

Professional Money Launderers

Industries, modus operandi and links to criminal networks



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Summary

Over time, criminal networks have become more professional, more organised and have moved towards more dynamic network structures. To a greater extent than before, various elements of criminal schemes are purchased as services and professional money launderers have gained significant importance. A professional money launderer, known as a PML, is a person who systematically launders money for others in return for payment. The Swedish FIU's assessment is that the importance of these criminals has previously been underestimated and that they constitute a critical function for organised crime to be able to manage their proceeds of crime effectively and with less risk.

PMLs may act individually based on their specific expertise or cooperate with each other to offer more services. Some have professional roles in financial systems and other systems, such as the banker granting loans on a false basis, the real estate agent writing fabricated contracts or the lawyer using a client funds account for money laundering purposes. Other PMLs have specialised skills that are in high demand, such as financial or legal expertise, and advise on arrangements through companies and accounts abroad or offer crypto exchange on behalf of criminals. There are also entire PML organisations with established money laundering concepts with a clear division of roles within the organisation, such as ha-wala networks. Some PMLs are multidisciplinary and have an entire group consisting of several companies and utilise other PMLs in various industries.

Measures targeting PMLs generally have a greater impact than measures against individual money launderers, as PMLs often provide their services to more than one person. If such functions are disrupted, the stability of the entire system can be affected. By fuelling the criminal infrastructure, they are part of a larger context. Their services support influential criminals in organised crime, thus helping to finance the spiral of violence and other serious crime. Because PMLs are in many cases obliged entities who are assigned to protect the financial system, there are additional elements to this crime threatening society and its systems. In this context, bankers and lawyers are considered to pose a particular threat to society. In addition, the knowledge on the involvement of lawyers in money laundering is insufficient.

The reporting to the FIU shows that the methods for detecting criminals need to be streamlined through more structured mapping and targeted measures by obliged entities and authorities. The PML perspective needs a clearer focus, particularly so in a bank AML work context. PMLs are sometimes overlooked when other parties are reported to the FIU, e.g. when the name of the estate agent is not mentioned in a suspicious property transaction report. There is a risk that obliged entities assume that other obliged entities are fully compliant with the anti-money laundering legislation.

The signalling value of administrative measures by supervisory authorities should not be underestimated and control mechanisms to counteract unlawful influence are needed.

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1 Introduction

1.1 Integral part of the criminal infrastructure

Regardless of how organised crime changes shape, through conflict and violence, fraud and drug trafficking, a professional money launderer is an enabler fuelling the criminal infrastructure. These professional money launderers are therefore important to identify and counteract not only from a money laundering perspective. The Swedish FIU has previously highlighted the problem in a number of reports.

Europol believes that the scale and complexity of money laundering in the EU has been underestimated in the past. According to Europol, the globalisation and digitalisation of the financial sector has made money laundering a central part of virtually all forms of organised crime. Professional money laundering networks are utilised to move money around the world through solutions based entirely or partly on alternative payment systems, such as *hawala*. These financial systems go under the radar of the mechanisms governing the legitimate financial system, undermining the economy, state institutions and the rule of law.¹

The high demand for individuals who provides money laundering services for criminal networks and organisations implies that the ways of handling criminal proceeds are becoming more sophisticated, with people playing different roles in the chain. There are entire networks of money launderers. Countering these key players would probably cause disruption to several process chains. It should therefore be seen as a guiding operational approach - as it would maximise the impact of efforts.²

1.2 Purpose and methodology

The purpose of the report is to describe common denominators for different types of PMLs in terms of indicators, *modus operandi* and trends, and to provide suggestions on how obliged entities and supervisory authorities could more effectively counter the problem. The FIU has also produced examples

¹ The Other Side of the Coin. An Analysis of Financial and Economic Crime. European Financial and Economic Crime Threat Assessment 2023, Europol, 2023; <https://www.europol.europa.eu/media-press/newsroom/news/one-of-europe%E2%80%99s-biggest-money-launderers-arrested-in-spain>; EU SOCTA 2021 - Serious and Organised Crime Threat Assessment. A corrupting influence: The infiltration and undermining of Europe's economy and society by organised crime. Europol, 2021

² Ibid.

of financial footprints of PMLs to enable obliged entities to recognise them, and hopefully this can be valuable when actions are taken.

The analysis is based partly on previously known information from the FIU that has been published in various contexts, and partly on in-depth studies in certain sectors and cases that have been conducted by the FIU.

The report provides examples of industries identified by the FIU from a PML perspective. However, the presence of PMLs is not limited to these industries. Additional lines of business, such as accounting services, are also relevant from a PML perspective.

1.3 Definition

A professional money launderer, known as a PML³, is a person who systematically launders money for others in return for payment.

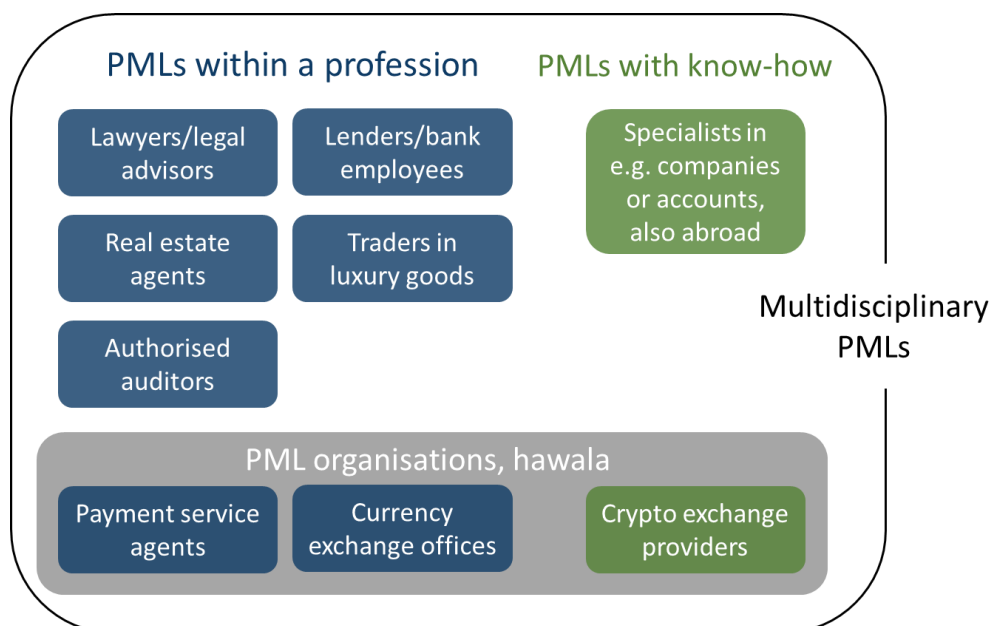
What distinguishes the PMLs is that they may have access to different types of systems, or have specific powers through their professional role, which makes it easier for criminals to launder money or otherwise manage their criminal proceeds. Examples include bankers, lawyers, authorised auditors or real estate agents. Other PMLs have established channels to these systems, and can in turn also utilise other PMLs and 'insiders' in their schemes, for example in the industries above. The PML may also possess critical expertise, e.g. offering crypto exchange on behalf of criminals.

While PMLs are sometimes linked to specific criminal networks, they generally appear to serve several different individuals and criminal networks. This is in line with the trend towards more dynamic network structures: money laundering and other criminal schemes are bought as a service. PMLs can operate in a number of ways, e.g. through broad international contact networks, complex schemes or by utilising different competences or industries. PMLs operate largely within legal social structures and provide their clients with both expertise and the necessary infrastructure.

³ Abbreviation for Professional Money Launderer. The term was developed by the inter-governmental body FATF (Financial Action Task Force).

Schematic diagram of PMLs

The diagram below shows examples of some common industries in which PMLs operate and can be a guide to identifying them.



PML with professional authorisation

PML with professional authorisation, e.g. a banker who can grant loans, a real estate agent who can write fabricated contracts or a lawyer who can use a client funds account for money laundering purposes.

PML with specialist expertise

Non-professional PML with specialist skills, e.g. a company specialist, a crypto exchange provider, a lawyer who has lost their licence or a person with financial expertise who can offer advice and guidance on schemes through companies and various accounts abroad.

PML organisation

PML organisations with a complex structure that assist criminals in money laundering, such as hawala networks that often involve payment service agents or currency exchange offices, offering everything from storage and transportation to integration of criminal proceeds. Hawala networks are rather a whole concept that can involve multiple different PMLs.

