

# Anti-Money Laundering/Fraud Examples and Defenses



**People  
Process  
Expertise**

AML  Partners



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# What we will be covering today

## ***Summary:***

- ***We will be discussing three Money Laundering Techniques and detection methods for these techniques. We will also be discussing new fraud attempts aimed at the unemployed using fake Money Orders and Certified Bank Checks.***

## ***Examples we will be discussing:***

- Fake deposits
- Jewelry (any retail) Store
- Layaways
- Unemployment/Fake Money Orders/Certified Checks

# Fake Deposits – Using your Customers Accounts without their knowledge.

- By far the greatest threat of money laundering comes from the community pariah, the drug dealer. The biggest issue every drug dealer has is the amount of cash they receive from their customers. We all know they are not going to walk into a bank and deposit \$ 30,000.00 in cash, even they know they will get caught. So, how do they get around the system, here is one possible method they employ and our processes to catch them.
- The one thing that towns and cities have are a lot of Banks and lots of banks mean lots of banking customers. The second thing towns and cities have are lots of drug users who will do just about anything to get their drugs. Knowing these factors Bankers must have appropriate levels of controls to separate the good ones from the bad. Effective CIP (Customer Identification Program) and CDD (Customer Due Diligence) processes may not protect you from the following:

## Sample Company: Uncle Frank's Pet Emporium.

- Step One: The drug dealer or a surrogate will establish what appears to be a legitimate company; some states like Delaware make it very easy, you just need a mailing address and a credit card to setup a company. For our example we will use Uncle Frank's Pet Emporium.
- Step Two: Uncle Frank's Pet Emporium opens an account at your bank. Your Bank goes through your normal CIP process and CDD process and the company looks legit. The smart drug dealer will open a real business location with signs and employees. Uncle Frank's Pet Emporium's main business is pet grooming; your visits to the location makes the company appear to be even more legit as you see pets being groomed, so you think you've got a good customer.
- Step Three: While all of this is happening your friendly neighborhood drug dealer has his employees and drug users steal those monthly bank statements that your (and other Banks) legitimate customers throw in the trash every month, or gets your customers account numbers through other methods (eg. ID theft or Internet web Phishing). Once Uncle Frank has obtained account numbers, getting the routing numbers for your bank and other banks is easy.

- Step Four: Some of the Drug Dealer's cash profits are deposited directly into the companies account; you may even exempt them from CTR's. But what we all know is that most business is done with Bank and credit cards and Electronic Funds Transfer (EFT) or Bill Pay. Now remember all those account and routing numbers that the drug dealer had his surrogates steal? Next the drug dealer obtains or creates deposit slips and deposits cash into these accounts, in small amounts. The next day you receive an EFT for that exact amount for Uncle Frank's. Why the exact amount? The deposit and withdrawal will appear to be a bank error, if the customer checks their statement, and that is a big if. You also get EFT's from Visa Gift Cards and Deposit Required Credit Cards. All of these deposits look very legitimate. Withdrawal from the account will also look legit, Employee payroll and EFT's to Investment houses.

**The first two steps of Money Laundering (the Placement and Layering) have taken place and it all looks legit.**

- *First Method:* How many dog washes does it take to make \$ 30,000.00? A transaction count and amount profile would catch the abnormal amount of money flowing through the account.
- *Second Method:* Why would one dog grooming business make \$ 30,000.00 a month in dog washes, while the others only do \$9,000.00. Peer profiling would catch this.
- *Third Method:* Most legitimate small businesses would not be sending the majority of their deposits out of the Bank in a short period of time. Velocity (80% of deposits transferred to a different Bank or Investment House) models would catch this.
- *Fourth Method:* Most small businesses are not going to grow twenty or thirty percent every month. Account Activity increase or decrease models would catch this.
- *Fifth Method:* Most small businesses will not have the same number of deposits with an ever increasing Dollar amount of the total deposits. \$ 1,000.00 dog washes normally only happen in Hollywood. Multiple originators to a single beneficiary would catch this.

