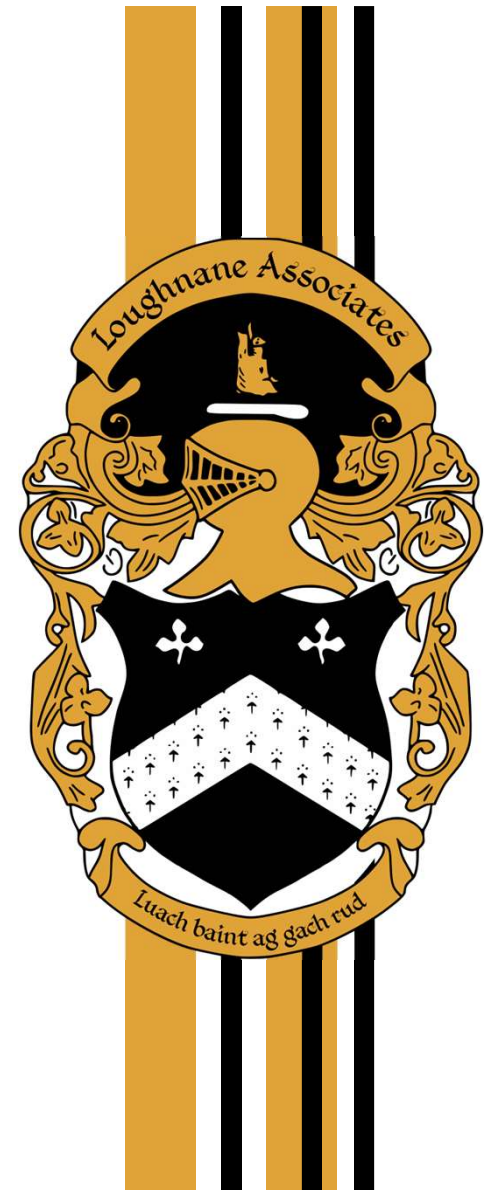


Concerns and Considerations In Financial Crime Analysis - an Overview

Loughnane Associates LLC
Value Touches Everything



Huxley Orion



Learning Objectives:

TLO1. Incorporate into financial investigations an understanding of the actions and roles of illicit actors operating in networks and tools and techniques they utilize.

ELO 1.1 Explain the the value in application of financial investigation techniques to investigations

ELO 1.2 Explain the concept of risk as it applies to illicit networks

ELO 1.3 Describe the sources for illicit revenue generation

ELO 1.4 Briefly describe the role of a gatekeeper

ELO 1.5 List the characteristics of a front, shell and shelf business



1. The Value in Application of Financial Investigation Techniques



What is “Illicit Money”

(Global Financial Integrity)

**Money that is
illegally:**


- *Earned*
- *Transferred*
- *Utilized*




Where do most of the tools in
financial investigations come from?




The Value of Financial Investigation Techniques



“Attack the business components that support the markets (ab)used by illicit actors to further their objectives” - *Dr. Clay Fuller, American Enterprises Institute*

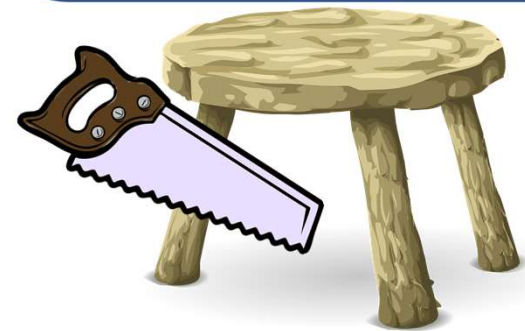


Detect, Deter, and Destroy the mechanisms necessary to fully realize the objectives of the illicit network

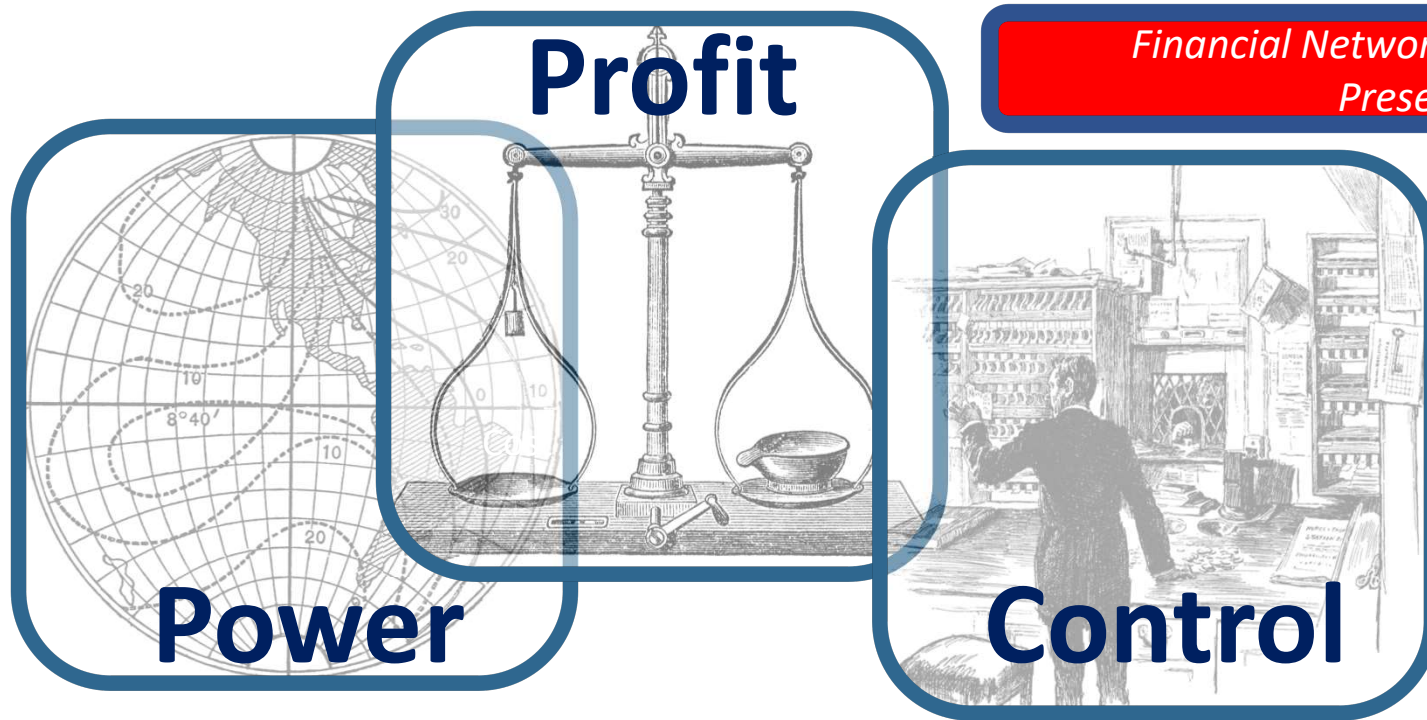


These techniques did not have a heavy focus until the 1990's when important changes were made to laws and countries around the world got serious

