



Money Laundering

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Agenda

- ☐ Money Laundering Basics
- ☐ Third Party Money Laundering
- ☐ Trade Based Money Laundering
- ☐ International Money Laundering
- ☐ Misuse of Corporations
- ☐ FIU's and Reports to Detect Money Laundering
- ☐ Obtaining Official Foreign Records to Assist in Investigation
- ☐ Current Trends



Money Laundering Basics



Money Laundering Basics

- Proceeds of a Specified Unlawful Activity (SUA)
 - There are many: What are some examples in your country?
- Three Stages
 - **Placement** into the Financial System
 - **Layering** to distance the money from the SUA
 - **Integration** is when it appears clean



Hollywood Example



Story: Walter White is a chemistry teacher who is diagnosed with late-stage cancer.

He doesn't have the money to pay for treatments, so he uses his chemistry skills to make meth.

At some point in the seasons, Walter and his wife purchase a car wash to launder the drug proceeds:

Placement – fake sales at the car wash for cash (put the cash into the register)

Layering – by depositing the dirty cash into the car wash bank accounts and moving money to personal accounts

Integration – by using the car wash proceeds to pay for lifestyle/cancer treatments

Real-Life Hollywood Example



Full House, an American TV show, about a single parent raising children with the help of his brother and best friend. It starred Mary Kate and Ashley Olson. Lori Loughlin played the partner of John Stamos in the sitcom.

Desperate Housewives, an American Drama, was a TV show that involved housewives seeing the world through the eyes of a deceased friend. Felicity Huffman played Lynette Scavo and won an Emmy Award in 2005.





Is this Money Laundering?

In 2019, prosecutors in the United States announced that 50 defendants across six states were arrested and being prosecuted for paying millions of dollars to key individuals to ensure their children got accepted at the country's most selective universities.

The first fraud involved cheating on the SAT.

- Wealthy parents paid William Rick Singer (between \$15,000 and \$75,000 per student) to hire someone to secretly take the SAT for their children. How was this person allowed to take multiple tests undetected from the instructors? They paid the people who administered the exams.
- Huffman (Desperate Housewives) paid Singer to have someone take the test for her daughter. She paid \$15,000 to a fake charity to facilitate cheating for her daughter. The false charity was called Key Worldwide Foundation. Instead of the money going to charity, it was used to bribe coaches and athletic officials. The money was also used to pay Singer. They even sent a letter saying: "Your generosity will allow us to move forward with our plans to provide educational and self-enrichment programs to disadvantaged youth". The letter also false stated: "no goods or services were exchanged".

The second fraud involved using connections with coaches at prestigious universities to earn scholarships using fake athletic credentials.

- Loughlin (Full House) paid bribes totaling \$500,000 in exchange for their two daughters to attend the University of Southern California as a member of their crew team. They never competed in crew. However, their parents sent Singer photos of each of their daughters on a rowing machine. Singer then bribed a senior associate athletic director at USC to award them scholarships.
- Singer, acting at the direction of law enforcement, called Loughlin's husband to confirm the money sent was used to get the daughter into USC to row crew. Singer said the IRS was auditing his charity and they need to be on the same page to tell investigators:
 - “So, I just want to make sure our stories are the same...and that your \$400k was paid to our foundation to help underserved kids.”
 - Response: “Uh, perfect.”
- ❑ Singer's charity bank account, which contains \$5.2 million, has been seized by U.S. law enforcement. The criminal charges can include bribery, conspiracy to commit racketeering, mail fraud, honest service fraud, tax evasion, and money laundering.



Step 1: Placement

Placement – the depositing of criminal proceeds into the financial system

- Deposit Cash (in a bank account)
- Can be domestic or abroad
- Cash can also be switched into other commodities, like diamonds or gold bars
- Transportation of cash to a different country where the crime was not committed

Challenges with Placement:

- Cash can be hard to handle
- Takes time to move
- Attracts attention
- New reporting requirements



Step 2: Layering

Layering – concealing the criminal origin of the proceeds

- Disguised over multiple wire transfers
- Small withdrawals from numerous financial institutions
- Cash deposits in different bank accounts (splitting)
- Deposited into business and personal accounts
- Deposits can be made in offshore jurisdictions
- Deposits can be merged with legal proceeds of legitimate business



Challenges with Layering:

- Unexplained wealth attracts attention
- Breaking up deposits attracts attention
- Cooperation with casinos has impacted deposits into other institutions
- Often difficult to find a legitimate source to substantiate large and frequent deposits



Step 3: Integration

Integration – creating an apparent legal origin for the criminal proceeds and using the proceeds for personal benefit

- Disguising ownership of assets
- Using third parties to interact on business transactions
- Fabricate invoices, bookkeeping, contracts, reports
- Fake loan documents
- Buying or selling real estate
- False casino winnings

For the ultimate goal of spending the cash – lifestyle, vehicles, yachts, art, stocks, real estate, and reinvestment.