Multidisciplinary PML

PML controlling several companies and utilising *other* PMLs in various industries. The more advanced criminals have a scope that can almost be compared to a multidisciplinary company organisation and which is often used by several networks. They can also customise solutions as needed with international ramifications in tax havens.

2 Demand for professional money launderers

As virtually all organised crime is profit-driven, PMLs have a central role to play in transforming crime proceeds into ostensibly legal income and assets.

2.1 Finance as a service - an increased need

Over time, the networks' criminal activities have become more professional and organised.⁴ This applies not least to drug markets⁵, fraud and welfare crime, but also to money laundering. This results in an increased need to manage large sums of money collectively. In order to utilise the proceeds of crime efficiently and with lower risk, financial agents are widely used to arrange various forms of money laundering measures, such as transferring large amounts of cash abroad, placing money in the financial system or layering the proceeds of crime to conceal the criminal origin.

Criminal networks appear to be outsourcing money laundering to a greater extent than before. According to Europol, PMLs offer their services mainly on a transactional basis, although long-term co-operation also exists. It is estimated that around 30 percent of the criminal networks operating in the EU cooperate with PMLs and/or PML networks.⁶

The trend towards more loose network structures and ad hoc cooperation among criminal networks also reflects the observed increase in 'crime as a service', where enablers with different expertise offer their services. PMLs are a clear example of this as such expertise does not necessarily exist within the criminal groups.

Over time, the Swedish FIU is also discovering more and more PMLs who provide assistance in various aspects of the criminal networks' management of criminal proceeds. In particular, access to decrypted communication has highlighted the extent of the problem in a way that was not previously known. Contacts to PMLs are frequently requested on encrypted chats where different types of services are also shared and offered. While mutual trust is central, it is also common to 'vouch' for one's own PML on the communication services.

⁴ Greater possibilities for the use of preventive coercive measures 2, Swedish Government Official Reports series 2023:60. Final report of the Inquiry into preventive coercive measures, Stockholm 2023.

⁵ National Council for Crime Prevention, Report 2021:10: Narkotikamarknader [Drugs markets] A study of smuggling, street sales, internet trade and buyers.

⁶ The Other Side of the Coin. An Analysis of Financial and Economic Crime. European Financial and Economic Crime Threat Assessment 2023. Europol, 2023.

The FIU notes that the majority of PMLs serve a variety of criminals and networks. The compensation for the service offered varies, from a few percent to 40 percent. Due to the lack of systematic surveys, no assessment of the cumulative extent can be made.

2.2 Legal façades make detection difficult

Europol estimates⁷ that more than 80 percent of criminal networks in the EU use legal business structures in their criminal schemes, making it difficult to identify and prosecute them. The PMLs detected by the FIU largely operate through activities or companies in the legal economy. The majority of the transactions carried out by the PMLs are legitimate and the criminals represent only a small part of the customers. This makes it more difficult for banks and other obliged entities to detect the money laundering schemes and for law enforcement agencies to take operational measures. The number of unreported cases is therefore estimated to be very high.

⁷ EU SOCTA 2021 - Serious and Organised Crime Threat Assessment. A corrupting influence: The infiltration and undermining of Europe's economy and society by organised crime. Europol, 2021.

3 Professional money launderers in various sectors

The FIU has found PMLs in a number of professional sectors, i.e. PMLs who, by virtue of their profession, have access to financial as well as other systems, but also PMLs who are not linked to any specific sector but who have specialised expertise or an established network of contacts and logistical capabilities that are used by criminals.

The following section describes a selection of PMLs, based on the information status, the obliged entities and supervisory authorities involved, known modus operandi, examples of how criminal networks have utilised the agents with the expertise in question, and the FIU's assessment. The examples described show the scope of action of some of the agents and can be indicative of the types of inputs that are of interest when identifying a PML. Risk indicators vary between and within business sectors. In-depth analysis is therefore required to detect these agents.

3.1 Lawyers/legal advisors

Europol describes how lawyers⁸ and legal advisors⁹ help criminals with fraudulent schemes and advice on how to set up e.g. shell companies and foundations, in order to launder money, and provide criminals with information from police records and information about criminal proceedings.¹⁰ Sweden is no exception. The following section mainly describes the involvement of lawyers in money laundering schemes, but legal advisors can also be PMLs.

3.1.1 Information status

The level of knowledge of the role of lawyers in money laundering schemes needs to be improved. One modus operandi that has been highlighted by the

⁸ Only members of the Swedish Bar Association (Sveriges advokatsamfund) may use the professional title “advokat”, which is hereinafter referred to as lawyer.

⁹ In Swedish “oberoende jurist”. The County Administrative Board is responsible for the supervision of legal advisors.

¹⁰ EU SOCTA 2021 - Serious and Organised Crime Threat Assessment. A corrupting influence: The infiltration and undermining of Europe’s economy and society by organised crime. Europol, 2021.

FATF is the use of client funds accounts¹¹. These accounts can be used to conceal the proceeds of crime but can also be a way of integrating criminal proceeds into the legitimate financial system through complex legal business structures and complicated transactions that are difficult to detect.

Despite these risks, very few lawyers, law firms and legal advisors are reported to the FIU for suspicious transactions on client funds accounts. Because of the perceived respectability and legitimacy ascribed to the legal profession, financial institutions seem to ask lawyers fewer questions.¹² The low level of reporting may also be due to the banks' lack of visibility into client funds accounts, as the lawyer may refer to duty of confidentiality.¹³ Client confidentiality is a circumstance that makes lawyers attractive as potential PMLs.

In turn, the Swedish Bar Association, which exercises supervision, has no obligation to inform the FIU if, during an inspection of a law firm or in any other way, circumstances have been discovered that can be assumed to be related to or constitute money laundering or terrorist financing.¹⁴ The circumstances that the Swedish Bar Association may draw attention to within the framework of supervision will thus most probably not be submitted to the FIU. Nor has any such information been received by the FIU.

Violations of the Act on Measures against Money Laundering and Terrorist Financing can lead to various types of intervention. If the Board or Disciplinary Committee of the Swedish Bar Association considers such an intervention, the case is submitted to the County Administrative Board.¹⁵ During the period 2016 - 2023, the Swedish Bar Association opened 331 cases, of which 303 have been closed.¹⁶ During the corresponding period, the Swedish Bar

¹¹ A lawyer is required to keep their client's/principal's money and other assets separate from the firm's own funds by means of a client funds account. Client funds may only be used for payments to or on behalf of the client, for covering expenses and for fees. The account can be opened in the name of the lawyer or the client.

¹² Accounts with funds belonging to someone else are also subject to certain specific rules in the Act on Measures against Money Laundering and Terrorist Financing regarding customer due diligence measures.

¹³ Swedish Bar Association. Guidance for lawyers and law firms regarding the legislation on combating money laundering and terrorist financing - the Swedish money laundering legislation from a lawyer's perspective (2019).

¹⁴ According to Chapter 4, Section 4 of the Act on Measures against Money Laundering and Terrorist Financing, supervisory authorities that have discovered, during inspections or in other ways, a circumstance that can be assumed to be related to or constitute money laundering or terrorist financing, must without delay notify the Swedish Police Authority (FIU) of this. However, the notification obligation only applies to authorities and not to the Swedish Bar Association as an association under private law.

¹⁵ Chapter 7a, section 6 of the Act (2017:630) on measures against money laundering and terrorist financing.

¹⁶ Swedish Bar Association, obtained on 09-01-2024.

Association did not submit a single case to the County Administrative Board.

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All in all, the assessment made by the FIU is that the information status regarding lawyers' involvement in money laundering is inadequate.

3.1.2 Modus operandi

A well-known international modus operandi involves a lawyer as the beneficial owner of a number of companies used for money laundering by criminal organisations.¹⁸ The focus below is on Swedish examples of lawyers opening client funds accounts for illegal purposes and risk indicators for this.

Lawyers open client funds accounts

In 2022, a lawyer in Sweden was sentenced to three years in prison for gross commercial money laundering offence (40 occasions) and a four-year ban on business activity.¹⁹ The prosecution argued, among other things, that:

“Based on chat conversations, it seems that he [the lawyer] helped to draw up contracts for the company to use, that he tried to arrange bank contacts for the company when they were thrown out of their regular savings bank, and that he subsequently made his client funds accounts available for the company's business. Payments have flowed in and out of the client funds accounts.”

The Supreme Court convicted another lawyer of commercial money laundering in 2023.²⁰ The case involved a lawyer who, at the request of a client, performed two transfers from the law firm's client funds account to individuals other than the client in question. The main issue in the case was whether a transfer from a client funds account made by a lawyer on the instructions of a client can constitute an offence under the Act on Penalties for Money Laundering Offences.²¹ The case also raised questions regarding what is required in terms of the defendant's intent.

