



OECD ASIA-PACIFIC ACADEMY FOR TAX AND FINANCIAL CRIME INVESTIGATION

Anti-Money Laundering: Current Trends, Prosecutions and Challenges presented by Crypto Assets (Specialty) Virtual Programme - Case Study by Singapore

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Scope of Presentation

- Background of Case Study : Ops Wand 2
- Findings from investigation
- Learning Points



Background of Case Study : Ops Wand 2

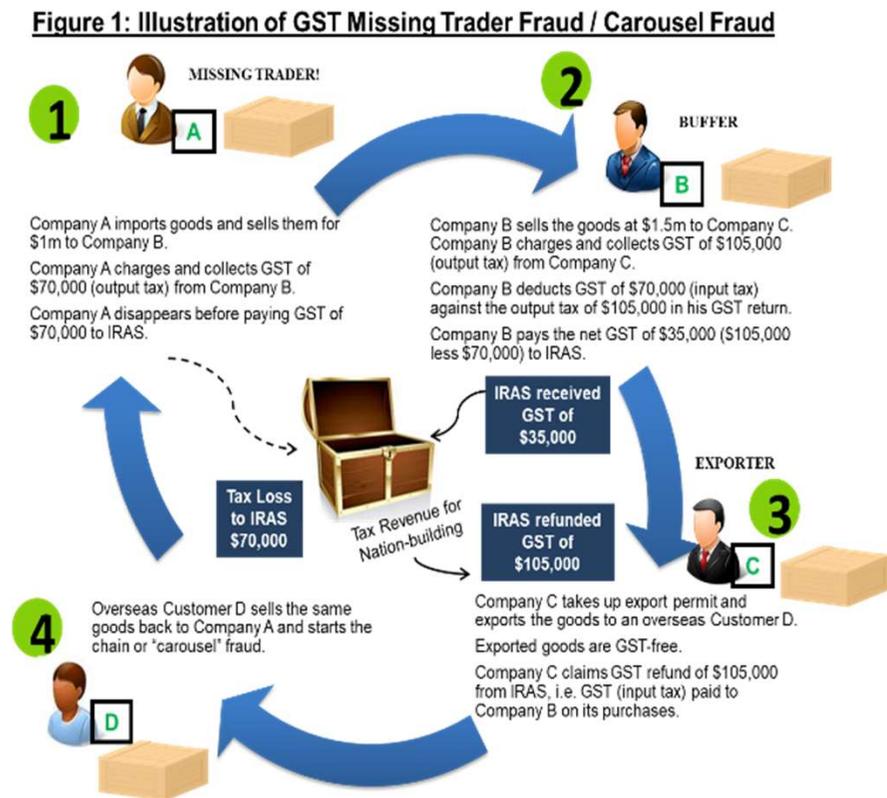
Origin of Ops Wand 2

- In 2019, IRAS commenced investigation on a cluster involving around **40** businesses and individuals for their suspected involvement in the GST Missing Trader Fraud (“MTF”) or more commonly known as the Missing Trader Intra Community fraud i.e. “MTIC” in the European Union.
- Ops Wand 2 was a spin-off from another MTF investigation in 2018.



