



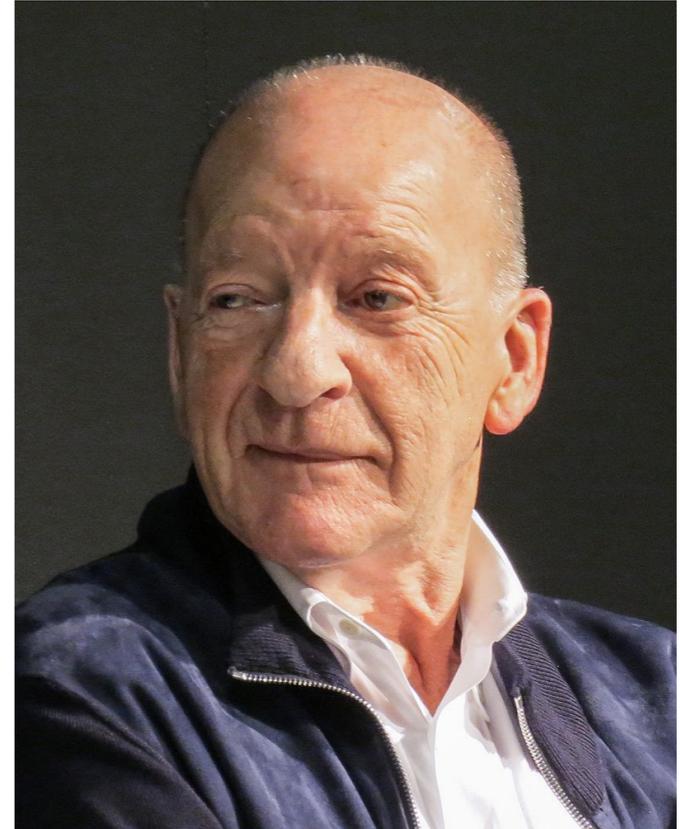
FINANCIAL TRANSACTIONS TO CONVERT, HIDE AND TRANSFER CASH

Daniel WOWCZUK



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"Cash is king."



Pehr G. Gyllenhammar 1987 CEO Volvo



AGENDA

- Concepts
- Transactions
- Cases
- Discussion

THERE IS ALWAYS A WAY

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- A US software company signs a consulting contract in Pakistan. At the time of payment, receives Pakistani rupees, physically in Pakistan. At that time the rupee was not convertible, how would the company then take the payment back to the US?
- They bought rugs that were exported to the United States and then sold there to make the dollars.



WHAT IS CASH?

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- Narrow definition: Is money in notes and coins, as distinct from cheques, money orders or credit.
- Broad definition: money in any form when is immediately available.
- Main characteristics: liquidity and not subject to material fluctuations in value.



CASH IS KING

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- Even though the cash concept has been around for millenia, and several financial institutions and instruments have been developed, cash is still the preferred payment method for billions of persons today.
- More than 2 billion adults lack access to financial services today.
- It's not surprising the poorest and least developed countries are cash based economies.



WHY IS THAT?

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- Nevertheless, cash is also the preferred payment method in developed economies, why?
- Because of several factors:



FACTORS

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- ▶ Cultural: lack of trust in gov't and financial institutions, less scrutiny, privacy, to hide value and location of assets (for tax purposes?). Cash is an anonymous instrument.
- ▶ High acceptance: few businesses refuse to accept cash for everyday small purchases.



FACTORS (CONT.)

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- Speed: operations are carried out in real time, while banking operations can be affected by different variables and costs.
- Reduce spending: banking credit cards and digital means of payments generate a psychological disconnection between purchase and spending, so cash tends to reduce spending (it 'hurts' to spend cash).



FACTORS (CONT.)

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- Less debt: by operating only in cash, there is less propensity to increase debt due to bank overdrafts or credit cards.
- Discounts: Discounts for cash payments can usually be negotiated with the merchant. This modality reduces operating costs and facilitates evasion. Non-deductible costs for financial transactions.

FACTORS (CONT.)

