

# **Financial Crimes Enforcement Network US Department of the Treasury<sup>1</sup>**

## **SAR Narrative**

**Submission Date July 31, 2019**

**Submitting Institution: JPMorgan, New York**

**Suspect Entity: Bob's Boats**

### **SAR Narrative from Submitting Institution:**

JPMorgan is submitting this SAR involving the subject entity "Bob's Boats" (various legal entities incorporated in numerous jurisdictions, carrying the same name and related to each other) on the basis of payments detected through its anti-money laundering systems and processes that appear to be suspicious. The payments in question appear to have no legitimate economic purpose; are non-transparent; include high-risk jurisdictions and/or institutions; involve potential corruption-related payments; and appear to violate certain arms control regulations that potentially pose a threat to US national security. On the basis of completeness, certain other payments have been included that JPMorgan believes to be legitimate, but cannot be absolutely confirmed, and may further support efforts by law enforcement in their investigation.

According to information in the public domain, Bob's Boats is a large, privately held company engaged in the import-export of goods, predominantly agricultural and mineral commodities. It also is engaged in ship leasing as well as the purchase and sale of machinery. Suppliers of commodities are typically located in Latin America and buyers are typically located in Asia and the Middle East.

**General Description of Payments:** From the period August 3, 2018 to June 3, 2019, Bob's Boats (and related entities with the same name, incorporated in various jurisdictions, though related to one another), sent or received 18 payments totaling \$355.5 million. JPMorgan processes 13 of the 18 payments in a correspondent banking capacity. The remaining 4 payments were processed by JPMorgan for the benefit of its customer, "Internal Revenue Service, US Department of the Treasury" (aka "US Treasury IRS"), and 1 payment for the benefit of JPMorgan's customer, "John Deere." All payments sent by or received from Bob's Boats were maintained at accounts with Interconti Bank Balboa, located in the Republic of Panama, and Quiet Bank, located in Hong Kong.

**Intercompany Payments:** Between August 27, 2018 and June 3, 2019, Bob's Boats (incorporated in Hong Kong) originated 10 payments totaling \$297.9 million from its account maintained at Quiet Bank, Hong Kong, and sent them to its affiliate (Bob's Boats, incorporated in BVI) account at Interconti Bank Balboa,

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<sup>1</sup> This document is for educational purposes only. It is part of a hypothetical exercise, and has no basis of fact. Names of true entities are included for educational purposes only, and no judgement should be made for or against such entities on the basis of this hypothetical scenario. Further, under applicable US law, SAR filings are confidential and are not made available to persons or entities not authorized to receive them, including law enforcement officers and judicial officials of foreign governments. However, certain financial and other information in the possession of US law enforcement officials might be shared with other foreign governments in accordance with applicable laws, treaties, mutual sharing agreements, etc. As this is part of a training exercise, the intent is to provide the participant with an idea as to the standard content contained in a SAR narrative filed by a US correspondent banking provider as well as compare that SAR with another SAR for content, depth, scope, etc.

Panama. JPMorgan maintains correspondent banking relationships with both Quiet Bank, Hong Kong and Interconti Bank Balboa, Panama. No purpose of payment was provided in the payment details. JPMorgan sent field inquiries to its correspondent banking clients, Quiet Bank and Interconti Bank Balboa seeking further information pertaining to the purpose of the transactions. Quiet Bank responded to the field inquiry stating: "Due to the bank secrecy laws in Hong Kong, we are not permitted to provide an answer to your inquiry." Interconti Bank Balboa responded to the field inquiry stating: "Bob's Boats is a large and internationally well-known corporation involved in the global shipment and trade of goods and services; notably commodities. Originally headquartered in the United States, Bob's Boats moved its headquarters to the Republic of Panama to take advantage of favorable tax treatment as well as the infrastructural and logistic services associated with maritime trade and the Panama Canal. Bob's Boats maintains offices throughout the world at global trade and financial centers to facilitate business and serve its customers. The purpose of the payments in question pertain to the business activities of Bob's Boats, facilitated through the company's treasury department at its corporate offices in Panama. The BVI-incorporated entity was formed for tax purposes and is managed by the corporate offices in Panama. Interconti Bank Balboa has completed all required due diligence and fulfills all its Anti-Money Laundering compliance obligations as required by law in the Republic of Panama. We have no reason to believe Bob's Boats is engaged in suspicious activity."

Potential Corruption Payment: On March 28, 2019, Bob's Boats (BVI), submitted a wire transfer in the amount of \$9.75 million from its account at Interconti Bank Balboa (Panama) to Bank Brazilia (Brazil) for the benefit of its client, "Odebrecht." Odebrecht is a large construction company with numerous subsidiaries and affiliates all over the world that develops and manages major construction and development projects for public and private purposes, serving governments and corporations. Odebrecht has been the subject of a multi-year investigation by governments all over the world involving long-running practices of corruption and money laundering. Odebrecht has plead guilty and has paid billions in fines to numerous jurisdictions. Numerous investigations and settlements are still ongoing. JPMorgan sent an inquiry to its correspondent banking client, Interconti Bank Balboa, asking for further details regarding the payment. Interconti Bank Balboa responded: "We asked our client, Bob's Boats for further details regarding the payment in question. Bob's Boats indicated that the purpose of payment was for infrastructural construction development on its corporate headquarters in Panama City that was contractually made with Odebrecht." JPMorgan conducted further research on the property in question using a third party investigative agency. Based on research, the corporate address in question is not legally owned by Bob's Boats or any of its subsidiaries, but by an unrelated company, "Global Towers International PLC." Furthermore, according to building permits and construction requests submitted to the applicable Panamanian authorities, neither Bob's Boats or Odebrecht appeared in any of the construction contracts and permits relating to that property in the last three years. Finally, based on a physical inspection of the property by the third party investigative agency, there is no evidence of any current or recently completed construction at the property in question.

Potential Illegal Weapons Payment: On August 4, 2018, a payment in the amount of \$22.5 million originated from an entity, "United Aircraft Corp" with an address in Seychelles and maintaining a bank account at Belgrade Bank in Serbia. Bob's Boats (BVI) was the beneficiary and received the payment in its account maintained at Interconti Bank Balboa (Panama). The purpose of the payment that appeared on the SWIFT payment message was "Airplane leases." Based on publicly available information, Bob's Boats

as a global shipping company does engage in shipping activities facilitated through aircraft, however, it is not a major element of its business nor is it commonly used in the shipment of commodities, which is Bob's Boats' declared primary business. More concerning to JPMorgan based on its research is the nature of business of the originator. According to internet research, United Aircraft Corp is one of the largest military aircraft contractors from the Russian Federation. Not only does it support and equip the Russian military and allies of the Russian government, but it is also a major arms trafficker. It also maintains an account at Belgrade Bank in Serbia. JPMorgan has submitted numerous, unrelated SARs pertaining to Belgrade Bank related to customers potentially engaged in weapons trafficking, and JPMorgan notes that Serbia is a well-known jurisdiction for facilitating weapons trafficking financial transactions.

#### Potentially Legitimate Payments:

From August 3, 2018 to April 3, 2019, Bob's Boats sent from its account at Interconti Bank Balboa to the Internal Revenue Service ("IRS") with an account at JPMorgan 4 payments, each one in an amount of \$2.5 million. Based on an inquiry JPMorgan made to the IRS, the purpose of the payments was the result of certain tax obligations but the IRS was prohibited by law to reveal details of a negotiated settlement with tax payers. According to press releases obtained from the internet, Bob's Boats, which had been headquartered in the United States, was accused of tax evasion and under criminal investigation. An undisclosed settlement was reached, and shortly thereafter, Bob's Boats relocated most of its business out of the United States with recriminations by the primary CEO and shareholder, Robert ("Bob") White, declaring that he and his company had been unfairly treated by the IRS. JPMorgan believes that the four payments in question are legitimate payments as part of the settlement between Bob's Boats and the IRS for alleged tax evasion by Bob's Boats.

