

Cross Border Cash Smuggling



OECD International Academy for Tax Crime Investigation

Conducting Financial Investigations



HM Revenue
& Customs



HM Revenue
& Customs

Aims and objectives

- Legitimate cash usage and cross border cash transportation
- Advantages and disadvantages of using cash
- What smuggled cash looks like
- The problem of bulk
- Criminal decision making
- Movement of criminal cash into other jurisdictions
- Bulk smuggling – hiding in plain sight!

Legitimate cash usage

- 3.4 billion US dollar banknotes in circulation with a value of USD 4 trillion
- 21 billion Euro banknotes in circulation with a value of 1.2 trillion Euro
- Cash still used extensively - particularly for low value transactions
- Therefore banks still need cash on a day to day basis

Advantages of using cash

- Cultural issues
- Cash is widely accepted
- Cash is quicker
- Discounted goods
- Interest and fees
- Cash is dependable in a crisis
- Store of value

Disadvantages of using cash

- Heavy and bulky to transport
- Vulnerable to theft
- Cash hoarding restricts wealth
- Cash restricts purchasing options
- Making remote payments requires the cash to be transported
- Cash is costly to count and process

Legitimate cross border cash transportation

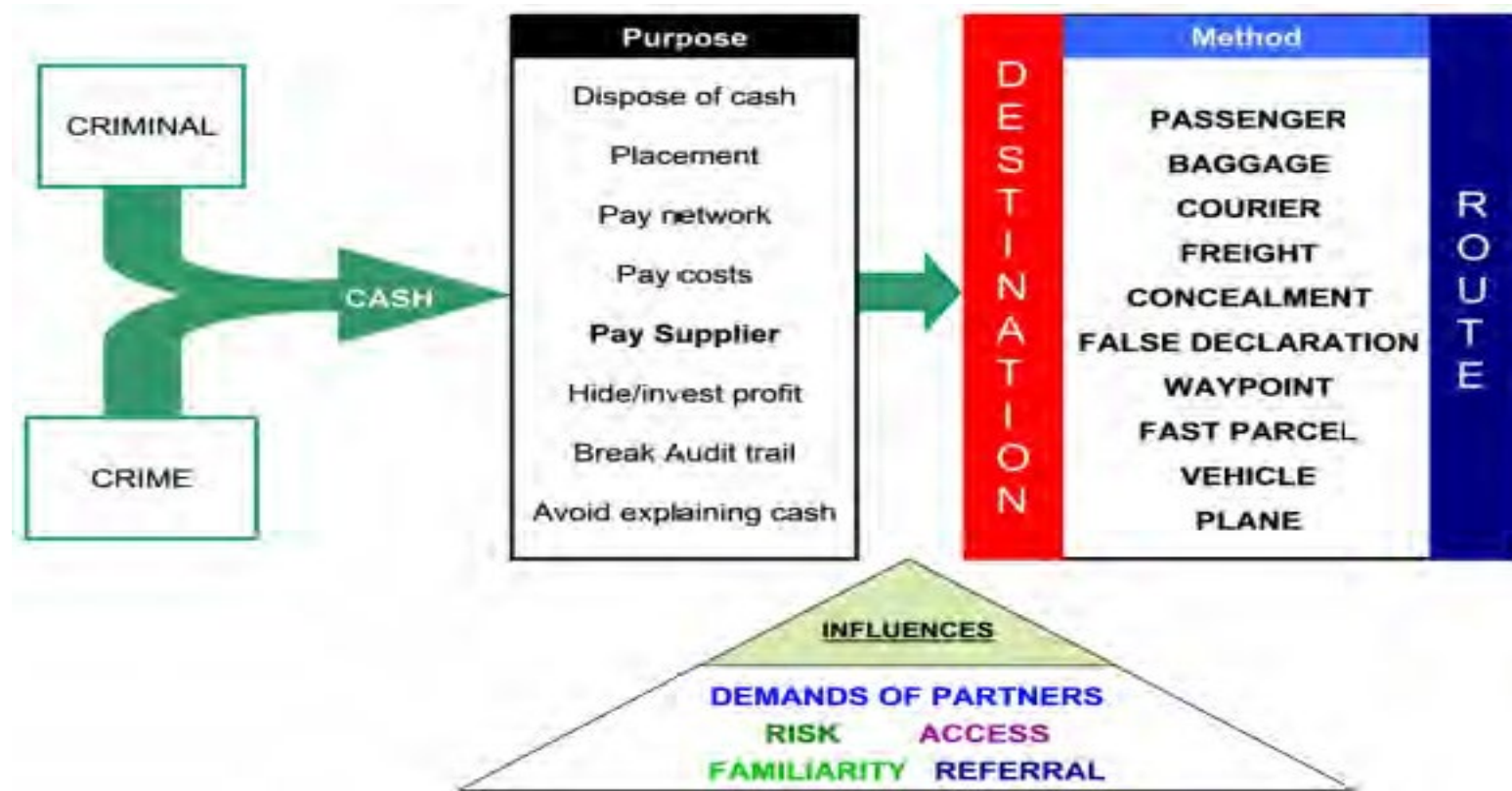
- People and businesses carry cash across borders (especially in Eurozone)
- Banks need cash for day to day business
- Banks buy and sell banknotes on global markets
- There is a large global market in trading currencies for profit between banks
- Cash is transported in huge quantities by air cargo – limited customs scrutiny
- Can be difficult for authorities to tell if a shipment of cash is legitimate

Cash declaration

- Most countries have a cash declaration system for natural persons, but few have a declaration system in place for cash in cargo and mail
- Only limited collaboration between neighbouring countries in respect of cash declaration systems
- Criminals can exploit cash declaration systems
- Some countries do not require cash consignments to be declared at Customs
- In other cases neither the currency nor the denomination need be declared
- Often only the intrinsic value of the cash (paperwork, ink etc.) need be declared
- International obligations on mail are guidelines only and need to be enforced by national legislation

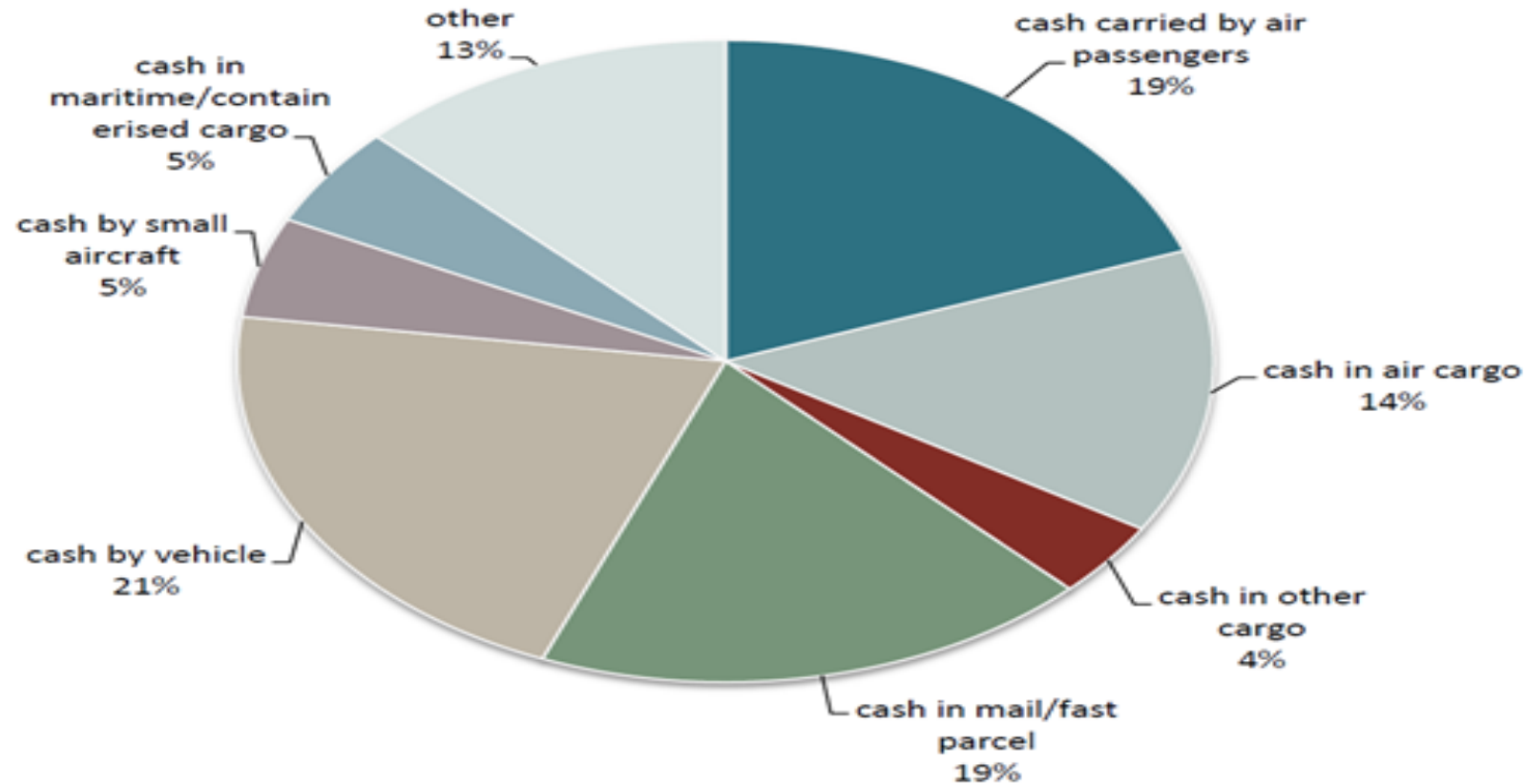
Criminal decision making influences

purpose and method of cash movement



Money Laundering through the physical transportation of cash – FATF October 2015

Graph 7. Most frequently encountered methods of cross-border transportation of cash



Cash Smuggling

Tell me your experiences with cash being bought into or out of your jurisdiction?