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- Crisis: In extreme situations, cash is extremely useful.

442

FÚTBOL BÁSQUET TENIS OPINIÓN CULTURA DEPORTIVA MÁS DEPORTES ESPORTS

TEMAS DEL DÍA SUPERCLÁSICO MESSI COPA DE LA LIGA RIVER BOCA

FÚTBOL

El apoyo de Riquelme a Passarella

El enganche, que hoy cumple 33 años, le deseó lo mejor al presidente de River. **"En el peor momento de mi vida, se comportó de la mejor manera".**





FACTORS (CONT.)

- Store of value: in volatile economies, cash in foreign currency is perceived as more stable.



7.9%

BUT IT ALSO HAS DISADVANTAGES!

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- Volume and weight: large amounts of cash are difficult to transport.
- Physical risk: it is vulnerable to theft.
- Reduces wealth: using cash outside the financial system limits the possibilities of investment and protection against inflation.



DISADVANTAGES (CONT.)

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- Fewer purchase alternatives: Some businesses limit the possibility of making high value purchases in cash.
- Logistics: the cost and risk of transporting the cash.
- Processing: high counting costs including security, distribution.
- Credit history: a credit profile is not built that facilitates obtaining more financial products at a lower cost.



WHAT IS A TRANSACTION?

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- A transaction is a completed agreement between a buyer and a seller to exchange goods, services, or financial assets in return for money.



WHAT ARE THE TYPES OF FINANCIAL OPERATIONS?

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- They can be divided into two groups:
 - Cash: where physical money is used as well as debit cards.
 - Credit: using a line of credit, could be a credit card, a loan, a mortgage, etc. Depending on the characteristics of the credit, the required collateral.



WHAT TYPES OF CASH TRANSACTIONS ARE THERE?

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- Cash / ATM deposits and withdrawals
- Bill Payment
- Transfers
- Foreign currency trading / precious metals and stones

TRANSACTIONS (CONT.)

- Change of banknotes (denomination) in the same currency

Q BUSCAR

LA NACION

Dólares del rescate

En una vivienda de José León Suárez, la policía encontró 400 dólares que coincidirían con los billetes pagados por la liberación del hermano del futbolista de Boca Juniors.

Los 160.000 dólares que un amigo de Riquelme dejó junto a una camioneta el 4 del actual en el interior de la villa Hidalgo, de José León Suárez, para pagar por la liberación del muchacho, habían sido fotocopiados y los cuatro billetes recuperados coincidirían con los billetes entregados en el rescate.

