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LAUNDERING THE PROCEEDS OF VAT CAROUSEL FRAUD

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TABLE OF CONTENTS

INTRODUCTION

Background

VAT carousel fraud involves organised criminal groups attacking tax systems to generate substantial profit. Annex 1 gives a brief explanation of how the fraud functions. The overriding objective of this project is to increase understanding of this fraud, the money laundering associated with the crime and to raise global awareness of the methods used to launder the proceeds; the threat it poses as a vehicle to launder and raise funds for investment in other types of crime as well as the potential to fund terrorism.

This project used the European Union as an example region. However, the project team also discovered cross border schemes operating in other countries such as Mexico and the Ukraine[1]. The findings of this study may also be relevant to other countries with common duty agreements.

Executive Summary

There were four key aspects that the project identified[2]:

- Billions of dollars from VAT carousel fraud are moving through the international banking system. The main typology is that all transactions within a chain will use the same banking institution. However, intelligence is limited on how and where associated profits are laundered. It is, therefore, essential that the appropriate agencies are made aware of this activity to enable them to investigate the associated money laundering;
- VAT carousel fraud is not a form of tax evasion, but a deliberate, systematic attack on Government revenues. Because of the closed and contrived nature of transactions in the fraud, there are theoretically no limits to the amounts of money that can be stolen, posing a serious risk to government finances;
- Serious organised crime groups are involved in carousel fraud either using it to raise funds or to launder the proceeds of other criminal activity such as drugs smuggling;
- The impact from the associated money laundering has a global reach and it is therefore necessary for countries to work together to provide a global response.

There are four key elements to tackling the money laundering associated with this fraud:

- Increasing global awareness of its existence.
- Helping organisations identify and where possible seize the proceeds of VAT carousel fraud;
- Closer interaction between the regulated sector, law enforcement, the judiciary, Financial Intelligence Units (FIUs) and competent authorities, and of particular importance to the FATF;
- The effective implementation of the 'due diligence' and 'know your customer' elements of the FATF recommendations;

1 The FATF style regional body - Eurasian Group looked into the "Use of fraudulent VAT pay-back schemes in exports of goods and services for the purpose of obtaining proceeds from crime and their laundering" as part of their 2005 Typologies research. www.eurasiangroup.org

2 It should be noted that the views expressed in the report are not necessarily those of the project team's national policy.

SCALE OF THE FRAUD

Significant losses

The European Commission estimates that VAT fraud costs the Member States around Euro 60 billion[3] annually, although it is difficult to measure the precise scale of carousel fraud. Due to the levels of trade needed to generate substantial VAT repayments that represent the proceeds of crime, the associated money flows are far larger than the losses.

Following an initial start-up investment, a successful VAT carousel fraud generates enough income to fund its own growth. This income filters through to the facilitators of the fraud, who in turn start up their own frauds, often by way of "business loans" from those who are already established in the transaction chains.

Carousel fraud is unlike other traditional crimes such as smuggling where there is a finite market for the goods being sold. Criminal groups behind carousel fraud do not compete against each other. The idea behind the fraud is to circulate the goods as many times as possible, stealing VAT on each occasion. The goods are only sold within the carousel and for the highest price possible because the higher the price, the greater the amount of VAT one can steal. Such a complex system requires a great deal of collaboration to ensure that the goods are where they should be at the appropriate time. Furthermore, there is evidence to suggest that groups share knowledge and resources to perpetrate the fraud. In the UK, analysis of current carousel schemes indicates that criminal organisations lend each other the use of their goods and companies to assist in the fraud.

The goods most commonly used are mobile phones or computer chips, although the fraud is not limited to these goods. They share the common features of being low bulk, high value and readily available in large quantities. Where goods are in short supply, boxes containing sand or bricks have been substituted for high value goods and in some cases, the fraud has been perpetrated purely on paper without any goods at all. In countries with common duty agreements where goods can move freely, in the cases where there are no goods, border controls will be unable to detect import or export of these goods. Therefore, only by identifying the illegitimate money flows will the fraud be recognised.

Example 1 illustrates the substantial levels of finance involved in this fraud using an example from Sweden
.

EXAMPLE 1: The Scale of fraud

Although the goods involved in this VAT carousel fraud were never in Sweden, purchase orders and invoices were found for mobile phones and software. In every transaction there was at least one UK supplier or customer plus a company from another country. The director sent the "profit" to Kenya and he received payments into his Swedish bank account from the UK as gifts or loans. The company's turnover during 6 months of operation was Euro 120 million. All the suppliers and customers used bank accounts in the Dutch Antilles for their transactions.

There was a suspicion of human trafficking and prostitution in connection with this case.

Source: SWEDEN (2006)

[3] EC Commissioner's estimate of VAT fraud in the EU on 31 May 2006: http://ec.europa.eu/commission_barroso/kovacs/speeches/introductory_speech_REV4.pdf

GLOBAL IMPACT

International money laundering in VAT carousel fraud

Goods are traded around the carousel, which is often controlled by a 'guiding mind' who also determines the price and time of each transaction. Each time the goods change owners, a small profit is attached which both increases the VAT that can be reclaimed at the end of the chain and hides the illegitimacy of the transactions.

One consequence of the circular nature of the fraud is that the goods become evermore expensive as they are "traded", which if unchecked would lead to prices spiralling out of control. This means that in every carousel, the goods have to be undervalued before they are circulated again. This often occurs when the goods are in 'third countries'. This undervaluation has an added advantage as it reduces the import tax/duty due to the third country. This financial 'loss' to the organisation is covered by the VAT repaid by the EU member state.

Payment for the goods may not go directly to the missing trader. Instead, one of the buffer companies will pay the EU supplier directly and send the balance to an off-shore, 'third party' account[4]. The 'third party' account is used to pay the 'handling fees' for the facilitators of the fraud (the buffer companies). Invoices for services rendered (e.g. repayment of loans at excessive rates of interest) may be used to legitimise these third party payments. This reduces the risk for the missing trader of having any significant assets that could be seized by law enforcement agencies. It also negates the need for a missing trader to have a bank account and thus prevents the need to produce proof of identity to a bank. Examples have also been identified where payments are made in instalments, where the VAT element follows after the reclaim has been paid.

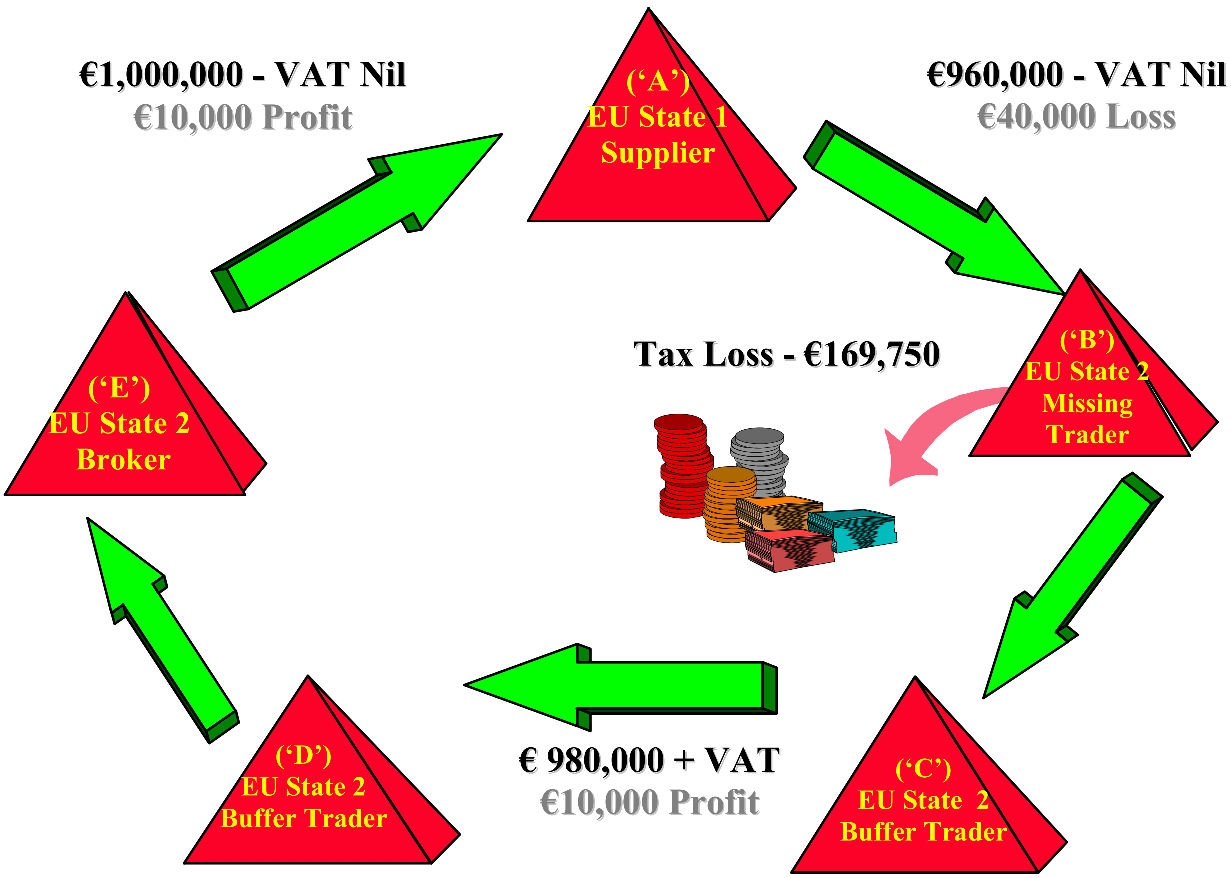
Fraudsters will frequently try to use accounts held with the same off-shore bank. The UK discovered that the majority of known VAT carousel fraudsters used the same off-shore bank. This hid the money flows in the transactions from UK law enforcement agencies as well as hiding the onward movement of money to other jurisdictions.