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Smuggling Cash

- Cash is frequently smuggled in baggage in a similar manner to other contraband.
- Some smugglers do this in a relatively subtle way others just fill the case with it.
- Some smugglers use coffee, bleach or paprika smeared on the wrappings to deter detector dogs



Smuggling Cash



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Smuggling Cash



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Smuggling Cash



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Smuggling Cash



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Smuggling Cash



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Smuggling Cash



Smuggling Cash



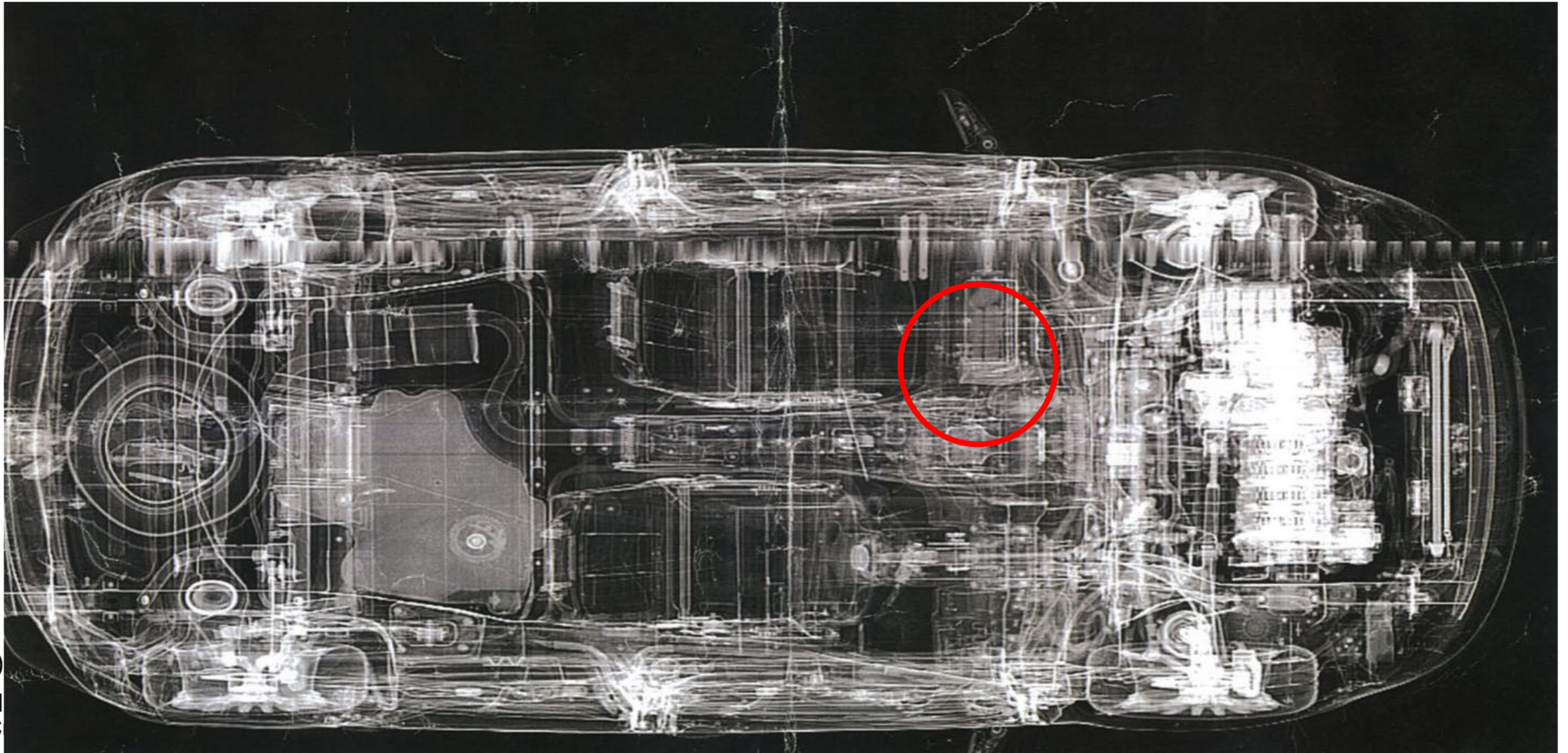
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Cash Smuggling



Smuggling Cash



FATF – Four stages of movement of criminal cash

- **Raising**
- **Moving**
- **Storing**
- **Using**

Role of Cash – The €500 Bank note



Project Restful

20th April 2010

Withdrawal of wholesale supply of €500 bank notes within the UK

Use €500 notes makes cash much less bulky and easier to transport

Co-operation with UK Financial Institutions

Initiative of SOCA (pre-cursor of NCA)

Aim: To deny the supply of €500 to UK Organised Crime

Result: Move to €200 & €100 bank notes.



Cash Smuggling



Cash Smuggling indicators

- Canine - positive indication for controlled drugs/money
- Masking agents (foil, carbon paper, air freshener)
- Odour on notes, petroleum, marihuana, masking agents
- Last minute decision to travel
- Third party purchase of tickets for travel
- Appropriate luggage for trip duration
- Convoluted route and different modes – efficient?
- Stay in destination country too short

Criminal Cash indicators

Bank of Canada	Street Cash
White paper strap	Elastics
Ends of bundle even	Ends may be uneven
Bundles of 100 notes	Bundles often totalling \$1000, \$2000, or \$5000
Bundles of one denomination	Bundles of mixed denomination
A Block contains 10 bundles of the same denomination	Blocks are based on amounts often \$5000 or \$10000.
	

Criminal Cash indicators

- Cash is used when it would be easier and less risky to use a bank
- Suspicious circumstances; concealment, clandestine handover
- Presence of other criminal indicators eg drugs, drugs paraphernalia, scales, cash counting machine, banking receipts etc.
- Larger quantities of cash
- Lack of a credible explanation
- In the UK, presence of Scottish or Northern Irish banknotes
- Use of tokens as a rudimentary form of identification / receipt

Key Actions

Keep the cash secure !!

- Question the suspect about cash

Exploit forensic the opportunities



Forensic Opportunities

- Often the law expects us to bank the cash as soon as we can
- BUT when we bank the cash all forensic opportunities are lost
- So before banking we should consider forensics
- Where we find cash concealed we should ideally start by photographing the cash in its concealment
- Deconstructing the concealment to show the cash
- Remove the cash from the concealment
- Back at the office you can photograph the bundle containing the cash
- Photograph and retain each layer of wrapping
- Particularly note any heat sealing or use of coffee/ chemicals to reduce scent