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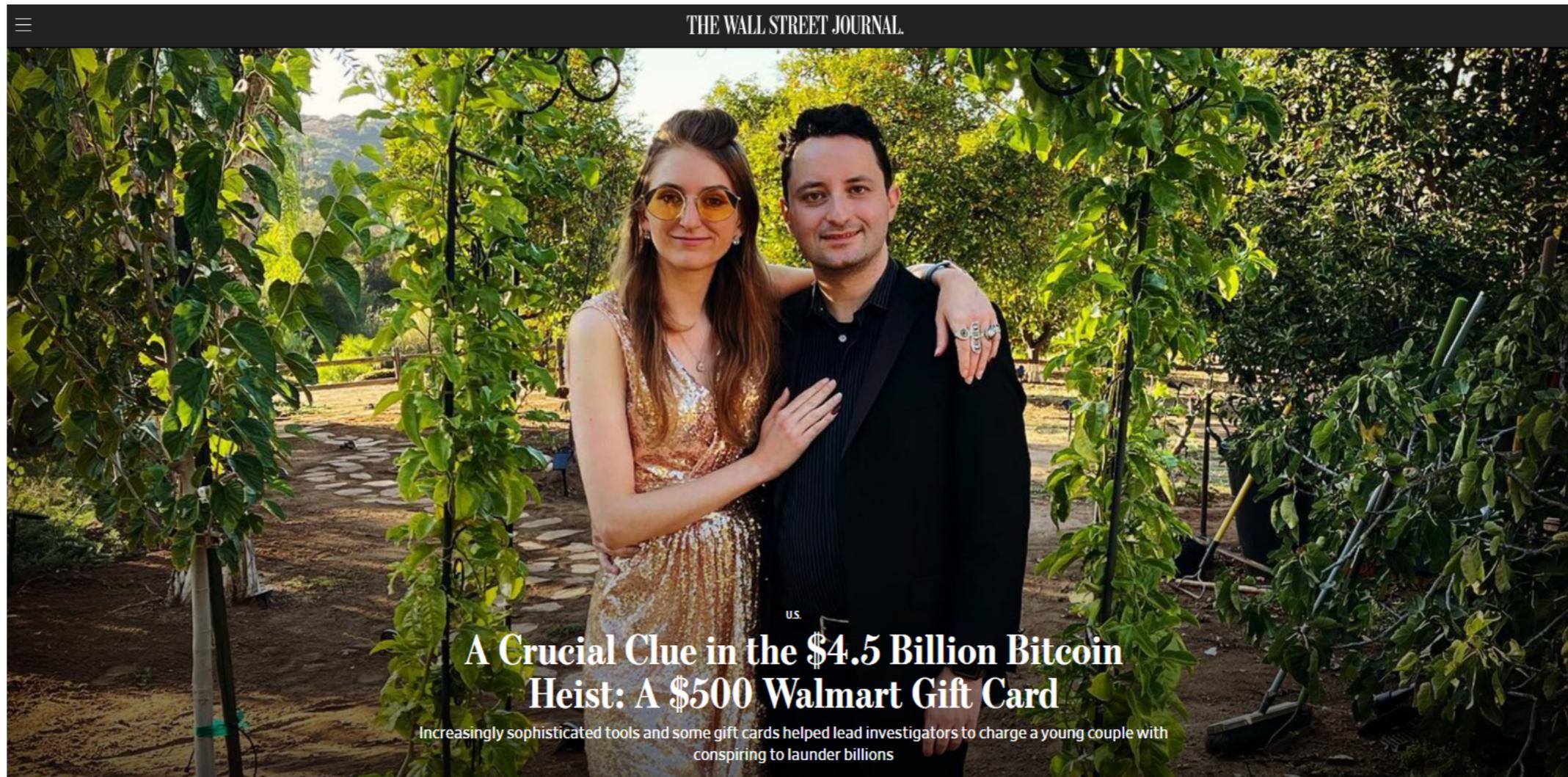
*“Crypto can be easier than hard currencies
to trace.*

The trick is tying money to people”.

TRANSACTIONS (CONT.)

➤ Gift cards

47. On or about May 3, 2020, Cluster 36B6mu sent approximately 0.057 BTC directly to VCE 10. VCE 10 is a business that sells prepaid gift cards in exchange for BTC. Records from VCE 10 showed that this specific transaction was for the purchase of a \$500 gift card to Walmart from an account registered with an email address hosted by a provider in Russia and conducted via an IP address resolving to a New York City-based cloud service provider (“Cloud Provider 1”). Records from Cloud Provider 1 showed that the IP address was leased by an account in the name of LICHTENSTEIN and tied to Lichtenstein Email 1.





TRANSACTIONS (CONT.)

- Wire transfer / remittance
- security box
- Traveler's check
- cashier's check
- Check deposit and withdrawal
- Fixed deposit
- check discount



TRANSACTIONS (CONT.)

- B2B credits
- Casino / contests / sweepstakes / buy winning tickets
- Cash-back / gift cards.
- receive donations
- Promissory notes
- Pyramid/Ponzi schemes



- Brunei case
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- Brunei has two types of cash transaction reports (CTRs).
 - 1. Report threshold by amount
 - 2. Report of high denomination bills, all operations involving bills of BND 10,000 or SGD 10,000 (approx. USD 7,400) must record the data of who performs the operation and the numbering of the bills.
- Two judges were convicted of illegally appropriating court funds.



➤ M case

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- In 2007, a paper bag containing heat-sealed money was found in the bathroom of a public official in Argentina.
 - The information on the binder was able to connect the batch of the Central Bank, with the transport company, with the financial company that received it.