# Fake Jewelry Store (any retail store)

## **Sample Company: Wendy's Fine Jewels and Collectibles.**

- The smart money launderers mix what appears to be a legitimate business with their illicit activities.
- Step One: The drug dealer or a surrogate will establish what appears to be a legitimate company; some states like Delaware make it very easy, you just need a mailing address and a credit card to setup a company.
- Step Two: Wendy's Fine Jewels and Collectibles open an account at your bank. Your Bank goes through your normal CIP process and CDD process and the company looks legit. The smart drug dealer will open a real business location with signs and employees. Your visits to the location makes the company appear to be even more legit as you see customers browsing, so you think, you've got a good customer.

- **Step Three:** While all of this is happening your friendly neighborhood drug dealer has his employees writing up fake sales receipts for fake Jewels. A lot of cash and stored value cards are used. They will purchase fake jewelry on the internet for pennies. They will purchase real jewels to sell to walk in customers. Everything will look very legit. At this point you may even exempt from CTR's.

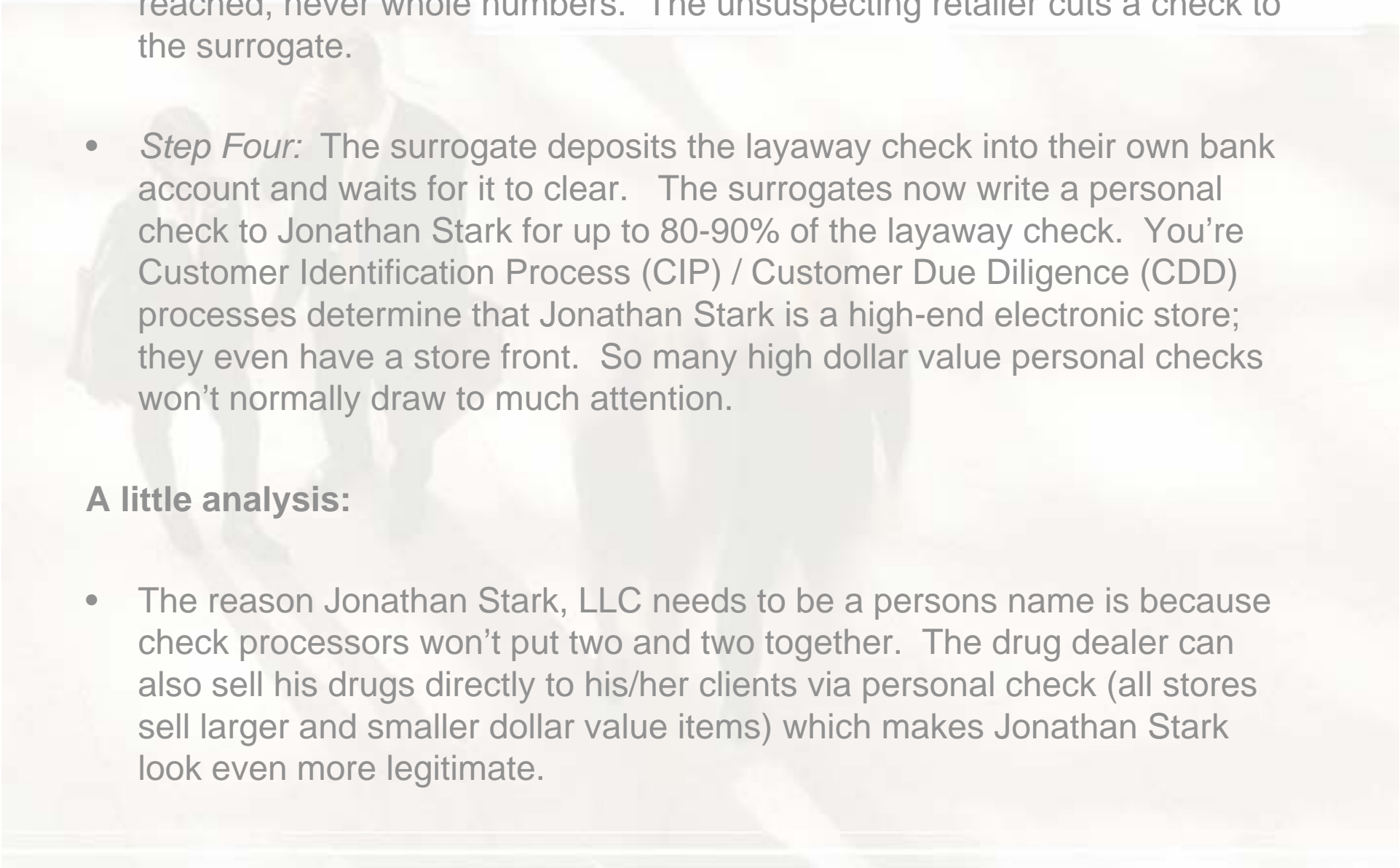
### **If everything looks legitimate how can we catch these guys/gals?**