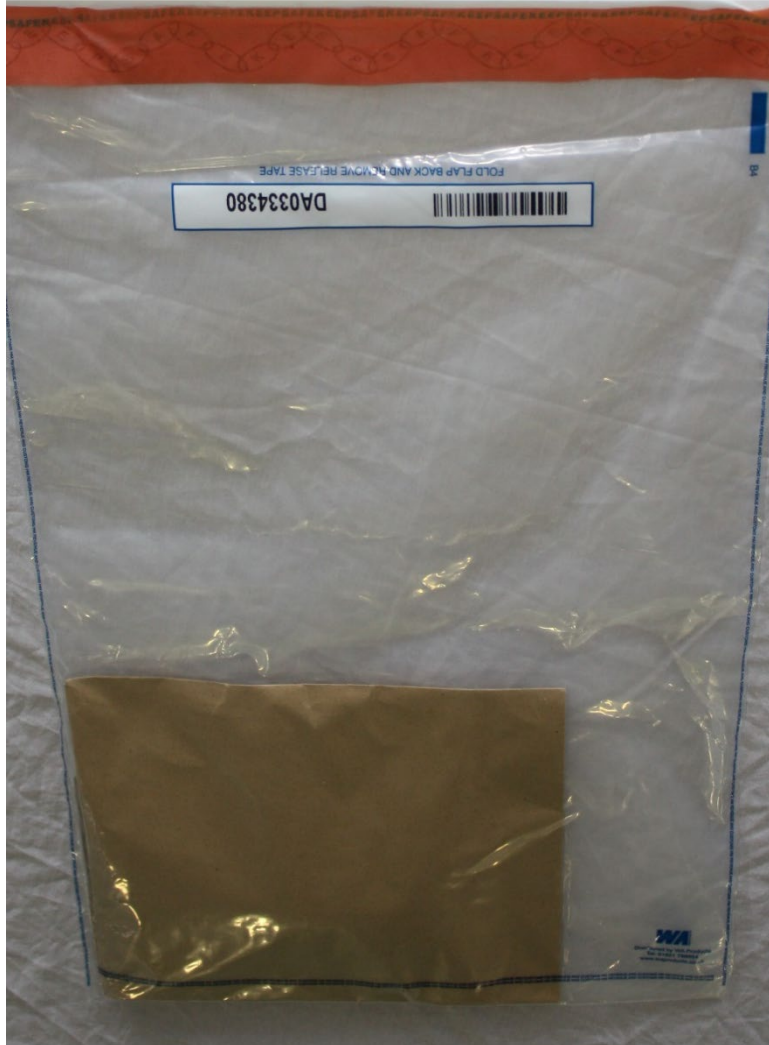


Forensic Opportunities

- Photograph the bundles within the package
- Photograph each bundle individually
- Ideally fan out each bundle of cash so that the serial numbers on the notes are visible and photograph them
- UK notes can be traced through the Bank of England who will give you the date on which they were minted
- One Defendant recently claimed to have no knowledge of £70,000 found in a sports bag hidden in the roof of his house
- He stated the bag must have been there when he bought the house five years earlier
- Evidence from Bank of England showed that all the notes were minted in the last 18 months.
- He lost the cash and subsequently was charged with money laundering



Photographing Cash



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Forensic Opportunities

- You may want to fingerprint the cash
- This is often difficult as many people handle it
- Examine the wrappings closely- often the forensic opportunities are better there
- If there is a paper wrap or thick elastic band less people will have handled that
- Often the fingerprints / DNA traces on the inside of a thick elastic band will be good, as they are made when the band is stretched and then protected from contact





Human Trafficking



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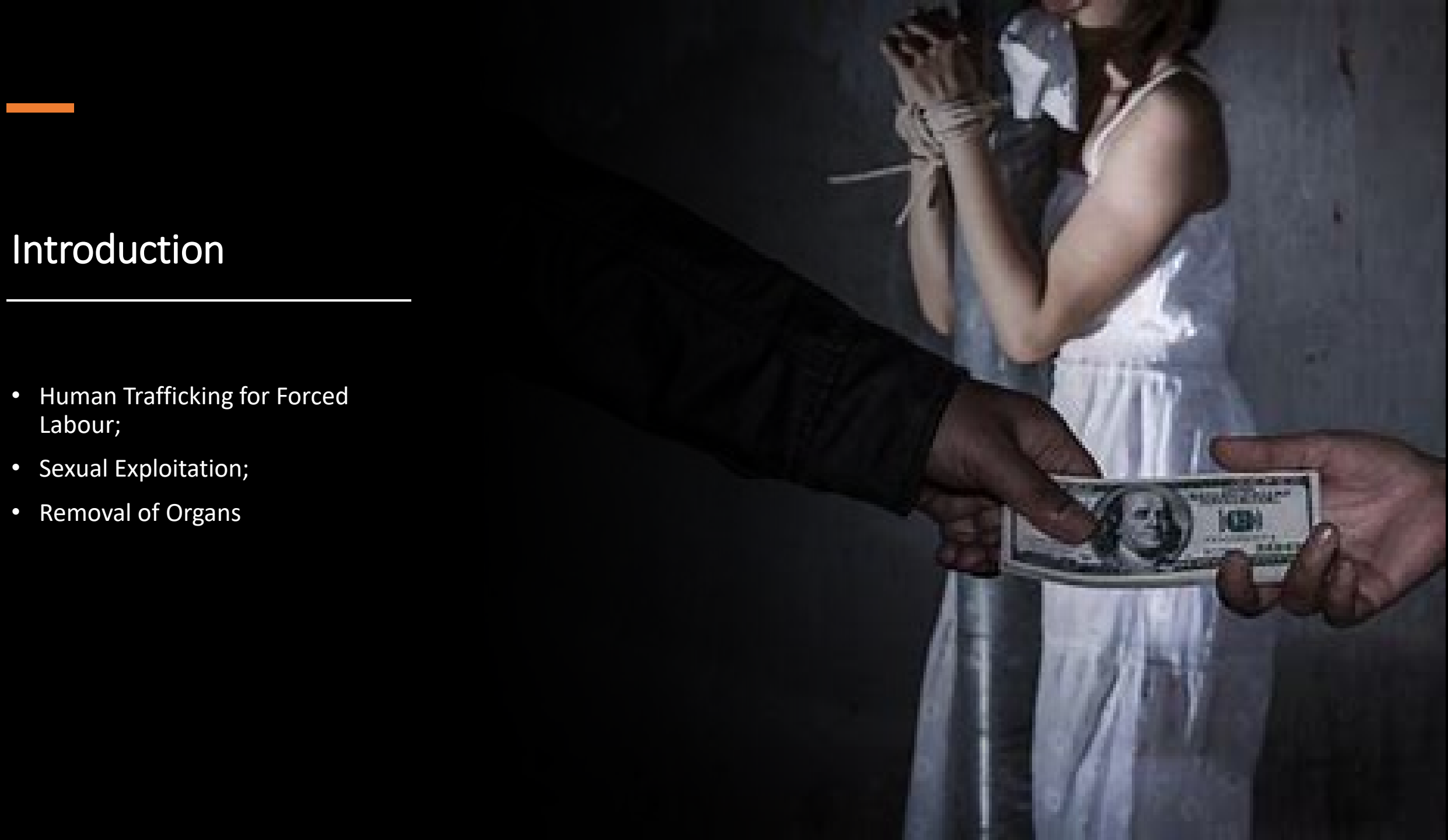
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Introduction

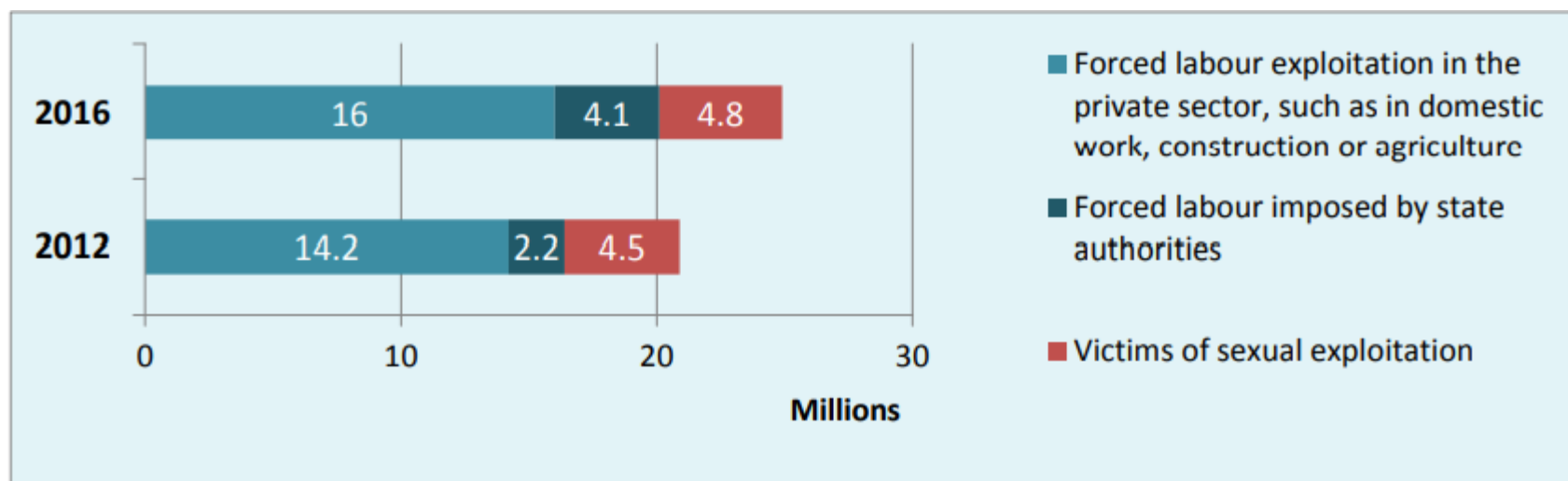
- Human Trafficking for Forced Labour;
- Sexual Exploitation;
- Removal of Organs



Human Trafficking Defined

“the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs”.