- ✓ *Value Touches Everything!*
- ✓ *Money (Value) Does Not Move Without A Purpose*
- ✓ *Remove Financial Network Support – Attack the Money!*



Illicit Organizations Objectives



Financial Networks Are Always Present

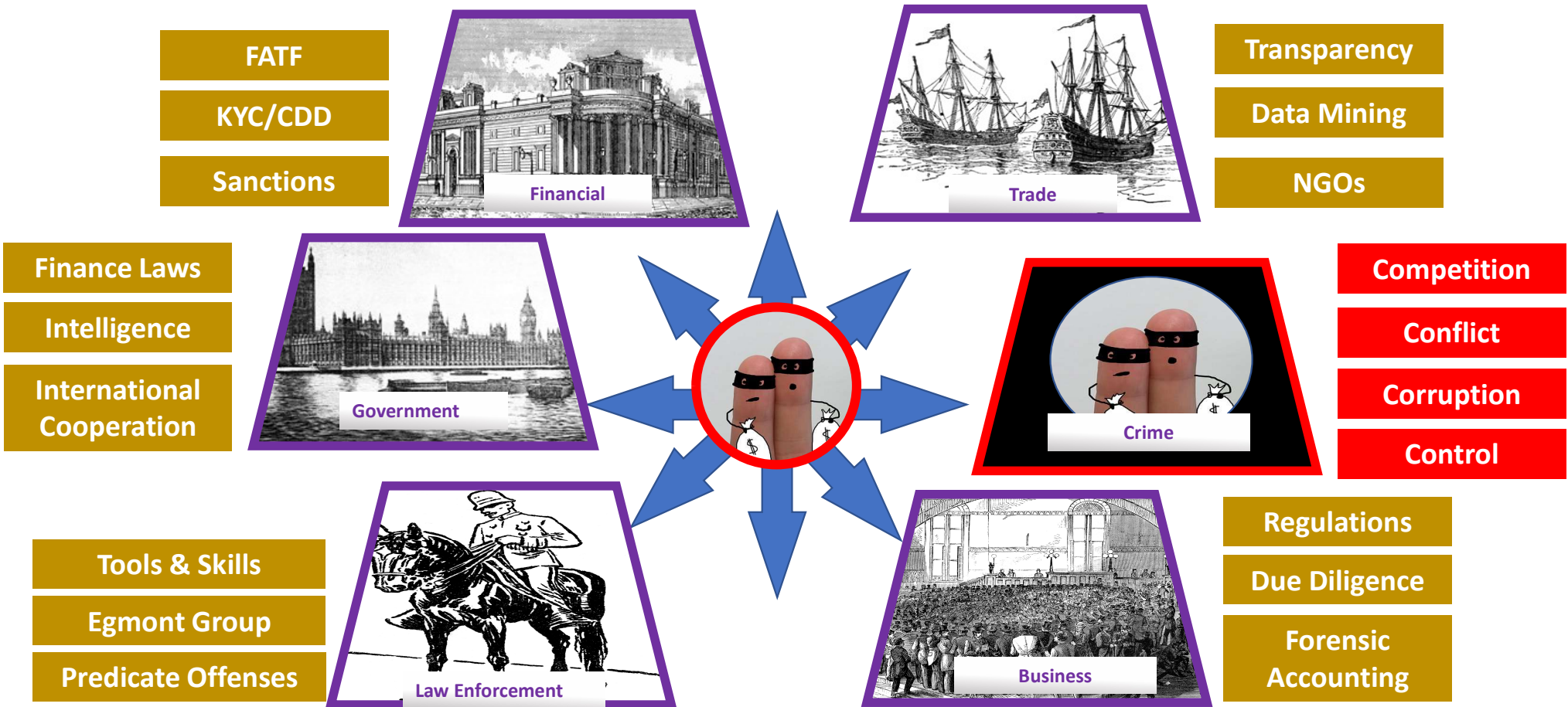
Organization Risk versus Reward
or, What Will Keep Them Up at Night?



2. Risk In Illicit Networks



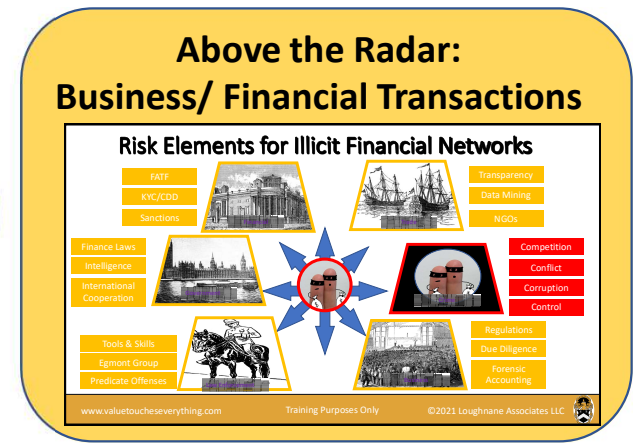
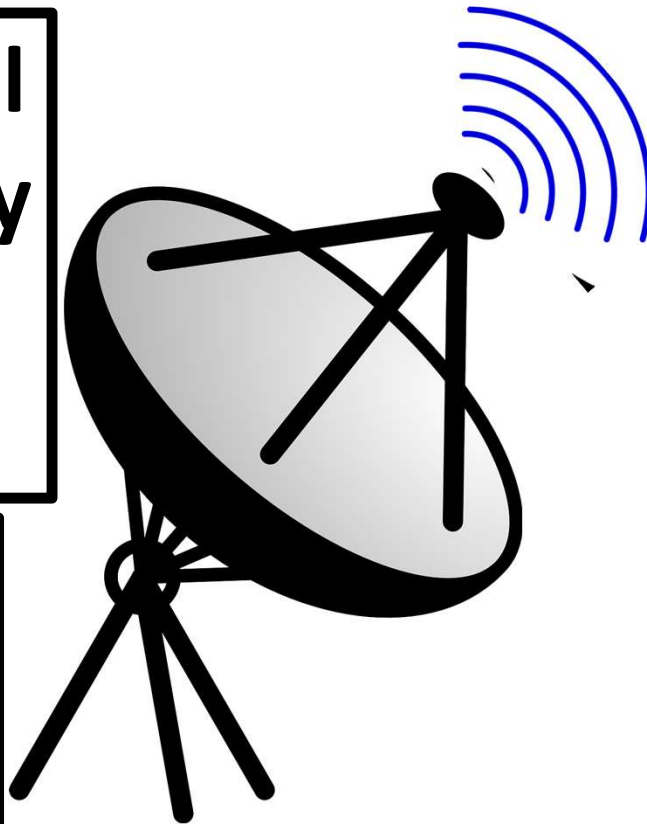
Risk Facing Illicit Networks



