Advanced International Capital Movements

September 25, 2025

Contents

I. AML/CFT in the international capital movement
II. Stable Coins and its Implication on the International Trade
III. Presentation by students (Dissertation Proposal)

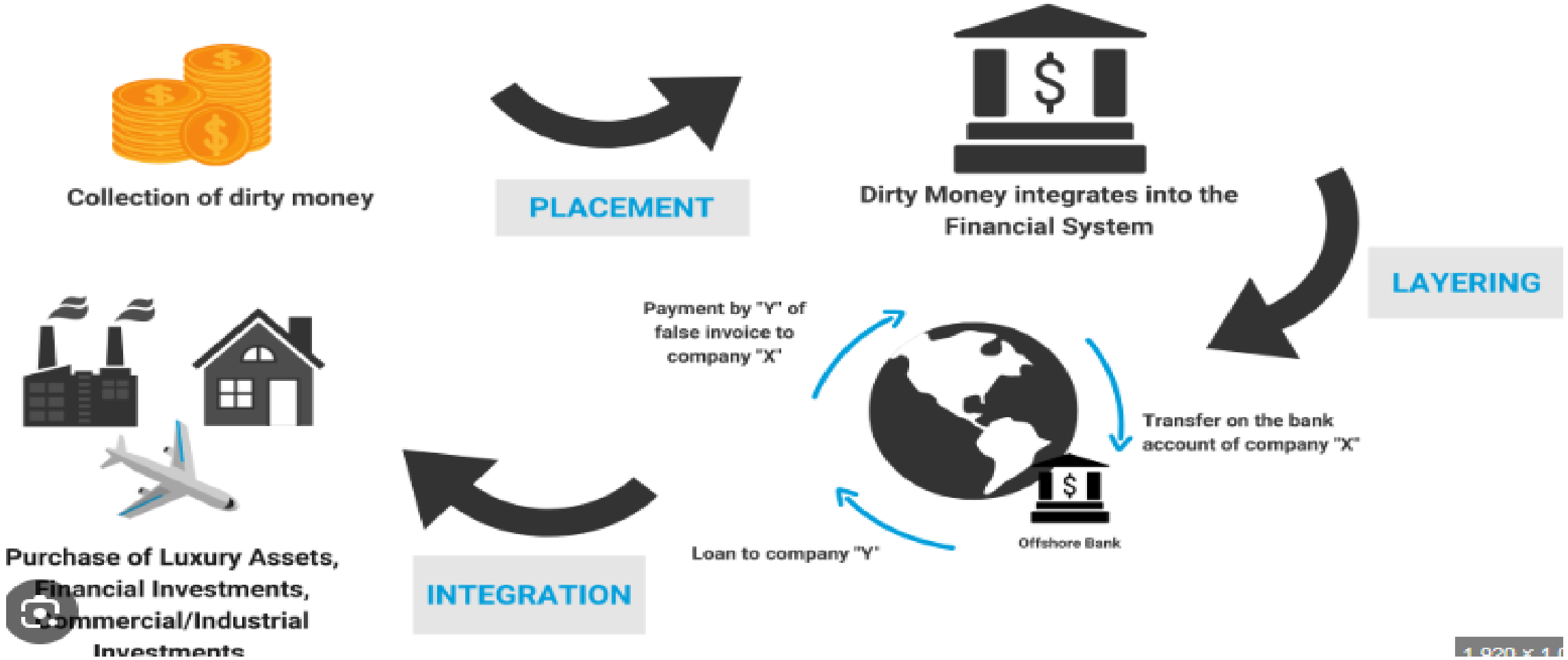
II. AML/CFT in the international capital movement

What is Money Laundering?

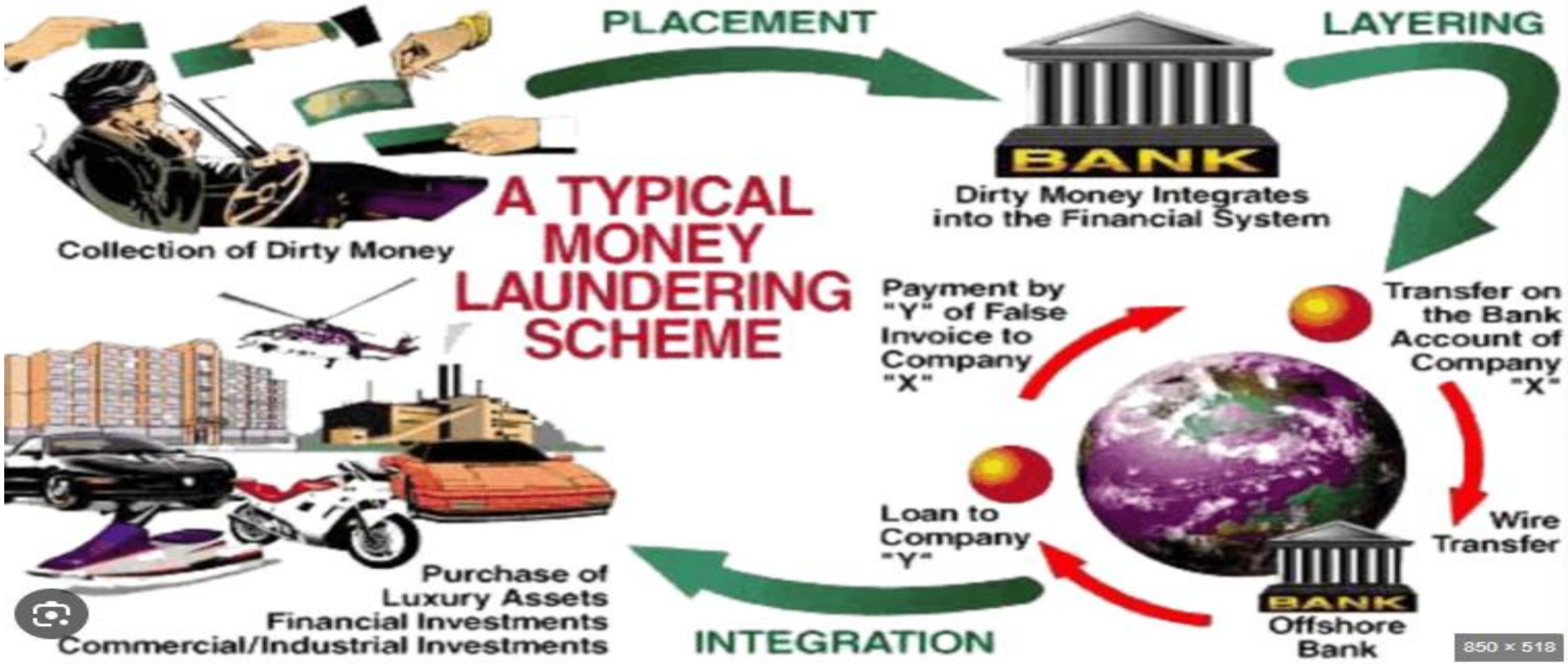
Money laundering involves taking criminal proceeds and disguising their illegal sources in order to use the funds to perform legal or illegal activities. Simply put, money laundering is the process of making dirty money look clean.