In 2023, the Swedish Economic Crime Authority brought charges²² against a lawyer for gross commercial money laundering and aiding gross tax offences. According to the charges, the lawyer contributed, through the law firm's

¹⁷ The Stockholm County Administrative Board, obtained on 09-01-2024.

¹⁸ FATF Report, Professional Money Laundering, July 2018.

¹⁹ Halmstad District Court judgement 20-06-2022 - B1357-21.

²⁰ Supreme Court judgement 30-08-2023 - B7530-21.

²¹ Act on Penalties for Money Laundering Offences (2014:307).

²² Stockholm District Court, B 3287-23. <https://www.ekobrottsmyndigheten.se/advokat-i-stockholm-atalas-for-grova-ekobrott/>

client funds account, to more than SEK 1.2 million being channelled out of Sweden to a bank account in a country with a high risk of money laundering.

Risk indicators in client funds accounts

When analysed, the following risk indicators suggest that the client funds account is being used for money laundering:

- transactions to and from high-risk countries or tax havens,
- property-related transactions, especially when linked to high-risk countries or tax havens,
- transactions returned to senders shortly after deposit, which may indicate deliberate partial payment to create legitimacy.

It is important for the reporting bank to know the type of industry in which the lawyer/law firm operates in order to understand what can be considered reasonable occurrences in the client funds account.

3.1.3 Links to criminal networks

A fictional but well-founded example of a lawyer's role as a PML is described below.

“A” has been frequently engaged and well-remunerated as a lawyer. He has been deemed to be an integral part of the Swedish gang environment and criminal networks have utilised his services in criminal schemes. A has passed on preliminary investigation information and engaged in money laundering via cryptocurrencies. A has been active in multiple areas and is involved in several company boards.

As noted above, lawyers' client funds accounts are considered an effective and discreet way of laundering money. It has been confirmed by intelligence that there are lawyers who are utilised by criminal networks as ‘crime consultants’ and for their insight into preliminary investigations. It is reasonable to assume that, in return for payment or under pressure, they may also allow clients to use client funds accounts or other money flows²³, with the aim of concealing the origin of the funds, as transparency is limited. If so, this means that the lawyers are involved in money laundering schemes through their professional role.

²³ E.g. business account, personal account or currency account.

3.1.4 Assessment

The fact that lawyers cooperate with criminals in the gang environment and organised crime is a threat to society and its systems and damages the legal system. This professional group is therefore particularly important to highlight from a money laundering perspective.

To create a clearer picture of PMLs, obliged entities need to recognise the role of lawyers as enablers of criminals. In particular, there is a need for greater awareness of the risks associated with client funds accounts, where there are clear rules on how money should be handled. The strikingly low reporting to the FIU is not commensurate with the high risk associated with client funds accounts. Reporting to the FIU needs to increase.

The Swedish Bar Association, which exercises supervision, plays a central role in detecting irregularities and counteracting lawyers' involvement in money laundering schemes. It is of the utmost importance that the supervision is adapted to the risks associated with the industry. These risks, in relation to the fact that the Swedish Bar Association has no obligation to notify the FIU of circumstances that can be assumed to be related to or constitute money laundering or terrorist financing, entails an increased vulnerability. It is also noted that no case has been submitted to the County Administrative Board for intervention. Given the above, the reporting of suspicious activities concerning lawyers' accounts by banks, authorised auditors and other obliged entities is even more important.

3.2 Lenders

Credit administrators at banks and other financial institutions have access to legitimate financial systems through their professional role. It is thus an attractive position for criminals to have access to, in order to bring the proceeds of crime into the legitimate economy.

3.2.1 Information status

Data are reported on insiders and enablers at financial institutions granting different types of loans or credits, but in the majority of cases the data are not linked to specific agents. The FIU recognises that there is a real demand for and supply of PMLs as lenders, which suggests that these lenders play a significant role in the ability of the criminals to launder criminal proceeds. As banks tighten controls, insiders are needed to authorise transactions, grant loans or create fictitious credit.

3.2.2 Modus operandi

One criminal scheme that has been noted is that money laundering is carried out by taking loans from one or more institutions and paying them off with proceeds of crime. The PML can be either the insider who is employed by the lender or an agent who has an established channel to an insider who, in return for a commission, enables loans to people who do not meet the conditions. Two examples are mentioned below.

- Car companies have sold cars financed by loans granted by lenders based on inadequate documentation where a credit intermediary has been used. Front men are used as borrowers and the loans are repaid by individuals other than the borrower. The same car may have been sold (and mortgaged) several times in a short period of time. The credit intermediary could be part of the money laundering scheme as a PML.
- Real estate agents have assisted criminals who needed mortgages by putting them in touch with bank employees. The bank officials knowingly granted mortgages based on false documentation. In other words, it is not uncommon for several different enablers, such as real estate agents and bank officials, to be involved in the schemes.

It is not always clear whether the bank insider is involved in the scheme, is ignorant of the regulatory framework or is acting under duress/threat. Regardless of the insider's motives, the behaviour is a threat to society and its systems.

In addition to planning and implementing loan schemes for their own benefit with the help of an insider, criminals sometimes sell the schemes as a service to other criminals. The service is widely marketed and can best be described as a 'illicit loan brokerage', where the loan broker has a network of front men willing to take loans in their name, or where the loan broker has contact with one or more bank officials who grant loans on fraudulent grounds. In several cases, it appears that the loan broker and the banker charge a fee for the execution, and a fee of 20 percent of the loan amount is repeatedly mentioned.²⁴

There is also evidence that bankers are involved in various types of transactions related to corporate schemes. The schemes seem to mainly involve the acceptance of false income certificates, the deliberate over-indebtedness of companies or the unreasonable valuation of credits.

²⁴ FIU information. Kriminella aktörers kontakter i banksystemet. [Criminal contacts in the banking system] Swedish Police Authority, June 2021.

3.2.3 Links to criminal networks

The FIU has previously drawn attention to the risk of increasing links between criminal networks and banking officials.²⁵ A fictitious but well-founded example of a criminal network's money laundering activities is described below and illustrates what the links between networks and PMLs may look like.

A criminal network with a high capacity for violence and with a high impact on the local community is engaged in multi-million SEK money laundering activities. Individuals in the network have also been suspected of commercial money laundering. Properties are overvalued so as to enable higher loan amounts. The criminal network uses a variety of PMLs for its activities, including real estate agents, bankers and building permit officers, many of whom have direct family ties to the network.

3.2.4 Assessment

Although many of the banks have strengthened their processes in recent years to mitigate the risks of insider issues, intelligence reports indicate a widespread occurrence. Moreover, the demand for enablers among bank employees is expected to increase as banks' tightened money laundering controls create a greater need to circumvent the systems.

An established contact with a credit administrator who deliberately grants loans on false grounds is required in order to carry out money laundering. A reduced contact with such a criminal can thus provide a temporary interruption in the criminals' ability to launder criminal proceeds via loans. Since some lenders who act as PMLs appear to serve several criminals, measures against this type of enablers could potentially have a major impact. More information is needed on modus operandi, who the PMLs are and what clientele they serve. Although the phenomenon is subject to information gaps, insiders at lending institutions play a crucial role in the realisation of money laundering schemes of this nature.

The FIU has previously proposed increased internal controls because it has emerged that bank officials have had some form of private relationship with criminals. Against this background, it may be worth considering stronger controls and enhanced pre-employment security interviews to avoid exposing officials to conflicts of interest. Similarly, the FIU has previously advocated rotating customer relations. Where loans are granted fraudulently, they are

²⁵ Ibid.

granted with the help of a private bank contact. Rotating customer relations or requirements for two officers to authorise certain transactions could reduce the risk of improper contacts.²⁶

3.3 Real estate agents

The property industry is considered to be a high-risk sector for money laundering. Large amounts can be laundered by systematically buying and selling properties, both in Sweden and abroad, and there are real estate agents and other professional agents in the property sector who knowingly assist in money laundering schemes.

Whether it is individual criminals looking to utilise the proceeds of crime by buying a home, or others who more systematically launder money by buying and selling property, there is a need for PMLs to provide contracts, fabricated payslips or assist with banking transactions.

