

ICE Expands Financial Investigations to Combat Growing Money Laundering Threats



The Cornerstone Report

Safeguarding America through Financial and Trade Investigations

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Cornerstone is U.S. Immigration and Customs Enforcement's (ICE) comprehensive investigative initiative for fighting financial crime, trade fraud and intellectual property crime. The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE financial and trade investigations.



U.S. Immigration and Customs Enforcement

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ICE played a key role in the first national Money Laundering Threat Assessment.

ICE's innovative efforts and growing commitment to combat money laundering threats were highlighted at a Washington, D.C. ceremony January 11 where Assistant Secretary Julie Myers participated in the unveiling of the first national Money Laundering Threat Assessment.

Since ICE was created in 2003, the number of arrests resulting from ICE financial investigations has increased from 1,224 in FY03 to 1,567 in FY05. The number of indictments has increased from 865 to 932, and the number of convictions has increased from 703 to 823. In total, ICE financial investigations have resulted in the seizure of more than \$477 million over the past three fiscal years.

The increases stem, in part, from the expansion of ICE's financial authorities to address human smuggling and other immigration violations. ICE agents routinely include financial components to most types of criminal investigations, including nar-

cotics smuggling and trafficking, alien smuggling and human trafficking, weapons smuggling, export enforcement, commercial trade fraud, intellectual property rights (IPR) enforcement, cyber crimes, immigration document and benefit fraud and human rights violations. Prior to the creation of ICE, there was no systemic U.S. effort to target the financial infrastructure of human smuggling and trafficking organizations. Today, ICE is combining its financial and immigration authorities in a coordinated campaign against these groups. The amount of assets seized by ICE in these cases has jumped from almost nothing in FY03 to \$34 million in FY05 and \$22 million during the first three quarters of FY06.

ICE has achieved success in its anti-money laundering efforts by using an approach that focuses on the underlying financial systems most vulnerable to exploitation. These systems are all identified in Money Laundering Threat Assessment.

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The following are examples of how ICE is addressing some of these threats.

Money Services Businesses

For decades, money service businesses (including money transmitters and hawalas) have proven vulnerable to criminal exploitation. The USA PATRIOT Act of 2001 enhanced ICE's ability to combat the international movement of illicit funds through these businesses by amending federal statutes making it a crime to operate an unlicensed money service business under 18 USC 1960, prohibition of unlicensed money transmitting businesses.

Since the enactment of USA PATRIOT Act, ICE agents have used this statute to aggressively target unlicensed money transmittal businesses and underground hawalas nationwide because of the substantial vulnerabilities they pose. These investigative efforts have resulted in 142 criminal indictments and the arrest of more than 155 persons, as well as the seizure of more than \$25 million in illicit profits.



Red Flag Indicators

- Frequent international wire transfers from bank accounts that appear inconsistent with stated business.
- Large (value or volume) of bank drafts, often issued to the same individual that are routinely cashed at foreign financial institutions located in countries of concern.

Trade-Based Money Laundering

Trade-based money laundering involves several schemes that enable dirty cash to be separated from the

crime early in the money laundering process. The most common trade-based scheme in the Western Hemisphere is the Black Market Peso Exchange (BMPE), in which Colombian drug traffickers swap illicit dollars in the United States for clean pesos in Colombia.

ICE has created a Trade Transparency Unit (TTU) that employs sophisticated computer systems to analyze trade data and financial information to detect anomalies in international commerce that may be indicative of money laundering.

ICE helped create the first foreign TTU in Colombia late last year, under the auspices of Plan Colombia. Under this initiative, ICE detailed agents and provided more than 200 computers to Colombian authorities to help them develop a database for the exchange and analysis of trade data. On March 13, Assistant Secretary Myers announced that ICE was teaming up with the governments of Argentina, Brazil, and Paraguay to create new TTUs to combat trade-based money laundering and other financial crimes in their nations and in the shared tri-border area in South America.



Red Flag Indicator

- Frequent deposits or third party checks, or receipt of domestic and/or international wire transfers that are immediately used to fund bank drafts of wire transfers to business that have not logical association with the account holder's stated business purpose, i.e., jewelry store account wiring money to auto parts exporter.

Bulk Cash Smuggling


The threat posed by bulk cash smuggling at home and abroad is growing increasingly acute. DHS, through

ICE and U.S. Customs and Border Protection (CBP), plays a leading role in combating this threat.

