



12th ICC FIB International Financial Crimes Forum

ALTERNATIVE BANKING & CONCEALMENT SCHEMES



ILLICIT FINANCIAL CYCLE

EARN

Narcotics Smuggling
Counterfeit Merchandise
Racketeering Activity
Cargo Theft
Human Smuggling and Trafficking
Public Corruption
Frauds (Bank, Trade, etc.)
Arms Trafficking
Cyber Crimes

MOVE

Stocks, Bonds, Investments
Trade-based money laundering
Banks/Financial Institutions
Prepaid Devices/Digital Currency
Money Service Businesses
Alternate Banking/Remittance Systems
Charities/Casinos
Shell Corporations
Bulk Cash Smuggling

STORE

Gold / other Precious Metals
Diamonds / Precious Gems
Stocks, Bonds, Investments
Real Estate Ventures
Insurance Policies
Depository Accounts
Off shore corporate structures & trusts
Straw purchasers & nominee owners



ALTERNATIVE BANKING INFORMAL VALUE TRANSFER SYSTEMS

- Money launderers will deposit funds with an underground bank and will receive a “token” which will be presented to an underground banking counterpart in another country in order to receive the illicit cash (minus commission).
- In these systems (Hawala, Hundi, etc.), the funds never physically leave the country of origin.





ALTERNATIVE BANKING

TRADE BASED MONEY LAUNDERING

One Of The Most Significant Ways To Launder Illicit Funds.

- Money launderer uses different trade based schemes, false or double invoicing, over and under evaluation, as the reason to transfer goods from one country to another.
- Funds have appearance of the legal transfer of funds for payment of commodities.
- HSI and Customs and Border Protection (CBP) play significant roles in discovering these schemes.



Informal Currency Markets



Criminal Organization

- Smuggles and sells contraband for foreign currency
- Sells foreign currency on black market for local currency



Black Market Currency Broker

- Buys foreign currency from criminal organization for local currency
- Sells foreign currency to importer for local currency



Importer

- Buys foreign currency from broker for local currency
- Uses foreign currency to pay overseas obligations via third party (broker)



BMPE PROCESS

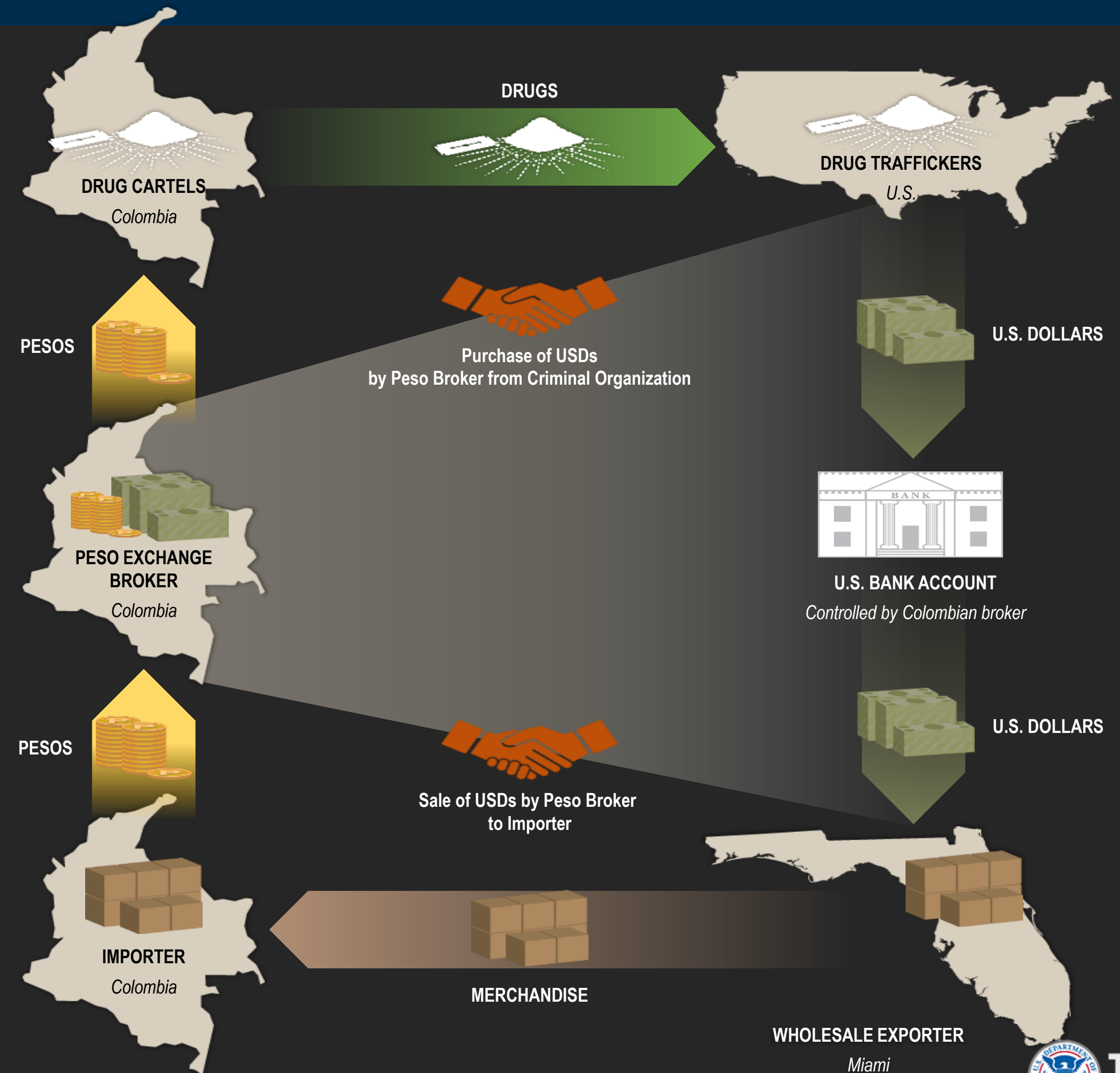
Step 1: Drug trafficking organization sells drugs in the United States for U.S. dollars