Another potentially legitimate payment involves a wire transfer sent by Bob's Boats from its Interconti Bank Balboa account on August 16, 2018 in the amount of \$15.2 million to JPMorgan's client John Deere (USA). JPMorgan reached out to its client, John Deere, a publicly listed entity and an internationally active and well-known supplier of farm machinery, tractors, etc. John Deere confirmed the existence and legitimacy of the contract. The purpose of the contract was an initial payment on the sale of tractors and farm harvesting and planting equipment to Bob's Boats. Allegedly, Bob's Boats is the middle man to deliver and sell the machinery to agricultural equipment suppliers in Argentina for benefit to the farmers in that country. Although the economic purpose and value of the payment has been justified and verified, this information has been included based on the patterns and suspicions related to other payments in this SAR filing, and the concerns that this payment may directly or indirectly facilitate suspicious activity associated with the equipment sales and Bob's Boats further intentions.

## **CONFIDENTIAL**

### **Intelligence Briefing: Bob's Boats and Robert "Bob" White; Mary White and Mary's Table**

**Date: June 30, 2020**

#### **Background to Bob White and Bob's Boats Limited:**

Robert ("Bob") White is the current primary owner and CEO of Bob's Boats Ltd. It is an import-export company, primarily dealing in the agricultural and minerals commodities industries. With a market concentration in Latin America, it is headquartered in Panama, though does business with counterparties all over the world. It maintains offices in the US, Switzerland, the UAE and Hong Kong.

Bob White is the son of Jeremiah White, the patriarch of the White family and CEO of "White Shipping, Imports & Exports" ("WSIE"). WSIE is a privately held company, except that its bonds are publicly traded (single A rated), and carries one of the highest reputations in the shipping and global trade business. The company was originally founded after the American Civil War when American dominance in trade and manufacturing began and as the United States expanded westwards across the North American continent. Jeremiah's great grandfather, Elijah Samuel White ("Sam"), was a personal friend of President Theodore Roosevelt. They fought together during the Spanish American War. Later during the construction of the Panama Canal, Sam's company received the shipping contracts from the US government to send materials and other resources to Panama during the canal's construction. It is rumored, though not confirmed, that Sam took the picture of Teddy Roosevelt working the steam shovel on the canal. Throughout the years, the White family and WSIE have been strong supporters of American business interests as well as the Republican Party. During the first and second World Wars, WSIE committed all of their ships to the dangerous waters of the Atlantic and the Pacific to support the war effort by supplying materiel, and solidified all of their contracts with government guarantees to ensure their ships got through and received adequate protection.

Bob White was a rogue in the White family, though a dashing and handsome womanizer and full of charisma. His childhood and early manhood involved many scandalous acts. He was arrested three times on drug possession charges as well as four drunk driving incidents (two of which occurred after his license was suspended). On his 21<sup>st</sup> birthday, he stole a private, single engine Cessna airplane, managed to get it airborne, but crash-landed in the swimming pool at the summer residence of the Vanderbilt estate. After barely passing in college (and interestingly shortly after a \$10 million endowment was created by the White family for the university), Jeremiah White demanded his son enter the military. Bob enlisted, was made a second lieutenant, and was sent to fight in the first Iraq Gulf War. Despite a record of insubordination (before a military court, Bob declared in open testimony that some rules were made for some soldiers, but not for the good soldiers like him), drunk on duty and the cause of numerous brawls among soldiers, Bob performed bravely, receiving numerous citations.

After his service, Bob returned to the United States to take a position in WSIE. However, based on poor management, three lawsuits (all of which were settled out of court), and four harassment charges,

Jeremiah terminated his son's employment and banished him from the family business. Jeremiah then provided the seed money and transferred some assets to Bob to create, "Bob's Boats Ltd."

Bob's Boats became successful almost overnight. Using connections made from the Gulf War and extensive travels, which included parties with children of the world's elite, Bob White made Bob's Boats thrive by connecting commodities supplies mostly from Latin America with purchasers throughout the world. Commodities include agricultural products as well as minerals. Though well connected, most of Bob's Boats business and its contacts are in the developing world.

In 2014, after the US Treasury Department indicted Bob's Boats Ltd for tax evasion, the company settled for an undisclosed amount then moved its headquarters to Panama. However, Bob's Boats continues to maintain a subsidiary in Los Angeles. The company also has subsidiaries in Switzerland, the UAE and Hong Kong. A significant amount of its import-export business is financed through rolling cash flows from purchases and sales, which account for significant swings in balances at banks as well as large payment activity. Bob's Boats Ltd maintains numerous bank accounts including a large USD cash account at Intercontinental Bank Balboa ("IBB"), headquartered in Panama.

#### Personal Information:

Robert "Bob" Jeremiah White

Citizenship: USA

Born: January 4, 1972

Height: 6 feet

Weight: 185 pounds

Eyes: Blue

Hair: Blond

Mary White [formerly Maria Sophia Raad-Zhimbromovich]

Citizenship: USA; Russian; Iranian

Born: March 15, 1974

Height: 5 Feet 7 inches

Weight: 115

Eyes: Green

Hair: Brown

#### Children:

- Boris
- Sam
- Anastasia ("Anna")

### **Bob's Boats Ltd**

Ownership: Robert "Bob" White (75%); White Family Trust (25%)

Registered Address: Bob's Boats Ltd. 12 High Street, Tortola, BVI

Formation: January 1, 2003

ID Number: 1256234

Registrar: Mossack Fonseca, Panama

Corporate Officer: Robert White, President. Vladimir Oksanov (Corporate Secretary)

Physical Address: Bob's Boats Ltd., Torre Blanco, Piso 44, Panama City, Panama

Panamanian ID Number: 762898276

Organization Chart: Per information received from Bob's Boats, the company is 75% owned by Robert White and 25% owned by the White Family Trust. Bob's Boats Ltd owns four subsidiaries including:

- Bob's Boats LLC (Hong Kong)
- Bob's Boats FZE (UAE)
- Bob's Boats Ltd (USA)
- Bob's Boats Stiftung (Zurich)

UBO Information:

75% Robert Jeremiah White. Born: January 4, 1972. Citizenship: USA. Passport Number: 223312847

25% White Family Trust – Trust organized under the laws of Delaware, USA in 1956. No one person is a beneficiary of more than 5%.

Description of business and size:

Company is privately held. It is engaged in import-export activities, although periodically also engages in physical shipment of products by leasing cargo ships (the latter is a declining and is a small percentage of the business). Commodities include a variety of agricultural products (chiefly grains) and minerals (coal, iron, copper, gold, and rare earth metals). The company will also occasionally buy and sell machinery. Suppliers are typically located in Latin America. Buyers are typically located in Asia and the Middle East.

Corporate officers and contact details:

Bob White, President & CEO: 507-647-3546

Ming Zhou, SVP Marketing: 507-647-8989

Sorab Khan: SVP Relationship Management: 507-647-3434

Sergei Kasperov, Treasurer & CFO: 507-647-2100

Total Number of Employees: 57

Basic Financial information:

- Consistent profitability of \$63 million, \$54 million and \$37 million for each of the previous three fiscal years. Sales for the calendar year 2018 totaled over \$500 million.
- Audited financial statements provided unqualified assessments using international accounting standards by the firm. Schroeder & Dowd PLC, Gibraltar.
- Public Debt: None

Selected News:

- On October 4, 2014, Bob's Boats settled an undisclosed amount with the US Treasury Department, Internal Revenue Service for unpaid taxes. Without admitting or denying wrongdoing, Bob's Boats

has reached an agreement, which Mr. White has described as a “charitable donation to the US government,” since he claims his company did nothing wrong, but he wanted to put the past behind him. Mr. White also indicated that his corporate headquarters had officially moved to Panama.

- Photograph and article in La Prensa, Panama on February 9, 2016 pertaining to a \$5 million donation made by Bob White and Bob’s Boats to the engineering school of the Technical University. Bob White was also commended for a \$1 million donation to Catholic Church sponsored development in Latin America.
- Photograph of Bob White, Jeremiah White and Donald Trump taking turns at a putting green on June 14, 2017.
- Photograph of Bob White and Kassim Tajideen at a chic restaurant in Singapore on May 12 2018.
- Photograph of Bob White and Sorab Khan in Moscow during a party attended mostly by weapons dealers from the third world during the Russian Military Exhibition as part of the May Day celebrations, May 1, 2017.
- On February 12, 2019, the ICIJ reported on leaked information that, among other names of persons and entities, Bob White and “Bob’s Boats Ltd” owned or controlled no less than 82 companies, of which at least 68 were shell companies. One company, Flying Carpet LLC, is reportedly a joint venture between Bob’s Boats and Allah Industries, an entity owned by the government of Iran. Another company, Stag’s Commodities, was investigated and alleged to be owned by Bob White and Reza Zarab. Reza Zarab was indicted for money laundering, gold smuggling, fraud, violating US Iranian sanctions and a host of other crimes. He cut a deal with the US Justice Department in order to be set free. Neither Mr. White nor Bob’s Boats commented on the allegations.
- On July 14, 2016, the Inquirer of New York reported on an alleged detention of Bob White along with senior diplomats and exclusive escorts at a business development conference in Sochi. Bob White’s agents and all government offices declined to comment.