In recent years, ICE and CBP have launched comprehensive, intelligence-driven operations targeting organizations involved in smuggling bulk currency. From FY03 through FY05, ICE agents have arrested more than 260 individuals and, together with CBP officials, have seized more than \$100 million in bulk cash smuggling cases.

ICE has also been providing bulk cash smuggling training to U.S. and foreign law enforcement officers. In recent years, CBP and ICE have been sharing intelligence and providing training to Mexican law enforcement officials to combat the smuggling of currency from Mexico to other nations. This special training and intelligence-sharing operation has helped Mexican authorities seize more than \$40 million in smuggled currency over the last two years. ICE is also working with CBP and the State Department to train authorities in the Middle East, Asia and Africa.

Industry Outreach and Partnerships

An effective partnership with the private sector is critical to ICE's efforts in combating financial crimes. Through its Cornerstone initiative, ICE is conducting aggressive anti-money laundering training and outreach with representatives from the private sector. ICE agents have delivered more than 2,800 training presentations at home and abroad, attended by nearly 50,000 representatives from the private sector, law enforcement and judicial officials. 

Newark ICE Agents Seize \$5.7 Million, Luxury Vehicles in Massive Benefits Fraud Case

A citizen of India living in New Jersey is in federal custody and ICE agents have seized \$5,724,592 in a massive immigration benefit fraud investigation.

Narendra Mandalapa has been charged with fraud and misuse of visas, violations of 18 USC, Section 1546. The charges were filed in U.S. District Court in Newark. Mandalapa is in the custody of the U.S. Marshals Service.

The investigation is a product of a joint anti-fraud initiative undertaken by ICE's Office of Investigations, U.S. Citizenship and Immigration Services (USCIS) and the Department of Labor's Office of the Inspector General.

The investigation began when a special fraud detection unit of USCIS uncovered a pattern of fraud in petitions for immigration benefits submitted by Mandalapa through one of his companies. USCIS referred the information to the ICE Benefits Fraud Unit for analysis. ICE's subsequent criminal investigation resulted in the arrest and seizures.

During the investigation, ICE agents discovered that Mandalapa filed nearly 1,000 possibly fraudulent labor-based petitions on behalf of Indian and Pakistani nationals seeking to enter or remain in the United States. The petitions were for skilled computer workers. Both USCIS and ICE continue to investigate those aliens who received fraudulent immigration benefits. Investigators are also working to



A Lexus sedan (above) and a Mercedes SUV, with a combined value of \$100,000, were among the seizures in this investigation made by ICE agents.


determine the number of persons who fraudulently entered the country and may have received fraudulent labor benefits.

ICE investigators found that two shell companies in New Jersey owned by Mandalapa were created solely for the purpose of filing fraudulent labor-based petitions for foreign workers. During the investigation, agents armed with search warrants seized computers and documents from the corporate address of Cybersoftec, Inc. Agents believe that at least \$2.1 million came from fees paid by individuals, often in the form of international wire transfers or personal checks, seeking fraudulent benefits. Since the accounts were used to hide those illegal profits, ICE, through judicial order, seized all money in the accounts. The assets seized



Red Flag Indicators

- Numerous incoming wire transfers or personal checks deposited into business accounts with no apparent legitimate purpose.
- Sudden, unexplained change in banking habits or activity.

come from four bank accounts in Edison, N.J., and two brokerage accounts in New York City. Also included in the seizures were a Mercedes SUV and a Lexus sedan with a combined value of \$100,000. 



Congressional Testimony from Kevin Delli-Colli Regarding “CTR Utility”

On April 4, Kevin Delli-Colli, deputy assistant director of the ICE Office of Investigations, Financial and Trade Investigations Division, testified before the U.S. Senate Committee on Banking, Housing and Urban Affairs in Washington, D.C. Delli-Colli discussed how ICE is applying its financial investigative authorities, as well as its unified immigration and customs authorities to identify, dismantle and disrupt criminal enterprises that threaten our nation’s borders and homeland security. He noted that among the Department of Homeland Security law enforcement agencies, ICE has the most expansive investigative authorities and the largest number of investigators.