Challenges with Integration:

- Don't want to overspend
- Don't want to solely use cash
- Need to somehow explain this wealth
- Requires investing in legitimate enterprises



Why Criminals Need to Launder Money

- ☐ Avoid detection from the Revenue and Tax authorities
- ☐ Remain unnoticed from law enforcement (and potentially competitors)
- ☐ If arrested, avoid substantial seizures of assets
- ☐ Criminals want to spend the money (must come from legitimate source)



Money Laundering

Statutes and Goals of Criminal Organizations:

- Promotion
 - Through the money laundering process, they are promoting their business, likely by reinvesting laundered funds.
- Concealment
 - Criminal Organizations are concealing deposits and withdrawals to appear as legitimate
- Advance
 - With the clean funds, criminal organizations can further their schemes which will make them more competitive in their industry



Third Party Money Laundering 3PML





Third party Money Laundering (3PML)

- Proceeds of a Specified Unlawful Activity (SUA)
 - There are many: fraud, drugs, bribery, etc
- Three Stages
 - **Placement** into the Financial System
 - **Layering** to distance the money from the SUA
 - **Integration** is when it appears clean
- **Someone (a third party) is facilitating one or more of the three stages**



What is 3PML?

3PML (Third Party Money Laundering): The laundering of proceeds by a person who was not involved in the commission of the predicate offense

Often not familiar with the predicate offense and generally not concerned with the origins of the money that is moved

3PML targets may engage in illicit financial activity on behalf of a single criminal or a criminal organization



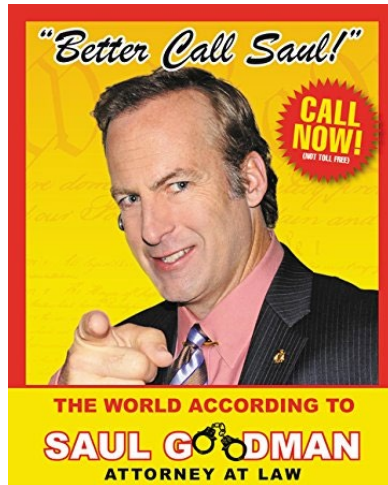
3PML

3PML targets may be otherwise legitimate corporate entities (such as a major international bank); may be individuals operating legitimate or illicit businesses; or may be professional facilitators (such as attorneys or accountants).

These individuals can act as gate keepers to the financial system and serve as a connection between the licit and illicit worlds by providing strategic support to criminals



3PML - Hollywood Example



Story: At some point, Walter White's manufacturing associate (Jessie Pinkman) hires attorney Saul Goodman to help launder his money.

Saul Goodman encourages Jessie to buy a nail salon to launder his proceeds at the placement, layering and integration stages and Saul would oversee the company for a fee.

This is a good Hollywood example of Saul Goodman being a third-party money launderer.

<https://www.youtube.com/watch?v=eZ6xH-su2xI>

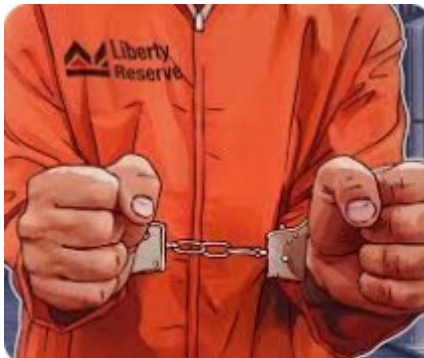


BEST 3PML CASES – Hat Trick

1. Prosecute the operators of the 3PML
 - This dismantles the organization
2. Acquire their client list
 - Cooperation or Warrants
3. Seize Assets/Prosecute the clients
 - Seizures keep 3PML program funded
 - Clients can be worked by IRS-CI or jointly with other agencies



3PML – Real Life Examples



Story: Liberty Reserve was a centralized digital currency service based in San Jose, Costa Rica. It billed itself as the “oldest, safest and most popular payment processor, serving millions all around the world”. It was run by Arthur Budovsky and six others. They utilized a system similar to current bitcoin and other virtual currency providers that have come around since.

SCHEME: Liberty Reserve was designed by Budovsky to specifically appeal to online criminals including having weak anti-money laundering controls and allowed user to move money anonymously regardless of volume. Budovsky had been previously convicted of operating an unlicensed money transmitting business and attempted to evade US Law Enforcement by renouncing his US Citizenship and operating Liberty Reserve from Costa Rica.

