

Hubs, Fronts, and Gatekeepers

Illicit finance, comprised of shell companies, underground actors, and secrecy havens has enabled transnational criminal organizations to promote, conceal, and advance their enterprises. While it's getting harder for transnational entities to hide in the shadows, illicit actors often utilize shell companies and secrecy havens to stay one step ahead of law enforcement. However, current strategies are shifting and officials are moving away from playing catch-up with the downstream consequences of money laundering and focusing instead on disrupting the flow of cash at the starting line. This article breaks down how we're tackling illicit finance head-on and stopping criminals from reintegrating their stolen gains into the legal economy.

Identifying vulnerabilities allows investigators to detect patterns of non-compliance and red flags. While these indicators may be minor by themselves, the totality of factors provide meaningful intelligence for investigators when developing financial profiles. According to numerous organizations and publications that focus on combating financial crime, common indicators include 1) a common residential or commercial address; 2) financial transfers between entities with no business relationship; 3) round numbers; 4) over and undervaluing invoices, expenses, and goods; and 5) breaking up large deposits by depositing smaller amounts into crypto wallets. Tackling these trends requires a strategic focus on **Hubs, Fronts, and Gatekeepers**.

1. The Hubs

Hubs are geographic locations that serve as ideal venues to clean money by mixing proceeds of crime with standard financial transactions. In these jurisdictions (which may be a small part of a larger jurisdiction), criminal networks commingle funds, intentionally mixing illicit and licit finances, designed to conceal the source of funds. Furthermore, facilitators of Trade-Based Money Laundering, offering 'Money Laundering as a Service', conceal origins of dirty money through over and under-invoicing, an effective technique especially when weighing the threat of public corruption.

Commercial zones, often referred to as Free Trade Zones or FTZ's, excel at offering trading opportunities and ease-of-entry to markets while also presenting risks to the integrity of

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financial systems. Professional money launders excel at taking advantage of certain commercial zones. They are patient and have contacts that will store high-value goods with abilities to remit and receive wires without products changing hands, referred to as warehousing. Secondary locations often materialize when primary locations are under scrutiny to provide replacement infrastructure while maintaining low profiles due to perceived high-volume and low-risk transactions.



2. The Fronts

Front companies conceal identities and utilize shell companies to avoid detection from regulators, law enforcement, and financial institutions. These shell companies take time to set up and often employ fake people. A front company can be an actual business that pays rent, files taxes, has a website, and employs people.

Front companies often register as companies engaged in high-volume, low-scrutiny transactions. Stacking is a tactic that adds layers of anonymity, like incorporating in one country, banking in a second, conducting trade in a third, hiring an attorney in a fourth, and maintaining an accountant in a fifth. Stacking makes it increasingly difficult for investigators to peel back the layers of insulation to uncover true fiduciary ownership. Shelf companies, separate from front companies, are sold or rented to use vetted bank accounts that have undergone proper due diligence.

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3. The Gatekeepers: "The Professional Enablers"

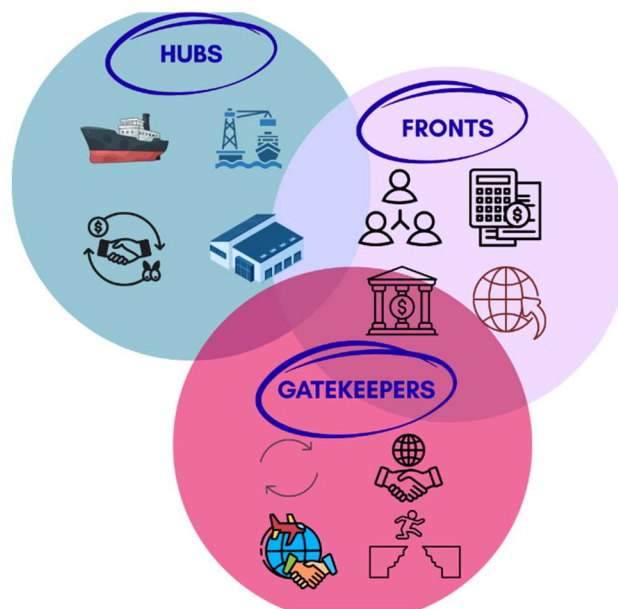
These professionals - lawyers, accountants, trust providers, financial advisors - lend their institutional knowledge to further illicit activity. Gatekeepers, offering Privacy-as-a-Service, develop relationships with strategic partners who are knowingly or unknowingly participating in a conspiracy. Through institutional knowledge,