A portion of Delli-Colli’s testimony focused on ICE’s use of one powerful tool in financial investigations: Bank Secrecy Act data. A portion of his testimony follows:

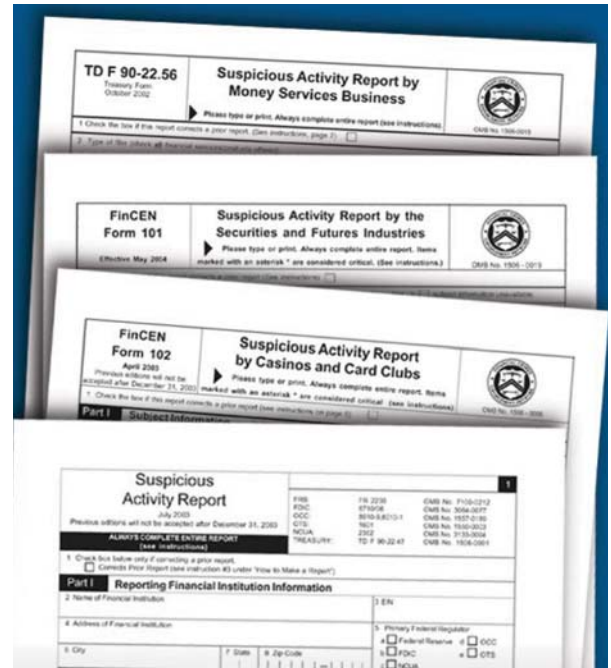
Law enforcement uses the entire array of Bank Secrecy Act documents in a variety of ways. ICE has a long history of collecting, analyzing and utilizing Bank Secrecy Act data in criminal investigations. ICE’s use of currency transaction report (CTR) data is a valuable analytic tool for detecting illegal activity, developing leads and furthering investigations.

The so-called “placement” of funds into the financial system is the most vulnerable stage of the money laundering process for criminal organizations. Generally, individuals and businesses conducting

legitimate transactions have no reason to structure deposits or withdrawals to avoid the current \$10,000 threshold for the filing of a CTR. The CTR requirement leads criminals to deliberately structure deposits into the banking system in order to avoid the reporting requirement in the hopes of avoiding suspicion and detection. Because criminals must structure their illicit proceeds, they are forced to make multiple financial transactions to place the illicit proceeds into financial institutions. This forces the criminal organization to expend additional time and effort, and it provides law enforcement with indicators used to detect illegal activity.

In an effort to circumvent the CTR requirement, international criminal organizations have employed numerous “peripheral employees” to “smurf” their illicit proceeds into financial institutions. U.S. law enforcement has learned to exploit the inherent weaknesses created by this process, as it provides law enforcement with a greater number of targets for interdiction efforts, undercover opportunities, and confidential source development.

In the course of our investigations, CTRs are used to establish links between persons and businesses, to identify co-conspirators, potential witnesses, and to reveal patterns of illegal activity. CTR information has been utilized to meet the probable cause requirement necessary to obtain search and/or arrest



Suspicious Activity Reports (SARs) and guidance on their use are found online at www.fincen.gov.

warrants. CTRs link individuals and businesses to financial institutions and provide this information so the investigator can utilize the information for subpoenas. CTRs can also provide critical information relating to asset identification. Most importantly, as mentioned above, the CTR requirement causes violators to deliberately structure deposits into the banking system, which is a significant red-flag indicator of criminal activity. To illustrate how important CTRs are to ICE investigations, ICE special agents queried CTR records over 454,000 times just in FY05. ICE has many examples of investigations that were initiated, enhanced or perfected because of access to the Bank Secrecy Act repertoire of documents.”

A complete copy of Delli-Colli’s testimony is available at: www.ice.gov/pi/news/testimonies/index.htm



ICE Dismantles Major Narco-Money Laundering Group in Puerto Rico

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An ICE investigation based in San Juan, Puerto Rico has resulted in the arrest of eight persons involved in a complex drug money laundering scheme that covered the United States, Europe, the Caribbean and South and Central America.

The eight individuals arrested are charged with money laundering (18 USC 1956) for their alleged membership in several money laundering and drug trafficking organizations operating out of Puerto Rico. The 11-count indictment alleges that the individuals are responsible for laundering at least \$17 million through the Black Market Peso Exchange (BMPE) scheme.