TRANSACTIONS: Between 2009 and 2013, Liberty Reserve had more than 5.5 million user accounts and processed more than 78 million financial transactions with a combined value of more than \$8 billion. US Users accounted for the largest segment of total transactional volume. Liberty Reserve charged a fee for processing transactions.

CONCLUSION: US LE shut down the website, seized the client list and has made cases on significant numbers of clients. Budovsky plead guilty and was sentenced to 20 years in prison admitting to laundering between \$250million and \$550million



In January of 2020, the Joint Chiefs of Global Tax Enforcement (J5) with the participation of the United States, United Kingdom, Australia, The Netherlands and Canada, joined resources in a globally coordinated day of action to put a stop to the suspected facilitation of offshore tax evasion and money laundering by Euro Pacific Bank, a boutique online bank operating in Puerto Rico. It was believed that through this institution, a number of clients used a sophisticated system to conceal and transfer wealth anonymously to evade their tax obligations and launder the proceeds of crime. The Operation from the J5 was dubbed Operation Atlantis.

As a result of J5 efforts, The Office of the Commissioner of Financial Institutions (OCIF) of Puerto Rico issued a Cease and Desist order and suspended the operations of Euro Pacific International Bank on June 30, 2022.

Euro Pacific will liquidate the bank's access and return 100% – \$66.7 million – of deposits to their customers. Schiff will also have to pay \$300,000 in fines, according to official settlement papers.



Trade Based Money Laundering



Trade-Based Money Laundering (TBML)

Although 3PMLs use a wide variety of ML tools and techniques, one of the most significant is TBML

TBML: The process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins



TBML Cont.

There are various TBML variations that can be employed by 3PMLs, including:

Purchase of high-value goods: using the proceeds of the crime to purchase goods followed by the shipment and re-sale of goods overseas

Phantom Shipments: Transfer of funds for goods that are never shipped or received

Over/Under-Invoicing: Falsifying the number and/or value of goods being shipped

Black Market Peso Exchange (BMPE): Operates as an underground financial exchange system that involves the purchase of U.S. export goods destined for Mexico/Columbia with the proceeds from the sales of illegal drugs

CURRENT TRENDS CONTINUED





Trade Based Money Laundering

TRADE BASED MONEY LAUNDERING – Red Flags

- Payments to unrelated third parties
- Intentional misclassifying of commodities
- Repeated importation and exportation of the same high-value commodity
- Commodities being traded do not match the business
- Unusual shipping routes or shipping points
- Packaging inconsistent with commodity
- Double-invoicing



Practical Exercise

You just graduated law school and were hired at Stacey and Christine Law LLP. Although the partners seemed a bit shady, you took the job because you were desperate. The partners set-up a meeting with their good friend, Mona, on your first day.

You meet with Mona and she explains that she came across large sums of cash and needs you to find a way to get this cash into the financial system without raising any red flags. Mona provides you with detailed instructions of where she needs the money to be deposited. You are young, naïve, and eager to impress your bosses and are not aware of any illegal implications. What do you do to assist Mona.



