

# **EMERGING MONEY LAUNDERING THREATS**

# PRIORITY INTERNATIONAL MONEY LAUNDERING THREATS (PIMLAT)

- Stored value devices
- Shell corporations
- Electronic & virtual currency
- Unlicensed money remitting
- International Emergency Economic Powers Act (IEEPA)

# STORED VALUE DEVICES

- Most common in the U.S. at this time are pre-paid cards and debit cards.
- Two types of stored value cards: closed system and open system.

# CLOSED SYSTEM CARDS

- These are cards where the amount of money on them is pre-loaded and cannot be refilled.
- Typical examples: gift cards, such as Starbucks & Home Depot.
- Money launderers, particularly drug dealers, have managed to use these cards to launder criminal proceeds.

# QUIZ

Q. What can a criminal get with \$10,000 in Starbucks gift cards?

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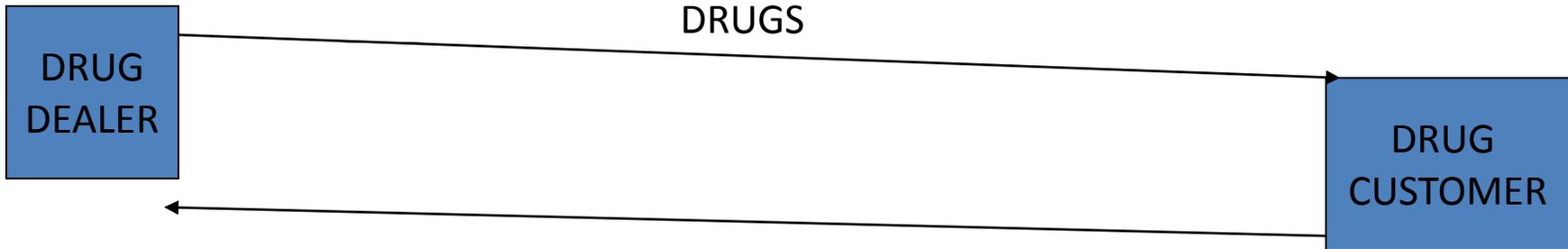
A. Two large cups of coffee and a scone.

DRUG  
DEALER

DRUGS

DRUG  
CUSTOMER

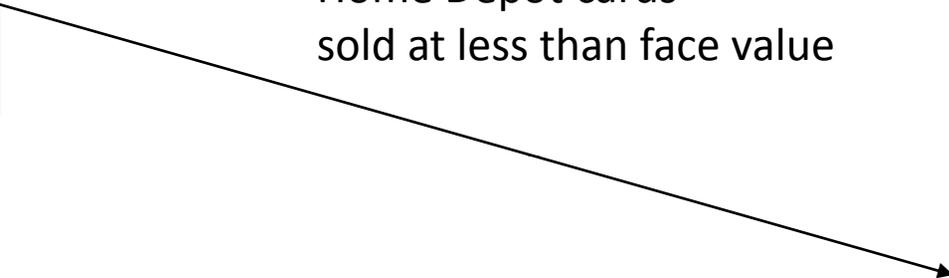
HOME DEPOT GIFT CARDS



DRUG  
DEALER

Home Depot cards  
sold at less than face value

E-BAY,  
CRAIGS LIST,  
ETC.



# CLOSED SYSTEM PRE-PAID CARDS

- Separate organized crime, narcotics and white collar investigations have identified similar trends of pre-paid store gift cards purchased under suspicious circumstances.

Suspicious  
Individual

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graph TD; A[Suspicious Individual] --> B((Separate $500 gift purchases totaling over $100,000, bought with numerous different personal & business credit cards)); B --> C[Gift cards spent at Shopping malls within 50 mile radius, Within weeks of purchase];
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Separate \$500 gift purchases totaling over \$100,000, bought with numerous different personal & business credit cards

Gift cards spent at Shopping malls within 50 mile radius, Within weeks of purchase

# OPEN SYSTEM CARDS

- Present the most significant money laundering threat.
- Common examples: reloadable Visa and Mastercard debit cards.
- Cards can be reloaded over the internet.
- Presently there is no requirement to declare these cards at the border, regardless of how many the traveler has or how much money is on them.

# ELECTRONIC CURRENCY

- Services such as E-Gold permit their account holders to buy, store and transfer electronic currency, which can then be withdrawn from an ATM machine in the currency of the country where the ATM is located.
- These services claim that their currency is backed up by actual gold bullion, which in some cases is accurate.

# VIRTUAL CURRENCY

- Certain websites, such as Second Life, utilize virtual currency, which can be exchanged with other patrons of the website and withdrawn from ATM machines, thereby converting the virtual currency to that of any country desired.

