



**UNODC**

United Nations Office on Drugs and Crime

# Risk of Money Laundering through Financial Instruments 2nd Edition





**UNODC**

United Nations Office on Drugs and Crime

# **Risk of Money Laundering through Financial and Commercial Instruments**

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## INTRODUCTION

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This document was originally prepared in Spanish by the United Nations Office on Drugs and Crime (UNODC) in Colombia, as an updated version of the Manual on “Risk of Money Laundering through Financial Instruments” and is being used as part of the training course on “Specialized Financial Internships against Money Laundering and the Financing of Terrorism”.

This Manual, which is also available in English, has become a reference tool for actors of the anti-money laundering system in different Latin American and Caribbean countries.

This second version seeks to consolidate the dialogue between the public (law enforcement authorities) and private (reporting entities/financial sector and non-reporting entities/real sector), in order to contribute to a better understanding of the financial and commercial instruments used in money laundering (ML) and the financing of terrorism (FT).

This document is also used by the Responsible and Secure Business Program<sup>1</sup> to encourage companies to integrate money laundering measures within their business management models. For this reason, its version contains updated versions of the chapters related to commercial instruments, such as: prepaid cards, invoices, promissory notes, and warrants. The two versions of this document can be viewed at: [www.negociosresponsablesysegueros.org](http://www.negociosresponsablesysegueros.org).

Another objective of this document is to provide in-depth information on financial instruments, including new chapters on loans and credit cards. It also includes information on financial instruments available through electronic banking, such as: Internet, Automated Teller Machines, operations through Automated Clearing House (ACH), Interactive Voice Response Service or Audio Response (IVR), and Point of Sale (POS).

An additional chapter is included on the financing of terrorism, in overview of its relation to other criminal phenomena, particularly money laundering, and the interest of the international community on the consequences of this criminal activity.

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<sup>1</sup> Responsible and Secure Business is a public-private partnership to prevent money laundering and the financing of terrorism.



This document was made possible thanks to the work of Ms. Mónica Jiménez (former UNODC Financial Expert) and Ms. Monica Mendoza (UNODC AML Expert) with the technical support of Mr. Luis Bernardo Quevedo Quintero (Director of the Unit for Control of Bank Compliance of Bogota), Mr. Kristian Hölge (UNODC former Regional Advisor for Latin America and the Caribbean), Mr. David Alamos (UNODC TPB Expert), Mr. Carlos Mario Serna (Skoll & Serna Consultant), Mr. Luis Eduardo Daza Giraldo (Consultant and main author of the first version), and Professor Isidoro Blanco (University of Alicante).

This version also received technical support from the following associations: the Compliance Officers Committee of the Fiduciary Association (Asofiduciarias), the Compliance Officers Committee of the Insurers Federation of Colombia (Fasecolda), and the Compliance Officers Committee of the Colombian Federation of Leasing Companies (Fedeleasing).

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Using the same methodology as the first version, this manual contains a brief description of the financial or commercial instruments, illustrative documents, warning signs (878 in total), and related typologies, thus constituting a research tool that can be used in real life cases.

Finally, this document is merely an illustrative tool and, therefore, does not include or assume to include all the warning signs that may arise in relation to the financial and commercial instruments mentioned herein.

Any individuals or institutions interested in knowing more about the work of UNODC or who wish to comment on this document may contact us via e-mail.

PART I

## KNOWN FINANCIAL INSTRUMENTS





## 1. CHECKING ACCOUNT

---

A checking account is a financial product, typical of commercial banks. Checking accounts are usually opened in local currency; nevertheless, in some countries they can be opened in foreign currency, most often in United States Dollars.

### 1.1 Description

A checking account is a contract through which an individual or a company, known as the account holder, deposits, withdraws or consigns money to a bank in order to make use of the balance. The account holder, or owner of the checking account, may dispose of the money in the account either partially or in full by writing checks or through other instruments provided by the bank, such as debit cards.

The bank gives the checking account holder a checkbook. The checking account holder, or drawer, writes checks when he/she needs to make a payment to a third party or withdraw cash. The checks then become payment orders for the bank, payable to the beneficiary of the check.

In general, deposits to the checking account are made either in cash or through checks, local and international transfers received, interest and other deposits or credit notes.

Withdrawals or charges to the checking account are generally made by checks cashed or cleared<sup>2</sup>, ordering of local or international wire transfers, cash withdrawals through automated teller machines, cash withdrawals through the use of a debit card, charges for the purchase of cashier's checks<sup>3</sup>, charges for services or purchases paid debit cards in commercial establishments, charges for electronic transactions (payment of public services, loans, credit cards) commissions or other debit notes.

---

<sup>2</sup> The process that a bank carries out to collect from another party checks deposited in its clients' checking accounts. This process is known as clearing.

<sup>3</sup> A check drawn by a bank on its own funds (the drawer is the same bank that issues the check), which is purchased by the client.

Many people find it safer to tender or write a check than to carry cash to pay bills. Moreover, it is more convenient when making purchases or payments to third parties to use a debit card or withdraw cash from automated tellers than to order transfers or money orders.

The bank is responsible for handling and managing the money in the checking account, offering immediate availability, even when the amount surpasses availability; that is, through a temporary overdraft quota available in those cases when the payment is greater than the checking account balance.

Some banks offer electronic transaction and information services, through which one can consult the checking account balance and make payments, electronic wire transfers or transfers between the same holder's accounts. Some banks also offer liquid interest rates on the daily balance or average in the checking account. Is it worth mentioning that some Banks, notably in the UK and Europe, are moving away from issuing and using check books in favor of electronic transacting.

## 1.2 Documents of interest

The documents that identify the operations and features of a checking account are: the application to open an account, the form for recording authorized signatures, and the bank statements or extracts, deposit slips, checks and transfers.

### 1.2.1 Application to open an account

The application to open an account contains information on the account holder, whether a natural person or legal entity.

This document, together with others required by the bank (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), are requested primarily to enable banks to comply with their legal obligations, establish aspects such as identification, location, economic activity, income and expenditures, assets, liabilities and capital, commercial or personal references, and the account holder's main clients or suppliers.

Bearing in mind the degree of technological progress in some banks, it is possible for client applications to be processed through direct, electronic means (not necessarily hard copy). However, the client details and information previously mentioned can be uploaded to the application.

Image No 1.  
Application to open an account

**ABC BANK** **BANK ACCOUNT APPLICATION**

Confirmation # For Office Use Only

**1 Choose the Accounts You Would Like to Open**

☐ **Mini Rate Checking Account** Total deposit amount: \$ \_\_\_\_\_  
\$100 initial deposit; \$5,000 average monthly balance required thereafter

☐ **Complete Savings Account** Total deposit amount: \$ \_\_\_\_\_  
\$5 initial deposit; no average monthly balance required

☐ **ENTRUST Checking Account** Total deposit amount: \$ \_\_\_\_\_  
\$500 initial deposit; noninterest-bearing account; no average monthly balance required

☐ **ENTRUST Money Market Account** Total deposit amount: \$ \_\_\_\_\_  
\$5 initial deposit; \$1,000 average monthly balance required thereafter

**2 Select Your Account Registration**

Choose only one. Please call us at 800-0-ENTRUST for information on opening trust and business accounts.

☐ **Individual Account** One person owns the account.

☐ **Joint Account with Rights of Survivorship**

☐ **Custodial Account (UTMA/UGMA)** Established by an adult for the benefit of a minor. Please Money Market Account and Complete Savings Account.

**3 Enter Your Account Holder Information**

Please attach a separate sheet for additional joint account holders.

<b>Primary Account Holder</b> <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss. <input type="checkbox"/> Dr.		<b>Joint Account Holder</b> <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss. <input type="checkbox"/> Dr.	
Name (Print, middle initial, last)		Name (Print, middle initial, last)	
Street Address (Please use a P.O. Box)		Street Address (Please use a P.O. Box)	
City, State, ZIP		City, State, ZIP	
Home Address (if different from above; P.O. Box may be used)		Home Address (if different from above; P.O. Box may be used)	
City, State, ZIP		City, State, ZIP	
Home Phone	Business Phone	Home Phone	Business Phone
E-mail Address (required for account activation)		E-mail Address (required for account activation)	
Social Security Number	Date of Birth (month/day/year)	Second Security Number	Date of Birth (month/day/year)
Current Location, state where you live, or in which you reside		Current Location, state where you live, or in which you reside	
Place of residence (if applicable)	Day Contact No.	Place of residence (if applicable)	Day Contact No.
Employment Status <input type="checkbox"/> employed <input type="checkbox"/> self-employed <input type="checkbox"/> none <input type="checkbox"/> student <input type="checkbox"/> not a employee	Employment Status <input type="checkbox"/> employed <input type="checkbox"/> self-employed <input type="checkbox"/> none <input type="checkbox"/> student <input type="checkbox"/> not a employee	Employment Status <input type="checkbox"/> employed <input type="checkbox"/> self-employed <input type="checkbox"/> none <input type="checkbox"/> student <input type="checkbox"/> not a employee	Employment Status <input type="checkbox"/> employed <input type="checkbox"/> self-employed <input type="checkbox"/> none <input type="checkbox"/> student <input type="checkbox"/> not a employee
Business Occupation	Business Occupation	Business Occupation	Business Occupation
Line of business (this box must be filled in for self-employed persons)		Line of business (this box must be filled in for self-employed persons)	
Business Street Address		Business Street Address	
City, State, ZIP		City, State, ZIP	
<b>Payable on Death (POD) Beneficiary</b> <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss. <input type="checkbox"/> Dr.		<b>Payable on Death (POD) Beneficiary</b> <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Miss. <input type="checkbox"/> Dr.	
Name (Print, middle initial, last)		Name (Print, middle initial, last)	
Street Address		Street Address	
City, State, ZIP		City, State, ZIP	
Home Phone	Business Phone	Home Phone	Business Phone
Social Security Number	Date of Birth (month/day/year)	Social Security Number	Date of Birth (month/day/year)
What is the purpose and expected use of the account?			
<input type="checkbox"/> Personal family account for household expenses <input type="checkbox"/> School/educational expenses			
<input type="checkbox"/> Savings for retirement <input type="checkbox"/> Other			
If other (please specify): _____			

Continued on next page

00189 (OVER) BANK ACCOUNT APPLICATION

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the financial relationships of the checking account holder, location and economic activity, among others.



**1.2.1.1 Warning signs during opening  
and management of checking account**

1. Opening of several checking accounts under one or more names, all having the same person authorized to sign checks.
2. Opening of company checking accounts with common partners, managers, administrators or legal representatives.
3. Consecutive opening of several accounts under different names but by people with similar characteristics (age, economic activity, location, family relationship) who apparently do not know each other.
4. Refusal to fully complete the paperwork to open the checking account, or attempt to bribe or threaten bank officers for this same purpose or to get the bank officer to accept partial or false information.
5. Natural persons or legal entities showing financial solvency although they have problems providing information regarding commercial references or obtaining a co-signer or guarantor when filling out the application form for a checking account.
6. Persons who at the time of opening the checking account record the address and/or telephone number of other individuals, without any apparent relationship with them.
7. Persons who frequently change their personal information, such as address, telephone number, occupation, with no apparent justification.
8. Persons who deliberately fill out the application forms required to open an account with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
9. Persons applying to open a checking account that appear to be nervous or reluctant when asked to provide proper identification or fill out the application forms to open a checking account.
10. Persons applying to open a checking account that appear to be nervous, give hesitant responses and/or consult written notes when asked to provide the information required to fill out the application forms to open a checking account.
11. Persons opening a checking account at a bank branch, with no apparent justification, whose location is different or far away from where the client carries out his/her business or economic activity. If the client in question is a natural person (individual) on salary, when there is no logical relationship between the bank location and the employer’s location or the client’s place of residence.

12. Checking account applicants who by virtue of age, experience or economic activity have no prior record regarding financial products in the sector and cannot account for such when requested.
13. Checking account applicants who are named in national<sup>4</sup> or international lists<sup>5</sup> as terrorists, drug traffickers, tax delinquents, punished civil servants, fugitives, criminals or persons wanted by the authorities.
14. Checking account applicants who demand to deal with or who show a marked preference for dealing with a specific bank account executive, manager or official.
15. Checking account holders who refuse to justify a transaction or update the basic information provided at the time the application was submitted to the bank.
16. Checking account holders who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the bank's clients or by another banking institution.
17. Persons or entities that frequently, and without justification, close and then open new checking accounts at the same bank or at others in the same location.
18. Checking account applicant who has been classified as a Politically Exposed Person (PEP)<sup>6</sup> and attempts to avoid the full and diligent completion of application forms or does not adequately justify the origin of the money associated to his/her person.

### 1.2.2 Recording of authorized signatures

The form used to record signatures provides information on the people authorized to manage the checking account. This information generally includes name, identification number, fingerprint, and level of authorization

<sup>4</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>5</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

<sup>6</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)



(the level of independence granted by the account holder for managing the account, pursuant to the instructions given).

Image No. 2.  
Record of authorized signatures

**ABC BANK** SIGNATURE CARD

ACCOUNT TITLE: \_\_\_\_\_

NO. OF SIGS. REQ. \_\_\_\_\_

DATE OPENED: \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

NAMES OF PERSON(S) AUTHORIZED TO SIGN	DATE OF BIRTH	RELATION
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____

AUTHORIZED SIGNATURE(S) (Must stay within the designated box)

1. _____	3. _____
2. _____	4. _____

The bank is authorized to recognize each of the signatures written above in the debit, payment of funds or other transaction of any business related to any account upon which the signers above appear as a signatory. This and all other accounts upon which the signers above are authorized to signatories upon is/are governed by and subject to the terms of the bank's "Understanding Your Deposit" agreement now in effect, or as hereafter amended, a copy of which each of the above signers acknowledges I/we have received. The bank is granted a security interest in and right of set off against each account upon which any of the above signers are authorized signatories, with regard to any indebtedness to the bank of the depositor or accountholder, whether direct or indirect, primary or secondary, which may be due or be declared due.

MCB 100 (3/08)

(Source: Study findings)

This document is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the financial relationship between the persons authorized to manage the checking account and the checking account holder.

#### 1.2.2.1 Warning signs during the recording of authorized signatures for checking account

1. Persons authorized for the financial management of the checking account when there is no direct association or apparent justification for their relationship to the account holder.

2. A person who is authorized to sign and manage numerous checking accounts simultaneously for different individuals or companies, with no clear justification for doing so.
3. A person who has been authorized to sign and manage one or several checking accounts who has an inconsistent or improper relationship with the account holder, e.g., an external auditor authorized to manage the products of the audited party.
4. Persons listed as, or who seek to be registered as, authorized to manage one or more checking accounts, and who are named in national<sup>7</sup> or international<sup>8</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
5. Persons considered being Politically Exposed Persons (PEP<sup>9</sup>) who are authorized, or attempt to secure authorization, to manage one or more checking accounts for third parties, with no clear association or justification.

### 1.2.3 Account statement

An account statement is a periodic report of the credit and debit transactions involving a checking account. The detailed statement lists all transactions in chronological order and provides a summary of the money inflows and outflows.

The information contained in a checking account statement serves to establish, on a monthly basis, the number and type of transactions that increase (origin or sources) the amount of money available, in addition to the number and type of operations that reduce (destination or uses of) the balance available.

<sup>7</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>8</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

<sup>9</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

Image No. 3  
Account statement

ABC BANK

Account Statement

BRANCH : CENTRAL COMMERCIAL BRANCH			PAGE	1
BIC :		IBAN :		
TYPE :	FOCUS RESEARCH & MARKETING LIMITED			22 SEP 08
DATE	DESCRIPTION	WITHDRAWALS	DEPOSITS	BALANCE
NEW ACCOUNT				NIL.
21 SEP 07	FOCUS RESEARCH & M FOCUS MONIES		24,000.00	24,000.00
26 SEP 07	FOCUS RESEARCH & M	24,000.00		NIL.
2 OCT 07	FOCUS RESEARCH & M FOCUS MONIES		5,000.00	5,000.00
5 OCT 07	UNTAXED INTEREST		9.64	5,009.64
5 NOV 07	UNTAXED INTEREST		10.20	5,019.84
15 NOV 07	FOCUS RESEARCH & M	5,019.00		0.84
5 DEC 07	UNTAXED INTEREST		4.58	5.42
30 JAN 08	FOCUS RESEARCH & M higher interest		29,025.79	29,031.21
5 FEB 08	UNTAXED INTEREST		9.82	29,041.03
5 MAR 08	UNTAXED INTEREST		54.77	29,095.80
10 MAR 08	FOCUS RESEARCH & M FOCUS MONIES		16,277.58	45,373.38
4 APR 08	UNTAXED INTEREST		76.80	45,450.18
7 APR 08	FOCUS RESEARCH & M FOCUS MONIES		8,487.25	53,937.43
6 MAY 08	UNTAXED INTEREST		90.43	54,027.86
21 MAY 08	FOCUS RESEARCH & M FOCUS MONIES		11,185.18	65,213.04
5 JUN 08	UNTAXED INTEREST		104.59	65,317.63
4 JUL 08	UNTAXED INTEREST		102.16	65,419.79
7 JUL 08	FOCUS RM LTD	10,000.00		55,419.79
9 JUL 08	FOCUS RESEARCH & M FOCUS MONIES		8,000.00	63,419.79
5 AUG 08	UNTAXED INTEREST		109.03	63,528.82
11 AUG 08	ANNUAL BONUS		25.00	63,553.82
3 SEP 08	HMRC VAT REPAY		4,004.41	67,558.23
5 SEP 08	UNTAXED INTEREST		106.47	67,664.70
10 SEP 08	FOCUS RESEARCH & M A T		4,000.00	71,664.70

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money in a checking account and the various ways in which funds are transferred. It can also go to showing life style, prove or disprove alibi, and identify associates.

### 1.2.3.1 Warning signs for the monthly checking account statement

1. Cash credit and debit transfers and operations indicating fractioning<sup>10</sup> that approach the established limits and controls.
2. Checking accounts that initially register transactions in low sums of money but that soon increase to large sums of money.
3. Carrying out multiple cash operations at the same branch or at other branches in the same or different cities with no apparent justification or link to the checking account holder's economic activity.

<sup>10</sup> Money laundering typology that consists in carrying out multiple operations, generally in amounts lower than but approaching the limit established for the control of cash transactions. This modality has been identified on numerous occasions in the regional GAFISUD typologies document (<http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf>).

4. Checking accounts that register multiple transfers, both in number or in value, to other cities or countries and addressed to various beneficiaries or operations in quantities or value that are not consistent with the account holder's economic activity.
5. Checking account holders who suddenly change the type of transactions they customarily use and the manner in which they receive or transfer money.
6. Large sums of money that are withdrawn from the checking account immediately or over a very short period of time.
7. Inactive checking accounts that suddenly receive one or more deposits, followed by multiple cash withdrawals, until the balance is depleted.
8. Checking accounts that register only deposits over a period of time, which then reach a very large balance, and the balance is suddenly withdrawn in one day or over a very short period of time.
9. Checking accounts that handle large sums of money, in which transactions are primarily undertaken through electronic transfers or the use of automated tellers.

#### 1.2.4 Deposits

Deposit slips for checking accounts generally contain information on the date, amount, type of operation (cash or check), bank office where the operation takes place, depositor, and a minimum of information, perhaps telephone number, on the depositor.

Image No. 4.  
Deposit slip

**ABC BANK** **Deposit slip**  
**Depositstrokie**

Date / Datum (YY/JJ-MM-DD)

Deposit to / Deponeer aan  
Account number / Rekeningnommer  
**281650497**

Telephone no. including dialing code / Telefoonno. en skakelkode

Signature / Handtekening

Depositor's name or reference. These details will appear on the account holder's/beneficiary's statement. / Naam van deponerende of verwysing. Hierdie besonderhede sal op die rekeninghouer/bedeelde se stelsel verskyn.  
**0725585201**

Conditions  
Cheques, etc. handed in for collection will only be available as cash when paid. While acting in good faith and exercising reasonable care the Bank will not accept responsibility for ensuring that depositors/account holders have lawful title to cheques, etc. collected. Please ensure that the account number is correctly inserted as the Bank cannot be held responsible for errors resulting from incorrect information furnished.  
Voorwaardes  
Tjeka ens. wat vir wisseling ingelewer is, sal slegs as kontant beskikbaar wees wanneer dit betaal is. Hoewel die Bank te goeder trou handel en redelike sorg toetoon, kan hy nie verantwoordelikhed daarvoor aanvaar om seker te maak dat deponerende/rekeninghouers regstelsel het op tjeka ens. wat geïntas word nie. Maak seker dat die rekeningnommer korrek ingesorg is. Die Bank kan nie aanspreeklik gehou word vir foute as gevolg van foutenreëling nie.

The Standard Bank of South Africa Limited (Reg. No. 1963/000756/06) An authorized financial services and registered credit provider (NCRP16).  
Die Standaard Bank van Suid-Afrika Beperk (Reg. No. 1963/000756/06) 'n Gereguleerde Finansiële dienster en geregistreerde kredietversorger (NCRP16).

Total cheques / Totale tjeka

Total / Totale **R**

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin of the money in a checking account and some characteristics of the depositors of the funds.

#### 1.2.4.1 Warning signs for deposits to checking accounts

1. Deposits through different bank branches of the same city or country, on the same day, in which the depositor (an apparent client of the checking account holder) has no business or agencies.
2. Cash deposits that indicate possible fractioning<sup>11</sup>, because the amount is lower than and approaching the established control limit, made at different bank branches on the same day or consecutively over a few days.
3. Deposits of large sums of money into checking accounts that have been or are inactive.
4. Deposits made by natural persons to a checking account whose holder is a legal entity with no business relations with said depositors.
5. Simultaneous deposits by one same person to several checking accounts held by different companies within the same “financial group”.
6. Frequent cash deposits of large sums of money to a company checking account whose commercial activity is not associated with or is not consistent with this type of operation.
7. Frequent deposits of large sums of cash, wrapped in paper bands provided by other banks, with no apparent justification.
8. Frequent cash deposits of rounded amounts of money, made with high or low denomination bills, even when the economic activity of the checking account holder does not involve sales in money of this kind.

#### 1.2.5 Checks

Checks written on and paid by a checking account contain information on the date, amount, type of payment (cash or through another bank), branch where the operation took place, initial beneficiary, end beneficiary, identification and, in some cases, the telephone numbers of the beneficiaries.

<sup>11</sup> Some typologies and operations related to this modality can be consulted at <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

Image No. 5  
Check



(Source: Study findings)

A check can also have additional account numbers/details on the reverse in relation to where the payment is intended (for example a credit card account the payee/customer is paying off) and can also bear the initials of the Bank employee who processed the check, useful if law enforcement need a potential witness.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the money in a checking account and some of the characteristics of the initial and end beneficiaries of the funds.

#### 1.2.5.1 Warning signs for checks written against a checking account

1. Checks payable to different people for similar amounts, ultimately cashed by one single person.
2. Checks written in amounts lower than the established control limit and paid in cash.
3. Checks payable to the same beneficiary on the same day.
4. Checks written by a company for large sums of money that are paid in cash to the manager or employees of the same company.
5. Checks payable to different people that are paid in cash to other people whose handwriting is similar to that on the endorsement.
6. Checks paid in cash, endorsed so illegibly that it is not possible to verify the identity of the end beneficiary.



7. Checks payable to an individual but paid to or deposited in the account of another individual with a similar name.
8. Checks payable to beneficiaries considered Politically Exposed Persons (PEP<sup>12</sup>), with no clear or justified association.
9. Checks paid bearing symbols, seals or annotations (such as initials) on either the front or the back of the checks.

### 1.2.6 Transfers

Local or international transfers from or to a checking account contain information such as date, amount, remitter, beneficiary, intermediary banks or participants and, in some cases, additional information on addresses and telephone numbers.

Image No. 6.  
Local transfer

**ABC BANK** [www.abcbank.com](http://www.abcbank.com)

Feb02-05 **TRANSFER** 98 SAV WDMX NB \$177,406.00 ACCT BAL \$63,898.03 1204010 11:25:310  
TRANSFER TO 80

**MFJALS DFKSDAW**

**TRANSACTION/CUSTOMER RECEIPT**

SAV-239 (7/02) Days shown above refer to the number of business days following the date of deposit. Business days are any days except Saturdays, Sundays and federal holidays.

(Source: Study findings)

<sup>12</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

Image No. 7.  
International transfer

ABC Bank		Payment Management		Date: 05/18/99 11:51
				Page: 1
Ref. number :	0100639	Status :	VALID	Set : 11/12/07
Created :	MALEON	on	11/12/07	Source : Data Entry
Updated :	MALEON	on	11/12/07	at : 13:12:07
Authorized :		on	/ /	at : 1 : 1
		on	/ /	at : 1 : 1
Payer code :	ROMAR	ROMAR FREEZONE TRADING CO. N.V.		
Account :	ROMUSOCA	97800000003253525		
Account name :		ROMAR FREEZONE USD CURRENT ACC.		
Payment method :	Transfer			
Date :	11/12/07	Book Date		
Currency/amount :	USD		1.988.614,00	
Beneficiary type :	Third party			
Beneficiary :	BATINT	BAT INTERNATIONAL SARL		
Account :		57680008		
Address :		2RUE DU JARDONNIANT		
City :		1207 GENEVA		
Country :		SWITZERLAND		
Resident :		N		
Party id :				
Bank :	CREDITSUISSE	CREDIT SUISSE GENEVA BANK		
Address :		BANK CODE 4281		
City :		GENEVA		
Country :		SWITZERLAND		
Swift address :		CRESCH212A		
Payment details :	PAYM.INVOICE #01206/0 INTEREX			
Instructions to beneficiary's bank :				
Payment charges :				
Regulatory information :				
Correspondent bank Code :				
Name :				
Address :				
Country/City :				
Swift Code :				

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin or destination of money going into or coming from a checking account and some information regarding the people involved in the transfer of funds.

#### 1.2.6.1 Warning signs for transfer from or to a checking account

1. Checking account that registers multiple local or international transfers for large sums of money, to different cities or countries, when the account holder has no known clients or business in those locations that might justify said operations.
2. Effecting local or international transfers to localities other than and distant from the business headquarters of the checking account holder.
3. Checking account that receives international transfers for goods exported to countries other than the country of origin of the transaction.
4. Checking account that orders international transfers for imports to countries other than the destination country of the transaction.



5. International transfers from or to a checking account in large sums of money, bearing instructions to be paid in cash only.
6. Local transfers in the name of one same person or on behalf of third parties in large quantities that indicate fractioning; that is, amounts just below the established control limit for cash transactions.
7. Electronic transfers received in a checking account or ordered from one in which the money is immediately or very shortly thereafter withdrawn, through checks written out to third parties, automated tellers or transfers to other beneficiaries.
8. Checking account that receives many local transfers of small amounts of money that are immediately transferred to another account in another city unrelated to the account holder's economic activity.
9. Local or international transfers to beneficiaries considered Politically Exposed Persons (PEP), with no clear or justified association.
10. Transactions that do not make commercial sense i.e incurring excessive fee charges for the movement of funds.

### 1.3 RISK OF MONEY LAUNDERING THROUGH CHECKING ACCOUNTS

The checking account is a financial instrument that can pose a very high risk of money laundering.

The characteristics of checking account operations, the information on and behavior of the checking account holder and the results obtained from analyses of the aforementioned documents may coincide with some of the money laundering typologies identified in the regional GAFISUD<sup>13</sup> document.

According to this document, a checking account may be used in such typologies as fictitious export of services, import-export of fictitious goods, fictitious foreign investment in a local company, international foreign currency trading (arbitrage) through the transportation of money obtained illicitly, exploitation of insurance company products, trade in products in differentiated markets, or companies created to swindle people through the pyramid scheme.

<sup>13</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

## 2. SAVINGS ACCOUNT

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A savings account is a financial product offered by commercial banks and some other financial institutions. Savings accounts are usually held in local currency, though in some countries they can be opened in foreign currency, most commonly United States Dollars.