## **Background to Mary White and Mary’s Table Ltd**

### **Mary White**

Bob White’s wife, Mary, has a relatively small cash account at IBB in the name of “Mary’s Table Ltd.” Mary’s Table is one of the most exclusive restaurants in Panama as well as the world.

Mary White was originally named Maria Sophia Raad-Zhimbromovich. She is the daughter of a former senior Russian officer and granddaughter of General Boris Zozzelvermirovich, who was a trusted advisor of Soviet Premier Khrushchev and served under General Zhukov in the Second World War. Her father, Alexei Zhimbromovich, was a decorated officer in the Soviet army in Afghanistan before being transferred to the KGB, where he became a successful operative. He met his wife, Reza Raad while stationed in Iran. After Mary was born and studied at Moscow State University and the Sorbonne in Paris, earning a degree in precious art and antiquities, she met Bob White in Dubai. They fell in love during a scandalous party in the UAE, and were married three weeks later. The marriage was not approved by either family, but that did not stop them. Mary White holds passports from Russia, Iran and the United States.

Mary has exquisite tastes in fashion, food and the arts. With seed money from Bob, she established an exclusive restaurant, "Mary's Table," in Panama City. She hires only chefs and waiters who have spent at least five years working at Michelin-rated restaurants, and will fire anyone that fails to meet her high expectations. Mary's Table is styled as a Second Empire salon. The furniture and fixtures were imported antiques from France, Spain and Italy as well as ancient Greece, Rome and Persia. Food is served on fine china. On most evenings, a six-piece orchestra plays gentle classical music. Generally, the waiting list to receive a reservation for dinner is 6 months and lunch is four months, with the exception of certain VIPs that only Mary will approve.

## **Mary's Table Ltd.**

Ownership: 100% Mary White

Name and address (both registered and physical):

Registered Address: Mary's Table Ltd. 12 High Street, Tortola, BVI

Formation: December 13, 2012

ID Number: 12098787

Registrar: Mossack Fonseca, Panama

Corporate Officer: Mary White, President. Vladimir Oksanov (Corporate Secretary)

Accountant: Schroeder & Dowd PLC, Gibraltar.

Physical Address: Mary's Table Ltd., Torre Blanco, Piso 50 (Observation Deck), Panama City, Panama

Panamanian ID Number: 987394768

Description of business and size: Exclusive four star Michelin rated Restaurant serving lunch and dinner. Seating capacity 85 people plus secluded dining room for up to 20 people. Pricing: Wine (\$250 to \$10,000); Appetizer (\$35 to \$121); Entrees (\$75 to \$125); Dessert (\$35 to \$175). Average dinner/lunch in 2018 was \$700 per person. Company has been written up in nearly all social magazines around the world in 35 languages. The spectacular view has made it a first choice for the world's wealthiest.

Sales: Declared sales of \$40,000,000 in 2018.

Corporate officers and contact details:

- Mary White, President & CEO: 507-647-6543
- Sergei Kasperov, Treasurer & CFO: 507-647-2100

Total Number of Employees: 43

Basic Financial information: Restaurant declared \$40 million on cash sales in 2018. Most expenses paid in cash per Mary White. Little to no cross border payments facilitated through IIB; but flows totaling approximately \$10 million from August 1, 2018 through June 1, 2019 have been processed through the IBB account.

Audited financials: None

Selected News:

- Mary White receives the culture award from the French government for contributions made to her alma mater, the Sorbonne.

- February 4, 2017 – Explicit photo appearing in the Star newspaper of London shows Mary White and “Pool Boy” at exclusive resort in Bangkok, in what her agent described as a gentleman assisting with a “wardrobe malfunction.”
- January 29, 2018, Mary White was recognized for her \$7 million contribution to build an orphanage in Honduras and Nicaragua, administered through an independent relief agency.
- An article in the New York Times dated March 15, 2018 implied that Mary White may have had some connections or information with regard to stolen artifacts from Iraq as well as stolen artwork of the Dutch masters and French impressionists, since they were found in Nazi storage facilities and subsequently disappeared again after being traced to Dubai. Interpol continues their investigation.

# Daily Bulletin

## Course Day 1.

### Setting:

As a law enforcement agent in the Country of Panama, you receive a call from your US law enforcement counterpart, FBI Special Agent Gary Sparks, working from the US Embassy in Panama City. The law enforcement agencies of the United States and Panamanian governments have worked closely with a number of matters in the past, and you know Gary. You have a good working relationship.

Gary calls to brief you and refer a new case. The suspect in question is a company named, "Bob's Boats." The FBI has reason to believe that Bob's Boats is engaged in a number criminal activities, among them money laundering, corruption, smuggling, narcotics trafficking and weapons trafficking. Actually there are a number of entities incorporated throughout the world with this same name, and all are believed to be related. The primary entity, Bob's Boats Ltd, is incorporated in the British Virgin Islands ("BVI"), but is physically located in Panama City, Panama. The primary bank, but not the only bank used by the entire Bob's Boats organization, is Interconti Bank Balboa, a well-known medium-sized bank located in Panama. Interconti Bank Balboa is engaged in commercial and retail banking, and also offers private wealth management and securities services.

Gary tells you that Robert "Bob" White is the primary owner of Bob's Boats. He is a US citizen and son of a prominent family. His father essentially disowned him, after bankrolling the creation of Bob's Boats, which is independent of the family business. Both Bob and his family have a number of connections in governments and industries around the world. There are a number of scandalous reports regarding Bob in the public record.

Gary tells you he is sending you confidential information received from a large correspondent banking provider as well as a memo on Bob's Boats from the US Department of Justice. Included in the memo from the US Department of Justice is also a briefing on Bob's wife, Mary White. Mary and her business, an exclusive restaurant, are under investigation in Europe for money laundering activity in connection with stolen antiquities and rare art. He reminds you that the intelligence contained in the reports are confidential and should be kept "Secret." He invites you to work together and collaborate on this investigation. [By way of background, you have already been informed from your superiors that Gary would contact you, and you have been instructed to open a case and lead an investigation.].

**Payment Flows Bob's Boats Ltd.**

<b>Trans Date</b>	<b>Amount</b>	<b>Originator</b>	<b>Org Address</b>	<b>Originating Bank</b>	<b>Org Bank Address</b>
03-Jun-19	\$ 5,300,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
26-May-19	\$ 27,500,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
02-May-19	\$ 24,750,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
03-Apr-19	\$ 2,534,000	Bob's Boats	BVI	Interconti Bank Balboa	Panama
28-Mar-19	\$ 9,750,890	Bob's Boats	BVI	Interconti Bank Balboa	Panama
26-Mar-19	\$ 42,175,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
23-Feb-19	\$ 28,950,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
30-Jan-19	\$ 37,500,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
26-Jan-19	\$ 2,534,000	Bob's Boats	BVI	Interconti Bank Balboa	Panama
27-Dec-18	\$ 43,430,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
31-Oct-18	\$ 22,500,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
29-Sep-18	\$ 42,360,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
12-Sep-18	\$ 2,534,000	Bob's Boats	BVI	Interconti Bank Balboa	Panama
27-Aug-18	\$ 23,450,000	Bob's Boats	Hong Kong	Quiet Bank	Hong Kong
16-Aug-18	\$ 15,213,267	Bob's Boats	Panama	Interconti Bank Balboa	Panama
04-Aug-18	\$ 22,500,000	United Aircraft Co	Seychelles	Belgrade Bank	Serbia
03-Aug-18	\$ 2,534,000	Bob's Boats	BVI	Interconti Bank Balboa	Panama
<b>18 wires</b>	<b>\$ 355,515,157</b>				
<b>10 Interco</b>	<b>\$ 297,915,000</b>				