Step 2: Peso exchange brokers in Colombia buy U.S. drug dollars at a discount and sell them to businessmen in Colombia who need dollars to buy U.S. goods for export

Step 3: Peso exchange broker in Colombia arranges for U.S. currency to be transferred to U.S. exporters for the purchase of wholesale products such as electronics

Step 4: U.S. wholesale exporter receives U.S. dollars via cash, check, money order, or third party wire transfer

Step 5: Wholesale products are shipped to Colombia



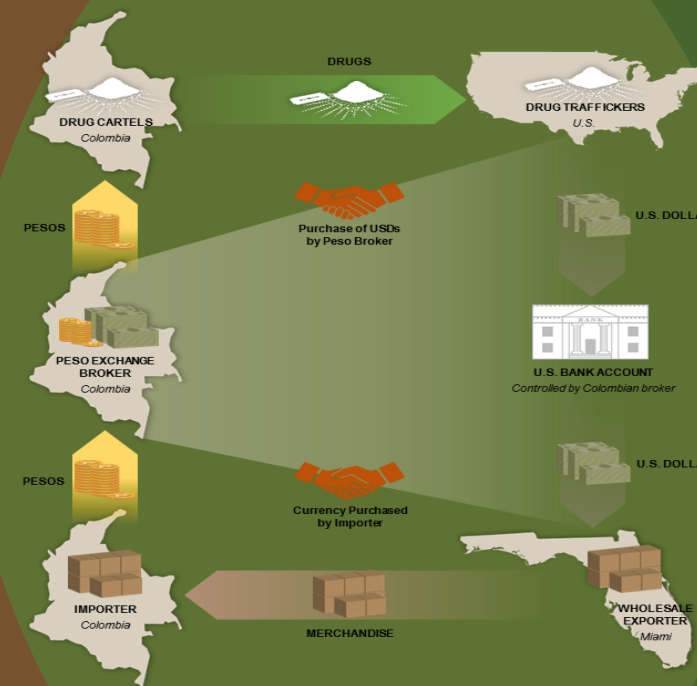


BMPE = Unregulated FOREX Market



Criminal Organization

Distributes drugs internationally for cash



BMPE

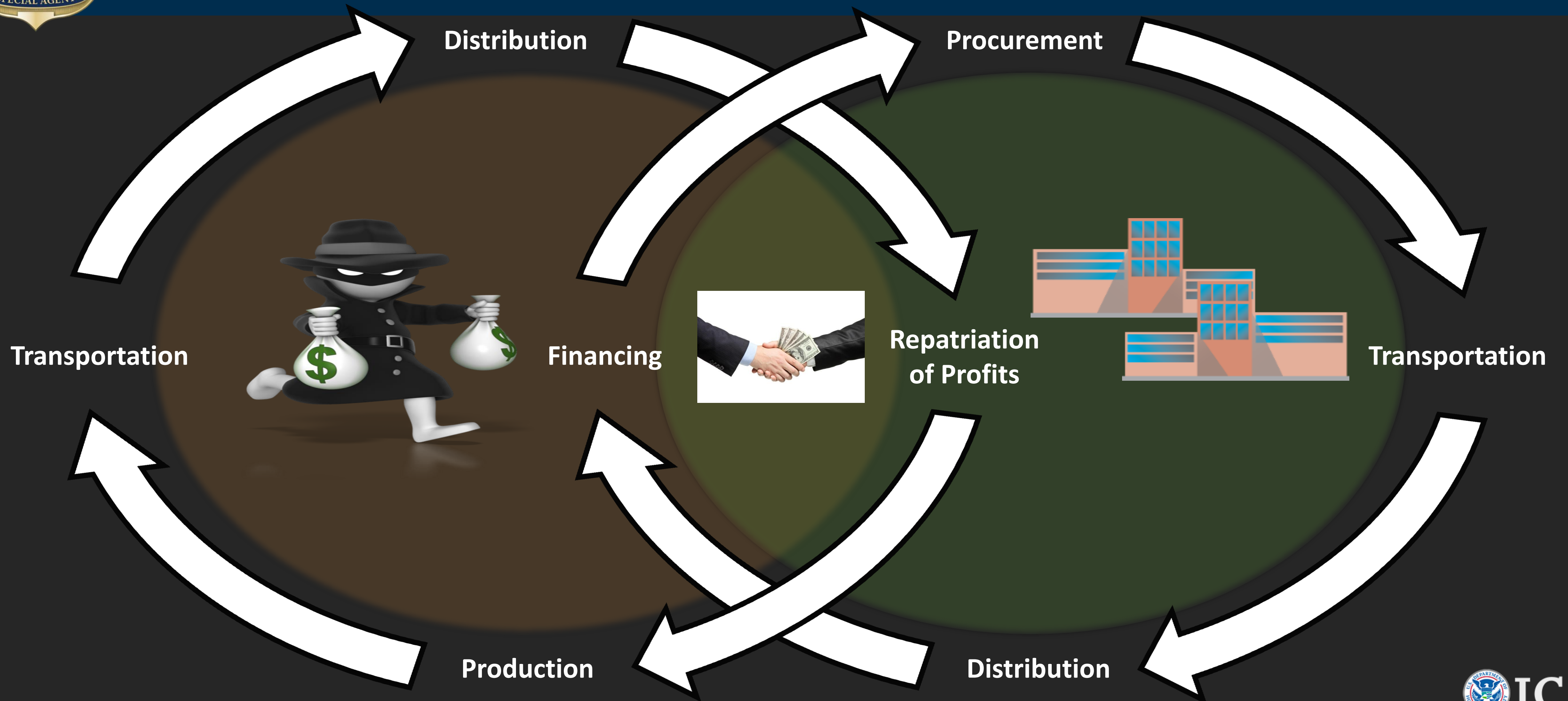


Legitimate Importer

Requires cash to meet business obligations with overseas customers

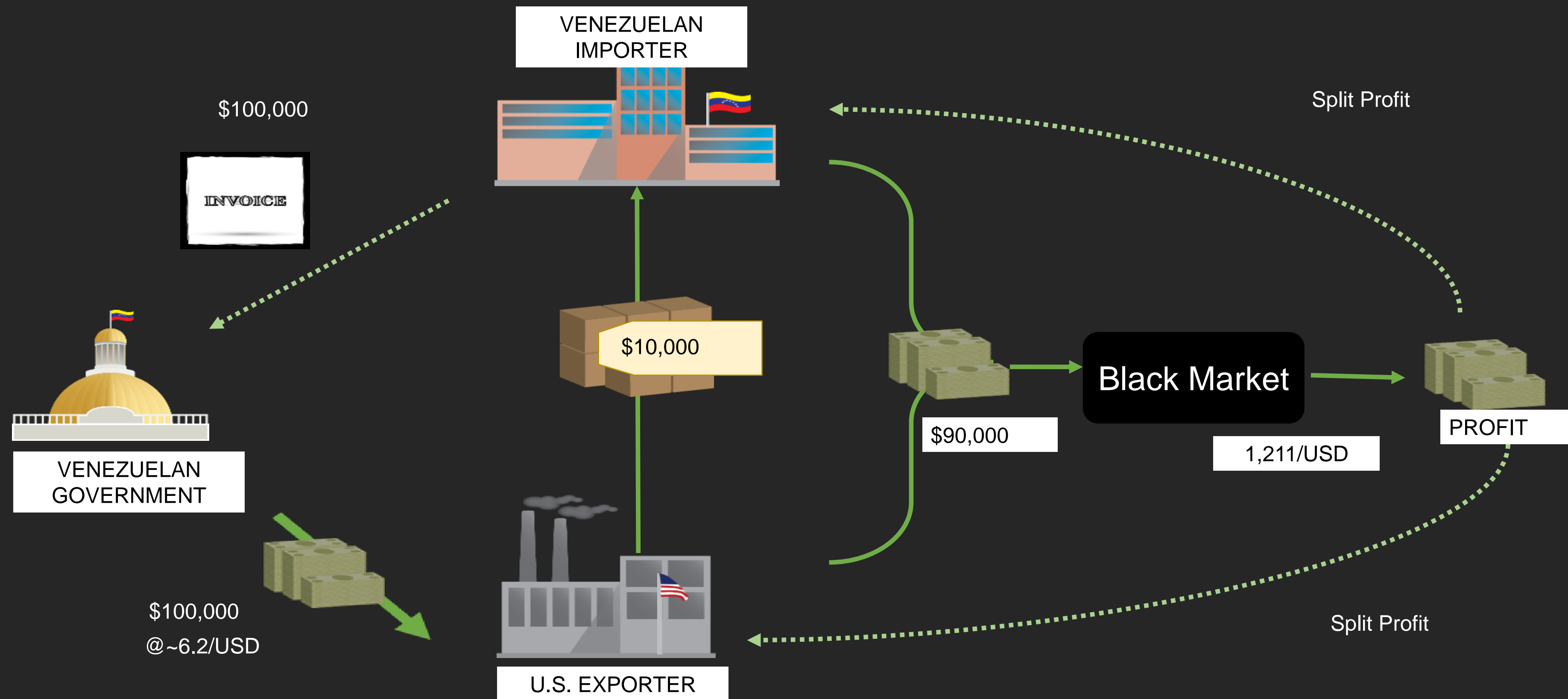


BMPE = Unregulated FOREX Market





Venezuelan Black Market