Brief Explanation of MTF

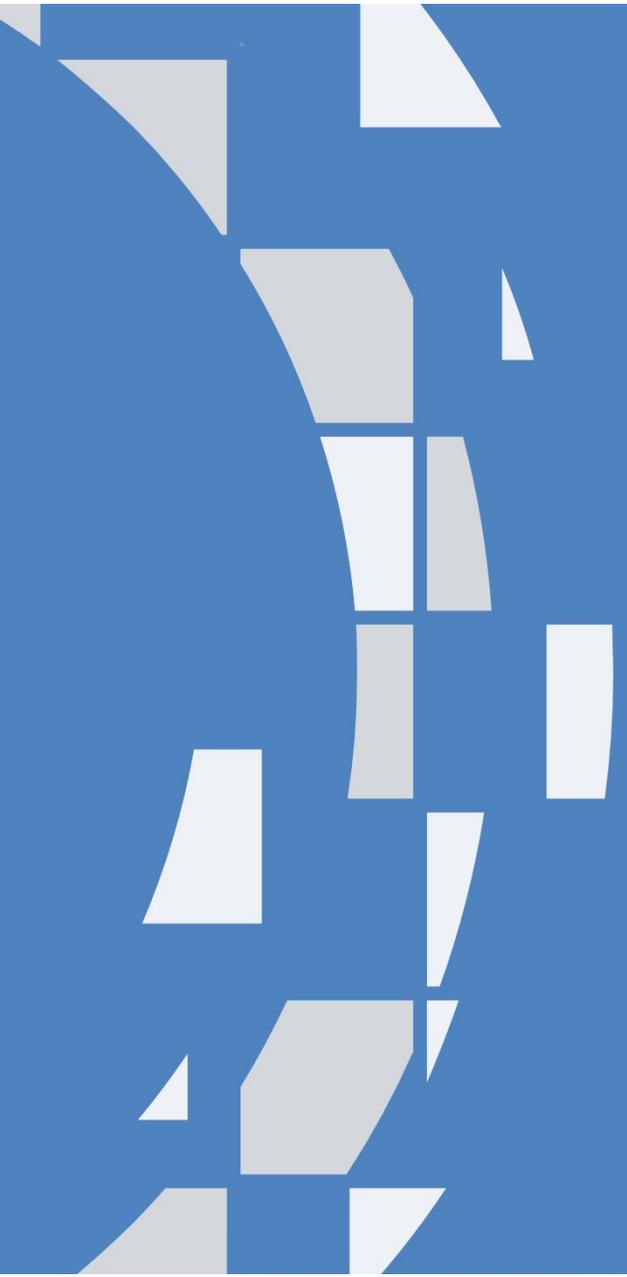
Illustration of a typical modus operandi of MTF



A seller upstream in the supply chain (“Missing Trader”) deliberately fails to account for and pay the GST (i.e. \$70,000 in this example) charged on goods sold downstream to the intermediary businesses - **B** (“Buffer”).

To ensure that the final sale of goods is not subject to GST, the goods would ultimately be exported by the last business in the supply chain - **C** (“Exporter”) to an overseas customer – **D**, which is zero-rated (0% GST).

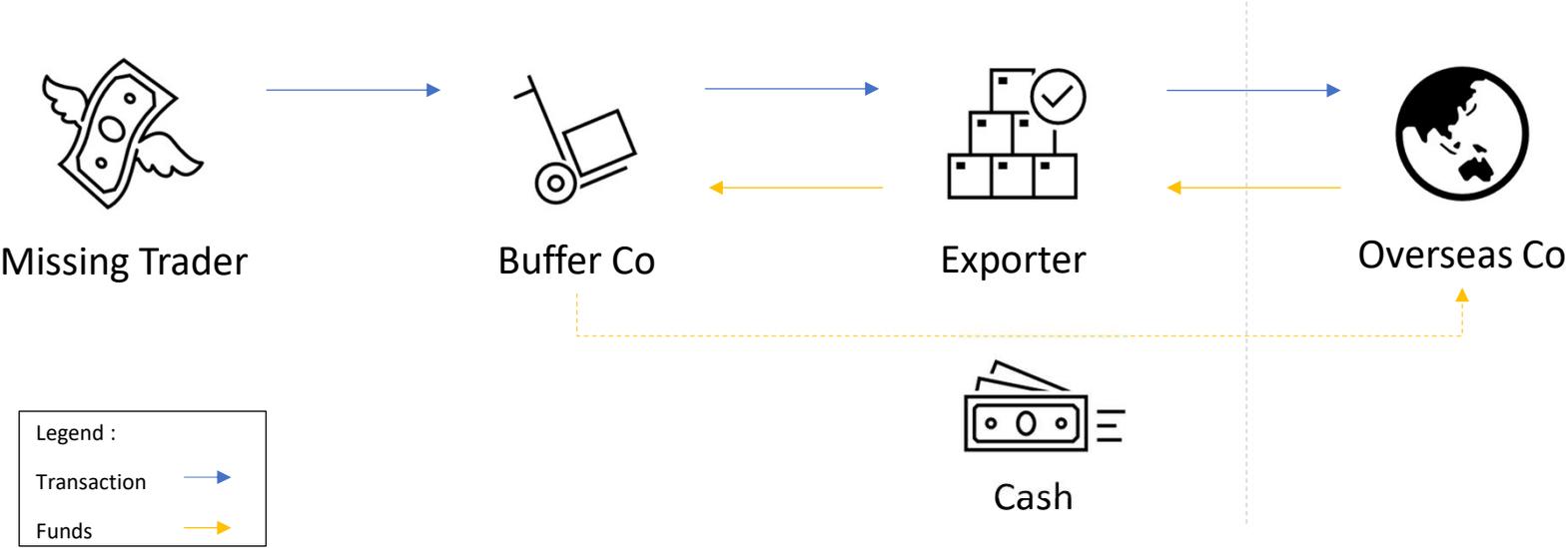
The Exporter then claims the GST paid on its purchases (i.e. \$105,000 in this example) from IRAS. In doing so, the Exporter is effectively claiming the GST not paid by the Missing Trader and crystallising the tax loss to IRAS.