<b>Intermed B</b>	<b>Beneficiary Bank</b>	<b>Bene Bank</b>	<b>Beneficiary</b>	<b>Bene Address</b>	<b>Pymt Details</b>
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	JPMorgan	USA	US Treasury IRS	USA	Tax pymt for affiliat
	Banco Brazilia	Brazil	Odebrecht	Brazil	New Building
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	JPMorgan	USA	US Treasury IRS	USA	Tax pymt for affiliat
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	JPMorgan	USA	US Treasury IRS	USA	Tax pymt for affiliat
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	
	JPMorgan	USA	John Deere	USA	Farm Machery
	Interconti Bank Balboa	Panama	Bob's Boats	BVI	Airplane leases
	JPMorgan	USA	US Treasury IRS	USA	Tax pymt for affiliat



**OECD International Academy for Tax Crime Investigation**

*Investigative Techniques for the Effective Use of Banking Information*



# ORGANIZATION OF THE FINANCIAL SERVICES INDUSTRY

**Douglas Sloan**  
**May 2022**

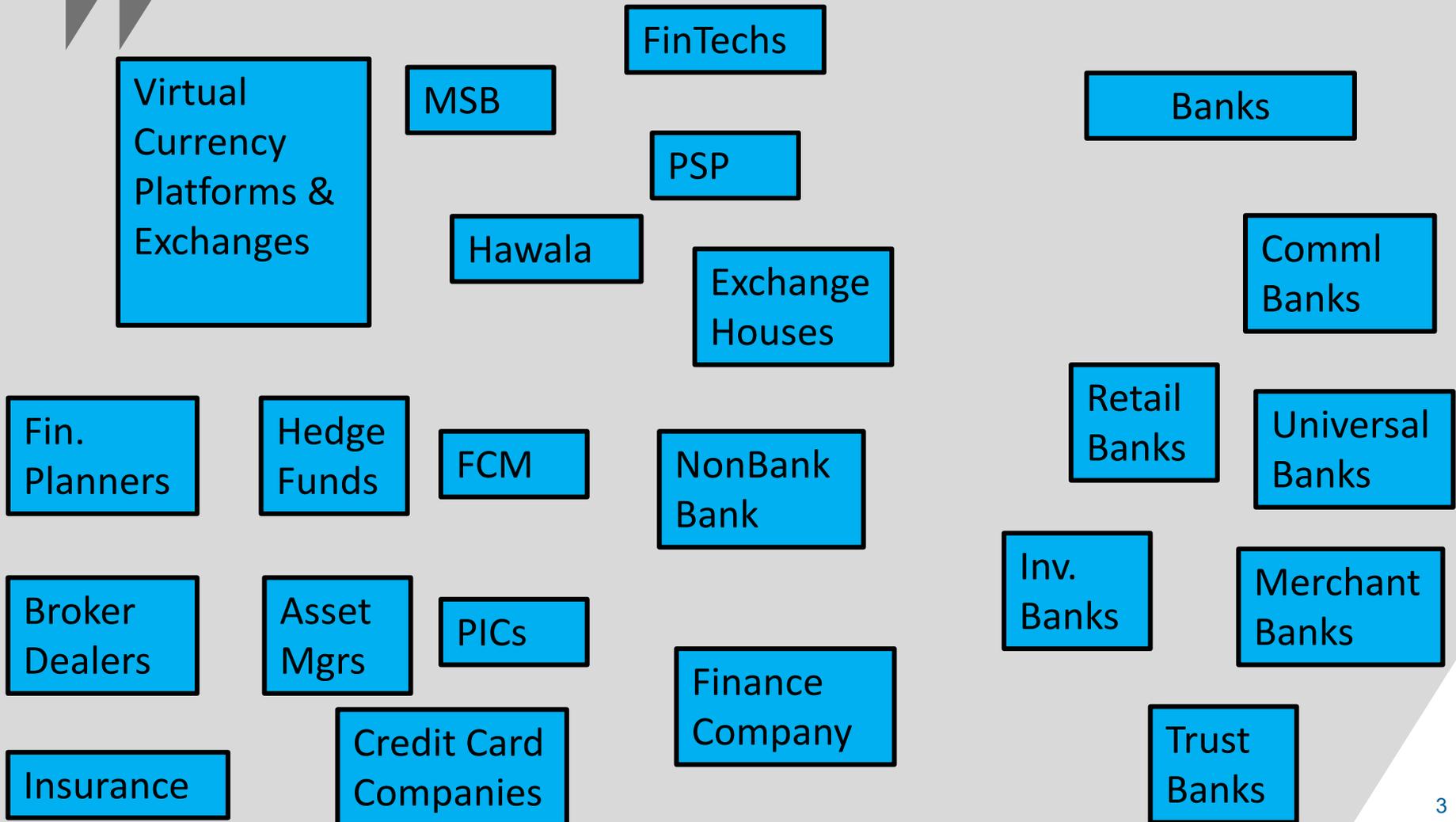


# Discussion Topics

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- Entities & Regulation of the Financial Services Industry
- General Organization of Financial Institutions
- Banks – The direct or indirect center of it all
- Structural Weaknesses in the Financial Services Industry

# FINANCIAL ENTITIES IN THE GLOBAL FINANCIAL SYSTEM





# Types of Companies in the Financial Services Industry - Parameters

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- Purpose of company
- Regulated & Supervised; Regulated & Unsupervised; Unregulated & Unsupervised
- Products and services offered
- Size and scope; customer base; products and services offered and geographic location of company and/or customers can determine if (and to what extent) a financial services company is regulated and/or supervised



# Types of Companies in the Financial Services Industry

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- Banks (universal, commercial, retail, wealth management, trust banks, merchant banks, ...)
- Securities Brokers/Dealers
- Investment Advisors
- Hedge Funds
- Asset Management Companies
- Insurance Agencies
- Finance Companies and NonBank Banks



# Types of Companies in the Financial Services Industry (continued)

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- Forfaiting/Factoring Companies
- Mortgage Companies
- Money Service Businesses (MSBs)/Payment Service Providers (PSPs)
- Credit Card Companies
- Commodities/Futures Brokers
- Special Note: Virtual Currencies