Additionally, using accounts held with the same bank speeds up the transfer of money reduces the chance of errors and maintains secrecy. This also enables traders to transfer money online, which suits the criminals as they are able to maintain their anonymity and operate the system from their own computer, anywhere in the world.

Figure 1 illustrates how a simple carousel works and Figure 2 shows a more complex carousel.

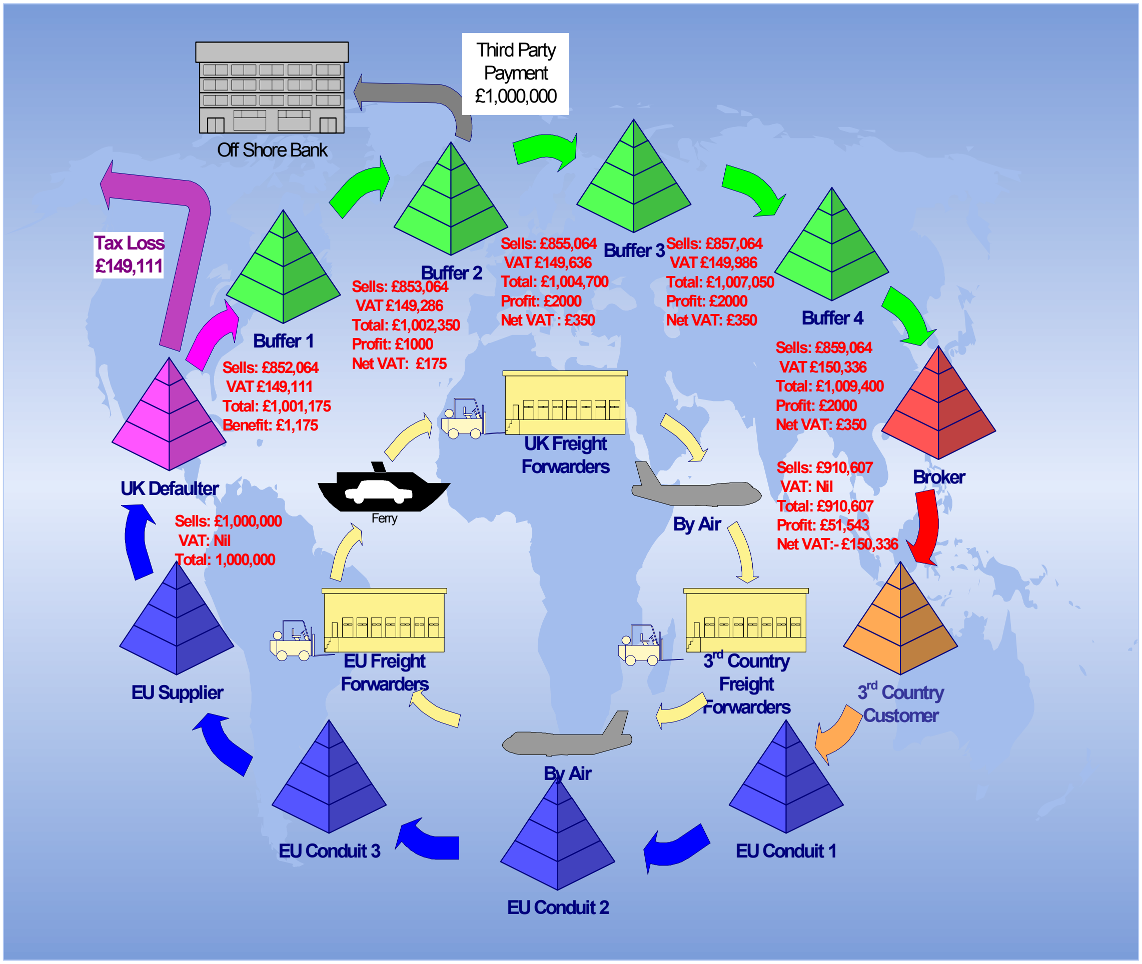
[4] Example: UK Operation Itches.

Figure 1: An example of the financial transactions in VAT carousel fraud – see also Figure 4 in Annex A



The total loss to the EU Member State 2 is **€ 169,750** and the total profit divided throughout the carousel is **€169,750**.

Figure 2: A more complex carousel



The following case studies highlight the international dimension of money flows associated with VAT carousel fraud:

EXAMPLE 2: International Money Flows

A UK VAT carousel fraud with a VAT value of £36 million ran from August 1996 until November 1998. The fraud was operated by a group of individuals based in Southern Spain.

The fraud involved the supply of mobile telephones by Spanish companies, set up and controlled by the principals who then 'sold' the phones through missing traders operated by friends and family in the UK. The VAT charged by the missing traders was not paid to the competent authorities. The profits were returned to the principals in Spain either by direct telegraphic transfer from the missing traders, or by the physical transfer of cash.

The principals set up Swiss bank accounts and transferred large amounts from their Spanish accounts. One of the principals was stopped at Madrid Airport en route to Geneva with £35,000 in sterling banknotes. The contents of the Swiss accounts were subsequently transferred to US dollar accounts held in banks in the USA.

Money was also transferred to Hong Kong from two of the missing trader bank accounts. The ultimate destination of this money is unknown but it is suspected that it found its way back to the principals, who by this stage were setting up in the USA. The money was quickly withdrawn from Hong Kong in cash.

The money was spent on properties, boats, luxury cars, gambling and an enhanced lifestyle by the principals. Ultimately the Spanish properties were sold and further properties purchased in Las Vegas, USA. The principals also invested large amounts of money into a fraudulent investment scheme operated by a firm of accountants in the UK, who are currently the subject of an investigation. The monies invested into this scheme were laundered through numerous accounts including a bank in The Commonwealth of Dominica. A number of other criminals invested in this scheme and were able to access their laundered funds through offshore accounts held in, amongst other places, Gibraltar. Monies were transferred around principally in the form of US dollars.

Three of the defendants were returned to the UK from the USA, Spain and the Netherlands to face trial. Other than a Dutch national all of the defendants were British. In total nine people were found guilty of offences of Conspiracy to Cheat the Public Revenue, Fraudulent Evasion of Value Added Tax and Money Laundering. The sentences ranged from 6 months to 6 years imprisonment, with confiscation orders issued totalling over £10 million.

Source: UK (1998)

EXAMPLE 3: Use of Offshore Bank Accounts
Company A was involved in a Swedish carousel fraud in 2003. It registered for VAT in Sweden, Denmark and Luxemburg and traded in mobile phones. Invoices were found from suppliers in Switzerland, the United Arab Emirates, the Netherlands, France, the Czech Republic and the United Kingdom, with sales to customers in Germany, France, Belgium, Spain, the Czech Republic and the United Kingdom. Company A reported everything as triangulation and the goods never went to Sweden. The profit was approximately £1 per mobile phone. The turnover increased by over 480% within 12 months. The companies involved in these transaction chains made use of various overseas accounts, based in the Dutch Antilles, Switzerland, Dubai, the Isle of Man and the Netherlands. Source: SWEDEN (2003)

Inevitably, there are substantial flows of money leaving the EU and going to off-shore bank accounts disguised as transactions for legitimate business. However, the monies involved, along with the other indicators highlighted in Section 5.4, can help identify the transactions associated with this fraud.