Normally, seek to Operate “Under the Radar”

But with financial networks, secrecy is not always possible

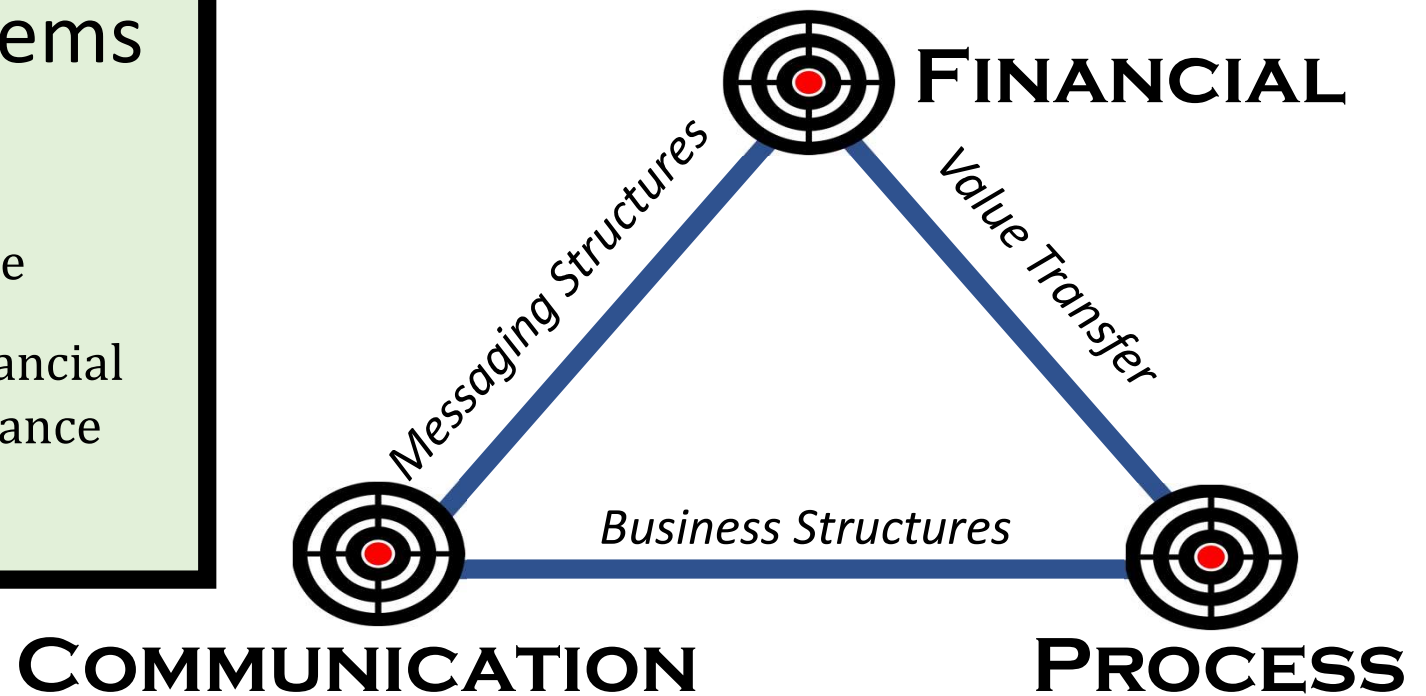
Networks are **VULNERABLE**



Three Targets of Vulnerability

Financial Systems Contain:

- ✓ Storage of Evidence
- ✓ Instruments of Financial Crime & Terror Finance
- ✓ Victim



Target 1: Financial

- 🕵️ Use of banking and messaging systems
- 🕵️ Foreign havens activity
- 🕵️ Selection of value transfer systems
- 🕵️ Compliance and Know Your Customer
- 🕵️ Constant monitoring
- 🕵️ Use of virtual asset providers

**Above the Radar:
Business/ Financial Transactions**

Risk Elements for Illicit Financial Networks

FATE
KYC/OD
Sanctions

Transparency
Data Mining
NGOs

Finance Laws
Intelligence
International Cooperation

Competition
Conflict
Corruption
Control

Regulators
Due Diligence
Forensic Accounting

Tools & Skills
Eminent Group
Predicate Offenses

www.valuetoucheseverything.com Training Purposes Only ©2021 Loughnane Associates LLC

SEPA
Einheitlicher Euro-Zahlungsverkehr

IBAN ✓
International Bank Account Number

Easy
Fast
Safe

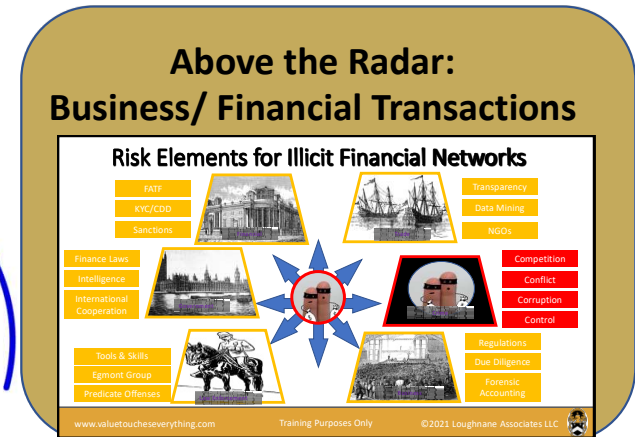
SWIFT

Bitcoin
Western Union
Prepaid Visa Card



Target 2: Communication

- ▲ *In the open*
- ▲ *Shared with others*
- ▲ *No control over retention*
- ▲ *Hard to lie about some elements*
- ▲ *Methods used*

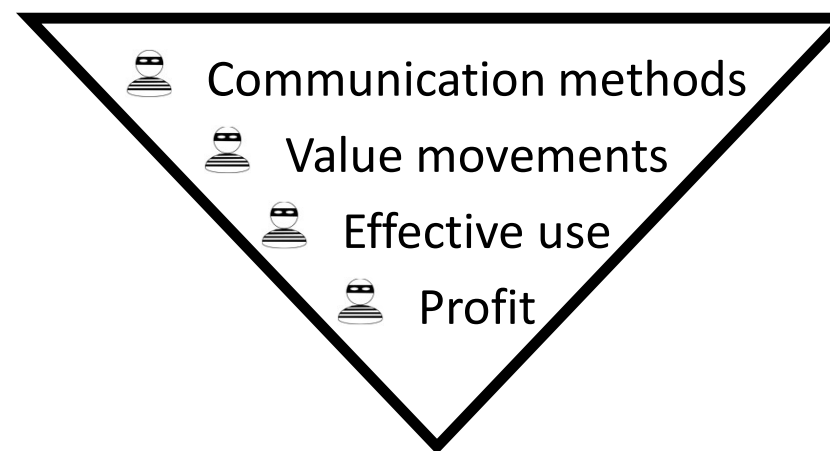


- *Bank to Bank*
- *Wire transfers*
- *Business/banking instructions*
- *“Normal” business (orders, invoicing, trade, tax/audit, much more)*