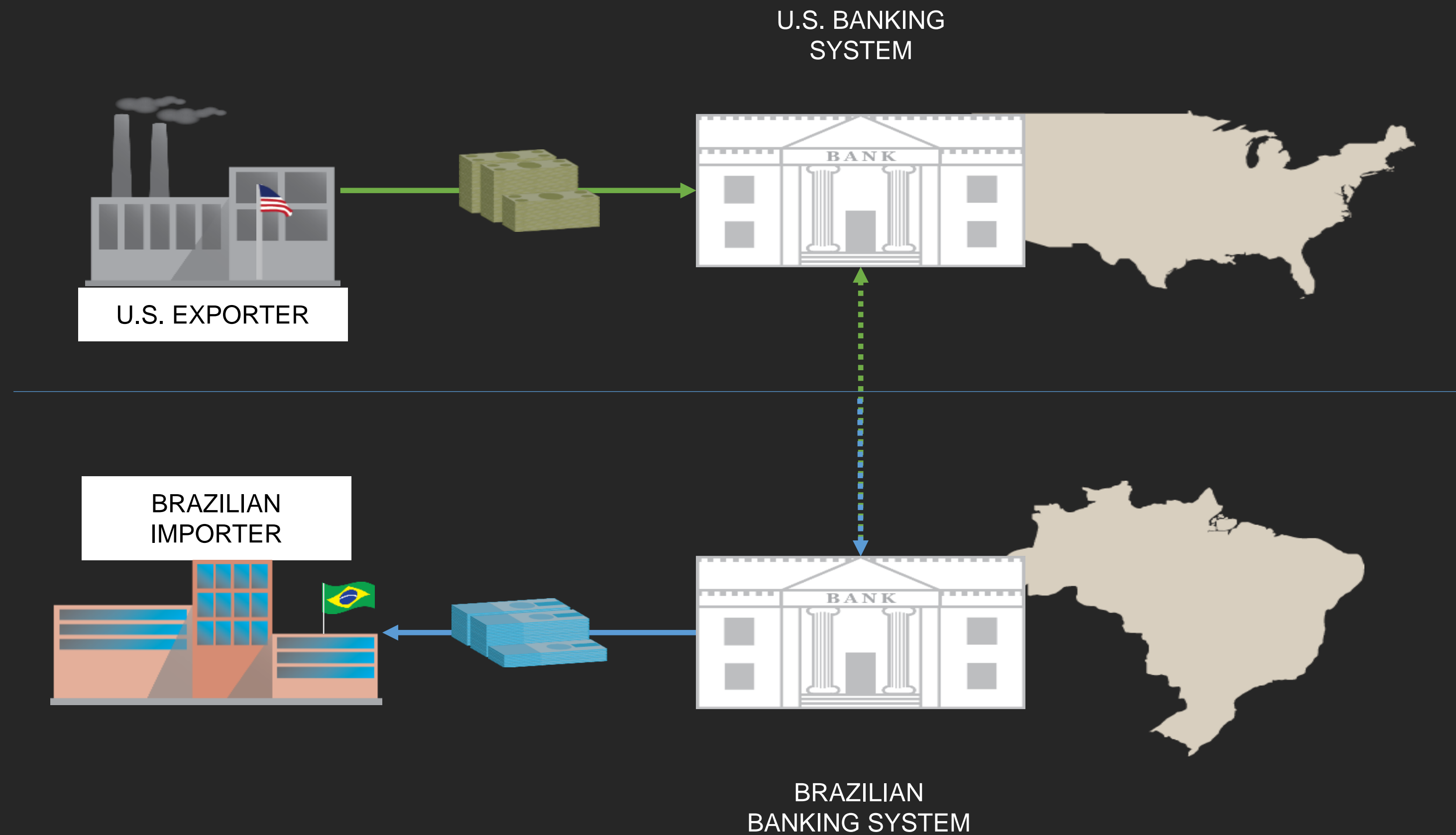


Brazilian Doleiro

- The doleiro market exists to circumvent the controlled foreign exchange regime in Brazil, where the Central Bank requires that all foreign exchange transactions be reported.
- Doleiros are informal currency dealers who receive money from clients in Brazil and make deposits abroad for a fee, allowing clients to export cash without alerting tax officials. When a client wants to bring the money