



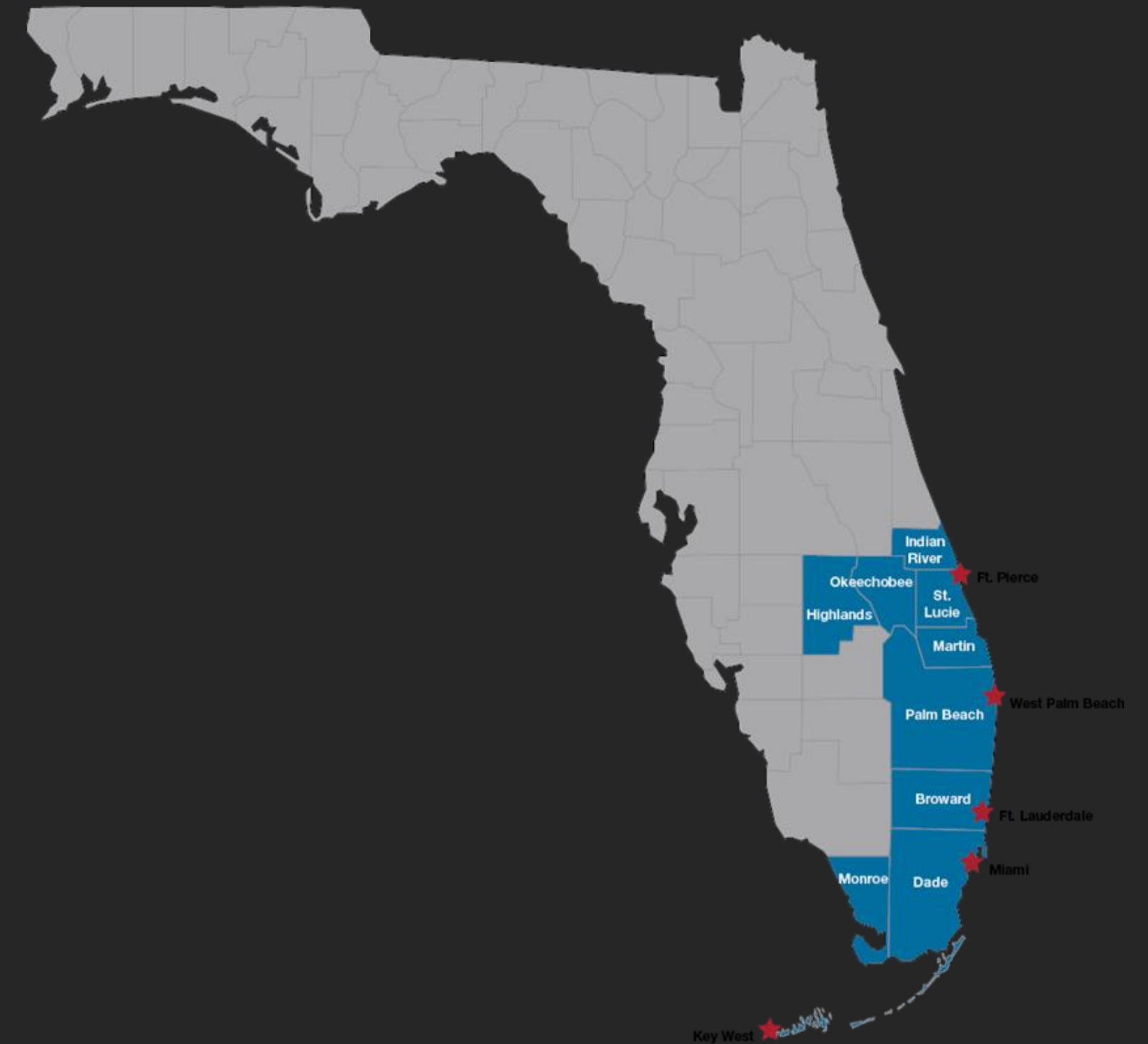
12th ICC FIB International Financial Crimes Forum

