



English Learning for Curious Minds



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Episode #099

Money Laundering

Oct 20, 2020

[00:00:00] Hello, hello hello, and welcome to English Learning for Curious Minds, by Leonardo English.

[00:00:11] The show where you can listen to fascinating stories, and learn weird and wonderful things about the world at the same time as improving your English.

[00:00:21] I'm Alastair Budge and today we are going to be talking about money [laundering¹](#), the process that criminals go through to take illegal money and make it look like it's legal.

[00:00:34] Just in case we need a [disclaimer²](#) here, I should of course say that neither I nor Leonardo English [endorses³](#) any of the activity that we're going to describe here because, well, it's illegal and deeply damaging to society.

¹ (of money) the process of making illegal money seem like it is real

² a formal statement where you say you are not responsible for something

³ publicly supports



Money Laundering

[00:00:48] But just because it's criminal, it doesn't mean we shouldn't try to understand it, and indeed the dirty world of money [laundering](#) is pretty fascinating.

[00:01:00] So without further ado, let's get started.

[00:01:04] I guess you've heard of money [laundering](#), you've seen it in movies, you've read about cases of big banks getting hit with huge [fines](#)⁴, but you might not know how it really works, and how vital it is to how the criminal [underworld](#)⁵ works.

[00:01:21] Indeed, without money [laundering](#), the [incentives](#)⁶ to commit crime would be greatly reduced, and the fact that money can relatively easily be washed through the financial system and actually used by criminals is a large [incentive](#) for people to commit crime.

[00:01:39] If you couldn't actually use the money you had made through crime, would you want to commit the crime in the first place?

[00:01:46] Probably not.

[00:01:48] For anyone, not just modern-day criminals, hiding the origins of money is nothing new.

[00:01:55] Pirates would try to hide the origins of their treasure.

⁴ financial punishments

⁵ the criminals in a particular place

⁶ things that encourage you to do something



Money Laundering

[00:01:59] Chinese merchants thousands of years ago would hide money through different companies in order to avoid the government seeing it, in order to avoid tax.

[00:02:10] But the term ‘money [laundering](#)’, and the concept is normally thought to have originated in the US in the 1920s.

[00:02:20] Al Capone, the famous [gangster](#)⁷, used a series of [laundromats](#)⁸, shops with washing machines, to [launder](#)⁹ the proceeds of his criminal activities, to make his money seem legal.

[00:02:35] Back then, the idea was quite simple.

[00:02:38] Al Capone’s gang would make its real money through criminal [means](#)¹⁰: illegal distribution of alcohol, [gambling](#)¹¹, prostitution, [extortion](#)¹², all sorts of things that were illegal at the time.

[00:02:51] These activities generated a lot of [cash](#)¹³. They made a lot of money.

⁷ a member of an organised criminal gang

⁸ shops where you can pay to use a washing or drying machine

⁹ (of money) make illegal money seem legal

¹⁰ methods

¹¹ when you risk money to potentially get more, e.g. on a card game

¹² to force someone to give you something by threatening them

¹³ money in the form of notes or coins



Money Laundering

[00:02:56] Al Capone couldn't just go to the bank with this [cash](#), because even back then, a bank might ask where all this money had come from.

[00:03:05] So, Capone owned a series of [laundromats](#), which would report much higher sales than they really had.

[00:03:14] Essentially if they did \$500 in 'real' sales that day, they would add another \$500 to their accounts, so it looked like they had done \$1000.

[00:03:25] Every day dirty money would be recorded by the [laundromat](#) as a sale, and by doing this every day, at the end of the month that [laundromat](#) would record a [bumper profit¹⁴](#), and it could be paid out to Capone and his gang.

[00:03:40] If the authorities asked him to show where his money came from, he could say that he was the owner of a [profitable¹⁵](#) chain of [laundromats](#), and as the legal owner he was allowed to take the [profits¹⁶](#).

[00:03:53] Indeed, when Capone was finally caught, he wasn't sent to prison for any of his hundreds of gangster crimes - financing murder, [extortion](#) and prostitution.

[00:04:04] He was sent to prison for [tax evasion¹⁷](#).