The BMPE is a decades-old money laundering infrastructure and is believed to handle billions worth of illicit dollars annually. It is among the primary means by which Colombian drug cartels convert their U.S.-based drug dol-

lars into “clean” pesos they can use in Colombia.

The arrests occurred in cities in Puerto Rico and in New York. To date, ICE has forfeited 14 domestic and international bank accounts and seized more than \$1.3 million connected to this organization. Numerous additional bank accounts are being pursued for civil forfeiture. 



Red Flag Indicator

- Payments to vendor made via unrelated third parties.
- False Reporting (commodity misclassification, commodity over-valuation or under-valuation).
- Double-invoicing.
- Carousel Transactions (the repeated importation and exportation of the same high-value commodity).
- Commodities being traded do not match the businesses involved.
- Unusual shipping routes or transshipment points.
- Packaging inconsistent with commodity or shipping method.



Bundles of cash seized in Puerto Rico.

Did You Know ?

- ICE agents have made nearly 3,000 outreach presentations to more than 57,000 individuals worldwide.
- In Fiscal Year 2005, ICE agents seized \$1.3 billion in illicit cash and assets.



Man Pleads Guilty to Operating Unlicensed Money Transmitting Business

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A Hamtramck, Mich., man pleaded guilty in U.S. District Court in Detroit on January 10 to operating an unlicensed money transmitting business (18 USC 1960).

Mohammed Islam Uddin, 39, a naturalized U.S. citizen from Bangladesh, operated Ibrahim Money Exchange, which was responsible for transmitting about \$3 million to Bangladesh with little or no documentation about the senders or recipients of the money transfers.

ICE executed a search warrant and apprehended Uddin at his residence in March 2003. Evidence seized indicated that Uddin was preparing to depart the U.S. for Bangladesh. Additional documentary evidence revealed

a pattern of unusual banking activity by using seven bank accounts in support of a money transmitting business.

Uddin operated a trade-based scheme to facilitate his illegal money transmitting business in which telephone calling cards were purchased on behalf of a pre-paid phone card merchant in Bangladesh. The merchant served as Uddin's distribution agent for Ibrahim Money Exchange. Uddin would purchase the cards with U.S. currency from a legitimate and unwitting U.S. communications corporation on behalf of the Bangladeshi merchant. The merchant would generate sales in local currency (takas) from the sale of the phone cards.

The ICE investigation uncovered that once the merchant received



Red Flag Indicator

- Frequent transactions or purchase of negotiable instruments under \$10,000 in order to avoid filing a Currency Transaction Report (CTR).
- Splitting large currency deposits among several bank accounts.
- Reluctance or refusal of depositor to provide identifying information to bank employees.
- Purchase of any monetary instrument with large amounts of currency by a non-customer.
- Wire transfers by charitable organizations to companies located in countries known to be bank or tax havens.
- Transfer of funds to a commercial account with no logical relationship or connection to the sender of the funds.

the takas, he would then distribute the funds to the ultimate recipients in Bangladesh on behalf of Ibrahim Money Exchange. Uddin avoided paying the fees to convert U.S. dollars to takas, and was also able to avoid conducting suspicious international wire transfers. ❏



The Official Newsletter of Cornerstone

U.S. Immigration and Customs Enforcement (ICE) is the largest investigative arm of the Department of Homeland Security (DHS).

ICE's mission is to secure the homeland by enforcing immigration and customs laws and by protecting U.S. commercial aviation and federal facilities. Cornerstone, ICE's comprehensive enforcement initiative focusing on financial and trade fraud investigations, is a key component of that mission.

In addition to financial and money laundering investigations, Cornerstone targets commercial fraud, smuggling and trafficking, export and trade violations and intellectual property crimes. ICE's global reach allows the agency to investigate these crimes around the world.

The Secretary of the DHS has determined that the publication of this newsletter is necessary in the transaction of business required by law of ICE.

Invitation for Cornerstone Report Article Submissions

The Cornerstone Report covers a broad range of topics related to financial investigations and potential vulnerabilities in the financial and trade sectors.

We strive to present clear thinking by knowledgeable observers that can be read with ease and pleasure by both professionals and a general audience, and we're happy to review unsolicited submissions for potential publication in the newsletter.

If you would like to submit an article for publication or simply find out more about how you can participate in the Cornerstone initiative, drop us an e-mail at cornerstone@dhs.gov.