"Money Mules - The Hidden Enablers of Online Fraud"

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Abstract: Passarello (2024) states acting as intermediaries for criminals, Money Mules facilitate illegal transactions, launder money, and contribute to the intricate web of cybercrime. The technologically oriented digital age has shepherded an innovative epoch of fintech – an era where technology offers expediency and ease in incurring financial transactions. Nevertheless, the benefits also come along with the budding menace of "Money Mule Activities." Money Mules knowingly or unknowingly have become crucial catalysts or say money launderers for felony activities, easing the smooth conduct of varieties of online frauds. Raza el. at. (2020) says money laundering is a complicated activity, where the nature and source of dirty money are camouflaged for the money to look lawfully negotiable, transferrable, and useable. This paper probes into the parallel financial world of Money Mules reconnoitering their protagonist in fraudulent activities, consequences, and the enduring exertions to unravel this issue.

Keywords: Money Mules, Online Frauds, Fintech, Money Laundering, Fraudulent Activities

INTRODUCTION

WHO ARE THE MONEY MULES?

Abdul Rani el. at. (2023) states Money Mules are individuals maneuvered by fraudsters or OGCs – organized criminal groups for laundering illicit funds to and from outrageous criminal activities. They facilitate the use of their bank accounts for money laundering activities by organized criminal groups. Hulsse (2017) said that "the money mules do not know that they are part of a criminal operation". The Money Mule is not aware of the nature of the crime he/she is going to be the intermediary, he/she is an innocent victim whose only aim is to earn some extra quick money. The potential Money Mules mostly are the ones having lower financial literacy, often unsuspecting, and are recruited by deceiving them towards prospective opulent lifestyles. The fraudsters and/or organized criminal groups by sharing a part of the stolen/transferred funds, layer the money in the Money Mules accounts. They are made to believe that being a "financial agent" and for the commission received, the Money Mules will receive the money in their or their relatives/friends' personal bank accounts and then accordingly follow the instructions to forward the money to other accounts, most of the time to overseas accounts, wire transfers, online payments, and/or at times cash withdrawals.

THE CRIMINAL BEHIND THE MULE

Pickles (2021) stated those targeting potential money mules can be categorized as 'Herders' or 'Recruiters', who identify the potential youths whose vulnerabilities can be wrought to the extent that inadvertently they get wedged in the tentacles of international organized crime groups. The exact identification of these people and tracing of their criminal activities are very grey. Hulsse (2017) said the criminals luring the Money Mules, in the eyes of the law are not petty criminals but are members of complex syndicated networks of organized crime.

THE FINANCIAL INSTITUTIONS

Esoimeme (2021) states financial institutions especially banks can play vital roles in detecting and preventing the proceeds of crimes from being laundered. The banks can employ various mechanisms to detect illicit funds received into the bank accounts of the customers unknowingly conscripted as Money Mules. The bankers can identify and red flag sudden monetary transactions or regular and heavy inflows to dormant accounts or accounts of small customers of low or medium risk, customers with lower financial literacy, students, unemployed customers, or customers having lost their jobs, facing heavy losses in business, senior citizens, heavy cash deposits, etc. The origin of the transaction – may be a different country or any suspicious person from where the funds emanate, the transfer of the funds to a different country after receipt, and wire transfers after frequent large deposits can also probe into Money Mules and prevent the illicit money laundering.

MONEY LAUNDERING

Wikipedia defines Money laundering as "the process of illegally concealing the origin of money, obtained from illicit activities such as drug trafficking, corruption, embezzlement or gambling, by converting it into a legitimate source."

According to Investopedia, Money Laundering is an illegal activity that makes large amounts of money generated by criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source. The money from the criminal activity is considered dirty, and the process "launders" it to look clean.

According to FinCEN – Financial Crimes Enforcement Network of US Treasury, Money laundering involves disguising financial assets so they can be used without detection of the illegal activity that produced them. Through money laundering, the criminal transforms the monetary proceeds derived from criminal activity into funds with a legal source.

Money laundering can be identified in three phases:

1. PLACEMENT

The placement phase involves placing 'dirty money' into the legitimate financial system.

2. LAYERING

The process of layering conceals the source of money entering a series of transactions and or using bookkeeping techniques/tricks.

3. INTEGRATION

The integration phase separates the connection of the laundered money from the criminal activities by withdrawing from the legitimate account to be used for whatever purposes.