¹⁴ a very large profit, a large amount of money gained

¹⁵ making more in income than paying in costs

¹⁶ money that is left in a business after costs

¹⁷ avoiding paying tax



Money Laundering

[00:04:08] So the term '[laundering](#)' is thought to have come from Al Capone, the first celebrity [gangster](#) to have taken dirty money and made it clean.

[00:04:18] This was almost 100 years ago now, and while how money [laundering](#) works has evolved and become more [sophisticated](#)¹⁸, the general principle remains pretty similar.

[00:04:30] Criminal activity [generates](#)¹⁹ money, criminals make money from crime, and they need a way to take that money and be able to use it to buy stuff.

[00:04:40] Now, for small amounts, this isn't such a problem.

[00:04:44] Paying for something with \$20, \$50, or \$100 in cash isn't going to [arouse](#)²⁰ much suspicion, people aren't going to get suspicious if you pay \$100 in cash.

[00:04:58] But when criminals start making more and more money, many fall into the trap of wanting to live an ever more luxurious lifestyle, and needing larger amounts of money to make bigger purchases.

[00:05:11] That car, that boat, that house, you need to be able to say where you got the money to pay for it, and that's where money [laundering](#) comes in.

¹⁸ clever or complicated

¹⁹ makes

²⁰ if you arouse suspicion, people become suspicious of you



Money Laundering

[00:05:21] It's the process of taking dirty, criminal money and turning it into beautiful, clean, fresh [currency](#)²¹ that looks as if it has been earned through completely legal means.

[00:05:34] There are three steps to this: [placement](#)²², [layering](#)²³, and [integration](#)²⁴.

[00:05:41] [Placement](#) is putting this money into the financial system.

[00:05:46] Now, before this step the criminal money probably doesn't exist anywhere in the legal financial system.

[00:05:54] If it's cash, from drugs, prostitution, weapons sales, or whatever criminal activity it might be, this money exists outside the financial system.

[00:06:05] Maybe it's in suitcases in your wardrobe, maybe it's hidden in [barrels](#)²⁵ in the ground, it's outside the system.

[00:06:13] You need to get it into the financial system.

[00:06:17] This can be done in different ways. Maybe it's like Al Capone, and it's a case of putting it into a business like a [laundromat](#).

²¹ money used in a country

²² the process of putting money into the financial system

²³ the process of moving money around the financial system

²⁴ the process of taking money out of the financial system and transforming it into an asset

²⁵ large containers



Money Laundering

[00:06:26] The preferred types of businesses for money [launderers](#) are ones that use cash, and service-based ones.

[00:06:34] Strip clubs, [laundromats](#) of course, hairdressers, and any business where it's easy to just add some more money to it every day without too many questions being asked.

[00:06:46] And almost the ultimate business to use for this '[placement](#)' stage is one where you can immediately swap your money for something that is as good as money.

[00:06:56] A casino.

[00:06:58] Casinos are a money [launderer](#)'s best friend.

[00:07:02] You can go in there with a bag of dirty cash, exchange it for [chips](#)²⁶, go out and do a bit of [gambling](#) if you like, then exchange the [chips](#) back for legal cash a few hours later.

[00:07:15] You'll even get a piece of paper from the casino saying that this money is '[gambling](#) winnings' and [Bob's your uncle](#)²⁷, you can suddenly explain to the government where you got all that money. You can even put it into a bank, and if anyone asks any questions, you have the proof that you won it in a casino.

²⁶ a small, normally plastic coin used in casinos

²⁷ (British English) used to show that something can be done easily



Money Laundering

[00:07:36] There's a video from a Canadian casino of a Chinese customer coming in with a hockey bag full of Canadian dollars and exchanging it all for casino [chips](#).

[00:07:48] He comes in and passes this bag to the [cashier²⁸](#), who puts it through the money counting machine, and it takes a whole ten minutes to count all the [cash](#).

[00:08:00] It's pretty mad to watch.

[00:08:03] So, that's the first stage, get the illegal money into the money system in the first place.