In order to prevent money laundering associated with this fraud, it is imperative that financial institutions fulfil their obligations under the FATF recommendations to know their customers, and operate due diligence. This idea is supported in the FATF's *Money Laundering and Terrorist Financing Typologies 2004-2005*[5] report, which notes in relation to VAT carousel fraud that uses an Alternative Remittance System to move funds: "The transaction will appear normal to the Alternative Remittance Systems (ARS) at each end of the transaction unless they are aware of the fraud profile. Knowing and understanding the nature of business performed by the remitter will generally reveal that the size of transaction cannot be supported by the purported commercial activity. This type of case can involve an ARS operation misused by criminals or an operation that is involved more or less directly in the conspiracy. Transactions are typically large and frequent. The ARS operator remitting the money and the ARS operator holding the cash pooling account can detect this type of activity by examining the business details behind the transaction. The money typically moves on very quickly to avoid possible detection. ARS operators receiving the electronic payments would need to compare details of the originator and ultimate beneficiary to determine whether the transaction makes business sense."

What happens to the money?

The majority of the money is initially laundered through the banking sector. However, many countries have identified cash withdrawals later in the process, which in some cases have been 'invested' through casino transactions[6]. Case studies 4 and 5 below are examples of the use of cash withdrawals:

[5] (FATF, 2005, pg 25) Available: www.fatf-gafi.org/dataoecd/16/8/35003256.pdf

[6] Spreutels and de Mûelenaere (2003) Note thatcasinos are now covered under the Third European Money-Laundering Directive

EXAMPLE 4: Making Cash Withdrawals and using False Documentation

This fraud took place between July and August 1999. Two partners of a company and the company's accountant faked supplies by using counterfeit documents in order to receive a VAT refund from the State. They were supported in the fraud by a manager of the tax administration executing the VAT refund.

Money was transferred electronically between 3 banks, although the majority of the money was withdrawn as cash. The remainder was transferred to a personal account and used to pay a foreign exchange office. The funds were primarily used to purchase gold and foreign currency.

The following counterfeit documents were used:
- invoices indicating that the company had purchased goods from two different companies to supply to an EU member state,
- sale invoices indicating that the goods had been supplied to a company in a Customs free zone and subsequent customs export documentation, purporting to show that the goods had been exported.,
- "VAT Refund Certification Reports" which is needed to receive a VAT refund and which is required to be prepared by a Sworn-in Certified Public Accountant.

Four people were successfully prosecuted.

Source: TURKEY (1999)

EXAMPLE 5: Use of Fake Invoices by a Shell Company to Justify Cash Withdrawals.

Company A and B traded in motor vehicles. Between October 2003 and November 2003, company A's account was credited by substantial transfers from company B, which were followed by cash withdrawals. In order to justify these withdrawals, invoices were made out by company C regarding car sales to company A. The bank reported the suspicious transactions as the invoices were settled in cash.

10 people and 8 companies were involved in the fraud. A number were also involved with car trafficking. Company C appeared to be a shell company without any real activity related to the car trade, playing a key role in a VAT fraud and money laundering scheme.

A police investigation is still ongoing.

Source: BELGIUM (2003)

Countries of choice for depositing money

The project identified one or more of the following factors as reasons for using specific destinations[7] in the money flows associated with VAT carousel fraud and its associated money laundering: [8]

[7] Due to the low response rate, the list of countries identified in the questionnaires was not deemed robust enough to be published in the report.

[8] Not all of these reasons relate to all countries.

- availability of high speed, online banking facilities that can move money quickly and other features of advanced financial systems;
- embedded expertise and experience of money laundering;
- availability of 'legitimate' investment opportunities e.g. Opportunities to invest in commercial construction projects;
- low level of international cooperation and regulatory enforcement;
- country of criminals' origin – this may significantly influence the onward movement of laundered money;
- the amount of legitimate trade that already occurs and can 'hide' illegitimate transactions;
- close cultural and commercial links with other parts of the world;
- lack of formal agreements in relation to legal assistance and extradition;

On occasions, money (including the laundered proceeds of the crime) will be repatriated to the country where the fraud takes place. Although this project was only able to collect limited data on how this is done, indications include contrived loans, investments into the property market or using false invoices from the service sector (e.g. insurance, consultancy). These are difficult to substantiate, as there is no provision of physical goods that can be used as evidence. Anecdotal evidence from the UK has identified money from UK VAT carousel fraud being re-invested in the UK property market.

EXAMPLE 6: Repatriation of Money
£25 million from a UK VAT carousel fraud worth a total of £60 million was sent from a buffer company to a bank in Hong Kong. Third party payments were transferred electronically by a buffer company to the EU supplier's account in a UK branch of a foreign bank. The money was then transferred to accounts within the same bank but in a different country. From there, it was sent to Hong Kong and Dubai, sometimes via the USA. Due to the cooperation of the authorities, the money was traced to over 20 different accounts. It should be noted that money was often transferred between these accounts several times and therefore exchanged between Sterling and HK Dollars. Enquiries are continuing but money has been traced back to the UK, where it was spent on property, helicopters, boats, race horses, planes, cars, jewellery, heavy plant equipment (exported to Dubai to a construction company owned by a principal of the fraud) and insurance policies. Source: UK (2002)

Impact on trade data

Carousel fraud has a distorting effect on international trade data as consignments of goods will be recorded on each occasion that they enter and leave the country. In 2003, the Office of National Statistics in the UK reported that an adjustment of over £11 billion was necessary to account for the impact of VAT carousel fraud[9].

[9]National Statistics, (2003): www.statistics.gov.uk/CCI/article.asp?ID=402&Pos=&ColRank=1&Rank=224 Further discussion on the topic is available: www.statistics.gov.uk/about_ns/downloads/web_Revision_SectionF.pdf

LINKS TO OTHER CRIME

Organised criminal gang involvement

To launder the substantial sums of money involved requires the expertise of very sophisticated organised criminal gangs, the proliferation of which can only have a damaging effect on both the state and financial institutions affected.

Career criminals who are involved in the more traditional forms of serious organised crime[10] are attracted to VAT carousel fraud because it generates large profits with a relatively low risk of prosecution. There is evidence from the UK to suggest that the vast amounts of money associated with carousel fraud have directly led to further criminality. Organised crime groups in the UK have conducted armed robberies employing extreme violence, at freight forwarder premises in order to steal mobile phones for use in carousel fraud. In some cases, the criminals also hijacked and "stole" their own goods in order to make fraudulent insurance claims, which were then used to finance further carousel fraud.

The organised criminal groups involved inevitably spend a large proportion of their stolen money on their own luxury lifestyles, as Example 7 illustrates below. However, as this offence generates such substantial profits, other criminal gangs (who may not have the knowledge or systems in place to perpetrate this offence) use extortion to earn a share of the money.

The following case study highlights how profits from carousel fraud are used for purchasing luxury goods as well as investing in other businesses.

EXAMPLE 7: Third Party Flows of Goods
A company had traded mobile phones since 2003 but the business escalated after Spring 2005 with a turnover of Euro 150 million annually. According to invoices, phones were purchased from Dubai and were sold in Portugal and Spain. The company also received payments from businesses in the UK. Most of the suppliers and customers used bank accounts in the Dutch Antilles for their transactions. Money was invested in a large electronic group in Sweden by opening a branch store. The director also bought an exclusive yacht and expensive cars financed by a loan from a private individual rather than a financial company. Source: SWEDEN (2006)

Funding other crime

Evidence has shown that money from other serious organised crime, including illegal drugs, has been invested in carousel fraud. Spain[11] highlighted that criminal networks can 'invest' illicit funds in VAT carousel fraud with profitable results.

As Figure 3 below highlights, electronic payments from VAT carousel fraud can be made to source countries to pay for drugs. The cash they receive in return can be used to pay the 'buffer' traders, freight forwarders and other criminals involved with VAT carousel fraud.