3.3.1 Information status

Money laundering via real estate in Sweden involves large amounts. The transactions mentioned in suspicious activity reports involving real estate totalled over SEK 5 billion in 2022. Reporting banks file suspicions of money laundering to the FIU in a relatively large number of cases that concern buyers or sellers of real estate, but few *real estate agents* are reported. In order to detect PMLs, it is important that the real estate agent's name is included in the banks' reports on real estate, which is rarely the case.

There is deemed to be considerable under-reporting of actual real estate agents, i.e. the PMLs. The dark figures are likely to be particularly high for transactions in commercial property, where even larger amounts can be laundered. Real estate agents match buyers almost exclusively with residential properties. Instead, transactions in commercial property are carried out directly between professional parties, with the support of other professional categories²⁷ where PMLs may also operate.

3.3.2 Modus operandi

Client funds account as a crime instrument. Client funds accounts with real estate agents are meant to be used to hold the deposit until all conditions

²⁶ Ibid.

²⁷ For example, legal advisors drafting contracts or authorised auditors advising on financing.

are met by both buyer and seller, and the purchase agreement becomes binding.²⁸ In some money laundering schemes, client funds accounts are used to transfer money from abroad and to channel transactions in order to make traceability difficult and to conceal the origin of the money.

Fabricated contracts or deliberate misvaluation. Fabricated contracts for property purchases are used for misleading banks and to justify transactions or legitimise the origin of illicit money. Money laundering can also be achieved by a real estate agent deliberately over or undervaluing a property. In the case of overvaluation, the owner may take out large loans that are then paid off with money from criminal activities. In the case of undervaluation, the buyer may compensate the seller outside the official transaction.

Construction with undeclared labour. Real estate agents are paid to broker properties that are bought by front men and renovated with crime proceeds from undeclared labour, and then resold.

Bank insider grants mortgages. As mentioned in the section on lenders, there are cases of real estate agents assisting criminals in need of mortgages by referring them to bank officials who then knowingly grant mortgages based on false documentation.

3.3.3 Links to criminal networks

In the real estate industry there are PMLs recruited by or otherwise cooperating with criminal networks, mainly local criminal networks with a high impact on the local community. There are real estate agents, relevant from a money laundering perspective, who have family ties to influential individuals in criminal networks. A fictional but well-founded example of links between a PML and criminal networks is described below.

For a long time now, real estate agent H has laundered money for network criminals through his real estate agency H Housing corp. H also has links to a property agency abroad. H Housing corp. provides fictitious purchase contracts that criminals use as a basis for bank transactions. Via the property agency abroad, the criminals can buy properties in cash and then sell the properties again. These are expensive properties. H appears both privately

²⁸ Sometimes real estate agents receive the *entire* purchase price in their account and then forward the money to the seller. This is done when it is not possible to forward the transaction directly from the buyer, e.g. because the buyer is not allowed to open a bank account in Sweden. Because the banks have turned down the customer, a transaction from a high-risk customer is mediated. The Association of Swedish Estate Agents advises its members against doing this and says that it could mean offering a payment intermediation service without being registered with the Swedish Financial Supervisory Authority.

and through his real estate agency on bank statements belonging to individuals in a criminal network with high organisational capacity and high capacity for violence, and he does so without any reasonable explanation.

3.3.4 Assessment

Deficiencies in bank risk assessment and control

Banks have so far been poor at detecting and reporting real estate agents who act as enablers and there are few examples of disciplinary actions or judgments that serve as a deterrent. A general problem is that banks are less able to detect money laundering among corporate customers than among private customers. There is a risk that banks assume that other obliged entities subject to the legislation on money laundering, such as real estate agents, are also compliant. In this respect, risk awareness among banks would need to be raised, not least the risks associated with client funds accounts.

There are some incentives for banks not to mitigate their risks to interfere with the lucrative business relationship with real estate agents. Real estate agencies often work with, or are even owned by, a particular bank, which can assist with transfers and market mortgages.

In order to enable the detection of PMLs, the FIU cannot emphasise enough the importance of the real estate agent's name appearing in banks' real estate reports to the FIU. Any successful case where a real estate agent is prosecuted for commercial money laundering or loses their licence is expected to send a strong signal, not only to the real estate industry but also to the banks. Real estate companies also need to play a central role here by contributing to raising the risk awareness of real estate agents and increasing knowledge of the money laundering regulations.

Commercial properties risk being overlooked

Money laundering through commercial property tends to “go under the radar” of both banks and supervisory authorities. Real estate agents, lawyers, legal advisors or authorised auditors providing advice in transactions may legitimise the transactions in the eyes of the banks. As the transactions involve several different categories of obliged entities, supervisory responsibilities are not as well defined as in the case of residential property brokerage and may fall through the cracks. In such cases there would therefore be a need for

coordination between the Swedish Estate Agents Inspectorate²⁹, the Swedish Inspectorate of Auditors³⁰, the Swedish Bar Association and the County Administrative Board.

3.4 Crypto exchange providers

Cryptocurrencies are increasingly used in the context of money laundering.³¹ The PMLs, here referred to as crypto exchange providers³², who offer services in crypto exchange on behalf of criminals thus possess a sought-after expertise, which is often wide and multifaceted. Trading cryptocurrencies via an established crypto trading platform, is often easier, safer and cheaper. The reason for criminals to turn to a crypto exchange provider instead can be anonymity, avoidance of controls or the possibility to exchange between cash and cryptocurrency. Criminals may set aside several percent of their assets in fees to the crypto exchange provider. Given that cryptocurrency trading currently is very easily accessible through regulated and legitimate marketplaces, it is questionable whether there is a need for the services of crypto exchange providers other than for criminal schemes, such as money laundering.

3.4.1 Information status

The ability to detect information about crypto exchange providers has proven to be greater than for many other PMLs. This is because crypto exchange providers typically offer their services publicly on what are known as peer-to-peer cryptocurrency platforms³³, in online forums and in chat rooms. In this way, trade is partly transparent and criminals can sometimes be identified. However, most of the criminals are not registered with the Financial Supervisory Authority, as they are required to. This limits the information available to the Swedish Police Authority and other authorities.

²⁹ Fastighetsmäklarinspektionen.

³⁰ Revisorsinspektionen.

³¹ EU SOCTA 2021 - Serious and Organised Crime Threat Assessment. A corrupting influence: The infiltration and undermining of Europe's economy and society by organised crime. Europol, 2021.

³² These crypto exchange providers are individual crypto exchange providers and sometimes referred to as illegal crypto exchange providers, black-market exchange providers, private exchange providers or virtual crypto exchange providers.

³³ Peer-to-peer (p2p) platforms offer the sale of cryptocurrencies directly between users. Users can create adverts to buy or sell cryptocurrencies and conduct transactions with other users.

3.4.2 Modus operandi

Some crypto exchange providers have deep knowledge of cryptocurrencies and thus the capacity to enable, in addition to crypto exchange, advanced money laundering and cryptocurrency management in criminal schemes.

The initial contact between currency exchange providers and customers typically takes place in dedicated forums, in chat groups or on the peer-to-peer crypto trading platforms mentioned above. Two methods of cryptocurrency exchange for cash and digital payment methods are described below.

Currency exchange by cash payment. In a cash/crypto exchange operation, a physical meeting takes place, the crypto-transaction is carried out and cash is handed over. In some cases, the crypto wallet is controlled by a third person remotely and so the transaction needs to be confirmed by sending a screenshot. The recipient of the cryptocurrency, which is usually in bitcoin, then sometimes converts it into a 'stablecoin'³⁴ to avoid price fluctuations.

Currency exchange through digital payment methods. In digital payment exchange operations, crypto exchange providers and customers find each other on, for example, peer-to-peer platforms, where the terms of the transaction are discussed. Money is sent digitally, e.g. via the mobile payment system Swish, and the cryptocurrency is transferred between the parties' crypto wallets. Both parties confirm when the transaction is complete. However, it should be emphasised that crypto exchange through digital payments can also be handled entirely outside peer-to-peer platforms.

3.4.3 Links to criminal networks

Crypto exchange providers in the form of PMLs are found both within criminal networks (serving other criminal networks simultaneously) and as more independent providers with different types of clients. The PMLs accommodate a diverse client base, for example some clients need to exchange cash to crypto and some need to convert crypto back to cash. Below is an example of a criminal who in 2022 was convicted of, among other things, money laundering offence and gross money laundering offence, through crypto exchange on behalf of various clients.³⁵ The description of the offence shows that the individual:

³⁴ Stablecoins are a type of crypto-asset that are intended to maintain a stable value over time, for example by tracking the price of a national currency such as the US dollar.

³⁵ Uppsala District Court judgment 23-11-2022 - B 4490-21. The person was also convicted of exceptionally gross narcotics offence and gross narcotics offence.

