

# 7 Things You Need to Know About ...

## Money Mules

A quick guide to understanding Money Mules from the



### 01 | WHAT IS IT?



Money mules are a critical cog in financial fraud. Money mules are individuals engaged in the transfer of money acquired through fraudulent means. While some are complicit, understanding that their actions abet criminal activities, others are unwitting participants, misled into believing they are involved in legitimate financial transactions. Regardless of their awareness, the role they play in moving illicit funds is a linchpin in various fraud schemes, with potential legal repercussions ranging from criminal charges to financial penalties.

### 02 | HOW DOES IT WORK?

It typically begins with the recruitment of individuals through deceptive means. Fraudsters often use online job postings, emails, or social media adverts promising easy money for minimal work. Once recruited, these money mules are instructed to open new bank accounts or use their existing ones to receive illicit funds. These funds often originate from criminal activities such as phishing scams, business email compromise, or other forms of online fraud.

Upon receiving the funds, money mules are then directed to quickly transfer these amounts to different accounts, often in small transactions to avoid detection. This process of 'layering' helps to obscure the trail of the illegal funds. In some cases, mules are instructed to convert the funds into cryptocurrencies before transferring them, taking advantage of the perceived anonymity of digital currencies.

1  
Recruitment  
through  
deception



2  
Establish an  
account to  
receive illicit  
funds

3  
Quickly transfer  
the money to  
different  
accounts



Throughout this process, the money mules act as intermediaries, creating a buffer between the criminals and the stolen funds. This not only makes it harder for law enforcement to trace the money back to its original source but also puts the money mule at the forefront of legal risks and repercussions.

## 03 | WHO IS DOING IT?

Money mule schemes often attract individuals through deceptive job ads or enticing social media posts, promising easy money for minimal work. The tasks, usually vague in nature, involve transferring or receiving money, managing packages, or handling account operations. These often appear as work-from-home opportunities.

Some individuals are ensnared by fraudulent narratives such as winning a sweepstake or romantic overtures online, only to find themselves embroiled in illicit financial activities. The fraudsters behind these schemes skillfully manipulate their targets to move money between accounts, often leaving the mules exposed to legal action.

Recent statistics show a sharp increase in the involvement of older victims in money mule activities, with a 29% rise in those over 40 acting as money mules. However, it is crucial to note that naive victims under 24 years old are the most likely demographic to participate.

• Lloyds Banking Group, 2023



Recognizing a Money Mule:

- Accounts linked to multiple IP addresses.
- Frequent fund withdrawals soon after being deposited
- Unusual transaction patterns for a customer
- Customers unable to adequately identify the source or destination of fund transfers.

## 04 | WHY IS IT SIGNIFICANT?

The role of money mules extends beyond individual participation to impact financial institutions, merchant acquirers/processors, and fintech companies significantly. The failure to detect and prevent money mule activities can result in substantial financial losses, legal penalties, and severe reputational damage. In the merchant acquiring sector, for example, sponsor banks are mandated to ensure third parties like ISOs and PayFacs adhere to robust anti-money laundering programs. Failure to mitigate money mule risks can lead to loss of sponsorship, alongside other legal and financial consequences. Conversely, a strong AML program is advantageous in maintaining good standing with sponsor banks.



Money mules account for an estimated \$3B in fraudulent transfers and roughly 657 million bank accounts in the U.S.

-BioCatch, 2022

### Stakeholder: Financial Institutions

Risk of legal penalties, financial losses, and reputational damage due to failure in detecting and preventing money mule activities.

### Stakeholder: Merchant Acquirers/Processors

Required to maintain robust anti-money laundering programs; non-compliance can lead to loss of sponsorship and severe legal consequences.

### Stakeholder: Fintech Companies

The necessity of implementing advanced fraud detection and prevention systems to protect against money mule schemes.

## 05 | WHAT IS THE DOWNSIDE?

### If you are a money mule ...

Whether a person knowingly or unwittingly becomes a money mule, if their account is involved then they become part of the crime.

The ramifications of being a money mule, whether knowingly or unknowingly, are profound. These may include:

- Legal consequences, which may include criminal charges for fraud and money laundering.
- Frozen bank accounts during investigations.
- Long-term impact on credit scores and the ability to open a merchant account.
- Personal liability for victim losses.