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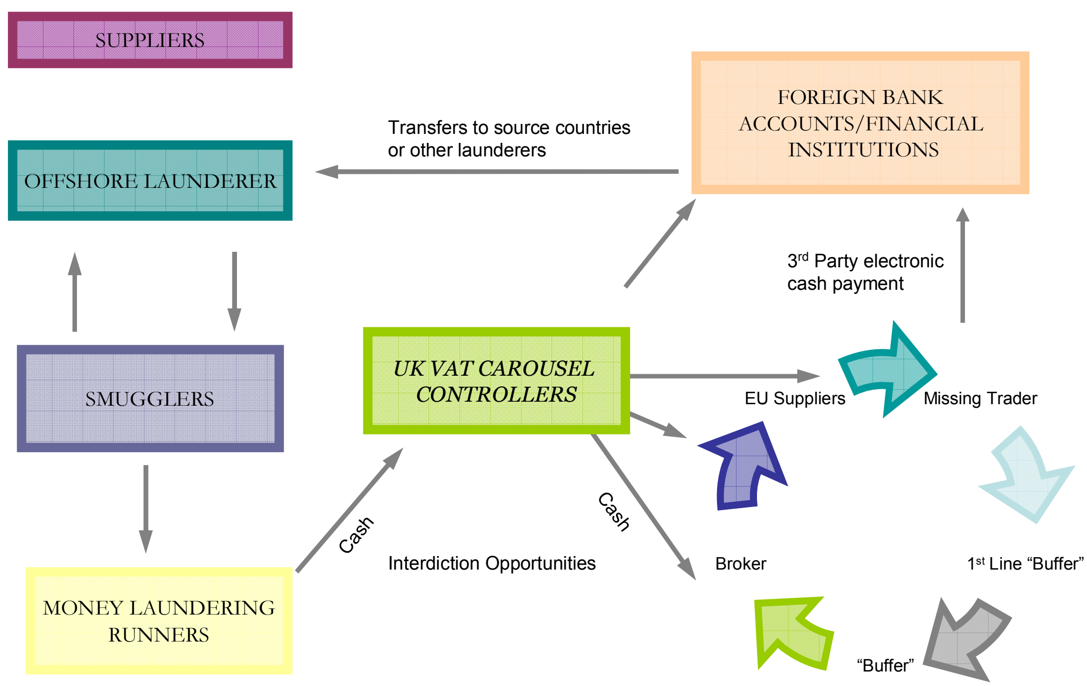
[10] Spreutels and de Mûelenaere (2003)

[11] In FATF's *Trade Based Money Laundering* Typology: http://www.fatf-gafi.org/dataoecd/60/25/37038272.pdf

These criminal links emphasise the importance of understanding the origins of funds used to start the carousel. The use of international mutual assistance to identify the real source of the income should be used more intensively.

Figure 3: Financial links between VAT carousel and drugs street cash



COMBATING THE MONEY LAUNDERING OF VAT CAROUSEL FRAUD PROCEEDS

Suspicious Transaction Reports

The proceeds of VAT carousel fraud entering a financial institution originate from a government source in the form of a VAT repayment. This may allay any suspicion from law enforcement or banking officials. Identifying the money flow after it enters the financial system is therefore crucial to identifying the associated money laundering, and Suspicious Transaction Reports (STRs)[12] play a crucial role in this.

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[12] STRs are also known by some countries as Suspect Activity Reports (SARs) or Unusual Activity Reports,

However:

- only 2 (out of 7) EU respondents were able to say how many intelligence reports concerning VAT carousel fraud were disseminated to other countries[13];
- the equivalent response from non-EU countries was 7 out of 18;
- encouragingly, 23 out of 24 EU and non EU respondents receive some feedback on intelligence they have disseminated.

Feedback is an important technique in improving intelligence and maximising the impact of the effort that goes into reporting suspicious activity.

Cooperation and information sharing

International mutual cooperation is crucial to combating the fraud globally and increasingly, law enforcement agencies are acquiring the power to share information with their overseas equivalents, enabling the 'money trail' to be followed in multiple jurisdictions[14].

The Example below is an example of international cooperation assisting in a successful prosecution.

EXAMPLE 8: International Cooperation
The FIU in Belgium received a disclosure from a Belgian financial institution with regard to Company A, established in France and trading in computer equipment, which executed suspicious transactions via its account. This company was represented by X, residing in France. Within one month, company A's account was credited with substantial transfers from company B in France, active in the same business. These transfers were always followed by cash withdrawals. There was no clear economic reason for opening an account in Belgium or for channelling the money through Belgium. On the basis of a memorandum of understanding with the French anti-money laundering agency, the FIU queried this agency and was informed that Company B was the subject of a case file that was forwarded to the Public Prosecutor for VAT carousel fraud. Company A's account was clearly used as a transit account to execute fraudulent VAT transactions and to launder the proceeds of this fraudulent activity. In addition, Company A and B were active in a sector that is sensitive to this type of fraud. All these elements together indicated to the FIU that the transactions probably formed a money laundering operation linked to serious and organised fiscal fraud. The suspect was not able to give a commercially acceptable reason for opening an account in Belgium in the name of a company established abroad, of which the main office was located in a region with a high number of banks. The Brussels Criminal Court ruled that there was no economic justification for opening an account in Belgium, nor to have money transferred through Belgium. X was sentenced to several years of imprisonment.[15] Source: BELGIUM (2003)

[13] The answers given to "How many of the intelligence reports disseminated to other countries, referred to MTIC money-laundering" were 10 & 37.

[14] An example of improved cooperation is the Cooperation Agreement of 26 October 2004 between the EC and the Swiss Confederation to combat fraud and any other illegal activity to the detriment of their financial interests.

[15] Brussels Criminal Court, 8 December 2005, unpublished.

Interestingly, 7 out of 18 non-EU respondents have sent STRs in respect of VAT carousel fraud within the last 12 months. This suggests that, where awareness is raised, non–EU countries can help to identify VAT carousel fraud and the money laundering associated with it.

The Example below from Norway shows how a non-EC country was able to identify and prosecute a VAT carousel fraud.

EXAMPLE 9: **A Non-EU Country Identifying the Fraud**

In November 2002 two Norwegian banks reported suspicious transactions to the Norwegian FIU concerning the activities of two companies. Both companies had the same chairman and managing director, held bank accounts in Norway and London and had registered for VAT in Denmark early in 2002 for trading mobile phones.

- The total turnover reported by the Norwegian companies' records increased from USD$9,400 in 2001 to USD$4,800,000 in 2002.

The suspect was paid £1 per phone as "commission" and was often instructed from the UK about phones going from Europe and Pakistan to the UK at an already set price. His companies received invoices from suppliers and provided (often proforma) invoices for the UK companies, which in turn failed to report their VAT from further sales within the UK. If this trade had been legitimate, the two companies together would have been among Norway's 60 largest companies. His involvement hid the money flows and flow of goods. He was charged with the following crimes:

- Securing the profits from the UK VAT fraud (by opening bank accounts, passing money through these accounts, and trying to legitimise the sales through invoices using the Danish VAT number)
- Embezzlement in Norway
- Norwegian income Tax fraud
- Accounting offences in Norway

In total, he received a total conviction of 6 years imprisonment, forfeiture of USD $3.800.000 as well as receiving a lifetime ban from holding any senior position in a company. This case was referred to the Court of Appeal, which early in February 2007 reached the same conclusion.

Source: NORWAY (2006/07)

It is imperative that a collaborative relationship exists between law enforcement agencies, competent authorities, FIUs and the private sector. However, currently 2 out of the 3 EU law enforcement agencies that have VAT carousel fraud risk profiles (see 5.4) do not use banks as a source of information. In some countries, banks only cooperate with tax authorities and provide information where VAT carousel fraud is considered to be a specified crime.

It is essential that in order to ensure a full and collaborative flow of information, countries become aware of the serious and organised nature of carousel fraud. Details on countries' domestic laws or regulations on money laundering covering crimes involving fiscal fraud or other tax offences can be found on the OECD website[16].

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[16] *Access for Tax Authorities to Information Gathered by Anti-Money Laundering Authorities,* (OECD, 2002): www.oecd.org/dataoecd/16/5/2389989.pdf&fileName=2389989.pdf&foo=2

Role of the regulated sector

The regulated sector has a pivotal role to play in tackling VAT carousel fraud as the banking and money transfer services that they provide are used by criminals to facilitate the fraud. The input that these sectors can provide to eliminate the rogue elements, tighten controls and report suspicious activity is vital in the fight against the fraud.