Overview of the Scale of Human Trafficking



Domestic Human Trafficking Flows



Trafficking Within Regions



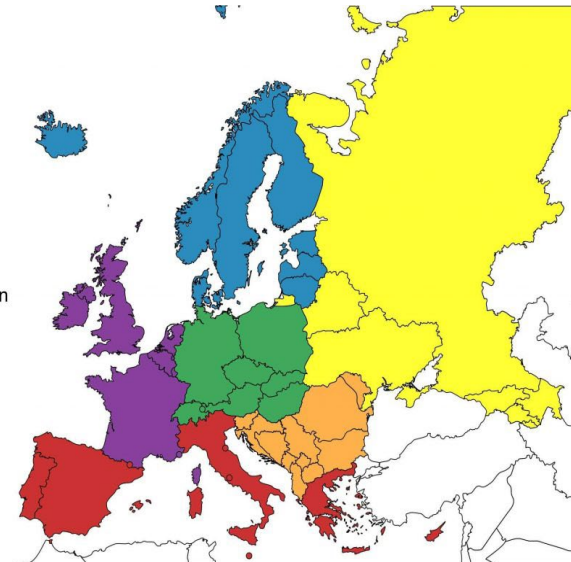
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Trans-Regional Trafficking



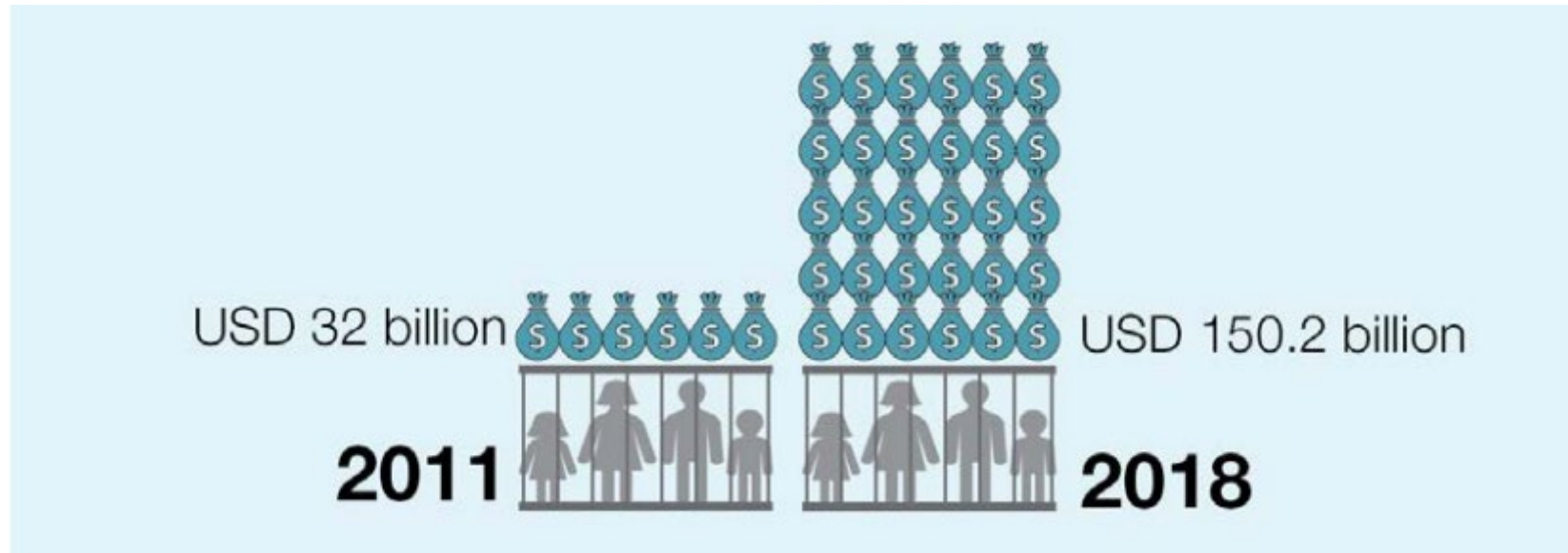
- South
- North
- West
- Central
- East
- South East
- Not European





Human Trafficking, Migration and Conflict

Profits Derived from Human Trafficking



Human Trafficking and Terrorist Financing Links

Islamic State (ISIL / ISIS)

Boko Haram

Al-Shabaab

Organisations exploiting vulnerable persons

Money Laundering from Human Trafficking

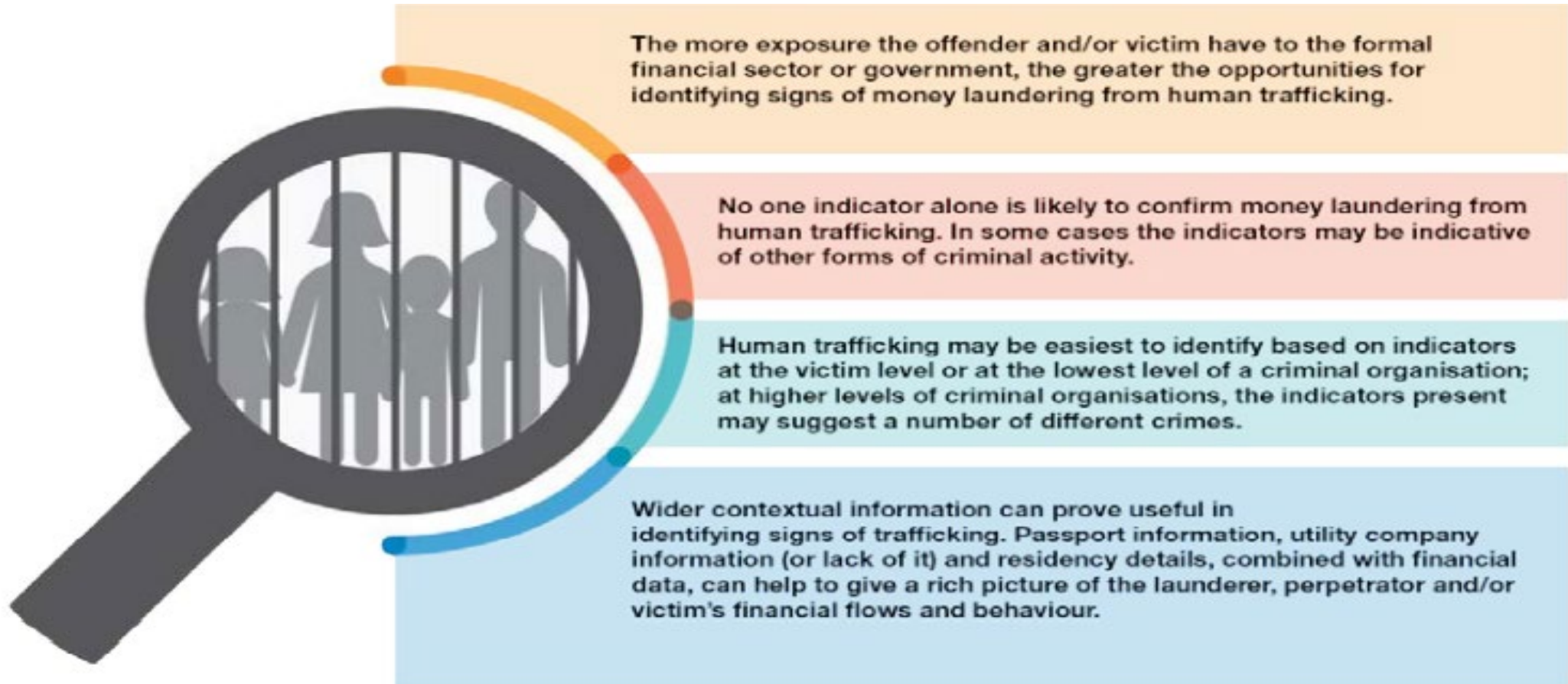
- Diverse infrastructure
- Exploitive purpose

Breakout Session

In your groups, can you consider indicators which might help detect financial flows related to human trafficking?

5 minutes

Key issues to consider to detect financial flows relating to human trafficking.



Identifying
suspicious
transactions and
money
laundering from
human trafficking
sexual
exploitation.