"between 27 March 2020 and 1 June 2021, acting together and in collusion with others in various places in Europe and in the municipality of Uppsala, Sweden, received, stored and traded cash and cryptocurrency amounting to at least SEK 30,269,175 in return for payment in order to conceal the fact that the money derives from criminal activity. In so doing, [the individual] illicitly promoted the possibility of another person appropriating the property. (...) The offence is to be assessed as gross due to the large values handled and to the fact that the measures were part of large-scale criminal activities that were difficult to detect."

The prosecutor stated that the individual had received, stored and traded the cash or cryptocurrency for a fee, which was often 4 percent. As regards the cryptocurrency, this had been done via crypto wallet addresses (corresponding to account numbers) to which the individual had direct or indirect access on behalf of various clients.

3.4.4 Assessment

The demand for crypto exchange is very high among criminals, which suggests that the use of cryptocurrency is widespread. This has been particularly evident in areas such as drug crime and fraud in the cyber arena. Some of these PMLs operate on the periphery, separate from other criminal arenas of organised crime, and can therefore be difficult to detect for both regulatory and law enforcement agencies.

There is a significant number of Swedish users of crypto exchange providers who mainly operate on peer-to-peer platforms. The range in turnover is wide and the individual currency exchange providers cannot always be classified as PMLs, but as a group they play an important part for the criminal economy. These crypto exchange providers are engaged in such business activities that requires registration with the Financial Supervisory Authority (FSA)³⁶ and to comply with money laundering legislation, which they are not - and do not do. In addition, the FSA's ability to sanction unregistered crypto exchange providers has been limited.

To reduce this group, the Swedish Police Authority needs to increase its presence on platforms used for crypto exchange in order to identify and map crypto exchange providers. Obligated entities such as banks and payment intermediaries also play a crucial role here: the entities need to be identified, investigated and the possibility to pursue their activities needs to be stopped by,

³⁶ Finansinspektionen.

for example, restricting their access to services and by reporting the individuals to the FIU.

3.5 Authorised auditors

Companies are considered to be a significant crime instrument for complex money laundering schemes, and authorised auditors (hereafter referred to as auditors) have a unique position in relation to the companies. This role is therefore an attractive position for criminals to gain access to. Auditors often have visibility into companies, and can even hold (illicit) account authorisations to several companies and groups. This contributes to their function and capacity as potential enablers and PMLs.

3.5.1 Information status

Some of the auditors that are deemed to be enablers provides their services to several companies that are controlled by or linked to criminal individuals. There are often clear links to criminal networks. The auditors can have several hundred assignments at the same time, but most of which are for legitimate companies.

There is often a lack of information on specific auditors and their possible involvement in criminal activities, which makes it difficult to assess the extent. Even if criminal activity is carried out using the company as a crime instrument, it is difficult to draw any conclusions about the auditor's knowledge or involvement. Moreover, the auditor's liability is limited. If wrongdoing has occurred in a company, it does not necessarily mean that the auditor can be held responsible. Without concrete evidence of how an auditor failed in their role or otherwise enabled money laundering, the scope for filing a police complaint or for the supervisory authority to act is limited.

3.5.2 Modus operandi

An auditor may falsely approve a company's annual report, thereby concealing e.g. money laundering transactions or overvaluing the company's assets. Auditors can also provide advice and deed on money laundering and other financial crime. In some cases, the compensation to the auditor for illegal services can be the assignment of the job itself, possible overcharging or given hidden ownership stakes in companies.

3.5.3 Links to criminal networks

A fictional but well-founded example of an auditor's role as a PML and links to criminal networks is described below.

The authorised auditor has several hundred active accounting assignments. He assists criminals in money laundering schemes and other forms of financial crime. Some of the companies he is the auditor of can be linked to serious criminals and multiple criminal networks. The auditor has a contact within the banking system that can facilitate loans. The auditor also has links to companies that have received state aid from various public agencies under suspected fraudulent conditions.

In cases like these, there is a strong need for concrete information on the services offered by the auditor, the modus operandi and the companies to which they provide their illegal services.

3.5.4 Assessment

Companies are a significant crime instrument for complex money laundering schemes. The need for auditors, to provide advice on how to use companies for money laundering purposes as well as upholding a legitimate company façade, is not expected to decrease going forward.

The lack of consequences for enabling auditors is significant. Despite knowledge of long-term criminal activity in companies, there is in many cases a lack of sufficient concrete information on the auditor's illicit actions to be able to initiate criminal or administrative measures. In legal cases, for example, prosecution has been brought against other suspects than the auditor, even though there were clear signs of the auditor's involvement in the criminal activities. In one specific case, the Court of Appeal deemed the auditor responsible and acquitted the principals, but the auditor was not charged.³⁷

When obliged entities, primarily banks but also other obliged entities that in some way handle information where an auditor is involved, note unusual circumstances regarding an auditor, this needs to be recognised and clearly stated in a filed report to the FIU. This applies in particular to concrete circumstances on how an auditor fails in their practice, or otherwise enables money laundering.

³⁷ EB-144-19. Göta Court of Appeal 28-04-2023 - B 2924-22.

3.6 Traders in luxury goods

Luxury goods such as cars, gold and watches may be used for money laundering purposes. These goods are also considered status symbols and can serve as a means of payment for e.g. drugs. Vendors that are assumed to trade in goods for cash payments to the equivalent of EUR 5,000 or more³⁸ are covered by the Act on Measures against Money Laundering and Terrorist Financing, and has a reporting obligation to the FIU. Examples of such businesses are car dealers, gold dealers and watch dealers. These industries also include PMLs that allow criminals to trade in goods with large amounts of cash in ways that are not permitted by the law. Information in decrypted chats from the communication service Encrochat³⁹ identified the watch trade as particularly prominent. Watch dealers are therefore described below as examples.

3.6.1 Information status

The use of high-end watches for money laundering purposes has increased in Sweden over the last decade. A watch dealer that is assumed to handle cash payments of EUR 5,000 or more is obliged to report suspected money laundering to the FIU. However, very few reports are received from obliged entities that buy and sell watches. Nevertheless, when the FIU examines transaction data, transactions with watch dealers are relatively frequent. In addition, suspicious transactions involving watch dealers are regularly included in reports filed to the FIU by banks. Indicators of PMLs operating in the watch industry can be reported by banks that, for example, discover transactions with a watch dealer known to be dishonest, or when a customer is deemed not to have the financial capacity to buy an expensive watch.

For the FIU, the obliged entity's knowledge of the circumstances surrounding a reported transaction with a watch dealer is of great interest. If the obliged entity has received, for example, a contract, invoice or settlement note from the reported customer as part of its investigation work, these documents are central to the investigations of the FIU. The same applies if the obliged entity's customer has answered to questions regarding a transaction with a watch dealer, orally or in writing.

³⁸ Both single transactions and related transactions.

³⁹ FIU information. Kriminella aktörers kontakter i banksystemet [Criminal contacts in the banking system] Swedish Police Authority, June 2021.

3.6.2 Modus operandi

Allowing criminals to buy watches with criminal proceeds. Criminals buy watches from the watch dealer in cash with criminal proceeds and resell them for a deposit in an account. Unusually large turnover in cash at the watch dealer's is a circumstance that may indicate that the vendor participates in money laundering.

Provides criminals with seemingly legal income. Criminals sell watches to watch dealers and get paid by depositing money into an account. This ensures a seemingly legal income into the account. Some watch dealers are more actively involved in crime, for example by issuing certificates or new watch boxes.

Gift cards as an intermediary. Watch dealers that are assumed to handle cash payments of EUR 5,000 or more are obliged to report suspected money laundering to the FIU, as previously stated. There have been cases of watch dealers offering criminals gift vouchers of just below SEK 50,000⁴⁰ in exchange for cash. Several gift vouchers can be purchased on separate occasions and later exchanged for an expensive watch. The presence of such gift cards at a watch dealer can thus be an indication of money laundering activities, and that the watch dealer might be a PML who actively assists criminals by avoiding reporting obligations.

3.6.3 Links to criminal networks

Some watch dealers have assisted serious criminals with money laundering activities, including one watch dealer who was recently convicted of commercial money laundering.⁴¹

3.6.4 Assessment

Luxury watches are increasingly used for money laundering purposes, not least by the criminal networks involved in the escalating gun violence. The fact that very few watch dealers report suspected money laundering to the FIU, while watch transactions are common when the FIU examines the finances of criminals, indicates that there is a large number of unreported cases. Regarding the possibility of investigating a watch dealer for money laundering offences, there may be difficulties in proving predicate offences

⁴⁰ Equivalent to approximately EUR 5,000.