### 2.1 DESCRIPTION

A savings account is a contract by means of which a natural person or legal entity, known as the savings account holder, or saver, delivers, orders or deposits sums of money to a financial entity in order to make use of the balance. The savings account holder may partially or fully withdraw money either through a passbook (cash or check), a debit card at the financial institution or at automated teller machines, and make purchases with a debit card at commercial establishments.

The bank or financial institution gives the savings account holder a passbook to record deposits and withdrawals and/or a debit card for electronic transactions. The savings account holder, or saver, fills out the passbook when making a deposit or withdrawal.

Generally speaking, deposits to savings accounts come from either cash or check deposits, local or international transfers, interest and other deposits or credit notes.

Withdrawals or charges to the savings account are generally effected through withdrawal slips through cash or check used at the office of the financial entity, withdrawals in cash or check through the use of the debit card, cash withdrawals through automated teller machines, local or international wire transfers, charges for the purchase of cashier checks<sup>14</sup>, charges for services or purchases made with the debit card in commercial establishments, charges for electronic transactions (public utilities, loans, credit cards) commissions or other debit notes.

The financial entity is in charge of the administration and management of the saving account holder's money, making it immediately available up to the balance of the account.

Some of these financial entities offer electronic transaction and information services which the holder can use to consult the account balance and make payments, electronic wire transfers or transfers between accounts held by the

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<sup>14</sup> A check drawn by a bank on its own funds and purchased by the client.

same holder. Similarly, others offer liquid interest rates on the daily balance or average in the savings account.

## 2.2 DOCUMENTS OF INTEREST

Documents that identify the operations and characteristics of a savings account (similar to those of a checking account) include: the application form for opening an account, the recording of signatures, account statement or bank summary, deposit slips, withdrawal slips and transfer forms.

### 2.2.1 Application for opening a savings account

The application form for opening a savings account contains information on the applicant, whether this is a natural person or legal entity.

This document, together with others required by the bank (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), are requested primarily to enable banks to comply with their legal obligations, establish aspects such as identification, location, economic activity, income and expenditures, assets, liabilities and capital, commercial or personal references, and the account holder's main clients or suppliers.

Given their technological advances, some banking institutions may be able to process their client's applications by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the financial relationships of the savings account holder, location and economic activity, among others.

#### 2.2.1.1 Warning signs during opening and management of savings account

1. Opening of several checking accounts under one or more names, all with the same person authorized to manage the account.
2. Opening of several savings accounts for different companies that have common partners, managers, administrators or legal representatives or authorized signatures.

3. Consecutive opening of several savings accounts under different names of people with similar characteristics (age, economic activity, location, family relationship), but who do not appear to know each other.
4. Consecutive opening of several savings accounts with the same initial amount, in the names of different people who apparently do not know each other.
5. Consecutive opening of several savings accounts in the name of different people to whom the financial institution gives debit cards for the account to the same person or that are used to carry out simultaneous transactions.
6. Refusal to fully fill out the paperwork to open the savings account, or attempt to bribe or threaten bank officers for this same purpose or to get the bank officer to accept partial or false information.
7. Natural persons or legal entities showing financial solvency although they have problems providing information on commercial references or obtaining a co-signer when filling out the application form for a savings account.
8. Persons who at the time of opening the savings account record the address and/or telephone number of other individuals with whom they appear to have no apparent relationship.
9. Persons who frequently change their personal information, such as address, telephone number, occupation, with no apparent justification.
10. Persons who deliberately fill out the application forms required to open an account with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
11. Persons applying to open a checking account that appear to be nervous or reluctant when asked to provide proper identification or fill out the application forms to open a savings account.
12. Persons applying to open a checking account that appear to be nervous, give hesitant responses and/or consult written notes when asked to provide the information required to fill out the application forms to open a savings account.
13. Persons opening a savings account at a bank branch, with no apparent justification, whose location is different or far away from where the client carries out his/her business or economic activity. If the client in question is a natural person (individual) on salary, when there is no logical relationship between the bank location and the employer’s location or the client’s place of residence.

14. Savings account applicants who by virtue of age, experience or economic activity have no prior record regarding financial products in the sector and cannot account for such when requested.
15. Savings account applicants who are designated on national<sup>15</sup> or international lists<sup>16</sup> as being terrorists, drug traffickers, tax delinquents, punished civil servants, fugitives, criminals or persons wanted by the authorities.
16. Savings account applicants who demand to deal with or who show a marked preference for dealing with a specific bank account executive, manager or official.
17. Savings account holders who refuse to justify a transaction or update the basic information provided at the time the application was submitted to the bank.
18. Savings account holders who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the bank's clients or by another banking institution.
19. Persons or entities that frequently, and without justification, close and then open new savings accounts at the same bank or at others in the same location.
20. Savings account applicant who has been classified as a Politically Exposed Person (PEP<sup>17</sup>) and attempts to avoid the full and diligent completion of application forms or does not adequately justify the origin of the money associated to his/her person.

### 2.2.2 The recording of authorized signatures

The form used to record signatures provides information on the people authorized to manage the savings account. This information generally includes name, identification, fingerprint, supplied level of authorization (the level of

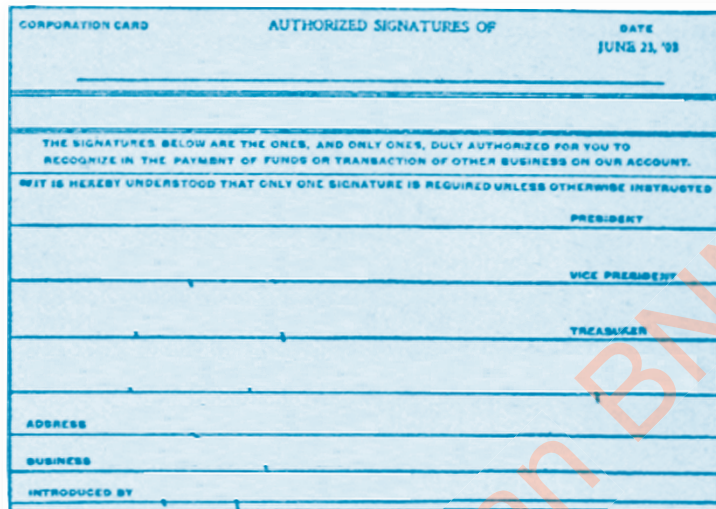
<sup>15</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.asp>).

<sup>16</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

<sup>17</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

independence granted by the account holder for managing the account, pursuant to the instructions given).

Image No. 8.  
Recording of authorized signatures



(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationship between the persons authorized to manage the savings account and the savings account holder.

#### 2.2.2.1 Warning signs for the recording of authorized signatures for savings accounts

1. Persons authorized for the financial management of the savings account when there is no direct association or apparent justification for their relationship to the account holder.
2. A given person who is authorized to sign and manage numerous savings accounts simultaneously for different individuals or companies, with no clear justification for doing so.
3. A given person who has been authorized to sign and manage one or several savings accounts who has an inconsistent or improper relationship with the account holder, e.g., an external auditor authorized to manage the products of the audited party.

4. Persons listed as, or who seek to be registered as, authorized to manage one or more checking accounts, and who are named in national<sup>18</sup> or international<sup>19</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities
5. Persons considered being Politically Exposed Persons (PEP<sup>20</sup>) who are authorized, or attempt to secure authorization, to manage one or more savings accounts for third parties, with no clear association or justification.

### 2.2.3 Account statement

An account statement is the periodic report of the credit and debit transactions of a savings account. In some cases the statement is quarterly and in others monthly.

The bank prepares a detailed monthly statement of all transactions pertaining to the savings account order and provides a summary of the money inflows and outflows.

The information contained in a savings account statement suffices to establish on a monthly basis the number and type of transactions that increase (origin or source) the amount of money available and, at the same time, the number and type of operations that reduce (destination or use of) the savings account balance.

<sup>18</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>19</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

<sup>20</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).



Image No. 9.  
Account statement

page 2 of 7

### ABC Bank

Date	Description	Amount	Account Balance
3/31/08	GAS	\$34.14	\$7.16
3/31/08	Unexpected Bill	\$12.53	(\$5.37)
3/31/08	Unexpected Bill	\$18.80	(\$24.17)
4/1/08	Overdraft Fee	\$35.00	(\$59.17)
4/1/08	Overdraft Fee	\$35.00	(\$94.17)
* 4/2/2008	Overdraft Fee	\$35.00	(\$129.17)
4/3/08	Negative Balance Fee	\$8.00	(\$137.17)
4/4/08	Negative Balance Fee	\$8.00	(\$145.17)
4/5/08	Negative Balance Fee	\$8.00	(\$153.17)
4/6/08	Negative Balance Fee	\$8.00	(\$161.17)
4/7/08	Negative Balance Fee	\$8.00	(\$169.17)
4/8/08	Just For Fun Fee	\$35.00	(\$204.17)
4/8/08	Negative Balance Fee	\$8.00	(\$212.17)
4/9/08	Negative Balance Fee	\$8.00	(\$220.17)
4/10/08	Negative Balance Fee	\$8.00	(\$228.17)
4/11/08	Negative Balance Fee	\$8.00	(\$236.17)
4/12/08	Negative Balance Fee	\$8.00	(\$244.17)
4/13/08	Negative Balance Fee	\$8.00	(\$252.17)
4/14/08	Negative Balance Fee	\$8.00	(\$260.17)
4/15/08	Just For Fun Fee	\$35.00	(\$295.17)
4/15/08	Negative Balance Fee	\$8.00	(\$303.17)
4/16/08	Negative Balance Fee	\$8.00	(\$311.17)
4/17/08	Negative Balance Fee	\$8.00	(\$319.17)
4/18/08	Negative Balance Fee	\$8.00	(\$327.17)
4/19/08	Negative Balance Fee	\$8.00	(\$335.17)
4/20/08	Negative Balance Fee	\$8.00	(\$343.17)
4/21/08	Negative Balance Fee	\$8.00	(\$351.17)
4/22/08	Just For Fun Fee	\$35.00	(\$386.17)
4/22/08	Negative Balance Fee	\$8.00	(\$394.17)
4/23/08	Negative Balance Fee	\$8.00	(\$402.17)
4/24/08	Negative Balance Fee	\$8.00	(\$410.17)
**4/25/2008	ATM Deposit PENDING	\$411.00	\$0.83
4/25/08	Negative Balance Fee	\$8.00	(\$7.17)
4/26/08	Negative Balance Fee	\$8.00	(\$15.17)
***4/27/2008	Cash Deposit PENDING	\$15.17	\$0.00

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of money in a savings account and the various manners in which funds are transferred.



### 2.2.3.1 Warning signs regarding the savings account statement

1. Cash credit and debit transfers and operations indicating fractioning<sup>21</sup> that approach the established limits and controls.
2. Savings accounts that initially register transactions in low sums of money but that soon increase to large sums of money.
3. Savings accounts that register simultaneous debit and credit operations (same date, branch, city, teller) for equal or similar amounts, with no apparent justification.
4. Carrying out multiple cash operations at the same branch or at other branches in the same or different cities with no apparent justification or relation to the checking account holder's economic activity.
5. Savings accounts that register multiple transfers, both in number or in value, to other cities or countries and addressed to various beneficiaries or operations in quantities or value that are not consistent with the account holder's economic activity.
6. Savings account holders who suddenly change the type of transactions they customarily use and the manner in which they receive or transfer money.
7. Large sums of money that are deposited, primarily in cash, and that are withdrawn from the savings account immediately or over a very short period of time.
8. Inactive savings accounts that suddenly receive one or more deposits, followed by multiple cash withdrawals until the balance is depleted.
9. Savings accounts that register only deposits over a period of time, which then reach a considerable balance, and the balance is suddenly withdrawn in one day or over a very short period of time.
10. Savings accounts that handle large sums of money, in which transactions are primarily undertaken through electronic transfers or the use of automated tellers.

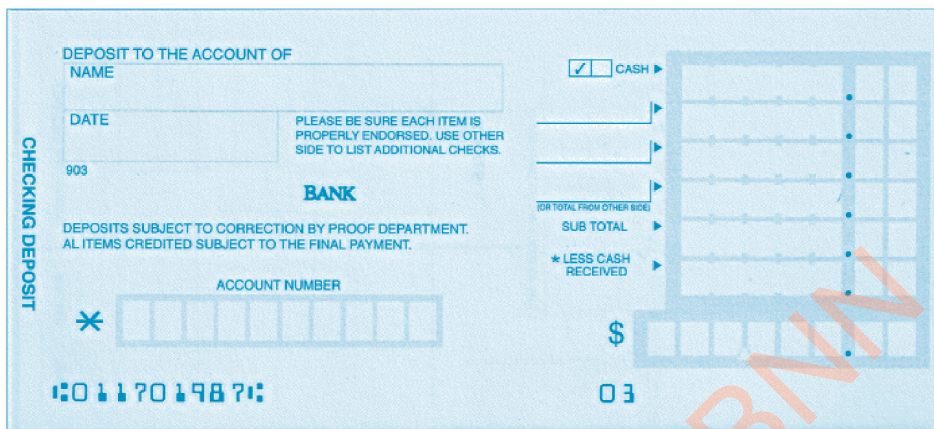
### 2.2.4 Deposits

Deposit slips for savings accounts generally contain information on the date, amount, type of operation (cash or check), bank office where the operation

<sup>21</sup> Money laundering typology that consists in carrying out multiple operations, generally in amounts lower than but approaching the limit established for the control of cash transactions. This modality has been identified on numerous occasions in the regional GAFISUD typologies document (<http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf>).

takes place, depositor, and a minimum of information, perhaps telephone number, on the depositor.

Image No. 10.  
Deposits



DEPOSIT TO THE ACCOUNT OF  
NAME

DATE

903

PLEASE BE SURE EACH ITEM IS  
PROPERLY ENDORSED. USE OTHER  
SIDE TO LIST ADDITIONAL CHECKS.

**BANK**

DEPOSITS SUBJECT TO CORRECTION BY PROOF DEPARTMENT.  
ALL ITEMS CREDITED SUBJECT TO THE FINAL PAYMENT.

ACCOUNT NUMBER

\* LESS CASH RECEIVED

CASH

SUB TOTAL

OR TOTAL FROM OTHER SIDE

\$

03

CHECKING DEPOSIT

(Source: Study findings)

These deposit slips are very important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the origin and destination of money in a savings account and some features regarding the depositors of the funds.

#### 2.2.4.1 Warning signs regarding deposits to savings accounts

1. Deposits through different bank branches of the same city or country, on the same day, in equal or similar amounts, in which the depositor (an apparent client of the savings account holder) has no business or agencies.
2. Cash deposits that indicate possible fractioning<sup>22</sup>, because the amount is lower than and approaching the established control limit, made at different bank branches on the same day or consecutively over a few days.
3. Deposits of large amounts of money into checking accounts that have been or are inactive.
4. Deposits made by natural persons to a savings account whose holder is a legal entity with no business relations with said depositors
5. Simultaneous deposits by one same person to several savings accounts held by different companies within the same "financial group".

<sup>22</sup> Some typologies and operations related to this modality can be consulted at <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

6. Frequent cash deposits of large sums of money to a company savings account whose commercial activity is not associated with or is not consistent with this type of operation.
7. Frequent deposits of large sums of cash, wrapped in paper bands provided by other banks, with no apparent justification.
8. Frequent cash deposits of rounded amounts of money, made with high or low denomination bills, even when the economic activity of the savings account holder does not involve sales in money of this kind.

### 2.2.5 Savings account withdrawal slips

Savings account withdrawal slips contain information on the date, amount, type of payment (cash or check), branch office where the operation took place, beneficiary of the check requested, identification of the account holder, or beneficiary of the check requested and, on occasion, the telephone numbers of said beneficiaries.

Image No. 11.  
Savings account withdrawal slip

<b>Transfer to:</b> Bank Account
<b>Total Amount:</b> -21,273.20 PHP
<b>From amount:</b> -\$520.00 USD
<b>To amount:</b> 21,273.20 PHP
<b>Exchange Rate:</b> 1 U.S. Dollar = 40.9100 Peso
<b>Date:</b> Jan. 29, 2008
<b>Time:</b> 15:54:47 PST
<b>Status:</b> Pending
<b>Subject:</b> Bank Account
<b>Transfer to:</b> ABC bank XXXXXX

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the money in a savings account and some of the characteristics of the initial beneficiaries of the funds.

### 2.2.5.1 Warning signs regarding savings account withdrawal slips

1. Withdrawal slips for cash withdrawals by the savings account holder, made on the same day or within a very short period of time, the amounts of which are lower than but approaching the control limit established for cash transactions.
2. Withdrawal slips for checks written by the savings account holder, for the same or similar amounts, payable to different people, though ultimately cashed by one single person.
3. Withdrawal slips for checks, written by the savings account holder, in amounts lower than but approaching the established control limit, payable to different people, though ultimately paid in cash.
4. Multiple withdrawal slips for checks, written by the savings account holder, payable to the same beneficiary either on the same day or within a very short period of time, with no apparent justification.
5. Withdrawal slips for checks, where the savings account holder is a company, for large sums of money that are paid in cash by the manager or other officers of the same financial institution.
6. Withdrawal slips for checks written by the savings account holder, drawn in favor of different persons, that are deposited and cleared or paid in cash to other people whose handwriting is similar to that on the endorsement.
7. Withdrawal slips for checks written by the savings account holder so illegibly endorsed that it is not possible to identify the end beneficiary, and collected in cash.
8. Withdrawal slips for checks written by the savings account holder, payable to an individual but paid to or deposited in the account of another individual with a similar name.
9. Withdrawal slips for checks written by the savings account holder, later paid by the financial institution, bearing symbols, seals or annotations (such as initials) either on the front or the back of said checks.
10. Withdrawal slips for checks payable to beneficiaries considered to be Politically Exposed Persons (PEP<sup>23</sup>), written by the savings account holder, although there is no clear or justified relationship to the beneficiaries.

<sup>23</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

### 2.2.6 Transfers

Local or international transfers from or to a savings account contain information on the date, amount, the originator, the beneficiary, intermediary banking institutions or participants and, in some cases, additional information such as addresses or telephone numbers.

Image No. 12.  
Transfers

FORM OF TRANSFER TICKET.			
ABC Bank		TRANSFER.	
TRANSFER. \$.....		\$.....	
from Account No. ....		to the credit of Account No. ....	
to No. .... Account of .....		Name. ....	
NEW YORK.....18.....		Date, Interest from	
Signature.....		Jan. Entered, Transfer Book.	
Present Address.....		Apl. Posted	
Sig. ex'd by		July as Transfer.	
Approved by		Oct.	
Posted as Transfer.			

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin or destination of money going from or to a savings account and some characteristics of the people involved in the transfer of funds.

#### 2.2.6.1 Warning signs regarding local and international transfers to or from a savings account

1. Savings accounts that register multiple local and international transfers of large sums of money to different cities or countries, when the account holder has no clients or business in said locations that might justify said operations.
2. Local or international transfers to locations other than or distant from the business headquarters of the savings account holder.
3. Savings account that receives international transfers for exports to countries other than the one where the transaction originated.
4. Savings account from which international transfers are ordered for imports from countries other than the one where the transaction originated.

5. International transfers from or to a savings account of large sums of money, bearing instructions to pay in cash only.
6. Local transfers from or to a savings account payable to the same person or to several persons, in amounts that show evidence of fractioning; that is, amounts lower than, though approaching, established control limits for cash transactions
7. Electronic transfers received by or ordered from a savings account, from which the money is withdrawn immediately, or very shortly thereafter, through automated teller machines.
8. Savings account that receives many local transfers of small amounts of money, which are immediately transferred to another account in another city that is not consistent with the account holder's economic activity, with no apparent justification.
9. Savings account through which many local or international transfers are sent or received, payable to beneficiaries considered to be Politically Exposed Persons (PEP<sup>24</sup>), with no clear or justified relationship.

## 2.3 RISK OF MONEY LAUNDERING THROUGH SAVINGS ACCOUNTS

A savings account, just as a checking account, are financial instruments that can pose a very high risk of money laundering given the ease with which it can be opened and operated.

The nature of the account holder's operations, information and behavior, together with the results of analysis of the aforementioned documents, could coincide with some of the money laundering typologies mentioned in the regional GAFISUD document<sup>25</sup>.

According to this document, a savings account could be used in identified typologies such as the fictitious exportation of services, the fictitious export or import of goods, fictitious foreign investment in a local company, international currency trading (arbitrage) through the transportation of unlawful money, the use of insurance company products, trading products with differential markets

<sup>24</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>25</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sandtrends/>



or through a company created to embezzle third parties through a pyramid scheme.

### 3. CERTIFICATE OF DEPOSIT

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A Certificate of Deposit (CD) or Time Certificate of Deposit (TCD) is a financial investment product, generally short-term, offered by commercial banks and other financial institutions. CDs are normally in local currency, but in some countries they can be set up in foreign currency, generally in United States Dollars.

#### 3.1 DESCRIPTION

A Certificate of Deposit (CD) is a time deposit that produces interest. This time deposit is issued by a bank or other financial institution when the client delivers a sum of money to the bank for the purpose of accruing interest over a predetermined period of time.

CDs are usually established for 30, 60, 90, 180 or 360-day periods. Nevertheless, some countries offer some savings instruments with terms of less than one month or more than one year in duration.

These time deposits are payable to the legitimate beneficiary<sup>26</sup> and cannot be redeemed before their maturity date. Nonetheless, if the holder needs to cash it in before the end of the stipulated term, it can be negotiated on the secondary securities market. In some cases, the time deposit can be cashed in before maturity by cancelling the CD and losing the interest accrued.

Financial institutions normally establish minimum amounts when setting up this type of time deposit and the interest rates are determined by the term chosen. The interest paid can be early or upon maturity, periodically or at the end of the term.

There are different options for establishing or purchasing a CD, the most common being: in cash, through a personal or cashier's check drawn on a checking account, charged to a savings account or charged to any other financial product of the same institution (or other, where possible).

In addition, there are several ways to redeem or cash a CD upon maturity: cash payment, payment through check, deposit to checking account, deposit

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<sup>26</sup> This depends on the type of security and the characteristics of the laws for circulation in each country. CDs are generally negotiable securities, meaning that they can be negotiated or endorsed, and the legitimate beneficiary is the one who figures on the official records of the security issuer.



to savings account or deposit to any other financial product at the same institution (or other, where possible).

The bank or financial institution delivers a certificate to the buyer of the Certificate of Deposit indicating the amount of money received, as proof of the investment; this certificate also shows information on the issuing office or financial institution, the date the CD was acquired, the maturity date, the term (days or months), the agreed nominal rate and/or effective amount, the issuer's authorized signatures and some kind of seal or other security feature.

The financial institution will be in charge of registering the holders and/or endorsees as well as the control and payment of the interests and principal of the Certificate of Deposit.

Some financial institutions offer additional services such as the custody and management of the CD, including the option to make transfers or automatic charges to accounts or financial products held by the same person or with third party beneficiaries.

## **3.2 DOCUMENTS OF INTEREST**

Documents that identify the operations and features of a Certificate of Deposit (CD) include: the application form for opening a CD, the proof of purchase of a CD (receipt), the issuance or renewal of a CD, and proof of redemption of the CD.

### **3.2.1 Application for opening a Certificate of Deposit (CD)**

The application to open or set up a Certificate of Deposit contains information on the account holder, either a natural person or legal entity. Some financial institutions have now designed one single application for their clients, which is subsequently complemented with additional information, according to the type of financial product desired.

This document, together with others required by the bank (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), are requested primarily to enable banks to comply with their legal obligations, establish aspects such as identification, location, economic activity, income and expenditures, assets, liabilities and capital, commercial or personal references.

Image No. 13.  
Application for opening a certificate of deposit

**ABC Bank**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

**TERM DEPOSIT INSTRUCTION FORM FOR CUSTOMERS-INDIVIDUAL**

FOR INDIVIDUAL CUSTOMERS

<b>Main Account Holder</b>		<b>Joint Account Holder</b>	
Full Name as in I.D./Passport: _____		Full Name as in I.D./Passport: _____	
I.D./Passport No.: _____		I.D./Passport No.: _____	
Existing Account Number [ ][ ] [ ][ ]		Existing Account Number [ ][ ] [ ][ ]	

FOR SME CUSTOMERS

Name of Company: _____			
Business Registration Number: _____			
Full Name As In I.D./Passport of Legal Representative: _____			
I.D./Passport No.: _____		Existing Account Number [ ][ ] [ ][ ]	

(We wish to open the followings account(s) in the same name(s) and signing mandate as signed at the end)

Deposit Type <input type="checkbox"/> Flexi-Deposit <input type="checkbox"/> Fixed-Deposit <input type="checkbox"/> Advantage Deposit		Currency: [ ][ ] Exchange rate: _____	Deposit Amount in figure: _____ Deposit Amount in word: _____
Tenor: _____ Month(s)	Interest rate: _____ % p.a.	Special rate: _____ % p.a.	Spoken to: _____ DA sign
Interest payment period: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Half-yearly <input type="checkbox"/> Yearly <input type="checkbox"/> At maturity (for Flexi & Fixed Deposits)			
Payment Methods <input type="checkbox"/> Cash <input type="checkbox"/> Debit from my/our account No. [ ][ ] [ ][ ] <input type="checkbox"/> Cheque Deposit(s) (Bank & Cheque No.) <input type="checkbox"/> Transfer from other bank			
Interest settlement method Transfer to my/our account at Standard Chartered: Account Name: _____ Account No.: [ ][ ] [ ][ ]			

**Term Deposit maturity instruction**

☐ Renew principle For tenor \_\_\_\_\_ Month(s)  
☐ Renew interest For tenor \_\_\_\_\_ Month(s)  
☐ Transfer remaining to my/our account at Standard Chartered  
 Account Name: \_\_\_\_\_  
 Account No.: [ ][ ] [ ][ ]

☐ By Telegraphic Transfer (Please, attach transfer form)  
☐ Others (please specify): \_\_\_\_\_

**Declaration/Cam kết**

I/We, the applicant(s) named above, apply to Standard Chartered Bank (Vietnam) Limited (the "Bank") for the deposit account(s) as indicated above to be applied by me/us.  
 I/We acknowledge and agree that I/we will be bound by the Bank's prevailing Standard Terms and Conditions, a copy of which is available at any of Bank's Branches.  
 I/We authorize the Bank to disclose any information and particulars relating to such account(s) to any and all of the persons and in accordance with the terms as set in the paragraph "Disclosure" contained in the Bank's Standard Terms and Conditions.  
 I/We acknowledge and agree that the interest will be automatically transferred to my/our current account with Standard Chartered.

Main Account Holder/ Authorised Signature & Seal (for company) (as in Bank's record)			Signature of Joint Account Holder (as in Bank's record)		
For Bank Use Only:	Verified By	Processed By	Approved By	Promo Code	New Account Number
<input type="checkbox"/> SRL Check <input type="checkbox"/> eBIS Check					

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships and financial aspects of the buyer of the CD, location, and economic activity, among others.

### 3.2.1.1 Warning signs regarding opening of a Certificate of Deposit

1. Opening of several Certificates of Deposit in the name of one or more persons, with the same person registered as co-holder for all of them.
2. Opening of several Certificates of Deposit in the name of different companies, all of which share common partners, managers, administrators, legal representatives or authorized signatures.

3. Consecutive opening of several Certificates of Deposit in the name of different individuals with similar characteristics (age, economic activity, location, relatives) who apparently do not know each other.
4. Consecutive opening of several Certificates of Deposit with the same initial amount in the name of different individuals who apparently do not know each other.
5. Refusal to fully fill out the paperwork to open the Certificate of Deposit, or attempt to bribe or threaten bank officers for this same purpose or to get the bank officer to accept partial or false information.
6. Natural persons or legal entities showing financial solvency although they have problems providing information on commercial references or obtaining a co-signer when filling out the application form for opening one or more Certificates of Deposit.
7. Persons who at the time of opening one or more CD's record the address and/or telephone number of other individuals to whom they appear to have no apparent relationship.
8. Persons who frequently change their personal information, such as address, telephone number, or occupation on the official registration form for the CD issuer, with no apparent justification.
9. Persons who deliberately fill out the CD application forms with illegible or "deceptive" handwriting, or information that is either false, difficult to verify or insufficient.
10. Persons who appear to be reluctant or annoyed when asked to provide appropriate identification or to fill out the application forms that are required to open a CD.
11. Persons applying to open a CD that appear to be nervous, give hesitant responses and/or consult written notes when asked to provide the information required to fill out the application forms to open a certificate of deposit.
12. Persons opening a CD at a bank office whose location is different or far away from the location where the client carries out his/her business or economic activity, with no apparent justification. If the client in question is a natural person (individual) on salary, question the lack of a relationship with the employer's location or the client's place of residence.
13. CD applicants who by virtue of age, experience or economic activity have no prior record regarding financial products in the sector and cannot account for such when requested.