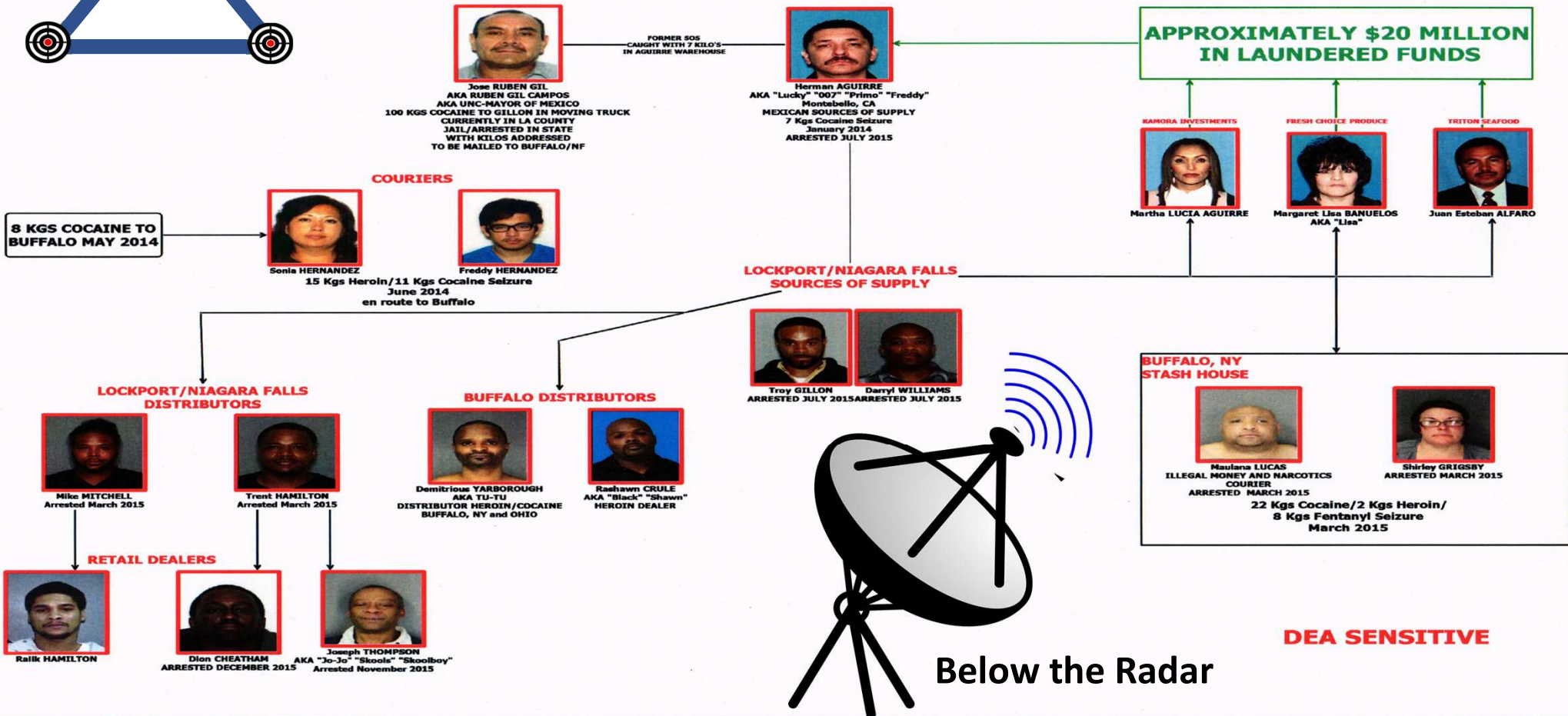
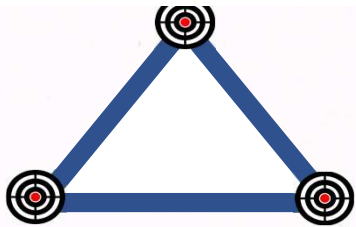


3. Business Process Consideration: *“Be a Needle in a Haystack of Needles”*

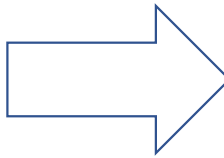
- Fronts, shells, shelves: use/maintenance/cost
- Employ facilitators/gatekeepers
- Taxes/audit/inspection/ business filings
- “Appropriate business records”
- Online visibility
- Consistency with similar businesses
- Unusual business relationships
- Professional association memberships
- Ability to explain anomalous actions



DRUG TRAFFICKING ORGANIZATION



Triton Food Kamora Investment Corral Seafood



Business and Payment

TRITON FOODS INC
BANK OF AMERICA
ACCOUNT #2794

Item	Date	Credit/Deposit	Debit/Withdrawal	Description	Details	Notes
1	6/24/2013	114,998.00		Wire Transfer	Andrea Sixta Corporation	Wells Fargo Bank
2	6/24/2013		12.00	Fee for Wire Transfer		
3	6/25/2013		50,035.28	Wire Transfer	Cibanco SA Institucion	Bank of New York
4	6/25/2013		20,000.00	Wire Transfer	Banco Monex SA	Citibank NA
5	6/25/2013		25.00	Fee for Wire Transfer		
6	6/25/2013		25.00	Fee for Wire Transfer		
7	6/26/2013	1,000.00		DEPOSIT	Blank	Western Union Money Order
8	6/26/2013	1,000.00		DEPOSIT	Blank	Western Union Money Order
9	6/26/2013	1,000.00		DEPOSIT	Blank	Western Union Money Order
10	6/26/2013	1,000.00		DEPOSIT	Blank	Western Union Money Order
11	6/26/2013	1,000.00		DEPOSIT	Blank	Western Union Money Order
12	6/26/2013	93,000.00		DEPOSIT	Cash	Dick Urban branch, NY
13	6/26/2013		3,805.18	Wire Transfer	Cibanco SA Institucion	Bank of New York
14	6/26/2013		10,000.00	Transfer to Checking	Account #2793	
15	6/26/2013		34,576.94	Overdraft Protection	Account #2793	
16	6/26/2013		25.00	Fee for Wire Transfer		
17	6/26/2013		10,000.00	Check 1055		
18	6/26/2013		15,400.00	Check 1056		
19	6/27/2013	190,000.00		DEPOSIT	Cash	Dick Urban branch, NY
20	6/27/2013	138,600.00		Wire Transfer	Andrea Sixta Corporation	Wells Fargo Bank
21	6/27/2013		10,000.00	Transfer from checking	Account #2793	
1380	6/27/2013		34,576.94	Transfer from checking	Account #2793	
22	6/27/2013		88,045.00	Wire Transfer	Industrias Marinas P3 SA	BBVA Bancomer SA
23	6/27/2013		80,000.00	Transfer to Checking	Account #2793	
24	6/27/2013		45.00	Fee for Wire Transfer		
25	6/27/2013		12.00	Fee for Wire Transfer		
26	6/27/2013		4,000.00	Check 1057		
27	6/27/2013		20,000.00	Check 1059		
28	6/28/2013	179,900.00		DEPOSIT	Cash	Dick Urban branch, NY
29	6/28/2013		30,000.00	Cash Withdrawal	City of Commerce, CA	CTR: Alfaro
30	6/28/2013		133,000.00	Check 1060	Dina Fashions Inc	"Sea-cucumber" (in quotes)
31	6/28/2013		25.00	Check 1062		
32	7/1/2013		100,000.00	Customer Withdrawal Image	Cash	CTR: Alfaro
33	7/1/2013		27,500.00	Wire Transfer	Yolanda Rios Felix	Banco Nacional de Mexico
34	7/1/2013		45.00	Fee for Wire Transfer		