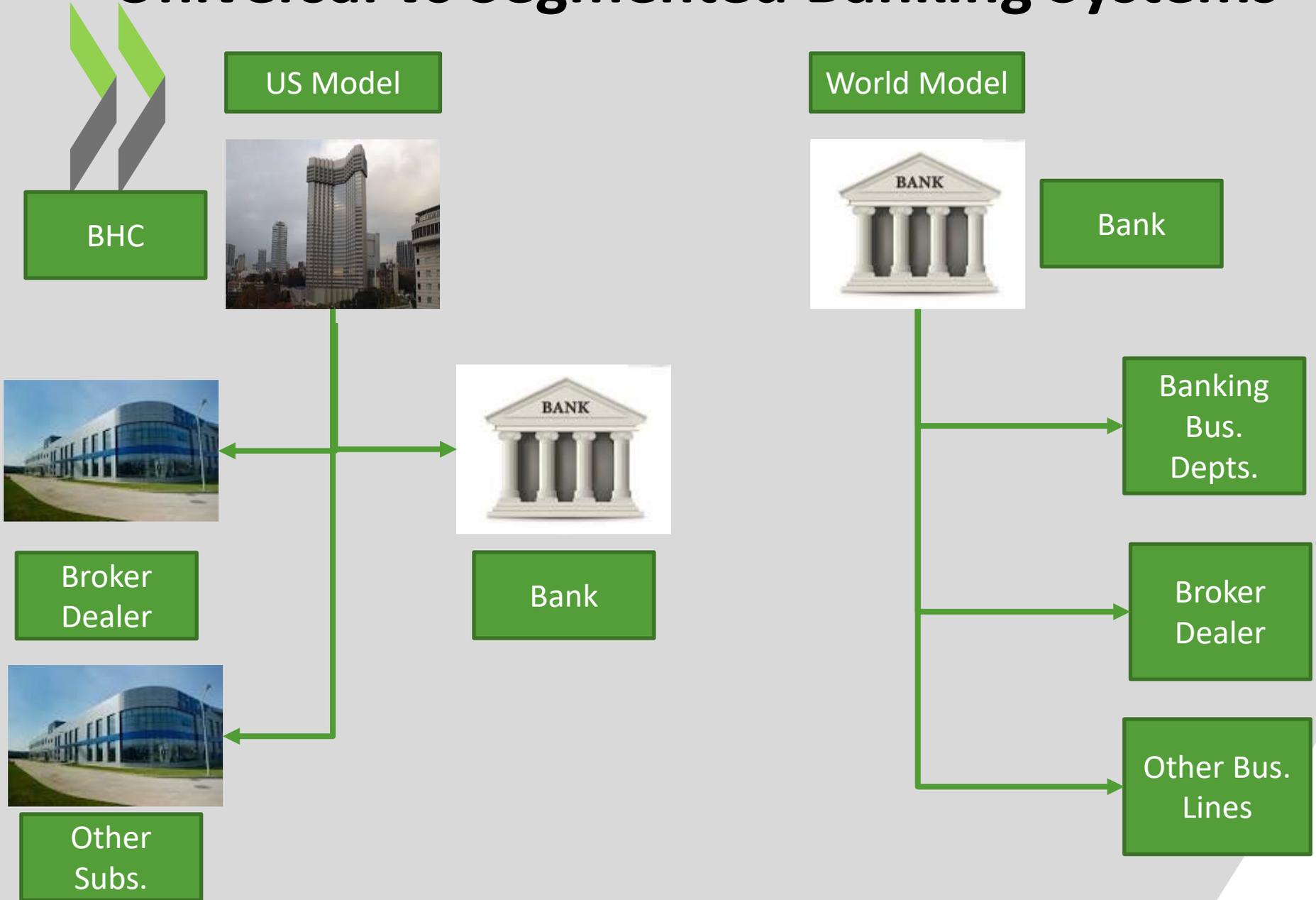


# Focus on Banks

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- Most basic definition of a bank: Any company that takes deposits AND makes loans.
- Nearly all banks are under some form of regulation and supervision. Depending on the jurisdiction depends on the size, scope, and sophistication of supervision. The record of enforcement of AML laws and regulations upon banks varies widely.
- Universal Banks are permitted in most jurisdictions of the world, including the European Union. Permissible financial products and services for banks in the US are limited. However, Bank Holding Companies (BHCs) may own banks as well as other types of financial companies (e.g. broker dealers), thus allowing the BHC organizations to compete in the international financial markets.

# Universal vs Segmented Banking Systems





## Focus on Banks continued

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- The greatest means to investigate, detect, and report money laundering activities remains at banks as banks remain the most common essential link directly or indirectly connecting all financial activities in the world. For this reason, the most stringent AML requirements are imposed upon banks.
- However, the more indirect the connection to banks (e.g. processing transactions for customers' customers; maintaining custodian accounts for hedge funds; etc) the greater the challenge to connect criminals to their money, gather evidence, and prosecute crimes.



# Purpose of Bank Regulation

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- In general, banks are among the most regulated industries in the world (along with the pharmaceutical industry and the airline industry). This is due to their critical role in maintaining the safety and soundness of the economy, society, and the financial activities of any given country, region or the world.
- Intense regulation is also due to the inherent conflicts of interest of banks. Banks are all about money and maximizing usage, such as return. They are often driven by greed. They are driven by competition of other banks (and other financial institutions). They are driven by profit maximization against overly aggressive risk. They are conflicted by bank optimization vs client optimization. They are conflicted by securing sales of products based on limited capital resources. They are conflicted by revenue generation and the expensive costs to maintain the balance of infrastructure. Individual staff are conflicted by revenue generation and competing against other colleagues. In short, these are environments challenged by greed and fierce competitors.



# Internal Structure of Banks

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- Banks maintain very strict internal control structures, many of which are dictated by regulation. Furthermore, what banks do (i.e. products and services offered), how they offer these, and with which customers are often relatively highly regulated.
- The internal control structure of bank personnel and their function is most characterized by segregation of duties. This is done to minimize conflicts of interest; focus the scope and purpose of work; and balance the professional judgment of personnel in order to better manage the bank.

# Typical (Bank) Organization Chart



Board of Directors

Executive Management

Multiple Dept Heads

Front Offices

Middle Offices

Back & Infrastructural Offices

Sales Dept

Legal & Compliance

Sales Dept

Trans Processing

Accounting and Reporting

Treas & Trading

Risk Mgmt

Client Mgmt

Personnel

Audit

IT Dept



# Structural Weaknesses in the Financial Services Industry

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- Scope of regulation, supervision and/or enforcement varies
- Systemic transparency issues in securities trading
- Limited regulation of some entities
- Lack of emphasis by some regulatory agencies of AML compliance
- Privacy regulations of investors
- Privacy regulations of investment activities
- Limitations to global coordination and communication of regulatory compliance



# Know This About Financial Crimes

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- Take anything of value; especially a financial product or service, and you can laundering money.
- Criminals are expert about understanding and abusing the financial system. Depending on their crime, the proceeds of their crime, and the flows of income (and expenses), and the stage of money laundering (placement, layering, integration/investment) they quickly learn:
  - The best financial products and services to support their needs.
  - The means to laundering their proceeds to minimize the risk of detection.



If you are interested in exploring the possibilities for collaboration and strengthening your abilities...

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President  
Catamount Huntsman

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+1-917-565-7695



**OECD International Academy for Tax Crime Investigation**

*Investigative Techniques for the Effective Use of Banking Information*



# **CORRESPONDENT BANKING – FOLLOW THE MONEY**

## **HOW GLOBAL PAYMENTS FLOW, EVIDENCE COLLECTION & BANK COLLABORATION**

**Douglas Sloan**  
**May 2022**

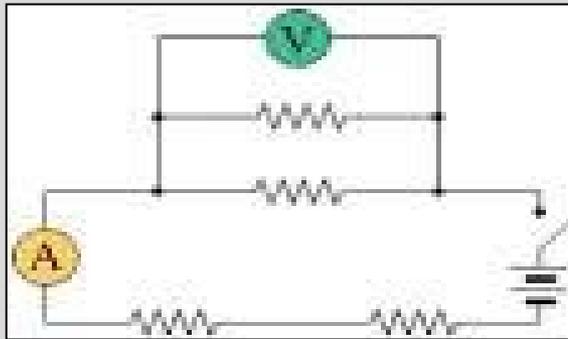


# Discussion Topics

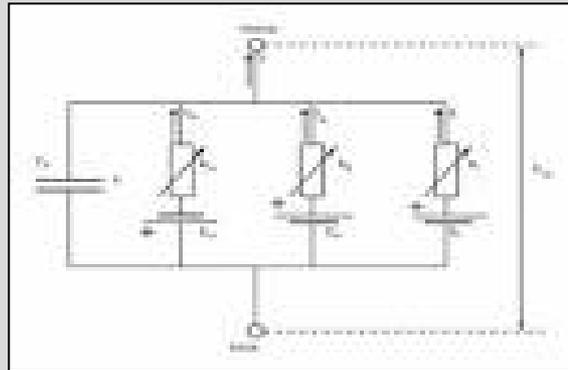
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- Correspondent Banking - - Cross border payments (e.g. SWIFT MT103/MT202cov) explained.
- Law Enforcement & Bank Collaboration
- Common Money Laundering Techniques

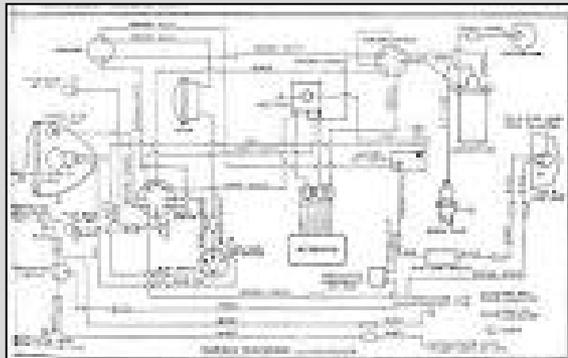
# Circuit Diagrams as Wire Transfer Analogy



