Money laundering is the illegal process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions. The overall scheme of this process returns the money to the launderer in an obscure and indirect way. Money laundering typically takes place in 3 stages.

1) Placement –This is the movement of cash from its source. On occasion the source can be easily disguised or misrepresented. This is followed by placing it into circulation through financial institutions, casinos, shops, bureau de change and other businesses, both local and abroad. The process of placement can be carried out through many processes including:

- Currency Smuggling – This is the physical illegal movement of currency and monetary instruments out of a country. The various methods of transport do not leave a discernible audit trail
- Bank Complicity – This is when a financial institution is owned or controlled by unscrupulous individuals suspected of conniving with drug dealers and other organised crime groups. This makes the process easy for launderers.
- Currency Exchanges – In a number of transitional economies the liberalization of foreign exchange markets provides room for currency movements and such laundering schemes can benefit from such policies.
- Securities Brokers – Brokers can facilitate the process of money laundering through structuring large deposits of cash in a way that disguises the original source of the funds.
- Blending of Funds – The best place to hide cash is with a lot of other cash. Therefore, financial institutions may be vehicles for laundering. The alternative is to use the money from illicit activities to set up front companies. This enables the funds from illicit activities to be obscured in legal transactions.
- Asset Purchase – The purchase of assets with cash is a classic money laundering method. The major purpose is to change the form of the proceeds from conspicuous bulk cash to some equally valuable but less conspicuous form.

2) Layering – The purpose of this stage is to make it more difficult to detect and uncover a laundering activity. It is meant to make the trailing of illegal proceeds difficult for the law enforcement agencies. The known methods are:

- Cash converted into Monetary Instruments – Once the placement is successful within the financial system by way of a bank or financial institution, the proceeds can then be converted into monetary instruments. This involves the use of banker’s drafts and money orders.
- Material assets bought with cash then sold – Assets that are bought through illicit funds can be resold locally or abroad and in such a case the assets become more difficult to trace and thus seize.

3) Integration – This is the movement of previously laundered money into the economy mainl through the banking system and thus such monies appear to be normal business earnings. This is dissimilar to layering, for in the integration process detection and identification of laundered funds is provided through informants. The known methods used are:

- Property Dealing – The sale of property to integrate laundered money back into the economy is a common practice amongst criminals. For instance, many criminal groups use shell companies to buy property; hence proceeds from the sale would be considered legitimate.
- Front Companies and False Loans – Front companies that are incorporated in countries with corporate secrecy laws, in which criminals lend themselves their own laundered proceeds in an apparently legitimate transaction.
- Foreign Bank Complicity – Money laundering using known foreign banks represents a higher order of sophistication and presents a very difficult target for law enforcement. The willing assistance of the foreign banks is frequently protected against law enforcement scrutiny. This is not only through criminals, but also by banking laws and regulations of other sovereign countries.
- False Import/Export Invoices – The use of false invoices by import/export companies has proven to be a very effective way of integrating illicit proceeds back into the economy. This involves the overvaluation of entry documents to justify the funds later deposited in domestic banks and/or the value of funds received from exports

The Internet has put a new spin on the old crime. The rise of online banking institutions, anonymous online payment services and peer-to-peer (P2P) transfers with mobile phones have made detecting the illegal transfer of money even more difficult. Moreover, the use of proxy servers and anonymizing software makes the third component of money laundering, integration, almost impossible to detect—money can be transferred or withdrawn leaving little or no trace of an IP address.

Money can also be laundered through online auctions and sales, gambling websites, and virtual gaming sites, where ill-gotten money is converted into gaming currency, then back into real, usable, and untraceable "clean" money.

The newest frontier of money laundering involves cryptocurrencies, such as Bitcoin. While not totally anonymous, they are increasingly being used in blackmail schemes, the drug trade, and other criminal activities due to their relative anonymity compared with more conventional forms of currency.

Anti-money-laundering laws have been slow to catch up to these types of cybercrimes, since most of the laws are still based on detecting dirty money as it passes through traditional banking institutions.