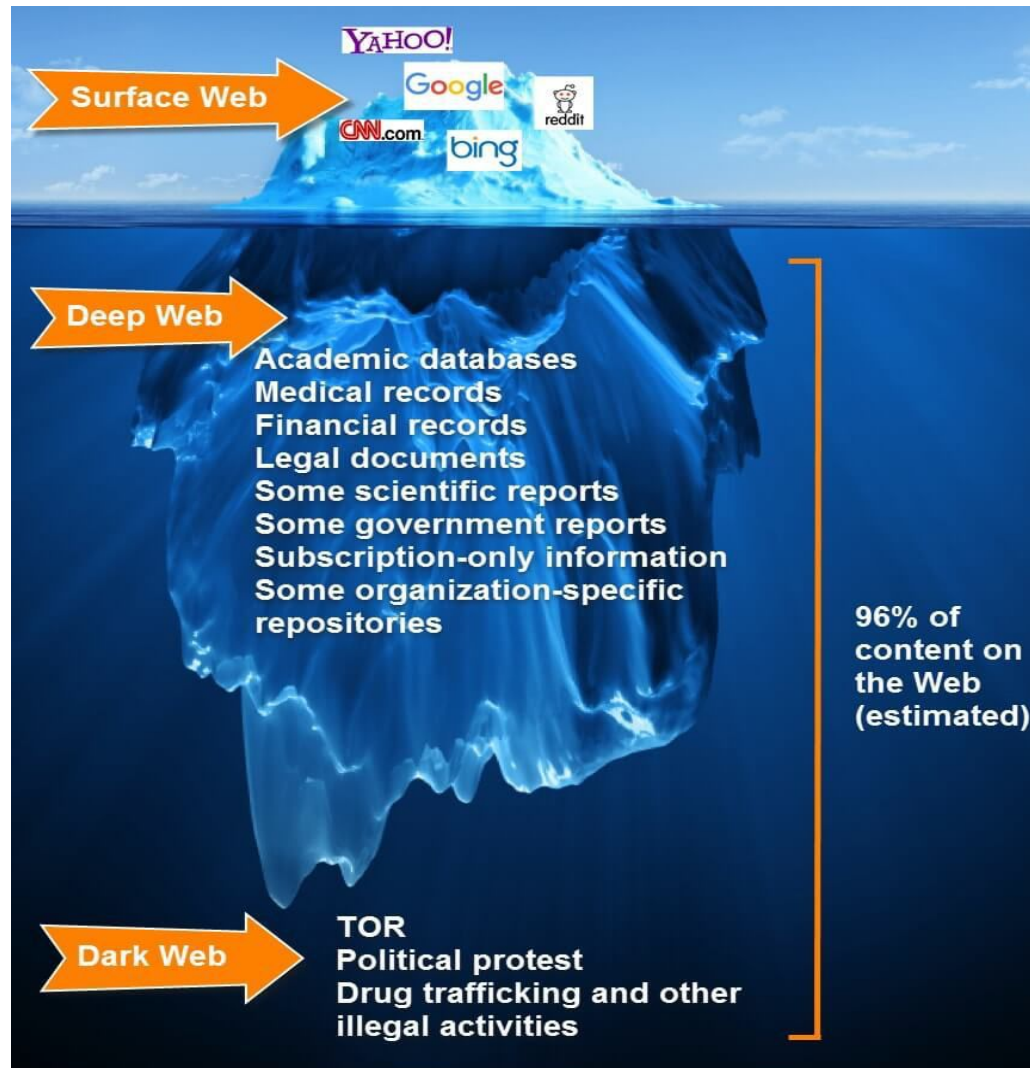
**Money Services
Businesses**

**Trade-Based
Money
Laundering**

Real Estate

Art

The Illicit Economy Empowered by the Darknet and Cryptocurrency



A collage of images representing drug trafficking and money laundering. In the top left, a metal spoon contains a pile of white, crystalline powder. Below it, several pills are scattered: two yellow capsules and four white capsules. The background features a US one-dollar bill with the portrait of Benjamin Franklin. Overlaid on the bill are two large, gold-colored Bitcoin coins. The text "Drug Trafficking and Money Laundering via Cryptocurrencies" is centered in white, bold font.