United Nations Office on Drugs and Crime

Money Laundering Cycle



ResearchGate

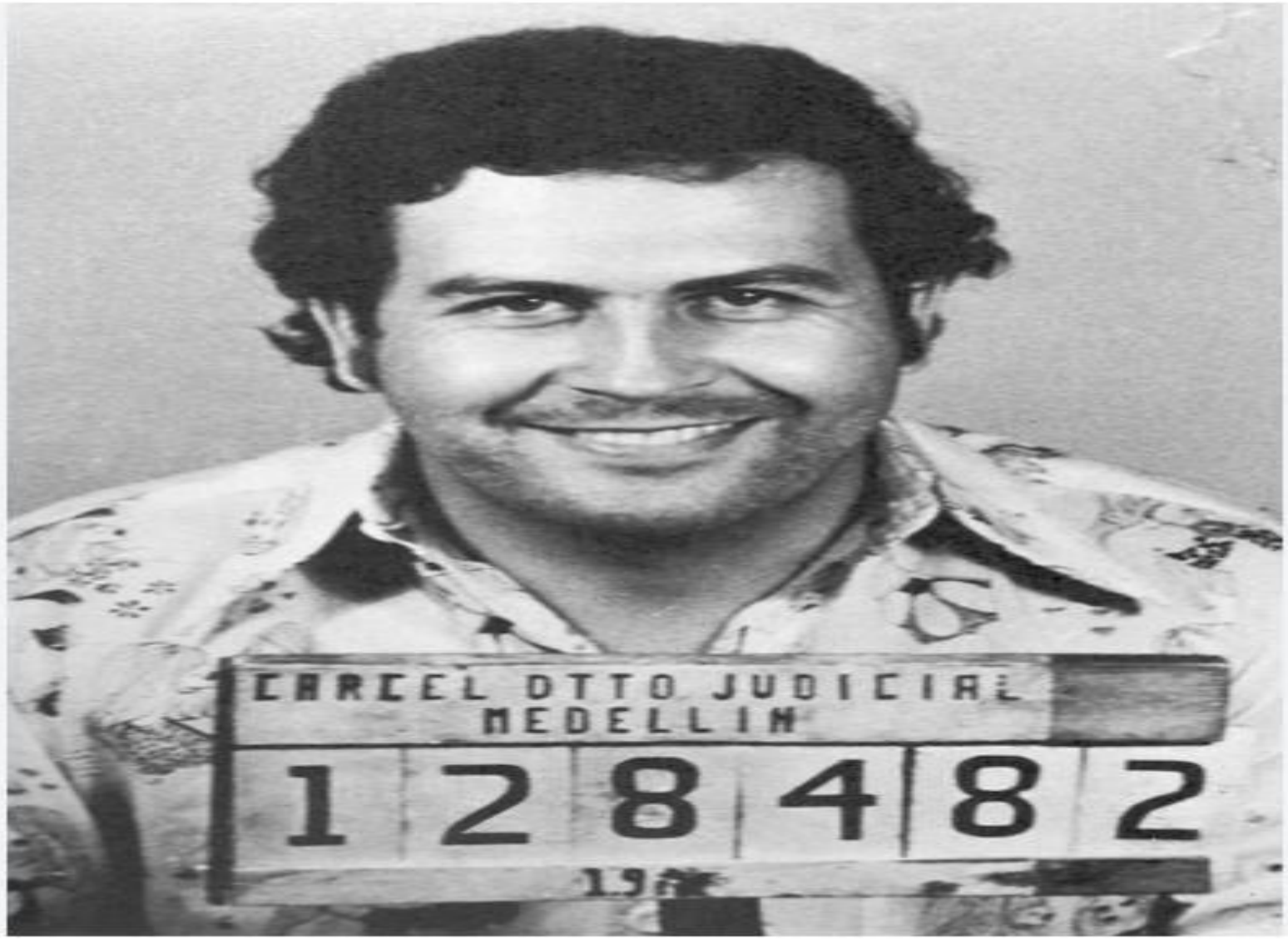


850 × 518

1: Money laundering diagram created by UNODC. 31 | Download Scientific Diagram

방문 >

Britannica



Pablo Escobar: 8 Interesting Facts About the King of Cocaine | Britannica

States, Cities Scramble to Combat Animal 'Tranq' in Street Drugs • Stateline

방문 ›

Fox News
4:29

DEA issues dire warning on fentanyl mixed with flesh-eating 'Tranq' zombie drug seized in 48 of 50 states