Travel

(USANYW)

From: Caraher, Kristopher M
Sent: Wednesday, August 03, 2016 4:58 PM
To:
Cc:
Subject: UPDATE: Juan ALFARO arrest

ALFARO is scheduled to arrive back tomorrow. Same co-traveler: Domingo Jose ADDIEGO, DOB: 3/19/1953.

8/4/2016 AA flight #505 Mexico City (MEX) to Phoenix (PHX)- arrival time listed as 1717
 8/4/2016 AA flight #509 PHX to LAX- arrival time listed as 2025 hrs

Kris

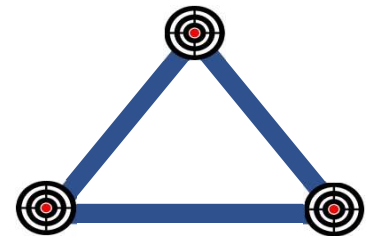
Sent from iPhone

From: Turri David R
Sent: Wednesday, August 03, 2016 11:35:31 AM
To:
Cc:
Subject: RE: Juan ALFARO arrest

According to FinCEN information, ALFARO's traveling companion ADDIEGO ALANIS is a Mexican citizen with a California address, but has a "cucumber" import and export company called CHEAN INDUSTRIES LLC, located in Fresh Meadows, NY.



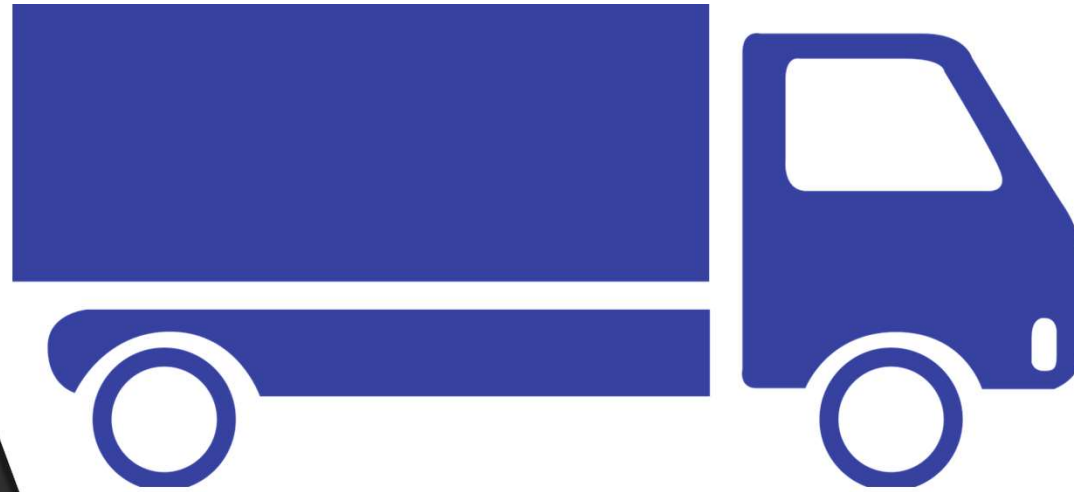
Above the Radar



**BANK OF AMERICA
ACCOUNT #2794**

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22	6/27/2013		88,045.00	Wire Transfer	Industrias Marinas P3 SA	BBVA Bancomer SA
23	6/27/2013		80,000.00	Transfer to Checking	Account #2793	
24	6/27/2013		45.00	Fee for Wire Transfer		
25	6/27/2013		12.00	Fee for Wire Transfer		
26	6/27/2013		4,000.00	Check 1057		
27	6/27/2013		20,000.00	Check 1059		
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34	7/1/2013		45.00	Fee for Wire Transfer		





3. Illicit Revenue Generation



Revenue Generation Estimates (2017)

Transnational Crime	Estimated Annual Value (US\$)
Counterfeiting	\$923 billion to \$1.13 trillion
Drug Trafficking	\$426 billion to \$652 billion
Illegal Logging	\$52 billion to \$157 billion
Human Trafficking	\$150.2 billion
Illegal Mining	\$12 billion to \$48 billion
IUU Fishing	\$15.5 billion to \$36.4 billion
Illegal Wildlife Trade	\$5 billion to \$23 billion
Crude Oil Theft	\$5.2 billion to \$11.9 billion
Small Arms & Light Weapons Trafficking	\$1.7 billion to \$3.5 billion
Organ Trafficking	\$840 million to \$1.7 billion
Total	\$1.6 trillion to \$2.2 trillion