Subject

Evaded over 5.6 Million in Taxes



U.S.
LPR in
2014



Est. 2013

Swiss Trust

Asset

Asset

Panamanian based
Shell Company

Pays Interest
on Loans

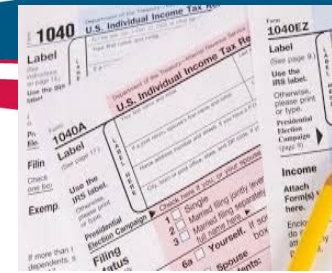
Canadian based
shell company

Over \$100 Million
Loaned to shell
companies

US based Shell
Company

Est. 2015

U.S. based Attorney



Files 1120F
2015-2019 over
16.8 million in
Interest Expense
Deducted



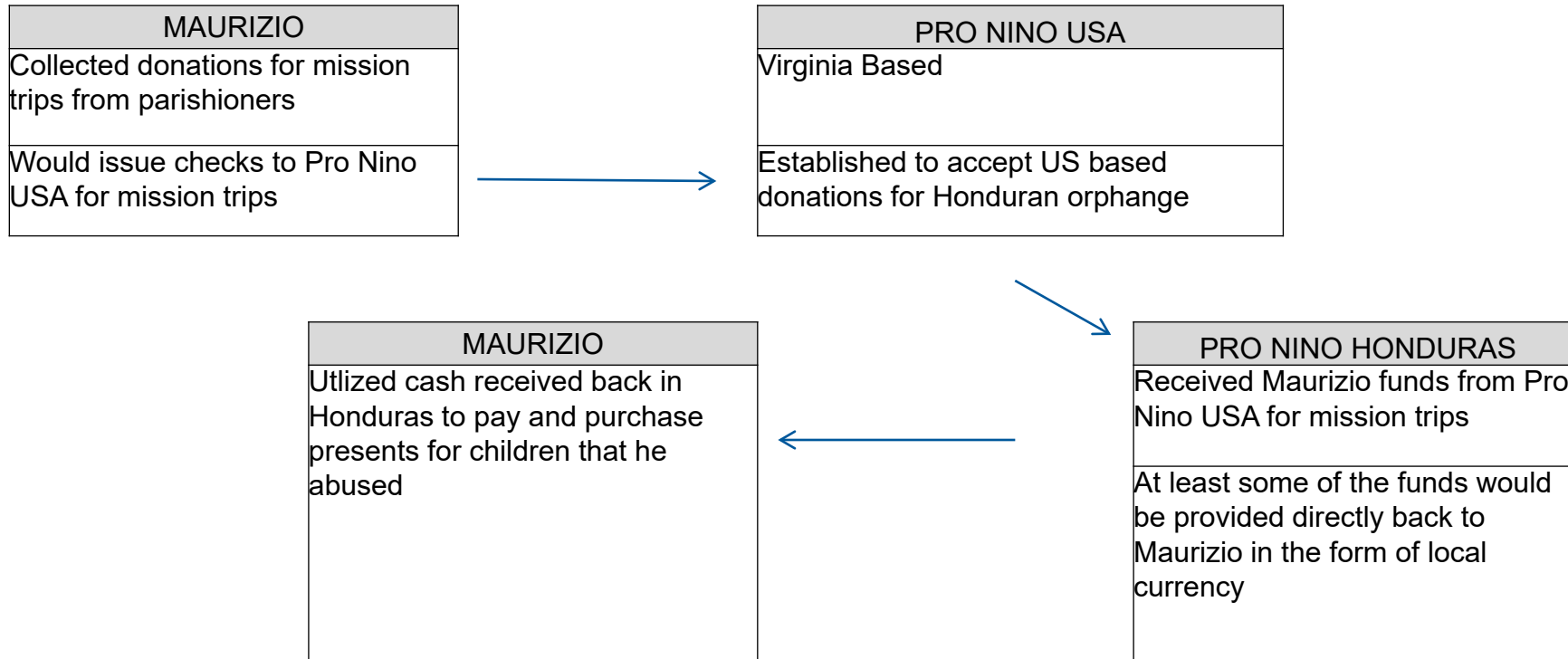


18 USC 1956(a)(2)(A) **(International Promotional Offenses)**

A significant distinction for this statute is that it does not demand that the transported funds flow from a predicate offense (SUA) or any other unlawful source



JOSEPH MAURIZIO INVESTIGATION





2 Things Worth Noting

Funds sent by Maurizio to Pro Nino USA were not from any unlawful source

Maurizio did not send the funds internationally himself

However, Maurizio knew that when he provided checks to Pro Nino USA that he was ultimately putting them into foreign commerce because he knew that the funds would be available to him in Honduras



Joseph Maurizio, 70, formerly the pastor at Our Lady Queen of Angels in Central City, Somerset County, was convicted in September following an investigation in Honduras and here by the U.S. Department of Homeland Security.

U.S. District Judge Kim Gibson, presiding in Johnstown, on Wednesday imposed a term of 200 months, or 16-and-a-half years, and also ordered Maurizio to pay a \$50,000 fine and \$10,000 in restitution to two minor victims who testified against him.

Federal agents said Maurizio traveled to Honduras between 2004 and 2009 to molest boys under the guise of doing work at the ProNino orphanage through his charity, Humanitarian Interfaith Ministries.

After an eight-day trial, he was found guilty of engaging in illicit sex in foreign places, possession of child pornography and international money-laundering.



Joseph Maurizio



Misuse of Corporations



Misuse for Corporations

Corporations , or “corporate vehicles”, especially in a global economy, can be used for illicit purposes:

- money laundering
- bribery and corruption
- improper insider dealings
- tax fraud
- hiding and shielding assets from creditors
- defrauding investors
- financing of terrorist activities

Criminal organizations have responded to money laundering laws enacted by governments and financial institutions by incorporating entities. It is an excellent way to disguise criminal activities, conceal the flow of illicit funds, convert proceeds of crime, and reintroduce the traditional financial system.