BANK STATEMENT TEMPLATE

1 THIS FIRST BANK

First Choice Account

MANDARIN BRANCH
4444 THIS STREET
ANYTOWN, STATE 00000-0000

CUSTOMER SERVICE 24 HOURS A DAY, 888-000-0000

JOHN Q. CUSTOMER
1234 MAIN STREET
ANYTOWN, STATE 00000-0000

ACCOUNT
82345-678910
STATEMENT PERIOD
1-1-2000 TO 2-1-2000

THANK YOU FOR BANKING WITH THE FIRST

SUMMARY OF YOUR ACCOUNTS

CHECKING	
BEGINNING BALANCE	500.000
DEPOSITS	538.68
WITHDRAWALS	629.73
SERVICE CHARGES/FEE	6.00
ENDING BALANCE	794.57
MIN BAL ON 2-1-00	54.97

SAVINGS

CHECKING ACTIVITY

DEPOSITS	AMOUNT
POSTED	
1-05	230.66
1-15	765.59

DESCRIPTION
DEPOSIT
DEPOSIT

WITHDRAWALS	PAID
CNO	
106	1-16
107	1-24
108	1-26
POSTED	AMOUNT
1-21	40.00
1-22	20.00

AMOUNT
632.75
35.98
72.43
DESCRIPTION
ATM WITHDRAWAL
ATM WITHDRAWAL

CHECKING SERVICES CHARGE AND FEE SUMMARY

AMOUNT	DESCRIPTION
6.00	MONTHLY SERVICE CHARGE

Case Study



Case Study

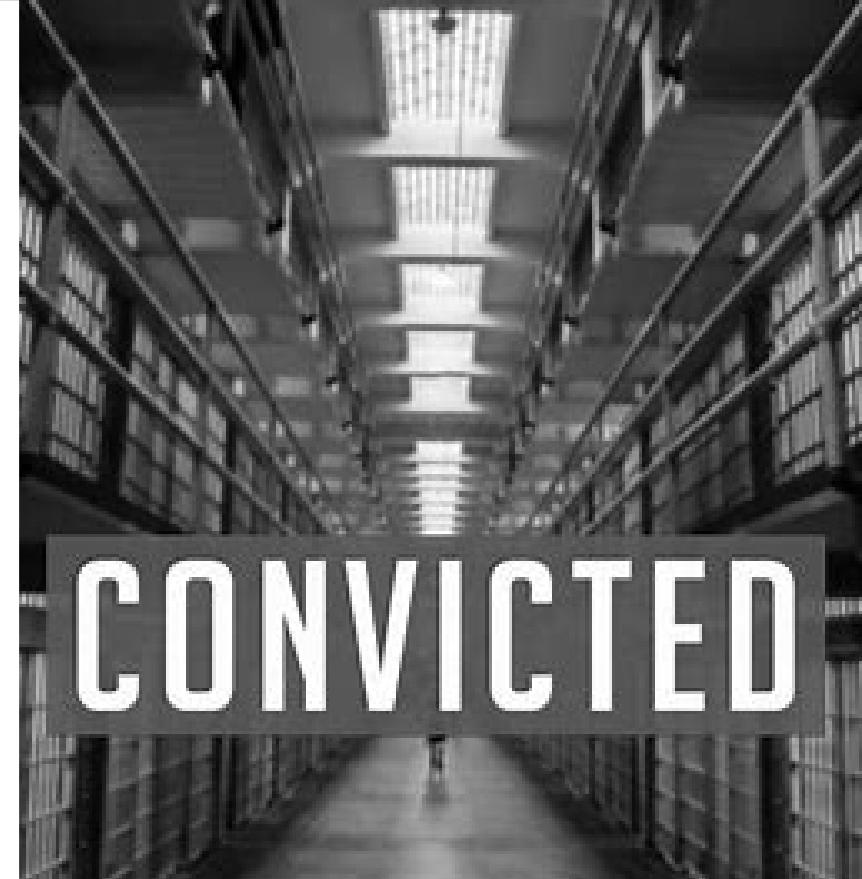


Homeland Security and
Governmental Affairs Subcmte.

CARL FERRELL
SD-342

Informal Value Transfer Systems and Human Trafficking

- Human Trafficking can be a major source of income.
- Perpetrators may be in Regulated businesses.
- Perpetrators may launder cash generated from all crime types, including but not limited to Human Trafficking.
- Hawala and Other Similar Service Providers might be facilitators to laundering the proceeds of Human Trafficking.



Case Study

Case Study



Breakout Session

- **Group 1**: You receive a SAR relating to a Money Service Business, suspected of transferring proceeds of human trafficking. What would you do with the information?
- **Group 2**: You have arrested a suspect you believe is involved in human trafficking. What enquiries would you make, and with who, to progress your investigation?
- **Group 3**: A third party reports to you that they believe funds deriving from human trafficking are being laundered through a local car wash company. What would you do?
- **Group 4**: You have your suspicions about a nail bar being used, both to exploit victims of human trafficking and launder the proceeds of crime. How would you progress your suspicions to possibly commence an investigation?

Human Trafficking for Forced Labour

"all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily."

Types and Characteristics of Forced Labour

- Victims exploited for multiple purposes in isolated environment
- Victims work for offenders
- Victims work for someone other than offenders
- Exploited by partner (in a domestic environment)
- Exploited by relatives (in a domestic environment)
- Exploiters not related to victims
- Forced gang-related criminality
- Forced labour in illegal activities
- Forced acquisitive crime
- Forced begging
- Trafficking for forced sham marriage

Identifying Suspicious Transactions and Money Laundering from Forced Labour



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Case Study



Case Study





Case Study

- Faroz ALI – Guilty of 15 counts of trafficking Fijians to New Zealand.
- Charged exorbitant fees.
- Exploited workers.
- Forced workers into overcrowded conditions.



Challenges in detecting, investigating and prosecuting money laundering.

- What would you consider to be challenges faced when detecting, investigating and prosecuting money laundering from the trafficking of human beings?
- Limited international co-operation
- Lack of awareness or concern from law enforcement/prosecution authorities
- The difficulty to detect funds.
- Money laundering risk from proceeds of human trafficking not adequately detailed in risk assessments and understood.

Case Study

- **Difficulties in determining benefit gained through certain types of Forced Labour.**
- A Tanzanian woman trafficked a 21-year-old woman
- The offender's family paid for the victim's visa and flights
- The offender and her three children all lived in one room
- The victim was forced to work for up to 19 hours a day
- She was never paid for her work
- This exploitation lasted seven months.

Good Practices in combatting money laundering from Human Trafficking.

- Assess the diverse money laundering risks from human trafficking, share with stakeholders and ensure that they're understood.
- Leverage expertise, capabilities and information through partnerships between the public sector and private sector.
- Appropriately identifying suspicious transactions linked to human trafficking and creating useful STRs.

Good Practices in combatting money laundering from Human Trafficking.

- Raise awareness of human trafficking as a means to potentially support terrorist organisations
- Development of specialist and generalist training
- Other good practices

National Economic Crime Centre (NECC)

Working together to protect the public,
prosperity and the UK's reputation



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The NECC has been set up to protect the public, prosperity and the UK's reputation

Economic crime is complex and evolving; it has major impact on the public, business and UK economy