Transnational Crime and the Developing World



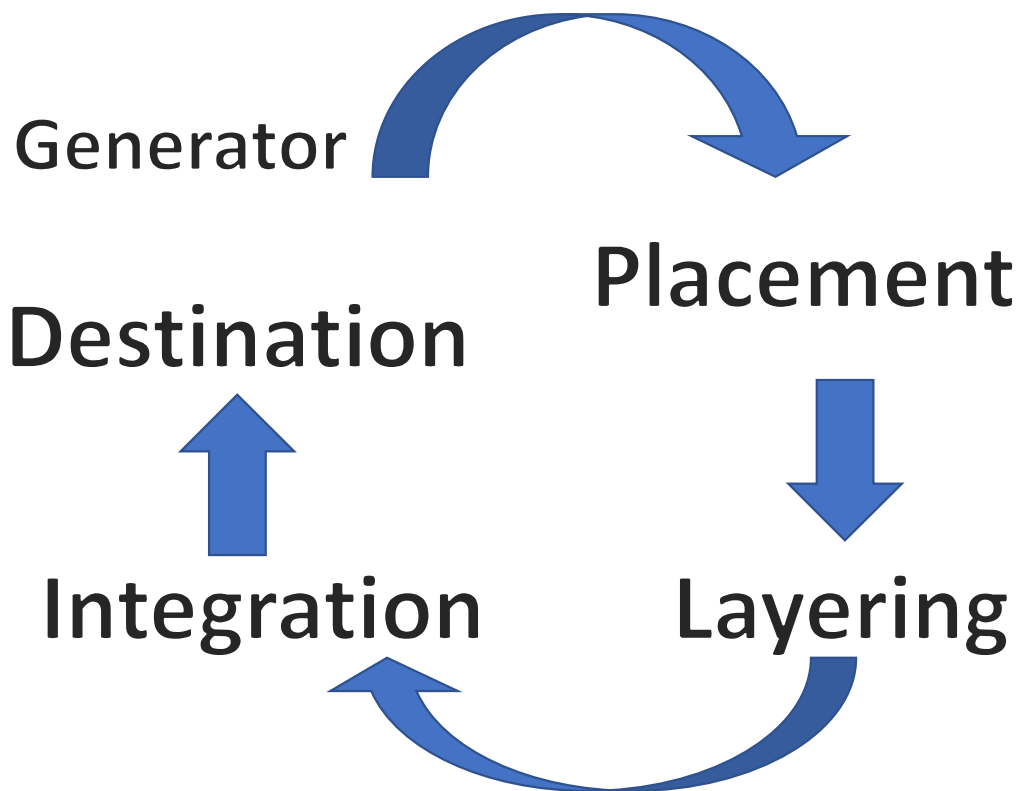
Channing May
March 2017



4. “The Professionals”



Criminal Revenue Generation Requires Money Laundering



- Trade Based Money Laundering
- Black market peso
- Mobile banking
- Virtual assets
- Financial and remittance systems
- Alternate remittance
- Otherwise legitimate value transfer systems
 - Cash-oriented businesses
 - Value transfer business types
 - Real estate
 - Art/antiquities



Tiers

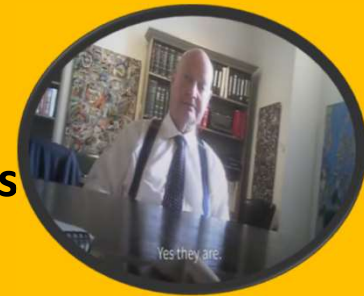
Local

- Finance
- Local elites
- Supplies



International

- International markets
- Transport
- Contract/trade documents
- Finance



Political

- Shadow Facilitators
- Influence government decisions
- Laws, policy, regulations
- Support kleptocrats, corruption



Types



- Lawyers
- Certified public accountants
- Stockbroker/hedge
- Insurance
- Real estate broker
- Notary of public
- Pawn broker



- Car sales
- Notary of public
- Tax assessors
- Bank officers/employees
- Appointed officials /politicians
- Business associates
- Nominees
- Family members






5. Tools in a Network






Fronts

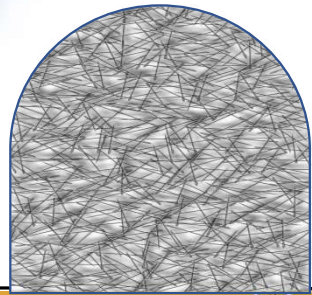
Location to Introduce Illicit Revenue and Represent as Legitimate

-  “Brick and mortar ”
-  Public facing
-  May generate “legitimate” revenue as well



What Are Values of a Front?

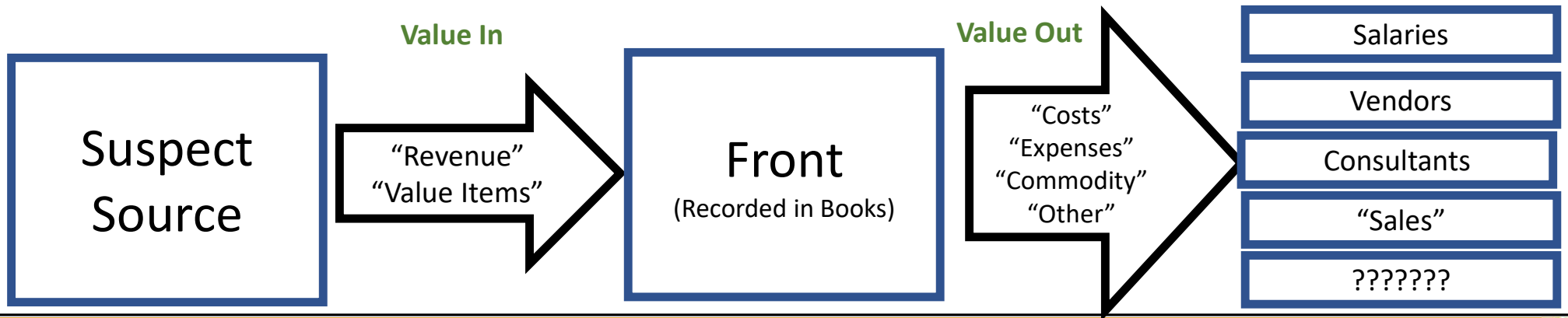
-  Used in phases of money laundering schemes
-  Use in various fraud schemes, smuggling, corruption
-  Masks beneficiaries, larger networks



Typical Front Characteristics

What makes a Front an easy placement of dirty money?

- 💰 **Cash Intensive:**
Produces revenue from cash transactions with highly variable amounts
- 💰 **Expenses:**
Use variable expenses that are difficult to measure
- 💰 **Examples:** Art Galleries, Pawnshops, Bars, Nightclubs, Restaurants



Some Methods A Front May Use



Overstate revenue



Overstate expenses



Make bank deposits but not record it as revenue

Examples:



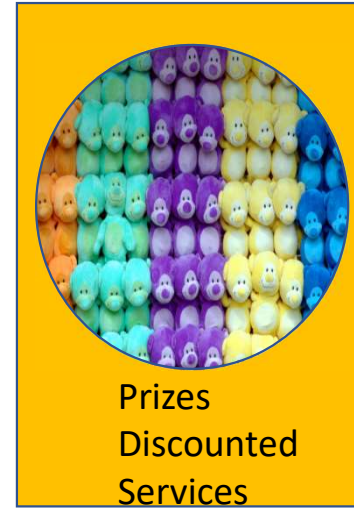
Charities



Door to Door Promotions
(Special Discounts)



Household/Office Supplies
(perishable items)