back into Brazil, the doleiro exchanges the dollars for reals and deposits them in a local account. Doleiros will often maintain numerous bank accounts in Brazil and abroad to facilitate operations and avoid scrutiny.
- The market facilitates tax avoidance and money laundering in Brazil since outbound payments go unreported to authorities.



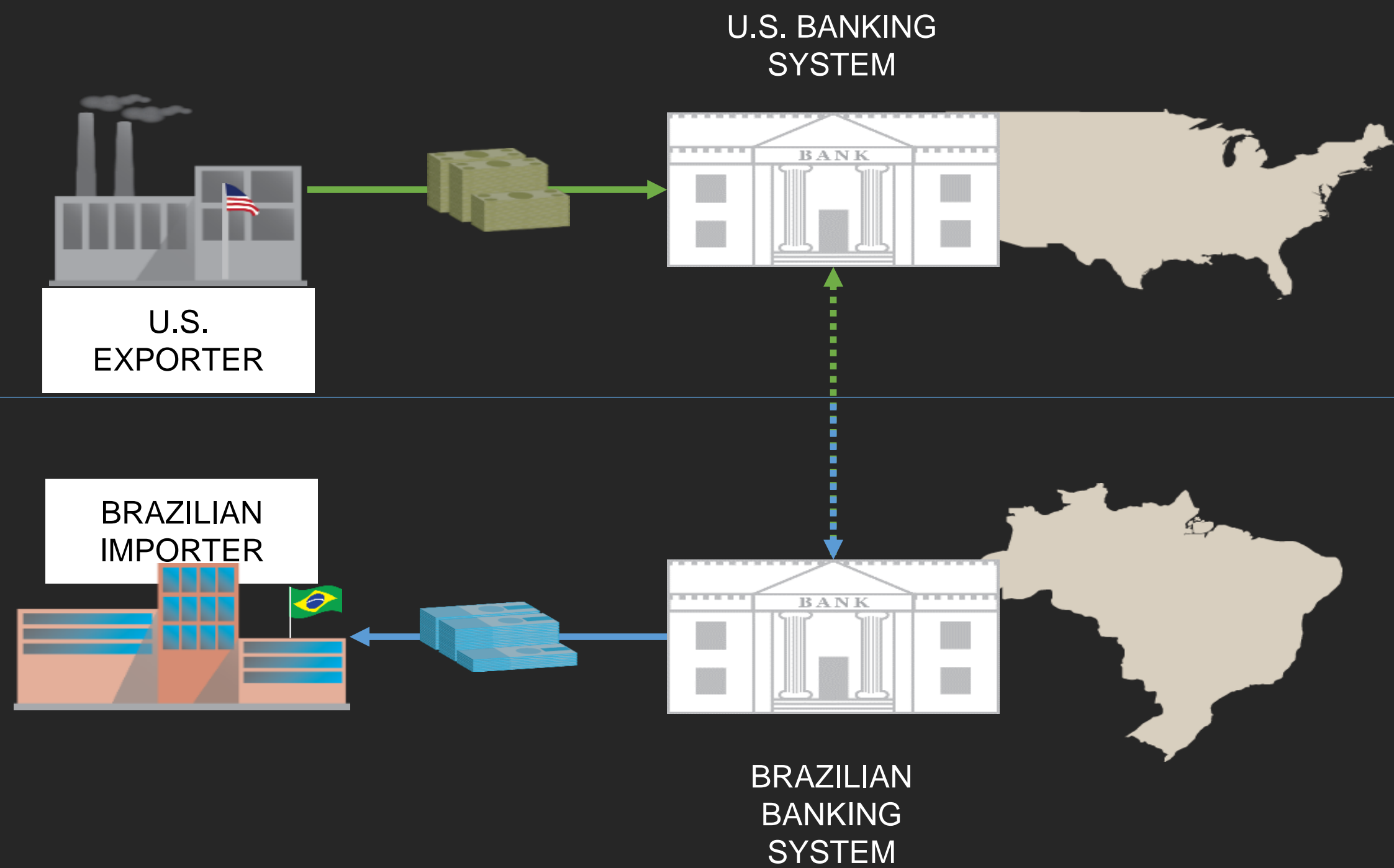
Official Method of Sending and Receiving Funds in Brazil