14. CD applicants who are named on national<sup>27</sup> or international<sup>28</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or individuals wanted by the authorities.
15. CD applicants who demand to deal with a specific bank account executive, manager or officer, or who show a marked preference for dealing with a specific employee.
16. CD holders who refuse to justify a transaction or update the basic information provided at the time the application was submitted to the bank.
17. CD holders who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the bank's clients or by another banking institution.
18. Applicants opening a CD for a large sum of money that is not consistent with the socioeconomic information provided and who have no apparent justification for said amount.
19. Companies applying for a CD for a large sum of money that is not consistent with their low capital stock, operating income or available cash resources and/or companies that have been very recently created.
20. CD applicants who invest large sums of money who show no interest in or who do not ask about the profitability of the instrument or feigning ignorance with regard to the market.
21. CD applicant with a large investment who does not state a specific economic activity or does so using the term "independent".
22. CD applicant with a large investment and who identifies him/herself with a document that is difficult to verify or is expired (i.e. foreigners, tourists, non-residents, minors).
23. CD applicant with a large investment and who is a Politically Exposed Person (PEP<sup>29</sup>) and attempts to avoid the full and diligent completion of application forms or does not adequately justify the origin of the money.

<sup>27</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>28</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

<sup>29</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

24. CD holders who frequently cancel them shortly after they have been issued or endorse them to third parties, who also cancel them in order to recover the capital invested.

### 3.2.2 Certificate of deposit purchase receipt

A CD purchase receipt contains information on the date, amount, type of operation (cash, check, charged to an account or other financial product), branch of the financial institution where the operation took place, name or identification of the holder or purchaser of the CD, telephone number and additional information.

Image No. 14.  
Certificate of deposit purchase receipt



(Source: Study findings)

This CD purchase receipt is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin of money for the CD and some other characteristics of the originator of the investment.

#### 3.2.2.1 Warning signs regarding purchase receipts or applications for a CD

1. Opening a CD with cash at a branch office in the city or in a country in which the holder has no business, agencies or apparent justification to do so.

2. Opening several CDs with cash in amounts that indicate fractioning<sup>30</sup>, that is, lower than but approaching the established control limit.
3. A natural person opening a CD in cash in the name of a company with whom said individual has no business relationship or apparent justification.
4. The same individual opening several CDs in the name of various companies belonging to the same “financial group”.
5. Frequent opening of CDs with large sums of cash in the name of a company whose commercial activity is not normally associated to this type of operation.
6. Setting up CDs with large amounts of cash, wrapped in paper bands stamped with the name of other banking entities, with no apparent justification.
7. Opening CDs for large sums of money through one or more checks that, based on the information on the checking account holders, are unrelated to the economic activity of the holder or the justification is not found satisfactory by the issuer.
8. Opening CDs for large sums of money through one or more transfers from accounts belonging to the same holder, of either the same banking institution or another, with no apparent justification.
9. Opening CDs for large sums of money through one or more transfers from accounts belonging to a third party, from either the same banking institution or another, with no apparent justification.

### 3.2.3 Issuance or renewal of a Certificate of Deposit

The certificate issued for the Certificate of Deposit (CD) deposited at the banking institution contains information related to the issuance date, amount, branch of the issuing financial institution, name and identification of holder or holders who are the CD beneficiaries, authorized signatures of the issuing entity and signature of the beneficiary of the CD (as well as some basic information such as identification, address, etc.).

<sup>30</sup> You may consult other types of typologies or operations related to this on the following links: <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>



Image No. 15.  
Issuance or renewal of a certificate of deposit

ABC Bank		CERTIFICATE OF DEPOSIT				No 0022342	
NAME		ACCOUNT NUMBER:		NOMINAL AMOUNT:			
CITY	BANCH	OPENING DATE			EXPIRE DATE		
		MONTH	DAY	YEAR	MONTH	DAY	YEAR
AMOUNT IN WORDS: _____							
HOLDER'S NAME:						ID NUMBER:	
BENEFICIARIE'S NAMES:							
EFFECTIVE RATE:		INTEREST		EMISOR'S USE ONLY			
NOMINAL RATE: _____		PAYMENT FREQUENCY		PAYMENT FORM			
PERIOD: _____ DAYS							
<small>PAY AT THE LEGITIME OWNER OF THE CERTIFICATE OF DEPOSIT, PREVIOUS PRESENTATION OF IT AND ACCORDING WITH THE TERMS PLACED AT THE BACK, THE APPROPRIATE PAYMENT OF THE DEPOSIT IN THE EXPIDE DAY, DURING THE PERIOD THE INTEREST WILL BE PAY AS AGREE</small>							
_____ AUTHORIZE SIGNATURE				_____ AUTHORIZE SIGNATURE			

(Source: Study findings)

The original security and some copies with no commercial value that the issuer uses for purposes of control are important documents for purposes of financial analyses and judicial investigations because they supply information that identifies or confirms aspects such as the participation of different persons as beneficiaries, associations between the people whose names appear on the securities, details about the amounts or issuance dates of the CDs, and fractioning operations in favor of new beneficiaries.

### 3.2.3.1 Warning signs regarding issuance of a Certificate of Deposit certificate

1. A CD issued in the name of a person other than the buyer.
2. Consecutive issuance of multiple CDs in large, equal or similar amounts, to one single person or several persons.
3. Addition or change of one or more persons designated as beneficiaries at the time of issuance of the CD, other than the buyer.
4. Securities that are initially issued in small amounts in favor of the same beneficiary but that, shortly thereafter or upon maturity, have large sums of money added to them.
5. Multiple endorsements, especially for CD's for large amounts, by various beneficiaries with similar characteristics (e.g. companies belonging to the same "financial group", relatives, people who have



commercial links to one another), who are registered before the issuer of the CD.

6. A CD holder who submits a request to fraction a CD<sup>31</sup> into several other certificates in the names of different natural persons or legal entities (individuals or companies) with no apparent relationship between these and the initial beneficiary or justification for doing so.
7. Issuance, renewal, endorsement or fractioning of a large-denomination CD with the participation of one or more persons considered to be Politically Exposed Persons (PEP<sup>32</sup>).
8. Use of a CD originally set up through a large sum of cash and registered before the issuer as collateral on a loan.
9. Multiple endorsements of a large-denomination CD that were registered in timely manner with the issuer of the certificate, and which are made known only at the time of renewal or redemption.

#### 3.2.4 Redemption receipts for certificates of deposit

The redemption receipt for a CD contains information on the date of the payment, the gross amount and net payment, type of payment (cash, checks, credited to an account or other financial product), bank branch where the payment took place, name and identity of the CD holder at the time of maturity, name and identification of the CD payment beneficiary, telephone and additional information of the person who collects on the certificate.

<sup>31</sup> Through this financial modality, known as fractioning of a security, the issuer divides the value of the CD into various equal amounts, under the same conditions as the initial security, in the name of the same or different, new beneficiaries according to the instructions of the legitimate holder. It is important to clarify that, in this case, fractioning does not refer to the typology employed in money laundering that goes by the same name, but rather to an operational process frequently used by issuers of securities.

<sup>32</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

Image No. 16.  
Redemption receipt for a certificate of deposit

<b>ABC Bank</b>		
<b>DEPOSIT TERM CANCELATION</b>		
DATE: 12/02/07	TIME: 16:22	USER: CD05
CITY:	BANCH: 201 RICHMOON AV	
NAME:		ID NUMBER:
ITEM: DEPOSIT TERM'S CANCELATION PAYMENT BANCH: 201 RICHMOON AV DEPOSIT TERM NUMBER: 15298		
TRANSACTION	DETAIL	VALUE
	CURRENCY	\$ 16.000,00
	CHECKS	\$ -
	REINVESTMENT	\$ -
	<b>TOTAL</b>	<b>\$ 16.000,00</b>
CASHIER'S SIGNATURE AND STAMP		
THIS PROOF OF PAYMENT IS VALUE ONLY WITH CASHIER'S SIGNATURE AND STAMP		
RECEIVE WITH APPROVAL		
ID		

(Source: Study findings)

The CD redemption receipt is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the money from the CD upon maturity, in addition to other characteristics regarding the beneficiaries collecting on the investment.

### 3.2.4.1 Warning signs for redemption receipts for a CD

1. Redemption of a CD in cash by the beneficiary of said security, when the amount is lower than but approaching the control limit established for cash transactions.
2. Redemption of several CDs in cash on the same day or within a very short period of time, issued initially to different beneficiaries, collected by one single person.
3. Redemption of multiple CDs in cash that have been issued in the name of different companies, and are collected by one single person acting as legal representative, attorney-in-fact or as legitimate beneficiary.
4. Redemption of several CDs in cash, issued to different persons that present themselves as a group to collect on these CD securities.
5. Redemption of CD through a check to the beneficiary of the CD, in which the amount is lower than, though approaching, the control limit established for cash transactions.

6. Redemption of a high-denomination CD issued to a beneficiary through several checks whose individual amounts are lower than but approaching the limit established for cash transactions payable to the holder him/herself or to different beneficiaries.
7. Redemption of several CDs through checks payable to different beneficiaries, which upon endorsement (occasionally with similar handwriting), are cashed by one single person.
8. Redemption of a CD whose holder and beneficiary is a company that requests payment through several checks in smaller amounts, though approaching the control limit established for cash transactions, payable to the same holder or to different people.
9. Redemption of a high-denomination CD whose holder is a company that requests payment through a check, which is subsequently cashed by the manager or other bank officer.
10. Redemption of a CD through a check illegibly endorsed and collected on in cash in such a manner that the identity of the end beneficiary cannot be verified.
11. Redemption of a CD through a check payable to the beneficiary of the CD, which subsequently collected on by a person with a similar name.
12. Redemption of various CDs through checks payable to different people or companies as beneficiaries of the securities, with symbols, seals, or annotations (such as initials) on the front or back of said checks when presented for payment.
13. Redemption of one or more CDs through local transfers (or international transfers where possible), to different cities (or countries) when the holder has no clients or business dealings in those locations to justify said operations.
14. Redemption of one or more CDs through local transfers (or international where possible) to localities that are different and far from the beneficiary's business headquarters, with no apparent justification.
15. Redemption of one or more CDs through transfers, with instructions to pay them only in cash.
16. Redemption of one or more CDs through local transfers, payable to one single person or to several persons, in amounts lower than, though approaching, the control limit established for cash transactions.
17. Redemption of one or more CDs through transfers to checking accounts, savings accounts or other financial instruments, upon which the money is immediately or very shortly thereafter withdrawn through automated teller machines.

### 3.3 RISK OF MONEY LAUNDERING THROUGH CERTIFICATES OF DEPOSIT

Certificates of deposit can pose a very high risk of money laundering.

The characteristics of their establishment, endorsement, fractioning (division of securities), renewal and redemption of CDs, as well as the analysis of pertinent documents, information and the behavior of their holder may coincide with some of the typologies used in money laundering mentioned in the regional GAFISUD33 document and the typologies identified in the securities sector of the UIAF34 of Colombia.

Pursuant to these documents, a Certificate of Deposit (CD) might be used in typologies such as the export or import of fictitious goods, financial and investment products, and are susceptible to being used for money laundering activities, endorsement of securities that materialize amongst “special regimes” companies, the use of shell companies simulating tax evasion and knowledge simplification through a PEP.

## 4 INTERNATIONAL WIRE TRANSFER

An international wire transfer is a financial instrument used to transfer money between countries, and is a service offered by banks, exchange offices and some other financial institutions.

### 4.1 DESCRIPTION

International wire transfers are a specialized mechanism used to make electronic transfers of money from or to a given country through certain financial institutions. This process requires the operator to have adequate technological infrastructure, a broad network of branch offices, personalized service and efficient operational capacity to handle the volume of transactions carried out.

In most countries, these operators are financial institutions that are subject to inspection, supervision and control by monetary or financial authorities, and they are required to have predetermined controls and amount of capital.

<sup>33</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

<sup>34</sup> The Unit for Information and Financial Analysis (UIAF) is the Unit for Financial Intelligence of Colombia, and has published various documents on money laundering typologies and the financing of terrorism. Please see: [www.uiaf.gov.co](http://www.uiaf.gov.co)

International wire transfers, also known as family remittances, are usually sent by cash in the local currency of the remitting country.

A person can send money by international wire transfer anywhere around the world through authorized local financial institutions. In order to pay out the money to the wire beneficiary, the local financial institutions use other intermediary institutions (known as *money transmitters* or *money remitters*) located in the destination country.

According to the different options offered by financial institutions that provide this service, international wire transfers can be sent by cash, by charging them to bank accounts, and even through Internet payments. This service has a cost or commission charge that is paid by the client<sup>35</sup> or user<sup>36</sup>.

Sending an international wire transfer usually requires only the funds (money, checks or charge to a bank account), the name of the beneficiary abroad, telephone number, identification or address (this is optional in some cases), and city and destination country. Some banks that receive international wire transfers only for their clients also require the type of account and account number of the beneficiary. Once the transfer has been made, the money remitter gives the sender a transaction number or operation code so that the beneficiary can receive the remittance.

In order to pay an international wire transfer, the financial institution usually requires that the beneficiary provide the transfer number or code, the name and country of the sender, his/her identification document and some additional information, which may include full name, identification, address, telephone number, origin of the money (in addition to indicating whether or not the remittance comes from non-resident nationals for other controls and tax purposes) and how the transfer is to be paid.

An international wire transfer can be paid in cash, check or through deposit to a bank account, according to the national legislation in effect in each country. If the payment is made in cash, some establishments offer local and/or foreign currency (generally United States Dollars). If the payment is made through check, the beneficiary may request it in his/her name or in the name of a third party, as established by the institution's policy and/or country legislation. If payment is made through a deposit to a checking account, the beneficiary may request it be made to his/her account or even to a third party account, in

<sup>35</sup> Clients are natural persons or legal entities to whom a financial institution provides a service or a product through a legal or contractual relationship.

<sup>36</sup> Users are natural persons or legal entities to whom a financial institution provides a service or a product without the benefit of a legal or contractual relationship.

accordance with the institution's policies and/or country legislation. There may also be cases in which the international wire transfer may be used to pay a loan or a credit card, as instructed by the beneficiary.

## **4.2 DOCUMENTS OF INTEREST**

The documents that identify the operations and characteristics of an international wire transfer are: the application form to open a "wire transfer account", the remittance receipts, and the receipt for payment to beneficiary of the international wire transfer.

### **4.2.1 Application for opening a "wire transfer account" and receipts for sending international wire transfers**

The application form for sending an international wire transfer contains information on the sender, the beneficiary and a historic record of the operations carried out at the location. Some financial institutions who have opened other products for their client in the past, update their information to include the wire transfer remitted, and some have designed special forms for this type of operation.

Some financial institutions that offer the international wire transfer service have in place a process to open an account, though not necessarily on paper, that electronically uploads a certain quantity of data on the sender and the beneficiary as part of the process of getting to know their client.

Certain financial institutions that are money remitters grant licenses to people or companies to carry out this type of money transfer transactions on their behalf. In this case, the institutions offering this franchise must analyze the operational capacity, economic situation, anti-money laundering controls and other aspects of the licensee.

The aforementioned documents or information available at the financial institution, together with others that are required (e.g. copies of identification documents or predesigned forms), are intended to comply with the legal obligations established by financial supervisors, and make it possible to establish aspects such as identification, location, economic activity, income and expenses, sender, beneficiary, origin or source of international wire transfers.



Image No. 17.

Application for opening a “wire transfer account”  
and receipts for sending international wire transfer

**To Send Money**  
Para enviar dinero

PLEASE PRINT/Por favor escriba

**CARD NUMBER**  
Número de la tarjeta Gold o Platinum de Western Union

**1 RECEIVER INFORMATION**  
Sending money to/Para enviar dinero a:

☐ USA ☒ International (excludes Mexico) ☐ International (includes Mexico)

Country name:  Nombre del país:

Dollar amount\*/Cantidad en dólares:  When sending \$1,000 or more, you must provide identification and additional information. Cuando envíe \$1,000 ó más, usted debe que proveer identificación e información adicional.

Receiver:  Destinatario:

Expected payout location:  Localidad donde se espera el pago:

**2 SENDER INFORMATION**  
Sender's name:  Nombre del remitente:

Sender's telephone:  Teléfono del remitente:

Sender's address:  Dirección del remitente:

**3 OPTIONAL FEATURES**  
If sending less than \$1,000 and the receiver does not have identification, complete the Test question and answer. (The maximum amount that can be picked up without I.D. is subject to change without notice.) Si al envío es menor de \$1,000 y el destinatario no cuenta con una identificación, debe de contestar la pregunta de prueba y la respuesta. (La cantidad máxima que puede recogerse sin I.D. está sujeta a cambios sin previo aviso.)

Test question (limit 4 words)/Pregunta de comprobación (límite 4 palabras):

Question:  Pregunta:

Answer:  Respuesta:

These optional services are available at an additional cost. Check services desired: Estos servicios opcionales están disponibles a un costo adicional. Marque el servicio que desea:

☐ Include this message:  Enviar este mensaje con el dinero

☐ Deliver check to the following address: (selected international locations only) Entregar el cheque a la dirección siguiente (solo en las localidades internacionales seleccionadas)

☐ Please call my receiver:  Llame por favor a mi destinatario

**AGENT USE ONLY**  
Solo para uso del Agente

Money transfer control number:  Número de control de transferencia:

Operator number:  Número de operador:

Date:  Fecha:  Sent time:  Hora de envío:

I.D. type:  Tipo de identificación:  Number:  Número:

Date of birth:  Fecha de nacimiento:  Occupation:  Ocupación:

I.D. issuing state:  Estado en que se expidió la identificación:  I.D. issuing country:  País en que se expidió la identificación:

2nd I.D. type:  2º tipo de identificación:  2nd I.D. Number:  2º Número:

Amount:  \$  CAmount:  \$

Charge:  \$  Cargo:  \$

Message charge:  \$  Cargo por el mensaje:  \$

Telephone or delivery charge:  \$  Cargo por entrega a domicilio o número telefónico:  \$

Tax:  \$  Impuesto:  \$

Total amount collected:  \$  Cantidad total cobrada:  \$

Rate of exchange\*:  Tipo de cambio\*:  Amount to be paid\*:  Cantidad a pagar\*:

**4 CUSTOMER SIGNATURE**  
FIRMA DEL CLIENTE: ☒

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(Source: Study findings)

These documents and information are very important for purposes of financial analyses and judicial investigation because they provide information that identifies or confirms associations, demographic aspects of the sender and/or beneficiary of the international wire transfer and their economic activity, among others.

#### 4.2.1.1 Warning signs regarding opening a “wire transfer account” and receipts for sending international wire transfers

1. Natural persons (individuals) or legal entities (companies) who act as agents or licensees for money remitters showing financial solvency



but who have problems providing information regarding commercial or financial references when filling out the application forms.

2. Consecutive opening of several “wire transfer accounts” or sending of international wire transfers using the accounts of different people with similar characteristics (age, economic activity, location, family relationship), who apparently do not know each other, with the purpose of sending international wire transfers to the same or other countries.
3. Refusals, attempted bribery of or threats against money remitter employees to induce them to accept partial or false information or to avoid the full completion of application forms for opening a “wire transfer account” or to send international wire transfers.
4. Persons who at the time of opening the “wire transfer account” or sending international wire transfers record the address and/or telephone number of other individuals to whom they appear to have no apparent relationship.
5. Persons who frequently change their personal information, such as address, telephone number, or occupation at the time of sending international wire transfers, with no apparent justification.
6. Persons who send international wire transfers and fill out the application forms required to open an account with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
7. Persons who appear to be reluctant or annoyed when asked to provide appropriate identification or to fill out the application forms that are required to open or send an international wire transfer.
8. Persons who appear to be nervous, give hesitant responses and/or consult written notes when asked to provide the information required to open a wire transfer account or send an international wire transfer.
9. Persons who apply or send an international wire transfer at a branch office of the money remitter whose location is other than or distant from the place where the sender usually carries out his/her business, performs economic activity or resides, with no apparent justification.
10. International wire transfer senders who are named on national<sup>37</sup> or international<sup>38</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or are wanted by the authorities

<sup>37</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>38</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the “Clinton List”), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

11. Senders of international wire transfers who refuse to justify an operation or to update the basic information provided at the time of filling out the form at the office of the money remitter.
12. Using different money remitters to send international wire transfers to the same beneficiary
13. Sending consecutive international wire transfers to the same country for the same or similar amounts of money.
14. Sending international wire transfers of the same amount, on the same date, to the same city or country, in the names of different persons who appear not to know one another.
15. Sending multiple international wire transfers to the same country, from the account of one or several senders, in which the amount is lower than, though approaching, the control limit established for cash transactions.
16. Sending international wire transfers to different people who apparently do not know one another, though they have the same telephone number in the recipient country.
17. Person who sends one or more international wire transfers and identifies him/herself through a document that cannot be readily verified or is expired (e.g. foreigners, tourists, non-residents, minors).
18. One or more international wire transfers sent by a Politically Exposed Person (PEP<sup>39</sup>), who attempts to avoid the due completion of application documents or does not fully justify the characteristics or origin of transaction money.

#### 4.2.2 Receipt for cashing an international wire transfer

The receipt for cashing an international wire transfer contains information on the date, amount in foreign currency and amount in local currency, type of payment (cash, check, deposit to account or other financial product), branch office of the financial institution through which the operation takes place, name, identification and telephone number of the beneficiary, name and country of the sender and some additional data on the beneficiary.

<sup>39</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

Image No. 18.  
Receipt for cashing an international wire transfer

<b>ABC Bank</b>		<b>WIRE TRANSFER</b>	
For assistance in completing this form please go to _____ and click on the help icon in the forms table. We recommend completing the form before printing to take advantage of field formats and drop-down lists.			
<b>PAYMENT DETAILS</b>			
AMOUNT: <input style="width: 80%;" type="text"/>	CURRENCY: <input style="width: 80%;" type="text"/>		
AMOUNT IN WORDS: <input style="width: 90%;" type="text"/>			
<b>BENEFICIARY / VENDOR INFORMATION</b>			
CREDIT ACCOUNT # <input style="width: 90%;" type="text"/>			
BENEFICIARY / VENDOR NAME: <input style="width: 90%;" type="text"/>			
BENEFICIARY / VENDOR ADDRESS: <input style="width: 90%;" type="text"/>			
BENEFICIARY BANK NAME: <input style="width: 90%;" type="text"/>			
BENEFICIARY BANK ADDRESS: <input style="width: 90%;" type="text"/>			
CITY: <input style="width: 80%;" type="text"/>		STATE / PROV: <input style="width: 80%;" type="text"/>	
COUNTRY: <input style="width: 80%;" type="text"/>		TELEPHONE #: <input style="width: 80%;" type="text"/>	
BENEFICIARY BANK ABA # (US destination wires only): <input style="width: 90%;" type="text"/>			
BENEFICIARY BANK SWIFT/SORT CODE # (foreign/overseas only): <input style="width: 90%;" type="text"/>			
IBAN # (European Countries only): <input style="width: 90%;" type="text"/> (\$25.00 charge if not entered)			
BENEFICIARY BANK TRANSIT & BANK CODE (Cdn destination wires only): <input style="width: 90%;" type="text"/>			
DETAILS OF PAYMENT: <input style="width: 90%;" type="text"/>			
Completed by/Contact: <input style="width: 80%;" type="text"/>		Phone #: <input style="width: 80%;" type="text"/>	Date: <input style="width: 80%;" type="text"/>
<b>FSD Use Only</b>			
EFFECTIVE DATE OF PAYMENT: <input style="width: 90%;" type="text"/>			
INTERMEDIARY BANK: <input style="width: 90%;" type="text"/>			
RATS ID# (if currency exchange booked): <input style="width: 90%;" type="text"/>			
CLIENT NAME (sender / remitter): <input style="width: 90%;" type="text"/>			
DEBIT ACCOUNT # <input style="width: 80%;" type="text"/>		TRANSIT: <input style="width: 80%;" type="text"/>	
Additional charges may be deducted from the transfer amount by the receiving bank and/or its intermediaries. If this transfer cannot be completed for reasons beyond this institution's control including, without limitation, other government regulations, time zone differences or actions or inactions of third parties, you may ask this institution for refund. This institution must get the refund before the funds can be disbursed in accordance with your instructions. If conversion of funds is requested, the rate of exchange will be this institution's rate established at the time the refund is converted. The institution will not be responsible for any loss or damage suffered or incurred by the client except in a case where there has been negligence on the part of the institution, and in any such case the institution will not be liable for any indirect, consequential or exemplary damages (including but not limited to loss of profits) regardless on the cause of the action.			
Please Send Confirmation of this Wire Transfer to Fax Number ( <input style="width: 80%;" type="text"/> )			
Date: <input style="width: 80%;" type="text"/>		SIGNATURE(S) OF SIGNING OFFICERS  1) <input style="width: 80%;" type="text"/>  2) <input style="width: 80%;" type="text"/>	

(Source: Study findings)

The receipt for cashing an international wire transfer is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin of the money, the beneficiary (ies) of the wire transfers, and some additional characteristics regarding these transactions that come from another country.

#### 4.2.2.1 Warning signs regarding receipts for cashing international wire transfers

1. Cashing of international wire transfers for the same or similar amounts by different people sharing similar characteristics (age, economic activity, location, family relationship), who apparently do not know one another.
2. Refusals, attempted bribery of or threats against financial institution officials to induce them to accept partial or false information or to avoid the due completion of the forms to cash an international wire transfer.
3. Persons who at the time of cashing an international wire transfer record the same address and/or telephone number of other individuals to whom they appear to have no apparent relationship.
4. Persons who frequently change their personal information, such as address, telephone number, occupation etc. at the time of cashing international wire transfers, with no apparent justification.
5. Persons who cash international wire transfers and deliberately fill out the application forms required to open an account with illegible or “deceptive” handwriting, or information that is false, difficult to verify or Insufficient.
6. Persons who appear to be reluctant or annoyed when asked to provide appropriate identification or to fill out the necessary forms that are required when cashing an international wire transfer.
7. Persons who appear to be nervous, give hesitant responses and/or consult written information when filling out forms to cash an international wire transfer.
8. Persons who cash an international wire transfer at a branch office of the money remitter whose location is other than or distant from the place where the sender usually carries out his/her business, performs economic activity or resides, with no apparent justification.
9. Persons cashing international wire transfers who are named on national<sup>40</sup> or international<sup>41</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.

<sup>40</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>41</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the “Clinton List”), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

10. Persons cashing an international wire transfer who refuse to justify the operation or update the basic information at the time of collecting.
11. Multiple international wire transfers, coming from different places and/or different senders, cashed by the same beneficiary with no apparent justification
12. Multiple international wire transfers, coming from different places and/or different senders, cashed in different cities of the country by the same beneficiary with no apparent justification.
13. International money orders in the same amount, generally consecutive, which are collected on simultaneously on the same date and in the same city, in the names of different people who apparently do not know one another.
14. International money orders in small amounts, lower than but approaching the established control limit for cash transactions, collected on periodically (weekly or monthly) by one or more beneficiaries.
15. Person who cashes one or several international money orders and identifies himself/herself through a document that cannot be readily verified or has expired (for example: foreigners, tourists, non-residents, minors).
16. One or more international wire transfers cashed by a Politically Exposed Person (PEP<sup>42</sup>), who attempts to avoid the due completion of application documents or does not fully justify the characteristics or origin of transaction money.
17. Cashing several international wire transfers in local currency, on the same day, at the same or different branch offices of the financial institution, or presenting other similar characteristics with no apparent justification.
18. International wire transfers payable to different people who present themselves as a group to collect on them in cash.
19. International wire transfers paid through checks, payable to different beneficiaries, which, after being endorsed (on occasion showing similar handwriting) are cashed by one single person.
20. International wire transfers paid through checks, illegibly endorsed and collected in cash, on which the identification of the end beneficiary cannot be verified.

