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FinCEN Issues Report on Informal Value Transfer Systems

The Financial Crimes Enforcement Network (FinCEN) issued today its [report on Informal Value Transfer Systems \(IVTS\)](#), including hawala, in its ongoing effort to gain a more complete understanding of the nature of these systems. Hawala, an IVTS, is a method of monetary value transmission that is used in some parts of the world to conduct remittances, most often by individuals who seek to legitimately send money to family members in their country of origin.

The report, required under section 359 of the USA PATRIOT Act, addresses the complexity of IVTS, provides information for the law enforcement and financial communities, and offers several recommendations to further the learning curve about IVTS to help stem their use as potential avenues for money laundering and other financial crimes.

FinCEN conducted on-site visits and telephone interviews with foreign, federal, state and local law enforcement personnel with experience in investigative cases known or suspected to involve an IVTS element. In addition, interviews were held with representatives from both domestic and international financial institutions.

The report also notes that while hawala and other IVTS serve legitimate needs, they, like other financial services providers, are subject to misuse as conduits for terrorist financing and other illegal activity.

Examples of law enforcement cases involving IVTS in the United States are also provided in the Appendices of the report. The investigations reveal a variety of illegal activity, including:

- use of IVTS operators (hawaladars, unlicensed/unregistered money transmitters) to remit funds to or from abroad (including, in some instances, an Office of Foreign Assets Control blocked country; several hawaladars also connected to drug trafficking);
- use of cash intensive businesses;
- conversion of bulk cash to money orders and other types of monetary instruments to circumvent federal reporting and recordkeeping requirements;
- use of commercial mail carriers to send monetary instruments out of the United States to circumvent Currency and Monetary Instrument Report (CMIR) filing requirements;
- use of couriers to smuggle bulk monetary instruments across international borders;
- use of stored value (pre-paid telephone cards) to both transfer value and circumvent reporting requirements;
- use of relief organizations for possible terrorist fund raising; and
- cigarette smuggling schemes.

“One of the most important findings of this study is the need for on-going dialogue and education about these systems within the law enforcement, regulatory and financial communities,” said James F. Sloan, Director of FinCEN. “Through facilitating the sharing of information with our counterparts in the law enforcement and financial communities, here and abroad, we hope to develop solutions that will help prevent the misuse and exploitation of these systems by terrorists and other criminals.”