

Informal Value Transfer Systems



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Value Touches Everything

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Hawala

- Informal value transfer system (IVTS) used for centuries.
- They operate outside banking and formal financial institutions domains.
- Fei-Ch'ien (China), Padala (Philippines), Hundi (India), Hui Kuan (Hong Kong), and Phei Kwan (Thailand).

- **TRUSTED SERVICE**
- **FAST**
- **ANONYMOUS**

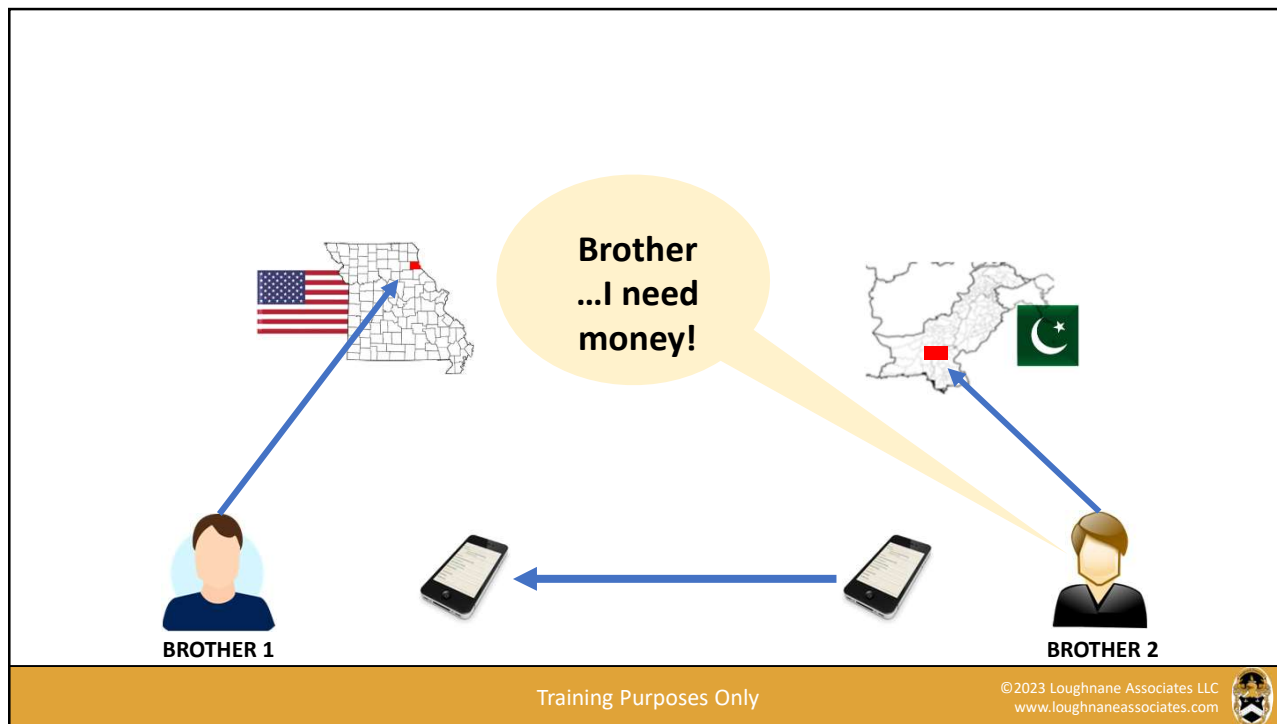


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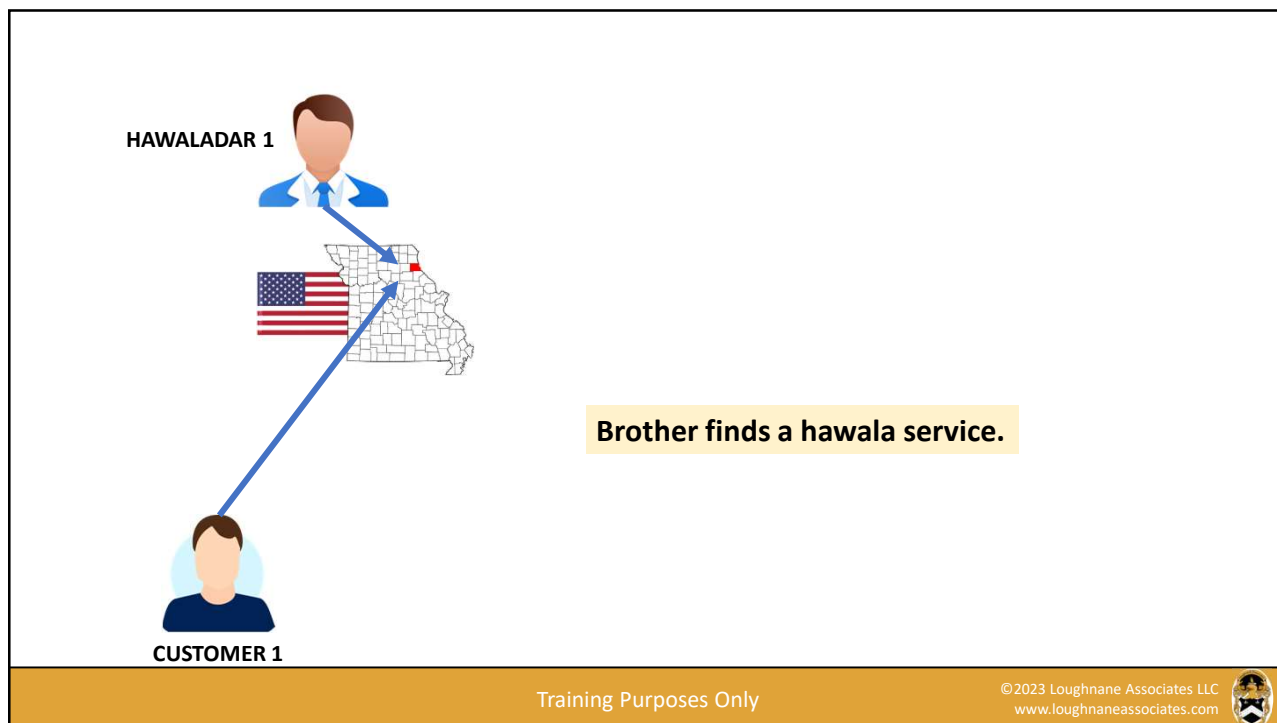
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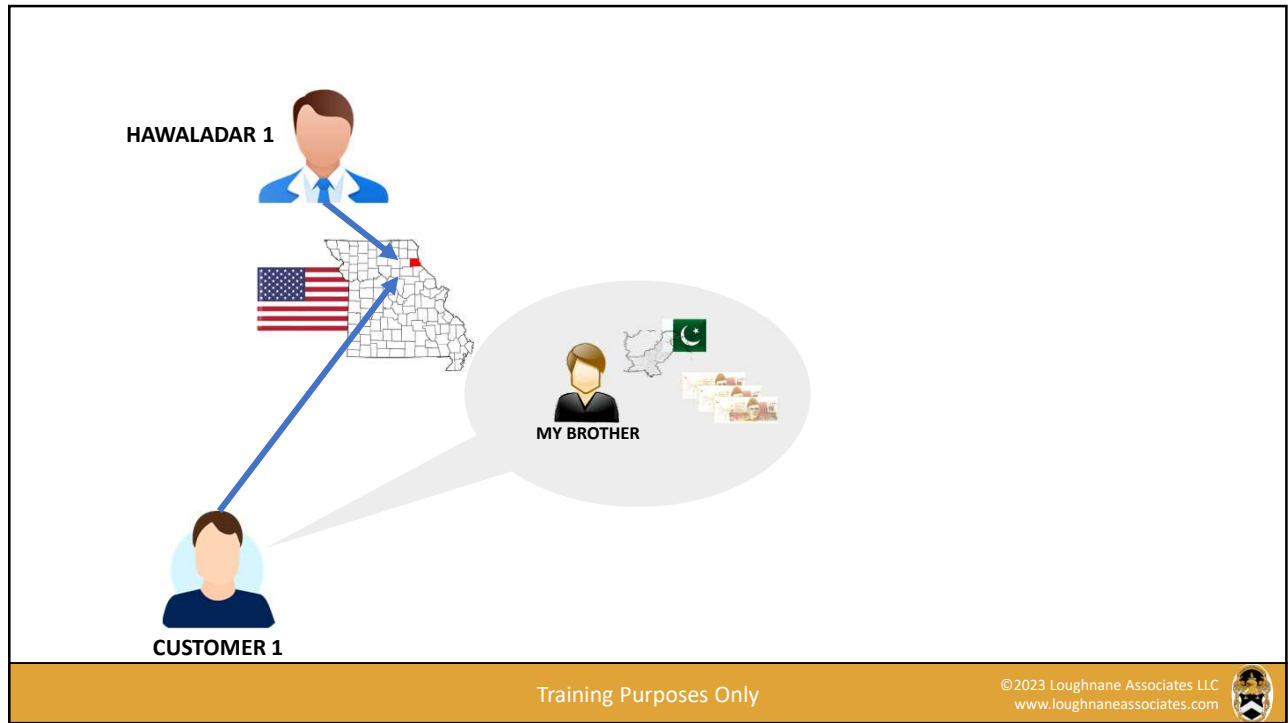
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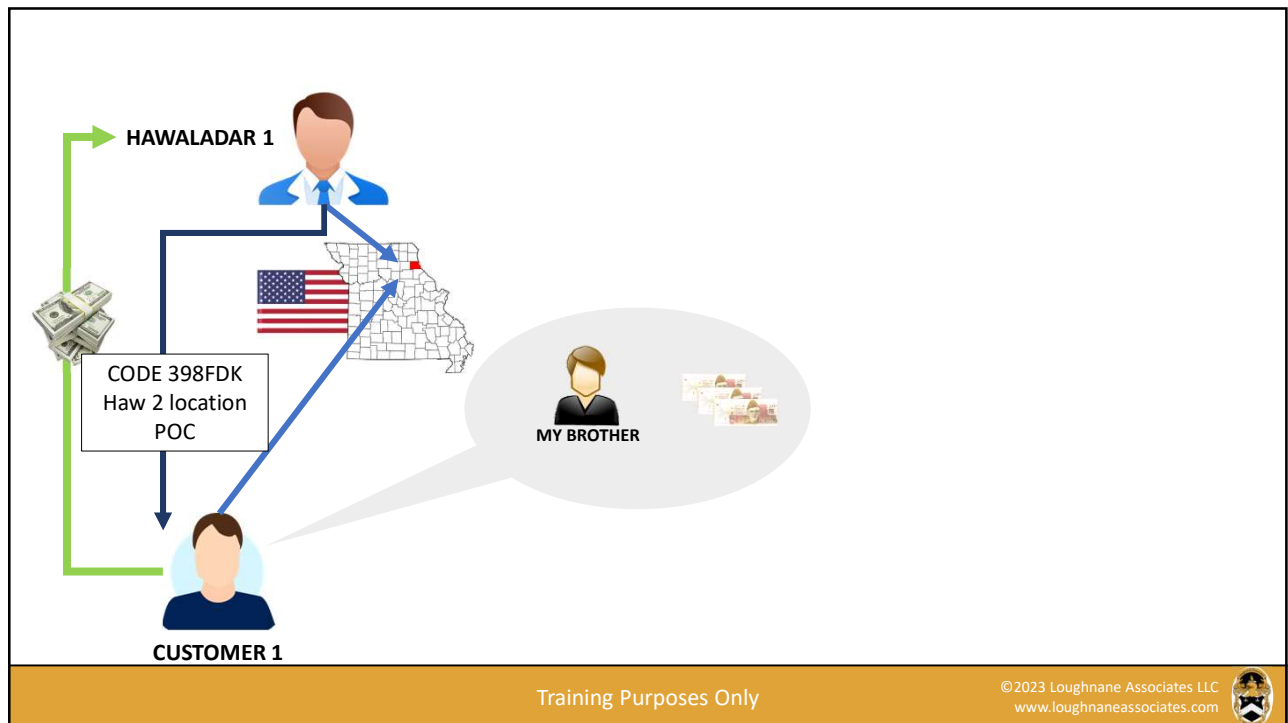
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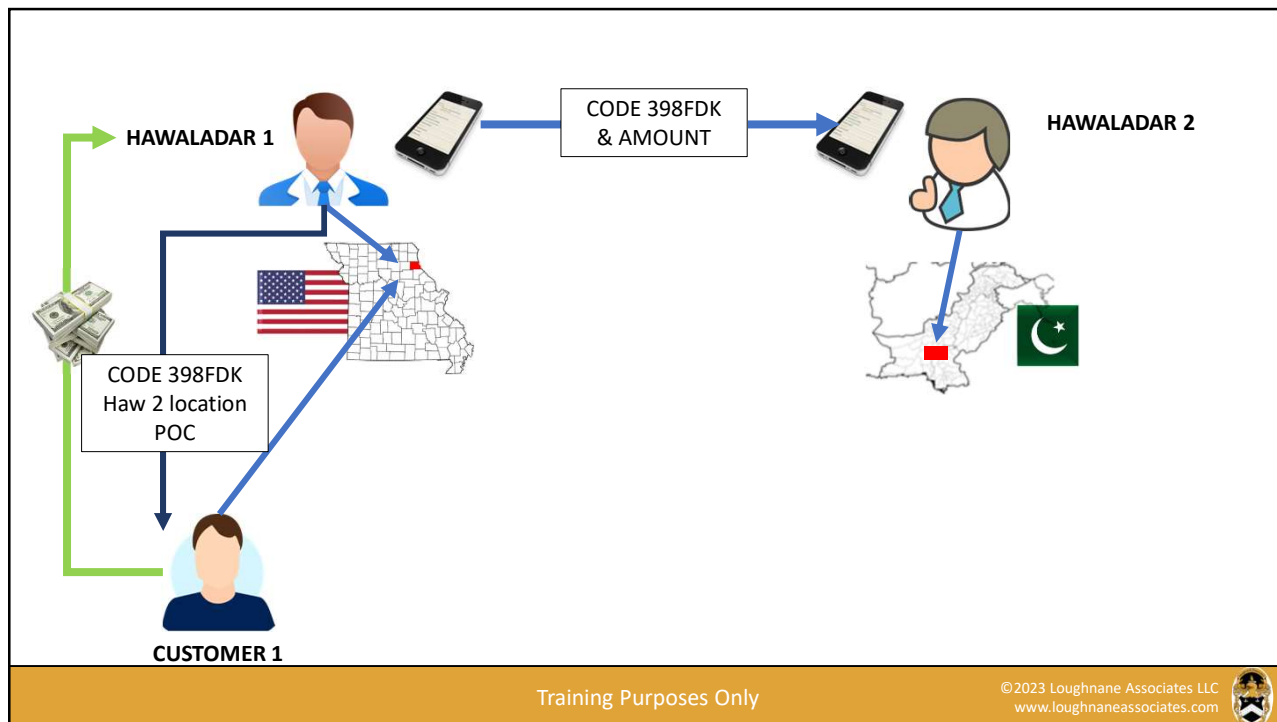
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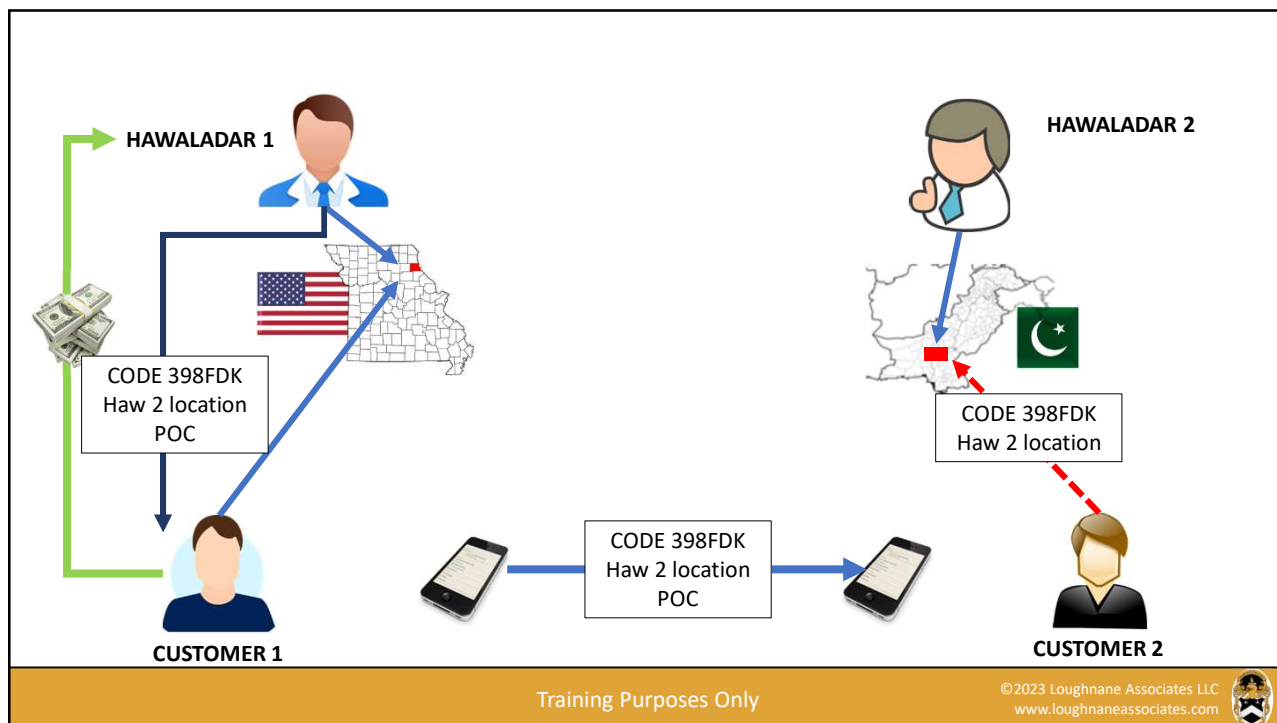