In addition to those implications, being a money mule may increase a person's vulnerability in other ways. For example:

- Criminals often collect personal information from the money mules or their merchants as such information can be derived from the merchant processing or operating bank account. The criminals could use this information for other malicious purposes.

### If you are part of the payments ecosystem ...

Whether a bank, a merchant, or a payment service provider, the rise in money mule activities strains resources and affects operational efficiency at all levels.

The implications may include:

- Increased operational costs due to enhanced security and monitoring.
- Financial losses due to chargebacks, regulatory fines and fraud.
- Operational disruptions from investigating and addressing money mule activities.

As a payments organization or professional, being linked to money mule activities may cause ...

- Reputational damage and can severely damage the trustworthiness and credibility of a business or individual.
- Increased scrutiny from regulators and the need for additional rigorous compliance procedures, further complicating operations.

### If you are part of society ...

The activities of money mules also has a broader societal impact. For example:

- Money mules play a crucial role in enabling a range of criminal activities, from fraud to financing of terrorism.
- Widespread money mule activities can erode public trust in the banking and payments systems, affecting overall economic stability and confidence.

## 06 | WHERE IS IT GOING?

Money mule operations are becoming more sophisticated, expanding in scale and utilizing advanced technologies. The trends show a shift towards recruiting younger individuals via social media, increasing cross-border operations, and exploiting digital banking and cryptocurrencies for quicker, less traceable transactions. These evolving tactics present significant challenges in legal jurisdiction and enforcement, with emerging markets becoming new hotspots for such activities. The geographical and methodological shifts in money mule activities necessitate a vigilant, adaptable approach in monitoring and combating these schemes.

### CURRENT TRENDS AND FUTURE PROJECTIONS

**Increasing Sophistication of Schemes:** The use of complex cybercrime tactics like business email compromise (BEC) scams is rising, involving money mules in large financial diversions.

**Youth and Online Recruitment:** A notable increase in targeting younger individuals through social media, offering deceptive work-from-home opportunities.

**Cross-Border Complexity:** Money mule operations are increasingly international, complicating legal jurisdiction and enforcement.

### INFLUENCE OF TECHNOLOGICAL ADVANCEMENTS

**Digital Banking Vulnerabilities:** The advent of online financial services has made it easier for mules to quickly open and use bank accounts for illicit transactions.

**Cryptocurrency Utilization:** An uptick in using cryptocurrencies in money mule activities, leveraging their perceived anonymity for transferring illicit funds.

**Fintech as a Tool for Fraudsters:** New fintech services are being exploited by fraudsters for quick, less traceable transactions involving money mules.

### GEOGRAPHICAL SHIFTS AND TRENDS

**Emerging Markets as New Hubs:** Emerging economies, which may have less stringent banking regulations and enforcement, are becoming hotspots for money mule activities.

**Regional Variations in Tactics:** In some regions money mule activities may be more closely tied to organized crime groups, while in others, individual opportunistic fraud may be more common.

**Global Networks with Local Impacts:** Global cybercrime networks increasingly use local individuals as money mules to bypass international tracking and enforcement. This makes tracking and prosecuting these networks more challenging.

## 07 | WHAT ARE THE IMPLICATIONS FOR PAYMENTS?

For payment professionals, the rise of money mule schemes underscores the importance of vigilance and comprehensive training in fraud detection. It's crucial for stakeholders, including banks, processors, and ISOs, to recognize the red flags associated with these fraudulent activities. Moreover, merchants, often unknowingly entangled in these schemes, must be educated about their potential complicity in money laundering activities. A proactive stance in educating and equipping all involved parties is essential to safeguard against financial loss, legal liability, and reputational damage.

### BONUS | TO LEARN MORE

APP offers a number of educational opportunities related to this and other topics in payments related to risk management, compliance, and fraud detection and mitigation. These include:

- Our annual conference (Level Up) in the spring and regional meetings in the fall.
- Monthly webinars
- A growing set of M@Cademy Courses, which includes a recently added course on Transaction Laundering.

More information on each of these are available at <https://www.paymentpros.org>

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### About APP

The Association of Payment Professionals (APP) is a volunteer-driven, nonprofit, membership organization committed to safeguarding the payments ecosystem through education, collaboration, and leadership.

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