Drug Trafficking and Money Laundering via Cryptocurrencies

The Cyber-Physical World

Cyber Mules with Virtual Wallets are the New Smurfs



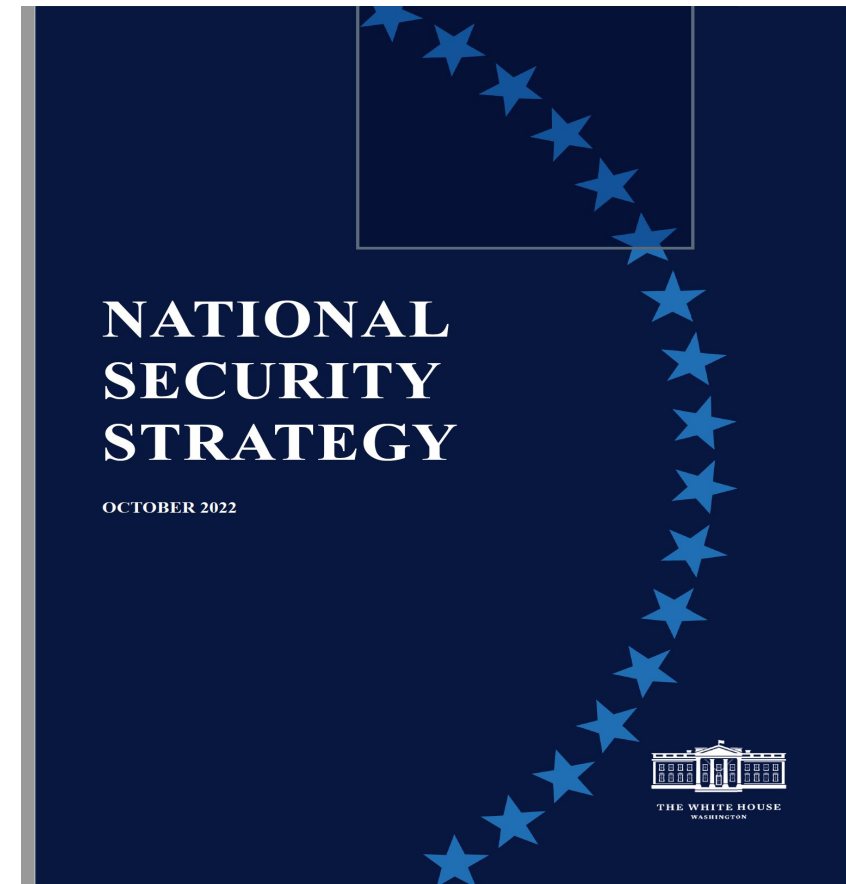
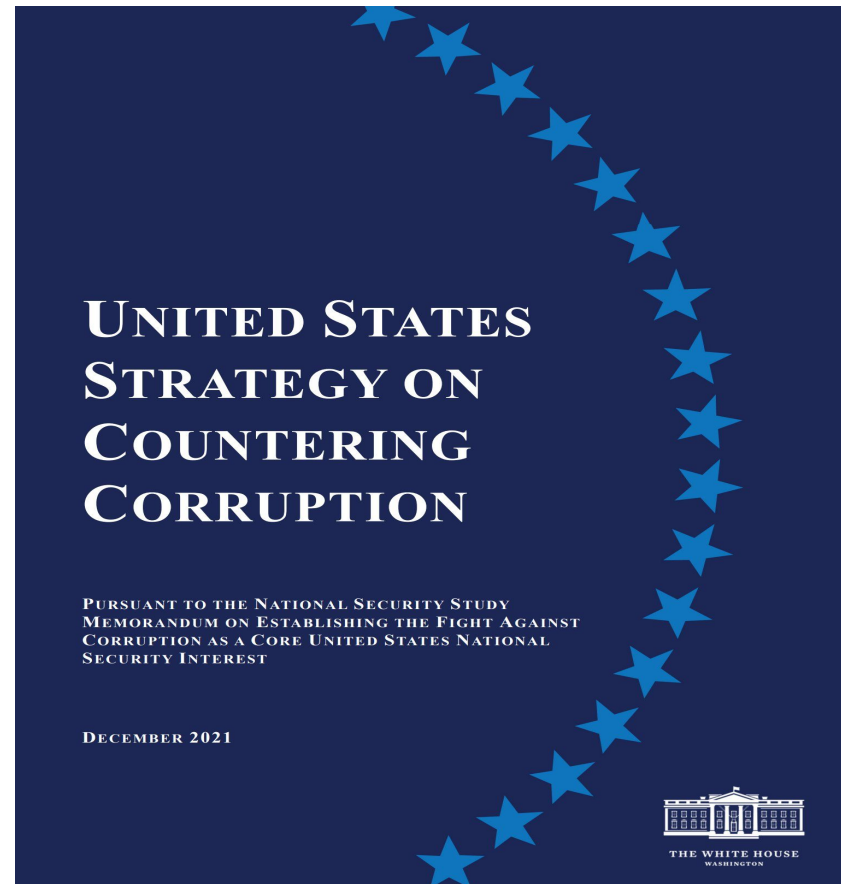
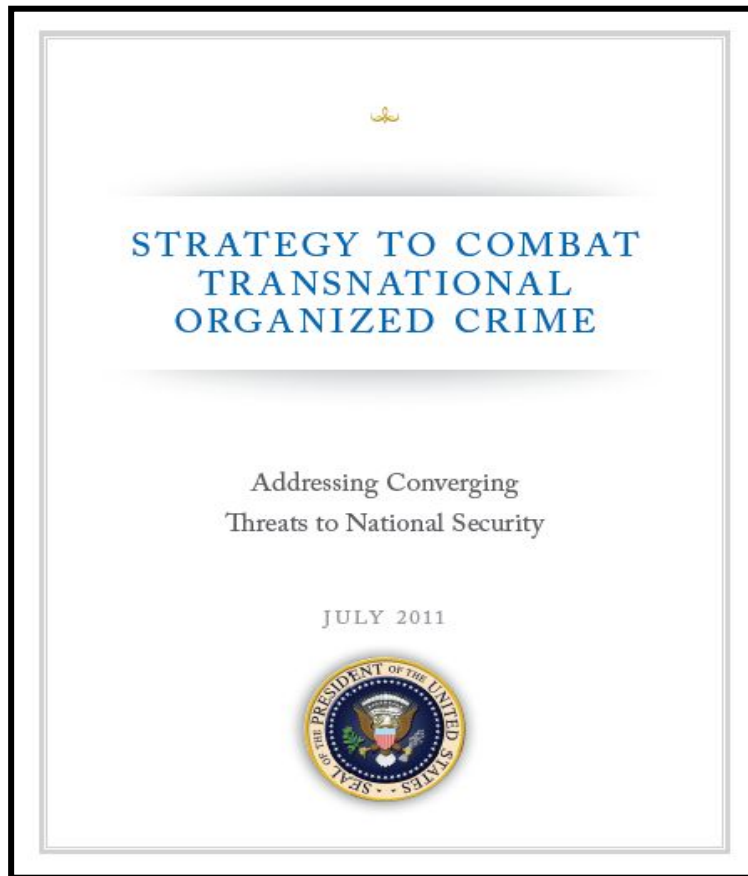
Increased Sanction Evasion through Cryptocurrencies by Russia, Iran, North Korea and Venezuela