It is, also essential to minimise opportunities for fraudsters to gain ownership or control of a regulated business. The FATF's report into the *Misuse of Corporate Vehicles*[17] identifies the key areas of concern as being able to access information on the true beneficial owner and suggests areas for further consideration, such as how to ensure that adequate, accurate and timely information on the beneficial owner may be obtained by the competent authorities.

It is important that the regulated sector establish and maintain education programmes and together with competent authorities, FIUs and law enforcement agencies ensure that current trends and processes for reporting are updated regularly.

Law enforcement agencies and FIUs should also offer feedback to the regulated sector on the reporting process and highlight cases where suspicious reports have led to successful outcomes.

Use of risk profiles

Risk profiles form an important part of identifying and detecting the associated money laundering as well as the predicate offence. They help the regulated sector to identify the offence and pass on information about suspicious transactions. Furthermore, they can help law enforcement agencies to identify new trends and indicators.

In order to maximise the impact of the profiles and indicators, it is essential that there is good cooperation between law enforcement agencies, competent authorities, FIUs and the regulated sector. Additionally, international cooperation will enable these partners to share information, update indicators and identify new profiles quicker. However, the questionnaire identified some areas of concern:

- Only 9 out of 18 (50%) Law Enforcement respondents have produced risk profiles/trend reports in respect of VAT carousel fraud money laundering[18].
- 4 out of 8 (50%) EU Law Enforcement Agencies & 4 out of 7 (57%) EU FIUs do not produce any formalised risk profiles or trend reports.
- Only 3 out of 16 (19%) banking respondents stated that they received risk profiles or trend alerts from Law Enforcement or FIUs in respect of VAT carousel fraud. Of these, all 3 disseminate them amongst their banking system
- Only 4 out of 14 (29%) banking respondents have produced formalised risk profiles/trend reports in respect of VAT carousel fraud money laundering.
- Although the trends and profiles are disseminated outside of the FIUs, they are not all shared with the banks or LE agencies.
- The risk profiles are not disseminated widely within Non EU countries.

[17] FATF, (2006) : www.fatf-gafi.org/dataoecd/30/46/37627377.pdf

[18] The project did not try to assess the quality of the risk profiles that were produced.

Indicators of possible involvement in laundering the proceeds of VAT carousel fraud

The regulated sector and other businesses should be aware of the following indicators, which may suggest involvement in VAT carousel fraud:

- Contacts have a poor knowledge of the market and the goods, or new people have entered the business and appear to be running it.
- The business has changed commodities and sectors quickly.
- Turnover of the business grows substantially in a short period of time.
- Unsolicited approaches from organisations with little or no history in the market offering a guaranteed profit on high-value deals.
- Repeat deals at the same or a lower prices and small or consistent profit, e.g. £1 per item.
- Unsecured loan with unrealistic interest rates and/or terms.
- Instructions to pay less than the full price (and often even less than the VAT invoiced) to the supplier.
- Instructions to make significant payments to third parties or offshore accounts.
- Using goods that are of high value and low volume and attract a high tax rate such as computer parts or mobile phones.
- Money credited to an account is immediately transferred to accounts of other companies.
- Accounts that are only used to receive and transfer large sums of money
- The total amount of money channelled through an account is considerable, although the balance is usually very low.
- Large cash withdrawals.
- Not publishing the companies' annual records, pursuing activities that are not part of the corporate goals.
- Immediate payment of invoices that are not in proportion to the normal financial means of the company.
- Obligatory elements of invoices, such as VAT number, date etc are missing.
- Foreign nationals in charge of companies, who have often never been a director of a company in the jurisdiction and may not have an address in the jurisdiction.
- Invoices for services not usually associated with the business.
- Export of goods or services that do not match the normal market rate

As well as those above, indicators that law enforcement agencies, competent authorities and FIUs should be aware of are:

- Opening several bank accounts in the names of various 'smokescreen' companies with different financial institutions.
- Suppliers all using the same financial institution (off shore) to make payments.
- Obtaining a loan equivalent to the amount of VAT reimbursement for the initial financing of the scheme.
- Companies continuing the carousel only sell to traders, rather than retailers.
- The products used are often specific to a given market i.e. Mobile phones with specifications for Eastern Europe may be bought and sold by traders in Western Europe.

Asset confiscation

Even when countries have the resources and structures in place to investigate the money flows emanating from VAT carousel fraud, it is also important that the right legislation is in place to enable the authorities to take the appropriate action. The majority of assets are, initially at least, held in bank accounts. As soon as the criminals discern that they are under investigation for carousel fraud, they are able to move their assets swiftly. It is therefore essential that law enforcers and banks are able to freeze assets quickly, whilst ensuring that they obey the legislation. However, questionnaire replies from EU law enforcement agencies showed that[19]:

- 1 out of 6 (14%) can freeze monies without judicial authority,
- 3 out of 6 (50%) can restrain monies without judicial authority,
- 5 out of 7 (71%) can seize monies without judicial authority
- 3 out of 6 (50%) can detain monies without judicial authority.

EXAMPLE 10: Use of a Restraint Order
The fraud was perpetrated between May 2002 and April 2003 and resulted in amounts in excess of £50 million being stolen. The investigation concerned a French company A and its director. The investigation started in response to two disclosures from a bank. The first disclosure involved a request by company A on 1st April 2003 to transfer £1 million from its UK business account held with a London Bank to the director's personal account held with another bank in the UK. Consent for this transaction was refused by Revenue and Customs on the 10th April 2003. On the 22nd April 2003 the director requested to transfer the entire amount of £1.8 million held in company A's UK account to company A's French account. Consent was refused by HM Revenue and Customs and a restraint order was granted in respect of the assets of company A and its director. Investigations into company A revealed its suspected involvement in over 420 VAT carousel chains. In each case company A acted as the EU supplier, selling mobile phones directly to UK companies or to a second EU company which then sold on to the UK. In all the chains identified the receiving UK company was either a 'missing' or 'hijacked' trader who sold the phones on to other UK companies without paying the sums charged as VAT to HM Revenue and Customs. The phones were then sold on through several UK companies before being despatched back to the EU usually back to company A itself. The director was sentenced to 6 years imprisonment. Source: UK (2003)

Taxation and recovery efforts are sometimes focussed on the missing trader, who often does not have any assets. In order to increase the deterrent effect for this offence, assets and funds should be recovered from all parties whenever possible. Some jurisdictions declared that they would not always investigate the money laundering but this project has helped them identify the need and benefits from doing so.

[19] Within this project, restraining refers to the order needed to freeze financial assets held in financial institutions, detention refers to taking cash pending further action and seizure means that the money is no longer the property of the person from whom it was seized. Definitions for these activities may differ between countries and gaining judicial authority may not always prevent quick action being taken.

KEY FINDINGS

Key findings from the report

VAT carousel fraud involves significant sums of money transferring within the financial sector disguised as legitimate trading transactions (see pages 2 and 3). The money flows are global and have an impact worldwide (see page 3), often focussing on those countries outside the EU with quick, efficient and developed banking sectors (see page 9). The project did not identify a need for any new FATF recommendations, but it did highlight the need to implement the current recommendations effectively, particularly the 'due diligence' and 'know your customer' elements.

The vast sums of money stolen using VAT carousel fraud restricts participation to only the most sophisticated and well organised criminal gangs. It is not a form of tax evasion but theft on a massive scale.

There are close links between the laundering of VAT carousel fraud and the laundering of funds from other serious organised crime. Due to the nature of the offence and the substantial scale of the profits available, VAT carousel fraud poses a serious risk of being a favoured option to invest money from, and invest money in, other crimes (see page 10).

In order to tackle the money laundering associated with the fraud, prosecutors and competent authorities need to work closely with the financial institutions to enable them to identify and report the suspect transactions (see page 12).

Efficiency and speed when exchanging information internationally are key to the success in detecting the money laundering associated with VAT carousel fraud. There is still a great deal of work that could be done in this area through (see pages 12 - 14):

- More cooperation between the financial sector and public authorities to develop, distribute and offer feedback on indicators and profiles.
- Sharing of trends and profiles internationally
- More use of mutual assistance to help identify the money flows

Where FIUs do not share their STRs directly to tax investigation services, this hinders

- the detection and prevention of VAT fraud as the underlying predicate offence
- the recovery of the proceeds of VAT fraud e.g. through measures such as freezing of assets.