[00:08:09] It's the most dangerous part of the process, because it's the part where it's hardest to explain where the money originally came from.

[00:08:18] "A friend gave it to me" doesn't quite work when you're talking about hundreds of thousands of dollars.

[00:08:24] Our second stage is what's called '[Layering](#)'.

[00:08:29] This stage has become much more important in recent years, as anti-money laundering authorities have got smarter and smarter.

[00:08:38] What happens during this '[layering](#)' phase is that the money is moved around and around, as [anonymously²⁹](#) as possible to try and hide where it came from in the first place.

²⁸ someone whose job is to take money in a shop

²⁹ without anyone knowing your name



Money Laundering

[00:08:50] This can be achieved in all sorts of ways, but as a general rule, the more anonymous the [money trail](#)³⁰ is, the better.

[00:08:59] This means that money is often moved through countries with pretty [loose](#)³¹ regulations, often small islands - places like the Caymans, Panama, but also countries in the EU like Malta or Cyprus.

[00:09:15] The money is moved through shell companies, companies that only exist on paper and whose owners are hidden, and it's moved from company to company all across the world so that it's almost impossible to [trace](#)³² where it actually came from.

[00:09:33] If you've listened to the episode on 1MDB and the missing Malaysian billions, the money from this huge fraud was [laundered](#) in exactly this way.

[00:09:44] But it's not just small banks in tax havens that enable this. In recent years there have been dozens of scandals about some of the biggest banks in the world enabling money [laundering](#), either actively or passively.

[00:10:00] From UBS to HSBC, Barclays to Goldman Sachs, huge American, Swiss, and British banks in countries that you might not necessarily [associate](#)³³ with money

³⁰ the record of where money has gone

³¹ not secure

³² find

³³ make a connection in your mind



Money Laundering

laundering have all been accused of helping criminals and in most cases, have paid large [fines](#) for doing so.

[00:10:21] So that is '[layering](#)', the second step in the process, moving the money around so much that it's hard for anyone to see where it actually came from.

[00:10:31] Our final step is the bit that the money [launderer](#) has been waiting for, the [payday](#)³⁴, and it's called '[Integration](#)'.

[00:10:40] Now that the money is 'clean', that it is so far removed from its dirty origins, it can be returned to its owner, and put back into the financial system in the form of [assets](#)³⁵.

[00:10:54] Whether that's a house, a business, or some other financial investment, now that the criminal is able to buy that [asset](#) with 'clean' money there is not much that the government can do about it.

[00:11:08] Pablo Escobar was famously just the owner of a taxi company, but one that generated hundreds of millions of dollars.

[00:11:17] Walter White, if you have seen the series Breaking Bad, ran a very [profitable](#) car wash.

³⁴ the day when you are paid

³⁵ things that you own



Money Laundering

[00:11:23] And if the money [laundering](#) has been done correctly, then it's very hard for the police to actually prove anything.

[00:11:32] But if there is one thing that seems to be a [recurrent](#)³⁶ theme with criminals, is that they get [greedy](#)³⁷.

[00:11:40] If they [got away with](#) transferring an extra \$500 a day into a business, then why not try to transfer \$1000, then \$2000, and so on.

[00:11:50] If they [got away with](#)³⁸ claiming that a small hairdresser made \$500,000 in profit one year, why not try to claim it made \$800,000 the next year.

[00:12:01] And eventually the money [laundering](#) police do [cotton on](#)³⁹, they suspect that there's something [fishy](#)⁴⁰ going on, they start to look more closely at every single transaction, suddenly the [suspected](#)⁴¹ criminal is being [watched like a hawk](#)⁴², and then they end up in prison.

[00:12:19] The reality is though that most money [laundering](#) is never caught.

³⁶ happening repeatedly

³⁷ having a wish to have more of something

³⁸ to succeed in doing something without being caught

³⁹ to begin to understand something

⁴⁰ if something seems fishy, it looks dishonest or bad

⁴¹ believed to be true

⁴² watched closely



Money Laundering

[00:12:24] It's thought that money [laundering](#) accounts for up to 5% of global GDP, so that's between \$800 billion and \$2 trillion dollars.