<sup>42</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

21. International wire transfers paid through checks payable to different people that when presented for payment, bear symbols, seals or annotations (such as initials) written on the front or back.
22. International wire transfers which the beneficiary attempts to collect in cash and initially refuses to accept by way of check, due to either the value amount or company policy that prevent payments in cash
23. International wire transfers paid directly through deposit in a bank account other than that of the beneficiary, with no apparent relation or justification.
24. International wire transfers paid through local transfers, to different cities or accounts, for which the beneficiary has no explanation or association to justify said operations.
25. International wire transfers paid through transfers to checking account, savings accounts or other financial instruments in which the money is immediately or shortly thereafter withdrawn through automated teller machines.
26. International wire transfers payable to beneficiaries who have been contacted via telephone and who at the time of collecting declare they do not know the sender or that they do not have family members or friends abroad.
27. Beneficiaries who periodically show up (weekly or even more frequently) to cash international wire transfers without prior contact from the financial institution, and sometimes even before the financial institution has received said wire transfers.

#### 4.3 RISK OF MONEY LAUNDERING THROUGH INTERNATIONAL WIRE TRANSFERS

International wire transfers are one of the most frequently used financial instruments in money laundering operations and with one of the highest levels of risk.

The features related to application forms, sending and receiving of international wire transfers, as well the analysis of the aforementioned documents, and the information and behavior of senders and beneficiaries may coincide with some of the money laundering typologies indicated in the regional GAFISUD document as well as several other FATF-GAFI<sup>43</sup> publications on money laundering and the financing of terrorism.

<sup>43</sup> The Unit for Information and Financial Analysis (UIAF) is the Unit for Financial Intelligence of Colombia, and has published various documents on money laundering typologies and the financing of terrorism. Please see: <http://www.fatf-gafi.org/topics/methodsandtrends/>

According to these documents, international wire transfers may be used in typologies such as fractioned transfers of illegal money through international wire transfers and to support the financing of terrorist organizations.

## 5 INSURANCE POLICY

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An insurance policy is a financial instrument offered by insurance companies that covers a risk or event, generally in the short term, renewable annually or for the duration of the insured risks, as long as the premiums are paid, for example for some life insurance.

### 5.1. DESCRIPTION

An insurance policy is a contract through which the insurance company is responsible for covering the risks of a third party, known as the policyholder, through payment of a price known as the premium.

If the covered event occurs, the insurer must pay the insurance claim to the policy beneficiary, who may be a person other than the policyholder.

The insurance company is the party in charge of covering the policyholder if specific risks or events occur. The insurance company is usually subject to oversight by a financial authority.

The policyholder is a natural person (individual) or legal entity (company), holder of the policy and exposed to risk or events. The insured normally signs a contract or policy with the insurance company, although a different person can be the policy holder.

A claim occurs when an event covered in the contract takes place, causing the insurance company to comply with its obligation to replace the goods or pay damages to the policyholder or beneficiary.

Generally speaking, there are two types of insurance policies: life insurance policies for people and policies for goods or assets. In the former, the risk covered is disability or loss of life of the policyholder through illness or accident. The latter refers to insuring assets or goods against various risks, including theft, fire, natural disasters, transportation.



Insurance policies are normally issued for a period of one year, and they can be automatically renewed or renewable by mutual agreement of the parties.

When an individual or company wishes to acquire an insurance policy to cover a specific risk, an intermediary or insurance broker can assist in dealing with the insurance company.

The payment of the annual insurance policy premium is generally made cash up front, though there are alternate financing methods available such as short-term loans granted by financial entities, by the intermediaries themselves, or by credit cards.

The value of the insurable good determines the amount of premium to pay for the insurance policy.

## 5.2 DOCUMENTS OF INTEREST

Documents that identify the operations and characteristics of an insurance policy are: the application form for the insurance company, receipts for payment of the premium, the issuance or renewal of the policy and the receipt for early cancellation of the policy.

### 5.2.1 Insurance policy application form

The insurance policy application form contains information on the policyholder, beneficiary (whether an individual or a company).

This application form, together with others required by the insurance company (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns, property deeds on insured assets, medical certificates), requested primarily to comply with the legal obligations demanded by financial supervisors, make it possible to establish aspects such as identification, location, economic activity, income and expenses, assets, liabilities and capital, commercial or personal references, origin or source of goods and assets, properties, health status, illnesses, and disabilities.

Image No. 19.  
Insurance policy application form

<b>DECLARATIONS</b>		B.I.G. INSURANCE CONGLOMERATE		
(Policy Number)		B.I.G. AUTO INSURANCE COMPANY		
		B.I.G. LIABILITY INSURANCE CO.		
		B.I.G. AUTO FINANCE COMPANY		
(Previous Policy Number)		<b>(COMPANY NAME)</b>		
Policy Period:	12:01 A.M. Standard Time	From:	To:	1 (Years)
Named Insured and mailing address				
(Number, Street, Apartment, Town or City, County, State, Zip Code)				
Description of Auto(s) or Trailer(s)				
Auto	Year	Trade Name – Model	VIN	Sym Age
1				
2				
3				
The Auto(s) or Trailer(s) described in this policy is principally garaged at the above address unless otherwise stated.				
(Number, Street, Apartment, Town or City, County, State, Zip Code)				
Coverage is provided where a premium and a limit of liability is shown for the coverage				
Coverages	Limit of Liability	Premium		
A. Liability	\$ _____ each accident	Auto 1	Auto 2	Auto 3
B. Medical Payments	\$ _____ each person	\$ _____	\$ _____	\$ _____
C. Uninsured Motorists	\$ _____ each accident	\$ _____	\$ _____	\$ _____
D. Damage to your Auto		\$ _____	\$ _____	\$ _____
1. Collision Loss	ACV minus \$ _____ Deductible	\$ _____	\$ _____	\$ _____
2. Other Than Collision Loss	ACV minus \$ _____ Deductible	\$ _____	\$ _____	\$ _____
(Towing and Labor Costs)	(\$ _____ each disablement)	\$ _____	\$ _____	\$ _____
	(ACV means Actual Cash Value)	\$ _____	\$ _____	\$ _____
Endorsements made part of this Policy at time of issue:		Endorsement Premium \$ _____		
		Total Premium \$ _____		
Loss Payee:				
(Name and address)				
(This policy shall not be valid unless countersigned by our authorized agent)				
(Countersignature Date)		(Agency at:)		
		_____ Agent		
		_____ (Company Officer) Title		

(Source: Study findings)

This document is important for purposes of financial analyses and judicial investigations because it provides information identifies or confirms the associations and financial aspects of the people involved in an insurance contract, location and economic activity, insurable assets, owners, beneficiaries, among others.

#### **5.2.1.1 Warning signs regarding insurance policy application form**

1. Application by several policyholders (individuals or companies) representing different companies who have common partners, managers, administrators, legal representatives or attorneys-in-fact.
2. Consecutive applications by several policyholders with similar characteristics (age, economic activity, location, family relationship) who apparently do not know each other.
3. Consecutive applications by several policyholders for the same type of asset or insurable good or for the same amount, in the names of different people who appear not to know each other.
4. Refusals, attempted bribery of or threats against bank insurance company officials to induce them to accept partial or false information or to avoid the due completion of application forms.
5. Natural persons (individuals) or legal entities (companies) showing financial solvency or possessing many insurable assets or interests, but who have problems providing information on commercial or financial references or obtaining a co-signer when filling out the application forms.
6. Insurance policy applicants who record the same address and/or telephone number as other people with whom they have no apparent relationship, when they fill out the policy application.
7. Insurance policy applicants or policyholders who frequently change the personal information provided to the insurance company, including address, telephone, and occupation, with no apparent justification.
8. Insurance policy applicants who fill out the application forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
9. Insurance policy applicants who appear to be reluctant or annoyed when asked to provide appropriate identification or to fill out the required application forms.
10. Insurance policy applicants who appear nervous, give hesitant responses and/or consult written notes, when requested to provide information required for the application form.
11. Insurance policy applicants who go to an insurance company office whose location is other than or distant from the place where the insured, policyholder or beneficiary usually carries out his/her economic activity, with no apparent justification. If the applicant in question is an individual on a salary, when there is no adequate relationship with the employer’s location or place of residence.

12. Insurance policy applicants who by virtue of age, experience or economic activity have no prior record of financial products in the sector and cannot account for such when requested.
13. Insurance policy applicants who are named on national<sup>44</sup> or international<sup>45</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
14. Insurance policy applicants who demand to deal with or who show a marked preference for a specific intermediary, account executive, manager or official.
15. Insurance policy applicants who refuse to justify the origin of insurable goods or to update the basic information already provided at the time of submitting the application.
16. Insurance policy applicants who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the insurance company's clients or by another financial institution.
17. Insurance policy applicants whose insurable goods or interests are valued at amounts not consistent with the socio-economic information provided and have no apparent justification.
18. Companies applying for insurance policies whose insurable goods are valued at amounts not consistent with their low capital stock, operating income or available cash resources and/or companies that have been very recently created.
19. Insurance policy applicants who cannot state their specific economic activity or define it as "independent" yet declare high-valued insurable goods.
20. Insurance policy applicants whose claim amount is high and that identify themselves with a document that cannot be readily verified or has expired (e.g. foreigners, tourists, non-residents, minors).
21. Insurance policy applicants whose claim amount is high but holds no justifiable relationship to other projects undertaken or known assets.

<sup>44</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>45</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

22. Insurance policy applicant whose claim amount is high, is a Politically Exposed Person (PEP<sup>46</sup>), and attempts to avoid full completion of application documents or does not adequately justify the origin of the assets.
23. Insurance policy applicants wishing to obtain coverage for their merchandise or products containing substances which could presumably be used for the manufacturing of drugs.
24. Insurance policy applicants who carry out the application procedure very quickly and seem unconcerned about the value of the premium, conditions, exemptions, deductibles, objections, etc.
25. Insurance policy applicants speaking on behalf of new clients wishing to insure high-value imported goods without providing full verification of the import process or complying with all required documents.


#### 5.2.2 Insurance policy payment receipt

The insurance policy payment receipt contains information on the date, amount, type of operation (cash, check, charged to account or other financial product), type of policy, characteristics of the insured asset, branch office of the insurance company where the operation took place, name or identification of the policyholder, insurer, beneficiary, intermediary, telephone number and additional data.

<sup>46</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)



Image No. 20.  
Insurance policy payment receipt

INSURANCE CONSULTANTS LTD			
<b>Policy No:</b> DMI/129324/08		<b>Contract No:</b>	
<b>Name:</b>  <b>Address:</b>		Signed for and on behalf of Certain Underwriters At Lloyd's  Authorized Signatory Dated:	
<b>Period of Insurance</b> (see below for specific Section Dates)  (a) From  To  Renewal Date		<b>Premium</b>  Premium £434.70 IPT £21.74 Total £456.44	
<b>Risk Description:</b> British Free Diving Association, their committee and members for the time being are for the purposes of this insurance considered to be co-insureds of equal standing. Risks covered are the organisation of, supervision and tuition of, underwater swimming skills and competitions. Members are covered to recreationally freedive, when they are carrying out pool training, and are also covered to set up BFA affiliated clubs. The Policy will provide cover for the provision of octopus, freediving, and spearfishing (with a buddy).			
The Period of Insurance, Limit of Indemnity or Sums Insured applicable for each Section/Extension shall be as specified below:			
<b>Section</b>	<b>Limits of Liability/Sums Insured</b>	<b>Start Date</b>	<b>End Date</b>
<b>The Following extensions are excluded from this policy:</b>  <b>Liability Claims Excess: £1,000</b>			
<small><b>This is to Certify</b> that in accordance with the authorisation granted under the Contract (the number of which is specified above) to the undersigned by certain Underwriters at Lloyd's, whose definitive numbers and the proportions underwritten by them, which will be supplied on application, can be ascertained by reference to the said Contract which bears the Seal of Lloyd's Policy Signing Office, and in consideration of the payment of the premium specified herein, the said Underwriters are hereby bound, severally and not jointly, their Executors and Administrators, to insure in accordance with the terms and conditions contained herein or endorsed hereon. If the Assured shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Schedule shall become void and all claim hereunder shall be forfeited.</small>			

(Source: Study findings)

This Insurance policy payment receipt is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin of the money used to pay the premium, some aspects regarding the assets insured or the policyholder, beneficiary or insured, as the case would have it, and other characteristics of the insurance contracts.



### **5.2.2.1 Warning signs for receipt of payment for insurance policy**

The following warning signs refer to both traditional general insurance and/or life insurance policies, in addition to some other special modalities, such as life insurance policies with a savings plan, which become financial instruments in addition to the policyholder's risk coverage.

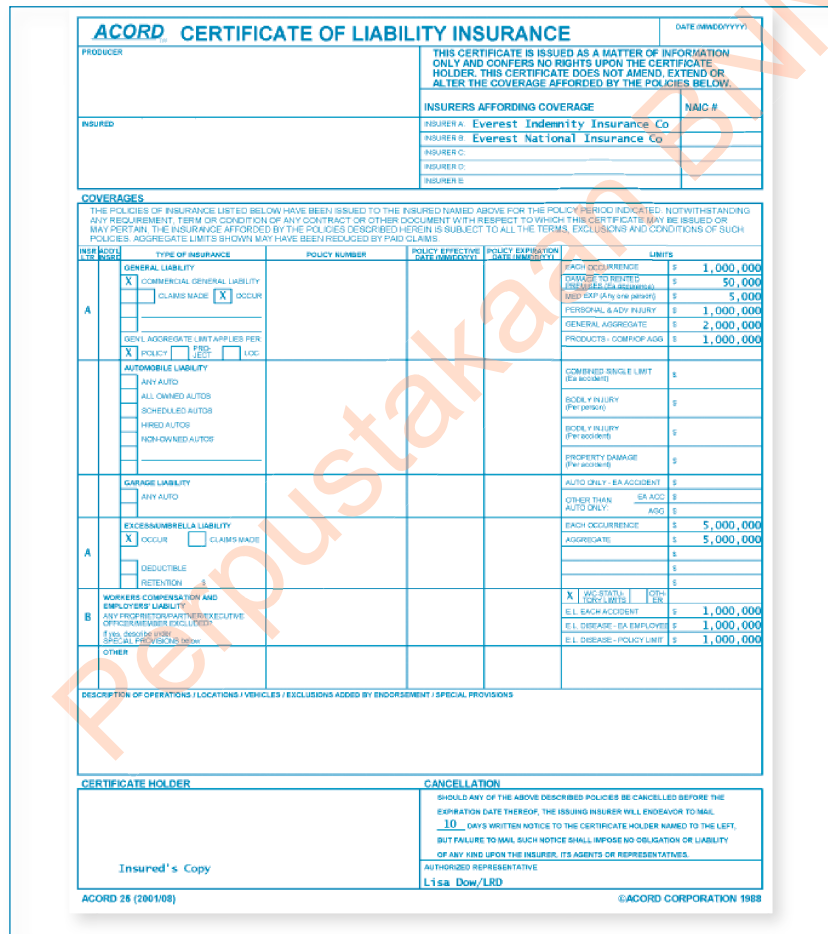
1. Payment of an insurance or savings policy premium, in cash, at an office in the city or country in which the holder (insured, policyholder or beneficiary) has no business or agencies nor any apparent justification.
2. Payment of an insurance or savings policy premium, in cash, in amounts that show signs of fractioning<sup>47</sup>, that is, in amounts lower than but approaching established control limits.
3. Payment of an insurance policy premium in cash, by a natural person on behalf of a legal entity or company (acting as the insured, policyholder or beneficiary) and who does not have business dealings with that person or any apparent justification.
4. Payment of several insurance policy premiums in cash by the same person for different companies belonging to the same "financial group".
5. Frequent cash payment of insurance policy premiums for large sums of money by a company whose financial and commercial activity is ordinarily paid by check.
6. Payment of insurance or savings policy premiums, for large sums of money, through one or more checks of which the checking account holder's information does not correspond to the economic activity of the policyholder or for which the justification is not deemed satisfactory by the insurance company.
7. Payment of insurance or savings policy premium, for large sums of money, through one or more transfers from accounts of the same or different financial institutions belonging to the same account holder who is not the insured, policyholder or beneficiary, with no apparent justification.
8. Payment of insurance or savings policy premiums, in large sums of money, with one or more transfers from third party accounts from the same or a different financial institution other than the insured, policyholder or beneficiary, with no apparent justification.

<sup>47</sup> Typologies or operations related to this modality can be consulted at <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

### 5.2.3 Issuance or renewal of insurance policy

The issuance or renewal documents for an insurance policy contain information as to date of issuance, date and time coverage begins, date and time coverage ends, information on and/or location of the asset insured, claim amount and exemptions, branch office of the issuer, name and identification of the holder (insured, policyholder or beneficiary), cost of the premium, name and identification of the intermediary, and signatures authorized by the issuing insurance company.

Image No. 21.  
Issuance or renewal of insurance policy



**ACORD CERTIFICATE OF LIABILITY INSURANCE** (DATE MM/DD/YYYY)

**PRODUCER** THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

**INSURERS AFFORDING COVERAGE** NAIC #

INSURER A: Everest Indemnity Insurance Co  
INSURER B: Everest National Insurance Co  
INSURER C:  
INSURER D:  
INSURER E:

**INSURED**

**COVERAGES**

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
<b>GENERAL LIABILITY</b>				
<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				EACH OCCURRENCE \$ 1,000,000
<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				DAMAGE TO RENTED PREMISES (Per occurrence) \$ 50,000
				MED EXP (Any one person) \$ 5,000
				PERSONAL & ADY INJURY \$ 1,000,000
				GENERAL AGGREGATE \$ 2,000,000
				PRODUCTS - COMPO AGG \$ 1,000,000
<b>AUTOMOBILE LIABILITY</b>				
<input checked="" type="checkbox"/> ANY AUTO				COMBINED SINGLE LIMIT (Per accident) \$
<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per person) \$
<input type="checkbox"/> SCHEDULED AUTOS				BODILY INJURY (Per accident) \$
<input type="checkbox"/> HIRED AUTOS				PROPERTY DAMAGE (Per accident) \$
<input type="checkbox"/> NON-OWNED AUTOS				
<b>GARAGE LIABILITY</b>				
<input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$
				OTHER THAN AUTO ONLY \$
<b>EXCESS/UMBRELLA LIABILITY</b>				
<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				EACH OCCURRENCE \$ 5,000,000
<input type="checkbox"/> DEDUCTIBLE				AGGREGATE \$ 5,000,000
<input type="checkbox"/> RETENTION				
<b>WORKERS COMPENSATION AND EMPLOYERS LIABILITY</b>				
<input checked="" type="checkbox"/> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICEDIRECTOR EXCLUDED				E.L. EACH ACCIDENT \$ 1,000,000
<input type="checkbox"/> E.L. DISEASE - EA EMPLOYEE				E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
<input type="checkbox"/> SPECIAL PROVISIONS (Other)				E.L. DISEASE - POLICY LIMIT \$ 1,000,000
<b>OTHER</b>				

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

**CERTIFICATE HOLDER** Insured's Copy

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE L1sa Dow/LRD

ACORD 26 (2001/08) ©ACORD CORPORATION 1988

(Source: Study findings)

The insurance policy certificate and/or copies of these without commercial value, used for company control purposes, is an important document for purposes of financial analyses and judicial investigations, because it supplies

information that identifies or confirms aspects such as the different people appearing as insured, policyholders, beneficiaries or intermediaries, links between people who appear on the policies, characteristics and amounts of the goods insured, issuance or coverage dates for policies, characteristics and origin of insurance policy premium payments and more.

#### **5.2.3.1 Warning signs regarding issuance or renewal of insurance policy certificates**

1. Issuance or renewal of an insurance policy on behalf of a person (policyholder, insured or beneficiary) other than the buyer.
2. Consecutive issuance or renewal of multiple insurance policies for high, equal or similar amounts, in the name of one or more persons as policyholders, insured or beneficiaries, with no apparent relationship or justification.
3. Issuance or renewal of several insurance policies covering various goods in high amounts, by several beneficiaries sharing similar characteristics (e.g. companies from the same “financial group”, relatives, persons with commercial links), with no apparent relationship or justification.
4. Addition or change of one or more persons, designated as policyholders or beneficiaries at the time of insurance policy issuance, other than the buyer, with no apparent relationship or justification.
5. Addition or change of one or more insured goods, especially those insured for large amounts, at the time of policy issuance.
6. Exaggerated increase of the value of the goods insured upon renewal of the insurance policy without proper justification by the client.
7. Request to change the insured, policyholder or beneficiary during the life of the policy with no justified or clear relationship explained to the insurance company.
8. Issuance or renewal of an insurance policy for a high-value good, by one or more persons Politically Exposed Persons (PEP<sup>48</sup>) and the origin of the good is not satisfactorily justified.
9. Issuance or renewal of an insurance policy that covers the goods of a natural person, whose beneficiaries are persons other than the legitimate spouse or heir(s) of the policyholder.

<sup>48</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

## 5.2.4 Receipt for early redemption of insurance policy

For the purposes of this document, the receipt for early redemption of an insurance policy in question refers to redemption that takes place under abnormal conditions or questionable claims that lead to early redemption.

The receipt for early redemption of an insurance policy contains information on the termination of the contract, the refund for unearned premium, type of payment (through check, account deposit or other financial product), the branch office of the insurance company that carries out the early policy redemption and/or refund of unearned premium, the name and identification of the insured, policyholder or beneficiary at the time of redemption, name and identification of the beneficiary of the payment, telephone number and additional information on the holder of the redeemed insurance policy contract.

Image No. 22.  
Receipt for early redemption of insurance policy

NOTICE OF CANCELLATION, NONRENEWAL OR DECLINATION OF INSURANCE (Massachusetts)	
NAME AND ADDRESS OF INSURANCE COMPANY	Pacific Indemnity Company
NAME AND ADDRESS OF INSURED	
KIND OF POLICY: Messengers House/Contents/Vehicle Articles POLICY/APPLICATION NUMBER NO. Typist KH EFFECTIVE DATE OF NOTICE: 12/13/2008 12:01 AM <small>(YOUR STANDARD TIME AT THE ADDRESS OF THE INSURED)</small> DATE OF MAILING: 12/14/2008 NAME AND ADDRESS OF AGENT/BROKER:	
CANCELLATION	<p>(Applicable item marked "X")</p> <p><input type="checkbox"/> You are hereby notified in accordance with the terms and conditions of the above mentioned policy that your insurance will cease at and from the hour and date mentioned above.</p> <p><b>Reason(s) for cancellation:</b> This cancellation is based on the occurrence, after the effective date of the policy, of one or more of the following:</p> <p><input type="checkbox"/> Nonpayment of premium (see Note below);</p> <p><input type="checkbox"/> Conviction of a crime arising out of acts increasing the hazard insured against;</p> <p><input type="checkbox"/> Discovery of fraud or material misrepresentation by the insured in obtaining the policy;</p> <p><input type="checkbox"/> Discovery of willful or reckless acts or omissions by the insured increasing the hazard insured against;</p> <p><input type="checkbox"/> Physical changes in the property insured which result in the property becoming uninsurable;</p> <p><input type="checkbox"/> A determination by the Insurance Commissioner that continuation of the policy would violate or place the insurer in violation of the law.</p> <p><b>Reason(s) for cancellation, if other than marked above, is (are) stated in the "Important Notices" section.</b></p> <p><b>Note:</b> If cancellation is due to nonpayment of premium, you may continue the coverage and avoid the effect of the cancellation by payment of the premium due at any time prior to the effective date of cancellation.</p> <p>See the "Important Notices" section for other information that may apply.</p>
PREMIUM ADJUSTMENT	<p><input type="checkbox"/> Unearned premium will be refunded to you as soon as practicable after the cancellation becomes effective.</p> <p><input type="checkbox"/> Enclosed is \$ _____, being the amount of return premium at pro rata for the unexpired term of this policy.</p> <p><input type="checkbox"/> The excess of paid premium, if any, above the pro rata premium for the expired time (if not tendered) will be refunded on demand.</p> <p><input type="checkbox"/> A bill for the premium earned to the time of cancellation will be forwarded in due course.</p> <p><input type="checkbox"/> Other: _____</p>
NON-RENEWAL	<p><input type="checkbox"/> You are hereby notified in accordance with the terms and conditions of the above mentioned policy that the above mentioned policy will expire effective at and from the hour and date mentioned above and the policy will NOT be renewed for the reason(s) stated in the "Important Notices" section.</p> <p>See the "Important Notices" section for other information that may apply.</p>
DECLINATION OF INSURANCE	<p><input type="checkbox"/> Your written application or written request for the kind of insurance mentioned above has been declined based on information provided in a Consumer Report as noted in the "Important Notices" section.</p>
IMPORTANT NOTICES	<p>Reason(s) for cancellation or nonrenewal:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><input type="checkbox"/> <b>Replacement Insurance Information:</b> You have been notified herewith that this Company will no longer be carrying your insurance. We suggest that you consult another company or your agent or broker regarding replacement insurance. If you have any difficulty in procuring replacement insurance in the voluntary market, you possibly may obtain basic insurance coverage through the Massachusetts Property Insurance Underwriting Association, Two Center Plaza, Boston, Massachusetts 02108 either through your present agent or broker, or directly upon application to the above named facility.</p>

(Source: Study findings)

The receipt for early redemption of an insurance policy is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the money paid by the insurance company, the reason given for termination of the contract, links between people who act as insured, policyholders, beneficiaries or intermediaries, and other features related to the redemption.

#### **5.2.4.1 Warning signs regarding receipts for early redemption of an insurance policy**

1. The early redemption of an insurance policy covering high-value goods for which the premium was paid in cash, with no clear or justifiable reason.
2. The early redemption of an insurance policy covering high-value goods for which the premium was paid in cash or up front, with the purpose of receiving a check or wire transfer from the insurance company, with no apparent reason.
3. The early redemption of an insurance policy covering high-value goods effected by a person other than the insured, beneficiary or initial policyholder of the policy, duly and legally empowered, on the grounds that the represented party is out of the country or cannot be located.
4. The early redemption of an insurance policy covering high-value goods by a company that declares it is closing down business, with no commercial justification or clear financial reason.
5. The early redemption of several insurance policies that cover high-value goods for which the insurance company refunds the unearned premium, which is collected by the same person empowered as the legal representative or legitimate beneficiary.
6. The early redemption of several insurance policies for different policyholders that cover high-value goods, for which the insurance company pays unearned premium with checks, which are cashed by one single person.
7. The early redemption of several insurance policies for different policyholders covering high-value goods, for which the insurance company has paid the unearned premium with checks, subsequently endorsed in illegible handwriting that does not allow the identity of the final beneficiary to be established.
8. Early redemption of an insurance policy that covers high-value goods, when the insurance company determines that said goods or insurable assets are fully or partially non-existent.