- *First Method:* Payment type Peer Profiling will be the best method to catch this. Most Jewelry stores will have a higher percentage of normal credit cards then cash and stored value cards. You may need to request a payment detail report from the Card Processor.
- *Other Methods:* There are other method in catching this we don't want to give all our tricks away to the bad guys and girls.

# Laundering through Layaway

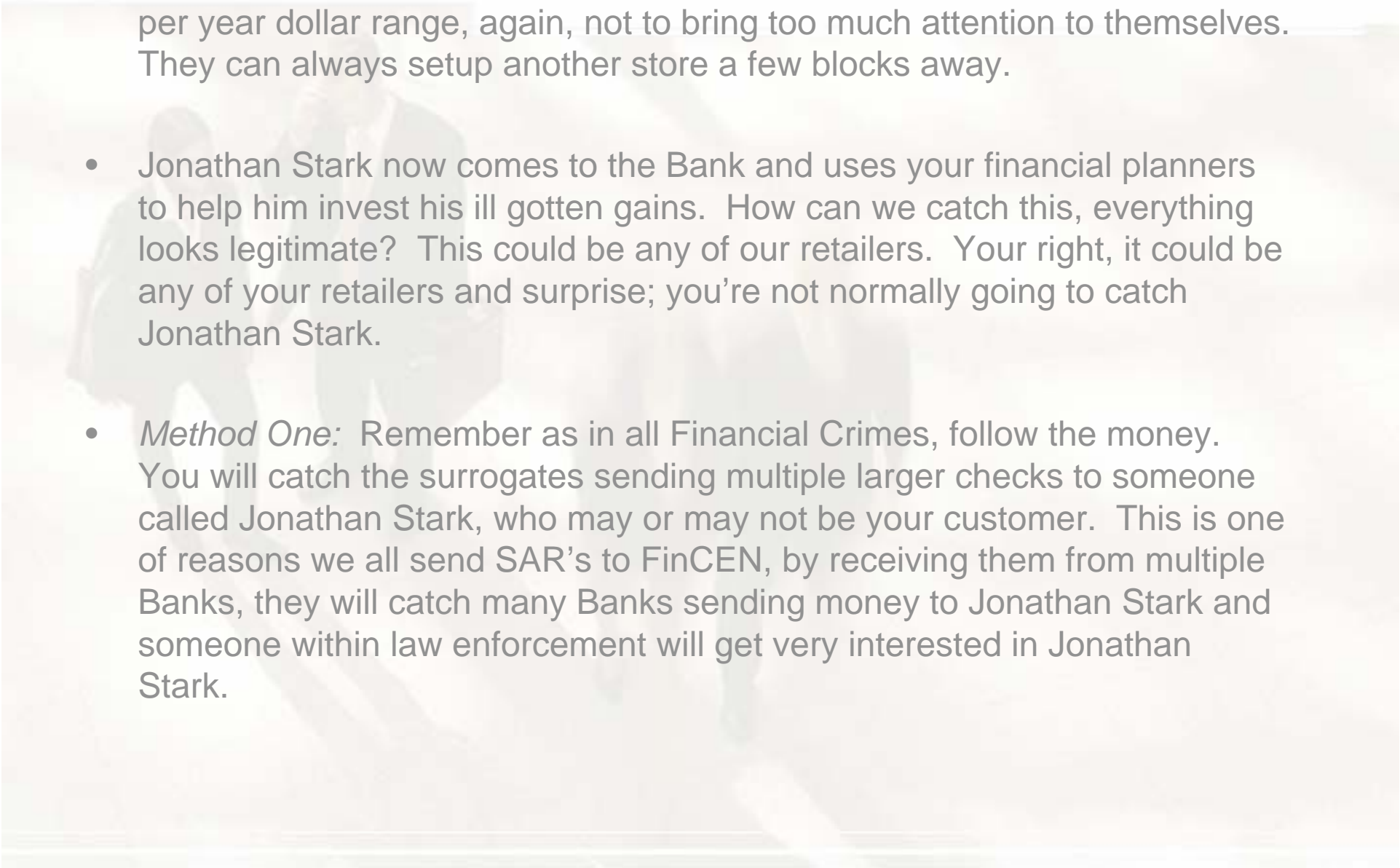
**The Scam - Turn cash into checks and deposit them into an account looking like legitimate payments.**