Prizes
Discounted Services



Restaurants
Food Trucks



The Effectiveness Of Fronts: Fraud At The Rare Gnomes Store



Customer makes a Gnome purchase



A “special” discount is offered for cash purchase



The receipt shows full amount



Sale is booked at full amount



Dirty money inserted to make up the difference



Simple Math:

Sells 300 Gnomes/month

@ \$2000 = \$7,200,000 booked annually

Actual Received After “Discount” \$5,400,000

or



Reports fictitious sales

Average 300 Gnomes a month

When 150 actually sold, add 150 false

Stay within business standards to avoid suspicion

Other
Phantom gnome purchases
Other organization costs



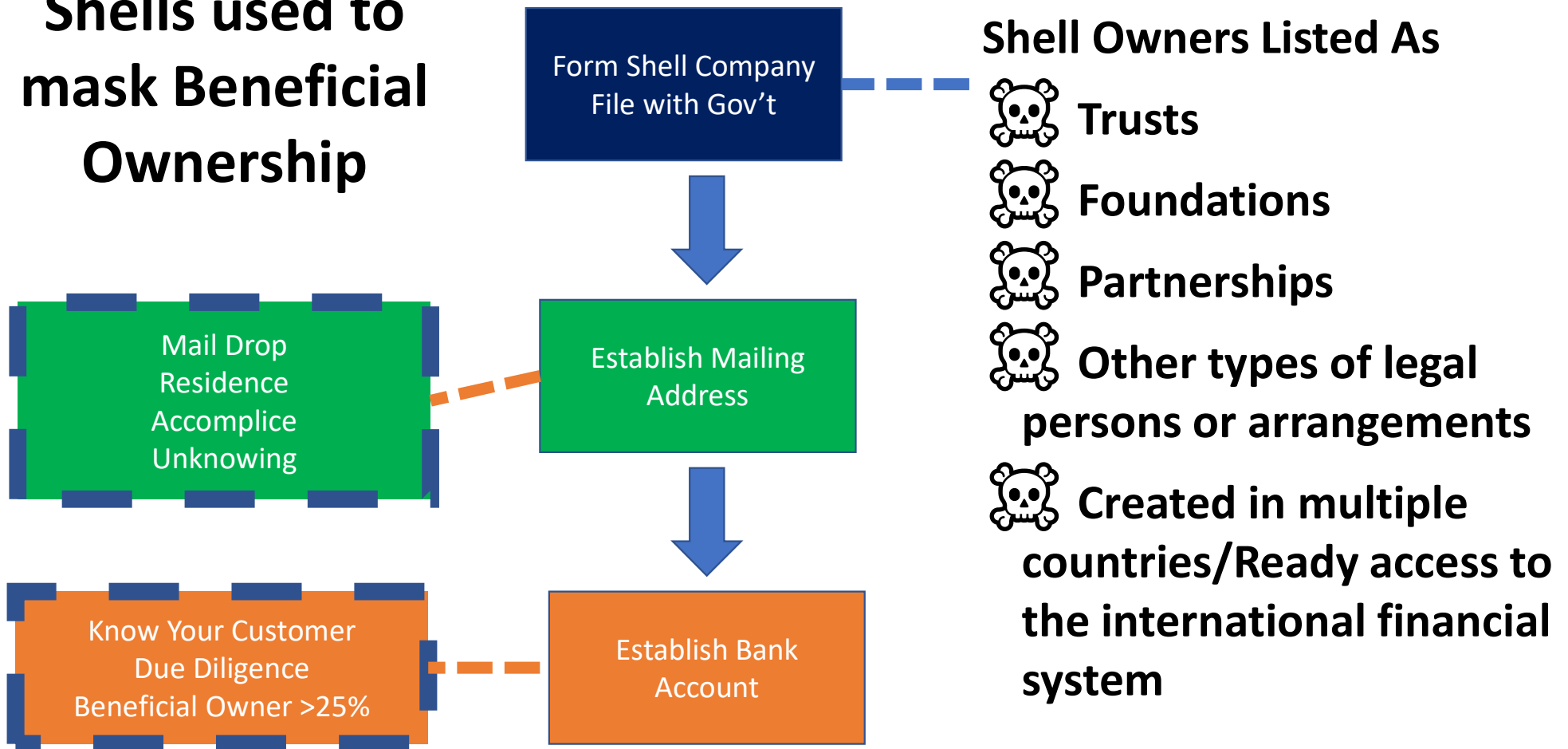
Shells: “Corporate Vehicles”

Companies that are incorporated that have no significant operations or assets

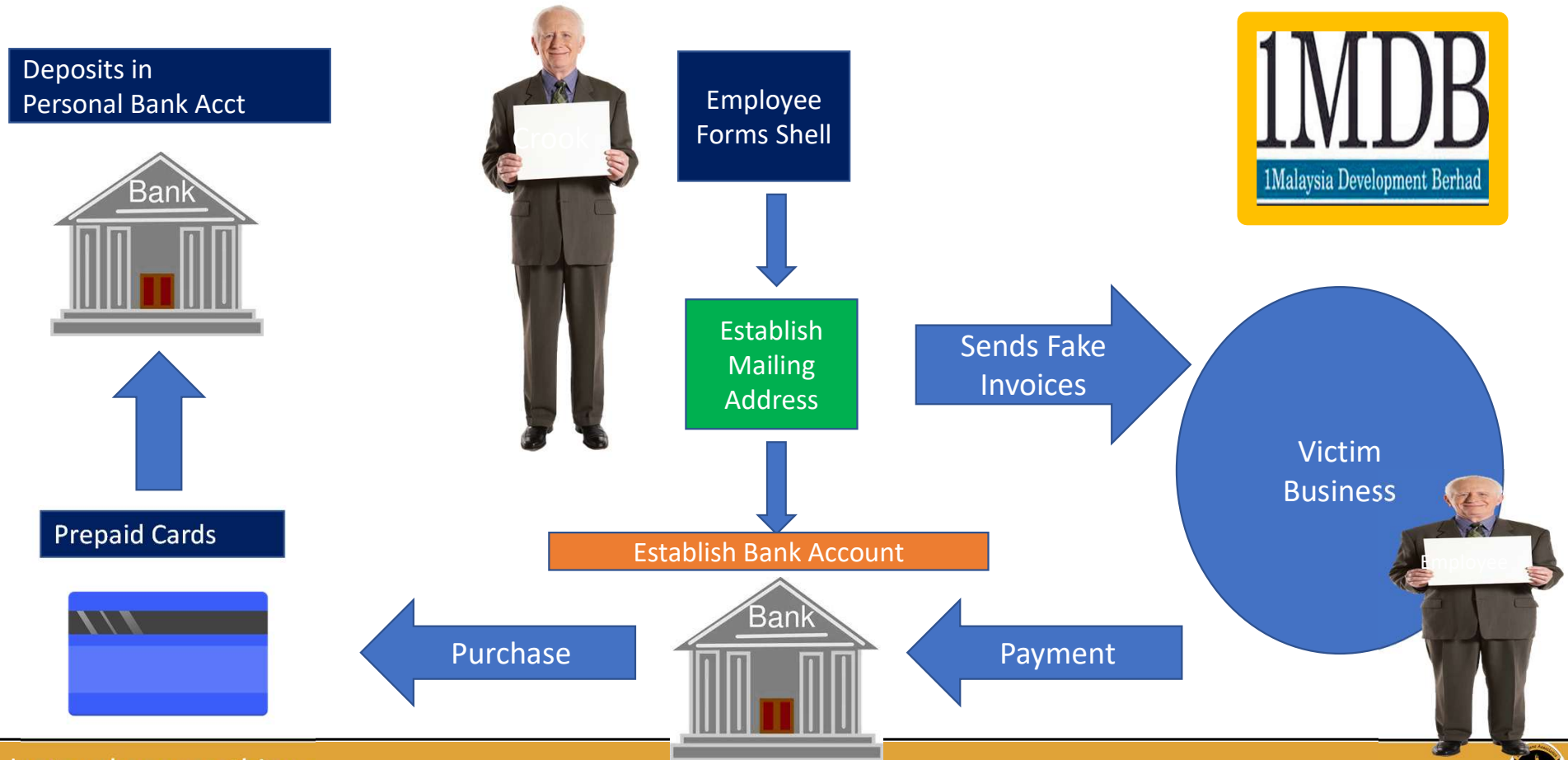
- Companies
- Trusts
- Foundations
- Partnerships
- Other types of legal persons or arrangements
- Easily created in multiple countries with ready access to the international financial system
- **Corporate Transparency Act of 2020**