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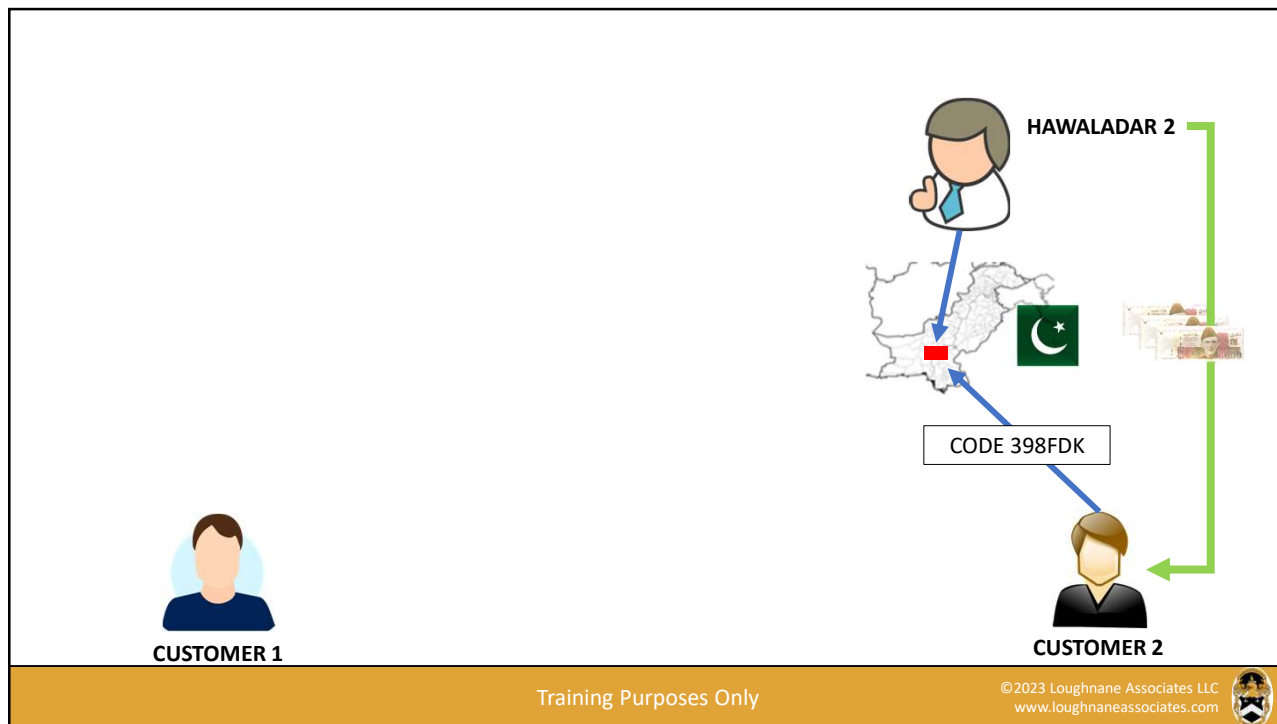
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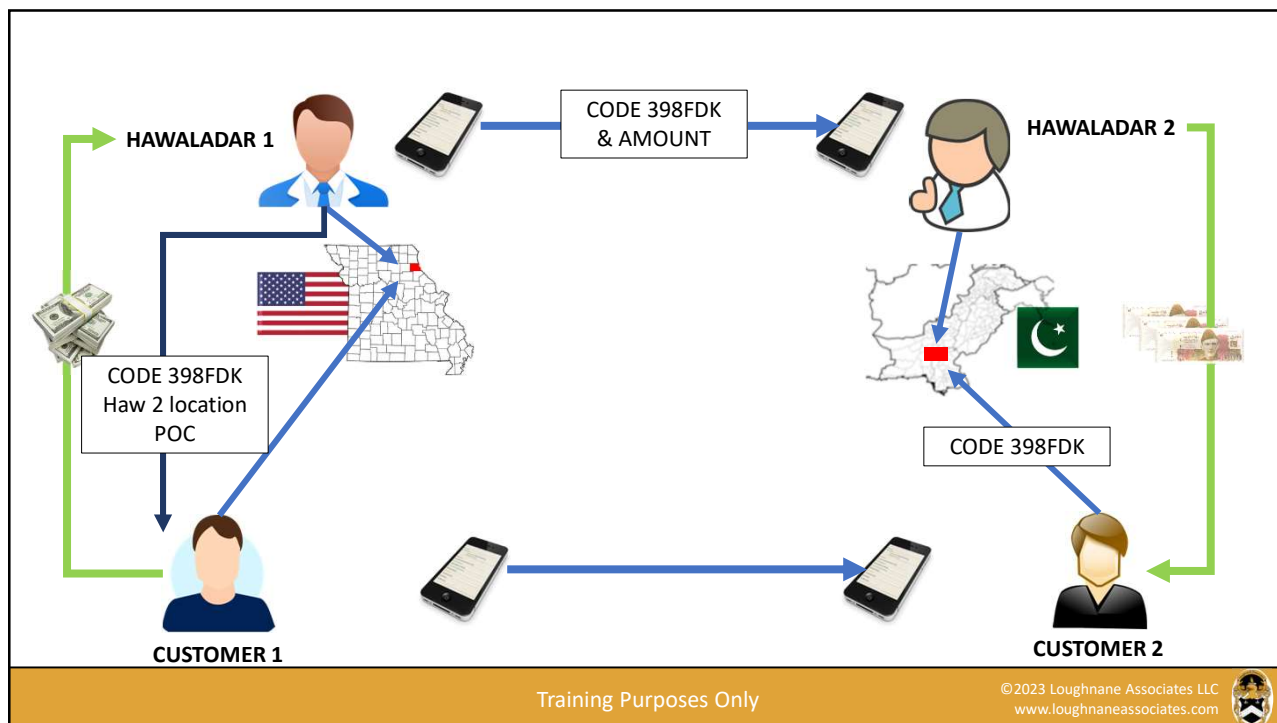
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The diagram illustrates the Hawala settlement process. At the top, two hawaladars, labeled 'HAWALADAR 1' and 'HAWALADAR 2', are shown with smartphones and a double-headed blue arrow between them. Below them, a map of the United States with an American flag and a map of Pakistan with a Pakistani flag are shown. A large blue arrow labeled 'SETTLE' points from the US map to the Pakistan map. Below the US map, the text 'Periodic Settlements' is followed by a list: Cash, Property, Bank wire transfers, and Other arrangements. Below the Pakistan map, the text 'What to Look for' is followed by a list: Books/Ledgers and Other information, accompanied by an illustration of a detective with a magnifying glass.