시청 >

At a glance (2024–2025)

- **Primary pathway:** Most U.S.-destined illicit fentanyl is **manufactured in Mexico** (not in the U.S.), largely by the **Sinaloa Cartel** and **CJNG**, using **precursor chemicals sourced mainly from China** (with some activity noted involving India). It is then moved to the U.S. primarily across the **Southwest border**. DEA +2
- **Where it's intercepted:** The vast majority of CBP fentanyl seizures occur **at ports of entry or checkpoints**, not between ports. American Immig... +1
- **Recent trend:** DEA notes **declining purity through 2024**, consistent with **tighter access to key precursors**; mixtures with other substances (e.g., xylazine) further complicate harms and detection. DEA +1
- **Policy & enforcement:** The U.S. has escalated **financial, trade, and sanctions actions** against Chinese chemical suppliers, Mexican cartels, and facilitators; DHS/CBP launched **Operation Plaza Spike (2024)** to target cartel logistics. U.S. Department... +2

How it typically moves (simplified chain)

1. **Chemical inputs & equipment**
   - **Precursor chemicals** (e.g., NPP, ANPP and others) and pill-press components are sourced largely from **Chinese companies** (some networks shift or use intermediaries; India has been cited in cases and historical flows). These may be shipped directly or via transshipment points. Congress.gov +1
2. **Synthesis & tableting in Mexico**
   - **Clandestine labs** in Mexico synthesize fentanyl powder and press tablets (often counterfeit "M30" oxycodone look-alikes), operated mainly by **Sinaloa** and **CJNG** networks. **Purity declines in 2024** align with reported difficulty sourcing certain precursors. State Department +1
3. **Cross-border movement to the U.S.**
   - Smuggling is **primarily through Southwest ports of entry** in passenger vehicles and commercial cargo (hidden among legitimate trade), with seizures concentrated at **POEs and checkpoints**. American Immig... +1
4. **Domestic distribution**
   - Once inside the U.S., networks distribute wholesale powder or pressed pills through regional cells; DEA and DHS highlight cartel-aligned distribution nodes and brokers. (Synthesis from the above sources.) DEA +1

In the **1980s**, money laundering became a global concern because of the rapid growth of drug trafficking, organized crime, and the globalization of finance. Here are the main areas where laundering was most prominent during that decade:

---

1. Drug Trafficking (Cocaine & Heroin Trade)

- The explosion of the cocaine trade from Colombia (Medellín and Cali cartels) and heroin networks in Southeast Asia and Turkey generated huge cash profits.
- These illicit proceeds needed laundering, often through U.S. banks in Miami, Caribbean offshore centers, and Panama.

Example:

The *Bank of Credit and Commerce International (BCCI)* scandal revealed billions in drug money flowing through its global branches.

What is FATF

The Financial Action Task Force (FATF) is an inter-governmental body decision-making body. It was established in 1989 during the G7 Summit in Paris to develop policies against money laundering. It is a "policy-making body" which works to generate the political will to bring about national legislative and regulatory reforms in money laundering. It has also started dealing with virtual currencies. The FATF Secretariat is located in Paris.

What is the objective of FATF?

FATF sets standards and promotes effective implementation of:

a. legal, regulatory and operational measures for combating money laundering.

b. The FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

What They Are

- The **FATF Recommendations** are a set of **40 global standards** designed to combat **money laundering (ML), terrorist financing (TF), and the financing of proliferation of weapons of mass destruction (PF)**.
- They are **not laws** themselves but provide the **framework** that member countries are expected to implement through national legislation and regulations.

Key Areas Covered

1. **Risk & Policy** – Countries should assess and understand their ML/TF risks and apply a **risk-based approach**.
2. **Criminalization & Law Enforcement** – ML and TF must be **criminal offences**; countries must enable **confiscation of illicit assets**.
3. **Preventive Measures** – Financial institutions and DNFBPs (e.g., casinos, real estate agents, lawyers) must apply **customer due diligence (CDD)**, **KYC**, and report **suspicious transactions**.
4. **Transparency** – Countries must ensure **beneficial ownership** transparency of companies and trusts.
5. **International Cooperation** – Countries must cooperate on **mutual legal assistance, extradition, and information sharing**.
6. **Sanctions & Proliferation Financing** – Implement **UN sanctions** and controls to prevent financing of WMD proliferation.

Important AML/CFT Organizations

Financial Action Task Force (FATF)

Basel Committee

Wolfsberg Group

Egmont Group

European Union

IMF & World Bank

CICAD

FATF-Style Regional Bodies

The Wolfsberg Group is an association of 12 global banks which aims to develop frameworks and guidance for the management of financial crime risks.

the Wolfsberg Group

Santander

BANK OF AMERICA

BARCLAYS

citi

Deutsche Bank

Goldman Sachs

HSBC

JPMorgan Chase & Co.

MUFG

SOCIETE GENERALE

standard chartered

UBS

What as FATF 'grey list' and 'blacklist'?

FATF has 2 types of lists:

a. **Black List:** Countries knowns as Non-Cooperative Countries or Territories (NCCTs) are put in the blacklist. These countries support terror funding and money laundering activities. The FATF revises the blacklist regularly, adding or deleting entries.

b. **Grey List:** Countries that are considered safe haven for supporting terror funding and money laundering are put in the FATF grey list. This inclusion serves as a warning to the country that it may enter the blacklist.

What is the FATF Black List?