Simple



Standard



Complex



# STANDARD MEDIUMS OF EXCHANGE



Cash

SWIFT

Wires

Money  
Orders

Doesn't even  
cover some  
foreign  
mediums

ACH

EFT

FedWire

Checks

Travellers  
Checks

Virtual  
Currency

CHiPs

Credit &  
Debit Cards

ICH



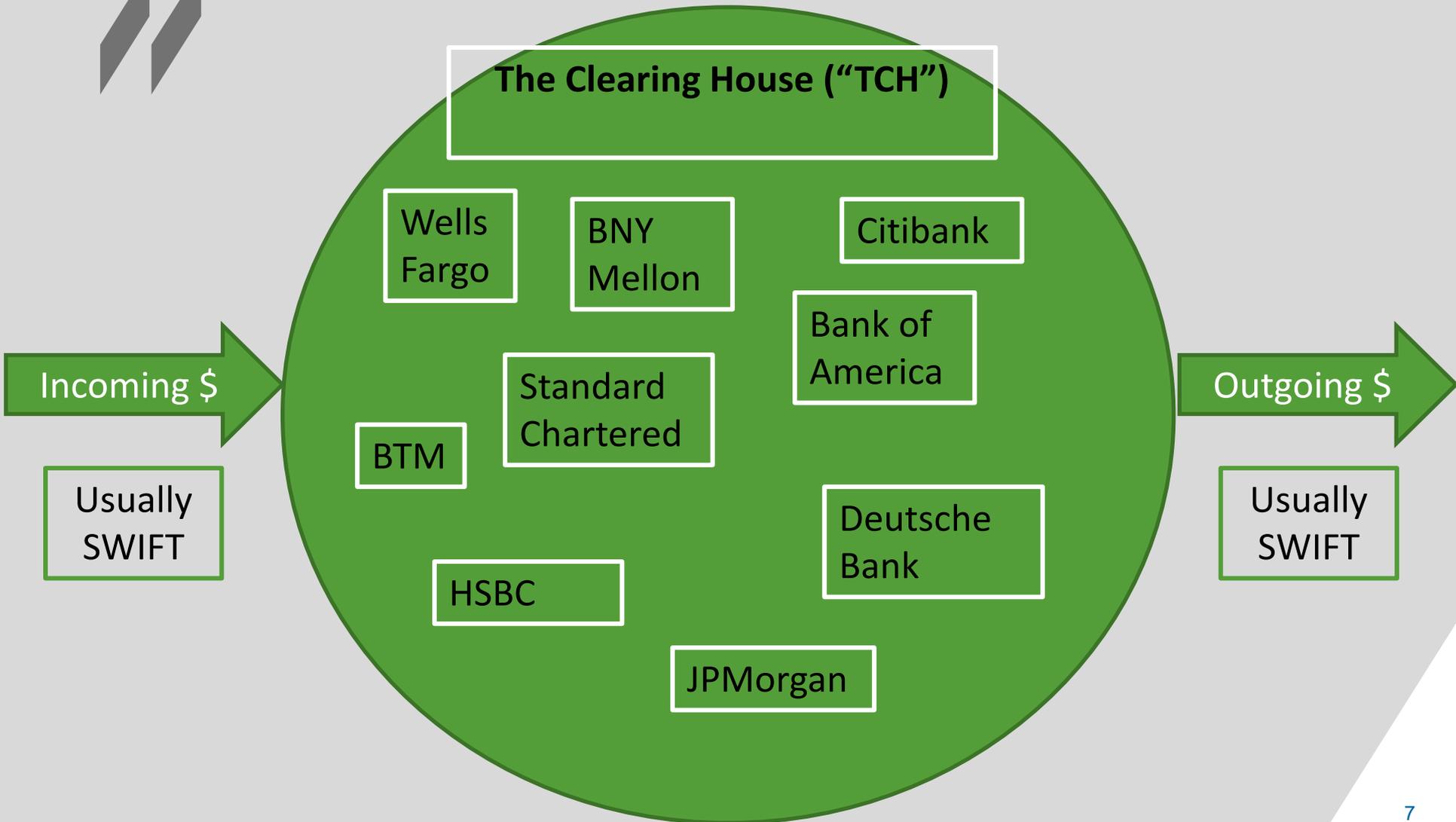
# MAJOR MONEY CENTER & CORRESPONDENT BANKS

The major money center banks are also the major correspondent banking providers. Along with other large banks, they act as the primary processors of US and global US\$ payments.

## Chief Characteristics of Money Center & Correspondent Banks

- No two banks are the same
- Depends on Bank
- Depends on the Currency
- Depends on the Market

# PRIMARY PROCESSORS OF GLOBAL US\$ PAYMENTS





# Basic Wire Transfer

Originator

Originating  
Bank

Intermediary  
Bank

Beneficiary  
Bank

Beneficiary





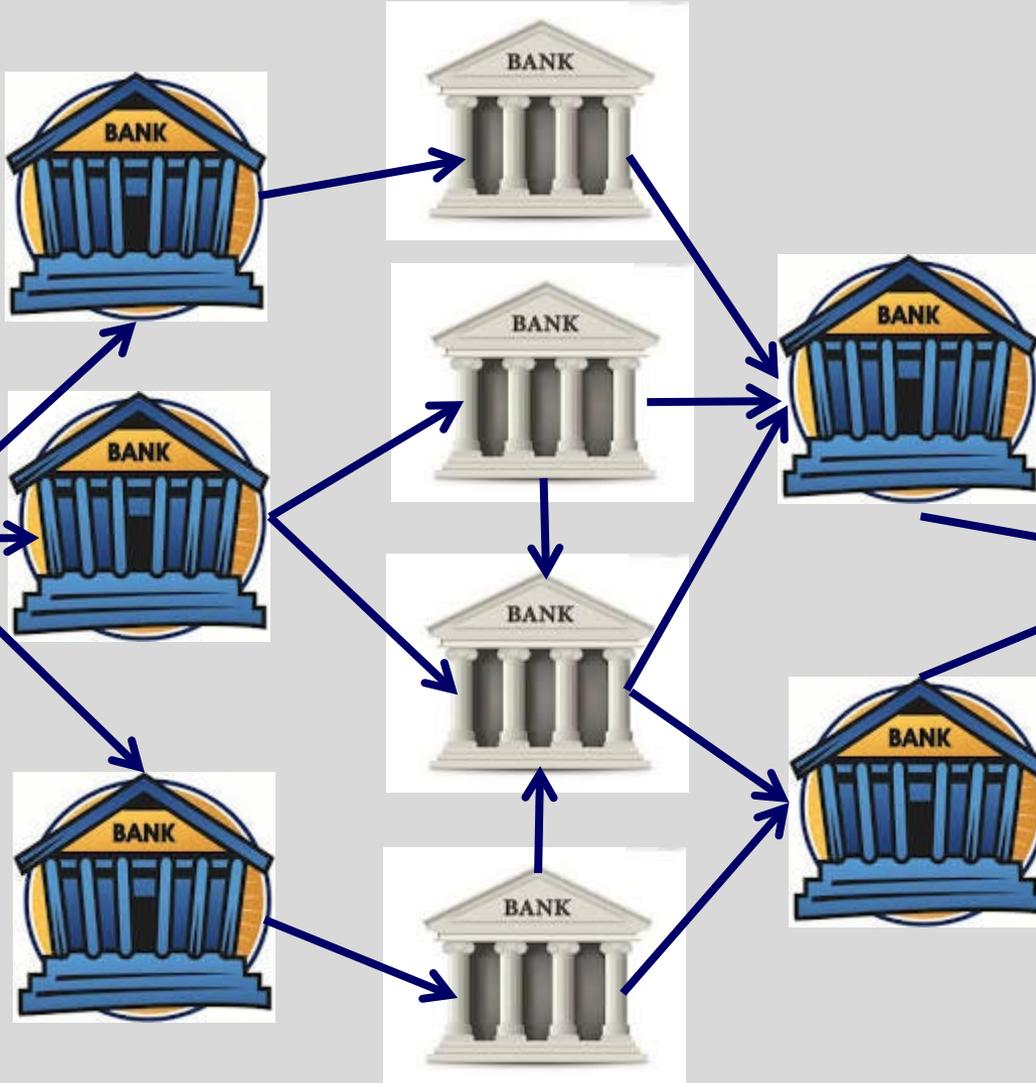
# Basic Wire Transfer

## Multiple Intermediaries



## Basic Wire Transfer

# Multiple Institutions





## Complex Wire Transfer



## Train Ticket



### HAPPY RAILS TRANSPORTATION

Reservation Number: XN45BT39283

Reservation Date: August 31, 2020

Fare: \$237.89

Class: Economy

Date: September 16, 2020

Passenger: Douglas Sloan

Passenger Number: A12345

Departure: B&O Station. Akron, Ohio

Train: 3478 Midnight Express

Destination: Union Station. Harpers Ferry, WV

Transfers: Penn Station, Newark, NJ

Train: 2648 Regional InterCity



# Contents of a SWIFT MT103/202Cov

---

- Date
- Amount
- Originator
- Originator Address
- Originator Bank and BIC
- Beneficiary Bank and BIC
- Beneficiary
- Beneficiary Address (Optional)
- References/Memo Field (Optional)