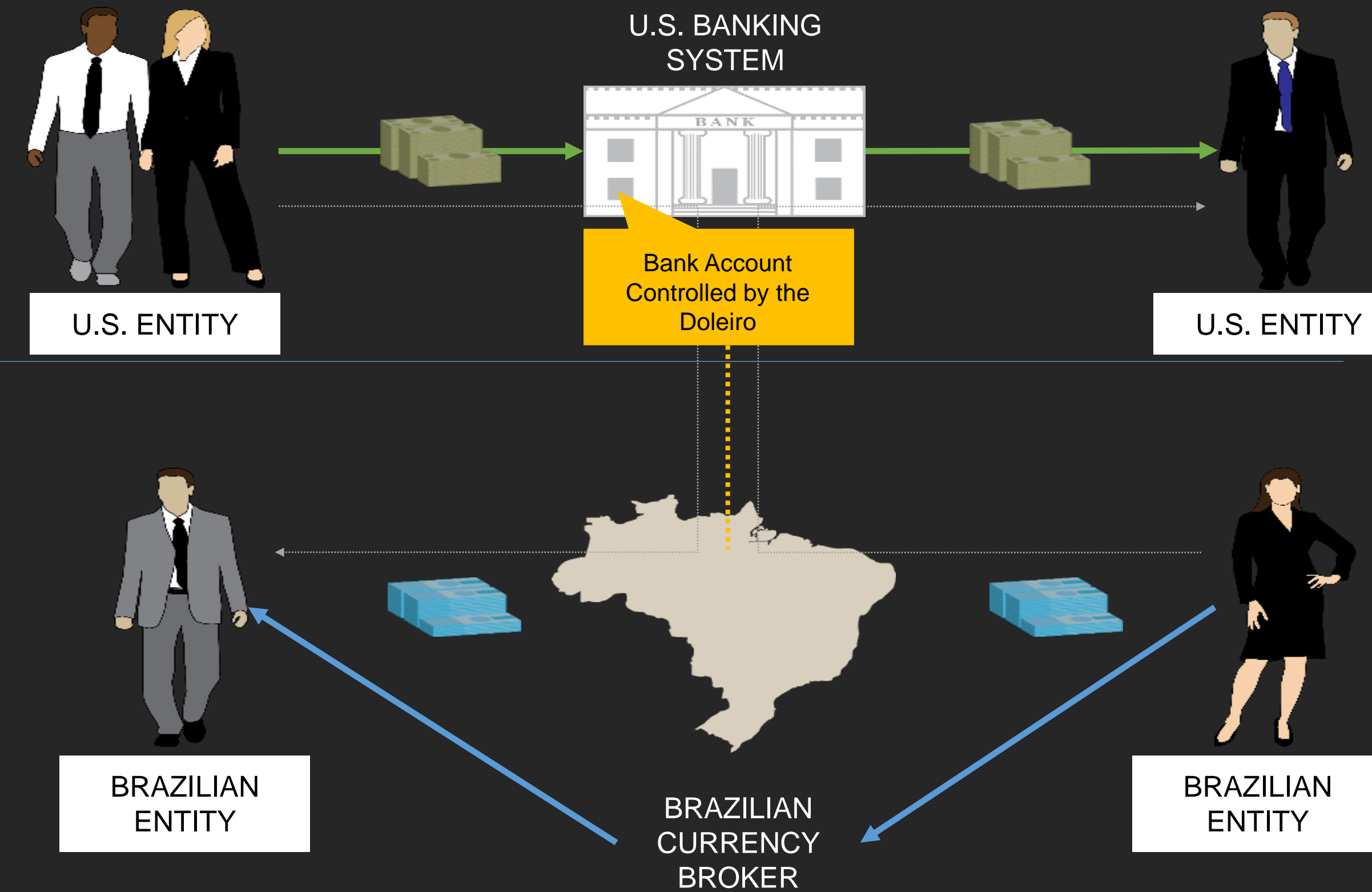


Official vs. Doleiro Method of Sending and Receiving Funds in Brazil

Official Method



Doleiro Method





CONCEALMENT SCHEMES

- Foreign Exchange Dealers
- Gambling Institutions (Casinos)
- Front Companies
- Structuring/Smurfing
- Financial Institutions/Insider Assistance
- Assets Purchased with Cash, i.e. Real Estate
- Underground Banking/Alternative Remittance Systems
- Trade Based Money Laundering
- Brokerage
- Insurance Industry
- Bulk Cash Smuggling





CONCEALMENT SCHEMES FOREIGN EXCHANGE DEALERS

- Poorly regulated and not required to maintain detailed records of their cash transactions.
- Money launderer purchases banks drafts in a foreign currency and deposits the bank draft as if it is used to pay for goods in a foreign country.
- Exchange dealer can wire transfer funds to another country.



CONCEALMENT SCHEMES GAMBLING ESTABLISHMENTS

- Money launderer buys large amounts of chips for cash, but does not gamble. He later cashes in the chips and claims the money as gambling winnings.
- Monies can be wire transferred to money launderer account showing what appear to be a legitimate casino transactions.
- Another method is to buy winning tickets from people and saying you have won making bookmakers vulnerable to being used.