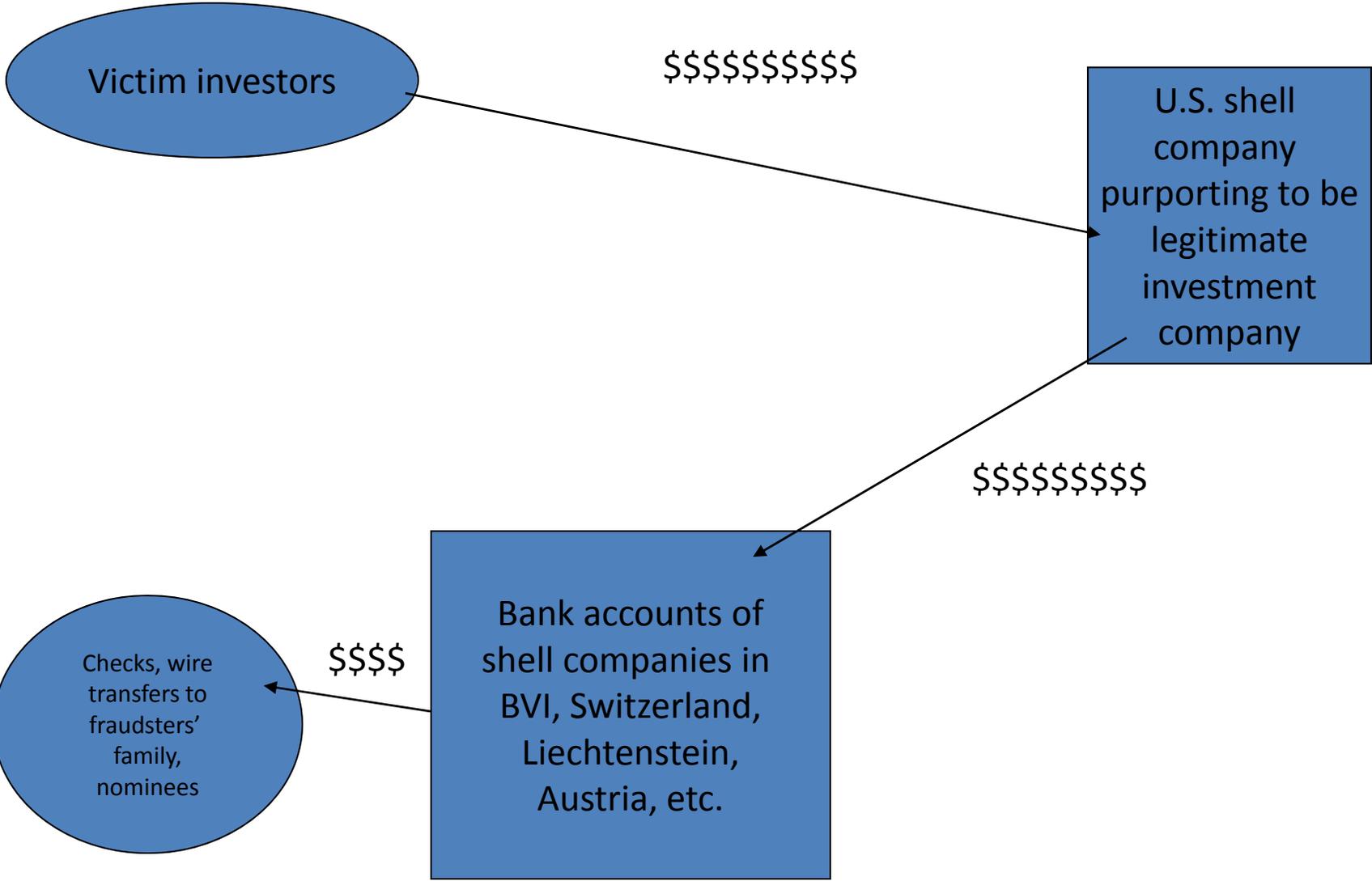
# USE OF SHELL COMPANIES

## SIGNS THAT SHELL COMPANIES ARE BEING USED FOR MONEY LAUNDERING

1. The suspect is not a shareholder and receives loans with no terms and pays no interest. (IRS uses “all events test” to determine if this is tax evasion).
2. The suspect receives dividends or paychecks from shell companies whose bank accounts are located in off-shore countries.

## SIGNS THAT SHELL COMPANIES ARE BEING USED FOR MONEY LAUNDERING

3. The suspect receives significant paychecks from a private company in addition to getting a W-2 from a government job.



# CYBER CRIME AND IDENTITY THEFT

- The criminals purchase stolen credit card numbers, which are e-mailed to them.
- The cards are used to purchase popular goods, such as electronic equipment, in the name of a shell corporation.
- These products are then sold at a discount to “work at home” e-mail salespersons, most of whom do not know that the products were acquired fraudulently.
- The products are then resold to innocent third parties.

# ATTORNEY SETTLEMENT FRAUD

- Client hires attorney to negotiate a settlement on a purported claim for breach of contract, personal injury, divorce, etc..
- Almost immediately, the attorney gets a call from the party he's supposed to negotiate with, saying they'll settle for an amount at least as high as the client wanted, which is usually several hundred thousand dollars.
- The attorney receives a large check, which they deposit into their business account and send an attorney check, minus their fee, to the client.

# ATTORNEY SETTLEMENT FRAUD

- After the check received by the attorney clears, the bank discovers it was a skillfully altered check, with routing numbers matching a foreign bank, usually a Canadian bank.
- Alternatively, the check received by the attorney was actually a valid check, but was drawn on a foreign shell corporation and the attorney was used as a pawn to layer the funds being laundered.

# UNLICENSED MONEY REMITTING

- Any business moving money on behalf of the public is required to register with FinCEN and, in many states, is also required to get a license.
- It is a federal felony (18 U.S.C. § 1960) to fail to register with FinCEN or to fail to get a state license if the state makes it a crime not to have one.
- New initiatives on the part of DOJ and FinCEN seeking to prosecute and dismantle these potential terrorist financing pipelines.
- FBIHQ encourages all law enforcement and private sector partners to report businesses suspected of operating as an unlicensed money remitter.

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