The FATF black list also called as ***"High-Risk Jurisdictions subject to a Call for Action."*** This statement, known as *"Public Statement,"* detects jurisdictions with significant loopholes to combat terrorist financing, money laundering, and financing of proliferation. The FATF mandates all members and jurisdictions to conduct Enhanced Due Diligence (EDD) in countries identified as high-risk. Countries must implement counter measures to secure the integrity of global financial system from the risks of terrorist financing, proliferation financing, and money laundering.

As of June 2023, countries falling under FATF black list include:

- Iran
- Myanmar
- Democratic People's Republic of Korea

FATF GREY LIST

(Jurisdictions under Increased Monitoring) as of 23rd February 2024

- Bulgaria
- Burkina Faso
- Cameroon
- Croatia
- Democratic Republic of Congo
- Haiti
- Jamaica
- Kenya
- Mali
- Mozambique
- Namibia
- Nigeria
- Philippines
- Senegal
- South Africa
- South Sudan
- Syria
- Tanzania
- Türkiye
- Vietnam
- Yemen

aml india

Consequences of being in the FATF grey list:

Considered in the grey list may face

1. Economic sanctions from IMF, World Bank, ADB

2. Problem in getting loans from IMF, World Bank, ADB and other countries

3. Reduction in international trade

4. International boycott

Three Stages in the Money Laundering Cycle

Money laundering often involves a complex series of transactions that are difficult to separate. However, it is common to think of money laundering as occurring in three stages:

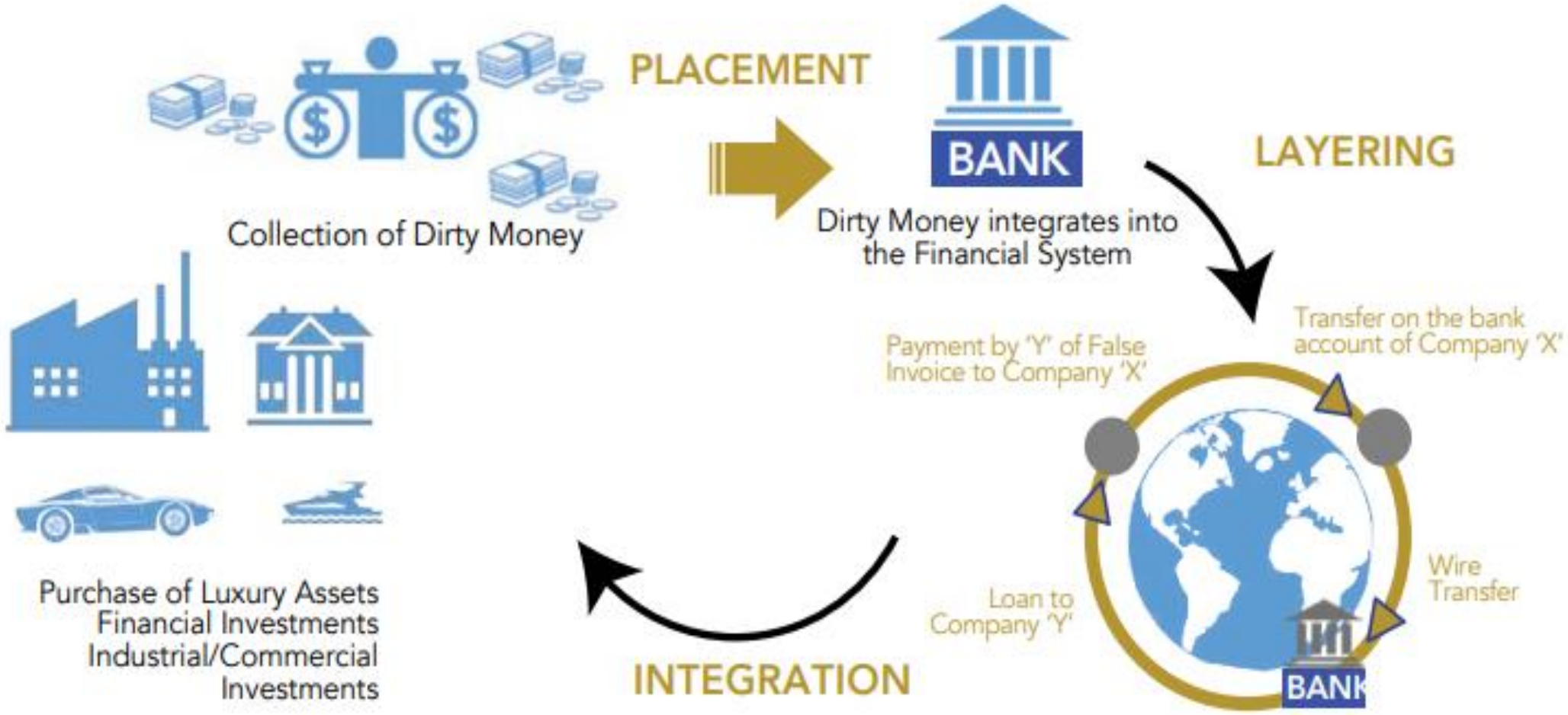
Stage One: Placement — The physical disposal of cash or other assets derived from criminal activity.

During this phase, the money launderer introduces the illicit proceeds into the financial system. Often, this is accomplished by placing the funds into circulation through formal financial institutions, casinos, and other legitimate businesses, both domestic and international.