- *Step one:* Establish what looks like a legitimate company; remember all you need is a mailing address and a credit card. Our company for this exercise will be Jonathan Stark, LLC., it is important that the company be setup as a person's name to make this scam look legitimate.
- *Step two:* We are back to our friendly neighborhood drug dealer; he has the most cash to hide. The drug dealer has surrogates establish layaways at high-end electronic stores, a \$ 6000.00 Big Screen, Flat Screen TV will work for this exercise. One surrogate could setup several layaways at several stores. Weekly cash payments are made on these layaways keeping the payments low two or three hundred per week should do it.

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- *Step three:* The surrogate cancels the layaways as different amounts are reached, never whole numbers. The unsuspecting retailer cuts a check to the surrogate.
  - *Step Four:* The surrogate deposits the layaway check into their own bank account and waits for it to clear. The surrogates now write a personal check to Jonathan Stark for up to 80-90% of the layaway check. You're Customer Identification Process (CIP) / Customer Due Diligence (CDD) processes determine that Jonathan Stark is a high-end electronic store; they even have a store front. So many high dollar value personal checks won't normally draw to much attention.

### **A little analysis:**

- The reason Jonathan Stark, LLC needs to be a persons name is because check processors won't put two and two together. The drug dealer can also sell his drugs directly to his/her clients via personal check (all stores sell larger and smaller dollar value items) which makes Jonathan Stark look even more legitimate.

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- Jonathan Stark, LLC will look like a very legitimate electronic store. There won't normally be rapid growth; they want to stay in the \$30,000 - \$50,000 per year dollar range, again, not to bring too much attention to themselves. They can always setup another store a few blocks away.
  - Jonathan Stark now comes to the Bank and uses your financial planners to help him invest his ill gotten gains. How can we catch this, everything looks legitimate? This could be any of our retailers. Your right, it could be any of your retailers and surprise; you're not normally going to catch Jonathan Stark.
  - *Method One:* Remember as in all Financial Crimes, follow the money. You will catch the surrogates sending multiple larger checks to someone called Jonathan Stark, who may or may not be your customer. This is one of reasons we all send SAR's to FinCEN, by receiving them from multiple Banks, they will catch many Banks sending money to Jonathan Stark and someone within law enforcement will get very interested in Jonathan Stark.

- *Method Two:* Your Customers are sending a lot of money every month to Jonathan Stark. Multiple originators to a single beneficiary, you will see the pattern. File the SAR on the originators and the Beneficiary; nobody buys a hundred TV's.
- There are many other methods in catching this scam, as in all of our Case Studies we don't want to give all of our tricks to the bad guys and gals.

Those were three methods being used right now all over our country. Hopefully this discussion will help you catch a few of them.

# Employment Fraud – Fake Money Orders and Certified Checks

## **Subject: Employment Job Offer**

- Hello, I am Tim Buear from dallas in TEXAS(USA) but presently work in the UNITED KINGDOM and we are looking for a representative in the states who will be working for us as a parttime worker and we are willing to pay \$500 dollas for every transaction,which wouldnt affect ur present state of work.(Fabric Link Company) [www.fabriclink.com](http://www.fabriclink.com)
- This is in view of our not having an office presently in the USA, Canada and major European countries. You don?t need to have an Office and this certainly wont disturb any form of work you have going at the moment.
- There are hundreds of competitors, close direct contacts between suppliers and customers and other difficulties, which impede our sales promotion. We have decided to deliver the products in upfront, it's very risky but it should push up sales on 25 percent. Thus we need to get payments for our products as soon as possible because customers can just "forget" to pay.