A stylized graphic of a globe on the left side of the slide. It is composed of various shades of blue and grey geometric shapes, including rectangles and triangles, arranged to form a grid-like pattern that represents the Earth's surface. The globe is partially cut off by the left edge of the frame.

Findings from Investigation

Findings from Investigation

- Modus operandi or MO of the fraud before Ops Wand 2 .

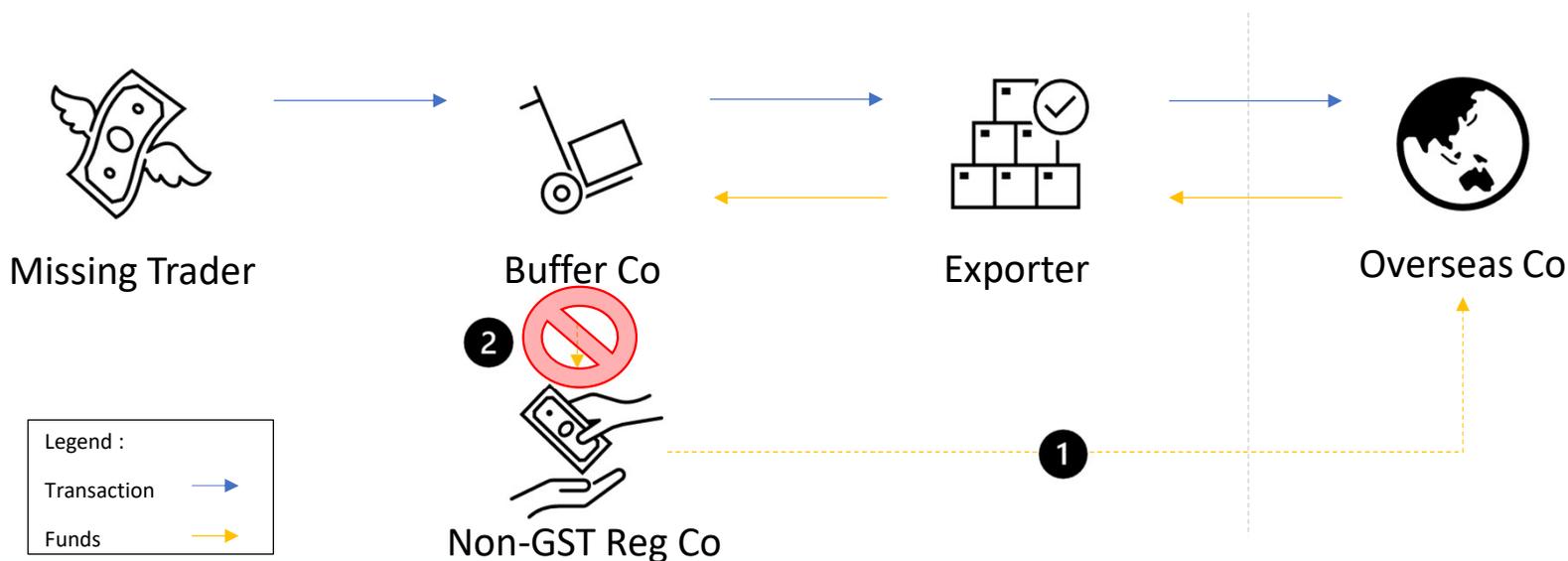


MO of Syndicate before Ops Wand 2 – Large cash withdrawal by Buffer Co where the funds are remitted to Overseas Co.