CONCEALING THE SOURCE OF ILLICIT FUNDS



The South Florida Environment

- Known as the *Gateway to the Americas*
 - Approximately 70% of Miami's population is Hispanic (~55% is Latin American-born)
 - More than 1,200 multinational corporations housed in South Florida
 - Latin American cargoes typically account for 45-50% of the Port of Miami's 7+ million total tons of annual waterborne containerized cargo
 - 39.5 million passengers traveled to/from international and domestic destinations through Miami International Airport in 2012
- SAC Miami investigates the criminal threats that transnational criminal organizations pose to America's legitimate commercial trade, travel and financial systems in South Florida

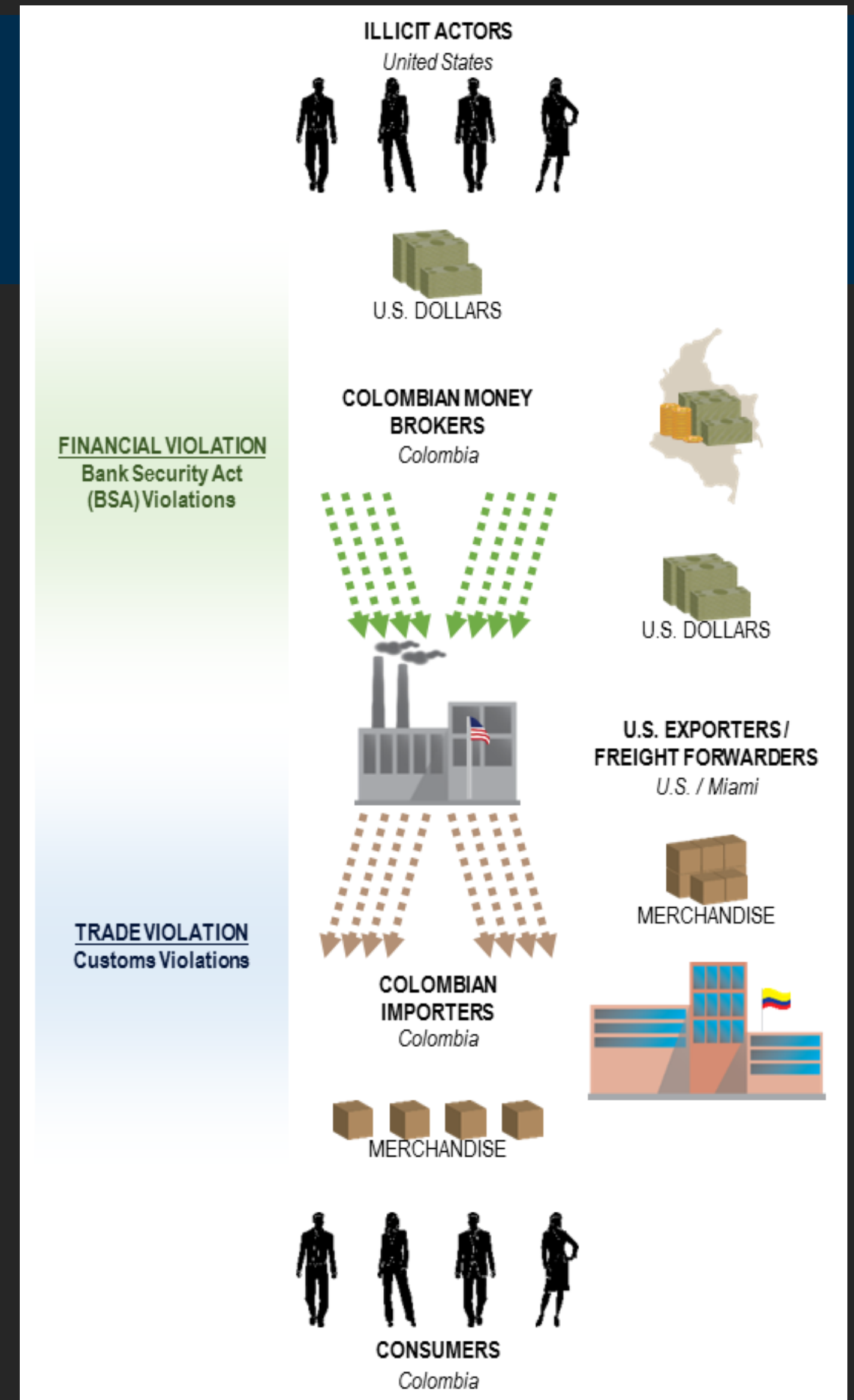




TBML in South Florida

Conventional Model

- Cash is bulk smuggled to South Florida from drug sales in New York, Chicago, and other U.S. cities