Misuse for Corporations

Trends involving the Misuse of Corporations:

- Legal persons unknowingly may be involved with some type of criminal financial activity (bank teller)
- Individuals using corporations to hide their assets to evade taxes
- Funds flow from individual accounts, to corporate accounts, to trust accounts overseas where the identify of the true beneficiary is concealed
- Shell companies are being utilized to facilitate bribery (criminals aware the additional layers of insulation in multiple jurisdictions make it increasingly difficult for law enforcement to identify the true ownership)
- Anonymous trading of securities in offshore brokerage houses to escape capital gains taxes (referred to as market fraud). This is prevalent with insider trading and securities fraud



Misuse for Corporations

Why are corporations so appealing to criminal enterprises?

- Corporations are generally easy to set up
- Can be done online in some countries
- They do not have to cost a lot of money
- Umbrella organizations / shell corporations to conceal ownership
- Corporations can have charitable affiliations used to transfer funds overseas
- Illicit Funds have the appearance of legal income or dividends
- Shell companies can be used for bribery (arms length transactions)
- If multiple jurisdictions are involved it is extremely difficult for law enforcement
- Many jurisdictions do not have a national database of corporations



Misuse for Corporations

Goals of a criminal organization when creating a corporation

- Anonymity
- Shareholders do not have to be reported
- They want to spend their money
- The corporations can be both legitimate or illegitimate
- Shield assets from creditors, spouses, children, business partners
- File bankruptcy without discovering assets owned



Misuse for Corporations

How to achieve anonymity

- Bearer shares – physical possession of a certificate – the name of the shareholder is not listed – transferable by physical delivery – they can be used to obscure ownership
- Nominee shareholders – makes a public registry useless – true owner won't have to file tax returns
- Nominee directors – conceals true owners – jurisdictions moving towards not accepting nominee directors – or reducing amount of directors
- Intermediaries – formation agents, notaries, trust companies, lawyers, trustees – names of shareholders do not appear on official records – often used to establish bank accounts to circumnavigate due diligence



Beneficial Ownership

- ❑ According to the FATF, a Beneficial Owner is the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted. It also incorporated those persons who exercise ultimate effective control over a legal person or arrangement.
- ❑ Criminals are interested in misusing corporate vehicles because of the anonymity involved. The fact that corporations have unidentified shareholders creates an excellent opportunity for criminals to receive dividends, shelter income, transfer money overseas, and repatriate illicit funds.
- ❑ Umbrella organizations and shareholders creates an extra layer of insulation to disguise the true beneficial ownerships of an entity. Often, shareholders can be named or changed without leaving a paper trail. Legal records are possessed in a law firm protected from foreign jurisdiction.



Beneficial Ownership

Risks of Nominees

- Have legal authority for overseas funds and business decisions
- In actuality, are a figurehead and don't control anything
- The nominee can face significant liability if discovered that the nominee was not doing proper due diligence.
- The nominee, if detected by law enforcement, becomes a liability to the criminal organizations and true owners of the offshore entity.
- They can cooperate with law enforcement and act upon the direction of government agents.

Legal reasons for having a trust overseas?



Beneficial Ownership

Intermediaries

- Often needed to navigate local customs and laws
- Familiar with the type of work, cost, and local contacts
- Typically have financial, legal, or tax background
- Fraudulent intermediaries / promoters don't do the required due diligence to verify the shareholders, true beneficiaries, and source of funds
- Costs vary depending on complexity of the structure and the jurisdiction the entity is created



Beneficial Ownership

Challenges to identify true beneficiaries:

- Effectiveness of public registries
- How to enforce offshore promoters conducting proper due diligence
- Identify true business purposes of operating in foreign jurisdictions
- Identify why the entity is building such a complex structure
- Diplomatic and political sensitivities involved with countries



Beneficial Ownership

Following the money trail

- Identify source of funds and profits
 - How was the money transferred offshore?
 - Bulk cash smuggling
 - SWIFT system
 - Correspondent bank
 - Paypal
 - False invoice
 - “Consulting Fees”
 - Digital currencies
- Are the funds proceeds of legal or illegal acts?
- Have similar amounts been repatriated?



Misuse for Corporations

Red flags

- Multi-jurisdictional entities and trusts with no specific purpose
- Foreign partners without a clear connection to the business
- Use of offshore bank accounts with no economic necessity
- Does the business have legitimate reasons to incorporate in this jurisdiction
- Use of nominees and shell companies for bank accounts, shareholders, directors
- Use of passports / citizenship to establish businesses or accounts overseas to avoid regulatory compliance by financial institutions



Misuse for Corporations

Offshore financial centers:

- Some offshore jurisdictions intentionally provide excessive secrecy for their corporate vehicles
- Shell companies constitute a significant portion of entities created in at-risk jurisdictions and increase the potential for illicit activities
- Certain laws in countries actually go very far to protect corporations in their jurisdictions – prohibiting company registrars and prohibits financial institutions from complying with regulatory or international law enforcement officials.