**Hezbollah's Support Network in the Triborder
Extradition of Kassem Mohamad Hijazi to the US and
Cryptomining in Paraguay**

U.S. Strategies to Combat Transnational Organized Crime, Terrorism and Corruption



All Strategies Include a Prominent Role for Financial Intelligence

**STOP THE
FLOW OF
BLOOD
MONEY!**



**Follow the Money Trail to
Combat Transnational
Organized Crime, Terrorism
and Corruption**



Leveraging Financial Intelligence to Combat Terrorism and Organized Crime in the Americas

Potential AML/CFT Risks of Cryptocurrencies according to FATF

- The anonymity provided by cryptocurrencies in cyberspace
- The limited identification and verification of participants
- The lack of clarity regarding responsibility for AML/CFT compliance, supervision and enforcement for these transactions that are segmented across multiple countries
- Lack of a central oversight body



FINTECH and Cryptocurrency Laundering (Decentralized Finance)



**The Legal Framework Needs to be Updated
for FINTECH and Cryptocurrencies**

To Improve the Fight Against Money Laundering and Terrorism Financing

LEVERAGE FINANCIAL AND DIGITAL INTELLIGENCE

IDENTIFY AND MONITOR FINANCIAL TARGETS

PROSECUTE, ARREST, EXTRADITE FINANCIERS

USE KINGPIN ACT, SANCTIONS, ASSET FORFEITURE

The Digitalization of the New Global Security Environment

Fostering Collaboration and Communities of Interest

Adopting a "Whole-of-Nation" Approach





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**INTERAGENCY AND INTERNATIONAL
COOPERATION IS NEEDED TO COMBAT
ORGANIZED CRIME, TERRORISM AND
CORRUPTION THROUGH ILLICIT
FINANCIAL FLOWS IN THE AMERICAS**

Thank you!

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