- Unfortunately we are unable to open bank accounts in the USA, Canada and major European countries without first registering the company name.
- Presently with the amount of Orders we have, we cannot put on hold, For fear of loosing the customers out rightly. Secondly we cannot cash these payments from the USA, Canada and major European countries soon enough as international Cheques take about 21 working days for cash to be made available. We lose about 75,000 USD of net income each month because we have money transfer delays.
- All you have to do is help us recieve payments from our customers in the states. These payments are in cashiers cheque or usps postal money order and they would come to you in your name, so all you need do is cash the cheque collect your payment and wire the rest to us via western union OR money gram service
- Your task is to coordinate payments from customers and help us with the payment process. You are not involved in any sales. Our sales manager sells products. Once he makes a sale we deliver the product to a customer (usually through COURIER SERVICES). The customer receives and checks the products. After this has been done the customer has to pay for the products.

- About 90 percent of our customers in Canada,USA AND EUROPEAN COUNTRIES prefer to pay through Certified Cheques and Money orders ,travellers checks ,cashiers checks based on the amount involved. We have decided to open this new job position for solving this problem.
- Your tasks are
  1. Receive payment from Customers
  2. Cash or deposit Payments at your Bank to clear
  3. Deduct 10% which will be your percentage/pay on Payment processed
  4. Forward balance after deduction of percentage/pay to any of the offices you will be contacted to send payment to. In a month you will have 10-15 transactions on \$2000-\$10000 , so you may calculate your income.
- After establishing close co-operation you'll be able to operate with larger orders and you'll be able to earn more.
- Our customers will issue payments out in your name and you get them cashed or deposited in your bank when funds have cleared, deduct your 10% and forward the balance to the company. We understand it is an unusual and incredible job position, You'll have a lot of free time doing your regular job as this will not take any of your time. But this job is very challenging and you should understand it. We are looking only for the worker who satisfies our requirements and will be an earnest assistant.

- We are glad to offer this job position to you. So send us the following information If you feel that you are a serious and earnest worker.

1. Your full name or company name to issue on the payment.

2. Home Phone and Cell Phone to reach you.

3. Your mailing address

4. Gender

5. Marital Status

6. Age

7. Occupation

8. Alternative E-mail

- It wouldnt cost u any amount, u are to receive are payments which will be sent to u by fedex or usps from our business patners, which would come in a cashiers cheque, then u are to cash it and send to us via western union money transfer.
- If you are interested i would need you to give me your Full Name, Contact Address, Phone Number and youre-mail address so we can send it to our client and he'll issue and the payment to you

- I want you to be rest assured that this transaction wouldn't cost you any amount and no tax involved in it. All you have to do is just to receive payments which will be sent to you through Fedex or UPS courier services from our clients and this doesn't entails any money from you for everything will be arranged by our clients.
- But, the problem we have is trust and honest, But we have our way of getting anyone that have the pain to gets away with our money, such person will be tracked
- Confidentiality Notice: This e-mail transmission may contain confidential or legally privileged information that is intended only for the individual or entity named in the e-mail address.
- If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or reliance upon the contents of this e-mail is strictly prohibited.
- Thank You!!!

**This is a real email, one of 38 we are tracking, though to most of us with a little internet savvy will see this for what it is, some won't. An unemployed Guy or Gal with a few kids to feed will see this as God Sent. The easy way to stop this is Good Customer Service, talk to your customers, let them know this is happening when they present a \$ 1,500.00 Money Order or Certified Check for cashing.**