Misuse for Corporations

Offshore financial centers:

- It is an economic debate in these jurisdictions known for protecting the privacy and confidentiality of beneficial owners:
 - The governments want to promote and foster economic growth
 - The regulators also want to develop a strong Anti-Money Laundering program , participate in FATF, and be compliant with international guidelines to conduct business with other countries



Panama Papers

- ☐ 11.5 million leaked document that provided information about financial and attorney-client information involving over 200,000 entities. The entities were created under Panamanian law by the law firm Mossack Fonseca
- ☐ Leaked by an anonymous source
- ☐ Documents contained personal financial information about wealthy individuals and public officials
- ☐ While offshore business entities are legal, the allegation involves the law firm created shell corporations that were utilized to further schemes involving fraud, tax evasion, and evading international sanctions including regulatory controls and legal requirements.
- ☐ The person who leaked the documents cited “income equality” for their actions and the documents were published on the website for the International Consortium of Journalists – which includes 107 media organizations in 80 countries.
- ☐ [Panama Papers](#)



Combating the Misuse of Corporations

- ☐ International relations and diplomacy – to permit jurisdictions to timely share data on beneficial ownership
- ☐ Compulsion power – use of subpoenas, court orders, warrants
- ☐ Policy makers need to find an appropriate balance between ensuring proper monitoring and regulation with legitimate privacy interests.
- ☐ EGMONT requests
- ☐ Request for Formal Evidence and Informal Information for law enforcement
- ☐ Research Memorandums of Understanding to secure information
- ☐ Undercover Operations



Financial Intelligence Units & Reports Detecting Money Laundering



Financial Action Task Force

The FATF Recommendations include:

1. Criminalization of the laundering of the proceeds of serious crimes and the enactment of laws to seize and confiscate the proceeds of crime.
2. Obligations for financial institutions to identify all clients, including any beneficial owners of property, and to keep appropriate records.
3. A requirement for financial institutions to report suspicious transactions to the competent national authorities, and to implement a comprehensive range of internal control measures.
4. Adequate systems for the control and supervision of financial institutions.
5. The need to enter into international treaties or agreements and to pass national legislation which will allow countries to provide prompt and effective international cooperation at all levels.



Financial Intelligence Units

What is Financial Intelligence:

- Financial intelligence constitutes knowledge and skills gained from understanding finance and accounting principles.
- It has emerged as a best practice and core competency in organizations
- Risk and compliance have played an ever-increasing role to manage financial transactions for banks, corporations, and governments.



Financial Intelligence Units

Financial Intelligence Units:

- Gathering information involving financial affairs in order to understand the nature of potential suspicious transactions
- Working groups aim to identify financial transactions that may involve tax evasion, money laundering, terrorist financing, and other financial crimes
- FIU's are national centers that collect suspicious information from the financial industry and report these transactions for review
- They are typically not law enforcement officers but exceptionally talented at analyzing financial transactions
- They are able to share this information FIU to FIU – in the United States – the FIU is referred to as FinCEN.



Reports to Detect Money Laundering

- Currency Transaction Report
- Suspicious Transaction Report
- International Movement of Currency Reports



Currency Transaction Reports

A currency transaction report is a report filed by a financial institution, a designated non-financial business or profession, or other businesses at risk for money laundering for currency transactions that exceed a certain limit. The limit in the United States that triggers the requirement is \$10,000 USD. The FATF recommendation for reporting limits is 15,000 USD or EUR, except for casinos which have a reporting recommendation of 3,000 USD or EUR.



Currency Transaction Reports

Who Should File?

- Financial Institutions
- Designated Non-financial Businesses and Professions
- Other Businesses at Risk for Money Laundering



Financial Institutions

1. Acceptance of deposits and other repayable funds from the public. (Including private banking)
2. Lenders (Including consumer credit; mortgage credit; factoring, with or without recourse; and finance of commercial transactions)
3. Financial leasing.
4. The transfer of money or value. (This applies to financial activity in both the formal or informal sector e.g. alternative remittance activity)
5. Issuing and managing means of payment (e.g. credit and debit cards, checks, traveler's checks, money orders and bankers' drafts, electronic money).
6. Financial guarantees and commitments.
7. Trading in:
 - a) Money market instruments (checks, bills, CDs, derivatives etc.);
 - b) foreign exchange;
 - c) exchange, interest rate and index instruments;
 - d) transferable securities;
 - e) Commodity futures trading.
8. Participation in securities issues and the provision of financial services related to such issues.
9. Individual and collective portfolio management.
10. Safekeeping and administration of cash or liquid securities on behalf of other persons.
11. Otherwise investing, administering or managing funds or money on behalf of other persons.
12. Underwriting and placement of life insurance and other investment related insurance. (Including agents and brokers)
13. Money and currency changing.



