Typology 5

Scheme for money laundering using Close-End Credit Cycle for the purpose of concealing the true origin of funds

By using this scheme, a bank creates account turnover (credit history) for its clients, which afterwards can be used as justification of legality of the funds circulated by them.

1) Description of the Scheme

Thus, the bank grants a loan (or overdraft, financing of account) to one of its customers. Then, in a short period of time (usually a few days) those funds are sequentially transferred to the accounts of different customers of the bank. Finally, the funds are returned to the account of borrower and channeled to the repayment of the credit.

It is worth to mention that, as a rule, both opening and closing balances of the accounts of "intermediary" customers before and after the transactions are close to nil. Thus, a number of transactions take place allowing the participants to assert (obtain a confirmation from the bank) about certain balances on their accounts as of a certain date, or about the payments for certain contracts or obligations. Such transactions often are utilized in the so called "VAT carousel" schemes.

2) The mentioned type of operations are schematically illustrated bellow
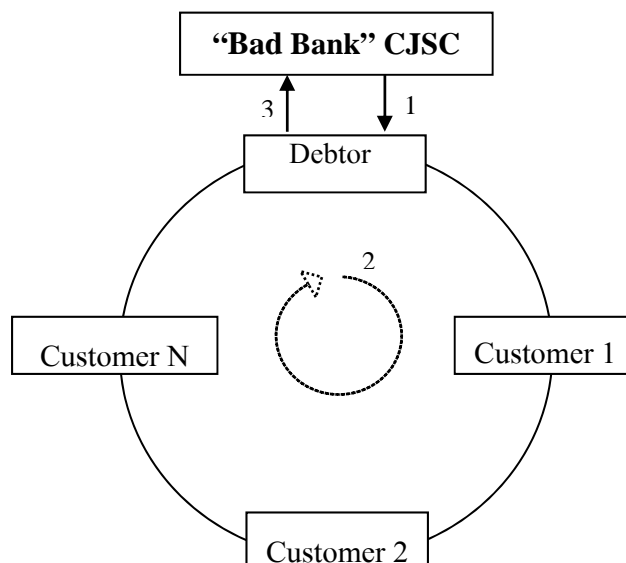
1. The bank grants a loan (or overdraft, financing of account) to one of its customers,
2. In a short period of time (usually a few days) funds are sequentially transferred to the accounts of different customers of the bank;
3. Funds are returned to the account of borrower and channeled to the repayment of the credit and the accrued interest.

3) Conclusion

The operations conducted according to the illustrated scheme and series of steps may be aimed at concealing the origin, movement or true ownership (final beneficiaries) of proceeds.

In terms of examining transactions with elements of the illustrated scheme, special attention shall be drawn to **lending operations carried out by financial institutions, particularly lending to non-resident companies (especially companies registered in off-shore jurisdictions).**