Tax administrations should, where possible, try to recover the VAT loss from other parties involved in the offence. Currently, not all countries have the civil or criminal powers in place to freeze and detain money at short notice (see page 15).

The main typology that was identified was the use by the vast majority of fraudsters of a single, off shore bank to make payments for the transactions (see page 3). Recent developments following law enforcement action have seen a mutation of the typology whereby single carousel chains all use the same bank but different carousel chains use different financial institutions to facilitate the fraud. Financial institutions were created or bought for the specific purpose of facilitating VAT carousel fraud. Due to the limited intelligence on how and where associated profits are laundered, there were limited opportunities to identify typologies associated with the proceeds of VAT carousel fraud. However, there are cases currently under investigation that are expected to reveal the money flows associated with the fraud. As awareness and detection of the fraud increases globally, so the availability of examples will increase to identify typologies and this is an area that could be revisited. It also highlights the need for the appropriate agencies to be made aware of this activity to enable them to investigate the associated money laundering.

ISSUES FOR FURTHER CONSIDERATION

General

There needs to be an increasing global awareness of the use of carousel style frauds as a vehicle for raising funds for other crimes and terrorism, as well as the role that they play in laundering funds. It should be recognised as theft on a grand scale, not tax evasion, and therefore treated as a serious crime. A key aspect of tackling the associated money laundering is through increased administrative, legal and spontaneous assistance both internationally and domestically. More specifically, this project recommends the following action to help combat VAT carousel fraud and the associated money laundering:

International Organisations:

1. FATF Style Regional Bodies should consider the impact of this report, both as a threat to government revenues from similar schemes and as to the best way to help identify and report transactions from other VAT carousel frauds.

2. The OECD should consider updating their *Access for Tax Authorities to Information Gathered by Anti-Money Laundering Authorities* report to include the latest information sharing abilities and recommendations for best practices between tax authorities, FIUs and the banking sector.

3. The EU is encouraged to consider further ways to combat VAT carousel fraud and associated money laundering.

4. The Egmont Group should encourage international proactive exchange of STRs and monitor the level of exchange of STRs between countries.[20]

National Governments:

It is suggested that national authorities should consider how to:

1. Implement and share best practice and profiles to combat VAT carousel fraud with other national Governments[21].

2. Implement and share an education programme to increase awareness of the indicators and impact of this fraud within Government agencies, the judiciary and the regulated sector.

[20] A similar project is already in discussion within the group of the European State Audit Institutes

[21] The EC's "G*ood practice guide to tackling missing trader fraud*" is currently being updated:

http://ec.europa.eu/transparency/regexpert/detail.cfm?ref=1021&l=all

3. Develop agreements with other countries and institutions to ensure that information regarding money flows associated with VAT carousel fraud can be passed quickly, efficiently and in a suitable format[22].

Government Agencies:

Individual Government agencies are encouraged to:

1. Ensure regular dialogue between FIUs, competent authorities, law enforcement agencies and the regulated sector to share best practices, build current profiles and increase awareness of the offence, whilst taking into account national legislations. Where exchanges of information are not currently permitted to the degree required, government agencies should consider changing this practice for VAT carousel fraud.

2. Implement education programmes between FIUs, competent authorities, law enforcement agencies, the regulated sector and the judiciary to lead to a better understanding and awareness, increased detection and increased deterrent of the offence. This should include an educational program by which specialised fiscal experts increase the awareness of the FIU and law enforcement officers for specific fiscal matters.

3. Review their use of money laundering legislation and seek to use all the powers that they have to freeze, seize, detain and restrain criminal money in a timely fashion.

4. Consider placing financially trained liaison officers overseas to assist other countries in their identification of VAT carousel fraud and develop collaborative working relationships.

5. Government regulatory bodies need to ensure that their financial institutions are following correct anti-money laundering guidelines such as due diligence and know your customer.

Regulated Sector

1. Ensure that front line staff are equipped to identify and report suspicious transactions that may constitute an offence from VAT carousel fraud.

2. All those involved with reporting suspicious transactions should be aware of the VAT carousel indicators in this report.

3. Engage in regular dialogue with tax authorities and other competent authorities to develop and use the latest trends and indicators for VAT carousel fraud.

[22] EU regulation 1798/2003 was cited as a good example.

ANNEX 1: INTRODUCTION TO VAT CAROUSEL FRAUD

How the fraud functions in the European Union

In its simplest form this type of fraud involves obtaining a VAT registration number in an EU member state for the purposes of enabling them to trade and then purchasing goods free from VAT in another EU member state, selling them at a VAT-inclusive purchase price in their country and then going missing or defaulting without paying the VAT due to the Government.

A more abusive form of the fraud – known as carousel fraud – involves the same goods being traded around contrived supply chains within and beyond the EU. The goods re-enter the targeted Member State on a number of occasions with the aim of creating large unpaid VAT liabilities and associated fraudulent VAT repayment claims.

Figure 4 is an example of the offence operating in its most simple form.

- Company "A" in one EU country purchases goods from a supplier in another EU country, at a zero VAT rate.
- Having acquired the goods, he supplies them to another trader (Company "B", within the same country) for a price + VAT. However, company "A" does <u>not</u> pay the VAT to the EU Member State and becomes a "missing trader".
- Company "B" then supplies the goods to an EU country (often the same company as the original supplier) and <u>claims back</u> the VAT that he has paid when he bought the goods from Company "A".

Company 'B', known as the "broker", is willing to buy because:

- Company B knows he has a market for the goods as part of the overall scheme to defraud.
- When Company B supplies the goods to a company elsewhere in the EU, he can claim back the VAT that he paid from the EU Member State.

"Buffer" traders are also often used in the carousels, distancing the broker from the missing trader.

Any goods which attract VAT can be used to commit carousel fraud although high value, low volume goods such as mobile phones or computer chips are commonly used.

The goods will frequently enter and leave the country within 36 hours, during which time they will remain at a secure warehouse, where ownership of the goods will change hands several times. On some cases criminals have sent and received invoices without the goods themselves ever existing.