Periodic Settlements

- Cash
- Property
- Bank wire transfers
- Other arrangements

What to Look for

- Books/Ledgers
- Other information

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Is Hawala legal?

- **Yes, in some countries.** Hawala are legal in the U.S., the UK, and other countries as long as they are licensed.
- **No in other countries** such as India, Saudi Arabia, Germany, Iran, and others.

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IVTS

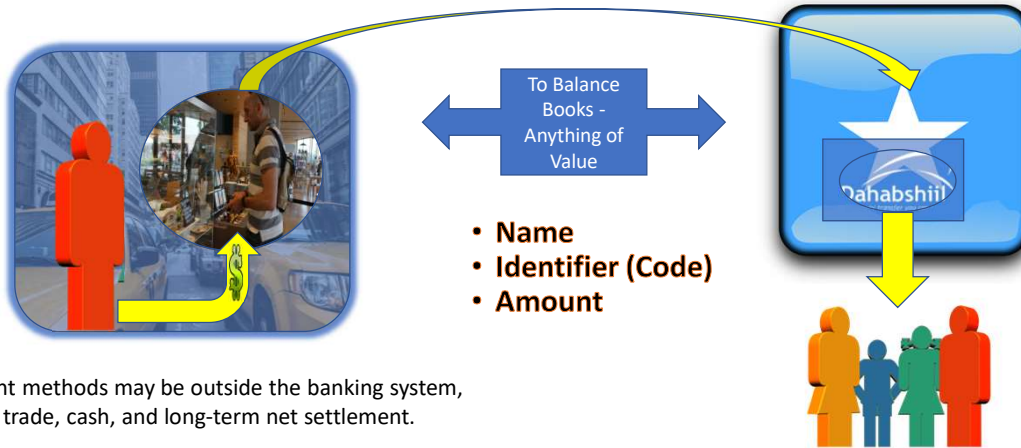
- An “informal value transfer system” refers to any system, mechanism, or network of people that receives money for the purpose of making the funds or an equivalent value payable to a third party in another geographic location, whether or not in the same form.
- The transfers generally take place outside of the conventional banking system through non-bank financial institutions or other business entities whose primary business activity may not be the transmission of money. The IVTS transactions occasionally interconnect with formal banking systems (for example, using bank accounts held by the IVTS operator.)



- IVTS, including so-called alternative remittance and underground banking systems, pre-date western banking systems and existed as far back as 5800 BC. The systems were established originally on the Indian subcontinent in Asia as a means of settling accounts within villages. Their use as global networks for financial transactions spread as expatriates from the original countries settled abroad.
- Today, IVTS operations are found in most countries. Depending on the ethnic group, IVTS are called by a variety of names including: **“hawala” (Middle East, Afghanistan, Pakistan); “hundi” (India); “fei ch’ien” (China); “phoe kuan” (Thailand); and “Black Market Peso Exchange” (South America)**



Hawala



Settlement methods may be outside the banking system, including trade, cash, and long-term net settlement.

Subject to their registration, IVTS can operate legally in the UK.

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Hawala & Bulk Cash Operation in US & Canada

8 UNITED STATES DISTRICT COURT
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA
10 January 2014 Grand Jury
11 UNITED STATES OF AMERICA, CR No. **CR 14 00648**
12 Plaintiff, INDICTMENT
13 v. [18 U.S.C. § 1956(h): Conspiracy
14 GURKARAN ISSHPUNANI, to Launder Money; 18 U.S.C.
15 aka "Karan," \$ 371: Conspiracy to Operate an
16 SANJEEV BHOLA, Unlicensed Money Transmitting
17 aka "Vant," Business; 18 U.S.C. §§ 1960(a),
18 BALWAT BHOLA, (b) (1) (A), (b) (1) (B), (b) (1) (C):
19 aka "Titu," Operating an Unlicensed Money
20 BAKSHISH SIEHU, Transmitting Business; 18 U.S.C.
21 SANNIY WADNWA, \$ 982; 18 U.S.C. § 981(a) (1) (C);
22 aka "Bobby," 21 U.S.C. § 853; 28 U.S.C.
23 RAMESH SINGH, § 2461(c): Criminal Forfeiture]
24 aka "Jag,"
25 aka "Ajelb,"
26 SUCHA SINGH,
27 HARMEET SINGH,
28 aka "Donu,"
BRADLEY JOHN MARTIN,
Aka "Bob,"
SHANNON AUBUT,
CHRISTOPHER FAGON,
JASON ROBERT CAREY,
JOSE LUIS BARRAZA,
MIGUEL MELINDEZ GASTELUM,
BREIDI ALBERTO ESPINOZA,
JESUS MANUEL RIOS,
JOSE DE JESUS MONTENEGRO,