Designated Non-financial Businesses and Professions

- 1.Casinos
- 2.Real estate agents
- 3.Dealers in precious metals
- 4.Dealers in precious stones
- 5.Lawyers and accountants
- 6.Trust company service providers



Other Businesses at Risk for Money Laundering

- Pawnbrokers
- Travel agencies
- Automobile dealers
- Small airplane dealers
- Boat dealers



Suspicious Transaction Reports

- A report made by a financial institution about suspicious activity. The criteria of what is “suspicious” varies by country and industry. The financial institution is not allowed to inform the client about the report.
- The goal is to help the government identify individuals, groups, and organizations involved in fraud like terrorist financing, money laundering, and other crimes.
- Information includes name, account information, date, amount of the transaction, frequency of the transactions, and suspicious activity.



Examples of Suspicious Activity

- Unusually large cash deposits whose business is primarily in checks or credit cards
- substantial increases in cash deposits, customers exchanging low denomination amounts for larger ones
- frequent exchanges of currency
- Multiple currency deposits just below reporting requirement
- Currency deposits that do not match the stated source of income of account holder
- Accounts held by numerous unrelated individuals with no business purpose
- Currency deposits that are immediately transferred to another account or financial institution
- Accounts opened and closed within a short period of time with money moving in and out
- paying bills in cash, counterfeit notes, overseas transfers with no business purpose
- reluctance to provide information when opening an account, reluctance to provide information when making a cash deposit
- excessive use of safe deposit boxes



Examples of Suspicious Activity

- large numbers of individuals making deposits into one account
- only utilizing one bank teller, deposit and immediate transfers
- no books and records when opening business bank account
- frequent use of intermediaries
- frequent real estate settlements
- constant adding or removing signatories
- use of several currencies
- unwilling to disclose source of funds
- Offshore companies created with generic email address extensions – like gmail



Report of International Movement of Currency

- **Used to trace money crossing borders**
- **Includes currency and currency equivalents**
 - Coin and paper currency from all countries
 - Traveler's checks
 - Bearer negotiable instruments
 - Incomplete financial instruments
 - Bearer stocks and securities



Bulk Cash Smuggling

- Cash Border Crossing
- Innocent individuals often recruited to assist
- A crucial step especially if illegal activity involved
 - drug trade
- The movement of funds is incredibly risky for criminal organizations



Terrorist Financing

➤ Financing Terrorism

- Funds are raised through oil production and black market oil sales
- Looting and sales of antiquities
- Kidnapping for ransom
- Taxation of local populations



Terrorist Financing

- Funds are required for the following reasons:
 - Planning and support for activities and ongoing operations
 - Procurement of supplies and equipment
 - Promoting agenda and recruitment
 - Building and maintaining training facilities
 - Fighter salaries
 - Payments to families