£190bn

Annual cost of fraud in the UK



£100bn+

Scale of money laundering impacting annually on UK



3.4 m

Incidents of fraud in England and Wales in 2017

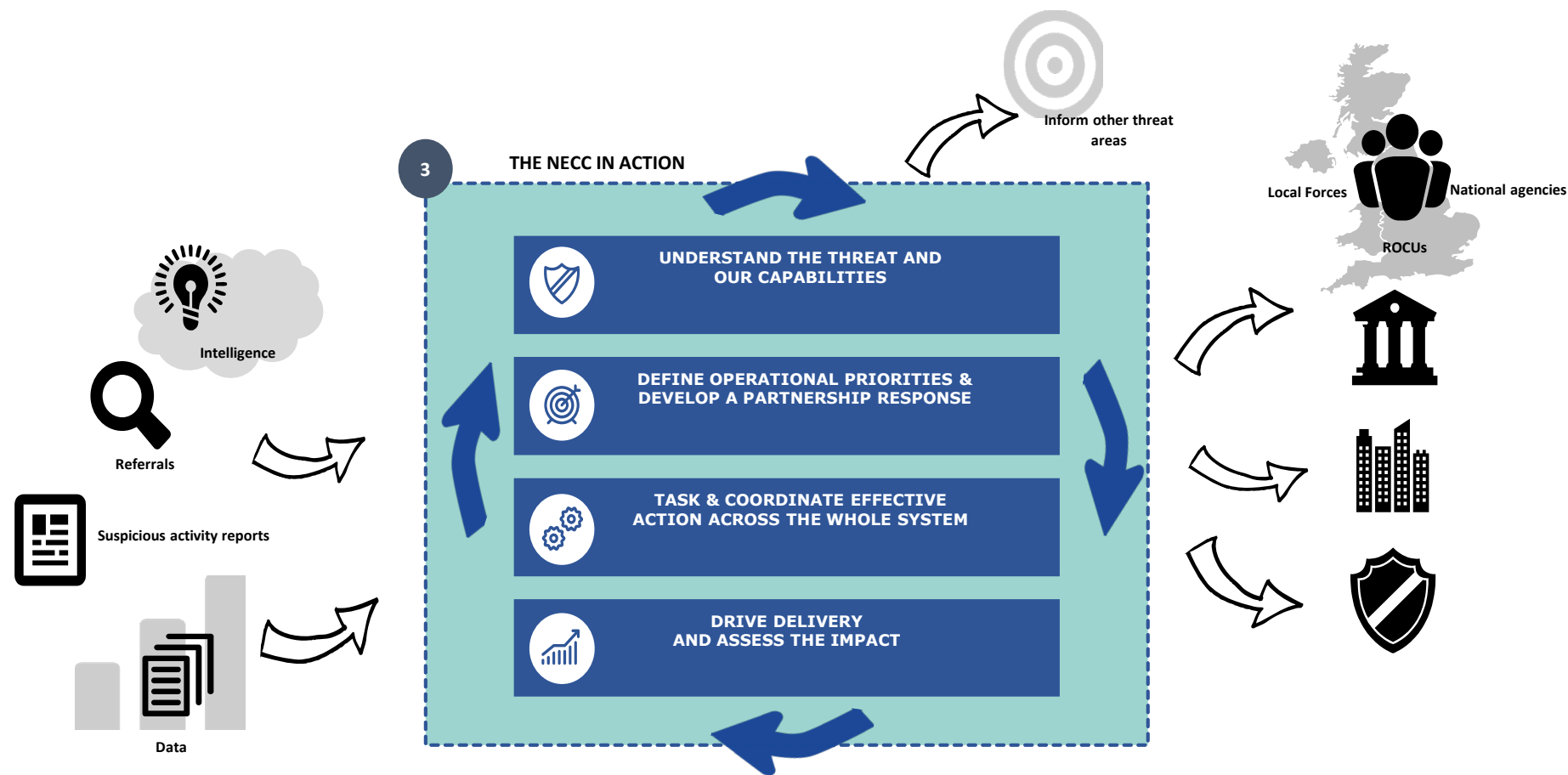
What is the NECC?

The NECC is a truly collaborative, multi-agency centre that has been established to deliver a step change in the response to tackling economic crime

Public and private sector working in partnership



How does the NECC work?



What do we not do?



Intelligence development



Investigations



Assessed Reporting

How does the NECC add value?



Less harm

For the UK public
and business



More

Criminals disrupted
and prosecuted



More

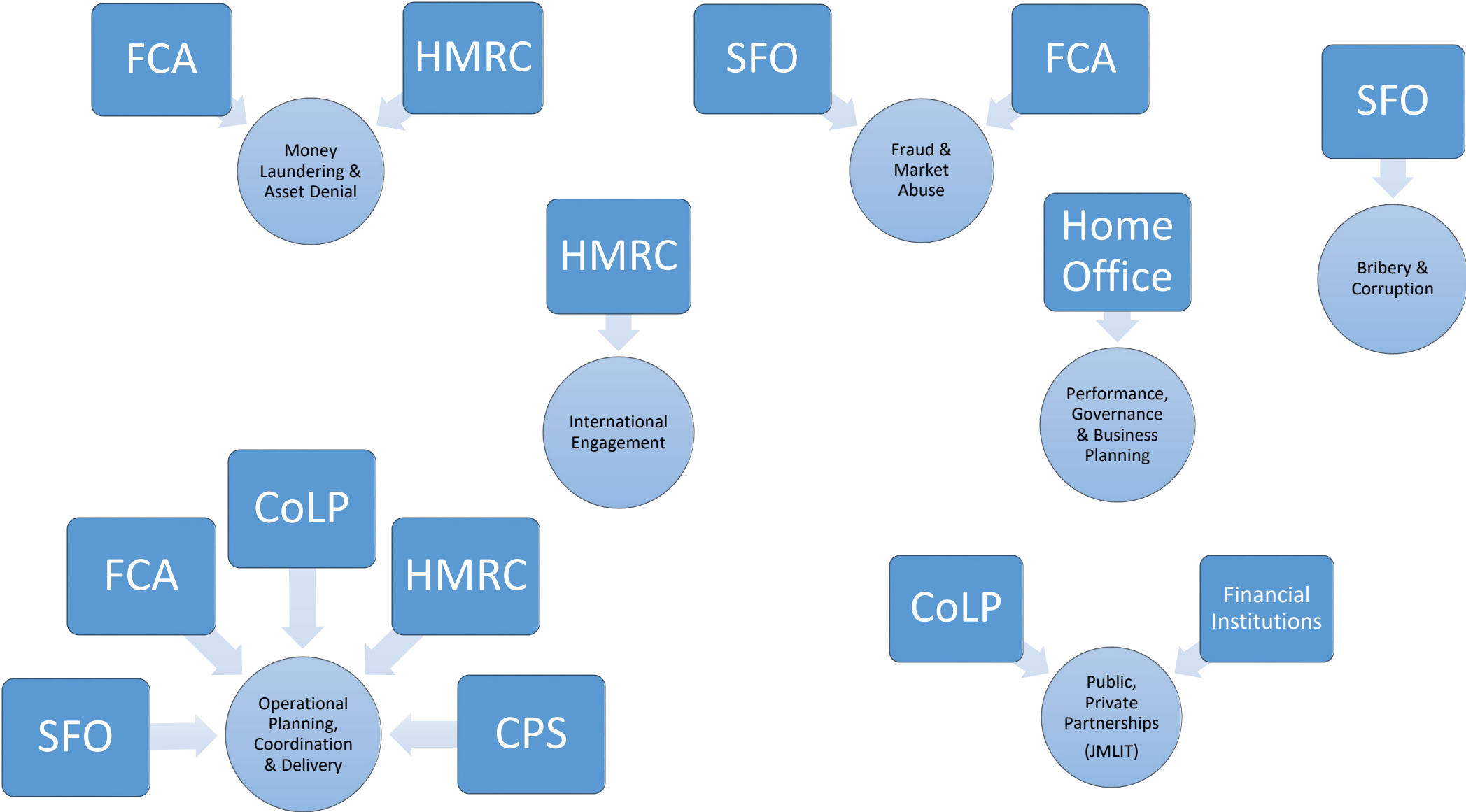
Criminals assets
denied



Stronger UK reputation

For business to operate
and invest in UK

NECC Partner profile: Dec 18 to Mar 19



Joint Money Laundering Intelligence Taskforce. JMLIT



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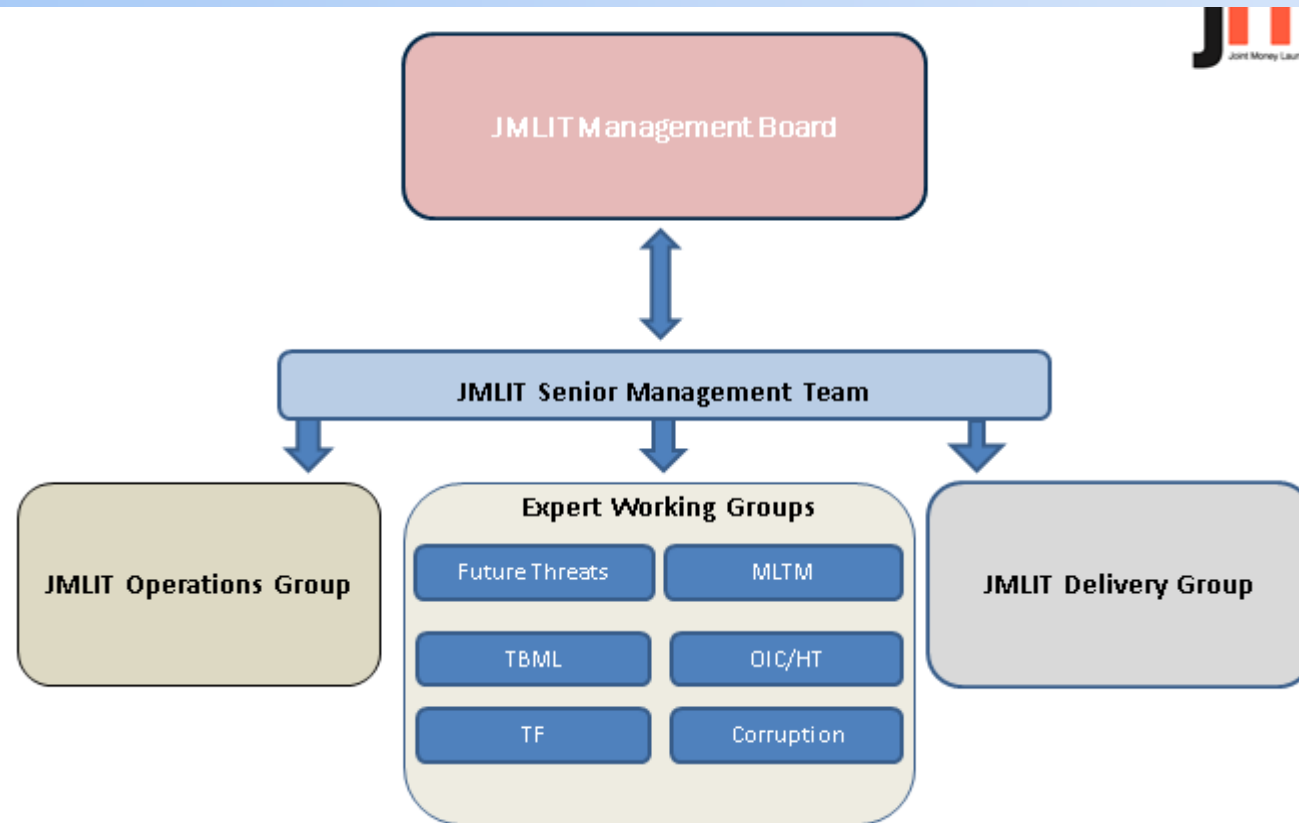




What is JMLIT?

