



Safeguarding America through  
Financial Investigations

Volume VII: No. 2 • Summer 2010

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Cornerstone is U.S. Immigration and Customs Enforcement's (ICE's) comprehensive investigative initiative for fighting financial crime.

The *Cornerstone Report* is a quarterly bulletin highlighting key issues related to ICE Homeland Security Investigations (HSI) financial, narcotics and special operations investigations.



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## Hawalas



**H**awala is an ancient, international method of transferring money that is based upon the personal relationship between the operators, rather than the international transmission of actual currency. The word “hawala” means “transfer” in Arabic and a “hawaladar” is the broker who facilitates the funds transfers.

Investigations have shown that proceeds from narcotics trafficking, alien smuggling, credit card fraud, smuggling, counterfeit merchandise, and funds raised in support of terrorist groups have been remitted and laundered through the use of hawalas. The hawala system can be utilized by criminal organizations to transfer funds in or out of a country with little or no detection by law enforcement. Hawalas allow the transfer of millions, if not billions of dollars tracked only by a secret code and disposable scraps of paper. Transfers of money take place based on communications between members of a network of hawaladars. Hawala works by transferring money without actually moving it.

For example, Salim is a Pakistani living in Washington, D.C. Salim wants to send \$15,000 to his brother Abdul in Pakistan. Salim wants Abdul to get

the money fast and he doesn't want to pay high bank fees. Salim decides to go speak with his friend Malik who is a part time hawaladar. Mailik's fees are much less than a bank and he can get the money to Abdul much faster than a bank. Salim decides to give Mailik his \$15,000. Mailik calls his friend Aasim who is a hawaladar in Pakistan. Aasim arranges to get the \$15,000 to Abdul within one day.

One may wonder why anyone would want to send money using a hawala. The primary reason one would use a hawala is to save money on the transaction fees. A hawaladar will generally have a much better transfer rate than that of a financial institution. A second reason would be efficiency. A hawaladar can have your money “transferred” usually within a day, where a financial institution may take up to a week to complete the transaction. Other reasons would be convenience, anonymity, and avoiding paper trails.

U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) agents have broad investigative authorities under the United States Code, permitting them to pursue complex banking and financial

*continued*

# Hawalas – Continued

misconduct cases. These authorities enable ICE HSI agents to identify, disrupt and dismantle the criminal enterprises that exploit our Nation's financial infrastructure, eliminating their ability to earn, store and move their criminally derived funds.

## Case Study—Mahmoud Banki

In May 2009, U.S. Immigration and Customs Enforcement, Homeland Security Investigations, New York Field Office (HSI/NY) initiated an investigation into Mahmoud Banki for operating an Unlicensed Money Service Business (MSB) and facilitating in the avoidance of Office of Foreign Asset Control (OFAC) sanctions on Iran. Initial findings identified a number of bank accounts and showed a pattern of suspicious financial transactions. Investigators discovered a large quantity of wire activity and deposits made throughout the country into Banki's personal accounts which were inconsistent with Banki's listed employment as a chemical engineer and management consultant.

From January 2006 to September 2009, Banki, a U.S. citizen and resident of Manhattan, N.Y., provided money transmitting services to residents of Iran by participating in the operation of a hawala. Banki used the hawala network to receive wire transfers totaling approximately \$3.4 million from companies and individuals located in the United States and several other countries. The transfers into Banki's account were arranged by a relative residing in Iran who was associated with hawala operators in Tehran.

The relative would pay Tehran-based hawala operators millions of dollars in Iranian currency, and the hawala operators would arrange to have corresponding amounts of U.S. dollars, which were already in the United States or in bank accounts abroad deposited into Banki's personal account by wire transfer or check. The owners of the dollars deposited into Banki's account were dozens of companies and individuals in the U.S. and abroad who wanted to transfer funds to Iran, something restricted by the Iran Trade Embargo.

Banki facilitated these illegal transfers by accepting deposits into his personal bank accounts and then notifying his relative or one of the Tehran-based hawala operators, so that a corresponding amount of Iranian currency, called Tomans or Rials, could be disbursed in Iran. The hawaladars profited by manipulating the dollar/Toman exchange rate to their benefit, and Banki benefitted by using the millions of dollars he received into his New York account to purchase real estate and securities, and to pay hundreds of thousands of dollars toward personal expenses.