## Standard SWIFT MT103/MT202Cov [appearances may vary]



TXN #: 564794047494  
Transaction Date Date: August 31, 2020  
Transaction Amount: \$12,237.89  
ORG: Bob's Boats  
ORG Account #: 009-87-68574  
ORG Address: 123 Sesame Street, Paris, France  
ORG Bank: HSBC Paris  
ORG Bank SWIFT #CCFRFRPP  
Intermediate Bank: Bank of America  
Bene Bank: Deutsche Bank Hamburg  
Bene Bank SWIFT #: DEUTDEHH  
Beneficiary: Al Capone  
Bene Account #: RT783674842  
Bene Address: 64-16 Talbot Street, Seoul, Korea  
Memo: Payment for contract number 34453

The SWIFT Code or BIC Code is 8-11 characters including: 4 letters for the bank; 2 letters for the country; two letters or numbers for location. An additional 3 digits is optional for the primary office.



**Analyzing a series of payments over a given time period is crucial for understanding the activities of your target/suspect and building on the cope of your investigation.**

TXN Date	Base Amount	Originator Name	Originator Account ID	Originator Address Street	Originator Address City	Originator Country Code	Originator's Bank Name	Beneficiary Name	Beneficiary Account ID	Beneficiary's Bank Name	Bank to Bank Instructions
RXN_EXCTN	RXN_BASE_AM	SCND_ORIG_NM	SCND_ORIG	SCND_ORIG	SCND_ORIG	ORIG_ADDR_C	ORIG_NM	SCND_BENE	SCND_BENEF	BENEF_NM	BANK_TO_BANK
15-Jun-07	\$29,973.02	Chester Chan	12345	Suite 4 Chen	BEIJING	CN	BANK OF CHINA	Bad Guy	74310753794	BANK INDONESIA	FOR LIVING COST
29-Oct-10	\$100,950.00	Desert Heat	21296-00	PO Box 89	SANAA	YE	UNITED ARAB BANK	Bad Guy	1001565223	COOPERATIVE BANK	Consulting Fee
18-May-09	\$10,000.00	Bad Guy	ad67898	7th Avenue,	LAGOS	NG	ECOBANK NIGERIA	NewCo Ltd	sdrea	JPMORGAN CHASE	Invoice 23423425
1-Sep-10	\$69,001.94	Bad Guy	12345678	7th Avenue,	SHARJAH	AE	UNITED ARAB BANK	Bobs Boats	HY98036	UBS BANK	Electronic Goods
1-Oct-10	\$100,950.00	Bad Guy	876543456	7th Avenue,	SHARJAH	AE	UNITED ARAB BANK	Bobs Boats	HY98036	UBS BANK	Trade Goods
30-Aug-10	\$1,400,000.00	DW82902652543	Bad Guy	6 Maple Ave	CALGARY	CA	TD BANK	Bobs Boats	LB20005600	BANK AUDI S.A.L	Investments
30-Jan-13	\$40,000.00	Muhammad Ali	678946	21 Safari Wa	KANO	NG	FIDELITY BANK	ABC Corp	053-05533	HSBC HONG KONG	B/O Jessie James



# Law Enforcement & Bank Collaboration

---

- Who to Serve & with What (MLATs; Egmont; Interpol; Subpoenas
  - Which Government? (what info do you want?)
  - Who in the US? (Fed, CHiPs, Money Center Banks)
- Each bank is different
- Serving subpoenas and bank SAR filing
- Using bank connections to obtain information overseas (pros and cons)
- Asset Seizure Orders
- Working in collaboration with overseas law enforcement and banks
- “Keep Open” letters
- Supporting undercover operations (e.g. stings)
- Law Enforcement working together



# Criminal Funds Flow Case 1. Intermediate step



# Criminal Funds Flow Case 1. Settlement step



## Criminal Funds Flow Case 2. Origination step



## Criminal Funds Flow Case 2. Intermediate step



## Criminal Funds Flow Case 2. Settlement step





# Common Money Laundering Techniques— Games People (Badguys) Play

---

- Spoke and Wheel
- PSPs & MSBs
- Facilitators and Anonymity (Lawyers, accountants, back office service providers)
- Let me do you a favor (one entity sends for another)
- Switch Entities
- Multiple firms with accounts at same bank
- Switch currencies on the wire
- Mexican Diversion
- Virtual currencies
- Hawala
- Loans & Taxes
- Other Schemes/Cases



# Spoke and Wheel



Sourcer A



Sourcer B



Collector



Originating Bank

Send Wire



Intermediary Bank



Sourcer C



# PAYMENT SERVICE PROVIDERS & MONEY SERVICE BUSINESSES



Originator  
PSP/MSB

Originating  
Bank

Intermediary  
Bank

Beneficiary  
Bank

Beneficiary



True  
Originator  
Instructs  
PSP/MSB

**Note: True Originator could also be true beneficiary or both!**



# Facilitators and Anonymity (Lawyers, accountants, back office service providers)

Originator  
Facilitator

Originating  
Bank

Intermediary  
Bank

Beneficiary  
Bank

Beneficiary

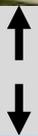


True  
Originator  
Instructs  
Facilitator

**Note: True Originator could also be true beneficiary or both!**

# LET ME DO YOU A FAVOR (ONE ENTITY SENDS FOR ANOTHER)

Originator  
On behalf of  
Another



True Originator

Asks friendly entity to send pymt on its behalf.  
They exchange value between themselves locally.

Originating  
Bank



Intermediary  
Bank



Beneficiary  
Bank



Beneficiary



Switch Entities.... Overlap the lifespan of a shell entity, transfer the assets, and continue the movement of funds.



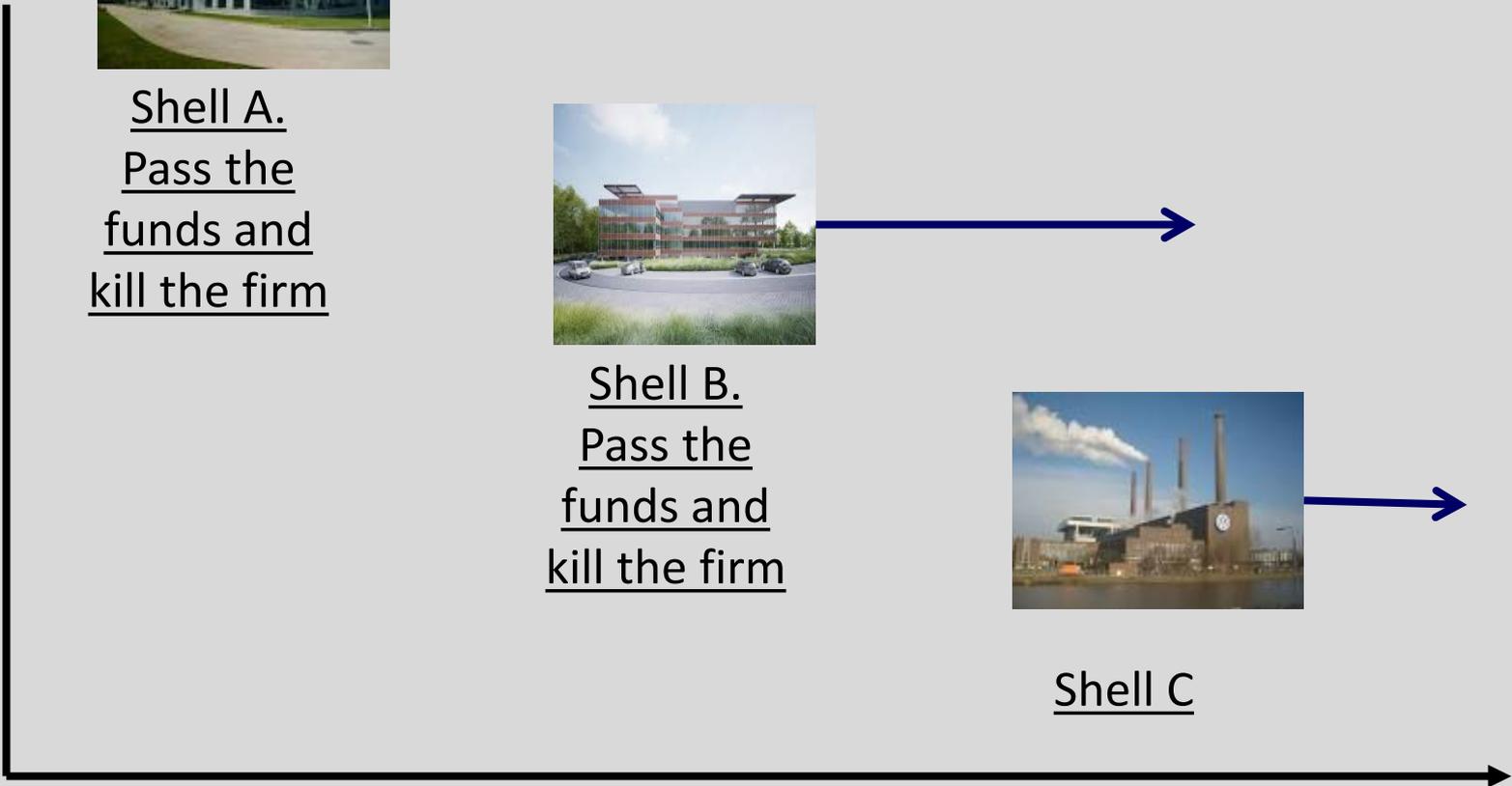
Shell A.  
Pass the  
funds and  
kill the firm