- A Public-Private Partnership between Law Enforcement, Government and the Financial Sector
- A Collaborative approach to the sharing of financial information
- A mechanism to:
 - allow the banking sector to work with law enforcement in line with their regulatory requirements and improve the collective understanding of the money laundering threat (Detect)
 - improve prioritisation of risks by financial institutions and inform the strengthening of banks systems and controls (Protect)
 - inform the prosecution and disruption of money laundering activity and allow law enforcement to establish a comprehensive understanding of financial information relating to a case (Disrupt)

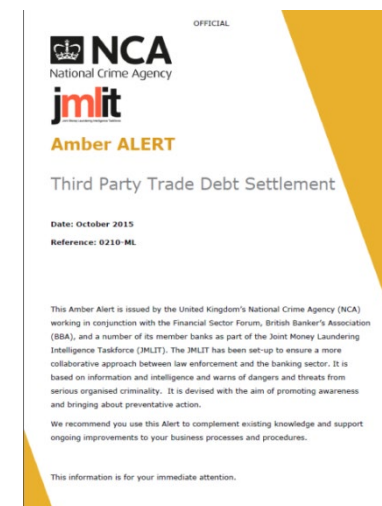
Overview: JMLIT Structure



Overview: The Expert Groups

- 1) Trade Based ML
- 2) ML Through Markets
- 3) OIC / MSHT
- 4) Proceeds of Corruption
- 5) Terrorist Finance
- 6) Future Threats

- Bank led (one exception)
 - Recognised experts
 - Wider membership
 - Bimonthly
- Alerts shared widely (UKF Portal)
 - Common language
 - Changes to transaction monitoring rules
 - Improved SARs (using JMLIT code)
 - RBA: better targeting of resource



Overview: The Operations Group

- Weekly meeting with vetted bank representatives
- Live requests for intelligence
- Law Enforcement requests
 - Is the request justified?
 - Do banks have points of clarification?
 - Do banks have capabilities that mean the SIO should be asking additional / different questions?
- Secure UKFinance portal is conduit

Overview: The Public Private Threat Groups

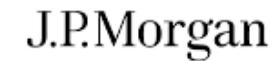
Coordinating collective threat assessment and response activity

- Activity to emerging issues
- Tactical or strategic response options
- Understanding the impact

Overview: The Cells

- Time Limited focus groups delivering a response to activity.
- Commissioned by the Threat Groups.
- Membership varies depending on the subject and objective.
- The Cells close once they have delivered their objective.

JMLIT Operations Group Members



Overview: The Operations Group Information Sharing Agreement

- Agreement between parties required for membership of Ops Group
- Data Protection Principles, including restriction on external EEA dissemination and data storage
- Information to be used for intelligence purposes only
- Information shared must not interfere with legal obligations under Part 7 of PoCA 2002
- Does not replace the SAR regime

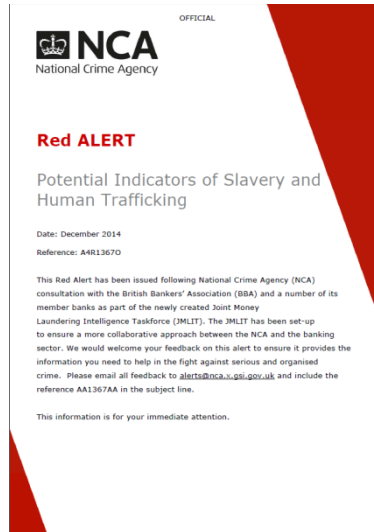
Overview: The Operations Group - Benefits

- One request to multiple institutions = efficient means to develop a comprehensive intelligence picture
- Follow up s7s - a virtuous circle
- Efficient targeting of evidential enquiries (saves LE, courts and banks time and money)
- Sharing of expertise, knowledge and awareness (eg correspondent banking, IP address data)
- Forum for member referrals – tasking into LE (eg Op Recoin)
- Inform and enhance financial sector understanding of risk
- Structure to link tactical and strategic intelligence and response

Case Study 1: Human Trafficking

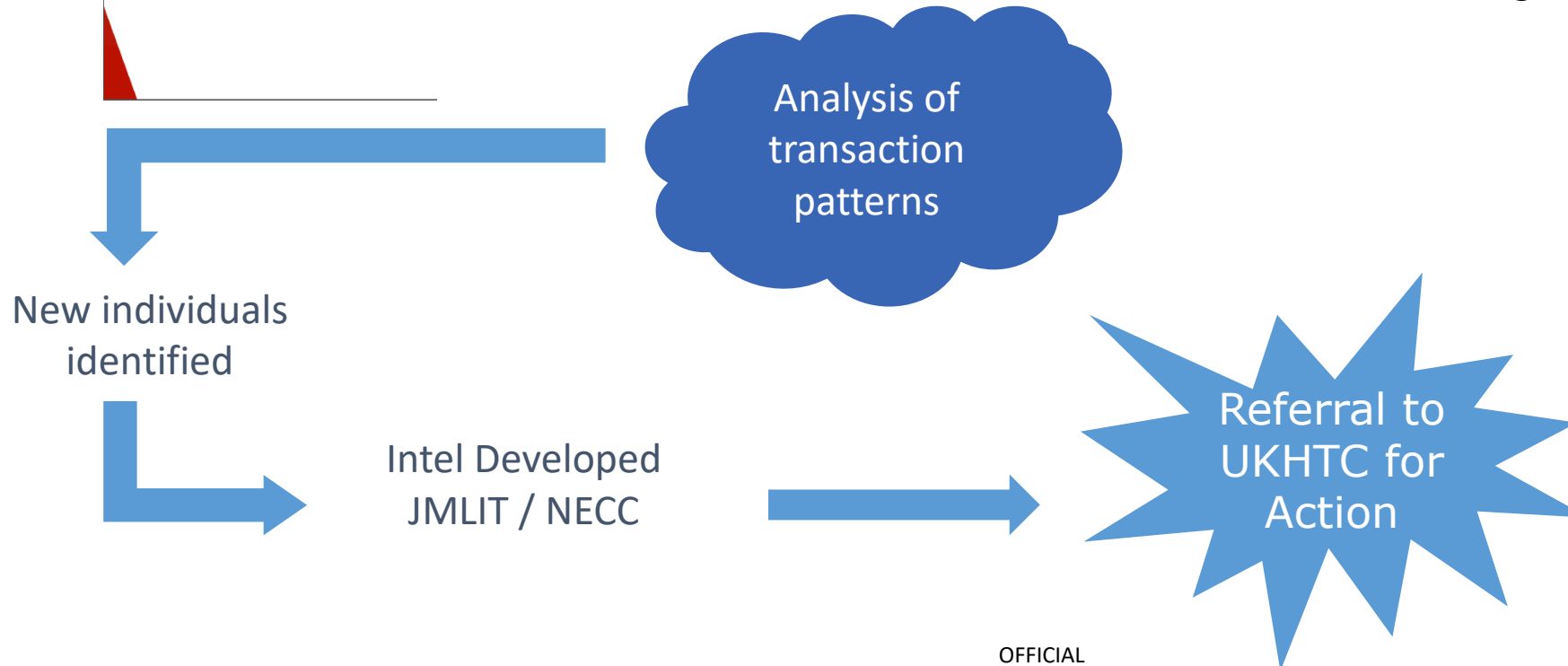
- Over 50 individuals trafficked for exploitation in dozens of brothels
- 4 previously unknown suspects identified
- Multiple previously unknown accounts identified and closed. These accounts also identified new victims, allowing them to be safeguarded.
- 5 UK arrests, including 1 professional enabler
- Further 15 Romanian arrests in coordination with UK team