On January 7, 2010, HSI/NY agents arrested Banki in his New York apartment. Agents also filed a Lis Pendens on Banki's \$2.4 million Manhattan apartment, executed restraining orders on numerous bank accounts



(Right) Approximately \$50,000 dollars was seized at Banki's residence. The currency was discovered in envelopes with Farsi writing describing the amount of currency in each envelope. (Left) Lis Pendens served on Banki's \$2.4 million dollar condo, which is located inside this renovated church.



containing nearly \$1 million and executed a search warrant at his residence. The search warrant resulted in the seizure four laptop computers, four external hard drives, six USB thumb drives, seven cellular telephones, boxes of evidentiary documents and approximately \$30,000 in U.S. and foreign currency.

On June 4, 2010, following a month long trial, Banki was found guilty of one count of conspiracy to violate IEEPA and to operate an Unlicensed MSB; one substantive count of violating IEEPA; one substantive count of operating an Unlicensed MSB; and two counts of making false statements to a federal agency.

Banki was subsequently sentenced to 30 months incarceration and ordered to forfeit \$3,314,047, which represents the sum of money involved in the offenses and the proceeds derived there from. ■



## Red Flag Indicators

- Frequent wire transfer activity from U.S. and international bank accounts.
- Large check deposits at bank locations in different areas of the U.S.
- Occupation listed for the subject of suspicious financial activities that are not commensurate with their employment.

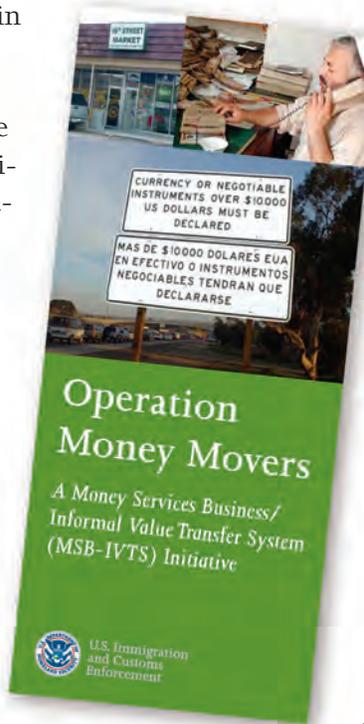


# Operation Money Movers

## Money Services Businesses

Section 359(a) of the USA PATRIOT Act amended the definition of an MSB to include any person who engages as a business in an informal money transfer system or any network of people who engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institutions system. By combining its money laundering and immigration expertise, ICE HSI is uniquely positioned to effectively combat the threat posed by unlicensed MSBs. MSBs encompass a variety of financial services, but predominantly involve the movement of funds on behalf of clientele generally comprised of foreign nationals who have not established a traditional account relationship with financial institutions. This system offers relative anonymity to the clientele, adding levels of insulation from detection by law enforcement. This anonymous feature provided by MSBs can be exploited on a number of levels by terrorist and other criminal organizations that conduct criminal activities investigated by ICE HSI. These criminal activities include the laundering of illicit proceeds, the movement of illicit proceeds into and out of the U.S., payroll schemes to disguise an illegal workforce, document fraud and terrorist financing.

MSBs typically provide a financial service to the “un-banked” segment of the U.S. population, catering to illegal immigrants, ethnic populations, students and transients. HSI has learned that many MSBs are owned and operated by foreign nationals who facilitate money transfers on behalf of citizens from their region or country of origin.



While many MSBs provide a legitimate service to their customers, those acting illegally evade federal reporting and record-keeping requirements. In an effort to address this vulnerability and force more transparency within the MSB industry, ICE HSI is aggressively investigating illegal MSBs and hawalas and has implemented an MSB/Informal Value Transfer System (IVTS) initiative built upon a three-tiered strategy of identification, compliance, and prosecution. The goal is to identify as many unlicensed MSBs as possible, investigate and prosecute any MSB that is linked to an ongoing ICE criminal investigation or meets federal prosecution guidelines for violation of 18 USC 1960, and work with the IRS and the Financial Crimes Enforcement Network (FinCEN) to educate and bring into compliance those unlicensed MSBs not within prosecutorial guidelines of the initiative.

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Operation Money Movers was officially re-launched in November 2009. As a result, Operation Money Movers has resulted in more ICE-led arrests and indictments in the first five months of 2010 than all of 2009. ICE HSI has a unique ability to handle cross-border financial crimes, unparalleled anti-money laundering expertise, and a commitment to working with the private sector and our law enforcement partners to initiate and investigate financial crimes. ■



## Red Flag Indicators

If you are operating as an **MSB**, some examples of “red flag” indicators may include:

- Customer conducts transaction utilizing products or services that inherently favor a degree of anonymity or can readily cross international borders, such as online money transfers, stored value cards, money orders, or money transfers by mobile phone.
- Customer who travels unexplained distances to locations to conduct transactions with no apparent business or lawful purpose.
- Customer sends frequent wire transfers to foreign countries but does not seem to have any connection to the destination countries.
- Customer conducts transactions so that they fall beneath the identification (\$2,000), Suspicious Activity Report (\$5,000), or Currency Transaction Report (\$10,000) thresholds.

