



Closed Loop Financial Products And Organized Crime

2011 Mid- Atlantic Anti-Money
Laundering Conference



Ceridian Stored Value Solutions is a provider of global prepaid services.

- Ceridian Stored Value Solutions (Ceridian SVS) is a provider in the prepaid market, delivering gift card and promotional platforms for the retailer.
- Managing gift card and other pre-paid programs can be complex.
- Our clients depend on our expertise to skillfully navigate through the complexities of managing and building a strong and profitable gift card program.
- We represent approximately 50% of the retail industry with private label pre-paid products.

Speaker Information

- VP/CSO and Director of Corporate Security and Safety for USF Corporation.
- Massachusetts State Trooper/Investigator OCDETF

Some Definitions

- Closed Loop – From store to bank on a proprietary network (gift cards issued by stores and third party providers, usually involves cash in and product out).
- Open Loop – From store, to acquirer, to bank on a network system (MasterCard, Visa, American Express, Discover. Usually involves cash in and cash out)

Some statistics

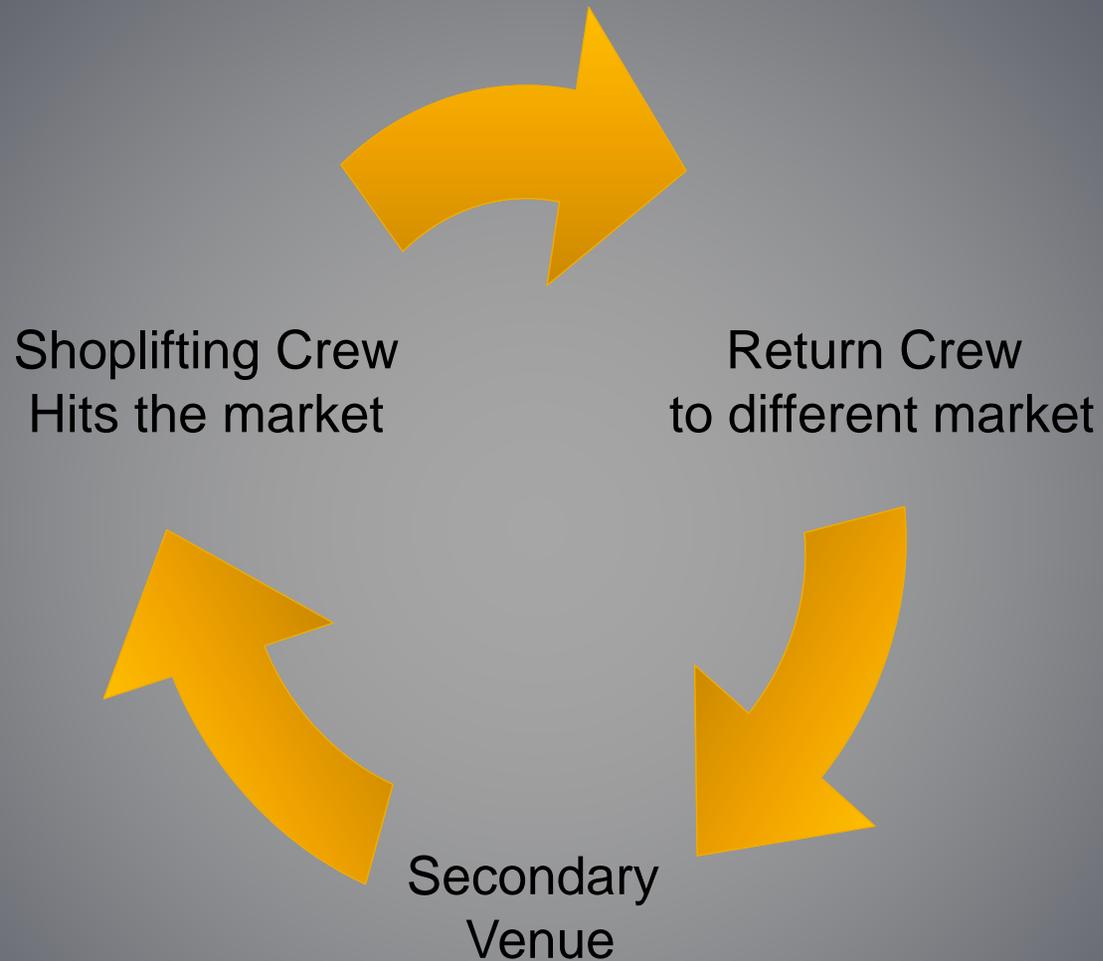
- Globally transactions with reloadable prepaid cards will reach \$840 billion a year by 2017.
- The average deposit on prepaid cards amount to \$2,500 a month.
- Reports of money laundering is between \$590 billion and \$1.5 trillion annually