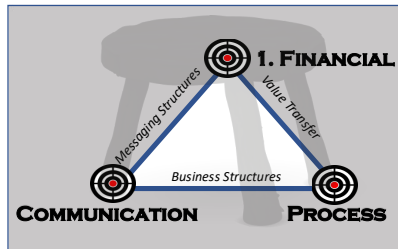
- Moved money from narcotic sales in Canada, through US to Mexico DTO's
- Hawaladars located in Canada, US, and India
- Money in US were delivered to couriers and then moved via bulk cash to Mexico
- US Hawaladars would confirm money was available or pool with other Hawaladars
- Money in US moved to Mexico DTOs or used in US to buy more narcotics

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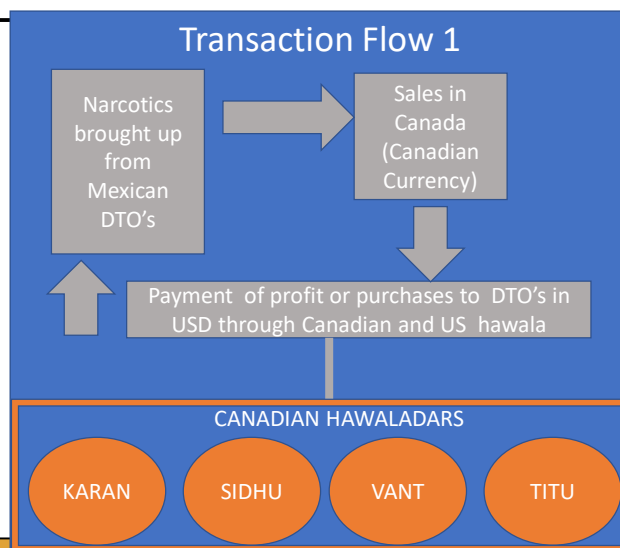
- As we go through this study, identify the Financial, Business, and Communication processes

- Discussion: What would you do in an investigation to take down this TCO financial network?



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Financial Flow

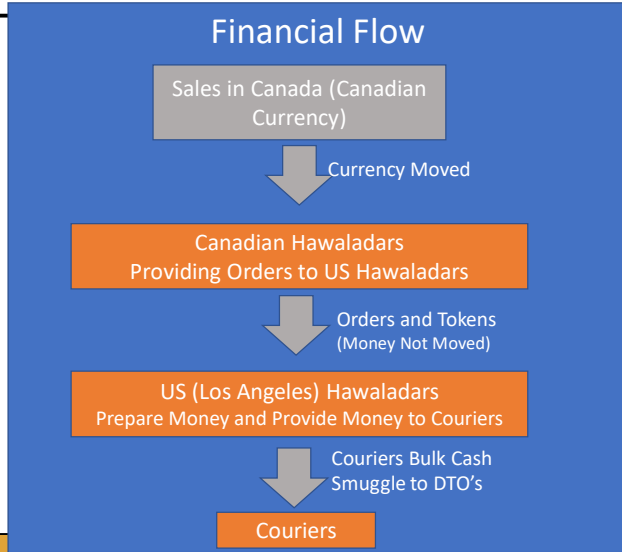


- Canadian Hawaladars received bulk Canadian currency from drug traffickers as well as a banknote serial number to be used as a token.
- Canadian Hawaladars would advise US Hawaladars of the designated couriers in US and the token.
- US couriers would pick up and deliver bulk US currency to facilitate the transfer of this money to drug traffickers in Mexico or buy narcotics.



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Business Techniques



- Telephone communications using coded words
- US Hawaladars, if necessary, obtained funds from other Hawala
- Hawaladars in US would carry money to meet couriers
- Couriers on occasion used "cover names" and burner phones
- Couriers moved money in such ways as using vehicles with hidden compartments

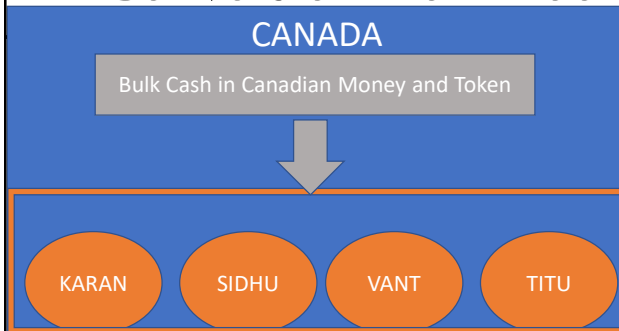
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Conversion from Loonies to USD



- Money was delivered in Canadian dollars in bulk cash to the Canadian Hawaladar
- Hawala process converted the currency to USD

23 6. Defendants KARAN, SIDHU, VANT, and TITU would receive bulk
 24 Canadian currency from couriers sent by drug traffickers (and in the
 25 case of WADHWA, would arrange for bulk Canadian currency to be
 26 delivered to Canadian hawala counterparts, including defendant
 27 KARAN), as well as a banknote serial number to be used as a "token"
 28 by the recipient party or his representative to secure the release of

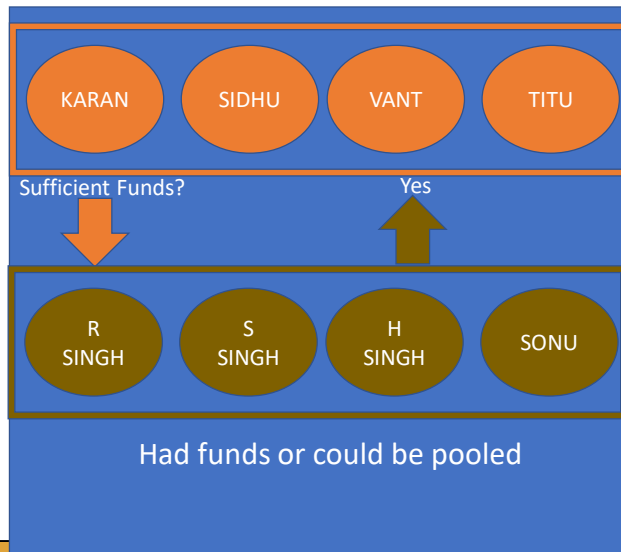
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Internal Hawala Process Consideration