Case Study 1 (cont): Alerts and the Link Between Operations and Experts Groups



Indicators

- Flights to / from eastern Europe
- No corresponding economic activity in eastern Europe
- Regular cash deposits in UK
- Payments to adult services websites
- Rental of high end apartments



Success – After three years

- **398** Section 7s developed
- **£9m** under restraint
- **99** Arrests
- **2572** accounts identified that were not previously known to law enforcement
- **2935** bank led investigations begun
- **>1000** customers subject to account closure

- **24** Alerts
- **1613** JMLIT SARs (many from non-JMLIT banks)
- **58** Enhancements to bank AML SYSC

- Collaboration / mutual understanding

Forward Look

- International network of PPPs
 - Cross border information sharing
- Criminal Finance Bill 2017
 - s339ZB data sharing provisions
- Increased analytical capability

Breakout Session

- You are the investigating officer intelligence gathering on an organised crime group involved in drugs trafficking and associated money laundering.
- **Group 1:** You approach the JMLIT Operations Group. What are you hoping to achieve from this line of enquiry?
- **Group 2:** You approach the Threat Group. What are you hoping to achieve from this line of enquiry?
- **Group 3:** You approach the Expert Group. What are you hoping to achieve from this line of enquiry?
- **Group 4:** You approach the NECC. What are you hoping to achieve from this line of enquiry?

Please return in 20 minutes.

Expert Evidence in Money Laundering Cases.

The Role of the Expert Laundering Evidence Cadre



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Expert Laundering Evidence (ELE)

Role (Re: areas of money laundering expertise)

- Provide independent expert evidence to assist the courts
- Provide investigative support to Law Enforcement (UK & Overseas)
- Increase awareness

Main Areas of Expertise

- Criminal abuse of Informal Value Transfer Systems
- The use of cash in the criminal economy (inc. cash smuggling and cash handovers)
- Criminal abuse of businesses in the regulated sector (Money Service Business, High Value Dealers, Trust and Company Service Providers etc.)
- Trade Based Money Laundering
- Looking to expand to areas of complex and high end laundering

Expert Witnesses

- S19 Criminal Procedure Rules 2015 (England and Wales)
(not NI or Scotland)
 - Expert's duty is to the Court, not those who instruct them (Prosecution or Defence)
 - Opinion MUST be objective, unbiased and act within the specific area of expertise (which is defined)
 - Opinion is based on the evidence provided. Opinion may change if further evidence is advanced
- An Expert will not:
 - Present the prosecution or defence case
 - Determine the facts and attribute guilt (Role of Jury)
 - Define the law (Role of Judge & Jury)

Case Law

- Drugs and Money Laundering Expert Opinion given.
- Challenged on following grounds
 1. Did not have sufficient expertise
 2. Not independent: both experts were HMRC officers
 3. If above grounds not supported: Experts went too far – Evidence went towards 'Ultimate Issue', Guilt
- Court Judgement (1&2)

'In relation to police officers giving evidence, as Lord Hughes made clear at paragraph 57 of R v Myers [2015] UKPC 40, there can in principle be no objection to those involved in criminal investigations giving such evidence, providing the ordinary threshold requirements of expertise are established and providing that the ordinary rules as to the giving of expert evidence are observed.'
- Court Judgement (3)

'Each of the experts was entitled to give his opinion as to whether the various methods, modes and content of communication of which the jury heard was such that they considered that they related to money laundering rather than any legitimate enterprise.'

Compliance With the Law

Selection

- Must have expertise in relevant area: Historical & Current
- Must have Significant Court Experience
- Must be able to explain complex matters simply

Recruitment

- Application (Curriculum Vitae and Paper)
- Interview (includes Presentation)

Training and Development

- Two Week Course, including pre and post course work
- Portfolio & development, under experienced mentors
- Continual Personal Development and assessment
- Continual exposure to relevant areas of expertise

Expert Evidence Process

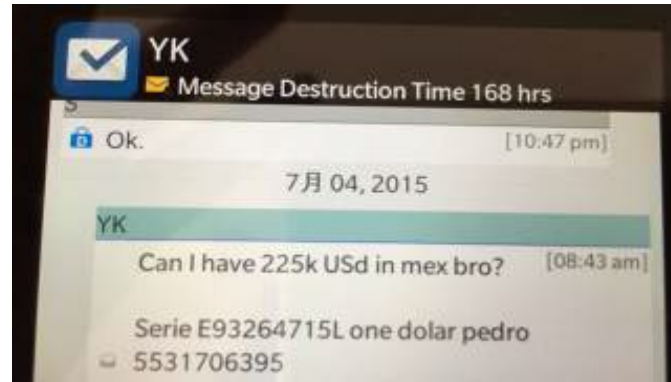
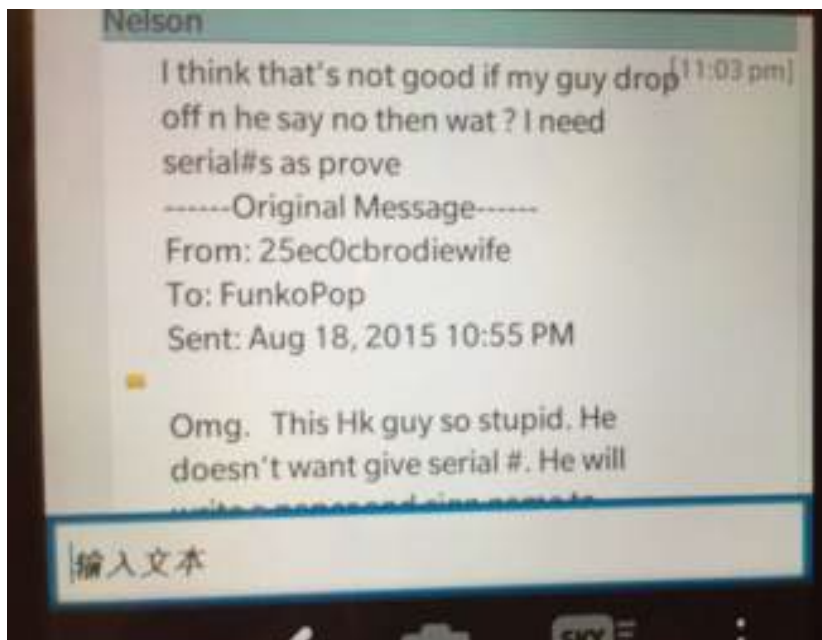
- Request received –assessed by co-ordinator & if suitable,
- Expert appointed, who has the required expertise in area & is from a different Law Enforcement Agencies to those instructing (independence)
- Evidence considered in line with instructions and statement prepared
- Submitted to cadre for Peer Review & Quality Assurance
 - Assessment & opinion offered is reasonable, balanced & stands up to robust examination
 - Opinion is compliant with Criminal Procedure Rules and Guidance
 - Objective & unbiased
 - Within area of expertise
 - Limited to matters needed to assist the jury
- Suggested amendments considered & made, final signoff by ELE co-ordinator and submitted from centre.

The Cadre

- Delivered, co-ordinated & run by National Crime Agency (NCA)
- Made up of officers from NCA, South Yorkshire Police, Merseyside Police, Metropolitan Police, West Yorkshire Police, HMRC, City of London Police, Serious Fraud Office, Greater Manchester Police, PSNI, Leicestershire Police and West Midlands Police
- Delegates also include members from Five Eyes law enforcement agencies:
 - Australian Federal Police
 - FBI
 - Homeland Security
 - New Zealand Police
 - Royal Canadian Mounted Police

Analysis of Ledgers

<p>13 JAN → 93 P. Bal. 318-48 Thursday</p> <p>100,000 - 3000 - 97000</p> <p>97,093</p> <p>100 -</p> <p>96,993</p> <p>9,647 Paid</p> <p>87,346</p> <p>LC 7854 35,000 - By hand</p> <p>52,346 Bal.</p> <p>lone struck East Pakistan, killing 500,000 1970</p>	<p>20x3 Fake.</p> <p>40 x ripped off</p>	<p>Monday 9 - FEB → 303(-) → they owe me 343-23</p> <p>64995</p> <p>64692</p> <p>42690 Paid</p> <p>22002 Bal.</p> <p>10 Fake</p> <p>21992 Bal</p>
<p>14 JAN → 52,346 P. Bal. 319-47 Friday</p> <p>6,473 Paid</p> <p>45,873 Bal.</p>		



收錢人名, Andy. 你的名king.
Phone number 6472822358.
serial. Hbt 8558349

'Name of the person collecting
the money, Andy. Your name
king. Phone number
64****2358. serial. Hbt
8558349'

