Cash Economy – Investigative Techniques

Ralf Oberle

Al Capone – Downfall

America Made

Ralf Oberle

Introduction into Cash Economy:

- ➢ Part 1 - traditional cash businesses
- ➢ Part 2 - cash business or cash-system used for other activities
  - ➢ Part 2 Focus on ML
- ➢ Part 3 - Risk indicators
- ➢ Part 4 - Detection
- ➢ Part 5 - Investigative Techniques

Thursday

- ➢ Part 5 - Digital Investigative Techniques
- ➢ Part 6 - Money Laundring – optional

Practical Exercise:

1. Please define the 3 most risky cash economy or related areas in your countries!

2. Explain the related problems of detecting – investigating - prosecuting the cases!!

3. What could be defined as risk indicators?

Part 1:

What is traditonal cash economy – cash business?

The majority of turnover is generated with cash payments!

Cash business „risk" areas:

- **Open markets**
- **Newly founded companies**
- **Tourist sector – Hotels / Bars / Red Light Districts / Restaurants / Dancing Bars /**
- **Groceries, retail stores, supermarkets**
- **Agricultural product sellers (farmers/…)**
- **Construction sector …………**

Related problems:

- **Any kind of products / services possible**
- **Usually services / products meant for final consumers**
- **Cash is not traceable**
- **No crosscheck possibility – leak of info**
- **No regular prices – quality, region, other price influences**
- **Apparently small businesses – front stores**

Related problems:

- No tax files – non declaration of taxes
- Non regulated markets
- International approaches
- No bookkeeping
- Use of front persons / strawmen
- Fast business – different locations
- No or not so high gains in general
- Organized structures

Part 2:

cash business or cash-system is used for other activities"criminal"?

Use of at least one or more business sectors for criminal activities related / linked to / with cash-money!

Part 2:

The cash-payment-system itself is used for other criminal activities!

- Different payment platforms
- Currency exchange
- E-commerce system (B2B payments..)
- Etc……..

Cash business „risk" areas:

- Open markets
- Newly founded companies
- Tourist sector – Hotels / Bars / Red Light Districts / Restaurants / Dancing Bars /
- Groceries, retail stores, supermarkets
- Agricultural product sellers (farmers/…)
- Construction sector …………

Cash business „risk" areas:

- **All traditional cash economy, cash business areas as described in Part 1!**

- **All related problems**

Related problems:

- **No tax files – non declaration of taxes**
- **Non regulated markets**
- **International approaches**
- **No bookkeeping**
- **Use of front persons / strawmen**
- **Fast business – different locations**
- **No or not so high gains in general**
- **Organized structures**

Other criminal activities:

- **Money laundering – trade based / merchant based (B2B payments)**
- **Covering / hiding illegal income**
- **Bribery and corruption**
- **Tax fraud out of other non cash related activities**
- **Terrorist financing**
- **Fraud in other areas**

The Cash system:

- **Use of cash payments**
- **Different systems**
- **Mixture of using the different systems**

- **eG for Fraud / etc**

Risk Areas:

- **Non-regulated, alternative payment platforms based on cash payments – Western Union, Hawala…**
- **E-commerce B2B system**
- **But also all the cash business areas described in Part 1**

Part 2:   Focus on money laundering:

Laundering of illegal money

Use of (semi-) legal business

- Mix of legal and illegal gained money (Service businesses are best suited to this method - little or no variable costs and/or a large margin between revenue and variable costs)

Part 2:   Focus on money laundering:

Laundering of illegal money

Use of digital electronic money

- electronic money provides as easy a method of transferring value without revealing identity, especially wire transfers involving anonymity-protecting numbered bank accounts – e.g. Liberty Reserve / Bitcoin etc.