- Investigative emphasis on couriers linking an infinite pool of Colombian money brokers with South Florida businesses
- Prosecutions based on BSA and narcotics violations
- Investigations revealed a need to understand activity at the cash—merchandise exchange point





Geographic Targeting Order



The Director of FinCEN may issue an order that imposes certain additional recordkeeping and reporting requirements on one or more domestic financial institutions or nonfinancial trades or businesses in a geographic area. See 31 U.S.C. § 5326(a); 31 C.F.R. § 1010.370; Treasury Order 180-0 I.

Doral Geographic Targeting Order (GTO)

Established a reporting requirement for cash transactions \geq \$3,000 at covered electronics (including cell phones) export businesses beginning April 2015. Each Covered Business received notification of its obligations under this Order via personal service or certified mail.

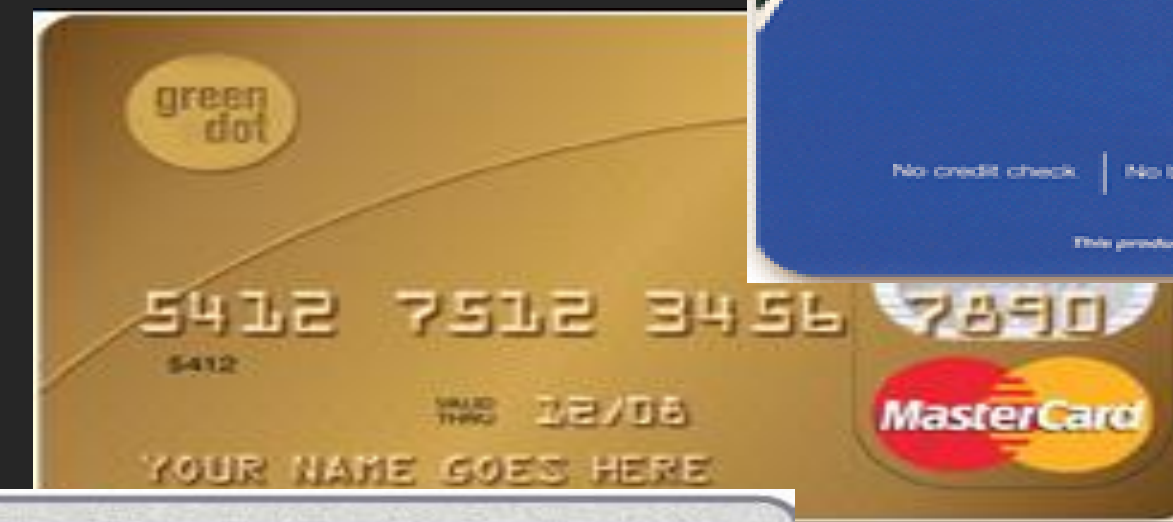
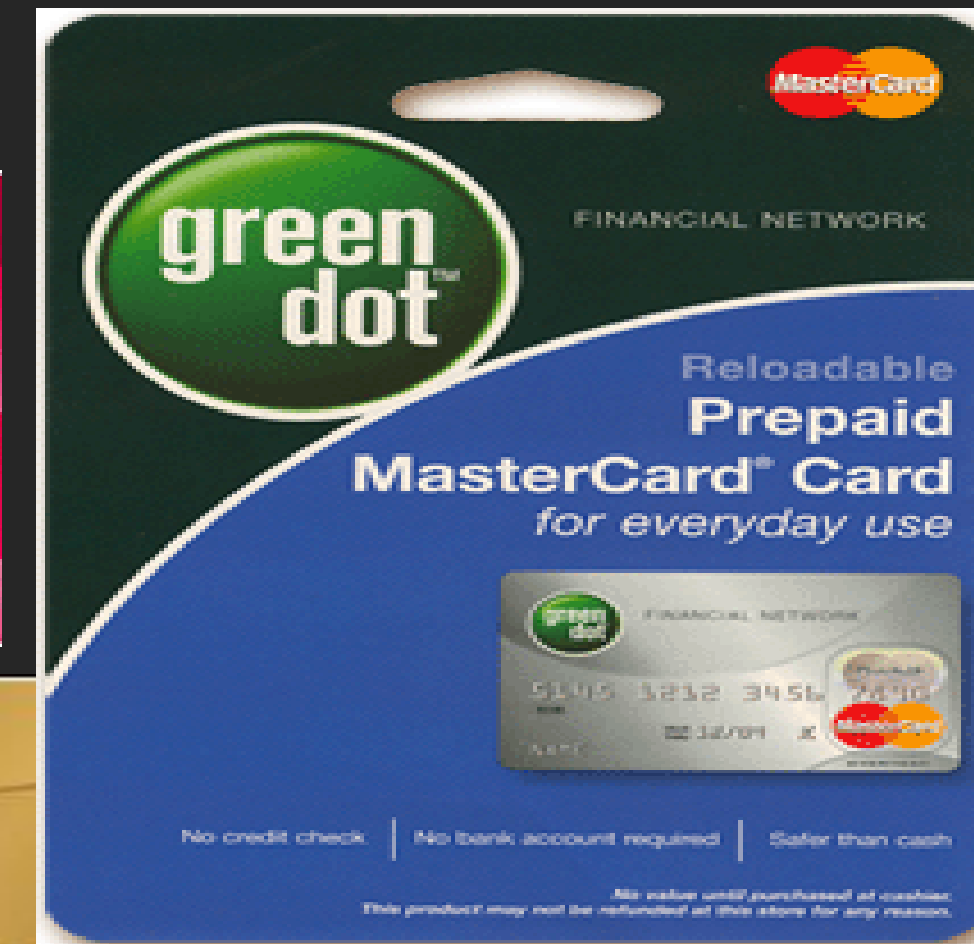