⁴¹ See, e.g., the judgment issued by Gothenburg District Court on 09-05-2023 - B 9431/20.

as well as the dealer's own intent. However, it is possible to investigate a watch dealer for commercial money laundering⁴².

As a supervisory authority, the County Administrative Board is tasked with examining whether a watch dealer has complied with the provisions of the regulations on anti-money laundering measures. In several cases, observed offences resulted in fines that were considered to be relatively high.⁴³

Authorised auditors and registered audit firms are obliged entities that can detect transactions with watch dealers where money laundering is suspected. This could be a watch dealer who uses an audit firm to handle the dealer's auditing, or an auditor who has a company as a client that does transactions with a watch dealer.

An increasing number of traders in luxury goods report that they do no longer accept cash. The presence of cash at such dealers should be seen as an indication of money laundering and an opportunity to detect PMLs.

3.7 Currency exchange offices

Currency exchange offices typically offer a variety of financial services, handling both legitimate and illegitimate flows of money. Examples include the exchange of cash, payment services and hawala banking (hawala is described in more detail in section 4.1). Illicit currency exchange offices are significant enablers for criminals and networks, including money laundering activities and other ways of handling money with criminal origin. Without these currency exchange offices, it would likely be more difficult for organised crime in Sweden to realise its criminal profits, as described by the FIU in previous reports.

3.7.1 Information status

Currency exchange offices typically handle large amounts of cash, which can provide the opportunity to mix legitimate money with criminal proceeds. Currency exchange usually involves cash which contributes to increased anonymity and reduced traceability. Overall, this leads to an increased risk of money laundering. There are cases of businesses where currency exchange and payment services are conducted in parallel with other activities, such as

⁴² The advantage of the commercial money laundering offence (Section 7) is that there is no requirement for a predicate offence, which means that the property does not have to be derived from a criminal offence, it can instead be entirely legitimate funds.

⁴³ E.g. the Stockholm County Administrative Board's decision of 5 October 2020 against AB Nymans Ur 1851.

travel agencies and gold shops. This can make the activities more difficult for authorities to check and investigate. Some of the currency exchange offices operate completely illegally and without registration with the Swedish Financial Supervisory Authority. On the whole, however, the level of information on illegal activities at currency exchange offices is relatively good.

3.7.2 Modus operandi

For a fee, a PML can enable money laundering for criminals either through employment at a well-established currency exchange company, such as Forex, or by operating a currency exchange office themselves. In many cases, not only do criminal activities enable money laundering or the movement of money to other countries, they also offer the storage and transmission of cash criminal proceeds in different currencies. The currency exchange sector is inherently cash intensive, which is seen as attractive in money laundering schemes. Criminal proceeds can be exchanged from e.g. Swedish kronor to other currencies, often euros, in order to finance drug-related crime or to integrate into the financial system abroad.

3.7.3 Links to criminal networks

The link between criminal currency exchange offices and criminal networks is generally significant. Several of the criminal networks in Sweden have one or more currency exchange providers that they use to manage their proceeds of crime.

A criminal offender was sentenced to prison in 2022 for a gross money laundering offence (166 occasions).⁴⁴ The criminal in question ran the currency exchange company World Exchange in Stockholm, which was seen as a hub for large-scale money laundering and assisted criminal networks in Sweden in moving proceeds of crime to Europe. The preliminary investigation concerned amounts totalling approximately SEK 500 million.

3.7.4 Assessment

A number of currency exchange offices operate as financial hubs that offer various financial services to criminals, which in turn is a prerequisite for extensive illegal flows of money in the parallel economy. Illegal activities offering currency exchange and other payment services are a particular challenge for regulatory and law enforcement agencies, not least due to a large

⁴⁴ Svea Court of Appeal, judgment, 02-11-2022 - B 1718-22.

part of the transactions take place outside the regular financial system and are therefore less visible. The thresholds for establishing and operating currency exchange companies are relatively low in Sweden, which opens the door to agents with criminal intentions. See further reasoning in section 3.8.4.

3.8 Payment service agents

Payment service agents act as agents for payment service companies and they offer, through these companies, money transfers and similar payment services. Payment service agents are considered to be well-utilised channels in the criminal environment. Large money flows involving extensive cash handling, limited traceability and cross-border transactions mean that the risk of money laundering is high.⁴⁵

Money transfers are often offered as an ancillary service to other business activities. These may include tobacconists, convenience stores, hairdressers, travel agents or other types of small businesses, as well as currency exchange offices as described in the previous section.

3.8.1 Information status

There are reports of owners and other representatives of payment service agents carrying out transactions for criminals and receiving transactions suspected of being part of money laundering schemes. It is likely that several of these agents actively enable money laundering for others and that this is done in exchange for payment. It is also likely that criminals start or take over such businesses with the primary purpose of facilitating money laundering.

The payment service agent itself is not obliged to report in line with the Act on Measures against Money Laundering and Terrorist Financing, but the payment service provider is obliged to report suspected money laundering to the FIU. Payment service providers reporting to the FIU mainly concerns the customer who made the transaction. More rarely, the reporting concerns the agent, who is thus partly the one who can enable or actively participate in criminal schemes.

3.8.2 Modus operandi

As payment service agents sometimes offer a number of different payment service systems for money transfers in parallel, there is the possibility that

⁴⁵ Penningtvätt via betaltjänstombud [Money laundering via payment service agents], Swedish Police Authority, National Operations Department, May 2021.

criminals use multiple channels for money laundering. This allows them to spread their transactions while staying below the applicable thresholds to reduce the risk of detection. In addition, the use of multiple agents for criminal transactions further increases the risk of larger volumes passing through monitoring systems undetected. Money transfers, with recipients in, for example, high-risk countries, are most likely also an attractive channel for terrorist financing. This assessment is also supported by the FATF.⁴⁶

Through payment service agents, criminal proceeds can be sent to recipients without bank accounts, often with foreign destinations. Swedish kronor can thus be sent from a sender via an agent in Sweden and received by a recipient in another country, in local currency. Some agents offer the possibility of depositing cash into Swedish bank accounts, whereupon criminals themselves, or via proxies, can make deposits into their own or other people's bank accounts.

3.8.3 Links to criminal networks

There are links between the representatives of payment service agents and criminal networks, especially at the local level where criminals exert an influence on the business community. On the one hand, it is not uncommon for companies of this kind to be owned by criminals, and on the other hand, it is difficult for traders offering payment services to operate in 'vulnerable areas'⁴⁷. Criminal networks exert unlawful influence and use the businesses for both drug storage and money laundering.

3.8.4 Assessment

There is no indication that this problem will diminish over time. As agents are often active in the local community, they may be particularly vulnerable to pressure from criminals. Payment service agents themselves do not have a reporting obligation to the FIU, and it is not certain that their know-your-customer information reaches the payment service provider.

As mentioned in section 3.7.4, the threshold for the establishment of both currency exchange companies and payment service companies, in which criminal activities are then conducted, is too low. Given the extensive money

⁴⁶ FATF, Money Laundering through Money Remittance and Currency Exchange Providers, 2010.

⁴⁷Geographic areas categorised by the Swedish police authority as 'vulnerable areas'.

laundering and terrorist financing risks identified in these obliged entities, the thresholds should be raised.

4 Professional money laundering networks and organisations

In addition to individuals who are linked to specific industries, who may co-operate with each other, or who independently offer money laundering in return for payment, there are also more complex organisations that provide criminals with money laundering solutions, such as hawala networks. Both payment service agents and currency exchange offices are used in hawala operations, involving both cash and cryptocurrency exchanges. Criminal hawala networks can be described as full-blown money laundering concepts, and may involve several different PMLs.

4.1 Hawala networks

Hawala as a form of payment is relatively well established in some areas of Sweden and the system is often used by foreign diasporas to send money from Sweden. In some cases, hawala banking is offered through specialised payment service agents, but hawala banking is also carried out illegally within a number of other business activities. The system is attractive for money laundering as it offers increased anonymity, reduced traceability and relatively fast transfers.⁴⁸

The completely illegal part of the hawala transfers in Sweden can take place in a number of different businesses. Currency exchange offices and travel agencies are common, often acting as fronts, but hawala banking can also be carried out without the use any business facade at all.

4.1.1 Information status

The number of informal and unregistered hawala providers is estimated to be very high. As they are not registered, it is reasonable to assume that they can also serve criminal activities with their services, as shown by a number of cases. The information status is dependent on intelligence gathering but also on banks' reviews of customers who can provide this type of service.