M CASE (CONT.)

declaración indagatoria, respecto del origen del dinero, en nada pudo rebatir la cuantiosa prueba producida en autos, la que acredita, inequívocamente, que los cien mil pesos encontrados en el baño privado de su entonces despacho, el día 5 de junio de 2007, conformaban el lote 38057 del Banco Central de la República

Poder Judicial de la Nación

Argentina, que fuera remitido el 21 de mayo de 2007 a la Caja de Crédito Cuenca Cooperativa Limitada, mediante el camión 930 de la empresa Prosegur-Juncadella S.A.



➤ Be and seem

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➤ In a case of tobacco smuggling in Australia, bank employees were struck by the fact that the cash they deposited in a two-week window totaling USD 290,000 was brought to the branch in garbage bags.

APOCRYPHAL INVOICES CASE

- Apocryphal invoices have an impact on VAT, reducing the tax to be paid, as well as on profits, eroding the tax base.
- Usually "refunds" are made in cash.





INDICATORS OF SUSPICIOUS CASH TRANSACTIONS

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- Suspicious cash transactions, including:
 - purchase of high-value items with cash
 - credit card debt paid off in cash
 - large cash deposits made to personal
 - accounts and subsequently transferred
 - to overseas accounts
 - payments made primarily in cash through
 - dummies and intermediaries to obscure
 - the audit trail
 - Multiple financial transactions to blur the trail
 - of source of funds



INDICATORS (CONT.)

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- Use of currency exchanges to remit funds abroad
- Use of multiple offshore companies to blur the audit trail and hide the ultimate beneficial owner
- Use of fake contracts to justify receipt of large sums of money
- Embezzlement of state funds through fake NGOs



INTERNATIONAL TRANSFERS THROUGH THE CAPITAL MARKETS

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- While it's not strictly effective on the trail, it usually is on both ends.
- **Compensation:** it consists of maintaining balances in at least two jurisdictions, or using a network of compensators, in order to undertake foreign currency operations. This operation is carried out through unofficial channels.



INTERNATIONAL TRANSFERS

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- ▶ Arbitrage of bonds or shares with dual listing: it consists of the purchase of a security with local currency, the transfer of the security to another jurisdiction for its subsequent sale in foreign currency. This process can include a parking time between operations or it can be immediate. In the case of shares, they are often contained within a certificate of deposit. In order to transfer the security, it is necessary to issue (or cancel) the security certificate in the corresponding jurisdiction.



ARBITRAGE (CONT.)

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- Securities arbitrage is a lawful means of international transfers, although it has also been used for illicit operations. The arbitrage leaves the following audit trails: cash deposit in a banking institution, transfer to the broker's account, purchase and transfer of the security that impacts the issuing custodian, reception and sale of the security in the receiving custodian, transfer of currency to the broker and from this to the end customer, to end in cash withdrawal.



ARBITRAGE (CONT.)

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- ▶ Likewise, in the case of share certificates, the issue or cancellation of the certificate by the bank that administers the program is also recorded. Certificate of Deposit programs typically have conversion ratios and multiples, as well as local currency pricing. These characteristics are important to consider during an investigation.



ARBITRAGE (CONT.)

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- Custodian information usually only includes information on the principal (broker), the sub-principal (client), type (security), dates of entry/exit of the security and their respective amounts. If coupon or dividends were paid, they will also be reflected there. In the case of stock splits, they will also be expressed in the custodian's statements. The custodian does not maintain information on quotations (prices) of the securities, nor information on the commissions paid. This information is found on the broker's sales tickets.



ARBITRAGE (CONT.)

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- An interesting point during an investigation is the commissions, we analyzed a case years ago where the commissions were significantly higher than for similar operations.
- Another point of an investigation is the contacts prior to the transfer of securities, either by the Depository Trust Company (DTC) or Euroclear. Both brokers must agree on the settlement date, amount and kind. These instructions require emails and calls between brokers.

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Cash is king?

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