Resulting HSI Miami Initiatives

- Analysis and justified request for extension of the Doral GTO, personalized notification to 600+ covered businesses
- Developed quantitative threat model to rank potential investigative targets
 - Evaluates five key variables to return a score 0-4
 - Includes trade and law enforcement variables
- Leading operation for cooperative analysis of fraudulent customs documents
 - HSI (Miami and Bogota)
 - U.S. Customs and Border Protection
 - World Customs Organization



Prepaid Cards - Telling the Difference





What makes pre-paid unique from debit & credit?

- Debit & credit products utilize 'individual' accounts
- Pre-paid products utilize 'pooled' accounts
 - *pooled bank account* refers to *one* account that is associated with *multiple* funds. The assets of account holders are placed into sub accounts. These sub accounts are then pooled together and managed jointly by a single manager or firm.
 - Records are maintained for each sub account containing the amount of each person's share of the overall pooled principal and the amount spent for that individual.



PRE PAID CARD TYPES

- Closed Loop
- Semi-Closed Loop
- Semi-Open Loop
- Open Loop





The major features that make New Payment Methods susceptible to abuse by transnational criminal organizations are:

- ✓ Anonymity
- ✓ Volume
- ✓ Versatility
- ✓ Liquidity



How easy is it to launder money using pre-paid cards?