4.1.2 Modus operandi

It is a question of widespread international networks involving multiple different PMLs. Often there is an organiser, an 'auditor', a transporter and in

⁴⁸ Nationell riskbedömning 2022 – Hawala [National risk assessment 2022 - Hawala] Value transfers in alternative payment systems. Swedish Police Authority, A243.461/2023.

many cases a currency exchange office or business front. Hawala money laundering schemes can include picking up, storing, transporting, exchanging and placing cash in the financial system in other countries, in return for a percentage of the proceeds of crime. Data suggests a fee of up to 15 percent for the handling of the proceeds of crime.

In addition to large-scale cash handling, hawala systems also carry out account transactions and payments via payment services. Similarly, transactions and exchanges of cryptocurrency and other types of assets take place within these systems. Cash may be picked up by couriers within hawala networks, and then exchanged for cryptocurrency through a crypto exchange provider. The cryptocurrency is then sent to crypto wallets abroad. Assets in crypto can then be exchanged back into cash abroad to be collected by recipients.

Travel agencies, beauty parlours, tobacconists and kiosks are examples of businesses considered to be at increased risk of informal and unregistered hawala providers. Activities and financial patterns that can be found among unregistered hawala providers include a high proportion of incoming transactions from many counterparties (typically via Swish) often with even and somewhat lower amounts, while outgoing transactions are fewer but with higher amounts. Other indicators include discrepancies between the name of the sender/recipient and the name in the transaction reference, and a high proportion of transactions via payment service providers.

4.1.3 Links to criminal networks

A fictional but well-founded example below describes links between criminal networks and hawala systems.

A local criminal network that is assessed to pose a considerable threat to society owns a travel agency that offers hawala services to other criminals in order to launder criminal proceeds. The travel agency, as well as other businesses used as crime instruments by the criminal network, is run with the help of front men.

4.1.4 Assessment

Money laundering networks of this kind are inherently difficult to counteract. Hawala systems are central channels for financing in environments of serious crime and may risk contributing to the cementing of parallel social structures. The extensive international ramifications result in a potentially very broad criminal reach.

The criminal environment as a whole is likely to remain cash-intensive in the future, leading to a continued need for systematic money laundering and the financing of crime through cash. The use of cryptocurrencies in hawala will probably increase, in order to efficiently move large values within the networks. Transactions through hawala networks are considered to be critical functions in the criminal economy. As both law enforcement and prevention measures become more effective in the future, it is likely that the modus operandi will change and be refined within the logistics and operational capabilities of the networks.

Businesses offering hawala exchange pose a particular challenge for regulatory and law enforcement agencies. A large part of the transactions take place outside the regular financial system and are therefore not fully visible. There are probably a large number of unrecognised hawala providers who are not registered with the FIU and are therefore able to operate without supervision.

4.2 Multidisciplinary PMLs

In addition to the hawala networks, there are multidisciplinary PMLs that have access to several companies and may utilise *other* PMLs within different industries. These multidisciplinary PMLs usually have access to international networks and the capacity for complex set-ups. The most advanced PMLs operate on a scale similar to corporate groups, and are utilised by several criminal networks.

These PMLs may also own companies themselves that are set up for money laundering purposes, they are then engaged by other criminals to facilitate their money laundering needs. This could, for example, be a criminal network with a cash-intensive business that uses a PML's invoicing company, where false documentation is prepared to legitimise the illicit money flows.

A fictional but well-founded example of an advanced multidisciplinary PML is described below.

Multidisciplinary M

M has been helping organised criminals to launder money for many years and charges a percentage fee for the money laundering service he provides. M has connections in high turnover international companies and with various financial institutions, through which he carries out money transactions. He has a wide network, holds high social capital and acts within the financial sphere. M operates throughout Europe and owns several companies abroad. M uses encrypted communication services to avoid interception. However, he

has become downright reckless in his crime schemes as he has continuously managed to evade detection over the years.

5 Looking forward

With the professionalisation of organised crime and the distinct range of illicit services, the need for PMLs will probably remain at a high level in the years to come. As the wide range of technological payment solutions increases on a global scale, it is also possible that new types of skills will be needed to offer money laundering in return for fees. Moreover, economic recessions see an increase in the risk of criminals exploiting vulnerabilities in the economy to infiltrate legitimate businesses in order to promote criminal activities, e.g. by acquiring companies.⁴⁹

There is a clear trend that the most experienced and influential criminals and networks are spreading their risks and using different channels to manage and launder criminal proceeds. This is done by using different enablers, couriers, companies, cryptocurrencies or bank accounts abroad, which makes it more difficult to map out the criminals.

Mostly, the organised criminal networks are motivated by financial gain. The dependence on enablers makes it important to recognise that the criminal facilitators are part of a larger context. Hence, the PMLs provide money laundering to the same criminals that are also responsible for shootings and bombs exploding. PMLs thus contribute to financing the escalating spiral of violence, and other serious crimes. The fact that the criminal networks also utilise enablers within financial companies, as well as the use of corruption, means that these crimes contain elements that pose threats to society.⁵⁰

⁴⁹ EU SOCTA 2021 - Serious and Organised Crime Threat Assessment. A corrupting influence: The infiltration and undermining of Europe's economy and society by organised crime. Europol, 2021.

⁵⁰ Greater possibilities for the use of preventive coercive measures 2, Swedish Government Official Reports series 2023:60. Final report of the Inquiry into preventive coercive measures, Stockholm 2023.

6 Conclusion - threats and vulnerabilities

6.1 Threats

High demand – PMLs a prerequisite for organised crime

The high demand for PMLs handling and laundering criminal proceeds from criminal networks in Sweden suggests that it is a critical capability for the networks to maintain financial stability (investing in new crime, maintaining markets, investing in property and recruiting new talent). Growth, stability and risk minimisation are all affected by the networks' ability to appropriate their proceeds of crime.

Threats to the financial system and risk of unlawful influence

The fact that criminals move within financial structures is a threat to society and its systems and risks damaging confidence in the financial system. The fact that PMLs in some cases are obliged entities that are supposed to *protect* the system and act against suspected money laundering is another aspect of the threat to society that needs to be considered. Individuals in professional positions with authority in the financial system risk being exposed to threats and pressure to assist criminals in money laundering. This aspect of unlawful influence is a threat to society and its systems and it is also important from this perspective to create protective barriers. Such protective barriers could also to some extent protect against PMLs. From a confidence perspective, PMLs who are lawyers risk damaging confidence in the judicial system. Similarly, the large flows of criminal proceeds through the banking sector mean that lenders acting as PMLs risk damaging confidence in the financial system.

From a societal perspective, it is urgent to counteract PMLs because they contribute to financing the spiral of violence and because parallel financial systems risk undermining the economy, state institutions and the rule of law.

6.2 Vulnerabilities

Information gaps

Criminal networks have increased their knowledge of how to manoeuvre in the financial landscape and are spreading their risks to relatives, front men, companies and PMLs with which they are only peripherally connected. This complicates both detection and action against the right people.

An overview of the phenomenon of PMLs in different industries shows extensive information gaps and a large number of unreported cases. This is

partly due to the fact that obliged entities do not sufficiently detect and report PMLs. Reporting focuses on private individuals and simple set-ups, while some PMLs are mentioned in the free text only as enablers of a transaction but not as suspects. The fact that obliged entities are prevented, to a greater extent, from sharing customer information with each other, means that criminals acting through multiple obliged entities are more difficult to detect.

Adequate customer due diligence, as well as knowledge of risks and *modus operandi*, are crucial factors for adequate monitoring. The FIU's view is that there are shortcomings in the obliged entities' customer due diligence, which is a major vulnerability in this context.

System-level vulnerabilities require cross-cutting measures

The vulnerability associated with the industries in which PMLs operate is not limited to individual firms or criminals. The vulnerability is considered to be of a more systemic nature, and comprehensive measures are therefore probably required to reduce the risk of these industries and professionals continuing to be used as enablers of systematic money laundering. Without comprehensive measures, operational efforts against individual PMLs risk leading to the problem persisting because the criminal activity is instead moved to another PML, bank, real estate agent or law firm.

7 Possible actions

7.1 Prioritising PMLs acting through their professional role

PMLs who operate through their *professional role*, within the framework of an obliged entity, are particularly important to act against as the threat to society and its systems is deemed to be greater than the PMLs who are not covered by the ‘anti money laundering regime’. Removing individuals who are set to protect the system but who instead undermine confidence in the system can have a strong signalling value and crime prevention effect. In this context, the FIU would like to particularly highlight PMLs in the professional categories of credit administrators and lawyers as they also pose a threat to other societal protections - both the financial system and the judiciary.