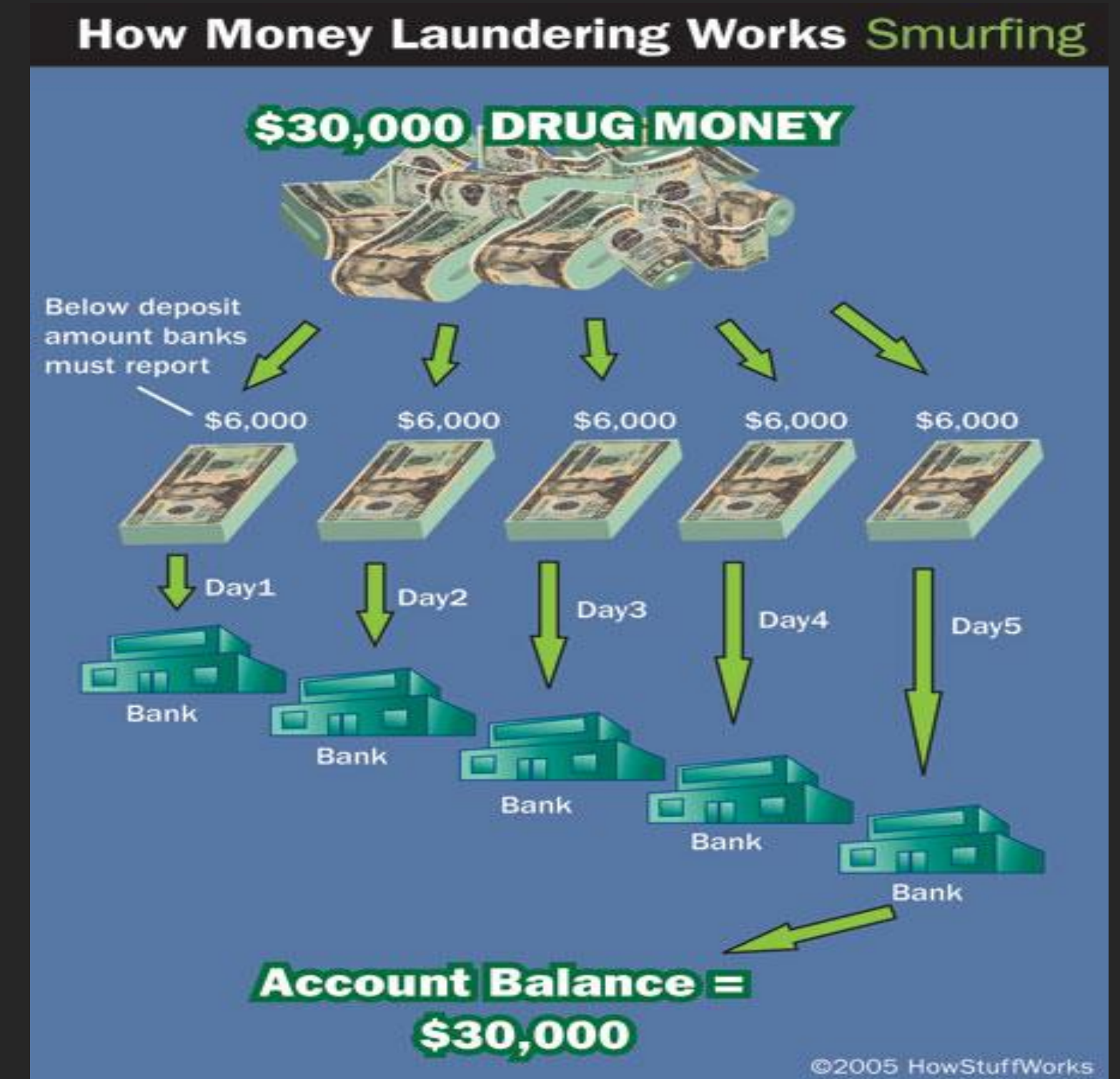
CONCEALMENT SCHEMES FRONT COMPANIES

- Represents the illegal proceeds as the legitimate proceeds of a company that functions as a front for the money laundering organization.
- The front could be a legitimate business that commingles the illegal proceeds with legal proceeds or a dummy corporation set up solely for the laundering operation.



CONCEALEMENT SCHEMES STRUCTURING

- Used in countries where a financial industry is required to file financial transaction reports.
- Money launderers conduct a series of transactions at a bank or number of banks by keeping the deposited amount of each transaction below the legally established reporting requirements.





CONCEALMENT SCHEMES FINANCIAL INSTITUTIONS

- The money launderer converts cash at a bank into other negotiable instruments, such as travelers checks, banks drafts, letters of credit.
- Large banks with branches in tax haven countries make it possible to get the money out of the country.
- Insider assistance:
 - Employee may be bribed to accept large cash transactions without filing the reports.
 - Aid the money launderer by setting up false bank accounts or illegally transferring cash to other banks.



CONCEALMENT SCHEMES

ASSETS PURCHASED WITH CASH

Made With Three (3) General Purposes:

1. Support luxurious style;
2. Change the form of the proceeds from more conspicuous bulk cash, to assets of equal value (i.e. gold or other precious metals);
3. Obtain major assets used to further facilitate the criminal conduct.



CONCEALMENT SCHEMES

ELECTRONIC FUNDS TRANSFER

