

GAMIFICATION GUIDE

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DIRTY MONEY

What is Money Laundering?

The Concept

Money laundering is the process of making illegal monies generated from criminal activities appear legal in order to disguise the illicit origins. The process masks the traceability of the unlawful monies and their sources, thereby allowing criminals to enjoy their ill-gotten profits without being caught or without the monies being seized by relevant authorities. Such illegal activities, also known as predicate offences, include illegal arms sales; drug trafficking; prostitution and in recent years, even white-collar crimes such as embezzlement or fraud schemes etc.

A widely quoted estimate by the International Monetary Fund puts the aggregate size of money laundering in the world to be somewhere between 2% to 5% of the world's gross domestic product (USD 800 billion to USD 1.5 trillion). However, due to the nature of such illicit activities, no precise statistics is available.

Fun fact: The term “money laundering” is said to have originated from the Italian mafia and criminals such as Al Capone who allegedly bought “Laundromats” to commingle their illicit gains from illegal activities such as prostitution with legitimate business sales from the “Laundromats” to hide their ill-gotten gains.

The Game

Dirty Money is a game where players play as corrupted politicians, loan sharks or tax cheaters trying to launder the ill-gotten gains and convert “dirty money” into “clean money”. The player who manages to launder the most money while at the same time, avoid being blacklisted by governments at the end of the game wins.



Stage 1: Placement

The Concept

There are usually 3 stages to money laundering; the first stage being “Placement”. In this stage, the money launderer introduces the ill-gotten gains into the financial system through several ways such as depositing small amounts of money, usually below reporting thresholds (also known as smurfing) into various bank accounts. Other methods may include exchange the funds into other currencies (i.e. foreign exchange) or purchase equally valuable assets.

The Game

In the game, players amassed monies, both clean and dirty money via criminal or other activities. This reflects one of the best ways to hide ill-gotten gains through the blending of funds, i.e. hiding illicit funds with other legitimate cash. The players then proceed to place the funds in a variety of assets etc.

Digital money and digital banking are represented prominently in Dirty Money, as the new technologies are among the fastest avenues for modern money laundering. The fact that these technologies can provide anonymity in the sense that they may not be easily traced or linked back to the original sources makes them useful to transfer the amounts without revealing the underlying identity.

Stage 2: Layering

The Concept

After Placement comes the second stage, “Layering”, which is typically the most complex stage. In this stage, a series of conversions or movements of funds will take place, in a bid to further distance the illegal funds from the original source. The funds may be wired multiple times through many accounts across the globe or they may be channeled through several purchases and sales of investment instruments.

Assets bought via illegal funds can be resold in the country of origin or overseas or through a series of transactions, thereby making the illicit funds more difficult to trace.

The Game

The acquired assets in the game may gain points over time due to multiple transactions occurring within these assets and this represents the “Layering” stage where criminals try to distance the funds from the source.

Stage 3: Integration

The Concept

After successfully completed the first 2 stages, the launderer may proceed with the last stage - “Integration”. In this stage, the funds now “integrate” or re-enter the legitimate economy as “cleaned” or “laundered” funds which do not draw attention. This is largely performed through the purchase of legitimate assets such as real estate; luxury goods or even business ventures. Other ways may include the use of false invoices by companies for payment to integrate the funds back into the economy.

The Game

The total amount of points gained by the players at the end of the game are a representation of the amount of money “cleaned” and this is the “Integration” stage, where the funds re-enter the economy as legitimate funds.

Money Laundering Assets and How They Work

The Concept

There exists a wide range of assets that can be used to launder money. One popular way is via Artwork as art transactions can remain private and anonymous; in addition, artwork can be easily hidden or smuggled. Art prices are usually high; subjective and hence easily manipulated. There is even underground art market, making art more susceptible to being used for money laundering! This results in a quite a number of cases whereby Artwork is used in money laundering.

Another time-tested way is to buy real estate and quickly selling them off, even at a loss, so to convert illegal funds into clean money, which are accounted for in the books as gains from property transactions.

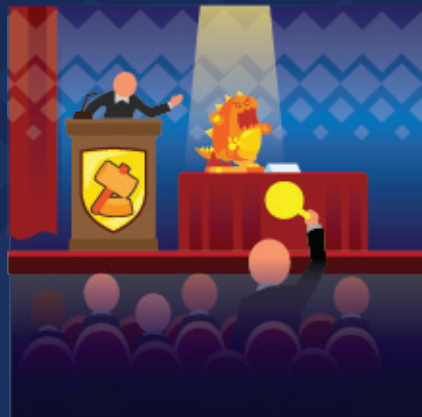
Charities may be established by criminal organizations to launder money. One way is to place illegal funds with the charities in the name of donation, then using the donated funds to pay wages to the employees, who are usually from the criminal organizations. If the charities are not owned by the criminal organizations, a commonly used method is to loan money to the charity, with a condition that it is to “donate” a certain sum of money to another company (also controlled by the criminal organization).