Frauds in branded closed loop products

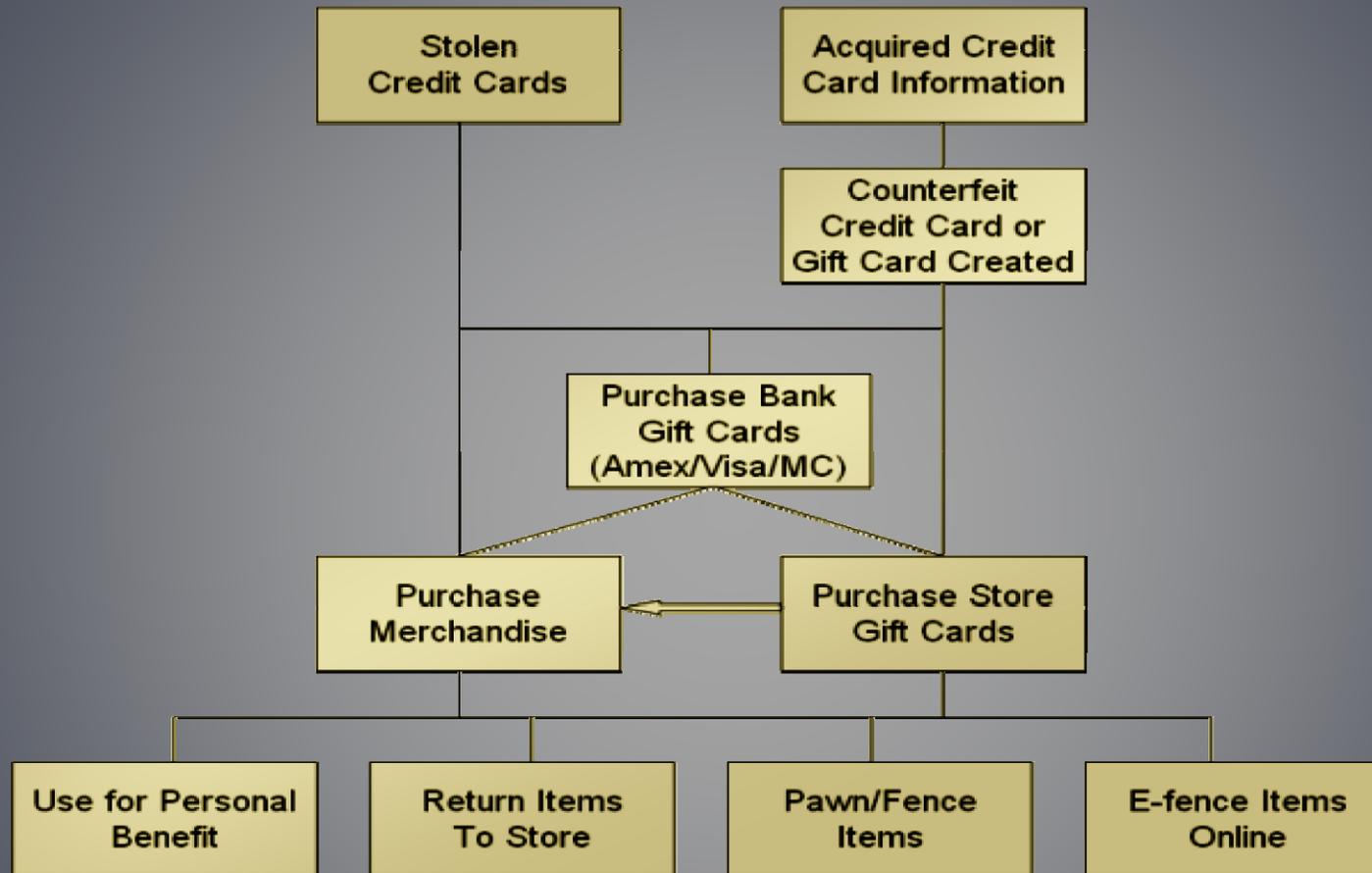
Standard closed loop financial products frauds remain stable

- Cloners
- Transactions spoofs
- Internal Theft

Organized Retail Crime in Closed Loop Products



The OC Model with gift cards offers more opportunities



Traveling in style

- Five California residents suspected in a string of scams across the country were arrested Wednesday at Nashville International Airport after security screeners noticed hundreds of magnetic striped cards in a suitcase, Police say the group flew into Nashville on Tuesday from California, rented a vehicle, traveled to area Wal-Mart's and allegedly used stolen credit card information to purchase gift cards.

Organized retail crime in closed loop products

- ORC groups are using cards as a commodity (returns and sales)
- Theft and cloning remain isolated to a small number of smaller groups
- Unreported credit theft and identity thefts use gift cards
- Third party sales outlets for gift cards are being targeted with more frequency

Internal theft

- POS exception reports are the best tool to identify internal dishonesty
- Use the 800# for information
- While not growing represents the largest chunk of closed loop financial products crime

Other issues with closed loop products

- Institutional sales and promotional sales represent interesting opportunities for OC where bulk purchases are made
- Cross border

Intelligence Opportunities

- The 800# and A N I Capture
- Issuer pattern analysis
- Law enforcement resources

Open Loop Financial Products

- BOGOTA, Colombia - Forget bulk cash. It's not the most convenient cross-border conveyance for the 21st-century money launder – prepaid cards
- The "GMT Offshore Prepaid Card," has an annual load limit of \$240,000 with no link to any bank account. The card costs \$500 plus subsequent transaction fees and is issued by an offshore bank and administered in Panama.

Open loop Financial Products

- There are technical differences between stored-value and prepaid cards Value can either be stored on the card (chip) or held in financial institution
- Card value can often be tracked when value is added and removed or verified through ANI capture
- Most LE/Intel requests come from agencies with cross-border responsibilities

Questions and Answers

Paul B. Cogswell

Vice President

Ceridian

5301 Maryland Avenue

Brentwood, TN 37027

615-376-6939

Paul.cogswell@ceridian.com

www.ceridian.com