- One of the most widely used layering methods because of its ability to hide illegal currency movement within a tremendous amount legal transactions.
- Funds are easily wire transferred into and out of accounts worldwide.
- Via electronic transfer, illicit proceeds can move through all 3 stages of the money laundering cycle (placement, layering, and integration) in minutes.



CONCEALMENT SCHEMES

SHELL COMPANIES

- Once money has been moved to a tax haven country, it is placed into a bank account in the name of a shell and/ or front company.
- Launderers have more than one company and can transfer funds between companies, further disguising the source of the illegal money.



CONCEALMENT SCHEMES

REAL ESTATE SALE

- Illegal proceeds are used to purchase property in the name of a shell company.
- When the property is later sold, the proceeds would appear to be legitimate from a real estate transaction.
- This is basically the same as the front company method in the layering stage, but the source of funds is harder to trace.





CONCEALMENT SCHEMES

OFF SHORE BANKING JURISDICTIONS

- Beneficial to launderer because the foreign bank provides security, the appearance of legitimacy and the bank is capable of handling large amounts of money.
- Bank records in off shore banking jurisdictions are often protected from law enforcement scrutiny.
- Provide anonymity to beneficial owners



PROTECTING THE HOMELAND WITH HONOR, SERVICE, AND INTEGRITY

John F. Tobon

Deputy Special Agent in Charge

HSI – Miami

John.F.Tobon@ice.dhs.gov

www.linkedin.com/in/jftobonhsimiami