Examples of placement transactions include:

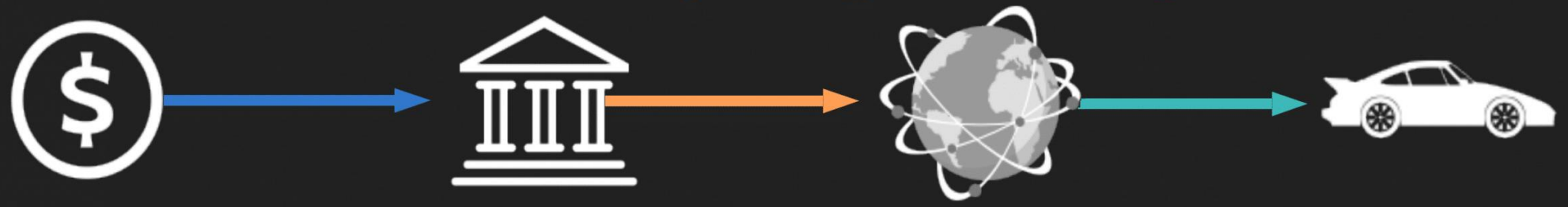
- Blending of funds: Commingling of illegitimate funds with legitimate funds such as placing the cash from illegal narcotics sales into cash-intensive locally owned restaurant
- Foreign exchange: Purchasing of foreign exchange with illegal funds

Stages of Money Laundering



Source: The United Nations, Office of Drugs and Crime

Money laundering stages



Placement

Accumulating the money from illegal activities.

Layering

Placing the money into a financial system.

Integration

Transfering the money to hide the origin of the funds.

Returning the money for the money launder to spend.

- Loans: Repayment of legitimate loans using laundered cash

Stage Two: Layering — The separation of illicit proceeds from their source by layers of financial transactions intended to conceal the origin of the proceeds.

This second stage involves converting the proceeds of the crime into another form and creating complex layers of financial transactions to obfuscate the source and ownership of funds.

Examples of layering transactions include:

- Electronically moving funds from one country to another and dividing them into advanced financial options and or markets
- Moving funds from one financial institution to another or within accounts at the same institution
- Converting the cash placed into monetary instruments
- Reselling high value goods and prepaid access/stored value products
- Investing in real estate and other legitimate businesses
- Placing money in stocks, bonds or life insurance products
- Using shell companies to obscure the ultimate beneficial owner and assets

Stage Three: Integration — Supplying apparent legitimacy to illicit wealth through the re-entry of the funds into the economy in what appears to be normal business or personal transactions.

This stage entails using laundered proceeds in seemingly normal transactions to create the perception of legitimacy. The launderer, for instance, might choose to invest the funds in real estate, financial ventures or luxury assets. By the integration stage, it is exceedingly difficult to distinguish between legal and illegal wealth. This stage provides a launderer the opportunity to increase his wealth with the proceeds of crime. Integration is generally difficult to spot unless there are great disparities between a person's or company's legitimate employment, business or investment ventures and a person's wealth or a company's income or assets.

Examples of integration transactions include:

- Purchasing luxury assets like property, artwork, jewelry or high end automobiles
- Getting into financial arrangements or other ventures where investments can be made in business enterprises

The **Financial Action Task Force (FATF)** issues international standards—known as the *FATF Recommendations*—that apply broadly across the financial system and related sectors. The rules and regulations are not directed at a single institution, but rather at entire categories of institutions and professions that could be vulnerable to money laundering (ML), terrorist financing (TF), and proliferation financing (PF).

1. Financial Institutions

These are the core entities FATF focuses on, since they handle money flows. Examples include:

- **Banks** (commercial, savings, investment banks)
- **Securities firms** (broker-dealers, investment companies, fund managers)
- **Insurance companies** (particularly those offering life and investment-linked products)
- **Money service businesses (MSBs)** such as remittance companies, currency exchange, and payment service providers
- **Credit and leasing companies**
- **Fintech and virtual asset service providers (VASPs)**, e.g., cryptocurrency exchanges and wallet providers

2. Designated Non-Financial Businesses and Professions (DNFBPs)

FATF recognizes that money laundering can occur outside of the traditional financial sector. DNFBPs include:

- **Casinos and gambling operators**
- **Lawyers, notaries, and other independent legal professionals** (when involved in financial or real estate transactions)
- **Accountants and auditors** (when they prepare or manage client funds)
- **Trust and company service providers** (formation of companies, nominee directors, beneficial ownership concealment)
- **Real estate agents and brokers** (handling high-value property transactions)
- **Dealers in precious metals and precious stones** (e.g., gold, diamonds, luxury goods)

3. Public Sector Authorities

FATF rules require **governments** to establish and maintain:

- **Financial Intelligence Units (FIUs)** (to collect and analyze suspicious transaction reports)
- **Supervisory authorities** (central banks, securities regulators, insurance supervisors) to monitor compliance
- **Law enforcement agencies** (for investigation and prosecution)
- **Customs authorities** (for monitoring cross-border cash and goods movements)

4. International and Cross-Border Institutions

- Correspondent banking networks
- Cross-border remittance systems
- International trade finance institutions (import/export financing)

Key Aspects of AML Compliance

Here's a summary of some of the **largest fines and penalties** imposed on financial institutions for violating U.S. AML / sanctions / anti-money laundering and counter-terror financing rules. (Note: many cases are hybrid — involving both AML and U.S. sanctions violations.)