[00:12:36] Because we don't actually know how much it is, or where it comes from, it's difficult to figure out exactly what activities make up this money, but it's thought that most of it comes from drug cartels, [terrorist syndicates](#)⁴³, and the ultra-rich, the 0.01%.

[00:12:55] And while money [laundering](#) is often considered a '[white collar](#)⁴⁴' crime, a non-violent crime that doesn't really hurt anyone because all it's doing is moving money around from place to place and in some cases avoiding tax, money [laundering](#) is really the [grease](#)⁴⁵ that enables the criminal wheels to turn.

[00:13:15] Without a way of being able to actually get the money at the end of it, the [incentive](#) for criminal activity would be greatly reduced, and so one must assume, if you can [clamp down](#)⁴⁶ on the parties that enable money [laundering](#), then this can have as great if not greater impact as [cracking down](#)⁴⁷ on the people on the other side

⁴³ terrorist groups

⁴⁴ relating to people who work in offices doing knowledge work, rather than manual work

⁴⁵ a thick oily substance that helps things move smoothly

⁴⁶ to take a firm action on something, e.g. a crime

⁴⁷ to become more strict in dealing with something



Money Laundering

of the criminal activity, whether it's the ones [trafficking](#)⁴⁸ drugs onto the streets of Europe or buying AK47s to engage in terrorist activities.

[00:13:47] Of course, the authorities throughout the world are, to [varying](#)⁴⁹ degrees, trying to do everything they can to [crack down](#) on money laundering, but as things like the Panama Papers have shown, it is really hard.

[00:14:01] The global financial system is structured so that it's very easy, no matter how dirty the origins of the money, to put it into the financial system and quickly move it all over the world so that it becomes invisible and can be taken out clean and fresh somewhere else.

[00:14:20] When [cryptocurrencies](#)⁵⁰ first became '[mainstream](#)⁵¹', or at least semi-understood and you started hearing about them on the news, one of the common complaints [waged](#)⁵² at them was that they were making life easier for criminals to move money around.

⁴⁸ moving illegal things

⁴⁹ different

⁵⁰ a digital currency that uses encryption, e.g. Bitcoin

⁵¹ considered normal, or accepted by large parts of society

⁵² if a complaint is waged at you, it is made at you



Money Laundering

[00:14:38] A criminal could turn their dirty drug money into bitcoin, buy a gun on the [dark web](#)⁵³ with that bitcoin, and this was all completely [anonymous](#)⁵⁴.

[00:14:48] This was the fear at least.

[00:14:50] It's partly true, in that a bitcoin wallet doesn't have your name and house address on it, but the impact of bitcoin and [cryptocurrencies](#) on the world of money [laundering](#) has been [minimal](#)⁵⁵, it's been absolutely tiny.

[00:15:06] Indeed, using [cryptocurrency](#) to [launder](#) money is a pretty dumb idea because bitcoin transactions leave a [permanent](#)⁵⁶ record that is impossible to get rid of, so you can always see where a bitcoin came from, even if you can't see the name of the individuals.

[00:15:26] So, for the purposes of money [laundering](#), where the entire [aim](#)⁵⁷ is to hide where the money came from, bitcoin and [cryptocurrencies](#) are not a great idea at all.

[00:15:37] As the old saying goes, [cash](#) is king.

⁵³ the part of the Internet that is only accessible using special software

⁵⁴ unknown by name

⁵⁵ very small

⁵⁶ lasting forever

⁵⁷ your aim is what you want to achieve



Money Laundering

[00:15:41] [Cash](#) is beautifully [anonymous](#). It has no history, it won't tell you where it came from, it won't tell you whose hands it passed through, for what goods and services, and when.

[00:15:52] And cash still makes up the [vast](#)⁵⁸ majority of criminal payments.

[00:15:56] If [cash](#) is king, money [laundering](#) is its twin brother that takes a \$20 bill exchanged on the street between a drug addict and a dealer, deposits in a friendly bank somewhere in the United States, then it flows to Panama, then to the Cayman Islands, then to Malta, back to the Cayman Islands, probably a few more times around the globe, getting cleaner and more [anonymous](#) with every stop, until it finally [spins out](#)⁵⁹ of the global financial [laundromat](#) to be deposited at well-known global bank, and spent in the fashionable nightclubs of New York, London, or Paris.