9. Early redemption of an insurance policy that covers high-value goods, when the insurance company determines that said goods are non-existent or the possible impersonation of the policyholder, insured or beneficiary.
10. Early redemption of an insurance policy that covers high-value goods, when the insurance company determines the total or partial non-existence of the economic activity or business of the policyholder, insured or beneficiary.
11. Early redemption of an insurance policy that covers high-value goods, wherein a claim is presented for which the policyholder or beneficiary will receive payment and the insurance company determines that the event was possibly staged or is questionable in nature.
12. Early redemption of an insurance policy that covers high-value goods, wherein a claim is presented for which the insurance company determines that the insured goods were possibly over or undervalued so that the policyholder or beneficiary might receive payment for the claim and increase his/her assets, of an unknown source, to replace the goods lost.
13. Early redemption of an insurance policy that covers high-value goods, at the request of the client, who in addition requests payment for unearned premium through transfers to locations other than and distant to the business headquarters of said insured or policyholder, with no apparent justification.
14. Early redemption of an insurance policy that covers high-value goods, at the request of the client, who in addition requests payment for unearned premium through local transfers, payable to one single person or several third parties, in amounts lower than but approaching the control limit established for cash transactions.
15. Early redemption of an insurance policy that covers high-value goods, at the request of the client, who in addition requests payment for unearned premium through transfers to accounts, from which the money is immediately withdrawn, or very shortly thereafter, through automated teller machines.

### **5.3 RISK OF MONEY LAUNDERING THROUGH INSURANCE POLICY**

Insurance policies are financial instruments that can pose a risk of money laundering.



The characteristics and information provided at the time of application at the insurance company, the drawing up of policies, renewal or early redemption of said policies, as well as the analysis of these documents and the behavior of the holders (insured, policyholder or beneficiary) or intermediaries may coincide with some money laundering typologies as described in the regional GAFISUD<sup>49</sup> document and in Chapter II of the GAFI-FATF 2004-2005<sup>50</sup> document on typologies.

According to the aforementioned documents, an insurance contract could be used in typologies such as the “use of insurance company products”, “purchase of premiums by a criminal organization”, *“The use of life insurance single premium policies”*, *“Early policy redemption, especially when uneconomic or unusually early”*, *“General insurance claim fraud in insurance involving high value goods which were purchased with illicit funds”*, *“Cash payments to purchase insurance”*, *“Cooling off periods, which allow for refunds of premiums with clean money within the contract cancellation period”*, *“Collusion of customer intermediary and/or insurance company employees”*, *“Third party payments of premiums”*, *“Risks involved in international transactions – both where this is source of business or a destination of policy payouts”*, *“Fraudulent customers, insurance companies and reinsurance companies”*.

## 6 LOAN

A loan is a financial product typical of financial entities. They are usually made in local currency; however, in some countries they can be made in foreign currency, for example in United States Dollars.

### 6.1 DESCRIPTION

A loan is a financial contract, by which the entity (creditor or lender) offers the customer (debtor or borrower) a specific sum of money in exchange for the promise of future payment, whereby the customer (debtor) promises to return the requested amount in the established time or term, in the manner provided for in the conditions established for said loan plus the accrued interest, and the insurance and associated costs, if any.

<sup>49</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

<sup>50</sup> See <http://www.fatf-gafi.org/topics/methodsandtrends/>

The Bank delivers the agreed amount of money to the debtor and, in return, the debtor signs a contract accepting the conditions to receive these funds, the manner in which the loan will be paid. The debtor usually agrees to pay a monthly sum in the future to cover the principal, interests and other related expenses, and if an asset is required as to secure the loan, the lien on this collateral.

When considering a loan, the financial entities generally taken into account the following aspects in their credit risk assessment: possible side effects of granting the loan, applicant's repayment capacity, supporting capital, and the conditions of the applicant.

In some countries, the credit establishments include different types of financial institutions: banks, financial corporations, savings and housing corporations, commercial financing companies, and financial cooperatives, among others. The names and characteristics of these entities are established by the norms in each country, the target market where these resources are obtained, and where they are invested.

The State oversight entity in charge of regulating financial activity establishes general guidelines for the establishments that can offer this service, since the poor management of this service can lead to losses, which will diminishes the value of its assets and affect the capacity to respond to its depositors if a debtor or counterparty defaults on its obligations.

### 6.1.1 Types of loans

The most common types of loans are: consumer, commercial, small business, and mortgage or home loans.

- Consumer loan: a short to medium term loan that serves to obtain money to be spent freely.
- Commercial loan: a loan made to different size companies used to finance the production and marketing goods and services in their distinct phases; for example, working capital (to finance business operations) or capital goods (machinery, buildings, etc.).
- Small business loans: a loan made to small and medium-size producers that seek to establish their own source of income and that fulfill a series of requirements that are determined by the legislation of each country and that refer primarily to number of employees, annual volume of receipts, and total assets. This type of loan is used to finance production and marketing activities or service provision.

- Mortgage or home loan: a loan, usually long term, used to purchase property, land, and construct homes, offices or other real estate, secured by a mortgage on the acquired or constructed property.

The only instrument supporting this type of loan is the mortgage on the property that will be purchased by the customer. A mortgage holds a privileged position among the universe of guarantees available for different credit operations, due to the security that real property represents for the creditor.

## 6.2 DOCUMENTS OF INTEREST

The documents that identify the operations and features of a loan are: application form, promissory note, bank statement, payment receipt and settlement.

### 6.2.1 Loan application form

The loan application form contains information about the borrower, which can be either a natural person (individual) or a legal entity (company).

This document, together with other documents required by the financial entity (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), are requested primarily to enable banks to comply with their legal obligations, establish aspects such as identification, location, economic activity, income and expenditures, assets, liabilities and capital, and commercial or personal references, among others.

Image No. 23.  
Loan application form

<b>ABC BANK</b>				Application Number	
				Developer/Seller	
				Broker	
				Branch	
				Date	
<b>HOUSING LOAN APPLICATION</b>					
Source of Income is Employment					
Loan Purpose and Description of Property to be Mortgaged					
Loan Purpose: Home Acquisition <input type="checkbox"/> Home Construction <input type="checkbox"/> Home Improvement <input type="checkbox"/> Lot Acquisition <input type="checkbox"/>					
Multi-Purpose Home Loan <input type="checkbox"/>					
Loan Amount:				Term:	
Type of Collateral: House and Lot <input type="checkbox"/> Townhouse <input type="checkbox"/> Condominium <input type="checkbox"/> Vacant Lot <input type="checkbox"/>					
Location of Collateral:				TCT/CCT Number:	
Name of Registered Owner:					
Is the property mortgaged? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, with whom?					
Personal Data - <input type="checkbox"/> Principal Borrower <input type="checkbox"/> Co-Borrower					
Last Name	First Name	Middle Name	Status	Birthday	
Spouse's Last Name	First Name	Middle Name	No. of Dependents	Age: Borrower _____ Spouse _____	
Home Address					
Type: <input type="checkbox"/> Owned <input type="checkbox"/> Rented	<input type="checkbox"/> Living with Parents <input type="checkbox"/> Others _____	Length of Stay: _____ years _____ months	TIN # Tel No: Cellphone Number: E-mail Address:	SSS #	
Provincial Address					
Name of Children		Age	School / Location	Grade/Year Level	
Nearest Relative Not Living With You		Address		Telephone No.(s)	
Personal References		Address		Telephone No. (s)	
<b>Employment Record</b>					
Present Employer		Position		INCOME STATEMENT (PHP)	
Please indicate if OFW or not: <input type="checkbox"/> Yes <input type="checkbox"/> No				Monthly Salary	
Business Address				Spouse's Mo. Salary	
Employer's E-mail Address:		Employer's Website:		Other Income	
Employer's Telephone No:		Length of Service _____ mos.		TOTAL MO. INCOME	
Spouse's Employer		Position		Less:	
Employer's Telephone No:		Length of Service _____ mos.		Mandatory Ded (SSS, Tax, etc)	
		Status: Contractual _____ Regular _____		Other Loans	
				Other Expenses	
				NET MO. INCOME	
<b>Credit Information</b>					
Credit Cards		Card Issue		Credit Card Number	
				Credit Limit	
				Member Since	
<b>Existing Loans and Financing</b>					
Institution		Type of Loan		Loan Amount	
				Monthly Amortization	
<b>Bank Accounts</b>					
Name of Bank		Branch		Type of Account	
				Account Number	
<b>Applicant's Statement</b>					
I fully understand that the submission of required documents in support of my loan application does not mean automatic approval thereof. I shall be informed of the Bank's decision regarding my loan application, without obligation on its part to furnish reason for rejection.					
By signing below, I authorize ABC Bank through its authorized representatives to verify my employment records, business records, bank deposits/accounts, credit cards and ITR records in connection with my loan application with them. I hereby certify that all the data and information in this application are complete and accurate. Any falsehood information, data or statement indicated in this loan application shall automatically give rise to rejection or denial of the loan applied for or cancel its approval, if there is any, by ABC Bank. Furthermore, I likewise agree that this loan application may remain to be the bank's property, whether the credit is granted or not.					
I also understand that I am not required to pay any facilitation fee to accredited brokers and/or bank staff. Only authorized fees shall be paid and the same shall be made directly payable to the bank. The bank will officially inform me of the amount payable.					
Signature of Applicant:			Signature of Spouse:		
Community Tax Certificate		Issued at:		Date:	
<b>For Company's Use Only</b>					
Loan Classification: <input type="checkbox"/> New <input type="checkbox"/> Renewal <input type="checkbox"/> Extension					
Checked by:		Recommended by:		Approved by:	
Date:		Date:		Date:	

(Source: Study findings)

Given their technological advances, some banking institutions may be able to process their client's applications by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships and financial information about the client, location and economic activity, among others.

#### **6.2.1.1 Warning signs regarding loan application form**

1. Several loan application forms under one or more names, all with the same beneficiary, with no apparent justification.
2. Business loan applications that have common partners, managers, administrators or legal representatives or authorized signatures.
3. Refusals, attempted bribery of or threats against bank officials to induce them to accept partial or false information or to avoid the full completion of the loan application forms.
4. Persons who deliberately fill out the loan application forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
5. Persons who appear to be reluctant or annoyed when asked to provide appropriate identification or to fill out the loan application form.
6. Persons applying to open a checking account that appear to be nervous, give hesitant responses and/ or consult written notes when asked to provide the information required to fill out the loan application form.
7. Loan applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
8. Persons or entities that frequently close or open loans at the same bank or at others in the same location, without justification.
9. Loan applicant considered Politically Exposed Persons (PEP<sup>51</sup>), who attempts to avoid completely or properly filling out the loan application documents or who does not adequately justify the origin of the money associated to his/her person, or attempts to receive authorization to manage one or more financial products belonging to third parties, with no clear or justified association.

<sup>51</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

10. Loan beneficiaries that are not directly associated to or have a justified relationship with the borrower.
11. Granting of loans with flexible repayment options.
12. Person designated as beneficiary of a loan who has an inconsistent or improper relationship with the borrower, e.g., an external auditor authorized to manage the products of the audited party.
13. Persons who are registered or attempt to be registered as loan beneficiaries to manage one or several financial products, who are named on national<sup>52</sup> or international lists<sup>53</sup> as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
14. Loan application secured with assets of unknown origin.
15. Underutilized sources of financing given the sales volume of the business or economic activity.
16. Early and/or immediate liquidation of the loan or of significant debentures.

### 6.2.2 Promissory note

A promissory note is a commercial document or security containing an unconditional promise to pay a specific amount of money to a third party on a specified date or contingent upon certain events. This document enables the financial entity to begin the loan recovery process should the customer fail to fulfill his/her agreed obligations.

This document makes it possible to establish the laws governing credit issues, including the amount payable, the payee, the instructions on whether it is payable to order or to bearer, the expiration, and the signature of the debtor.

<sup>52</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<https://siri.procuraduria.gov.co/webciddno/consulta.aspx>).

<sup>53</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).



Image No. 24.  
Promissory note

**ABC BANK**

INV \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

US \$ 25,092.00

Greensboro, NC  
City State

06/08/09  
Date

UG# \_\_\_\_\_

FOR VALUE RECEIVED, and in order to settle a claim against me for money owed, the undersigned ("Maker") promise(s) to pay UNITED GUARANTY RESIDENTIAL INSURANCE COMPANY, or order the principal sum of Twenty Five Thousand Ninety Two Dollars and ----- no cent (\$25,092.00) Dollars, payable at 230 North Elm Street, Greensboro, North Carolina 27401, or such other place as the Note holder may designate, in 204 consecutive monthly installments of \$ 123.00, and one final installment of \$ 123.00, beginning on the 10 day of August, 2009, and continuing on the same day of each month thereafter until the full amount hereof is paid, except that any remaining indebtedness, if not sooner paid, shall be due and payable on July 10, 2026.

If any monthly installment under this Note is not paid when due, the entire principal amount outstanding shall at once become due and payable, at the option of the Note holder. The Note holder may exercise this option to accelerate during any default by Maker regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorneys' fees.

Maker may prepay the principal amount outstanding in whole or in part at any time. Any partial prepayment shall be applied against the principal amount outstanding and shall not postpone the due date of any subsequent monthly installments or change the amount of such installments, unless the Note holder shall otherwise agree in writing. No prepayment penalty shall be charged.

Presentment, notice of dishonor, and protest and any and all other notices and demands whatsoever, are hereby waived by all makers, sureties, guarantors and endorsers hereof, and each agrees to remain bound until the principal is paid in full notwithstanding any extension of time for payment of this Note which may be granted from time to time by the holder of this Note, and notwithstanding any inaction by, or failure to assert any legal right available to the holder of this Note. This Note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns. This note shall be governed by and construed in accordance with the laws of the state of North Carolina.

Any notice to Maker provided for in this Note shall be given by mailing such notice addressed to maker at the Maker Address stated below, or to such other address as Maker may designate by notice to the Note holder. Any notice to the Note holder shall be given by mailing such notice to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Maker.

Witness the hand(s) and seal(s) of the undersigned.

\_\_\_\_\_(SEAL)  
(Street Address) Maker

\_\_\_\_\_(SEAL)  
(City) (State) (Zip) Co-Maker

Hm Ph# ( ) Wk# ( ) C/Mk Wk # ( )

**Return Note to:** United Guaranty  
230 N. Elm Street 5<sup>th</sup> Floor  
Greensboro, NC 27401

**Send payments to:** United Guaranty  
P. O. Box 60957  
Charlotte, NC 28254-3414

Attn: Troy Waddell - DO NOT use property address above, please complete, sign and return to address above:

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the date, amount, beneficiary and payer of the security, among others.

### 6.2.2.1 Warning signs regarding the promissory note

1. Promissory notes with apparently false information regarding the debtor (name, address, identification, telephone numbers, etc.).
2. Promissory notes with addresses for the debtor that are apparently false or difficult to locate or access.
3. Promissory notes signed by persons (debtors) who do not have the characteristics or conditions to be the true recipients of the money associated with the security.
4. Promissory notes signed by persons with valid identifications who are apparently impersonating the real debtor.
5. Promissory notes in a jurisdiction (place, city or location) other than the one established for payment or fulfillment of the obligation, without a reasonable justification.
6. Promissory notes signed by different persons, where one or more persons are simultaneously designated as debtors or co-debtors on several occasions, among which there is no reasonably justifiable relationship.
7. Promissory notes signed by persons (debtors) with a criminal record, judicial or administrative records, or who are included in the national or international warning lists.
8. Promissory notes signed by persons (debtors) who individually add up to a large sum of money and are simultaneously cancelled in one payment or by the same person, with no reasonable justification.
9. Promissory notes for large sums of money that are cancelled in cash by the debtor, with no reasonable justification.
10. Promissory notes for large sums of money that are cancelled in cash by the debtor, in amounts higher than the obligation. Reimbursement of the excess payment is later requested, with no reasonable justification other than simple error.

### 6.2.3 Loan statement

A statement is a periodic report of the credit and debit transactions involving the loan. The detailed statement lists all transactions in chronological order and provides a summary of the money inflows and outflows.

Image No. 25.  
Loan statement

Full account statement						Page 1
<b>BANK ABC</b>			Account Number Original Loan Amount Term (months) 240 Loan Start Date Current Monthly Instalment £ 109.27 Current Monthly Rate 0.646% Security address			
Date	Batch	Tr code	Narrative	Debit	Credit	Balance
01/08/2007			Balance brought forward			0.00
01/08/2007			Gross loan	20,320.00		20,320.00
01/09/2007			Direct debit		238.06	20,081.94
01/09/2007			Interest	220.13		20,302.07
01/10/2007			Direct debit		238.06	20,064.01
01/10/2007			Interest	219.94		20,283.95
01/11/2007			Direct debit		238.06	20,045.89
01/11/2007			Interest	219.74		20,265.63
01/12/2007			Direct debit		238.06	20,027.57
01/12/2007			Interest	219.54		20,247.11
01/01/2008			Direct debit		238.06	20,009.05
01/01/2008			Interest	219.34		20,228.39
01/02/2008			Direct debit		234.49	19,993.90
01/02/2008			Interest	214.93		20,208.83
01/03/2008			Direct debit		234.49	19,974.34
01/03/2008			Interest	214.72		20,189.06
01/04/2008			Direct debit		230.95	19,958.11
01/04/2008			Interest	210.30		20,168.41
01/05/2008			Direct debit		230.95	19,937.46
01/05/2008			Interest	210.09		20,147.55
01/06/2008			Direct debit		227.45	19,920.10
01/06/2008			Interest	205.67		20,125.77
01/07/2008			Direct debit		227.45	19,898.32
01/07/2008			Interest	205.45		20,103.77
31/07/2008			Debit card receipt		227.45	19,876.32
01/08/2008			Interest	205.23		20,081.55
01/09/2008			Direct debit		227.45	19,854.10
01/09/2008			Interest	205.00		20,059.10
01/09/2008			Reduce Previous Interest		0.08	20,059.02
01/10/2008			Direct debit		227.45	19,831.57
01/10/2008			Interest	204.77		20,036.34
01/11/2008			Direct debit		227.45	19,808.89
01/11/2008			Interest	204.54		20,013.43
01/12/2008			Direct debit		220.59	19,792.84
01/12/2008			Interest	195.97		19,988.81
01/01/2009			Direct debit		200.58	19,788.23
01/01/2009			Interest	170.74		19,958.97
01/02/2009			Direct debit		187.72	19,771.25

(Source: Study findings)

With the information on the statement it is possible to periodically establish the amount payable and the transactions (origin/sources) that affect the outstanding balance.

#### 6.2.3.1 Warning signs regarding the loan statement

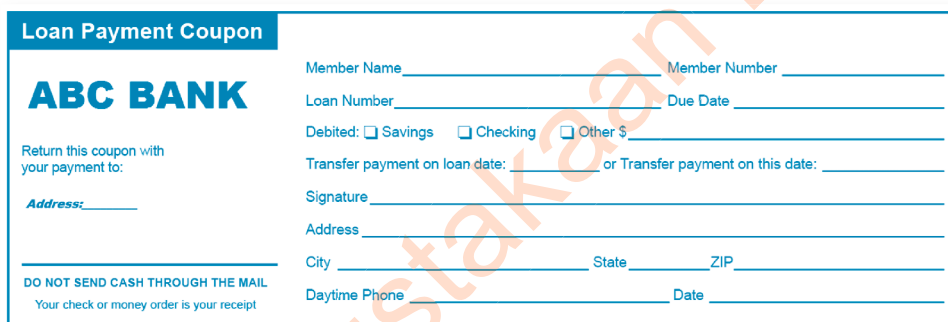
1. Obtaining a series of loans that are frequently cancelled in advance, with no apparent justification.

2. Continuous cash payments on dates other than the due date established by the financial entity, with no apparent justification.
3. Continuous cash payments from different cities in the country, on dates other than the due date established by the entity, with no apparent justification.
4. Rapid reduction of financial liabilities from non-established sources of financing.

#### 6.2.4 Loan payment receipt

The loan payment receipt usually contains information regarding the date, amount paid, and place where payment was made.

Image No. 26.  
Loan payment receipt



(Source: Study findings)

These documents are very important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the place and date of the operation, type of payment and amount paid.

##### 6.2.4.1 Warning signs regarding the loan payment receipt

1. Premium payment is occasionally made in cash from a city other than the city where the loan was made, with no apparent justification.
2. Cash payment of premiums of different loans made by the same person, with no apparent justification.
3. Payment of premiums of different loans, assigned to different borrowers, by electronic wire transfer, made from one same bank account, with no apparent justification.

4. Companies with new owners, acquired under difficult financial conditions, that change their corporate object and show inflated profit in a short period of time.

#### 6.2.5 Loan settlement receipt

The loan settlement receipt usually contains information on the date, total amount paid to settle loan, interest rate charged, place where final payment was made, among others.

Image No. 27.  
Loan settlement receipt

ABC BANK		LOAN SETTLEMENT RECEIPT	DATE: 01/01/01
CONCEPT			
LOAN NUMBER	0.1		
SETTLEMENT RECEIPT NUMBER:	0.1		
AMOUNT	\$ 100.00		
EXCHANGE RATE	0		
RATE COMMISSION	0		
TOTAL:		\$	100.00

(Source: Study findings)

These loan settlement receipts are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the place and date of the operation, type of payment and amount paid.

##### 6.2.5.1 Warning signs regarding receipt of loan settlement

1. Early settlement of loan a short time after it has been assigned, with no apparent justification.
2. Borrower gives no importance to the interest charged for early settlement of loan.
3. Intentional default on loans, with the purpose of collecting on the loan guarantee.

## 6.3 RISK OF MONEY LAUNDERING THROUGH LOANS

Loans may be one of the financial instruments that can pose a very high risk of money laundering.

The characteristics of its use, the type of operations carried out, its customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>54</sup>.

According to this document, loans can be used in typologies such as financial and investment products susceptible to being used for money laundering operations, use of illegal funds to reduce debt or capitalize legitimate companies, and use of prepaid cards linked to savings account for money laundering.

## 7 CREDIT CARD

Credit cards are a financial product typical of financial entities. They are usually in local currency; nevertheless, in some countries can be found in foreign currency, for example in United States Dollars.

### 7.1 DESCRIPTION

A credit card is a credit contract between a customer and a financial entity, which can be used by a natural person (individual) or legal entity (company) to make purchases, withdraw money or pay off the loan at a later date, using a plastic card as form of payment.

Under the contract the holder is assigned a limit to the amount of money that can be charged, but is not obligated to pay in full each month, as payment can be deferred for up to 36 months, in some cases, depending on the entity's loan policy. The remaining balance accumulates interest and if the full balance is paid, no interest is charged.

This financial product establishes a minimum payment as well as finance charges for the outstanding balance. It is usually used as a means of payment in lieu of physical money.

<sup>54</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sandtrends/>

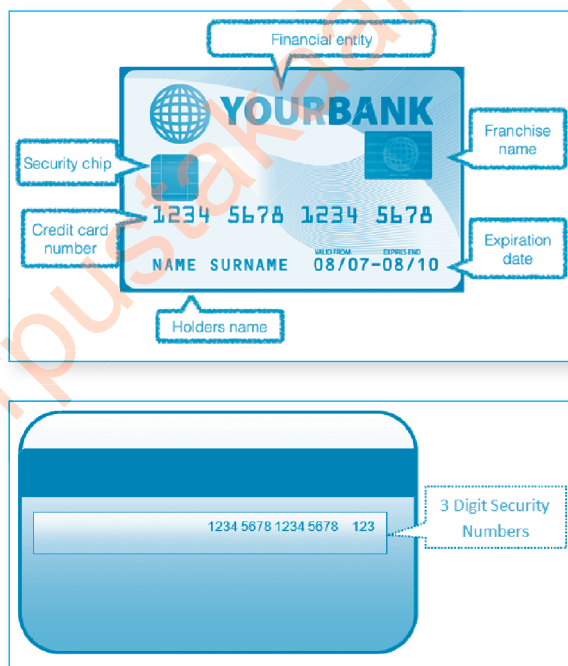


The credit card system is a systematized group of contracts whose function is the administration of business checking accounts, with various functional components: a central organization, which operates the system, the group of card holders, and the registered commercial establishments or card acceptors. This system operates through franchises, the most well-known being Visa, MasterCard, American Express, Diners Club, among others.

These plastic cards are used in the same way as a personal card. It has a magnetic strip that contains a series of information that is both useful to the issuing company and required for the electronic handling of the data.

The magnetic strip on the card is divided into three tracks for data storage: the first stores the name of the user and discretionary and confidential data for the issuing company; the second contains the card number, the secret access code (called PIN<sup>55</sup>) and other additional information; and the third area keeps information on the card movements to be used in off-line data processing.

Image No. 28.  
Plastic card



(Source: Study findings)

The plastic card is issued by the financial entity, in compliance with a credit card contract previously entered into with the client, which stipulates an expiration date and is usually automatically renewed. Under international standards, a sixteen-

<sup>55</sup> PIN, English acronym for Personal Identification Number.

digit number is issued for the plastic card: the first six numbers contain the BIN<sup>56</sup>, which identifies the bank that issues each type of card, and also includes the name of the issuing entity, the card holder authorized to use it and its term. This product can be used through different channels offered by the financial entities that can read the magnetic strip, such as automated tellers or Pin Pad<sup>57</sup>, by Internet or telephone, to purchase goods or services, pay utilities, among others.

Depending on the level of technological development of the entity, the plastic card may contain a chip, which consists of integrated circuits that allow the execution of certain programmed instructions, used primarily for storing information about the product and card holder.

This financial product can be used to purchase goods and services in commercial establishments, pay taxes, and withdraw cash advances in bank offices, automated tellers, by telephone and Internet, and change PIN number to withdraw cash advances.

When payment is made using this financial product, the collector usually requests an identification document (personal identity card, passport, driver's license, etc.) and requires a signature on the sales receipt or voucher as proof of ownership of the product and to ensure that the card holder approves the transaction. Thus, both the user and merchant, who are part of the credit card system, approve and carry out the necessary transactions, thus generating the respective documents.

## 7.2. DOCUMENTS OF INTEREST

Documents that identify the operations and characteristics of a transaction with a credit card include: application form, account or bank statement, purchase or cash advance receipt, and payment receipt.

### 7.2.1 Credit card application form

The credit card application form contains information on the card holder, natural person (individual) or legal entity (company) and on the financial product.

This document, together with others usually required by the financial institution in order to comply with legal obligations (e.g. copies of identity documents,

<sup>56</sup> BIN, English acronym for Bank Identification Number.

<sup>57</sup> The Pin Pad is an electronic device that enables information on the plastic card to be read and allows point-of-sale transactions to be made.

chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), establishes matters such as identification, location, economic activity, income and expenses, assets, liabilities and capital, and commercial or personal references, among others.

Image No. 29.  
Credit card application form

**Credit Card Application Form** **ABC BANK**

Please indicate which credit card you are applying for:  
☐ Visa\* ☐ AAdvantage Visa\* ☐ Gold Visa\* ☐ MasterCard\* ☐ Magna™ MasterCard\* ☐ Gold MasterCard\* ☐ Platinum USD MasterCard\* ☐ My gross monthly income is over \$33,000

**1. Tell us About Yourself**

☐ Mr. ☐ Mrs. ☐ Miss First Name Last Name

Address City Country K.D. Size (if applicable)  
 Date of Birth Marital Status Time at Current Residence If less than 2 years Time at Previous Residence  
 Home Phone # Cel Phone # Passport / National ID Mother's Maiden Name  
 Employer Occupation Work Phone #  
 Time with present Company If less than 2 years Time at Previous Company Gross monthly Income Other monthly Income  
 Name of Reference (Person not living in your household) Address City Country  
 Occupation Telephone # TRN

**2. Your financial information**

\$ Rent / Mortgage Payment Monthly \$ If homeowner, Property Value \$ Existing Mortgage on Home Name of Lender  
 Credit card ☐ Yes ☐ No Name of Lender \$ Balance Monthly Payment  
 Personal Loan? ☐ Yes ☐ No Name of Lender \$ Balance Monthly Payment  
 Assets? ☐ Car ☐ Other Name of Lender (if any) \$ Value Monthly Payment

Applicant's Signature Date Co-applicant's Signature Date

(Source: Study findings)

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships between the parties, financial information about the card holder, location and economic activity, among others.

### 7.2.1.1 Warning signs regarding the credit card application form

1. Applications for several credit card under one or more names, where the same person is authorized to use the service, with no apparent justification.