Online gaming/ - gambling

- E.G Second Life and World of Warcraft, it is possible to convert money into virtual goods, services, or virtual cash that can later be converted back into money

# Part 2:	Focus on money laundering:
Laundring of illegal money

Reverse money laundering or TF

- Reverse money laundering is a process that disguises a legitimate source of funds that are to be used for illegal purposes – eg collecting of funds for terrorist financing purposes

Part 3 - Risk Indicators:

- **Business areas themselves**
- **Comparison business to business**
- **Single products, goods, services, ….**
- **Way of doing business – the flow of business**
- **Non regulated markets/payments/systems**
- **Location of business**
- **Compliance behaviour**
- **…………………**

Risk Indicator Topics

- **Techniques to find risk indicators**

- **Accounting and financial risk indicators**

- **Risk indicators and challenges specifically in the cash economy**

- **How to find Information – techniques, sources, databases**

- **Profiling models – how to identify potential cases**
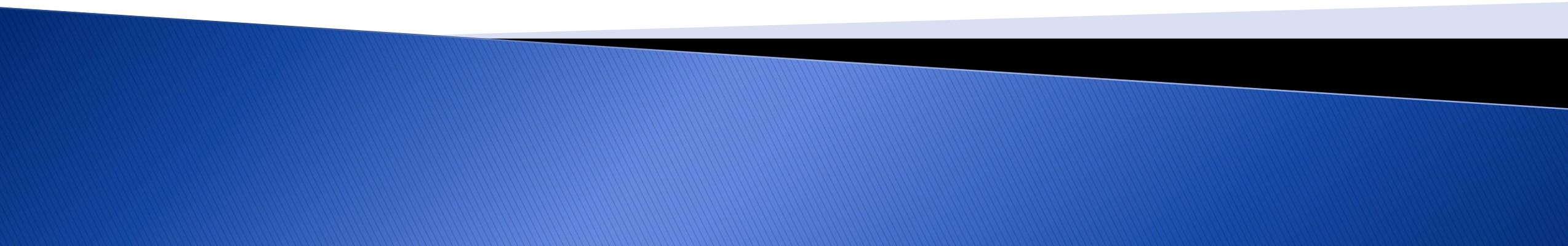
Part 4 - Detection possibilities:

1. What do you think are the detection possibilities for fraudulent activities in the cash business?
2. How do investigation units get notice of risk areas/problems/cases?

Breakout session 15 min!

Detection possibilities in civil or pre-investigations

Detection by external Information

- **Informants**
- **Whistleblower**
- **Reports**
- **Inter-Agency cooperation**
- **International information (automatic EOI)**

Detection by using of own sources

- Case detection by evaluation of available infos – intelligence units/tax info/declarations/etc
- Audit activities
- Random case selection in risk areas
- Investigative techniques
- Risk management systems

Part 5 - Investigative Techniques in civil investigations eG:

- **Audits – get knowledge about the business**
- **Surveillance, observation after getting notice of business**
- **Information exchange national/internat.**
- **Inter-agency co-operation police / customs / industry or business areas**
- **Digital techniques**

Part 5 - Digtal techniques eG:

Thursday

Part 5 - Investigative Techniques in criminal investigations eG:

2025

1990

Definition:

1. measure/action/handling to gather information / evidence

2. measure/action/handling to avoid that investigation is endangered

3. measure/action/handling to recover assets

Ralf Oberle, Finanzamt Freiburg-Stadt

Investigative Techniques

Kinds of investigative techniques?

…….?

……?

…….?

……?

…….?

…….?

Investigative Techniques

Practical Exercise in Groups 15-20 min:

What kind of investigative techniques, to gather information in criminal investigations that are essential for your investigations, do you know?

Investigative Techniques

Techniques used covered or open!

Important facts to think about in advance!

- When / in which way we use techniques!
- Why we don`t use a single technique?
- Who to inform about the use?
- Who has to approve it?

Investigative Techniques

Techniques used covered or open!

Important facts to think about in advance!

- Costs / required resources/etc.?

- Obstacles/Burdens?

- Special support needed??

- Important key-facts?

Investigative Techniques highlighted

what to think about, who, when, how, adv. – disadvantages

- Arrests
- Searches
- Wiretapping,
- Surveillance,
- Digital techniques - Thursday
- ....

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Investigative Techniques

Practical Exercise in Groups 20 min:

- Arrests - Group 1
- Searches - Group 2
- Wiretapping – Group 3
- Surveillance Group 4

focus on aspects as

- pro s and con s
- Expected benefits
- Expected challenges
- Resources
- Requirements legal or practical
- ....

Investigative Techniques

General to keep in mind before!

- Time

- Costs

- Human resources

- Material needed

- Location

- Support necessary

- Prediction of success – versa facts above

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