Shells used to mask Beneficial Ownership



Shell Business Used In A Fraud Scheme



Shelf Corporations

The screenshot shows the website for Wyoming Corporate Services Inc. The header includes navigation links for Home, Prices, Aged Shelf Companies, and Order Here, along with a search bar. The main content area is titled "Aged Shelf Companies" and contains several paragraphs of text explaining the service. A sidebar on the left lists various services and states. A blue box on the right lists advantages of incorporating in Wyoming, and a news release box is at the bottom.

Wyoming Corporate Services Inc.

Phone: 1-844-884-3465
Outside US: 1-307-224-7184
1712 Pioneer Ave, Suite 101
Cheyenne, Wyoming 82001

Aged Shelf Companies

Here is a partial list of the aged shelf companies and aged shelf corporations that we currently have for sale.

These lists change without notice. Unless otherwise noted, these aged corporations were incorporated by us and put on the shelf. These aged shelf companies come with Certificates Of Good Standing from the state, Certified Articles of Incorporation from the state, the corporate kit which includes 20 pre-printed stock or membership certificates, corporate seal, suggested meetings minutes and one year of Registered Agent Services. All state fees are paid up to the renewal date of the shelf corporation unless otherwise noted. If you need other services [see our other services here](#).

These aged shelf companies for sale can be registered in any other state as a foreign company doing business in that state, if you need an aged company in a different state.

Unless otherwise noted, the aged corporations do not have EIN's issued yet. These are clean shelf companies. They have never been used and as such have no credit or assets.

Our Wyoming aged shelf corporations include Public Record Address Service. We also have aged corporations for sale in the other states listed below.

Alaska Arizona California Colorado Delaware
Florida Hawaii Idaho Illinois Indiana
Iowa Michigan [Live Help Online](#) Missouri Montana

Check out the advantages of incorporating in Wyoming:

- Lower Startup Costs
- Privacy allowed
- Best Asset Protection Laws
- Nominee officers are no longer needed
- Manager not listed with the state
- Members not listed with the state
- Wyoming draws little attention
- No Nevada "Stigma"
- No State Income Taxes

News release:

As of this year Wyoming has the best LLC asset protection law in the nation.

[CLICK HERE FOR DETAILS](#)

Freedom

If you have a Wyoming LLC, you can operate your Corporation and live anywhere in the world; you do not have to be a US citizen to incorporate in Wyoming. But, in order to give substance to your operation, you should know about our Office Service Contract and learn how use of this inexpensive option will give "presence" to your remote corporate operations.

Privacy

Wyoming does not require the manager nor the members of a Wyoming LLC to be listed on a public database. Nevada requires a tax ID number of the company and personal guarantee by you on the state's business license.



Name	Cost	Inc. Date
Wyoming		
True Financial, Inc.	\$645.00	11/17
Empire Sports Corporation	\$645.00	11/17
AR Enterprise, LLC	\$645.00	11/17
X Shipping, LLC	\$645.00	11/17
Sound Off, LLC	\$645.00	11/17
Stallion Holdings, LLC (close)	\$645.00	11/17
Ideal Growth, Inc.	\$645.00	11/17
First To Respond, Inc.	\$645.00	10/17
A Car, Inc. (Close)	\$645.00	10/17
Chrome Capital Corporation	\$645.00	10/17
UltraLogic, LLC	\$645.00	10/17
Streaming Now, Inc.	\$645.00	10/17
B Young, LLC	\$645.00	10/17
Intelligent Management, Inc.	\$645.00	09/17
BizWorks LLC (Close)	\$645.00	08/17
The First Option LLC (Close)	\$645.00	08/17
EX-Citing Marketing LLC	\$645.00	08/17
Ambitious Holdings LLC	\$645.00	08/17
Best Capital Corporation	\$645.00	08/17
The Mechanics, LLC	\$695.00	07/17
IC Consulting, LLC	\$695.00	07/17
Iconic Global Funding, LLC	\$695.00	07/17
Love Entertainment, LLC	\$695.00	07/17
Bam Marketing, Inc.	\$695.00	06/17

These lists change without notice.

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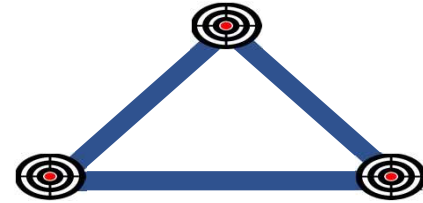
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All state fees are paid up to the renewal date of the shelf corporation unless otherwise noted. If you need other services [see our other services here](#).

These aged shelf companies for sale can be registered in any other state as a foreign company doing business in that state, if you need an aged company in a different state.



Key Takeaways:



1. Financial Investigation Techniques attack the foundations of criminal and terror networks – destroy the financial structures and disrupt the networks overall
2. Financial, Communication, Process processes always present
3. Professionals can be critical to an organization but can also be a liability
4. Fronts, Shells, Shelves, are highly favored tools.





Concern and Considerations in Financial Crime Analysis

Questions?