2. Applications for business credit cards that have common partners, managers, administrators or legal representatives, with no apparent justification.
3. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the leasing enrollment forms completely or to accept incomplete or false information.
4. Persons who deliberately fill out the credit card applications with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
5. Persons who provide personal and commercial references on the credit card application that are incorrect or difficult to verify.
6. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms to apply for a credit card.
7. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for the credit card application.
8. Applicants for a credit card who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
9. Persons or entities that frequently close and open credit card products in the same financial institution or others in the same location, without justification.
10. Credit card applicant considered Politically Exposed Persons (PEP<sup>58</sup>), who attempts to avoid completely or properly filling out the application documents or who does not adequately justify the origin of the money associated to his/her person, or attempts to receive authorization to manage one or more financial products belonging to third parties, with no clear or justified association.
11. Persons authorized to use credit cards who have no direct association with or apparent explanation regarding their relationship with the card holder.
12. Persons authorized to use one or several credit cards who have an inconsistent or improper relationship with the applicant, e.g., an external auditor authorized to manage the products of the audited party.
13. Persons listed as, or who seek to be registered as, authorized to use one or several credit cards for the management of one or more financial products,

<sup>58</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

and who are named in national<sup>59</sup> or international<sup>60</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.

### 7.2.2 Credit card statement

A credit card statement is a periodic report of the transactions involving a credit card assigned to a financial institution's client. The detailed statement lists all transactions in chronological order and provides a summary of the money inflows and outflows.

The information in the statement can be used to periodically establish the amount and type of transactions that reduce the available card balance (purchases, advances or financial fees) as well as the quantity and type of operations that cover (payments or credits) the debt acquired.

Image No. 30.  
Credit card statement

ABC BANK CREDIT CARD STATEMENT				
		Account Number		
		Due Date	Minimum Due	
		7/04/02	\$31.00	
		New Balance	Amount Enclosed	
		\$1379.90		
Reference Number	Posting Date	Description of Transaction	Debits	Credits and Payments
0077623	06/08	ABC Stores Unlimited	106.20	
0317886	06/08	Bulldoggy Cable Network	58.00	
7075061	06/10	Let's Go Car Rental	159.72	
4871311	06/10	Sleep Nice Motel	128.00	
5887041	06/22	AAA Airlines	109.32	
9283742	06/30	payment - thank you		40.00
Previous Balance	- Payments	+ New Charges	* Finance Charge	= New Balance
839.62	40.00	563.24	17.04	1379.90
Average Daily Balance	Monthly Periodic Rate	Annual Percentage Rate (APR)	Finance Charge	Credit Limit
1011.00	1.042%	12.50	17.04	\$3,900.00
				Credit Available \$1620.10

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money, the different ways in which funds are being transferred, and the channels used. It also important for showing life style, proving or disproving alibi, and identifying associates.

<sup>59</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<https://siri.procuraduria.gov.co/webciddno/consulta.aspx>).

<sup>60</sup> Lists published by different entities, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC (<http://www.treas.gov/offices/enforcement/ofac/sdn/>) of the United States Department of the Treasury (known as the "Clinton List"), INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

### 7.2.2.1 Warning signs regarding credit card statements

1. Multiple, continuous or large withdrawals of cash through automated tellers, as advances from credit cards issued by local or foreign financial entities.
2. Simultaneous withdrawals of cash from the same automated teller or from automated tellers in the same network, as credit card advances, where the amounts withdrawn daily are large or the maximum established by the financial entity.
3. Multiple purchases in commercial establishments or credit card advances from automated tellers in the same city or in different cities, with no apparent justification or relationship with the economic activity of the card holder.
4. Payments of large sums of money, primarily in cash, which exceed the balance due on the credit card, which are later claimed by check, with no apparent justification.
5. Multiple purchases in commercial establishments or credit card advances in a city other than the geographic location of the holder or than the place of payment of the credit card, with no apparent justification.

### 7.2.3 Credit card sales receipt or voucher

The credit sales receipt or voucher is the receipt provided by commercial establishments to the card holders when they make a purchase with a credit card, which usually contains information on the date, amount and commercial establishment where the purchase was made.

Image No. 31.  
Sales receipt or voucher

\*\*\*\*\* bar restaurant \*\*\*\*\*

CREDIT CARD VOUCHER

Address:  
Tel:

CHECK: 3429  
TABLE: 97/2  
SERVER: 145 TERI  
DATE: AUG20 97 11:21PM  
CARD TYPE: VISA/MASTERCARD  
ACCT #: 4262516794874  
EXP DATE: 04/99  
AUTH CODE: 313354

SUBTOTAL: 30.49

GRATUITY 6.00

TOTAL 36.49

SIGNATURE: \_\_\_\_\_

THANK YOU

(Source: Study findings)



These sales receipts are very important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the place and date where the transaction took place, the amount paid and information on the commercial establishment.

#### 7.2.3.1 Warning signs regarding sales receipt or voucher

1. Credit card purchases in different cities around the country, on the same day, of equal or similar quantities, where the holder of the financial product has no businesses or agencies.
2. Credit card purchases made on the same day or in a short period of time, the amount of which is close to the maximum established for the credit card, with no apparent justification.
3. Credit card holder that makes all his/her purchases in commercial establishments outside the country, whose economic activity does not justify doing so.
4. Credit card purchases made in border areas, although the client's economic activity does not justify doing so.

#### 7.2.4. Receipt of a credit card cash advance

The receipt of credit card advance is a document containing information on the date, amount, and place where transaction took place, which can be an automated teller or bank branch, among others.

Image No. 32.  
Receipt of a credit card cash advance

Date	Time	Atm Id	Credit card number
4 dic 2010	12:00 p.m	720	xxxxxxxxxxxx0590
Adress			
.....			
Cash advance	\$300		
Comision	\$0		
Available	.....		

(Source: Study findings)

These receipts of credit card cash advances are very important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the place and date where the transaction took place, and the amount withdrawn.

#### 7.2.4.1 Warning signs regarding receipt of credit card cash advance

1. Credit card cash advances made in different branches in the city or country, on the same day, of equal or similar amounts, where the holder of the financial product has no business or agencies.
2. Credit card cash advances made on the same day or in a very short period of time, in amounts that are less than but very close to the maximum established for the credit card.
3. Credit card holder that withdraws all cash advances from automated tellers outside the country, with no economic activity that justifies doing so.
4. Credit card cash advances made in border areas, although the client's economic activity does not justify doing so.

#### 7.2.5. Receipt for credit card payment

The payment receipt is a document containing information on the date, amount paid, place where transaction took place.

Image No. 33.  
Receipt for credit card payment

**ABC BANK**

**STATEMENT OF ACCOUNT**  
Please quote your Access number  
**5224**  
in all correspondence

**NAME:** \_\_\_\_\_

Statement Date  
**10/10/85**

**12345**  
A minus sign indicates a credit.

Date	Reference Number	Description	Previous Balance
17/05	TRDQH	HAPPY MEMORIES, GLADESTRY/KINGTON	0.00
19/05	TZS1N2	W H SMITH & SON LTD, HENLEY	21.87
23/08/85	T522DX	THE GOOD COOK SHOP, HENLEY ON THAMES	16.50
24/09/85	VBKDQ7	M J MILNE SHOP ON THE BRDG, READING	13.95
24/09/85	VBKDRB	M J MILNE SHOP ON THE BRDG, READING	5.95
24/09/85	VMHS1W	W H SMITH & SON LTD, READING	13.40
07/10/85	WMLYPG	B R TRAVEL CENTRE, READING	5.67
07/10/85	WL3M2L	THE H M V SHOP, PLYMOUTH	18.00
			4.49

**MINIMUM PAYMENT SHOULD REACH US BY 04/11/85**

MINIMUM PAYMENT **25.00**

DETACH HERE AND RETAIN STATEMENT

(Source: Study findings)

These payment receipts are very important for purposes of financial analyses and judicial investigations because they provide information that identifies or

confirms the place and date where the transaction took place, type of payment, and amount paid.

#### **7.2.5.1 Warning signs regarding receipt of credit card payment**

1. Multiple, continuous and large credit card charges to pay business expenses or cell phone or public utility bills.
2. Payment of several large bills for the same public utility by credit card, with no apparent justification.
3. Payment of several large public utility bills from other cities by credit card, with no apparent justification and when the client does not have economic activities in that city.
4. Pay off of maximum limit on credit card made through advances, with funds from abroad, with no apparent reason and when the economic activity does not justify doing so.
5. Payments of large sums of money, primarily in cash, exceeding the balance due on the credit card, which are later claimed by check, with no apparent justification.
6. Pay off of maximum limit on credit card in cash, with no apparent reason and when the economic activity does not justify doing so.

### **7.3. RISK OF MONEY LAUNDERING THROUGH A CREDIT CARD**

A credit card is a financial instrument that can pose a very high risk of money laundering.

The characteristics of its use, the type of operations carried out, its customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>61</sup>.

According to this document<sup>62</sup>, credit card services could be used in typologies such as fictitious foreign investment in a “local company”, international exchange arbitration through the transport of illegal money, financial and investment products susceptible of being used for money laundering operations, and announcement of a fictitious award obtained abroad to enter illegal money into the local country.

<sup>61</sup> GAFISUD is an inter-governmental regionally-based organization of South American countries that fights money laundering and the financing of terrorism.

<sup>62</sup> Available for consultation at <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

PART II

## SPECIAL FINANCIAL INSTRUMENTS





## 8 FIDUCIARY BUSINESS

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A fiduciary business is a financial instrument that enables a fiduciary group to carry out many commercial operations on behalf of a natural person (individual) or legal entity (company).

The most well-known lines of fiduciary business are investment, management, guarantee, securitization, and investment banking trust funds.

In some countries, fiduciary companies are authorized to carry out other activities, such as management of collective portfolios or investment funds, and voluntary pension funds, among others.

### 8.1 DESCRIPTION

Fiduciary businesses, or trusts, are based on the trust placed by a natural person or legal entity (the trustor) in a fiduciary firm upon depositing one or more assets to fulfill an objective specified in a contract. This objective may even be for the benefit of a third party (beneficiary).

The fiduciary can carry out all kinds of licit operations, in accordance with the object of the contract, through fiduciary assignments, commercial trust agreements and public fiduciaries.

A fiduciary assignment is a contract that allows a fiduciary company to administer the assets that have been deposited in its trust without transfer of the property, which is only deposited in trust to the fiduciary for compliance with the client's instructions.

A commercial trust agreement is a business through which an individual (constituent or trustor) transfers the ownership of his assets to another party (fiduciary or trustee) for the specific purpose for which the trust was established for the benefit of a third party (beneficiary). For this purpose an autonomous trust is established with the assets of the trustor, without the expectation that these assets will ever become the definitive property of the trustee.

Public fiduciary is a fiduciary business in which a state is the trustor; the fundamental difference between a public fiduciary and a commercial trust



agreement is that the state (trustor) does not transfer the entrusted assets or resources to the trustee, except when expressly established under law.

Fiduciary products may include: collective investment trust funds with a specific objective, the asset management fiduciary, the guarantee fiduciary, the real estate fiduciary, the fiduciary with resources from the general social security system, the securitization fiduciary and investment banking fiduciary.

### 8.1.1 Investment Trust Fund

In an investment trust fund, the fiduciary receives from the trustor sums of money for investment pursuant to instructions. These investments may be to benefit the trustor or a third party chosen by the trustor. This type of investment trust fund can be established through commercial trust agreements or fiduciary assignments.

These trust funds can be administered individually (Specific Investment Trusts), where the money handed over to the fiduciary is administered separately from the other investment trust funds.

When the resources are administered collectively, the fiduciary is in charge of the administration of the collective portfolios or investment funds.

Mutual funds or collective portfolios are an investment mechanism or vehicle to administer money or other assets, consisting of a pool of funds from many investors that will be managed collectively to produce capital gains that are also collective.

Collective portfolios or mutual funds can be open-ended, closed-ended or tiered.

A feature of open-end collective portfolios is that the shares (units) may be redeemed at any time, although the fund regulations may stipulate a minimum time, in which case a penalty for early withdrawal may be charged. These penalties then constitute a gain for the respective collective portfolio.

Tiered collective portfolios are different in that the redemption of shares can only be done after the deadlines previously established in the regulations. The minimum period for redemption of shares in a collective portfolio is defined through legal regulations.

In closed-end collective portfolios, the redemption of all shares can only be made at the end of the period established for the duration of the collective portfolio.

The main types of mutual trust funds are ordinary mutual trust funds, special mutual trust funds, foreign currency funds and foreign investment funds.

- *Ordinary trust funds* are established for trustors who abide by the regulations and who turn over a sum of money to the fiduciary, which commits to making duly established investments that are readily convertible to money in order to allow for timely withdrawals. Generally speaking, client participation is restricted to a percentage of the total value of the fund.
- *Special Mutual Trust Funds* are set up for trustors who abide by the regulations and who turn over a sum of money which the fiduciary commits to investing appropriately, for example, in fixed-income funds, variable-income funds, term funds, funds for the acquisition of assets other than securities, and funds for investment in securities issued through processes for the securitization of assets. In this case, the fiduciary manages the group resources that comprise the fund in keeping with the investments, investment limits, and concentration and liquidity established in the regulations.
- *Funds in Foreign Currency* are set up to receive resources from trustors who abide by the regulations and turn over money in local currency which is invested abroad by the fiduciary.
- *Foreign Mutual Funds*, as commercial trust agreements or fiduciary assignments, consist of the resources of one or more foreign natural persons (individuals) or legal entities (companies), with the purpose of investing in the local public securities market. These are generally established for the acquisition of shares of stock in the local market, in keeping with the rules for take-over bids. These foreign capital mutual funds can be either individual or institutional: individual funds are natural persons (individuals) or legal entities (companies) from abroad whose main objective is to direct their treasury surplus to capital markets, generally as a financial strategy, not necessarily to make investments. Institutional funds are those that comprise several persons or entities with the primary objective of investing in the world's capital markets (e.g. omnibus, ADR and GDR funds).

### 8.1.2 Fiduciary management

Fiduciary management is a fiduciary business in which the trustor entrusts his or her assets to a fiduciary, with or without transferring ownership of the asset,

for the fiduciary to manage, according to the instructions given in this respect. The fiduciary management business can have multiple objectives, depending on the needs of and instructions given by the trustor. The following are the main types of fiduciary management:

- A management and payment trust aims to receive sums of money during a specified amount of time, to be managed by the fiduciary, which must fulfill the obligations established by the trustor in a timely and proper manner. The fiduciary is usually responsible for collection of funds and may invest this money, as long it complies with the management and commitment terms of the contract. Certain entities enter into this type of fiduciary agreement to ensure greater efficiency and timely performance.
- Fiduciary management of inheritances, legacies and the assets of persons with disabilities is a trust fund that has been previously designated to manage a group of assets belonging to a person who has passed away. The fiduciary assumes the administration of these goods and transfer the product or ownership of such goods to the beneficiaries or legatees. When legally disabled persons have been determined to be unable to manage their own assets, the fiduciary steps in to manage said assets until such time as the disability is no longer present or the assets can be transferred.
- Fiduciary management can also be used to develop housing programs, administer company treasuries, administer companies facing financial difficulties that have filed for bankruptcy or restructuring with its creditors, for the liquidation of commercial businesses or public entities.

### 8.1.3 Guarantee trust fund

The guarantee trust fund is a fiduciary business in which a person transfers the ownership of one or more assets to a fiduciary business in order to guarantee compliance with certain third party or with their own obligations.

In this type of trust fund, the trustor irrevocably transfers the ownership of said asset(s) to the fiduciary business or through irrevocable fiduciary assignment, which are then sold to pay for obligations or unpaid goods to the creditors or beneficiaries designated in the contract or according to the instructions provided.

In the case of a commercial guarantee trust, the fiduciary is the owner of the assets and can issue a guarantee certificate so that the creditor can offer this

in support of payment of his or her obligations; this certificate must then be returned to the fiduciary upon fulfillment of the obligation.

In the case of an irrevocable fiduciary assignment, the trustor turns over the assets to a fiduciary, without transferring ownership, so that the latter may hold them in custody as a guarantee of payment of the obligation.

The guarantee and source of payment trust consists in the irrevocable transfer or delivery to the fiduciary of a future flow of resources from the transfer of economic rights in favor of the trustor, which will be used to guarantee fulfillment of the obligation.

#### **8.1.4 Real estate investment trust**

A real estate investment trust is a business used to administer resources or goods related to a real estate project. This type of trust can be implemented in different modalities:

The administration and payment modality, in which ownership of real estate is transferred to a trust, which will administer the real estate project and make the payments required for the development of the project, in accordance with the instructions indicated in the agreement. In this type of business, the fiduciary business may be in charge of issuing the titles to the units built by the project.

In the treasury modality, the trust invests and administers the cash resources used to develop the real estate project.

Finally, in the pre-sale modality, the main obligation of the fiduciary business is to collect the money delivered by parties interested in becoming involved in the real estate project, and to administer and invest these funds until such time as the conditions exist to develop the project.

#### **8.1.5 Trust with funds from the general social security system**

The trust that manages resources from the general social security system consists in delivering money or assets to a fiduciary business (with or without transferring the ownership of such assets), to be administered by the trust as established by the trustor.

The resources can come from pension benefits and are delivered to the fiduciary business to be administered, invested and to set up reserves and

guarantees to attend to and/or normalize the pension benefits (e.g. payment of monthly pensions, pension sharing contributions, etc.).

When resources come from the social security system, the objective of the fiduciary business is to administer the resources to be used for operations related to health and occupational health.

#### 8.1.6 Securitization trust fund

Securitization fiduciary is a fiduciary business used to obtain liquidity, through assets traditionally considered illiquid. These assets are transferred to an autonomous patrimony, and securities are issued with these as a guarantee. Through this type of fiduciary, the securities issuer becomes an autonomous patrimony, managed by the fiduciary.

The term of the securities depends on the characteristics of the asset, and is usually more than one year. The document issued as a result of the securitization process has characteristics and prerogatives that are specific to the securities themselves.

The securities may be debt, equity or hybrid securities. Debt securities represent a specific sum of money that can comprise a fixed sum corresponding to the capital invested and a variable sum corresponding to the profitability agreed to in the securitization process. Equity securities represent a proportional part of the autonomous patrimony or securitized fund and, therefore, profit-sharing or loss is distributed on the basis of this percentage. Hybrid securities combine the two groups of securities: debt securities, which allow the holder to demand a certain amount of money, and equity securities, or shares of stock in the patrimony or securitized fund.

The main assets that can be securitized are credit card receivables, securities (negotiable bills of sale), future cash flows (in some specific cases) and properties, construction projects, housing leasing contracts, agricultural and agro-industrial assets, public infrastructure works and public utilities.

#### 8.1.7 Fiduciary as investment banking

A fiduciary as investment banking is a fiduciary business in which the fiduciary offers its clients the service of designing financial alternatives to improve the use of the resources, finance expansion projects, and cover capital or liquidity needs. This is a fiduciary product that is offered to the public and the private sectors.

Some of these investment banking fiduciary products include structuring of bonds or placing of commercial papers, structuring of asset securitization processes, restructuring of liabilities, obtaining commercial or development loans, and structuring of guarantees.

## **8.2 DOCUMENTS OF INTEREST**

Documents that identify the operations and features of a fiduciary business include: the application form for the fiduciary assignment or commercial trust agreement, receipt for money or assets, the contract, mandate or instructions provided by the trustor, the receipt for money withdrawals and/or sale of goods, and the cancellation or completion of the fiduciary business.

As mentioned above, fiduciary businesses can be so diverse and so specific that each line of business will provide certain information, depending on the type (investment, management, guarantee, and securitization). Nevertheless, there are some common documents that are filled out either at the time of application or when money or assets are received or when the fiduciary makes a payment to or on behalf of one of its trustors.

### **8.2.1. Enrollment/application form for opening a fiduciary assignment or commercial trust account**

The enrollment and/or application form for opening a fiduciary assignment or commercial trust account contains information on the client (trustor), which can be a natural person (individual) or legal entity (company).

This application form, together with others required by the financial institution primarily in order to comply with legal obligations of banking supervisors (e.g., copies of identity documents, chamber of commerce or economic activity certificates, financial statements, and tax returns), establishes matters such as the identification or location of the trustor and the goods, identification of the economic activity in question, income and expenditures, assets, liabilities and capital, commercial and/or personal references, origin or source of the goods and assets, properties, etc.



Image No. 34.  
Enrollment/application form for opening a fiduciary assignment  
or commercial trust account

**ABC TRUST FUND** **Application**

Please print in all CAPITAL LETTERS and use black ink.  
Please do not use this application to open an IRA. For all John Hancock forms and applications please visit us at [www.jhfunds.com](http://www.jhfunds.com).  
Questions? Please call us at 1-800-225-5291.

**1. Fund Selection**

Select the fund(s), share class and the amount you would like to invest. If no share class is selected, Class A shares will be purchased.  
Minimum investment is \$2,500 per fund and account.

<input type="text"/>	\$ <input type="text"/>	Check one share class <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
Fund Name	Investment Amount	
<input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
Fund Name	Investment Amount	
<input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
Fund Name	Investment Amount	
<input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
Fund Name	Investment Amount	
<input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C

Checks must be made payable to: John Hancock Signature Services, Inc. We cannot accept starter or third-party checks.

**2. Account Information (Select only one account type)**

☐ **Individual or Joint Account**    ☐ Mr.    ☐ Mrs.    ☐ Ms. (check one)

Owner's Name (First)  (MI)  (Last)

Social Security Number  Date of Birth

Joint Owner's Name\* (First)  (MI)  (Last)

Joint Owner's Social Security Number  Joint Owner's Date of Birth

\*Joint accounts will be registered as joint tenants with rights of survivorship (JT WR/S).  
Joint accounts in Louisiana will be registered as tenants in common (TEN COM) unless otherwise indicated in this box.

☐ **Gift/Transfer to a Minor (UGMA/UTMA)**

Custodian's Name (First)  (MI)  (Last)

Custodian's Social Security Number  Custodian's Date of Birth

Minor's Name (First)  (MI)  (Last)

Minor's Social Security Number  Donor's State  Minor's Date of Birth

☐ **Trust**    ☐ **Corporation or Partnership**    ☐ **Other (Estate, Organizations)**

Please do not use this application to open Retirement Plan Accounts. Please call us at 1-800-225-5291 or log on to [www.jhfunds.com](http://www.jhfunds.com).

Name of Trust, Corporation, Partnership or Organization

Trustee or Authorized Signer's Name (First)  (MI)  (Last)

Authorized Co-Signer's Name (First)  (MI)  (Last)

Trust Date (if applicable)  Taxpayer Identification Number (for Trust, Corporation, Partnership or Organization)

continued on reverse side >>

(Source: Study findings)

This application document is important for purposes of financial analysis and judicial investigations because it provides information that identifies or confirms the relationships of the trustor, financial aspects of the persons intervening in the fiduciary contract, the location and economic activity, goods received or managed by the fiduciary, owners, beneficiaries, among others.

#### **8.2.1.1. Warning signs regarding the application form for opening a fiduciary assignment or commercial trust account**

1. Opening of several trust accounts, primarily mutual funds or special investment funds, in the name of one or more persons, all of which have registered one single person as the co-holder or additional trustor.
2. Opening of several trust accounts at different companies, all of which share common partners, managers, legal representatives and/or authorized signatures.
3. Consecutive opening of several trust accounts, primarily mutual funds or special investment funds, in the name of different people with similar characteristics (age, economic activity, location, relatives) but that apparently do not know each other.
4. Consecutive opening of several trust accounts, primarily mutual funds or special investment funds, with the same initial amount of money, in the name of different people who apparently do not know each other.
5. Refusals, attempted bribery of or threats to against fiduciary officials to induce them to accept incomplete or false information or to avoid the full completion of the application forms for several fiduciary assignments.
6. Natural persons (individuals) or legal entities (companies) showing financial solvency but with problems providing commercial references or obtaining a co-signer or guarantor when filling out the application form for opening trust accounts.
7. Persons who record the same address and/or telephone number of other individuals to whom they have no apparent relationship, when opening several trust accounts, especially mutual funds or special investment funds.
8. Persons who frequently change their personal information on fiduciary documents, such as address, telephone number and occupation, with no apparent justification.
9. Persons who deliberately fill out the application forms required to open a trust account with illegible or “deceptive” handwriting, or information that is either false, difficult to verify or insufficient.
10. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms to open trust accounts.
11. Applicants for a trust agreement, who appear nervous, give hesitant responses and/or consult written notes when asked for information to open a trust account.

12. Persons opening a trust account at a branch, with no apparent justification, whose location is different or far away from where the trustor carries out his/her business or economic activity. If the client in question is a natural person (individual) on salary, when there is no logical relationship between the bank location and the employer's location or the client's place of residence.
13. Trust account applicants who by virtue of age, experience or economic activity have no prior record regarding financial products in the sector and cannot account for such when requested.
14. Applicants for a fiduciary business who are named in national<sup>63</sup> or international<sup>64</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
15. Trust account applicants who demand to see or show a marked preference for a specific commercial advisor or trust fund manager or official.
16. Trust account applicants who refuse to justify the origin of the funds to be used in the operation or to update the basic information provided at the time the application was submitted to the fiduciary.
17. Trust account applicants who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the fiduciary's clients or by another financial institution.
18. Trust account applicants, primarily applicants for mutual or special investment funds for large sums of money not consistent with the socioeconomic information submitted, with no apparent justification to explain the discrepancy.
19. Companies applying for a fiduciary account for large sums of money not consistent with the low capital, operating income or available cash resources and/or companies that have been very recently created.
20. Trust account applicants, primarily mutual funds or special investment funds, who invest large sums of money with no apparent interest in the details of the product or questions about the availability and profitability of the product, and/or feigning market ignorance.
21. Trust account applicant investing a large amount of money through a fiduciary who does not state a specific economic activity or defines it as being "independent".

<sup>63</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>64</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

22. Trust account applicant, primarily mutual funds or special investment funds, with a large investment and who identifies him/herself with a document that is difficult to verify or is expired (i.e. foreigners, tourists, non-residents, minors).
23. Trust account applicant who is classified as a Politically Exposed Person (PEP<sup>65</sup>) and who tries to avoid properly and completely filling out the application documents or does not adequately justify the origin of his/her money or assets.
24. Applicant for a high investment trust account, when said applicant holds no justifiable relationship to the other projects undertaken or known assets.
25. Trust account applicant, especially for a trust management fund or guarantee trust fund, who has just recently acquired the asset for an amount that is either excessively below or excessively above its real value.
26. Trust account applicant, especially real estate investment trusts, who expresses his or her desire to purchase several units of a given development, in cash, without requesting financing from any financial institution.

### 8.2.2 Receipt for money or assets received by the fiduciary

The money or assets of the investors can be received directly or indirectly by the fiduciary. It is indirectly received when a network of branch offices of another institution is used to collect the fiduciary client's money. In any case, there will be a document to support the transaction performed by the trustor.

The receipt for the trustor's money or assets contains information regarding the date, amount, type of operation (cash, check, charged to an account or other financial product), type of asset entrusted, characteristics of the asset, fiduciary office or financial institution carrying out the operation, name and identification of the depositor or trustor, telephone numbers and additional data.