Professionals can play a part in facilitating money laundering too, such as in the case of Isabel dos Santos, Africa’s richest woman and daughter of Angola’s former president, whereby teams of consultants, lawyers and accountants helped her and her husband to acquire more than 400 companies and subsidiaries in 41 countries to move, stash away and spend her ill-gotten gains!

Casinos are another asset class vulnerable to money laundering as casinos are cash-intensive businesses and provide anonymity. Some even provide foreign exchange services, like a financial institution, but without the same levels of regulations that financial institutions face. A recent article reported that the Vancouver model, which is a scheme in which some of the province’s casinos were unwittingly used, laundered more than C\$100m in the past decade!

The Game

A wide variety of assets typically used for money laundering purposes is featured in the game, e.g. Artwork and the Art Gallery; Real Estate; Charity; Casino; Digital Bank; Restaurant Chain; Remittance company and professional firms such as Law firm and Accounting firm.



Money Laundering Locations

The Concept

Money laundering can take place almost anywhere in the world, where there is crime as well as proceeds arising from the criminal activities. Generally, this is especially prevalent in the jurisdictions that have not participated or cooperated in the anti-money laundering investigations. Usually, the funds are processed relatively near to the underlying criminal activity during the placement stage albeit this may not always be the case. Financial centers or financial institutions are mostly used during the second stage. Finally, when the monies have been “cleaned”, they can re-enter the economy anywhere in the world.

Most money laundering activities are carried out by individuals or corporations or shell companies around the world. It is extremely rare for an entire nation to be designated a money launderer, but it happened to the world’s smallest island nation, Nauru. Incidentally, this was also one of the biggest money laundering cases so far. Nauru was an offshore banking paradise and tax haven, with good privacy protections. These conditions attracted Russian mob money and even al-Qaeda to launder money via shell banks set up there. It has, fortunately, cleaned up its act since.

The Game

The game features the major regions in the world where the currencies (US Dollar, Euro, Japanese Yen), are among the most widely circulated and traded around the world and are often the top currencies which money launderers aim to convert illicit funds to.

Some of the top financial institutions in these regions have been found to have conspired with criminals or having inadequate controls to detect or prevent money laundering activities. Examples in the past include HSBC and Standard Chartered paying hefty fines for failing to prevent drug cartels from using the banks to launder money as well as BCCI (The Bank of Credit and Commerce International) which assisted in crimes ranging from money laundering to fraud to arms dealing.

Dirty Money also features a black market; where criminals can purchase assets and investments in unregulated exchanges which accept payments without doing any checks on the source of funds.

An auction house facilitates the buying and selling of assets, such as art pieces or antiques. Auction houses pose higher risk to money laundering due to the huge amounts of money involved. Assets can be purchased with cash intended for laundering and then later sold off, thus making auction house an ideal venue to disguise the transfer of funds. This results in a recent tightening of regulations towards auction houses.

Why we make this game: Anti-Money Laundering Education

The Concept

The rapid rise of globalization and the digital economy enables funds illegally obtained to be moved using new and sophisticated methods. As a result, money laundering activities have surged in recent years. Governments around the world have greatly tightened their anti-money regulations and expanded anti-money laundering education to different walks of the society other than financial institutions, as they recognize that it is no longer sufficient to depend on banks to combat money laundering. Professionals such as accounting and law firms are also required to include anti-money laundering principles, policies and controls within the ethics framework.

Anti-money laundering requires coordinated efforts among countries in the world, as well as individuals. An example is where a person may be approached by criminal organizations to receive illegal funds (without knowledge that such funds are illegal) in his or her bank deposit account and then to transfer the funds to 5 different bank accounts equally.

In return, that person is paid a fee. This is essentially layering at work. However, the person may not realize that he/she is being made use of or that this is illegal! Thus, by equipping oneself with a basic knowledge of how money laundering works, one can be on the alert to prevent oneself from unwittingly falling prey to such schemes. In this case, a police report should be made for investigation.

Combating money laundering is important, so that the monies can be located and even restored to the victims. In addition, by depriving the criminals of the illegal funds, there is a possibility that the criminal activities will reduce or even cease. If such crimes are left unchecked, organized crime can infiltrate financial institutions and everyday life, resulting in large sectors of the economy being controlled by investments held by such organizations. Public officials may be susceptible to bribery too. When the integrity is compromised, this will undermine public confidence in the economy, financial institutions and even the government.

Hence, this game is designed to spread the awareness of the process of money laundering and help players learn about money laundering in a fun manner.

Awareness is especially important recently, as since the pandemic's onset in March 2020, schemes used for money laundering have skyrocketed by 609 percent, according to security firm Zerofox in a recent article. These schemes vary from victims of online frauds who make transfers to people to a re-shipping scheme, where the fraudsters buy goods with ill-gotten gains and then use money mules to send the products overseas to be resold. They target those who are desperate for money or those who prefer to work from home to avoid exposure.

The Game

The underlying message is that it does not pay to launder money or engage in illegal activities. With this in mind, "Inspect" and "Audit" cards are introduced into the game to whistle blow players and to get them blacklisted. Players lose a point per blacklist point they have at the end of the game. The player with the most number of blacklist points loses an additional 2 points!



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