Figure 4: A simple VAT carousel

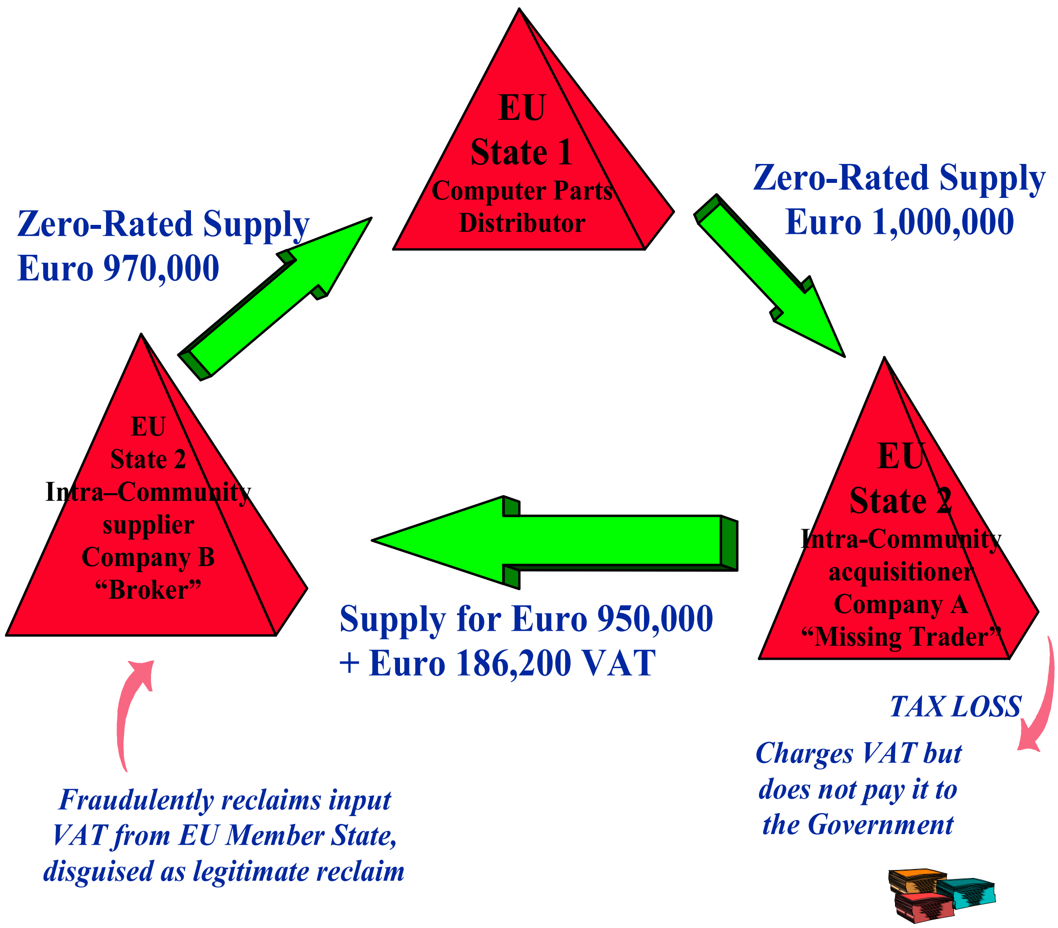


Figure 4 is an example of a simple carousel fraud. However, the frauds have evolved to become multi national chains, which profess to trade legitimately. UK investigators have discovered carousels which link over 200 traders (known as 'buffers') in transaction chains. These companies buy and sell the goods correctly accounting for VAT, creating distance between the broker and the missing trader. This helps to make the contrived nature of the transactions look legitimate. Fraudsters will continue trading until relevant action stops the fraud, leaving behind substantial losses for the EU member state. Often, the goods will not physically move once in the member state but ownership changes through a series of invoices and receipts.

The criminals behind the fraud are resourceful, well funded and have the flexibility to quickly overcome measures imposed to combat their activities. Criminals now circulate goods outside the EU to 'Third Countries' (see Figure 5 below) in an attempt to break the audit trail. This method involves exporting goods from the EU to companies based in third countries' Export Processing Zones (EPZ) / Customs Free Zones. The consignments may pass through one or more conduit companies in the third country's EPZ before being exported back to the EU, usually to a different Member State. Once back in the EU, the goods are "sold" through further conduit companies, passing from one EU Member State to another before being supplied back to the country where the VAT will be stolen.

Fraudsters are taking advantage of the lack of agreements on exchanges of information between EU and Third Countries. This increased complexity makes successful prosecutions more difficult, and serves to further distance the front men from those who organise and control it.

Analysis of complete carousels has shown that the sum of all the profits for every company in the carousel equals the VAT due from the missing trader, reflecting that the true motivation behind the trade is to steal the tax. This is not a form of advanced tax planning, but a deliberate criminal attack on the tax system.

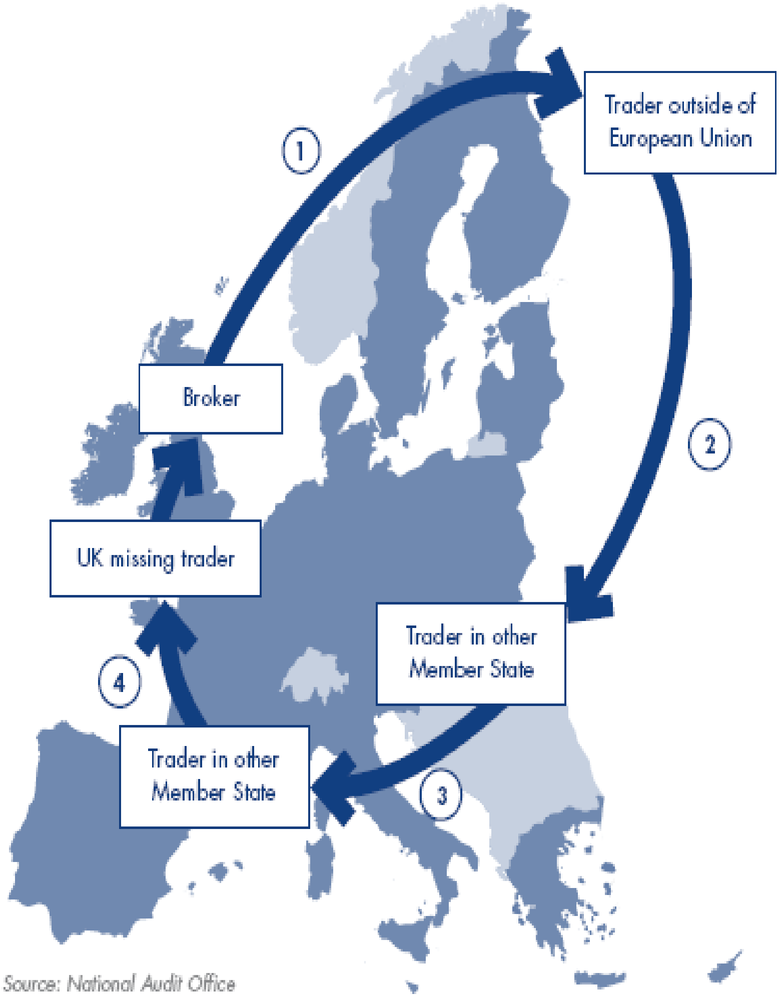
Table 1, below, illustrates how the chains of transactions initially work together to commit the fraud. It is based on a 17.5% VAT rate and presumes that the "pricedrop" occurs at the missing trader stage.

Table 1.

Profit in a carousel fraud							
	Cost	Sales price	Profit	Input VAT	Output VAT	Net VAT Due to Customs	Net Vat paid/(repaid) per £m
Misser	110	100	-10	0	17.5	17.5	0
Buffer 1	100	102	2	17.5	17.85	0.35	3500
Buffer 2	102	104	2	17.85	18.2	0.35	3500
Buffer 3	104	106	2	18.2	18.55	0.35	3500
Broker	106	110	4	18.55	0	-18.55	-185500
Net profit			0				-175000
Net profit %			0				17.5

Figure 5[23]: A VAT carousel using a Third Party

[23]: Available: www.nao.org.uk/publications/nao_reports/05-06/05061159.pdf



Source: National Audit Office

1. The broker at the end of the UK chain exports to a third country outside the European Union and is entitled to repayment of input VAT from HMRC. Fraudsters typically export to third countries with low duties on imports or free trade zones.

2. Within a few hours, the fraudsters transport the goods back to the European Union with final destination stated as the UK. On entering the European Union, import duties are deferred under Community Transit rules until goods reach the final country of destination.

3. Consignments may be split and sold through a number of traders in different Member States to mask the true identity of the goods.

4. Goods emerge as intra-community supplies, which are sold free of VAT to the UK missing trader. The chain can then begin again.

Key:

European Union Countries

Non-European Union Countries

ANNEX 2: GLOSSARY

Buffer Trader
The fraud could work with the 'Missing Trader' selling directly to the exporter, (known as the broker). However this would endanger the existence of the exporter if all transactions involved dealing with companies without any tangible assets or identity. Therefore, another company is put into the chain to act as a buffer to distance the exporter from the missing trader.

Broker
This is the exporter at the end of the chain of transactions. The brokers are key facilitators to the fraud by buying goods from buffers and supplying other Member States to obtain a VAT repayment. In some cases this may involve them featuring in more than one carousel chain of transactions.

Conduit Trader
A trader that buys in from one country and immediately sells to another country.

Missing Trader
Refers to a company that is always at the beginning of the chain and effectively facilitates the theft of the VAT by not accounting for it. Often the company is bought off the shelf from company formation agents and is registered at an accommodation address. Named Directors are either front men or completely fictitious.

Third Party Payment
In order to prevent HMRC seizing assets from a Missing Trader, a buffer will pay the EU supplier on their behalf, a so called third party payment. In essence, a Missing Trader does not have the financial assets to cover the purchase of the goods, nor their output tax liability.

ANNEX 3: QUESTIONNAIRE METHODOLOGY

This section provides an overview of the methodology used for this research project.

Sample Selection

The survey targeted 18 European Union (EU) countries out of the current 25 member states and an initial sample of 18 non EU 'countries', including groups/affiliations that had more than one member. Each country/affiliation received three questionnaires targeted at:

- Financial Intelligence Units (FIUs);
- Law Enforcement Agencies (LEAs); and
- Banking Authorities.

Sample representation

Selection was based on FATF membership and selected other countries. Participating countries were selected non-randomly rather than according to statistical significance <u>and the results may not be representative of the target population.</u> For non EU countries it is important to note that the original sample expanded to include additional countries.