Illicit Funds



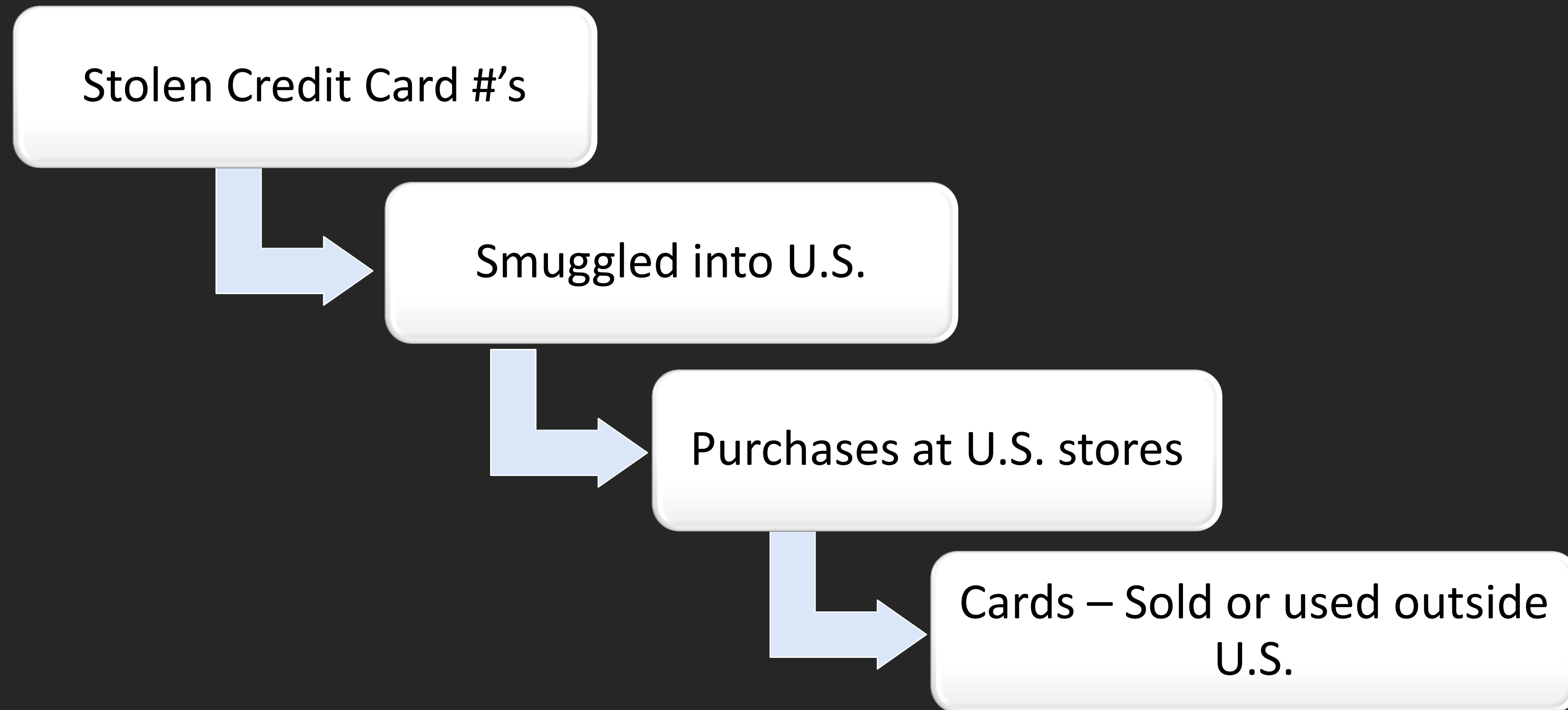
PPC Purchase



Done!