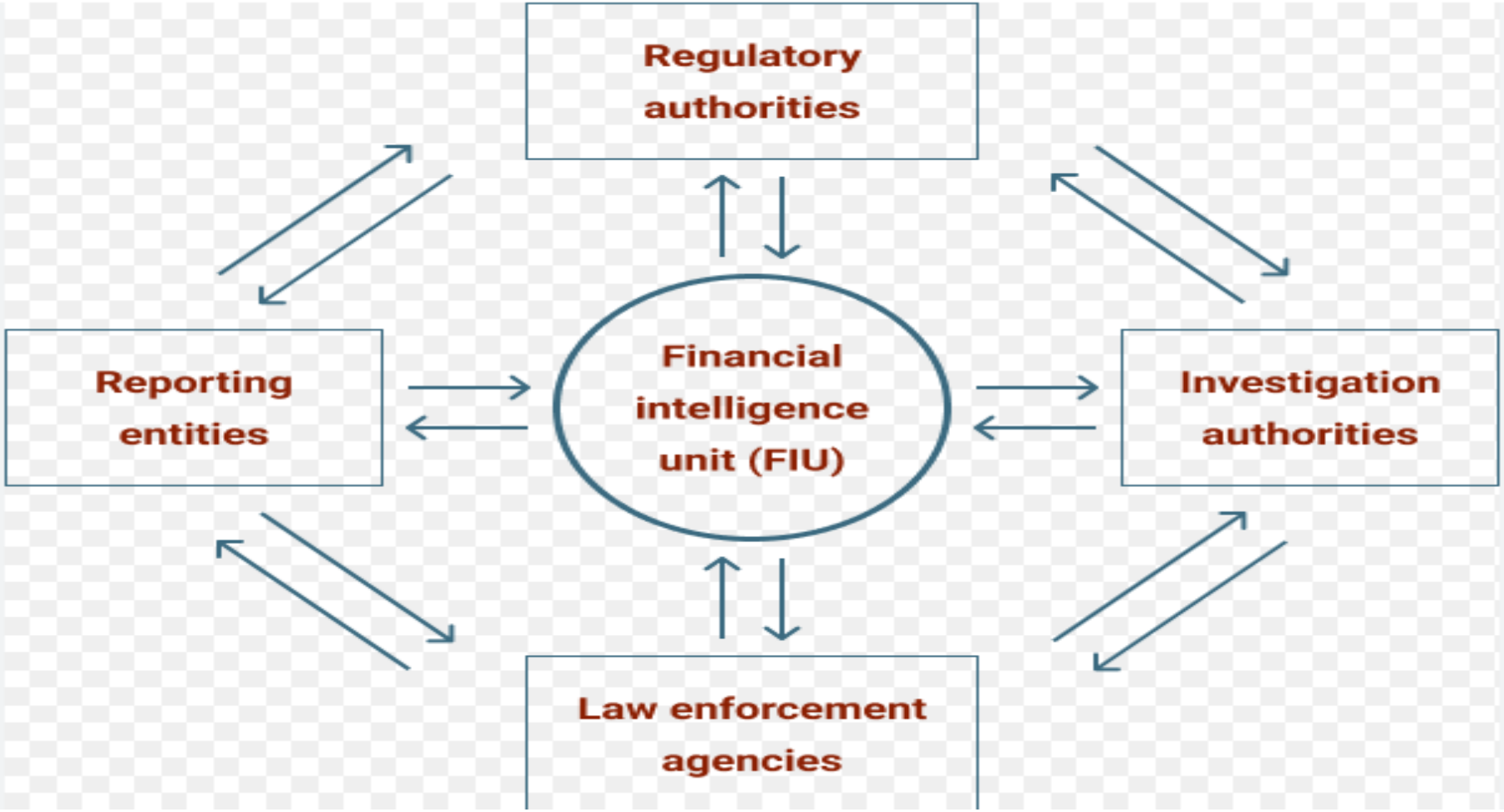
🏆 Largest Known Cases & Penalties

Institution	Approx. Penalty / Fine Amount	Description / Notes
BNP Paribas	**US $8.9 billion**	In 2014, BNP Paribas pled guilty to conspiring to violate U.S. sanctions laws (processing transactions for Iran, Sudan, Cuba) and agreed to pay ~US $8.9 billion in combined forfeiture and penalties. 법무부 +4
HSBC	US $1.92 billion	In 2012, HSBC agreed to a deferred prosecution and payments totaling ~$1.92 billion (forfeiture, civil penalties) for failures in its AML programs, allowing drug cartel funds and sanctions-related transactions to pass through U.S. banking channels. Reuters +4
TD Bank	~US $3 billion	More recently (2024–2025), TD Bank agreed to pay about $3 billion in penalties to resolve U.S. AML / BSA violations, including a record $1.3 billion penalty by FinCEN. skillcast.com +5

Other notable cases	—	—
Commerzbank	~US $1.45 billion	Settlement for sanctions / AML controls failures. enzuzo.com +1
Standard Chartered	~US $1.1 billion	Penalties for sanctions / AML violations. enzuzo.com +1
Deutsche Bank	~US $630 million	For deficiencies related to suspicious funds flow and oversight failures. enzuzo.com +1

🔍 Interpretation & Observations

- The **largest fine** on record tied to U.S. AML / sanctions enforcement is **BNP Paribas's US $8.9 billion** settlement.
- Many of the huge penalties are not strictly "pure AML only" cases — they often include **sanctions violations**, **forfeiture of illicit proceeds**, **civil money penalties**, and **deferred or guilty pleas** under criminal or quasi-criminal agreements.
- Penalties are often split among different U.S. regulators (DOJ, Treasury / FinCEN, OCC, OFAC).
- Some fines also include non-monetary requirements like compliance monitorships, reporting obligations, or structural changes.


