

OPERATION WHAT'S NEW

Emerging Trends
IRS Criminal Investigation



June 2016
PRESENTED BY
Willie Castro-IRS CI

The Big Three

- ▶ Black Market Peso Exchange (BMPE) / HAWALA
- ▶ Funnel Accounts aka Footprint Accounts
- ▶ Stolen Identity Refund Fraud (SIRF)



Headlines

- ▶ Eight Named in Indictment that Outlines Scheme to Launder over \$60 Million in Narcotics Proceeds through 'Black Market Peso Exchange' - May 2016
- ▶ Canadian Man Charged in Scheme to Launder Money for Drug Rings, including the Sinaloa Cartel, Arrives in L.A. to Face Charges - Oct 2015
- ▶ 22 Charged in Nation's First Major Case involving 'Hawala' Transfers of Drug Money - Oct 2015
- ▶ Large-Scale Law Enforcement Effort Targets Downtown Los Angeles Businesses Linked to Money Laundering for Drug Cartels - Sept 2014
- ▶ Fashion District Store Using 'Black Market Peso Exchange' Scheme Allegedly Took Ransom Money for Hostage Being Held and Tortured by Sinaloa Drug Cartel - Sept 2014



Black Market Peso Exchange (BMPE)

- ▶ The BMPE is a trade-based money laundering system in which Mexican traffickers receive Mexican pesos in Mexico in exchange for their drug dollars located in the United States.
- ▶ Simply put, it's a system where goods move and money stays put.



NORMAL COURSE OF BUSINESS

Wholesale Business



Wire Transfer

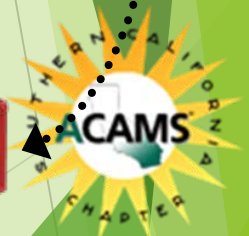
U.S.

Mexico

Mexican Bank



Mexican Businesses





Traffickers



Money Consolidator

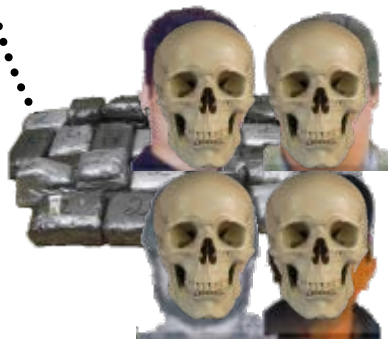


Wholesale Business



U.S.