<sup>65</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

Image No. 35.  
Receipt for money or assets received by the fiduciary

<small>ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, state bar number, and address)</small>  <small>TELEPHONE NO.:</small> <small>FAX NO.:</small> <small>ATTORNEY FOR (Name):</small> <b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO</b> <input type="checkbox"/> HALL OF JUSTICE, 320 W. BROADWAY, SAN DIEGO, CA 92101-5827 <input type="checkbox"/> MARJORIE BRADLEY BLDG., 1428 4TH AVE., SAN DIEGO, CA 92101-3105 <input type="checkbox"/> FAMILY COURT, 1525 6TH AVE., SAN DIEGO, CA 92101-5589 <input type="checkbox"/> NORTH COUNTY DIVISION, 332 S. MELROSE DR., VISTA, CA 92081-4643 <input type="checkbox"/> EAST COUNTY DIVISION, 250 E. MAIN ST., EL CAJON, CA 92020-3641 <input type="checkbox"/> RAMONA BRANCH, 1428 MONTECITO RD., RAMONA, CA 92065-5200 <input type="checkbox"/> SOUTH COUNTY DIVISION, 590 3RD AVE., CHULA VISTA, CA 91910-5649	<small>FOR COURT USE ONLY</small>          
<small>PLAINTIFF(S)/PETITIONER(S)</small> 	
<small>DEPENDANT(S)/RESPONDENT(S)</small> 	
<b>REQUEST FOR PAYMENT OF TRUST FUNDS</b> <small>(CRC 4; GC 69953; CCP 631.3)</small>	<small>CASE NUMBER</small> 

**DECLARATION**

I, \_\_\_\_\_ ☐ A Court Reporter ☐ A party ☐ An Attorney for \_\_\_\_\_ do declare that the sum of \$ \_\_\_\_\_ is presently due and owing to:

(Name) \_\_\_\_\_

(Street) \_\_\_\_\_

(City, State, Zip) \_\_\_\_\_ by reason of: \_\_\_\_\_

(If court order provided for interest, provide payee's tax I.D. # and mailing address for tax reporting): \_\_\_\_\_

\_\_\_\_\_

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

**VERIFICATION**

I certify that the sum requested above is on deposit in the \_\_\_\_\_ Trust Fund.

**CLERK OF THE SUPERIOR COURT**

Date: \_\_\_\_\_ by \_\_\_\_\_, Deputy

SDSC CIV 180 (Rev. 4-04)      **REQUEST FOR PAYMENT OF TRUST FUNDS**

(Source: Study findings)

This receipt for the reception of money or assets from the trustor is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin of money or assets used in the fiduciary assignment or commercial trust account, as well as some of the characteristics of the transactions, some aspects regarding the assets, and other details about the implementation of the fiduciary contract.

#### 8.2.2.1 Warning signs regarding receipts of money or assets received by the fiduciary

1. Deposits of equal or similar amounts on the same day in different branches of the fiduciary or other financial institution in the city or country, where the depositor (apparent client of the trust holder) has no business or agencies.

2. Cash deposits that indicate fractioning<sup>66</sup>, because the amount is lower than but approaching the established control limit, carried out in different offices of a financial institution or fiduciary on the same day or consecutively over a few days, to accounts of fiduciary businesses, especially mutual funds or special investment funds.
3. Deposits of large sums of money to fiduciary business accounts, especially mutual funds or special investment funds that are or have been inactive.
4. Deposits by individuals to a fiduciary account, especially to a mutual fund or special investment fund, when the account holder is a legal entity (company) with no commercial relationship with said depositors.
5. Simultaneous deposits made by the same person to several fiduciary businesses, especially to a mutual fund or special investment fund, under the names of different companies from one single “financial group”.
6. Frequent deposits for large amounts of cash to the fiduciary accounts, especially mutual funds or special investment funds, of a company that, given its commercial activity, does not usually receive or is not associated with this type of operation.
7. Frequent deposits of large amounts of cash in rounded amounts, made with high or low denomination bills, when given the nature of his/her economic activity the fiduciary holder, especially in the case of mutual funds or special investment funds, does not make sales that imply receiving this type of money.
8. Establishment of trusts for large sums of money, through one or more checks that, based on the information of the checks account holders, have no stake in the economic activity of the trustor, or in such cases, where the justification for this is not deemed satisfactory by the fiduciary.
9. Establishment of trusts for large sums of money, through one or more account transfers from the same account holder, from the same or different financial institutions, with no apparent justification.
10. Establishment of trusts for large sums of money through one or more transfers from third party accounts, from the same or different financial institutions, with no apparent justification.
11. Establishment of a guarantee trust fund in which certificates written out to various financial institutions are requested immediately, with no apparent justification for the need for said resources.

<sup>66</sup> Some typologies or operations related to this modality can be consulted at: <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>



12. Establishment of an autonomous patrimony through guaranteed trust funds for which certificates are not requested.
13. Establishment of trusts, especially guarantee or securitization trust funds, with assets that the fiduciary has determined have been subject to legal measures or whose present or former owners have a police record.
14. Establishment of trusts, especially guarantee or securitization trust funds, with assets that are difficult to quantify or in locations difficult to access.
15. Establishment of trusts, especially guarantee or securitization trust funds, with assets that have legal inconsistencies with regard to their ownership, possession or tenure.
16. Establishment of trusts, especially guarantee or securitization trust funds, with real estate properties (lots or constructions) that are overvalued or whose characteristics are not consistent with the sector.
17. Establishment of trusts, especially real estate trusts, in which one same trustor buys several units of a housing development, which is not consistent with his/her economic activity, or the justification offered is not deemed satisfactory by the fiduciary.
18. Establishment of trusts, especially real estate trusts, in which the trustor establishes periodic payments in cash, that are far superior to his/her capacity for payment according to the economic activity reported, or cases where the justification offered is not deemed satisfactory by the fiduciary.
19. Establishment of trusts, especially real estate trusts, in which the trustor cedes his or her rights to a third party before registering the asset without offering satisfactory justification to the fiduciary.
20. Establishment of trusts, in which the trustor is represented by an attorney-in-fact, with no apparent reason.
21. Establishment of trusts, especial guarantee or securitization trust funds, with properties without a clear ownership record.

### 8.2.3. Proof of payment to or on behalf of trustor

The proof of payment (checks written or transfers made) by the fiduciary to or on behalf of the trustor contains information on the payment date, form of payment, amount of payment, branch of the fiduciary that makes the payment, name and identification of the beneficiary and authorized signatures of the fiduciary.

Image No. 36.  
 Proof of payment to or on behalf of a trustor

**ABC TRUST FUND**

NAME \_\_\_\_\_ DEBIT CARD NUMBER: \_\_\_\_\_

CITY AND DATE: \_\_\_\_\_

Sr. \_\_\_\_\_

We kindly request the following transactions:

Debit from de account:

Account's name	Account's type	Account's number	Total Value

AMOUNT IN WORDS: \_\_\_\_\_

PAYMENT FORM: \_\_\_\_\_

BENEFICIARY

NAME	ID NUMBER	PAY TO	DELIVER TO	CONDITIONS	VALUE

PAYMENT CONCEPT: \_\_\_\_\_

NOTE: PLEASE REGISTER THIS TRANSACTION INDIVIDUALLY, ELABORATE DEBIT OR CREDIT NOTE THAT THIS TRANSACTION ORIGINATES, POINTING OUT THE DEBIT LETTER NUMBER AND THE FINANCIAL EXPENSES DISCRIMINATION. SENT DE NOTE TO FAX: 22584678 OR 2254677

\_\_\_\_\_  
 AUTHORIZED SIGNATURE

\_\_\_\_\_  
 AUTHORIZED SIGNATURE

\_\_\_\_\_  
 PREPARE BY

\_\_\_\_\_  
 REVIEW BY

\_\_\_\_\_  
 APPROVE BY

(Source: Study findings)

The proof of payment (checks written or transfers ordered) by the fiduciary to or on behalf of the trustor is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms aspects such as the participation of different people as trustors or beneficiaries, the relationships between the people involved in the fiduciary contracts, dates, amounts and characteristics of fiduciary payments, among others.

#### 8.2.3.1 Warning signs regarding proof of payment to or on behalf of trustor

1. Partial or full payments of a fiduciary business, requested by the trustor, when the amount is lower than but approaching the established control limit for cash transactions.
2. Partial or full payments of a fiduciary business requested by the trustor, on the same day or in a very short period of time, to different beneficiaries, which are cashed by the same person.
3. Partial or full payments of a fiduciary business, requested by the trustor, to different companies, which are cashed by the same person acting as legal representative, as legitimate beneficiary or as attorney-in-fact.

4. Partial or full payment of different fiduciary businesses, especially mutual funds or special investment funds, requested by various trustors who arrive as a group to perform said operations.
5. Partial or full payment of a large sum of money for a fiduciary business, in which the trustor requests several checks, where the amount of each individual check is lower than but approaching the established control limit for cash transactions, written out to the same holder, same person or to different people.
6. Partial or full payment of a fiduciary business, requested by the trustor, in checks payable to different beneficiaries, which, after endorsement (sometimes with similar handwriting) are cashed by the same person.
7. Partial or full payment by check of a fiduciary business, requested by the trustor, illegibly endorsed and paid in cash in such a manner that the identity of the end beneficiary cannot be verified.
8. Partial or full payment of a fiduciary business, requested by the trustor, through local transfers to different cities, when the holder does not have clients or business in those locations that would justify said operations.
9. Partial or full payment of a fiduciary business, requested by the trustor, through local transfers to different localities that are distant from the business headquarters of the payment beneficiary, with no apparent justification.
10. Partial or full payment of a fiduciary business, requested by the trustor, through local transfers to the same person or to several third parties, in amounts lower than but approaching the established control limit for cash transactions.
11. Partial or full payment of a fiduciary business, requested by the trustor, through transfers to checking or savings accounts or another financial instrument, upon which the money is withdrawn immediately or shortly thereafter through automated teller machines.
12. Partial or full payment of a large amount of money for a fiduciary business whose holder is a company, requested by the trustor, which is ultimately paid in cash by the manager or officials of the same institution.
13. Partial or full payment of a fiduciary business, especially a management and payments fiduciary or a real estate investment trust, the beneficiary of which was not originally included and the justification for so doing is not deemed satisfactory by the fiduciary.
14. Partial or full payment of a fiduciary business, especially a management and payments fiduciary or a real estate investment trust, the amounts of which are greater than those initially estimated and the justification is not

deemed satisfactory by the fiduciary or the technical specifications of the assets acquired by the trust differ from those stipulated.

### 8.3 RISK OF MONEY LAUNDERING IN THE FIDUCIARY BUSINESS

Fiduciary contracts can pose a very high risk of money laundering.

The characteristics of the operations and the information known –either at the time of applying to the fiduciary, establishing fiduciary assignments or commercial trust agreements, when receiving the money or assets, making partial or full payments to or on behalf of the trustor– as well as the analyses of the aforementioned documents and the behavior of their holders may coincide with some money laundering typologies set forth in the regional GAFISUD<sup>67</sup> document and in the typology reports of 1997-1998, 1999-2000, 2000-2001, 2003-2004, 2004-2005 of GAFI-FATF<sup>68</sup>.

According to the above documents, a fiduciary contract may be used in typologies such as “financial and investment products susceptible to being employed by money laundering operations” or “purchases made by a criminal organization”.

## 9. SECURITIES TRADING

A stock exchange or securities negotiation is a financial instrument that allows for direct or indirect investment operations, and the purchase and sale of securities through an intermediary stock brokerage firm (stock broker) on behalf of a natural person (individual) or legal entity (company) (either directly or through the stock markets).

### 9.1 DESCRIPTION

Stock brokerage firms can perform certain types of financial transactions on their own and for their clients, in accordance with each country's conditions and rules and regulations. The most popular stock exchanges include investments in fixed or variable-income securities, investment funds, the provision of advisory services related to investment banking, the management and custody of securities, and exchange operations or currency negotiations.

<sup>67</sup> GAFISUD is an inter-governmental regionally-based organization of South American countries that fights money laundering and the financing of terrorism.

<sup>68</sup> The Financial Action Task Force (FATF) has published several documents on typologies used in money laundering and the financing of terrorism. These can be consulted at: <http://www.fatfgafi.org>

### 9.1.1 Variable-income investment

Stock brokerage firms offer their clients the opportunity to buy or sell shares listed on the stock market, term transactions, and repo operations with shares. This enables stock brokers to create stock portfolios that meet their clients' needs and preferences.

For variable-income investors, the purchase of shares implies participation in the assets of certain companies, with the possibility of making a profit through the payment of dividends. Another way to obtain a return on the investment is through the increase in stock value.

These types of securities are generally traded through electronic systems established by and between stock brokers, stock brokerage firms and centralized securities deposits.

### 9.1.2 Fixed-income securities

Stock brokerage firms offer their clients the opportunity to buy or sell fixed-income securities, such as Certificates of Deposit (CD), public or private debt bonds, banker's acceptances, mortgage securities, special bonds, securities listed on the stock market and, in general, any private or public debt security that is traded on the market.

The return on investment offered to clients for this fixed-income investment option depends on the risk they are willing to assume. Higher profits imply higher risks.

### 9.1.3 Mutual funds

Mutual funds, which are also known as securities fund, are another stock market modality offered by stock brokerage firms to their clients.

Mutual funds are created with money contributed by a certain number of natural persons (individuals) or legal entities (companies) with similar investment objectives, to be managed by a stock brokerage firm. This stock brokerage firms puts together a diversified securities portfolio that is responsible for distributing the income in proportion to the number of units held by each individual.

Open-ended, closed-ended or tiered securities are traded on the stock market. Open-ended security funds are those in which subscribers can redeem their participation at any time. Closed-ended security funds are those in which the contributions are paid to the subscribers only at the end of the term established

for the corresponding fund. Tiered security funds are those in which subscribers can redeem their shares based on the maturity deadlines of the fund assets.

Security funds, called conservative funds, target individual investors and consist of fixed-income trading paper and securities issued by private and/or public issuers that offer moderate yields. Clients are normally short-term investors that can collect their funds on demand and with yields that are more or less stable with respect to the market. Stock brokerage firms diversify the fund's securities to ensure security and liquidity. These funds are generally open to new investors and require a minimum investment.

Another security fund modality is one that targets legal entities (companies) and is required to or seeks out investment portfolios with conservative risks. These funds consist primarily of fixed-income securities issued by private and public issuers.

Stock brokerage firms offer this type of funds as short-term investment instruments with moderate yields, with respect to the market. These funds are open to new investors and require a minimum investment.

Stock brokerage firms also set up securities funds for investors with high-risk profiles that prefer medium or long-term investments and expect to receive higher returns on their investments. These fund portfolios consist of shares with companies from different sectors of the economy, so as to concentrate the investment in higher stock market capitalization companies that offer better perspectives for growth in the medium to long term. The objective is to design a fund that complies with the liquidity terms offered to investors, by investing a greater portion of its resources in "highly securitized" shares or in liquid fixed-rate instruments. These funds are open to new investors and require a minimum investment.

Another security fund modality consists of overseas investments. These funds are designed for people who look for conservative investments abroad while hedging their investments against devaluations that are subject to "hard" currency (generally U.S. Dollars or Euros) exchange rate volatility. The funds are invested in local currencies, while additions and withdrawals are also made in local currencies, although the fund is denominated and earns profits in foreign currencies. The securities fund portfolio is diversified with assets in strong and widely traded currencies. This type of fund is open to new investors and requires minimum investment amounts and terms.

Lastly, there is one more investment option, known as a foreign fund. Investors in this type of fund deliver their capital to the local stock broker agents, who in turn enter into correspondent agreements with foreign intermediaries in charge of constituting, diversifying and managing the portfolio. These offshore



investments generally offer returns with certain tax exemptions, protect against devaluation risks, and have easy access to international markets. These funds are open to new investors and require a minimum investment and term.

#### 9.1.4 Investment banking

Stock brokerage firms offer their clients investment banking services, such as advice on bond issues, debt restructuring, debt conversions, corporate appraisals, and financial engineering.

In specific cases, stock brokers can also advise, design, negotiate and place debt bond issues, bonds that must be converted into ordinary shares, preferential shares without voting rights, privileged shares and other instruments that are needed to access the capitals market.

Stock brokerage firms also provide advice on solutions to working capital problems, debt service rationalizations, term transformations, funding source changes, capital structure analyses, and the design and negotiation of debt instruments.

Stock brokerage firms can also determine the market value of a company's shares, which implies performing a financial, technical, administrative, legal, fiscal and marketing appraisal to establish the price of a purchase, sale, merger, etc. Financial engineering consulting services can focus on obtaining funds, designing securities, funding sources, cost systems, defining the correct capital structure, marketing debt and restructuring corporate financial divisions.

#### 9.1.5 Management and custody of securities

Stock brokerage firms also offer their clients security management services to negotiate stock redemptions, collect the interests on said shares or reinvest surpluses.

In addition to managing the funds, stock brokerage firms also provide their customers with the opportunity to open escrow accounts for their securities and bonds either as their own accounts or through centralized local and foreign security deposits.

#### 9.1.6 Currency exchange and trading operations

Certain stock brokerage firms can perform exchange operations and/or currency negotiations with their clients.

These exchange transactions may include: sending or receiving money orders in foreign currencies for imports, exports, foreign investment and external debt; purchase and sale of currencies that correspond to exchange operations; handling and management of international credit and debit card systems; purchase and sale of currencies to other financial institutions in the exchange market; dispatch or reception of money transfers and remittances from residents and non-residents; capital investments abroad and temporary financial investments, and financial assets issued by banking entities abroad or in bonds and stocks issued by foreign governments, in conformity with local standards.

Another service modality offered by stock brokerage firms includes term operations to reduce their client's exchange risks and increase their coverage. These transactions are made through standardized agreements in terms of size (foreign currency amount), maturity dates and the number of open maturities. The stock brokerage firm enters into an agreement with the client to buy and sell a certain number of agreements in foreign currencies, at a future date and for an established price. The parties assume both the obligation and the commitment to pay or receive the earnings and losses produced by the differences in the agreement prices throughout the term of the agreement, as well as their liquidation with respect to the prevailing exchange rate. This mechanism allows clients to control unavoidable risks<sup>69</sup> caused by paying for or collecting sums of money in other countries or making investments in foreign currencies.

## 9.2 DOCUMENTS OF INTEREST

The documents that identify stock exchange transactions and their characteristics include: the application to open the respective investment or escrow account, the reception of the funds, the agreement, the account number, the investor's mandate or instructions, and the investment's total or partial withdrawal.

As stated above, the products and services offered by a stock brokerage firm can be so varied that each one provides specific information on each type of investment (securities funds, foreign investment funds, fixed and variable rate funds, investment banking, exchange transactions, or security escrow and administration). However, there are certain common documents that are processed when opening an account or receiving the funds, or when the stock brokerage firm makes a payment on behalf of and/or in the name of one of its clients.

<sup>69</sup> Exchange risks consist of loss contingencies due to variations in the value of a specific currency relative of another currency. These exchange rate variations affect the wealth of the traders that keep assets in foreign currency. The difference in exchange rate between the moment the transaction agreement is made and the actual collection of payment or charge can generate unexpected losses or gains.

### 9.2.1 Investment enrollment or application form and instructions

The application form that is used to open an investment fund contains information on the client (investor), either as a natural person (individual) or a legal entity (company).

This document, together with others usually required by the financial institution in order to comply with legal obligations (e.g. copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns, and ownership documents), establishes aspects such as identification of the investor, the location of the client or of assets, economic activity, income and expenses, assets, liabilities and capital, commercial or personal references, and the origin of the goods or assets.

Image No. 37. I  
Investment enrollment/application forms and instructions

ABC TRADING		STOCK MARKET APPLICATION	
<b>Personal</b>		<input type="checkbox"/> Certified Copies of ID Should be Produced <input type="checkbox"/> A proof of Banking ( statements etc ) <input type="checkbox"/> Proof of Residence ( e.g. Light Bills, Statements etc )	
Surname		ID Number	
First Names		Fax Area No	
Date of Birth		Email Address	
Tel Area No ( )		Fax Area No ( )	
Pager/Cell Phone #		Physical Address	
Postal Address		Code	
Marital status		Number of Dependants	
Country		Province	
Region		City	
<b>Company/CC/Organization</b>			
Name		Reg. Number	
Form of Business Private		Close Corporation Partnership	
Date of Establishment of Business		Business Activities	
Physical Address			
Tel Area No ( )		Fax Area No ( )	
Pager/Cell Phone #		Email Address	
Website Address			
Bank's Details: Institution		Branch Code	
Account Type		Date opened	
Account Name		Account Number	
<b>Investment Plan</b>			
Type of Share		Trend Share	
Period for Investment		Months	
Money Market Industry		Equilib8 Investments	
<b>Capital Plan</b>			
Capital Paid	Capital Invested	Brokerage Fee	Interest %
Name of Bank:		Account Number:	

(Source: Study findings)

These application forms are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the relationships of the investor, financial aspects of the persons involved in the investment instructions, location and economic activity, assets received or administered by the stock broker, beneficiaries, among others.

#### **9.2.1.1 Warning signs regarding the investment enrollment or application form and instructions**

1. The opening of several investment accounts, primarily in equity funds that are paid to one or more individuals, all of which register one same individual as their additional or authorized investor.
2. The opening of several investment funds by different companies that have common partners, managers, administrators, legal representatives or authorized signatures.
3. The consecutive opening of several investment funds, primarily equity funds, on behalf of different individuals with similar characteristics (age, economic activity, location, family relationship), who apparently do not know each other.
4. The consecutive opening of several investment funds, primarily equity funds, with the same initial amount on behalf of different individuals that apparently do not know each other.
5. Refusals, attempted bribery or threats against stock brokerage officials to induce them not to fill out the investment application forms completely or to accept incomplete or false information.
6. Natural persons or legal entities showing financial solvency although they have problems providing information regarding commercial references or obtaining a co-signer or guarantor when filling out the investment application form.
7. Persons who at the time of opening several investment accounts, especially equity funds, record the same address and/or telephone number of other individuals to whom they appear to have no apparent relationship.
8. Persons who frequently change the personal information provided to the stock brokerage firm, such as their addresses, telephone numbers and occupations, with no apparent justification for said changes.
9. Persons who deliberately fill out the investment application forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.

10. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain investment application forms.
11. Persons applying for an investment account who appear nervous, give hesitant responses and/or consult written notes when asked for information required to open an investment account.
12. Persons who open an investment account at an office whose location is other than or distant from the place where the investor usually carries out his/her business or economic activity, with no apparent justification. If the person in question is a natural person (individual) on salary, when there is no logical relationship between the bank location and the employer's location or the investor's place of residence.
13. Investment account applicants who by virtue of age, experience or economic activity have no prior record regarding financial products in the sector and cannot account for such when requested.
14. Investment account applicants who are named on national<sup>70</sup> or international lists<sup>71</sup> as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
15. Investment account applicants who demand to see or show a marked preference for a specific commercial advisor or stock brokerage manager or officer.
16. Investment account applicants who will not justify the origin of the funds used for the operation or to update the basic information provided at the time the application was submitted to the stock brokerage firm.
17. Investment account applicants who ask to be exempted from supplying or confirming certain information on the grounds that they have been recommended by another of the stock broker or by another stock brokerage firm.
18. Investment account applicants, especially equity funds, in large amounts that are not consistent with the socio-economic information provided and have no apparent justification.
19. Companies applying to open an investment account in a large amount that is not consistent with their low capital stock, operating income or available cash resources and/or companies that have been very recently created.

<sup>70</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>71</sup> Lists published by each country. For example, in Colombia the list of the most wanted ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); public officials with disciplinary records (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

20. Investment account applicants, especially for equity funds, who invest large sums of money with no interest in or who do not ask about the profitability of the instrument or feigning ignorance of the market.
21. Investment account applicant with a large investment who does not state a specific economic activity or does so using the term “independent”.
22. Investment account applicant, especially for equity funds, with a large investment and who identifies him/herself with a document that is difficult to verify or is expired (i.e. foreigners, tourists, non-residents, minors).
23. Investment account applicant who is classified as a Politically Exposed Person (PEP<sup>72</sup>) and who tries to avoid properly and completely filling out the application forms or does not adequately justify the origin of his/her money or shares.
24. Applicant for a high-value corporate investment account but with no justifiable relationship to other projects undertaken or known assets.
25. Investment account applicant who just purchased securities for an amount that is well above or well below the market value.
26. Investment account applicant who expresses interest in investing in several options, in cash, without requesting information on the characteristics, security, risk or profitability, or about the experience or seriousness of the stock broker.

### 9.2.2 Voucher for receipt of money or securities

Stock brokerage firms can directly and indirectly accept investor funds. The funds are indirectly accepted when the stock broker uses another financial institution's network of offices to collect money from its clients. These transactions are always supported by a document confirming the client's transaction.

The voucher or document that confirms receipt of the investor's money or securities includes information related to the date of the transactions, the amount, the type of operation (cash, checks, charged to an account or another financial product), the type of asset delivered, the characteristics of the security, the name of the stock brokerage firm or financial institution that performed the transaction, name and identification of the depositor or investor, along with telephone number or other related information.

<sup>72</sup> In keeping with FATF, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)



Image No. 38.  
Voucher for receipt of money or stocks

**ABC TRADING**

Trust fund CASHIER'S RECIBE NUMBER:

DATE: BILL NUMBER:  
 BILL FROM: TRUST NUMBER:  
 ID:

UNITS	VALUE PER UNIT	INVESTMENT VALUE	FINAL BALANCE

PAYMENT CONCEPT:

CHECK DETAILS:

BANK	CHECK NUMBER	VALUE	CASH IN DATE
------	--------------	-------	--------------

STAMP AND SINGATURE'S TRUST

COMMENTARIES:

(Source: Study findings)

These vouchers for receipt of investor money or stocks are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the origin of the clients' money or stocks, some characteristics of the transactions, aspects regarding the negotiated securities, and other details about the performance of the investment instructions.

#### 9.2.2.1 Warning signs regarding the voucher for receipt of money or stocks

1. Deposits made on the same date and for similar or equal amounts in different offices in the city or country, in the offices of the stock brokerage firm or in another financial institution, in which the depositor (client that apparently holds the investment account) does not have business offices or agencies.
2. Cash deposits indicate possible fractioning<sup>73</sup>, because the amount is lower than but approaching the established control limit, made at different

<sup>73</sup> Some typologies and operations related to this modality can be consulted at <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

offices of the financial institution or stock brokerage firm on the same day or consecutively over a few days, to investment accounts, particularly equity funds.

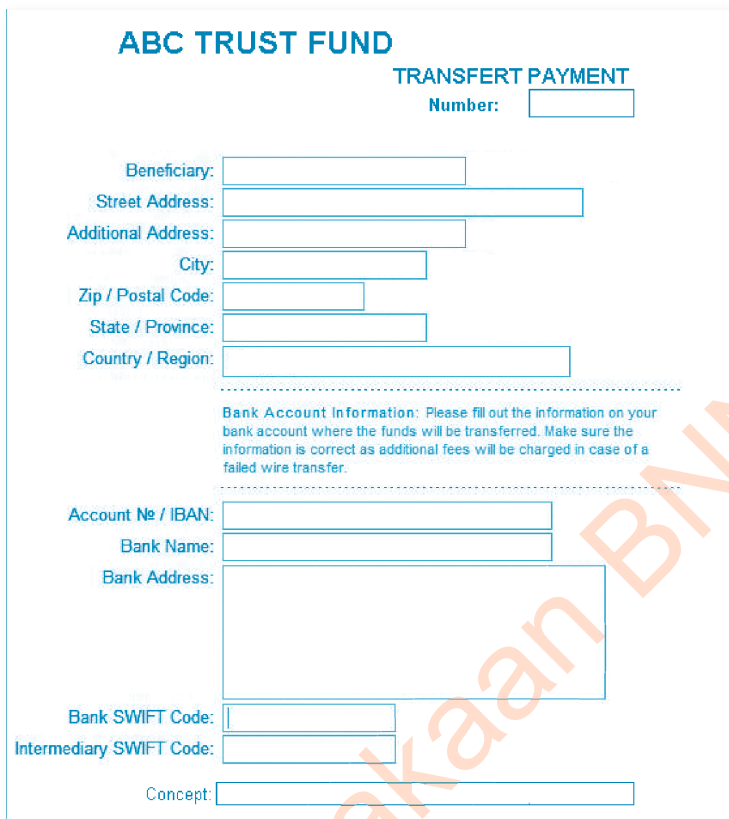
3. Deposits made for large amounts of money to investment accounts, especially equity funds that are or have been inactive.
4. Deposits made by natural persons (individuals) to an investment account, especially equity funds, whose holders are legal entities (companies) that have no commercial relations with said depositors.
5. Simultaneous deposits made by one same person to several investment accounts, especially equity funds, by different companies from the same “financial group”.
6. Frequent cash deposits of large amounts of money to investment accounts, especially trust funds, by a company whose commercial activity normally does not receive and is not associated with this type of transactions.
7. Frequent cash deposits made in rounded amounts and with high denomination bills, particularly in trust funds, when the economic activity of the investment account holder does not make sales that imply the receipt of this type of cash.
8. The establishment of investment funds for large amounts of money, with one or multiple checks made out by individuals whose activities do not correspond to the investor’s economic activities or for which the justification is not deemed satisfactory by the stock brokerage firm.
9. The establishment of investment funds for large amounts of money, opened with one or multiple transfers from the accounts held by the same person or entity in the same or different financial entity, with no apparent justification for said accounts.
10. The establishment of investment funds for large amounts of money, opened with one or multiple transfers from third party accounts held in the same or different financial entity, with no apparent justification.
11. The establishment of investment funds with securities in which the stock brokerage firm determines that they have been subject to legal measures or their current or former owners have criminal records.
12. The establishment of investment accounts with securities with legal inconsistencies, in terms of endorsements, ownership, possession or tenure.
13. The establishment of investment accounts with securities whose amounts or characteristics that are not consistent with the market or the sector.