Regulatory authorities
Reporting entities
Financial intelligence unit (FIU)
Investigation authorities
Law enforcement agencies

National AML Comprehensive Information Network

Financial Institution Information System

CDD
- Customer Due Diligence
- Risk assessment
- Watch List Filtering

Monitoring
- Screen STR(role-based model)
- Customer/transaction risk assessment (Scoring model)
- Analysis/Investigation

Internal Control
- Policy/Procedure
- AML R&R
- Education/Record-keeping

Reporting
- STR reporting
- CTR reporting
- Reporting to FIU

FIU Information System

External Portal
- Receive STR on-line
- Receive CTR on-line
- Share edu/knowledge

Information management

Receipt	STR reporting
Classification	By level of suspicion (Rule/Scoring model)
Screening	Allocation/keeping/ strategic analysis
Analysis	In-depth STR analysis
Dissemination	To LEAs

Internal Portal
- Electronic approval
- Document management
- Knowledge management

Information Analysis
- Role-based model/Scoring model
- Multi-dimentional/connnect analysis

Information security mgnt

Supervision support
- Report management
- Reporting agency assessment
- Supervision Mgnt
- Education Support

LEAs
- PPO
- NPA
- KCS
- NTS

Relevant admin. agency
- FX info
- Credit info
- ID info
- Income info

Foreign FIUs

No. of Reporting Agencies

Rate of STR reporting

Schemes for the Money Laundering

1. Smurfing (or Structuring)

This scheme involves breaking up large amounts of illicit cash into smaller, less suspicious deposits, often below the reporting threshold (e.g., $10,000 in the U.S.). Multiple individuals ("smurfs") or multiple transactions over time are used to avoid triggering anti-money laundering (AML) alarms.

SCHEME 1: SMURFING (STRUCTURING) – Breaking large amounts into smaller, undectable deposits

2. Shell Companies and Front Businesses

Criminals often establish shell companies (businesses that exist only on paper) or legitimate-seeming front businesses (e.g., restaurants, car washes, consulting firms) that deal heavily in cash. Illicit funds are then commingled with legitimate revenue, making it difficult to distinguish dirty money from clean money. The front business might report artificially inflated sales to justify the influx of cash.

SCHEME 2: SHELL COMPANIESTURING) - Bleaking larke amoney with legitmtable business inposits

3. Trade-Based Money Laundering (TBML)

This method exploits the international trade system. It involves manipulating the pricing, quantity, or description of goods or services to disguise the movement of money. Examples include:

- **Over-invoicing/Under-invoicing:** A good is bought for $100, but the invoice says $1,000 to move an extra $900 of illicit funds.
- **Multiple Invoicing:** Charging for the same goods multiple times.
- **Phantom Shipments:** Creating invoices for goods that were never shipped.

SCHEME 3:TRADE-BAED LAUNCTURING) – B/reaking larke amoney with arnaulatable invsicess & shipments

Financial institutions' effort to mitigate ML/CT

Financial institutions play a critical role in combating money laundering (ML) and terrorist financing (TF) by implementing robust compliance programs. These efforts primarily revolve around three key stages: **Customer Due Diligence (CDD)**, **Transaction Monitoring**, and **Suspicious Activity Reporting (SAR)**.

---

1. Customer Due Diligence (CDD) and Know Your Customer (KYC)

At the outset of any relationship, financial institutions must verify the identity of their customers and understand the nature of their business. This process, known as KYC, helps to assess the ML/TF risk associated with a customer. Enhanced Due Diligence (EDD) is applied to higher-risk customers.

CUSTOMER ONBOARDING

RISK-BASED APPROACH

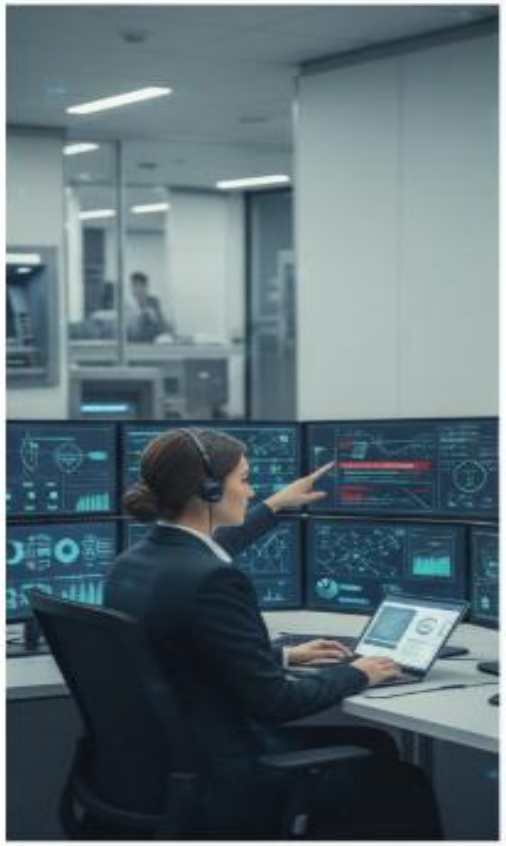
SCHEME 4: CUSTORNG (STRUCTURING) - Vreaking arne amoney wth bıeaıtnolaeleusines deposits

- **Example Figure Explanation:**
  - **Customer Onboarding:** A compliance officer monitors multiple screens showing transaction data and alerts.
  - **Illicit Bulk Cash Monitoring Process:** This central panel depicts how illicit funds are processed through a monitoring system:
    - Customer profile and history are fed in.
    - Anomalous transaction detection (using AI for density and volume analysis) and rule-based engines trigger alerts.
    - Alerts are then sent for analyst review.
  - **Risk-Based Approach:** A display shows "various flagged & reviewed" transactions, indicating the system's ongoing work.

3. Suspicious Activity Reporting (SAR) / Suspicious Transaction Reporting (STR)

When transaction monitoring or other internal processes identify suspicious activity that cannot be reasonably explained, financial institutions are legally obligated to file a SAR (in the U.S.) or STR (globally) with their country's financial intelligence unit (FIU). These reports provide crucial intelligence to law enforcement agencies for investigation.