Shell B.  
Pass the  
funds and  
kill the firm

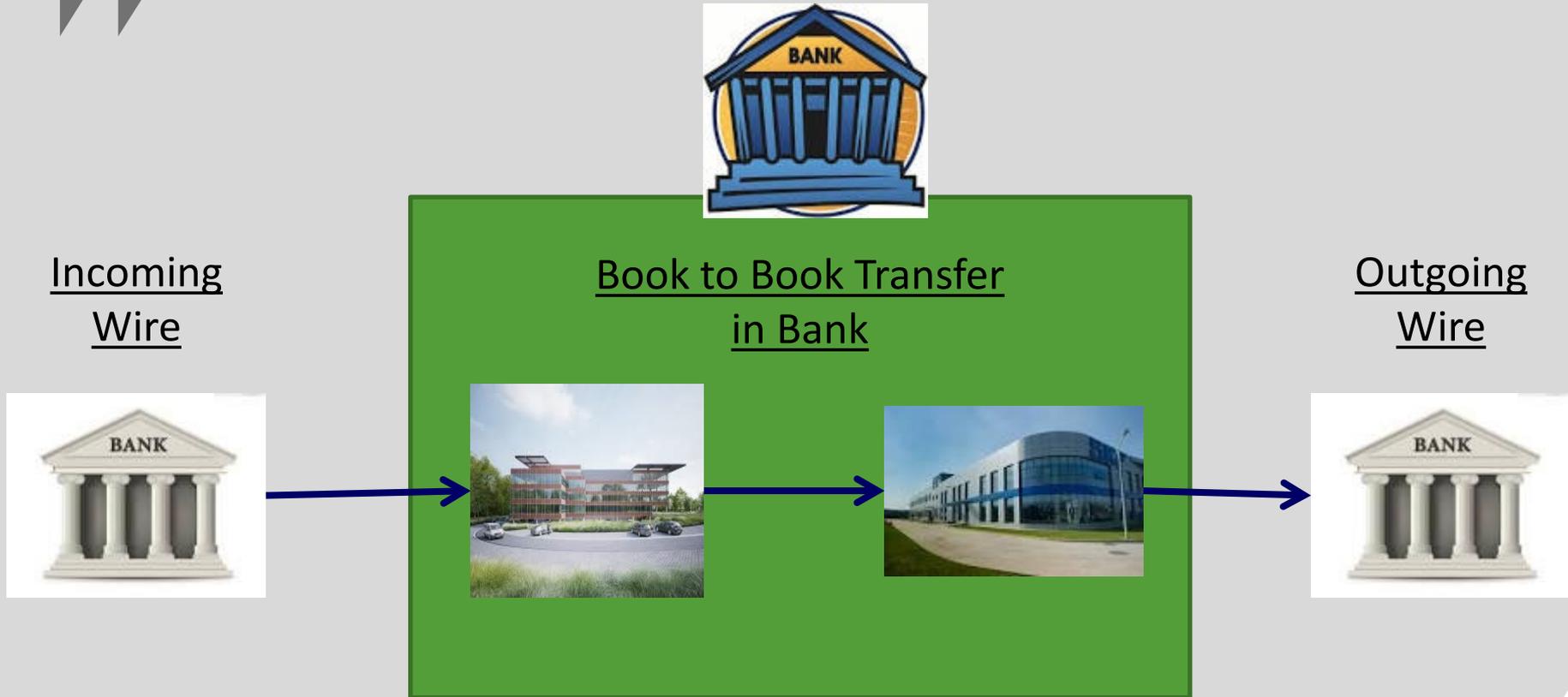


Shell C





Multiple firms with accounts at same bank – Separate the illegal flow using two payments switched inside a bank with a book-to-book transfer.





# SWITCH CURRENCIES ON THE WIRE

Originator  
Swiss Franc  
Pymt

Originating  
Bank  
Swiss Franc  
Pymt

Intermediary  
Bank  
USD Pymt

Beneficiary  
Bank  
USD Pymt

Beneficiary  
USD Pymt



First Intermed Bank

From original instructions, converts  
Swiss Franc Pymt to USD Pymt



# Mexican Diversion

Originator

Originating  
Bank

Intermediary  
Bank

Beneficiary  
Bank (MX)



Bene Bank  
Redirects based on  
customer advice

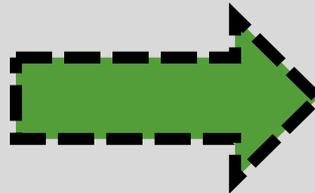


Beneficiary

Third Party



# VIRTUAL CURRENCY



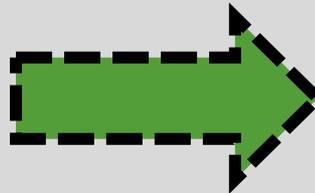
Criminal in country A  
purchases Bitcoin in  
local currency.  
Anonymously sends or  
“Sells” Bitcoin to  
criminal counterpart on  
other part of world.

Criminal counterpart in  
country B receives  
Bitcoin. Can hold or  
“sell” in currency of  
choice, and use or wire  
out as desired.

**NOTE:** Any wires can be conducted locally with complete break in transaction activity from one party to another; from one location to another. Many ways to structure the virtual currency exchange of value.



# HAWALA



Criminal in country A  
transact with Hawala  
Broker. Hawala broker  
receives or directs  
placement of  
funds/cash, and  
“communicates” with  
counterparty or with  
another Hawala broker.

Hawala Broker receives  
(coded) instructions  
from first Hawala Broker,  
and provides funds to  
the criminal beneficiary.

Both Hawala Brokers  
“settle” their own  
“ledgers.”



# LOANS, TAXES & TRANSFER PRICING

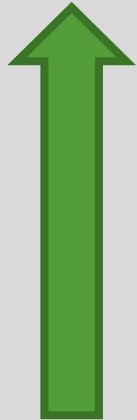
Parent Holding  
Company



Affiliate A



Affiliate B



Loans:

- In lieu of dividends, loans upstream to parent can reduce tax liabilities.
- Loans from parent to subsidiary (or vice versa) or from affiliate to affiliate can (but might not) violate transfer pricing laws and regulations; capital controls; and tax evasion; not counting other criminal laws and violations.
- Many offshore “shell jurisdictions” as well as jurisdictions with favorable intercompany transaction laws, permit certain favorable treatment allowing the use of loans (and other transactions) at non-arm’s length.



## Other Schemes/Cases

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- The inside job
- Strawmen
- Mirror Trading
- Flips
- Pump & Dump
- L/C Invoicing and Amendments



If you are interested in exploring the possibilities for collaboration and strengthening your abilities...

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