6 3. To disguise and transfer the money to the cartels and their
 7 affiliated DTOs, the drug traffickers would contact defendants KARAN,
 8 SIDHU, VANT, and TITU, hawaladars in Canada, and WADHWA, a hawaladar
 9 in India, and place an order that a specified amount of money be
 10 delivered to couriers (working on behalf of such unindicted drug
 11 traffickers or the cartels and affiliated Mexican-based DTOs) in the
 12 United States.
 13 4. Defendants KARAN, SIDHU, VANT, TITU, and WADHWA would
 14 receive orders and would contact hawaladars in the United States,
 15 including defendants R. SINGH, S. SINGH, H. SINGH, and SONU, and
 16 co-conspirator T. Singh, to determine whether there were sufficient
 17 funds in place to allow for the order to be fulfilled.
 18 5. Hawaladars in the United States, including defendants R.
 19 SINGH, S. SINGH, H. SINGH, and SONU, and co-conspirator T. Singh,
 20 would confirm to defendants KARAN, SIDHU, VANT, TITU, and WADHWA that
 21 sufficient funds were available or could be pooled from other
 22 hawaladars as necessary to meet the order.

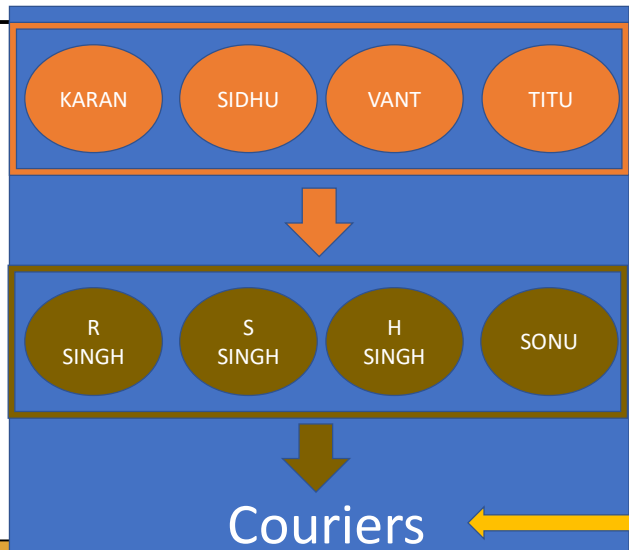
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Payments to US Couriers



- Canadian Hawaladars would provide directions for payments to couriers in the US
- US Hawaladars would meet with couriers and deliver the cash
- Couriers would facilitate transfer of money to DTOs in Mexico or buy narcotics

10 9. Defendants MARTIN, AUBUT, FAGON, ESPINOZA, MONTENEGRO and
 11 DIAZ would serve as couriers who would pick up and deliver bulk
 12 United States currency to facilitate the transfer of this money to
 13 drug traffickers in Mexico.

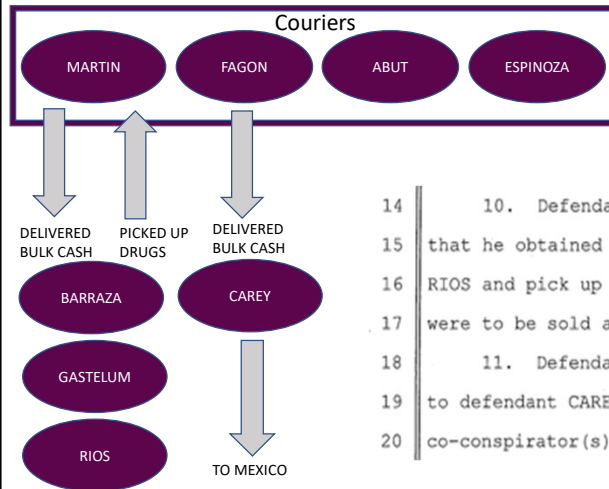
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Business: Couriers Bulk Cash Process



14 10. Defendant MARTIN would deliver bulk United States currency
 15 that he obtained from hawaladars to defendants BARRAZA, GASTELUM, and
 16 RIOS and pick up drugs from undisclosed drug stash locations which
 17 were to be sold and distributed in Canada.
 18 11. Defendant FAGON would deliver bulk United States currency
 19 to defendant CAREY, who would deliver the money to unindicted
 20 co-conspirator(s) to transmit to Mexico.

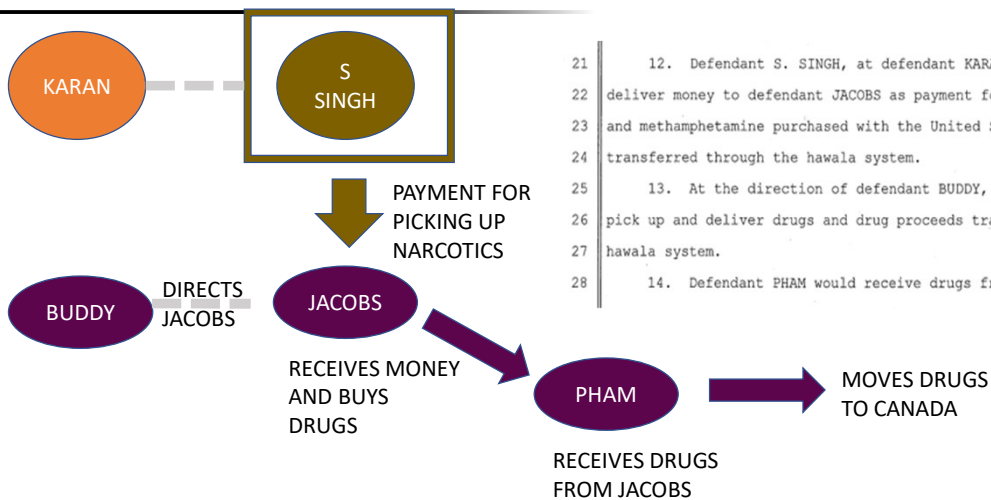
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Business: Narcotics Purchase