Financial Crimes Research Center

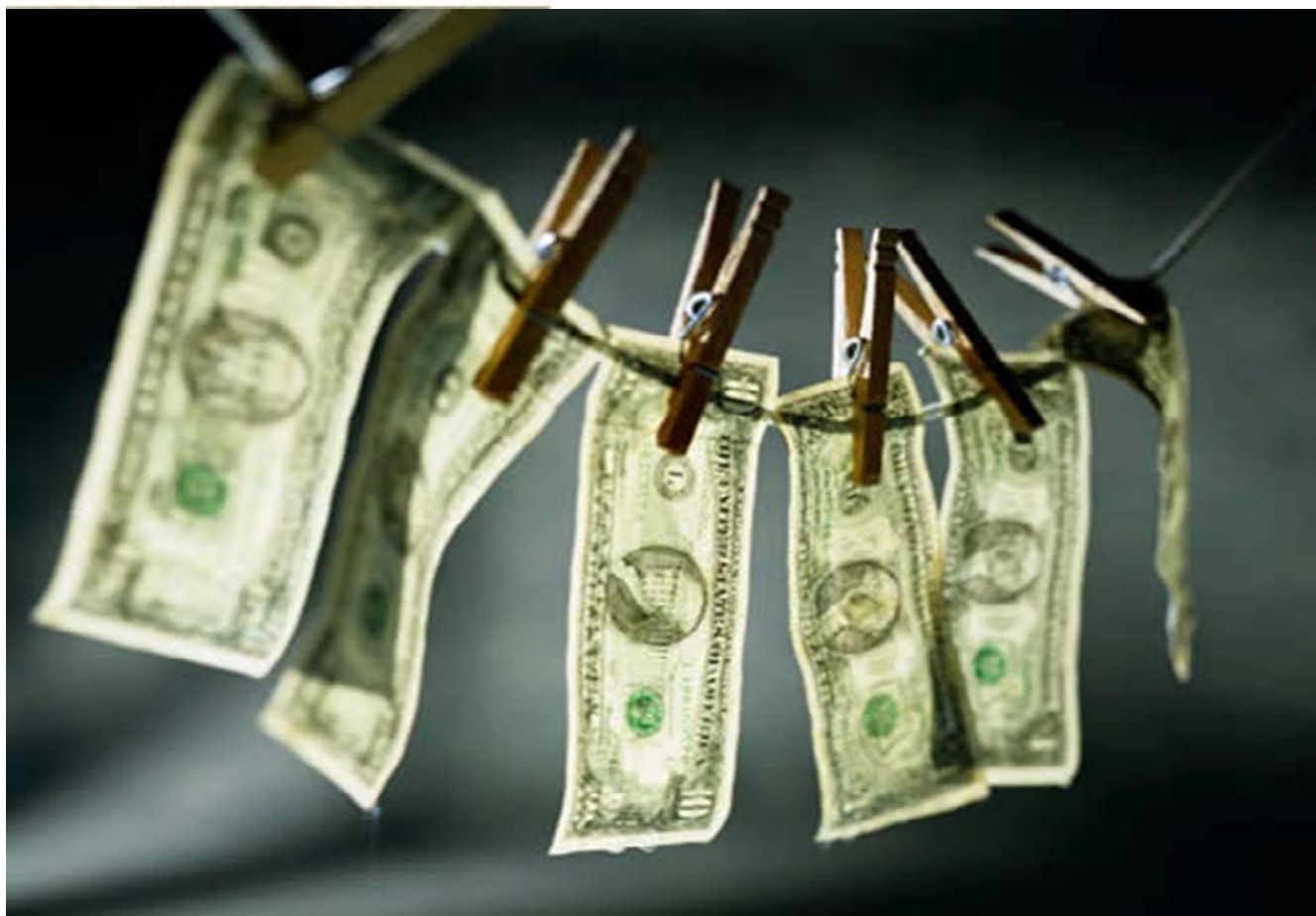
# The Commercial !

*Financial Crimes Research Center - Outsourced Service Features:*

[www.FinancialCrimesResearchCenter.com](http://www.FinancialCrimesResearchCenter.com)

- FCRC will monitor all customer transactions and research all suspicious activity generated.
- FCRC will draft all SAR and CTRs and forward them to you for final disposition.
- FCRC will perform all FinCEN314a searches and all subpoena requests on your Transactional Data and forward them to you.
- FCRC will perform Look-Backs for non-customers at a fraction of current costs.
- FCRC is an American Company located in the U.S.; and rest assured your data will never leave its shores.
- All of our Employees undergo an extensive background check, must submit to constant observation and daily screening to enter and exit the center. We take the security of your customer's data very seriously.
- FCRC costs are based on the number of customers you service or the type of products you provide. (A Retail Bank with 15,000 Customers will have an annual subscription cost of \$ 45,000 per year.)

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