



Australian Government

Australian Transaction Reports  
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# Typology

This typology was developed by the Financial Action Task Force (FATF), to assist members of industries at risk of being used for money laundering/terrorism financing (ML/TF) purposes to recognise ML/TF activities and techniques. This FATF typology was originally used within AUSTRAC's 'Securities and Derivatives' presentation delivered to members of the Australian financial markets sector in June 2008.

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## **Narcotics trafficker takes control of a publicly traded company**

A drug dealer (Mr. D), a resident of Country A acquired the vast majority of freely tradable shares of ABC Ltd, a public company with its head office in Country A. ABC Ltd was a speculative stock that traded on the over the counter market in Country B.

Mr. D sold drugs to Buyer A. He did not receive money. Instead, he instructed Buyer A to buy ABC Ltd through the stock market. Buyer A had previously set up an account in a non-cooperative jurisdiction and instructed his agent to purchase ABC Ltd. The agent contacted his broker in Country B and instructed him to purchase the shares. Mr. D instructed his agent in Country D to sell ABC Ltd. His agent instructed his broker in Country A to sell the securities. Because the stock was thinly traded there were not any competing bids for the security. The transaction was cleared through the clearing corporations with the end result being that Mr. D received the money and Buyer A received the drugs and the shares. Their cost was a few hundred dollars in commissions.

This transaction was repeated several times through several countries and brokers. It had the added benefit of providing liquidity to the market and the public was led to believe that there was actual interest in the security. The public then got involved in the trading and with the heightened awareness the stock increased in value. This meant that Mr. D and Buyer A's shares were now worth more and they were able to generate additional profits. Mr. D was able to legitimize the source of funds as being "market" profits.

Source: Financial Action Task Force (FATF), *Report on Money Laundering Typologies 2002-2003*, p.16. <http://www.fatf-gafi.org/dataoecd/29/33/34037958.pdf>.