21 12. Defendant S. SINGH, at defendant KARAN's direction, would
 22 deliver money to defendant JACOBS as payment for picking up cocaine
 23 and methamphetamine purchased with the United States currency
 24 transferred through the hawala system.
 25 13. At the direction of defendant BUDDY, defendant JACOBS would
 26 pick up and deliver drugs and drug proceeds transferred through the
 27 hawala system.
 28 14. Defendant PHAM would receive drugs from defendant JACOBS

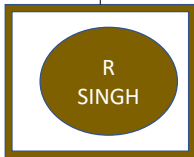
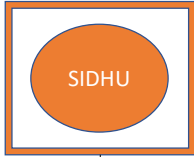
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Scenario 1: "Weird"



- March 14 (Wednesday): coded telephone communication
 - 3:38 PM Sidhu confirmed that R Singh would have \$500,000 available in LA to meet a pending order
 - 4:00 PM Communication that money would be available Saturday night
- March 15: Order was increased to \$1M. LA said they would prefer to satisfy order through two deliveries of \$500,000 because a \$1M delivery would look "Weird"
- March 16: Pooling activity to collect money for the order
- March 17: R Singh says he wants a commission fee

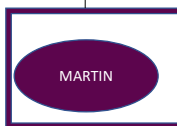
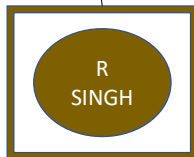
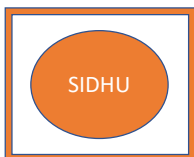
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Scenario 1: "Weird"



- March 19: Planning for delivery of the \$1M in two separate deliveries of \$500,000
- March 20
 - 7:06 AM - call to Canada that delivery to courier was scheduled for 10 AM
 - 9:54 AM - R Singh loads car with \$522,000 in Bud Light and Diet Coke cardboard boxes
 - 10:16 - Transfer at a temple in Alhambra \$522,000 is delivered to courier Martin
 - 10:30 - R Singh confirms to Sidhu payment was made

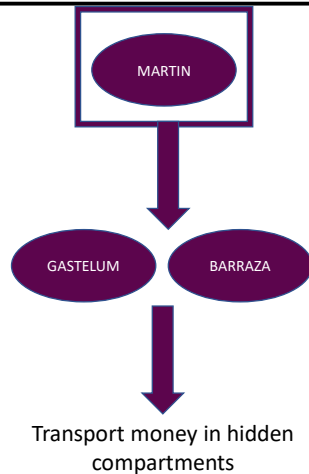
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Business Process: Bulk Cash Transfer



- March 20 1:37 PM: Martin travels to Coachella at a garage and transferred \$522,000 to two other couriers
- March 20 5:30 PM – Two other couriers leave Coachella with \$522,000 in hidden compartments in a Chevy Trailblazer

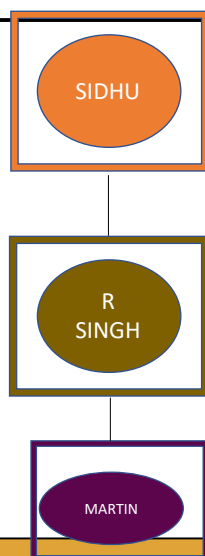
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Communications and Business Processes



- 1:19 PM: Sidhu tells R Singh that Martin, under the name "Bob," had been told that \$600,000 in bulk cash would be delivered to him at 6:00 PM
- 6:00 PM: Monterey Park "Bob" received \$600,000 in bulk cash from R Singh
- 6:31 PM: Discussion about the 6 PM delivery to "Bob" R Singh still had \$100,000 in money belonging to Vant and that he would receive an additional \$100,000

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Risk Assessment of the Hawala System

11 116. On December 8, 2012, at 9:24 P.M., using coded language in
12 a telephone conversation, defendant WADHWA and co-conspirator T.
13 Singh discussed the seizure of money from defendant AUBUT,
14 co-conspirator T. Singh's balance within the hawala system, and the
15 perils of the hawala system, including the risk of arrest now that
16 law enforcement seemed to also be arresting Indian individuals
17 handling the money in addition to the non-Indian individuals working
18 on behalf of drug traffickers; but they agreed that the drug
19 traffickers would continue to use the hawala system since the amounts
20 seized were insignificant to them.

No
mitigation



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Investigation: Some of Evidence Collected

- Wiretap chart
- Photos of defendants
- Money ledgers (seized)
- Pole cam photos
- Photos of residences
- Blue Mustang
- Photos of bags on car hood (Blue Mustang)
- Photos of US currency on bed
- Photos of wallet and banded \$1 bills on dresser
- Photos of passports
- Methamphetamine and cocaine seized
- Business certifications
- Information from FinCEN re MSB reg.
- Numerous call transcripts

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Resolution

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Department of Justice

U.S. Attorney's Office

Central District of California

FOR IMMEDIATE RELEASE

Tuesday, January 23, 2018

Monrovia Man Found Guilty in 'Hawala' Scheme to Move Money for International Drug Trafficking Organizations, Included Drug Cartels

LOS ANGELES – A federal jury has convicted a Monrovia man for his role in an international money laundering organization that conspired to move millions of dollars in proceeds for narcotics traffickers that included the Sinaloa Cartel.

Harinder Singh, 32, who also goes by "Sonu," was found guilty late Friday of conspiracy to commit money laundering, conspiracy to operate an unlicensed money transmitting business, and operating an unlicensed money transmitting business.

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Questions?

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