Questionnaire Design

The aim of the survey was to provide data that would identify the money laundering activity associated with VAT carousel fraud. The survey was voluntary and consisted of six separate questionnaires aimed at the appropriate agency in either EU or non EU countries. The majority of questions were closed, i.e. required responses to predefined answer categories. However, each questionnaire included both closed and open questions on:

- Reporting suspect activities;
- Risk profiling;
- Tracking suspect accounts *(Banking only)*
- General information *(Banking and LEA only)*;
- Background information on respondent.

Respondents were required to gather the relevant information and data required to complete the questionnaire in advance of completion of the questionnaire from the appropriate sources. It was estimated that the questionnaire would take approximately 45 minutes to complete.

In addition, in order to collect information about the respondents' processes and practices regarding VAT carousel fraud it was important to collect Example material on risk profiling activities.

Each questionnaire had a unique identifier to identify the correct respondent for analysis purposes.

Pilot Stage

Whilst the timescales for this survey were very short a brief pilot stage was carried out during week commencing 23rd October 2006 to test:

- Questionnaire length;
- Appropriateness of the type of questions used, e.g. open or closed;
- Accuracy of the interpretation of questions
- Practicalities for distribution and collection of results, e.g. electronic, paper.

On the evidence from the pilot stage it was decided that the research instruments were suitable to gather data required to meet the project objectives. However, a few changes were made to the question design.

Main Stage

Fieldwork took place between 30th October and 8th December 2006. A covering letter and three questionnaires were distributed to a designated co-ordinator, via email, in each participating country who circulated the questionnaires to the appropriate respondent in each of the agencies selected.

The introductory letter explained the purpose of the survey, outlined instructions for completion, stated the intended outcomes and provided UK based contact details for further information. The letter also included a link to the FATF website where respondents could see copies of the questionnaires.

The questionnaire was formatted in PDF, although a MS Word version was available on request. Respondents could either enter responses on the electronic version or on a paper based copy.

Respondents were asked to return the questionnaires via email or via the postal system, together with supporting documentation including example material on risk profiling.

Analysis

Questionnaires were coded and data/information from completed questionnaires was entered into a computer software package called Statistical Package for the Social Sciences (SPSS) between 13th November and 15th December 2006. Results included basic statistical frequencies.

The sample was selected using non probability sampling techniques and thus it is difficult to estimate the response rate accurately. However, the response was low; particularly among EU countries. As a result, it is possible that the characteristics of the non-responding countries were significantly different from those that did respond and therefore the results will contain non-response bias. It is not possible to adjust for this non-response error in non probability samples. <u>Due to the original sample size and high levels of survey and item non-response, base sizes are extremely low. Therefore percentages should not be used without reference to the base size</u>.

Some countries did not return questionnaires from all three agencies. As a result, only 4 out of 10 complete sets of questionnaires were received from EU countries and 10 out of 18 were received from non EU countries. In some countries agencies returned more than one questionnaire. In this instance the mode[24] response was taken for each question, where possible.

As discussed, there were six different versions of the questionnaire. Whilst some questions were included in more than one questionnaire, the wording and order of corresponding questions varied across each version. Differences in question wording and order are known to

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[24] The **mode** is a useful type of average as it tells you the number that *occurs the most* in a set of numbers.

influence results in survey research, therefore this should be considered when combining data or making comparisons between different agencies or countries.

In addition, measurement error may have occurred. Measurement error is a type of non-sampling error that arises for reasons such as misunderstanding questions or lack of knowledge which leads to incorrect answers to questions. For example, the questionnaires and instructions were provided in English only.

Whilst every endeavour was made to test the survey questions in the pilot stage, inevitability in surveys of this nature respondent error may have been a factor in this research. This occurs when results are affected by respondent concerns about social desirability, for example when people are asked to report negative behaviour such as reporting lack of activity.

In summary, small sample sizes and high levels of survey and item non-response resulted in very low base sizes. The results should therefore be interpreted very cautiously.

EXAMPLE STUDIES

EXAMPLE 1: SWEDEN (2006): Scale of fraud

EXAMPLE 2: UK (1998): International money flows

EXAMPLE 3: SWEDEN (2003): Use of offshore bank accounts

EXAMPLE 4: TURKEY (1999): Making cash withdrawals and using false documentation

EXAMPLE 5: BELGIUM (2003): Use of fake invoices by a shell company to justify cash withdrawals.

EXAMPLE 6: UK (2002): Repatriation of money

EXAMPLE 7: SWEDEN (2006): Third party flows of goods

EXAMPLE 8: BELGIUM (2003): International cooperation

EXAMPLE 9: NORWAY (2006): A non-EU country identifying the fraud

EXAMPLE 10: UK (2003): Use of a restraint order

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Goldberg. H, Senator. T (1998) *'The FinCEN AI System: Finding financial crimes in a large database of cash transactions'* In: Agent Technology: Foundations Applications and Markets. (N. Jennings & M. Woolridge eds) 283-302, Springer, Berlin.

Levi. M, Reuter. P (2006) *'Money Laundering' (Proof Copy)* Journal of Crime & Justice

- Provides an analytical overview of money laundering and its methods. The bibliography indicates several books that provide further relevant information.

Lilley. P (2000) *'Dirty Dealing: The Untold Truth About Global Money Laundering'* Kogan Page

Masciandaro. D (1999) *'Money Laundering: The Economics of Regulation'* European Journal of Law & Economics, Vol. 7, Pt. 3 pp. 225-240

- Masciandaro tries to identify the regions in which money launderers are most active in Italy. He uses a method that compares the number of financial transactions within each region to crime, GDP, and interest rate statistics. His results indicate that areas with higher rates of crime tend to have a higher number of financial transactions. He also includes a theoretical framework for the money laundering process, concluding that a failure to prevent money laundering could have a multiplier effect on crime.

National Statistics, 2003 '*VAT Missing Trader Intra-Community Fraud: The effect on Balance of Payments Statistics & UK National Accounts'*
www.statistics.gov.uk/CCI/article.asp?ID=402&Pos=&ColRank=1&Rank=224

Senator. T (2000) '*Ongoing management and application of discovered knowledge in a large regulatory organisation: A case study of the use and impact of NASD regulation's advanced detection system (ADS)'* In: Proceedings of the Sixth ACM SIKDD International Conference on Knowledge Discovery and Data Mining 44-53. ACM Press, New York.

Spreutels. J and de Mûelenaere. P (2003) La Cellule de traitement des informations financières et la prévention du blanchiment de capitaux en Belgique / De Cel voor financiële informatieverwerking en de voorkoming van het witwassen van geld in België, Bruylant, Belgium.

Other resources

1. Egmont Group Website

http://www.egmontgroup.org/
Contains contact information for 101 Financial Intelligence Units (FIUs) around the worlds.

2. Financial Action Task Force Website

http://www.fatf-gafi.org/

3. FATF Typology Reports:

http://www.fatf-gafi.org/findDocument/0,2350,en_32250379_32237235_1_32247552_1_1_1,00.html
2005-06 – Trade Based Money Laundering.
2004-05 – Alternative Remittance Systems, Insurance.
2003-04 – Gatekeepers (Lawyers Accountants etc.), Wire Transfers, Insurance.
2002-03 – Securities, Gold & Diamonds.
2001-02 – Correspondent Banking, Corruption & Private Banking, Bearer Securities, Suspicious Transaction Reports.
2000-01 – Online Banking & other Web-Based activities, Trusts, Gatekeepers, Electronic Purses & Smartcards.

4. Financial Crimes Enforcement Network

http://www.fincen.gov/
US treasury run site with information on financial crimes, including reports on the use of SARs.

5. International Money Laundering Information Network Website

http://www.imolin.org/
This site is run by the UN Office for Drug Control and Crime Prevention with the aim of disseminating research and best practise regarding money laundering. Contains the AMLID database of legislation and regulation around the world.
In particular: - Information on Offshore Banking and Financial Havens
http://www.imolin.org/imolin/en/I.%C2%A0 The money-laundering cycl

6. OECD

http://www.oecd.org/
The OECD website has some useful information on money laundering. In particular this report outlines Tax Authorities access to information gathered by anti money laundering authorities and its usefulness.
http://www.oecd.org/dataoecd/16/5/2389989.pdf

7. US Department of State

Produces a yearly International Narcotics Control Strategy report. This includes information on the laundering of drug money particularly in the United States and Latin America. The 2003 report is available at:
http://www.state.gov/p/inl/rls/nrcrpt/2003/vol2/html/index.htm