[00:16:33] [Clean as a whistle](#)⁶⁰.

[00:16:37] Ok then, that is it for the [murky](#)⁶¹ world of money [laundering](#).

[00:16:42] I hope it's been an interesting one, and that you've learnt something new about this deep, dark [underworld](#) of [white collar](#) crime.

⁵⁸ very large

⁵⁹ produces

⁶⁰ very clean

⁶¹ dark and dirty



Money Laundering

[00:16:50] There are evidently loads of different ways that criminals [launder](#) money, and we've only touched on a few of them, but I hope it's given you an idea of some of the ways in which it works.

[00:17:03] As always, I would love to know what you thought of this episode. You can head right in to our community forum, which is at community.leonardoenglish.com and get chatting away to other curious minds.

[00:17:15] I imagine you don't have that much personal experience with money [laundering](#) but [nevertheless](#)⁶², I can't wait to hear what you have to say.

[00:17:23] You've been listening to English Learning for Curious Minds, by Leonardo English.

[00:17:27] I'm Alastair Budge, you stay safe, and I'll catch you in the next episode.

[END OF PODCAST]

⁶² despite what was said



Key vocabulary

Word	Definition
Laundering	(of money) the process of making illegal money seem like it is real
Disclaimer	a formal statement where you say you are not responsible for something
Endorses	publicly supports
Fines	financial punishments
Underworld	the criminals in a particular place
Incentives	things that encourage you to do something
Gangster	a member of an organised criminal gang
Laundromats	shops where you can pay to use a washing or drying machine
Launder	(of money) make illegal money seem legal
Means	methods
Gambling	when you risk money to potentially get more, e.g. on a card game
Extortion	to force someone to give you something by threatening them



Money Laundering

Cash	money in the form of notes or coins
Bumper profit	a very large profit, a large amount of money gained
Profitable	making more in income than paying in costs
Profits	money that is left in a business after costs
Tax evasion	avoiding paying tax
Sophisticated	clever or complicated
Generates	makes
Arouse	if you arouse suspicion, people become suspicious of you
Currency	money used in a country
Placement	the process of putting money into the financial system
Layering	the process of moving money around the financial system
Integration	the process of taking money out of the financial system and transforming it into an asset
Barrels	large containers
Chips	a small, normally plastic coin used in casinos
Bob's your uncle	(British English) used to show that something can be done easily



Money Laundering

Cashier	someone whose job is to take money in a shop
Anonymously	without anyone knowing your name
Money trail	the record of where money has gone
Loose	not secure
Trace	find
Associate	make a connection in your mind
Payday	the day when you are paid
Assets	things that you own
Recurrent	happening repeatedly
Greedy	having a wish to have more of something
Got away with	to succeed in doing something without being caught
Cotton on	to begin to understand something
Fishy	if something seems fishy, it looks dishonest or bad
Suspected	believed to be true
Watched like a hawk	watched closely



Money Laundering

Terrorist syndicates terrorist groups

White collar relating to people who work in offices doing knowledge work, rather than manual work

Grease a thick oily substance that helps things move smoothly

Clamp down to take a firm action on something, e.g. a crime

Cracking down to become more strict in dealing with something

Trafficking moving illegal things

Varying different

Cryptocurrencies a digital currency that uses encryption, e.g. Bitcoin

Mainstream considered normal, or accepted by large parts of society

Waged if a complaint is waged at you, it is made at you

Dark web the part of the Internet that is only accessible using special software

Anonymous unknown by name

Minimal very small

Permanent lasting forever

Aim your aim is what you want to achieve



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Money Laundering

Vast	very large
Spins out	produces
Clean as a whistle	very clean
Murky	dark and dirty
Nevertheless	despite what was said

We'd love to get your feedback on this podcast.

What did you like? What could we do better?

What did you struggle to understand?

Let us know in the forum community.leonardoenglish.com