Mexico



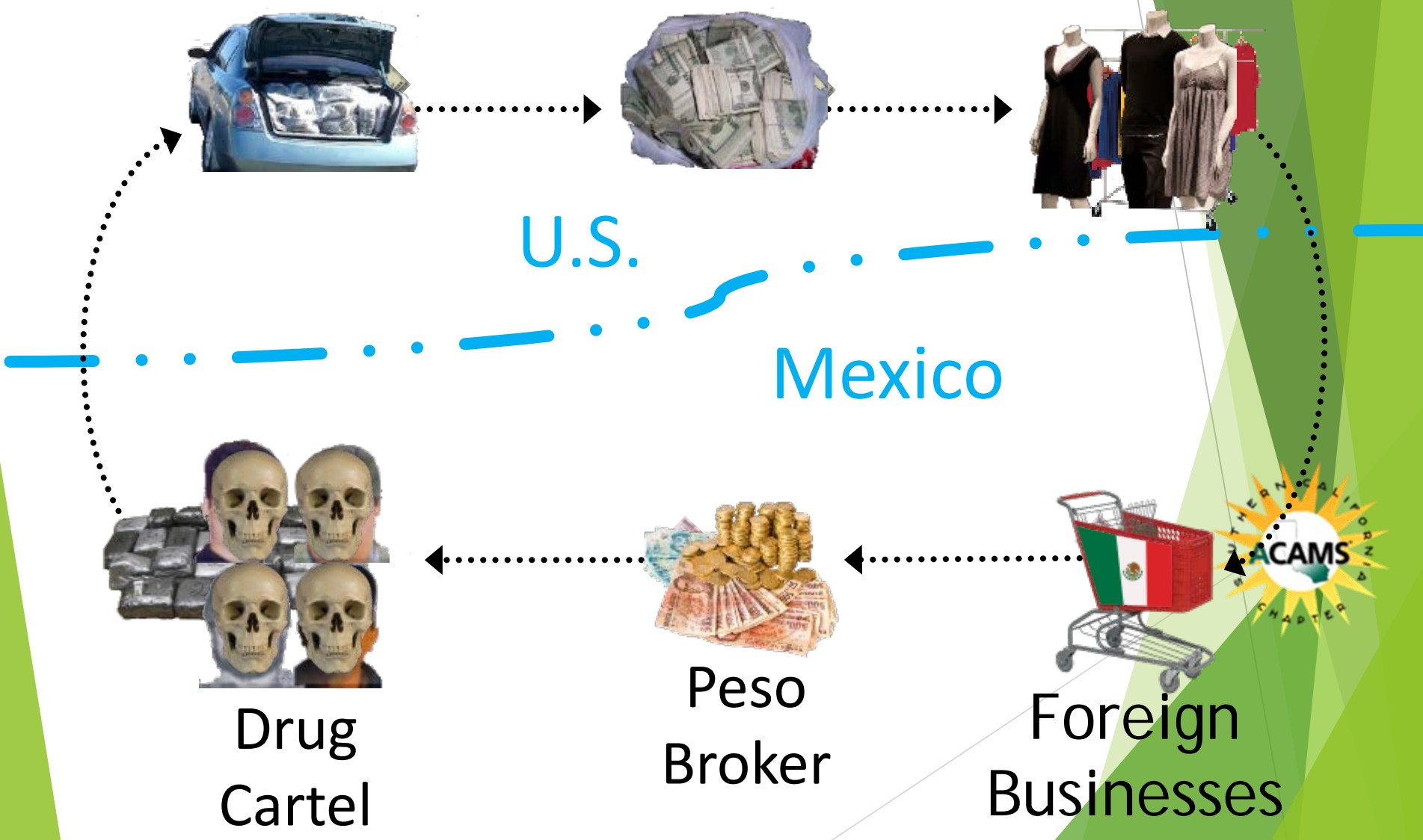
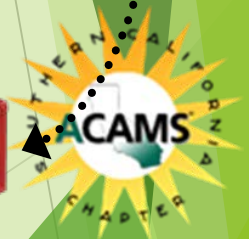
Drug Cartel