Money laundering and commercial money laundering committed in the context of a person’s, an obliged entity’s, official duties, should be considered an aggravating circumstance when assessing the penal value.

7.2 Prioritising PMLs working for criminal networks

Moreover, the FIU considers that PMLs who actively work for criminal networks should be made a priority. Through the mapping of networks, the FIU has discovered several different types of PMLs that, taken together, give the networks a strong financial capacity.

The more inaccessible PML organisations, mainly the hawala networks, which have different roles and branches abroad, often require significant resources to target. However, as they form a central nerve to several criminal networks, action against them could have a significant impact.

7.3 Streamlining methods to detect PMLs

Collaboration and a more structured information flow

Effective action against large-scale international money laundering schemes and PMLs requires close co-operation between law enforcement agencies, obliged entities and supervisory authorities - and with counterparts in other countries. Information sharing at both strategic and operational levels provides better opportunities to detect both individuals of interest and new *modus operandi*. Through collaboration, methodological work can also be streamlined.

A new type of collaboration became possible in 2023 with new legislation⁵¹ that allows law enforcement agencies, credit institutions and supervisory authorities to share information with each other under certain conditions. The FIU believes that the provision should be extended to include categories of obliged entities other than credit institutions. This would make the work against PMLs more effective.

The PML perspective in mind

There is a need for increased awareness of the PML perspective in the risk assessments of obliged entities and reports made to the FIU. Given the key role that PMLs may play, the FIU's assessment is that indications that a PML may be involved should always be seen as urgent to investigate further. An example of the PML perspective in reporting is that reports concerning money laundering in the property sector contain information about the real estate agent who brokered the property. Currently, PMLs are under-reported and sometimes overlooked in transactions involving two other parties reported to the FIU.

The FIU advocates a change in approach and that more individuals from criminal networks appearing in the mapping process are seen as possible PMLs (without all the 'requirements' for a PML being met). This applies both to the monitoring and to the assessment of a suspicious transaction or activity. Both supervisory authorities and industry organisations play important roles and can provide knowledge and guidance.

Open information as a starting point for further investigation

Judgements involving PMLs often contain descriptions of what was successful in the case and led to a conviction. In addition to knowledge of the source of success, judgements can also contain descriptions of the modus operandi. Other open information can also be utilised for the same purpose. In addition, individuals who appear on the periphery of a case may, on closer inspection of obliged entities, turn out to have a central role. A reasonable assumption is that some money laundering schemes *require* more than one PML, e.g. both a bank insider and a real estate agent. Hence, if a PML has been identified, e.g. in a judgement, there is reason to assume that additional PMLs may be found in the person's circle.

⁵¹ Chapter 4a of the Act on Measures against Money Laundering and Terrorist Financing.

7.4 Signalling value through administrative measures

It is important not only to aim for prosecution, but also to work to prevent criminals from conducting their criminal activities and making it more difficult for them to do so. In many cases, the measures with the greatest impact and results are those aimed at attacking the finances of criminals and recovering the proceeds of crime.

The signalling value should not be underestimated. This is particularly true in industries with licensing or protected titles, such as real estate agents and lawyers, where losing a licence would mean a loss of prestige and that the reputation of the whole firm would be affected. Such a case could have a preventive effect.

7.5 Cross-cutting systemic measures

The criminal legislation and the administrative measures that are currently possible in Sweden are, according to the FIU's assessment, not commensurate with the extent of the problem. Given that the vulnerabilities are at the system level, comprehensive measures are required that cannot be addressed by individual industries or stakeholders. Below are some examples of such measures.

- It is currently very easy to set up or buy companies and businesses where large-scale financial transactions can be carried out on behalf of others. Particularly for certain financial institutions, such as currency exchange offices, there is no obligation to obtain a licence, even though they are a critical function for organised crime. The FIU has previously highlighted the need for a review of the Currency Exchange and Other Financial Activities Act⁵² and the Payment Services Act⁵³, a review that has now been initiated.⁵⁴ Stricter legislation would give the Swedish Financial Supervisory Authority better conditions to prevent the establishment of operations that are used for criminal activities, or exploited by criminals.
- Given the large cross-border cash flow that takes place within the framework of several of the PMLs' activities, the FIU sees an urgent

⁵² Currency Exchange and Other Financial Activities Act (1996:1006).

⁵³ Payment Services Act (2010:751).

⁵⁴ Memorandum Åtgärder mot missbruk av alternativa betalningssystem Fi2024/00365 [Measures against abuse of alternative payment systems Fi2024/00365]

need to strengthen the regulatory framework for the physical entry and exit of cash within the EU.

- There are probably a large number of companies and individuals who have not registered with the Swedish Companies Registration Office's⁵⁵ anti-money laundering register. This makes it difficult to identify obliged entities over which the County Administrative Board has supervisory responsibility.
- The FIU proposes to review the possibility of introducing an obligation for the Swedish Bar Association to notify the FIU of suspected money laundering or terrorist financing.
- Since some of the identified PMLs do not commit other serious crime, there is no possibility of using the Data Collection Act⁵⁶ and other preventive measures at the intelligence stage, which could prove that the individual's clientele belongs to a criminal network. The FIU considers the possibility of applying the Data Collection Act in the case of gross money laundering and gross commercial money laundering as a priority regulatory need. The FIU is in favour of the proposal⁵⁷ that the Data Collection Act should be extended to also cover, under certain conditions, gross money laundering offences or gross commercial money laundering offences.

7.6 Control mechanisms to counteract unlawful influence

The Swedish National Council for Crime Prevention (Brå) has emphasised, in several reports on unlawful influence, the problem of dividing threats and corruption into different fields. They should rather be regarded as two different ways of influencing the exercise of public authority.⁵⁸ Individuals with professional powers that facilitate money laundering are at risk of being subjected to unlawful influence for the purpose of providing money laundering. This requires safeguards to reduce the risk of both unlawful influence and money laundering itself.

⁵⁵ Bolagsverket.

⁵⁶ Act on Acquiring Information about Electronic Communications in Law Enforcement Agencies' Intelligence Activities (2012:278).

⁵⁷ Greater possibilities for the use of preventive coercive measures 2, Swedish Government Official Reports series 2023:60.

⁵⁸ Brå 2016:13 Otillåten påverkan mot myndighetspersoner [Unlawful influence against public officials] A follow-up.

Better control mechanisms and greater awareness of the money laundering risks among obliged entities may create a greater need for insiders to circumvent controls. The risk that certain professional groups, such as mortgage administrators and real estate agents, are exposed to unlawful influence is therefore deemed to increase as controls increase. The reasoning is complex because an insider may either have been voluntarily placed in the position to enable money laundering in return for payment or threatened so as to act in a way that enables money laundering. However, even the person initially subjected to threats may become a paid enabler of money laundering. The control mechanisms would therefore need to be designed in a way that reduces the risk of individual administrators being able to make decisions, for example by centralising processing or by requiring duality in decisions.

Annexes

Annex 1. Assessment terms

Assessment terms	Meaning (description in words)	Assessor's degree of conviction
Confirmed	Decisive or conclusive pieces of evidence (factors) that unambiguously support each other and make it possible to base the conclusion on them. There may be the odd conflicting factor or uncertain source in the material.	I am very confident in my belief.
Probable	There are strong pieces of evidence, or several moderate or weak pieces of evidence that together correspond to strong evidence, that mainly support each other and make it possible to base the conclusion on them. There is a minor number of conflicting factors or uncertain sources in the material.	I am confident in my belief.
Likely	There are moderate pieces of evidence, or several weak or very weak pieces of evidence that together correspond to moderate evidence, that support each other and make it possible to base the conclusion on them. There is a moderate number of conflicting factors or uncertain sources in the material	Maybe, but more certain than uncertain.
Possible	There are weak pieces of evidence, or several very weak pieces of evidence that together correspond to weak evidence, that to a lesser extent support each other and make it possible to base the conclusion on them. There is a large number of conflicting factors or uncertain sources in the material.	I am uncertain in my belief.
Doubtful	Very weak pieces of evidence that to a minimal extent support each other and make it possible to base the conclusion on them. There is an extensive number of conflicting factors or uncertain sources in the material. The conclusion lacks to a large degree supporting evidence and describes hypothetical conditions that cannot be confirmed through analytical results.	The conclusion is in all probability not correct.