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Money laundered through trade now

By **Simon Boxall**, simon@cfp.ky

Tuesday 9th October, 2007 Posted: 17:03 CIT (22:03 GMT)

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About 150 delegates of the two-day conference on compliance, risk and money laundering heard how terrorists and money launderers use trade to move money.

Guest speaker John Zdanowicz explained how it works:

"I can take a million dollars out of the bank in Miami and buy 200 gold watches at \$5,000 a piece. I would then sell them to my cousin in Panama for just \$5 a watch. He would then sell them for the normal price (\$5,000) to customers in Panama and the million would have moved from Miami to Panama."

Mr. Zdanowicz then gave examples how it may sometimes be in the interest of money launderers or terrorists to over-value the price of a commodity. As an example, the speaker said "a terrorist organization in Pakistan could get money to a terror cell in the U.S. by over-invoicing for the cost of goods, such as footballs. The organisation in Pakistan could buy footballs for \$30 dollars each when in reality the unit price for each football is only \$15.

A professor at Florida International University, Zdanowicz has now come up with a something he calls an International Price Profiling System. He analyses the normal international trade prices for many different goods. Transactions that vary from these 'normal or usual' prices may indicate fraud and an investigation could show that goods are being intentionally sold for more or less than their value, in order to move money across borders.

On his website, International Trade Alert Inc, Zdanowicz claims "the 'Price Profiling System' will assist financial institutions with compliance requests related to the financing of international trade transactions." He also said it may also be useful for banking institutions prior to 'issuing letters of credit' to an importer or exporter. Mr. Zdanowicz said five banking institutions in the US have now signed up for the system.

The seminar highlighted the problems faced by financial institutions in their efforts to stop money laundering. Bankers and accountants are now at least theoretically expected to be knowledgeable about the normal price of goods, so they can evaluate when imports and exports are being fraudulently invoiced.

The conference entitled "Addressing the Trilogy: Regulatory Compliance, Risk Management and Anti-Money Laundering" took place Monday and Tuesday and was organized by Global Compliance Solutions.

The event programme included 12 speakers making presentations on a range of topics. One of the speakers is a former money launderer who discussed his past and the threats faced by financial institutions.



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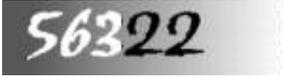
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