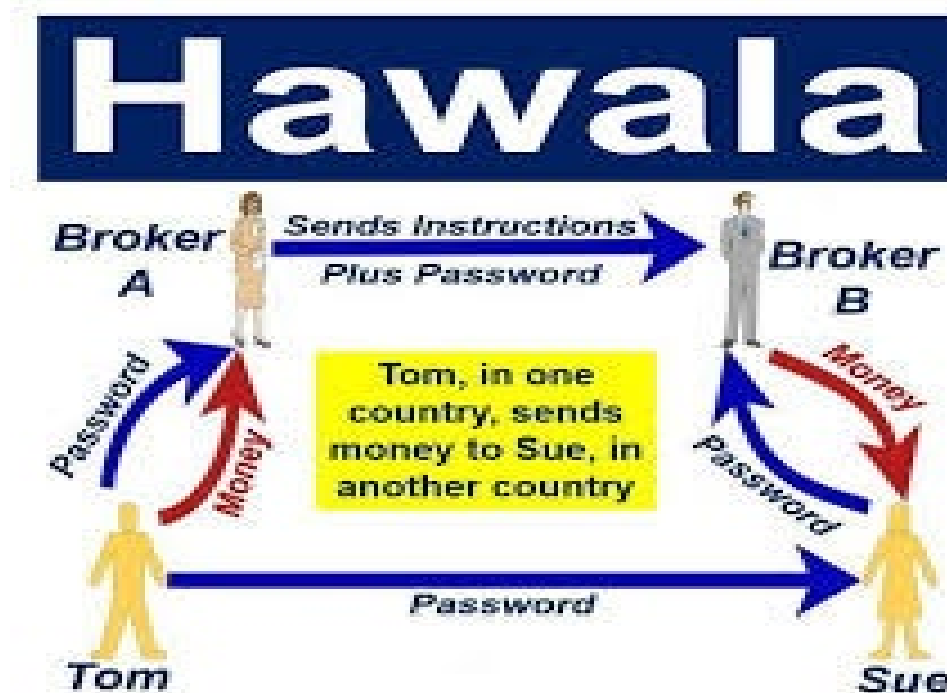


Terrorist Financing

- International money transmitters
 - Western Union, Money Gram, Foreign Transmitters
 - Unlicensed money remitters
 - Apps
- Traditional banking systems
 - Cash
 - Wire transfers

Hawala

- Informal value transfer system
- No physical transfer of currency
- Interpol defines it as “money transfer without money movement”
- Outside of traditional banking system





Currency Reporting Violations

- **Structuring Currency Transactions**
- **Causing False Currency Transaction Reports**
- **Causing Financial Institutions to not file Reports**



Currency Reporting Violations Examples

John Brown purchases gold and diamonds at a jewelry store and pays with 50,000 USD in currency. John tells the clerk at the store that he is a wholesale distributor of gold and diamonds and convinces the clerk that wholesale distributors are exempt from the currency transaction report filing requirement. The clerk agrees not to file a currency transaction report.



Currency Reporting Violations Examples

John takes 45,000 USD and divides it into amounts of 9,000 USD. John then makes 5 deposits 9,000 USD on the same day at different locations (branches) of his bank.



Currency Reporting Violations Examples

John Brown opens a bank account at First National Bank. He provides the bank with a false identity using documents with the name Jim Wilson. The documents contain a false address, false telephone numbers, and false employer. The next week, John begins making deposits of 50,000 USD each week in currency. The bank completes a currency transaction report on Jim Wilson and files it with the government.



Currency Reporting Violations Examples

John takes 45,000 USD and divides it into amounts of 9,000 USD. John then gives 9,000 USD each to 5 individuals to deposit into their own bank accounts. The 5 individuals are then instructed to wire the money to John's account after they make the deposits.



Obtaining Foreign Records



Mutual Legal Assistance Treaties

- An agreement between two or more countries for the purpose of gathering and exchanging information in an effort to enforce criminal laws
- They may include requests to interview witnesses, subjects, or victims
- Some laws are unenforceable – for example – certain countries may not recognize tax evasion – therefore; an MLAT may not get approved if the crime in the originating country is related to tax fraud
- They are also submitted to gather evidence such as bank statements, mortgage records, employment history, border crossings, bankruptcy filings, etc
- More complex MLAT's involve arrest warrants, search warrants, undercover operations, surveillance, and extradition requests.



Tax Information Exchange Agreement

- A tax information exchange agreement allows for the exchange of tax information as it relates to a civil or criminal tax matter
- The information has to be “foreseeably relevant”
- Includes banking details, company ownership, and tax filing history
- Useful if countries involved have a tax agreement and recognize tax fraud as a criminal offense



Informal Requests

- Generally referred to as “police-to-police”
- Involves matters that are more criminal than civil
- Can involve criminal histories, border crossings, and general background checks
- Based on relationships established while in country
- Can not be used as evidence, cited in reports, or used for prosecution purposes
- Utilized for intelligence purposes and to further an investigation
- An official request for information – via an MLAT – may follow an informal request if want to be used in judicial proceedings



Current Trends



CURRENT TRENDS

INVESTING THROUGH CITIZENSHIP

- Citizenship by Investment to evade legal and non-legal income, laundering funds, and potentially conceal foreign financial bank accounts.
- St. Kitts and Nevis Hurricane Relief Fund – a \$150,000 donation would grant citizenship. The Sustainable Growth Fund – a \$475,000 investment in real estate would grant citizenship. Property can be sold in five years. The application is completed online.



CURRENT TRENDS CONTINUED

CYBERCRIMES

- A crime in which a computer is the object of the crime (hacking, phishing, spamming) or is used as a tool to commit an offense.
- Bank information theft (correspondent banking vulnerabilities), business email compromises, identity theft, tax refund fraud, online predatory crimes, and unauthorized computer access.
- Virtual currencies, digital wallets, and the Darknet are used to conceal and advance criminal activities to purchase or sell personal identifiable information, illegal narcotics, human trafficking, etc.
- We know the crime we may not know the identity of the criminal.
- Tracing virtual currencies extremely challenging on the Darknet. There are over 1,600 digital currencies being utilized throughout the world.
- Exchanges to utilize multiple digital currencies



Thank you!