SUSPPIIOUS ACTIVITY IDENIFIED



SAR/STR FILING PROCESS

OUTCOME & ACTION

SCHEME 6: SUSTRFING (STRUCTURING) - Breaking larhe amonntsMTF heaitmcaaeleusines deposits

II. Stable coins and its implication in the international trade

Stablecoins bridge the gap between traditional finance and blockchain. In international trade, they promise **low-cost, fast, and stable cross-border payments**, but face **regulatory and systemic risks**. Their role could expand significantly if global trade increasingly embraces digital settlement methods.

What Are Stablecoins?

Stablecoins are a type of cryptocurrency designed to maintain a stable value by pegging themselves to a reserve asset, most commonly the U.S. dollar (USD), euro, or a basket of currencies. Unlike Bitcoin or Ethereum, whose prices fluctuate widely, stablecoins aim for price stability, making them useful for everyday transactions and international trade.

There are three main types:

1. **Fiat-backed stablecoins**
   - Pegged 1:1 to a currency (e.g., USDC, USDT).
   - Backed by reserves of actual fiat currency or short-term government bonds.
2. **Crypto-backed stablecoins**
   - Backed by other cryptocurrencies (e.g., DAI backed by ETH).
   - Over-collateralized to protect against volatility.
3. **Algorithmic stablecoins**
   - Use algorithms and smart contracts to control supply and demand.
   - Less common due to risks of collapse (e.g., Terra-LUNA crash in 2022).

Implications in International Trade

1. Lower Transaction Costs

- Traditional cross-border trade relies on banks, SWIFT, or correspondent banking networks.
- These are expensive (fees of 3–7%) and slow (days).
- Stablecoins enable **instant settlement** with minimal fees, reducing costs for exporters/importers.

2. Faster Settlement

- International letters of credit and bank transfers often delay shipments.
- Stablecoins allow **24/7, real-time payments**, which can speed up trade financing and logistics.

3. Currency Risk Reduction

- Exporters in emerging markets often face FX volatility.
- Receiving payments in USD-pegged stablecoins provides a **hedge against local currency depreciation**.

The percentage of USD stablecoin usage in South Korea's international settlement activity remains very high, in line with global figures. Over 95% of stablecoin transactions worldwide are settled in coins pegged to the US dollar, and this overwhelming dominance is also reflected in Korea's cross-border crypto settlements, where USD stablecoins like Tether (USDT) and USD Coin (USDC) are almost exclusively used for international crypto transfers and trade settlements, particularly in the absence of an established KRW stablecoin listed on global platforms. biz.chosun +2

Recent Usage Figures and Context

- Global statistics report that dollar-pegged stablecoins occupy nearly 99% of the stablecoin market, meaning Korea's reliance is similarly skewed toward USD stablecoins for international purposes. wepin +1
- In Q1 2025, major outflows from Korea using USD stablecoins totaled approximately $19.5 billion, highlighting their important role in cross-border exchange and settlements. ainvest +1
- Despite Korea's efforts to launch KRW stablecoins, these have not yet gained meaningful traction in the international settlement space, limiting competition to USD-based coins. kcmi +1
- B2B international crypto transactions, of which the vast majority utilize USD stablecoins, accounted for more than 5% of global trade settlement volume in 2025, though specific numbers for only Korea remain undisclosed. ey +1
- Regulatory discussions and KRW-stablecoin pilot projects are underway, but current cross-border activity is still overwhelmingly conducted in USD-pegged coins. kcmi +1

Recent data indicates that approximately 30–40% of South Korea's small and medium-sized international trading firms use USD stablecoins for cross-border trade settlement, particularly when transacting with overseas partners outside traditional banking hours or to reduce transaction costs. This usage rate is rapidly increasing as regulatory clarity improves and local fintech startups form partnerships with global stablecoin issuers. onesafe +1

Trends Among SMEs

- Stablecoins offer major appeal to SMEs: they allow faster, cheaper settlements than SWIFT, and bypass many banking restrictions. onesafe
- The use of USD stablecoins is most prevalent in B2B transactions with suppliers or clients in North America, Southeast Asia, and Europe. onesafe
- Regulatory guidance finalized in 2025 is expected to accelerate uptake, with some reports forecasting adoption approaching 50% by year's end. onesafe +1
- Settlement via stablecoins remains mostly USD-based, due to a lack of global adoption for KRW-based stablecoins. onesafe

4. Financial Inclusion

- Small and medium-sized exporters (SMEs) often struggle with expensive bank requirements.
- Stablecoins provide access to global payments without relying on local banking infrastructure.

5. Challenges & Risks

- **Regulatory uncertainty**: Governments worry about money laundering, tax evasion, and capital flight.
- **Counterparty trust**: Some stablecoins lack transparency in reserves.
- **Sanctions & compliance**: Use of stablecoins could bypass sanctions, raising geopolitical concerns.
- **Volatility of non-fiat backed coins**: Algorithmic stablecoins may collapse, creating systemic risk.

Real-World Cases

- **USDT (Tether)** is already widely used in Asia for settling import/export transactions (e.g., electronics trade in China–Russia).
- **USDC (Circle)** partners with Visa and Mastercard, showing integration into global payments.
- **El Salvador & Argentina SMEs** use stablecoins to trade with the U.S., avoiding local inflationary currencies.

Future Outlook

- If stablecoins gain broader regulatory approval (e.g., **MiCA in EU**, **U.S. Stablecoin Bill under debate**), they may become a standard tool for **cross-border trade settlement**.
- They could also compete with **CBDCs (Central Bank Digital Currencies)**, which are being developed by many countries to modernize trade finance.
- In global supply chains, stablecoins could integrate with **smart contracts**, automating payments upon delivery, reducing disputes and delays.