Peso Broker



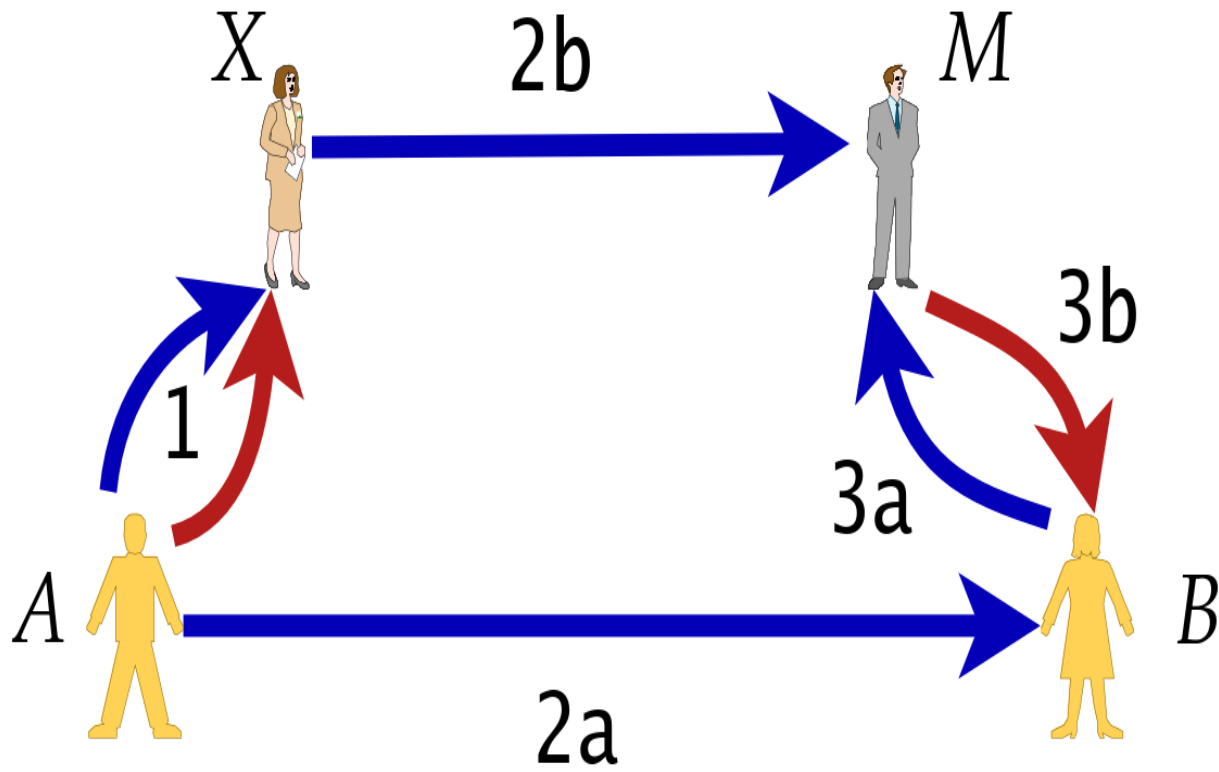
Foreign Businesses



Hawala

- ▶ Refers to “money transfer without money movement,” a method of funds transfer orchestrated through brokers who charge small fees for the service.
- ▶ Based on the ancient system of barter that Middle Easterners and Asians call “*hawallah*”
- ▶ A Hawaladar is a person who moves money from one place to another using his network of contacts he’s developed





FUNNEL ACCOUNTS

aka Footprint Accounts

- ▶ Depositing illegal funds into a US bank account that can receive deposits in branches in multiple states.
- ▶ Account is at one geographic location that gives criminals immediate access to the money via withdrawals in a different geographic location. The transaction amounts are kept under the AML reporting requirements and can easily go undetected.
- ▶ **Account(s) with multiple deposits which are shortly transferred to other accounts**
- ▶ **Accounts with high aggregate dollar deposit activity but with low account balances**
- ▶ **Accounts with multiple deposits from multiple locations outside the banking area**
- ▶ **Accounts with multiple deposits from multiple sources (e.g., cash, ATM deposits, checks, wire transfers, etc.)**



Stolen Identity Refund Fraud (SIRF)

- ▶ On September 20, 2012, DOJ Tax issued Directive 144, Stolen Identity Refund Fraud
 - Provides Federal law enforcement officials with the ability to timely address a subset of identity theft cases.
 - Specifically focuses on identity theft in the context of fraudulent tax refunds and provides for streamlined initiation of these investigations and prosecutions.
- ▶ A fraudulent or attempted claim for a tax refund
 - in the name of a person(s) whose personal information appears to have been stolen or unlawfully used, and
 - intended to benefit someone other than the person
- ▶ Their motto: File Early, File Often



ID Theft / Tax ID Theft Stats

- ▶ More than 490,000 ID Theft complaints were handle by the FTC in 2015. (Source: FTC)
- ▶ Of those, Tax ID Theft is the most commonly reported type accounting for 46% of reported incidents. Credit card fraud follows at 16%.
- ▶ In 2015, the IRS rejected or suspended 4.8 million suspicious returns, 1.4 million confirmed ID Theft returns, totaling 8 billion. (Source: IRS)
- ▶ IRS-CI in fiscal year 2015 initiated 776 investigations which resulted in 774 sentencings with the average being 38 months to the longest of over 27 years.



Contact Information

Willie Castro - Supervisory
Special Agent

IRS-Criminal Investigation

(213) 576-3367 - Desk

(213) 494-7152 - Cell

wilfred.castro@ci.irs.gov



THANK YOU QUESTIONS?

In addition to the ACAMS Chapter Webpage
you can also find us on LinkedIn at

http://www.linkedin.com/groups?gid=2202988&trk=myg_ugrp_ovr

Follow us on Twitter @ACAMSOCL

Feel free to send any suggestions or comments to:

socalacams@yahoo.com.