Credit Card Fraud + Smuggling + Organized Retail Crime





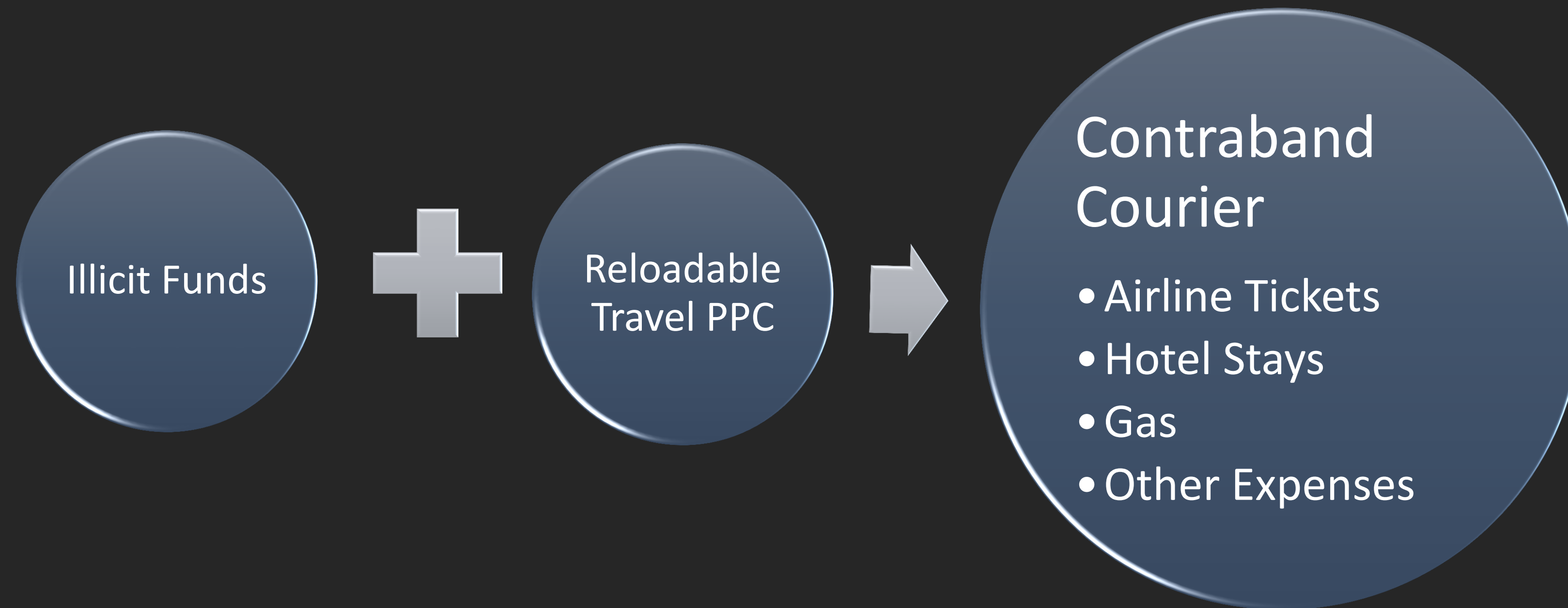
Gift Cards Used By Criminals

- Branded by Retailers for use only at their stores.
- Referred to as “Closed Loop” cards.
- Acts like cash to buy goods and services at specific merchants.
- Purchased for a specific amount.
- Funds can not be transferred to other gift cards unless lost.
- Are generally not personalized, can be reloaded at merchant location.
- Resold via the Internet for other cards or to cash out a cards value.