Gatekeepers avoid obstacles, clear hurdles, and cut through bureaucratic red tape selling access to global finance. Gatekeepers that are lawyers can also act as 'registered agents' and hide behind 'attorney-client privilege' while offering escrow accounts to transfer funds without raising suspicion because the attorney's account has extensive history and considered 'low-risk'.

To further muddy the paper trail, nefarious auditors and accountants can rewrite history by giving the appearance revenue is earned from legitimate business activity. Creative accountants create circular trades or pass-through activity thus suggesting arms-length commercial transactions. If a shell company receives a "clean audit" from a Certified Public Accountant then this reflects legitimacy, integrity, and reliability to commercial banks.

Case Study: Magical Eagle Limited

In June 2025, the Office of Foreign Assets Control (OFAC) designated numerous companies, including Magical Eagle Limited as a shadow banking network. While Magical Eagle Limited appeared to be a standard trading company, the entity was manufacturing legitimacy through fraudulent transactions (using exchange houses and front companies to conceal illicit transactions). According to the FinCEN press release, "To justify payments for sanctioned goods, shadow banking brokers may generate fictitious invoices or transaction details. Front companies are created in jurisdictions with lower levels of regulatory supervision so that they can avoid scrutiny of their business practices or ownership." As an investigator, we've seen first-



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hand the complexities involved when invoices are manipulated and substantiated by legitimate documents that are properly authenticated and verified. Similarly, if these transactions have been occurring undetected for years it becomes more difficult to identify, quantify, and isolate the illicit components.

Detecting, Detering, and Combating

Categorizing regional heat maps sheds some light on illicit activity by identifying patterns of non-compliance, vulnerabilities, and jurisdictional arbitrage. Investigators and regulators can monitor and track common phone numbers, nominee directors, and IP addresses. Capturing, preserving, and sharing this data is critical to mapping out the full picture of illicit activity. This data, along with the financial transactions, can be cross-referenced with shipping documentation, SWIFT messages, and customs data to flag for further review.



Investigators should develop expertise in illicit cryptocurrency transactions due to the emergence of unhosted borderless crypto wallets. The traditional Hubs, Fronts, and Gatekeepers become virtual and offer fast and reliable services that are always open and lack physical Headquarters. Banks and Compliance Officers can train their staff to identify egregious activity and ensure monitoring of high-risk areas and previously flagged entities. Due diligence should be

conducted on the client, accountant, lawyer, and registered agent. Circular accounts that show funds entering a company or jurisdictions and leaving within 24 hours should raise concerns and require authentication.

Conclusion

Preemptive and action-based defense is critical to detecting and combating illicit finance. Compliance, regulation, and oversight by law enforcement and industry officials ensure

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jurisdictions won't be exploited and enablers will be detected and prosecuted. Publicizing these prosecutions, fines, and prohibited activities can impact deterrence by warning and reminding individuals there are repercussions for their willful involvement. Due to currency digitization and mobile payments, financial transactions are fast, convenient, reliable, and low-cost. However, this speed also threatens compliance and enforcement, including seizing or freezing ill-gotten gains expeditiously, referred to as 'From Flagged to Frozen'. By focusing on **Hubs, Fronts, and Gatekeepers**, coupled with stressing the importance of international cooperation, industry officials and investigators will ensure a resilient and efficient global financial system by detecting, deterring, and combating facilitators of financial crime committing jurisdictional arbitrage.