ANATOMY OF A MONEY MULE OPERATION - HOW THE DISCURSIVE REALITY IS CONSTITUTED

The Money Laundering activities through Money Mules are neither as simple as they appear nor as complex as one can think of. It is a systematic planned set of activities where every connected link performs its part of the operation for a promised reward in the form of a commission or share in the transaction. The Organised Criminal Group identifies individuals having lower financial literacy, weaker mental stability, desire for quick money, college-going students, unemployed youth, individuals who have lost their jobs, are financially burdened with loans and responsibilities, etc., and entice them with easy money with minimal effort. The individuals being used as Money Mules for their share of the commission may be the willing participants of the channel, but, many of them would be unaware of being a crucial part of the fraud committed, they also are the victims of the channel.

The anatomy/mechanism of Money Mule operation can be identified as follows:

1. Recruitment
2. Money Transfer
3. Cash Out

RECRUITMENT

The Criminals recruit Money Mules using various channels and tactics. The schemes of identifying and selecting Money Mules may seem like legitimate opportunities. DeSantis el. at. (2011) views the advertisements often target unsuspecting people who are interested in the flexibility and convenience of these types of jobs. Krebs (2008) says Mule recruitment is considered an integral part of cybercrime operations as law enforcement and banks can easily trace the money transferred from a victim’s account to the account controlled by criminals. The mules, thus, serve as a vital buffer, making it easier for criminals to hide their tracks. The following are a few of the common ways of recruiting Money Mules where the mules themselves do not find anything suspicious and willingly operate as a link for the organized criminals:

1. **False Job Opportunities**

   Money mule adverts operate through a camouflaged website like a genuine reputed company for authenticating the scam. Emails having free web-based services (like Yahoo!, Hotmail, Gmail, etc.) and not company-based official email IDs are used to send fake job offers. These emails are badly written with very awkward grammar and language. These fraud companies most of the time imposed as foreign nationals and overseas companies looking for any 'local representative and/agent' to act on their behalf, willing to pay a good handsome remuneration in foreign currency for operating through their own place and bank accounts for avoiding the local country's stringent business rules and taxes. The position is vague without describing the required educational qualifications, previous working experiences, and nature of the job, but mentions undertaking online financial transactions and transfer of merchandise for and on behalf of the company with significant earning potentials with minimal work.

2. **Phishing Scams**

   A cyber threat where the scammers disguise themselves as an official and reliable source for luring sensitive personal data or information is known as Phishing. Methods like text messages, emails, phone calls pretending from banks, the government, etc., Google Chat, WhatsApp, advertisement surveys, etc. are used in various permutations and combinations to dig out and collect the information for identifying and tricking the potential Money Mules. The phishers derive the personal and financial pieces of information relating to the mules' bank accounts, and credit and/or debit cards, by sending emails that will ask them to click on a link to prevent their bank account or credit card from getting closed. Sometimes phishers target the biggest of the targets known as Whales. Whale Phishing attacks are more sophisticated than general phishing attacks and require plenty of research from scammers. Whaling attacks target high-ranking executives like chief operating officers and chief executive officers in a company. The goal is to trick these powerful people into giving up the most sensitive corporate data. These attacks are more sophisticated than general phishing attacks and require plenty of research from scammers. They usually rely on fraudulent emails that appear to be from trusted sources within the company or legitimate outside agencies.

3. **Romance Scams**

   An online dating scam also known as a romance scam, is a professional scam carried out by expert criminals who trick the Money Mules into a fake illusionary romantic relationship by adopting a fake online identity to gain the victim's trust, to extract enough personal information for identity theft or to get money. The main intention of these organized criminals is to establish a quick relationship and gain trust by making false marriage proposals, which never happens, and eventually, a financial transaction is carried out after which the scammer is not traceable.

4. **Impersonation Scams**

   Impersonation scams are perpetrated in a wide variety of ways—by phone, email, text, or by messaging on social media. Impersonation scams are practices of copying identifying elements of a person, brand, or organization for fraudulent purposes. Scammers seek to make a payment of some kind, share personal information, or give them access to the computer by pretending to be a well-known organization with whom the victim has likely engaged in some manner, hefty prizes for reviewing the products or responding to the online surveys, confirming an order which is not placed, asking OTPs for cancellation of wrong orders placed on victims' names.

MONEY TRANSFER

The Organised Criminal Groups systematically recruit Money Mules to add layers of ambiguity and distance between crime victims and actual criminals – i.e. the end receiver of the laundered money, for creating difficulties and hardships for law enforcement in trailing the accuracy of the crime. The Money Mules become the haulers of the laundered proceeds derived from crimes like drug trafficking, human trafficking, online fraud, and scams. The Money Mules move funds in numerous ways including virtual currency, multiple bank accounts, prepaid debit cards, cashier's cheques, and money service business. Multiple transfers received and made to multiple accounts, overseas accounts, from a specific bank account, the holder of which does not have any such capacity, the account is dormant, and the account is used only for such sudden receipts and transfers. In many high-profile cases, the Money Mules are lured with free international destination trips under the instructions of opening bank accounts overseas for the transfer of funds in foreign currencies for their spending. The money is then transferred through their bank accounts for a commission or a percentage of the booty.