Payment of expenses for couriers



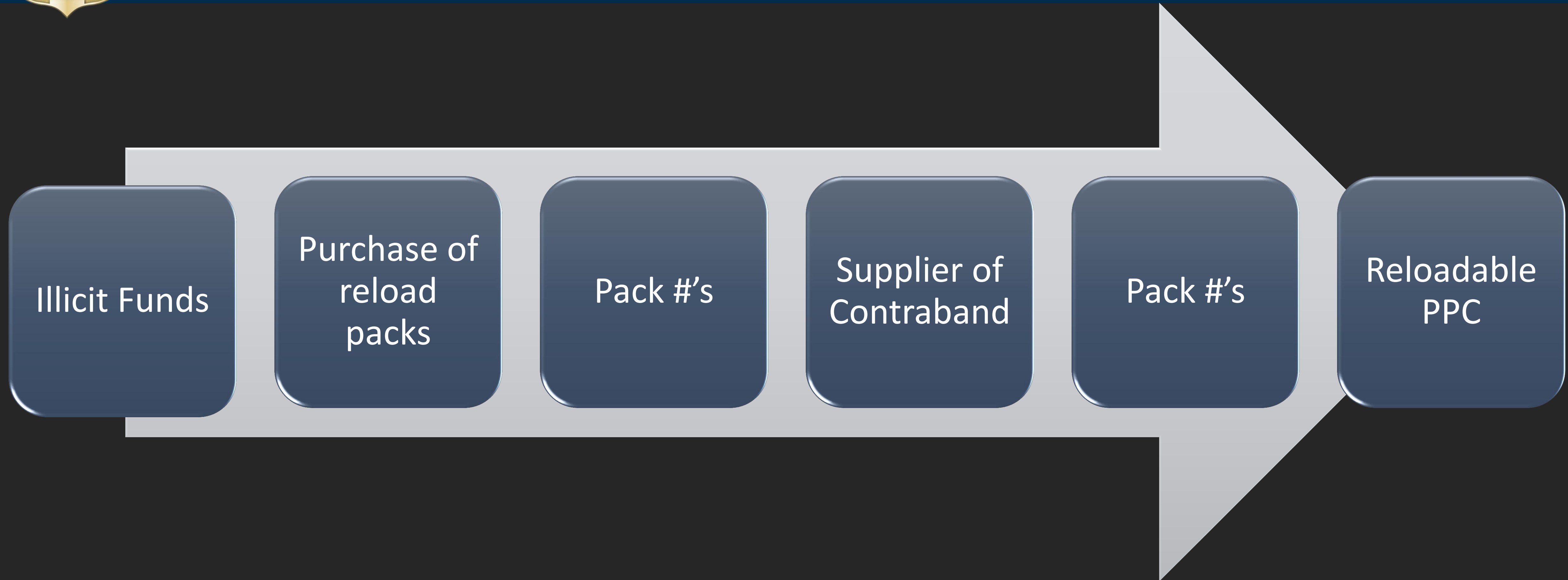


Mass Marketing Fraud





Payment of Contraband





Skimming of Gift cards to Hotel Room Keys

- Hotel room keys and other cards with magnetic stripes can be repurposed as prepaid cards. Most hotel room keys use the same magnetic stripe placement as credit/debit cards.
- Criminals transfer encoded information from valid cards to blank pieces of plastic using readily available equipment. For about \$130.00, you can buy a reader/writer on Ebay for skimming cards.
- If the card has a magnetic stripe, it could contain prepaid access information. One case of about 100 Subway/Dollar General gift cards demonstrated that the cards were not active on the merchant platform, they were open loop.





Scope of the Problem

- Prepaid Access Devices (PADs) are not reportable monetary instruments, limiting HSI's enforcement options at the border
- HSI has identified PADs in over 160 investigations resulting in:
 - 500 criminal arrests
 - 96 administrative arrests
 - 456 indictments
 - 176 seizures of monetary instruments worth \$9.8 million
 - 131 PADs seizures worth \$218,579



Scope the Problem

- The ability to electronically transfer funds from PADs to other devices or accounts enables an individual to evade detection and interdiction, and limits the ability of law enforcement to effectuate a seizure of money accessible from a PAD in a timely manner
- PADs have been used to conceal the source of illicitly derived proceeds and to promote crimes such as:
 - narcotics trafficking
 - human smuggling and trafficking
 - intellectual property rights infringement
 - Cybercrimes
 - illegal gambling
 - tax fraud/cross-border telemarketing and mass-marketing fraud.



Scope of the Problem

- PADs data sampling indicates
 - 4800 law enforcement inquiries involving over 50,000 records on Green Dot cards (January – April 2014)
 - \$194.4 billion of open looped card were loaded during 2012
 - \$254.3 billion estimate for 2016
 - China UnionPay PADs (backed by People's Republic of China (PRC) state banks) account for 3.53 billion PADs worth \$2.5 trillion
 - China UnionPay PADs are frequently used to smuggle funds to Macau to evade the daily 20,000 yuan limit



PROTECTING THE HOMELAND WITH HONOR, SERVICE, AND INTEGRITY

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