Are You an Informed Investor?

Money Mules: How an Easy Buck Can Turn You into an Accidental Criminal

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Have you ever seen online ads for a work from home job opportunity that promises flexible hours, easy work as a payment assistant requiring little to no experience, and great pay? Maybe you have been approached by someone making a similar pitch. If so, you may be the target of someone looking to recruit a money mule.



What is a Money Mule?

A money mule is a middleman paid to transfer funds that have been generated through criminal activity (like the sale of illegal drugs, human trafficking, or investment frauds). Criminals launder their "dirty" money through the money mule's financial accounts to conceal their illegal proceeds. Even though the money mule may have no idea they are being used to move dirty money, this lack of knowledge does not insulate them from any laws they may be breaking or the legal consequences they may face.

How Does a Money Mule Scam Work?

The dirty money is usually moved through wire or electronic transfers, or through the trading or transfer of crypto assets. In exchange for facilitating the transfers, money mules are offered payment for their services. This payment is often described as payment from a business client, a loan for investment, prize winnings, or other fictional types of payment.

Money mules are recruited in many ways. Money mule recruiters offer a portion of the money being transferred as an incentive. Recruiters often pose as someone sharing a job offer related to the funds transfer, including looking for people to assist with the "processing of payments," "transferring business or client funds," or "reshipping products." People who have become entangled in romance or friendship scams have also been enticed into acting as money mules.

What Does a Money Mule Scam Look Like?

A securities regulator recently investigated the following money mule scam. An investor saw an ad for a crypto trading platform and created a new account to trade crypto. Unfortunately, the investor did not know the platform was unregistered and fraudulent. Operators of the platform contacted the investor and requested he move money on the platform through his bank account via electronic transfer. For processing the transfers, the platform offered him a 10% commission. Other people also sent money to the money mule who then deposited the funds on the trading platform where it was used to purchase crypto assets. Following the money transfers, the platform unexpectedly shutdown and the operators disappeared with the money (including the commissions

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promised to the money mule). The money mule ended up receiving no money, lost all the money he deposited on the platform, and unknowingly helped move stolen money through the platform.

How to Protect Yourself

If someone approaches you to transfer money for them, don't. You are likely being targeted as a money mule. Here is what you need to remember to avoid being caught up in a money mule operation:

- Never move money on someone else's behalf, especially if you do not know the person or do not know them well.
- Do not respond to unsolicited emails, texts, or social media messages that offer you compensation for "little to no work," or for transferring funds.
- Ask questions and be highly skeptical if you are ever asked to transfer or accept money by an employer, friend, or acquaintance.
- Do not use unregistered trading platforms.

Bottom Line

If you move dirty money for someone else, even if you do not know it was obtained through illegal means, you can face legal consequences. You are also at risk of personal financial loss.

If anyone approaches you about transferring or moving money on their behalf, it should be reported to local law enforcement. If the transfer involves securities or trading platforms, it should be reported to your securities regulator.

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