If you are a **bank or financial institution**, some examples of “red flag” indicators may include:

- Business accounts used to receive or disburse large sums of money but show virtually no normal business related activities, such as the payment of payrolls, invoices, etc.
- Frequent deposits of third party checks and money orders into business or personal accounts.
- Frequent international wire transfers from bank accounts which appear inconsistent with stated business.
- Frequent deposits by multiple individuals into a single bank account, followed by international wire transfers and/or international withdrawals through automated teller machines (ATMs).

# Bulk Cash Smuggling Center (BCSC)

On August 11, 2009, ICE officially launched the national Bulk Cash Smuggling Center (BCSC) co-located at the Law Enforcement Support Center (LESC) in Williston, Vt. The BCSC is the latest tool designed to combat the very lifeline that fuels criminal enterprises: illicit proceeds. Federal, state and local law enforcement agencies, as well as worldwide partners, now have a single, central source for information that is mission-dedicated to support interdiction and disruption efforts aimed at the illicit movement of proceeds generated through criminal activity. ICE HSI combats Bulk Cash Smuggling (BCS) by targeting transnational criminal organizations seeking to repatriate illicit proceeds. The full array of BCS methods are targeted including commercial and private aircraft and vehicles, maritime vessels and pedestrians crossing U.S. borders with Mexico and Canada. The BCSC is a 24/7 intelligence and operations facility providing real-time tactical intelligence to federal, state and local officers involved in enforcement and interdiction of BCS and the transportation of illicit funds. This is accomplished through the examination and exploitation of evidence obtained at our borders, during traffic interdictions, and through other law enforcement operations.

The BCSC supports HSI special agents responding to domestic and international currency seizures by providing an analytical and coordination center to exploit all investigative leads at the onset of a seizure. Financial investigations, specifically BCS, remain a high

priority for ICE and the Department of Homeland Security.

## Bulk Currency Smuggling Case Examples

In 2008, Resident Agent in Charge (RAC) Gulfport agents responded to assist the Laurel Police Department with a vehicle stop on Interstate 59 in Laurel, Miss. The two occupants granted consent to search the vehicle. The search revealed \$109,650 in U.S. currency in a purse in the back seat. RAC Gulfport agents interviewed the subjects who admitted to being paid to transport the money from Atlanta, Ga. to Mexico. The subjects were subsequently indicted in the Southern District of Miss. for The Hobbs Act/Travel Act; Interstate Travel or Transportation in Aid of Racketeering, (18 USC 1952) and Bulk Cash Smuggling (31 USC 5332). The subjects were sentenced to 15 months incarceration. One subject remains a fugitive. In May 2010, New Mexico state police conducted a traffic stop on a vehicle for a speeding infraction. A consensual search of the vehicle by New Mexico Department of Public Safety revealed a total of \$9,890 within the door frame and rocker panel of the driver's side door. RAC Albuquerque agents were notified, responded and subsequently seized the currency. The subject was charged with Title 18 USC 1960,

Prohibition of an Unlicensed Money Transmitting Business. Although a small amount of U.S. currency was recovered, this is a great example of the partnerships ICE has formed with our state and local counterparts, and the U.S. Attorney's Office.

## Bank Secrecy Act

The Bank Secrecy Act of 1970 (or BSA, or otherwise known as the Currency and Foreign Transactions Reporting Act) requires U.S.A. financial institutions to assist U.S. government agencies to detect and prevent money laundering. Specifically, the act requires financial institutions to keep records of cash purchases of negotiable instruments, file reports of cash transactions exceeding \$10,000 (daily aggregate amount), and to report suspicious activity that might signify money laundering, tax evasion, or other criminal activities.

ICE utilizes data from BSA reports such as Currency Transaction Reports (CTRs) and Currency and Monetary Instrument Reports (CMIRs) as a critical tool to support its money laundering, bulk cash smuggling and other financial investigations.

BSA data is used not only to initiate investigations but as support to ongoing investigations. BSA data aids in the identification of suspects, accounts, and criminal activities. ■



The vehicle door frame where U.S. currency was discovered.



The vehicle door frame where U.S. currency was discovered.