Financial institutions (FIs) are vigilant and questioning Buffer Co on payments to Overseas Co. Some FIs even closed off bank accounts of Buffer Co.

Findings from Investigation

- During Ops Wand 2's investigation, we noted unusual pattern in the MO of the fraud where the syndicate set up non-GST registered entities to move the funds through the supply chain.

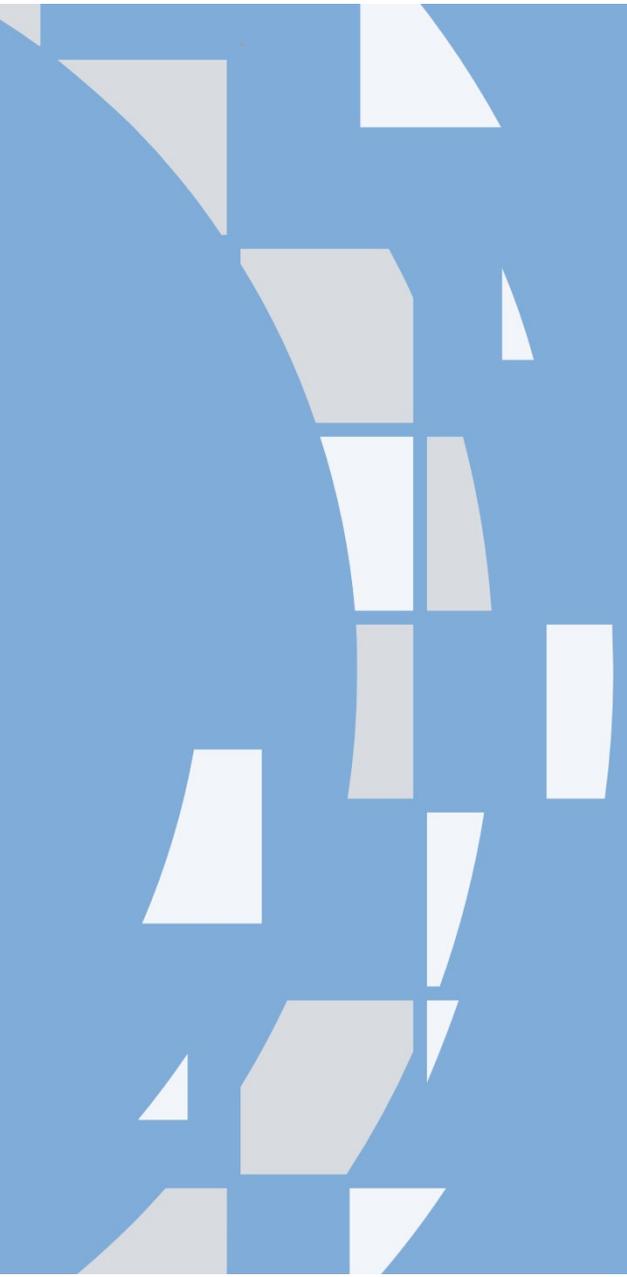


(1) MO of Ops Wand 2 – Under the guise of out-of-scope supply, large cash payments were made to Non-GST Reg Co where the Non-GST Reg Co then remitted the cash to Overseas Co.

(2) IRAS worked with local and overseas Financial Intelligence Unit (“FIU”) to trace funds flow. IRAS also collaborated with FIs to hold proceeds of crime to cripple the syndicate’s monetary flow.

Findings from Investigation

- From our investigation, we believed that the non-GST registered entities (i.e. Non-GST Reg Co) were shell companies set up to be conduit just to facilitate the funds transfer to the overseas entities. The syndicate attempted to add layers to the fund movements through the use of these entities with the hope to avoid tracing.
- We believed that the Non-GST Reg Co's role was to move the proceeds of crime overseas so that the fraud can continue in a circulatory manner (hence, MTF is also known as Carousel Fraud) as well as to remit the share of "profit" for the overseas entities.
- Investigation for the predicate and money laundering offences are still on-going.



Learning Points

Learning Points from Ops Wand 2



Syndicate is constantly evolving to beat the tax system. We must keep up with them.



To tackle MTF, collaboration with 3rd parties like other tax administrations, Financial Intelligence Unit, financial institutions etc is critical.

www.iras.gov.sg



The information presented in the slides aims to provide a better general understanding of IRAS' practices and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at the date of presentation. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.