CASH-OUT

The main role of the Money Mule is the part of the layers, who helps withdraw the booty and be instrumental in sending the amount to the fraudsters and/or the mastermind criminal behind the scene. The methods instructed for transfer by Money Mules are typically untraceable like money transfer services and cryptocurrency. The cash out is done in such a manner that the law enforcement trailing ends till the Money Mules and the end receiver i.e. the organized criminal groups are not further traceable.

THE COSTS OF MONEY MULLING

The consequences of money mule activities are escalating and far-reaching. Not only further criminal activities but also individuals and financial institutions at large get affected in several ways.

1. **Financial Loss**

   The bank accounts of individuals acting as Money Mules are closed or frozen due to suspicious activities like excess deposits, immediate transfers, or wire transfers after deposits leaving a small amount in the account. The individual is not allowed to withdraw the amounts from the bank accounts in his name till the inquiry is over.

2. **Criminal Charges**

   The severity of the cases may lead the unwitting money mules unknowingly to attract criminal charges for funding terrorism, transferring unaccounted money, and receiving illegal money from activities like human trafficking, drug trafficking, etc.

3. **Reputational Damage**

   Any individual suspected of being associated with money laundering, results in continuous legal inquiry by the enforcement. This can damage the individual's social image, credit score, and future financial prospects.

4. **Costs to Financial Institutions**

   Banks and Financial Institutions invest resources in the prevention and detection of Money Mule activities resulting in increased operational costs.

THE GOVERNMENT'S INITIATIVES

Recognizing the growing threat of money mules, the government through the Reserve Bank of India takes significant steps at regular intervals to disrupt these activities. These initiatives involve:

1. **Public Awareness Campaigns**

   Banks and Financial Institutions through various media forms like radio jingles, on-screen advertisements, short reels, pamphlets, and SMS messages educate the masses at large on identifying and avoiding Money Mule scams so that potential targets remain vigilant.

2. **Cooperation With Financial Institutions**

   Collaboration between banks, financial institutions, and law enforcement enables faster identification of suspicious accounts being used by Money Mules and freezing them. Multiple transfers received and made to multiple accounts, overseas accounts, from a specific bank account, the holder of which does not have any such capacity, the account is dormant, and the account is used only for such sudden receipts and transfers. Such accounts are reported to law enforcement for freezing and vigilance.

3. **Improved Information Sharing**

   Sharing information across different agencies and with international partners increases the effectiveness in tracking down and eliminating the organized criminal groups behind the money mule schemes.

4. **Law Enforcement Action**

   The authorities after investigating the money laundering cases, prosecute those involved in recruiting money mules and using them to launder money.

WORLD WIDE EFFORTS

The Indian Government is not alone in its fight against money mules. Recognizing the transnational nature of online fraud, several EU member states have implemented similar measures. Here is a glimpse into some efforts:

- **The European Money Mule Action (EMMA)**
  Europol-led initiative brings together law enforcement agencies from across the European Union to coordinate activities, share information, and disrupt money mule networks.
- **National Awareness Campaigns**
  Several European Union countries, such as France and Germany, have launched public awareness campaigns to educate citizens about money mule scams.
- **Regulatory Frameworks**
  Some European Union member states are strengthening their anti-money laundering regulations to hold financial institutions accountable for detecting and preventing suspicious money mule activity.

THE ROAD AHEAD

The fight against Money Mules requires a multi-pronged approach. Public awareness campaigns are crucial to educate potential targets. Collaboration between law enforcement agencies, financial institutions, and international partners is vital to disrupt criminal networks and dismantle Money Mule operations. Additionally, regulatory frameworks need to be continuously updated to address evolving online fraud tactics. Governments, financial institutions, banks, and individuals must work together to create a safer online environment where consumers feel confident in conducting digital transactions and fraudsters are held accountable for their actions.

CONCLUSION

Money Mule is a term used to describe innocent victims who are duped by fraudsters into laundering stolen/illegal money via their bank account. When such incidents are reported, the money mule becomes the target of police investigations, due to their involvement. Raza el. at. (2020) opines criminal syndicates remain anonymous with the instrumented money mules in moving funds around the world. The easy accessibility to the internet among the youth especially teenagers and the unemployed easy to lure into fraud, the frustrated and burdened by responsibilities, and mentally weak ones easy to victimize, are often on look by the touts of the fraudsters and/or organized criminals for effecting out the transactions without getting traced. These victims then start the chain of introducing other similar prospective money mules into the chain on promising of lucrative share. Ilyas el. at. (2022) says Money Mules are tactically interleaved into criminal networks to muddle the money trails by law enforcement agencies and to obscure illicit activities.

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