14. The establishment of several investment accounts, especially equity funds, opened by one same client whose total investment is not consistent with his/her economic activities or when the stock brokerage firm is not fully satisfied with the justification of said amounts.
15. The establishment of investment accounts, especially equity funds, in which the investor establishes periodic cash payments that fully exceed his/her capacity for payment, according to the economic activity listed or when the stock brokerage firm is not fully satisfied with the justification provided.
16. The establishment of investment accounts, especially dealing with securities trading, in which the investor cedes his rights to a third party before registering ownership of the bond or security, without providing a satisfactory justification to the stock brokerage firm.
17. The establishment of investment accounts, especially dealing with securities trading, in which the investor initially trades securities for small sums of money and then suddenly wants to trade securities for much larger amounts, without providing a satisfactory justification to the stock brokerage firm.
18. The establishment of investment accounts in which the investor begins by investing in equity funds and then suddenly begins trading in securities, currency, cash or other transactions, without providing a satisfactory justification to the stock brokerage firm.
19. The establishment of investment contracts with sporadic transactions that suddenly increase in frequency and/or the amount of the transactions, without providing a satisfactory justification to the stock brokerage firm.
20. The establishment of investment accounts, especially dealing with securities trading, in which the investor expresses the desire to place "all of his liquidity", including all available working capital, without providing a satisfactory justification to the stock brokerage firm.

### 9.2.3 Proof of payment to or on behalf of the investor

The proof of payment (checks issued or transfers ordered) by the stock brokerage firm to or on behalf of the client contains information regarding the date of payment, form of payment, amount of the payment, the office in which the stock brokerage firm made the payment, the beneficiary's name and identification, and the authorized signatures of stock brokerage firm.

Image No. 39.  
Form for Proof of payment to or on behalf of the investor



**ABC TRUST FUND**

**TRANSFERT PAYMENT**  
Number:

Beneficiary:   
 Street Address:   
 Additional Address:   
 City:   
 Zip / Postal Code:   
 State / Province:   
 Country / Region:

Bank Account Information: Please fill out the information on your bank account where the funds will be transferred. Make sure the information is correct as additional fees will be charged in case of a failed wire transfer.

Account No / IBAN:   
 Bank Name:   
 Bank Address:   
 Bank SWIFT Code:   
 Intermediary SWIFT Code:   
 Concept:

(Source: Study findings)

The proof of payment (checks drawn or transfers ordered) made by the stock broker to or on behalf of an investor is an important document for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms aspects such as the participation of different persons, in their capacity as investors or beneficiaries, the relationships between the persons involved in the investment accounts, dates, amounts and characteristics of the payment of the stock exchange transactions, among others.

#### 9.2.3.1 Warning signs regarding the proof of payment to or on behalf of the investor

1. Total or partial payments for investment accounts, especially equity funds, requested by the client when the investment amount is lower or very close to the control limit established for cash transaction.
2. Partial or total payment of an investment account to different beneficiaries, requested by the client on the same day or in a very short period of time, which are ultimately collected by the same person.

3. Partial or total payment of an investment account, requested by different companies, which are ultimately collected by the same person, in their capacity as legal representative, attorney-in-fact or legitimate beneficiary.
4. Partial or total payment of different investment accounts, especially equity funds, requested by various clients that present themselves as a group to perform said transactions.
5. Total or partial payment of a high-value investment account in which the investor requests several checks for amounts that are lower than and very close to the control limit established for cash transactions, paid to the order of the same account holder, the same individual, or several individuals.
6. Total or partial payment of investment accounts requested by the client to be paid by check drawn to several different beneficiaries, which are then endorsed (occasionally with similar handwriting) and finally collected by the same person.
7. Total or partial payment of an investment account requested by the client to be paid by check, which is then illegibly endorsed and collected in cash, in such a way that it is impossible to verify the identity of the final beneficiary.
8. Partial or total payment of investments funds requested by a client through local transfers to different cities, when the holder does not have clients or do business that would justify said transactions in those cities.
9. Total or partial payment of an investment fund requested by a client to be paid by checks or through local transfers to several people included in a list, who do not have an apparent relationship or do any type of business with the investor or provide justification for said payments.
10. Total or partial payment of an investment fund requested by a client through local transfers to different cities that are distant from the beneficiary's business location, without an apparent justification for said payment.
11. Total or partial payment of investment funds requested by the client through local transfers to one same individual or on behalf of several third parties, for amounts that are lower than and very close to the control limit established for cash transactions.
12. Total or partial payment of an investment fund requested by the client to be transferred to checking or savings accounts or to other financial instruments, from which the money is directly immediately withdrawn or in a very short period of time from automated teller machines.
13. Total or partial payment of investment funds held by a company and requested in checks for large amounts of money that are finally collected in cash by the manager or officers of the same company.

14. Total or partial payment of investment funds, particularly for medium to long-term investments, used for the early liquidation of the investment, without a clear or reasonable justification.
15. Total or partial payment of investment accounts, especially equity funds, requested as securities payable to order or to bearer, without a clear or reasonable justification.
16. Total or partial payment of investment accounts, especially equity funds, that appear with multiple endorsements and are requested in securities payable to order or to bearer, without a clear or reasonable justification for said request.
17. Renewal of an investment fund, especially equity funds, in which the investor asks that the securities be fractioned on behalf of different individuals without an apparent justification for said request.
18. Payments or renewals of investment accounts, especially equity funds, in which the investor asks that different securities be issued on behalf of different individuals adducing that this is being done for tax purposes and without any other apparent justification for said request.

### 9.3 RISK OF MONEY LAUNDERING IN SECURITIES TRADING

Investment accounts can pose a risk of money laundering. The characteristics of local or foreign investment transactions and the information provided to the stock broker, upon establishment of the investment accounts, upon receiving the money or the securities, upon making the total or partial payment to or on behalf of the investor, and upon analyzing the indicated documents and the customary behavior of the holders might coincide with some of the money laundering typologies listed in the regional GAFISUD<sup>74</sup> document.

According to this document, a securities negotiation or an investment account through a stock broker could be used in typologies such as “financial products and investment products that are susceptible to be used in money laundering transactions”, “peso brokers”, and the “purchase of prizes through a criminal organization”.

## 10. Foreign Trade Business

Funds originating in a foreign trade business constitute a financial instrument through which transactions in foreign currency are carried out, through

<sup>74</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sand-trends/>



payments sent or received for imports or exports between a natural person or legal entity located in a local market and another natural person or legal entity located in a foreign country.

In accordance with the objectives of this document, the topic of interest here is the transfer of funds derived from a business that imports or exports goods and/or services. For this reason, we will not refer to the documentary and physical controls established for this type of business, or to the risk of using this mechanism for carrying out certain criminal activities, such as smuggling or the shipment of drugs, arms or ammunition.

## 10.1 DESCRIPTION

The execution of these commercial transactions requires the physical movement of merchandise from one country to another, as well as compliance with certain established customs controls in accordance with the laws and regulations of each of the countries involved.

The payment for this merchandise can be made before, during or after the receipt of the merchandise by the buyer, depending on the business agreement arrived at and/or customary business practices.

Normally, the importation or exportation of goods and/or services is subject to certain documentary or physical controls, and requires compliance with certain customs, tax and health regulation procedures.

The payment for imported or exported goods and/or services is also subject to certain documentary controls and requires compliance with certain foreign exchange procedures.

In general, each country centralizes a customs or tax entity (local authority) information, inspection and oversight relevant to the control of goods and/or services in, and it centralizes in a national foreign exchange authority information, inspection and oversight relevant to the foreign or local currency used in sending or receiving payments for these transactions.

Thus, importers and exporters channel their transactions through financial institutions, whose main function is to serve as an intermediary between their customers and the foreign financial institutions that order or receive a sum of money.

In order to convert foreign currency into local currency for foreign trade transactions, certain procedures must be followed in accordance with previously

established laws and regulations in each country. Generally, one must fill out a form established by the country's foreign exchange authority, provide some information to the local financial institution, and attach requested documents that justify the transaction.

The local financial institution, upon the request and order of its customer, is responsible for contacting its counterpart in the foreign country and processing the payment directly or through another intermediary financial institution. In some cases, this intermediary may be located in a third country.

In order to process their customers' transactions, the participating financial institutions exchange messages known as fund transfers, interbank transfers or SWIFT transfers<sup>75</sup>.

Once all of the local financial institution's requirements have been met, the money is charged to the customer's account for transfer to a foreign bank account in the case of imports. In the case of exports, the money is deposited in the customer's account by order of the customer of the foreign bank.

Generally, the financial institutions that perform these foreign exchange transactions are commercial banks, although in some countries these transactions are also performed by other types of entities, such as savings banks, financial services companies and currency exchange houses.

## 10.2 DOCUMENTS OF INTEREST

The main documents that identify transactions derived from foreign trade business are: documents related to imports and exports and fund transfers, local currency exchange authority forms, and forms used by financial entities to process the transactions.

Although the documents required for processing the payments derived from foreign trade business can vary from one country to another, there are some common documents, namely: the import or export declaration or form, the interbank fund transfer, and the form for registering the foreign exchange transaction (incoming or outgoing foreign currency).

<sup>75</sup> SWIFT stands for Society for the Worldwide Interbank Financial Telecommunication. SWIFT transfers or messages are payment orders that banks exchange through codes and an interbank system which allow for more secure authentication through communications protocols. For more information please visit: <http://www.swift.com>

### 10.2.1 Import or export declaration form

The form or declaration for registering imports or exports, usually established by the country's customs or tax authority, contains detailed information about the goods or services, and about the importer or exporter, whether a natural person or legal entity.

The import or export registration form generally contains the following information: name, identification and location of the importer or exporter; tariff items, descriptions, quantities and prices of the goods and/or services; address, city and country of origin and destination of the goods and/or services; type of transportation and the name and location of the transporter; and the authority verifying or processing the registration.

Image No. 40.  
Export Declaration Form

U.S. DEPARTMENT OF COMMERCE - U.S. CENSUS BUREAU - Economics and Statistics Administration - BUREAU OF EXPORT ADMINISTRATION  
FORM 7525-V (1-25-2000) SHIPPER'S EXPORT DECLARATION OMB No. 3007-0152

16. U.S. PRINCIPAL PARTY IN INTEREST (USPP)		2. DATE OF EXPORTATION	3. TRANSPORTATION REFERENCE NO.
17. USPP EIN (FBI OR ID NO.)	4. PARTIES TO TRANSACTION		
18. ULTIMATE CONSIGNEE			
19. INTERMEDIATE CONSIGNEE			
5. FORWARDING AGENT M.A.C. SHIPPING CORP. 154-45 147th AVE. Jamaica, N.Y. 11413		6. POINT (STATE) OF ORIGIN OR FTZ NO.	7. COUNTRY OF ULTIMATE DESTINATION
8. LOADING PIER	9. METHOD OF TRANSPORTATION	14. CARRIER IDENTIFICATION CODE	15. SHIPMENT REFERENCE NO.
10. EXPORTING CARRIER	11. PORT OF EXPORT	16. ENTRY NUMBER	17. HAZARDOUS MATERIALS
12. PORT OF UNLOADING	13. CONTAINERIZED	18. IN-BOND CODE	19. ROUTED EXPORT TRANSACTION

20. SCHEDULE B DESCRIPTION OF COMMODITIES	21. QUANTITY - SCHEDULE B UNITS	22. SHIPPING WEIGHT	23. VIN/PRODUCT NUMBER/VEHICLE TITLE NUMBER	24. VALUE (\$ U.S. dollars, and cents)
(20)	(21)	(22)	(23)	(24)

25. LICENSE NO./LICENSE EXCEPTION SYMBOL/AUTHORIZATION	26. ECCN
27. Duty authorized officer or employee	
28. I certify that all statements made and all information contained herein are true and correct and that I have read and understand the instructions for preparation of this document set forth in the "Correct Way to Fill Out the Shipper's Export Declaration." I understand that civil and criminal penalties, including forfeiture and sale, may be imposed for making false or fraudulent statements herein, failing to provide requested information or for violation of U.S. laws on exportation (13 U.S.C. Sec. 305, 21 U.S.C. Sec. 405, 18 U.S.C. Sec. 1801, 50 U.S.C. App. 2410).	
Signature	Confidential - For use solely for official purposes authorized to the Secretary or Customs (13 U.S.C. 301 (g)).
Title	
Date	31. AUTHENTICATION
Telephone No.	E-mail address

This form may be printed by private parties provided it conforms to the official form. For sale by the Superintendent of Documents, Government Printing Office, Washington, DC 20402, and local Customs District Directors. The "Correct Way to Fill Out the Shipper's Export Declaration" is available from the Superintendent of Documents, GPO, Washington, DC 20402.

(Source: Study findings)

Image No. 41.  
Import Declaration

**CUSTOMS DECLARATION**

\* To be filled in by persons over 16.  
\* To answer mark a cross in the appropriate box below ☒  
\* Keep for the whole duration of your temporary stay abroad/in the country and submit to the Customs on your way back. Not renewable in case of loss.

☐ entry      ☐ exit      ☐ transit

**1. Information on traveller:**

family name (last name) \_\_\_\_\_ first name \_\_\_\_\_ second name \_\_\_\_\_

country of permanent residence \_\_\_\_\_ nationality \_\_\_\_\_ passport \_\_\_\_\_

arrived from (country of departure) \_\_\_\_\_ left from (country of destination) \_\_\_\_\_

With me I have children under age \_\_\_\_\_ ☐ Yes ☐ No Number \_\_\_\_\_

**2. Information on luggage:**

2.1. Accompanied luggage including hand luggage ☐ Yes ☐ No Pieces \_\_\_\_\_

2.2. Unaccompanied luggage (a/s accompanying documents) ☐ Yes ☐ No Pieces \_\_\_\_\_

**3. Information on merchandise:**  
With me and in my luggage I have items which are due to be declared and transportation of which across borders must be documentarily permitted by authorities:

3.1. National and other currency in cash, securities, articles made of precious stones and metals in any form or condition except those taken in (out) temporarily ☐ Yes ☐ No

Description of currency, valuables or items	Total sum/Quantity	
	In figures	In words

3.2. Weapons of all descriptions, ammunition, explosives ☐ Yes ☐ No

3.3. Drugs and psychotropic substances ☐ Yes ☐ No

3.4. Cultural values ☐ Yes ☐ No

3.5. Printed editions and information media ☐ Yes ☐ No

3.6. Poisonous and powerful medicines and substances ☐ Yes ☐ No

3.7. Radioactive materials ☐ Yes ☐ No

3.8. Wildlife objects, parts and products thereof ☐ Yes ☐ No

3.9. High-frequency radio-electronic devices ☐ Yes ☐ No

3.10. Goods subject to customs duties ☐ Yes ☐ No

3.11. Temporarily admitted (exported) goods ☐ Yes ☐ No

3.12. Transportation unit ☐ Yes ☐ No

\* For the purposes of Customs control goods as in 3.2.-3.12, in any, must be described in detail on the back side of the Customs Declaration in 4

(Source: Study findings)

These documents or forms for registering an import or export are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the importer or exporter, the characteristics, quantities and prices of the imported or exported goods and/or services, the origin and destination of the goods, and the offices or officials of the authorities that participated in the registration, among other things.

### 10.2.2 Interbank fund transfers

The message, text or form for interbank fund transfers contains detailed information about the ordering party, beneficiary and intermediary of the transaction.

The interbank fund transfer message generally contains the following information: the amount; name, address, bank and account number of the beneficiary; name, bank and account number of the sender; beneficiary bank, account number and country; and intermediary bank.

Image No. 42.  
Interbank Fund Transfer Form

```

15/04/05-15:54:36      ImpresorRecAll-5643-000002      2
***
***      Authentication Result: Correct with current key      ***
***
***      Instance Type and Transmission
***      Original received from SWIFT
***      Priority : Normal
***      Message Output Reference : 050415GEROCOBAXXX711458
***      Correspondent Input Reference : 050415CITIUS33IBXX0256
***      Message Header
***      Swift Output : PIN 103 Single Customer Credit Transfer
***      Sender : CITIUS33XXX
***      : CITIBANK
***      Receiver : GEROCOBAXXX
***      : BANCO
***
NUR : FV77979
***
20: Sender's Reference      Message Text
   P065105015
23B: Bank Operation Code
   CRED
32A: Val Dte/Curr/Interbak Settl'd And
   Date : 15 April 2005
   Currency : USD (US DOLLAR)
   Amount : $722,975.00#
50E: Ordering Customer Name & Address
   /0001093150
   SUR S.A.
   190
   11600
   URUGUAY.
52D: Ordering Institution Name & Addr
   //FW02600
   BK REP CB URUGUAY
50: Beneficiary Customer Name & Addr
   /901008540
   SUR S.A.
   COLOMBIA.
70: Remittance Information
   /RFB/30202155
   IMAD 20050415R1Q30
71A: Details of Charges
   SHA
***
***      Message Trailer
***      {MNC:746B364D}
***      {CHK:624810945539}
***      End of Message
  
```

(Source: Study findings)

This interbank fund transfer message is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the beneficiary, sender, intermediary bank, characteristics of the transaction, and the relationships between the parties involved.

### 10.2.3 Declaration or form for registering a currency exchange transaction

The form or declaration for registering a currency exchange transaction, usually established by the country's monetary or currency exchange authority, contains information related to the declaring party and the exchange concept reported.

The form or declaration for registering the currency exchange transaction generally contains the following information: name, identification and location of the declaring party; amount, currency and declared exchange concept; and name and identification of the financial institution registering the transaction.

Image No. 43.

Form for registering a currency exchange transaction

Currency Declaration Form to be Completed by Incoming Travelers

Form No. \_\_\_\_\_

Traveler's full name: \_\_\_\_\_ Nationality: \_\_\_\_\_

Address: \_\_\_\_\_

Passport No. \_\_\_\_\_ ID. No. \_\_\_\_\_ (for Eritreans only)

Full Address in Eritrea: \_\_\_\_\_

I hereby, declare that the following foreign exchange is in my possession at the time of my arrival in Eritrea. While completing this form, I clearly know that I have to exchange/use it in accordance with the Legal Notice No. 101/2005 of the Bank of Eritrea.

Currency	AMOUNT DECLARED				For official use only
	Cash Notes	Travelers' Checks	Bank Checks	Other	

I confirm the above information I gave is true and correct

Signature of Traveler: \_\_\_\_\_ Official Seal and Signature: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

(Source: Study findings)

This form or declaration for registering the currency exchange transaction is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the declaring party, transactions registered simultaneously with the monetary or currency exchange authority, the relationships between the parties involved in the foreign trade business, and the characteristics of the fund transfers, among other things.

### 10.3 WARNING SIGNS REGARDING FUND TRANSFERS DERIVED FROM FOREIGN TRADE BUSINESS

1. Transfers received for the exportation of a good or service that is not commonly exported by local individuals or companies.



2. Transfers received for the exportation of a good or service that is difficult to quantify and/or is intangible.
3. Transfers received for the exportation of a good or service whose purchase in another country would not be necessary or logical because of market characteristics and prices.
4. Transfers received from a country other than the one to which a good or service was exported, with no apparent justification.
5. Transfers received for the exportation of a good or service from a country that is considered to have low levels of control with respect to money laundering and/or the financing of terrorism.
6. Transfers received for the exportation of a good or service in cases in which the documents or contracts contain substantial errors, inconsistencies or incoherent information or are not related to the exported good or service.
7. Transfers received for the exportation of a good or service that are immediately withdrawn from the bank through multiple checks or local transfers that evidence fractioning or irregularities.
8. Transfers received for the exportation of a good or service which increase significantly over a short period of time, with no apparent justification.
9. Transfers received for the exportation of a good or service that are withdrawn from the bank through multiple checks or local transfers in favor of persons who are not suppliers or service providers of the export company.
10. Transfers received for the exportation of a good or service that are withdrawn from the bank through multiple checks or local transfers that do not correspond to the export company's expenses or purchases of merchandise or services.
11. Transfers received for the exportation of a good or service in cases in which the administrators of the export company are very young or lack sector knowledge and experience, and who also participate in the management of similar companies.
12. Transfers received for the exportation of a good or service in cases in which the purchaser's corporate purpose or commercial activity does not match or is not related to the good or service for which it is paying.
13. Transfers received for the exportation of goods or services by several companies that have common corporate purposes, addresses, telephone numbers, partners, managers and/or auditors, but that apparently do not know or are not related to each other.
14. Transfers received for the exportation of goods or services involving the participation of people or companies whose names are similar to those

of known local or foreign companies, without any apparent relationship between them.

15. Transfers received for the exportation of goods or services in cases in which the declared tariff items are not consistent with the commercial activity of the exporting person or company.
16. Transfers received for the exportation of a good whose total declared value is higher than the price of the merchandise actually exported; in other words, transfers for overvalued exports.
17. Transfers received for the exportation of a good whose total amount is less than the quantity of declared merchandise; in other words, transfers for fictitious exports.
18. Transfers received for the exportation of a good whose physical characteristics are similar to those declared, but are actually of lower value. This is another fictitious export modality.
19. Transfers received for the exportation of a good that never took place or for merchandise that never left the country of origin.
20. Transfers received for the exportation of a good whose declared amount is normally low, but whose packaging hides merchandise of a far higher value. This is a form of smuggling.
21. Transfers received for the unexpected collection or assignment of a doubtful foreign account derived from the exportation of a good or service, without a clear and reasonable justification.
22. Transfers received for the sale of imported goods that would not normally be imported or not normally be sold by the customer.

#### **10.4 RISK OF MONEY LAUNDERING DERIVED FROM FOREIGN TRADE BUSINESS**

Payments derived from foreign trade business, understood to be the exportation or importation of goods and/or services, can pose a very high risk of money laundering.

The characteristics of interbank fund transfers as a result of foreign trade business, the documentation corresponding to exports or imports, the currency exchange declarations for said operations, and the analysis of these documents and information about the people involved might coincide with some of the money laundering typologies identified in the regional GAFISUD document<sup>76</sup>.

<sup>76</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sand-trends/>

According to this document, a payment derived from a foreign trade business could be used in typologies such as “fictitious exports of services”, “fictitious exports of goods”, and “peso broker”.

## 11. FINANCIAL LEASING

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Leasing is a contract under which one party delivers an asset to another for the latter's use and enjoyment in exchange for a periodic lease payment during an agreed period. Upon the expiration of the agreed period the asset is restored to its owner, or it is transferred to the user if the user decides to exercise an option to purchase, which is generally favors the user<sup>77</sup>.

### 11.1 DESCRIPTION

There are various leasing modalities, all of which fall within two basic types: financial leasing and leasing without an option to purchase.

Financial leasing is a contract under which a finance company or a bank, called the lessor, delivers to a natural person or legal entity, called the lessee, the possession of an asset that has been acquired for such purpose and that the lessee has selected for its use and enjoyment, in exchange for the periodic payment of a sum of money (Lease Payment) during an agreed period, upon the expiration of which the lessee will have the right to acquire the asset for the value of the purchase option.

The essential elements of financial leasing are the delivery of an asset for its use and enjoyment, the establishment of a periodic lease payment, which implicitly includes the price of the right to exercise an option to purchase, the existence of an option to purchase the asset by the lessee upon the termination of the agreed lease term, which may be exercised as long as the lessee has complied with all of its lease obligations and the leased asset is capable of producing income.

The lease without an option to purchase is a contract under which a natural person or legal entity, called the lessor, delivers to another, called the lessee, the possession of an asset for the latter's use and enjoyment in exchange for the periodic payment of a lease or rental payment.

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<sup>77</sup> This chapter has been developed with the support of the Colombian Federation of Leasing Companies (Federación Colombiana de Compañías de Leasing – FEDELEASING), through its Compliance Officers Committee.

The essential elements of the lease without an option to purchase are the delivery of the asset, the payment of a lease payment, and the ability of the asset to produce income.

In both financial leasing and leasing without an option to purchase, the parties may agree to different lease payment modalities. Following are the lease payment modalities that are generally employed:

- Fixed lease payments: equal payments during the effective term of the contract, whether paid in advance or at the end of the payment period. This lease payment can be modified based on changes in market conditions or by agreement of the parties.
- Variable lease payments: payments that vary in accordance with market conditions or the parties' agreement. The frequency of the variation depends on the agreement and is generally tied to a reference rate.
- Growing lease payments: payments that increase over the term of the contract.
- Decreasing lease payments: payments that decrease over the term of the contract.

Either at the beginning of the contract or during its performance, full or partial payments may be required or agreed to, but their specific use must be determined without departing from the nature of the contract. The parties can agree that said sums are to be treated as extraordinary lease payments or as a lesser value of the lease payments to be collected, without leaving their use to the discretion of one of the parties, and without the parties being able to agree that said sums are to be considered as an advance payment for the purchase option.

In the case of the lessee's default or delay in making the lease payments or performing other obligations, it must pay late payment interest or other economic sanctions.

The difference between a financial lease and a lease without an option to purchase is that a financial lease always includes an option to purchase by the lessee, while the lease without an option to purchase includes this option only exceptionally for the commercial value of the asset (option to purchase at a commercial price). Under the financial lease, the asset will pass to the estate of the lessee, while under the lease without an option to purchase it will remain in the possession of the lessor.

The difference between leasing and a loan is that leasing involves goods or assets, while loans involve money. While an essential condition of leasing is

the delivery of an asset owned by the finance company or bank to a lessee for the latter's use and enjoyment, loans involve the delivery to a customer of money, a fungible asset, which the loan beneficiary is required to return together with interest generated by the transaction.

The existence of an asset owned by the finance company or bank is the essence of the leasing operation; loans do not directly involve assets, although assets may be provided as collateral to secure a loan transaction, in a manner that is subordinate to the principal contract, as in the case of a mutuum.

In leasing operations, there is no transfer of ownership of the leased asset during the contract period. In the case of a loan, the delivery of the money, which is fungible, involves a transfer of ownership, and the debtor is obligated to repay the loan in cash, banknotes or resources that are different from those delivered by the financial institution. In the case of leasing, the asset delivered for the lessee's use and enjoyment remains the same throughout the contract period.

Also, leasing cannot be confused with a secured loan, a contract under which one party delivers to another a specific sum of money, generally of free use, and the recipient is obligated to repay it and to guarantee the payment with his/her signature and/or the signature of a third party (personal guarantee), the pledge of personal property or a mortgage on real property (real guarantee), or any other acceptable guarantee. On the other hand, a lease is a contract that involves the delivery of physical assets other than money for which a periodic payment will be made. Some leasing contracts include guarantors of the lessee's obligations, and obligations that are not limited to the payment of rent, such as the obligation to care for the asset, to use it in accordance with its nature, and to return it in good condition.

#### 11.1.1 Leasing Modalities

- International or cross-border leasing: a contract under which the financial institution and the lessee are located in different countries and are governed by different legal systems.
- Import leasing: a contract involving equipment that is outside the country and, therefore, must be imported. In general, under this type of contract the lessee leaves the financial institution in charge of negotiating with the foreign provider of the asset that the lessee has expressly chosen, as well as of importing the equipment. There is also an import leasing modality under which the parties agree that the lessee will negotiate with the provider of the asset and carry out the respective importation,

and the financial institution will finance all of the expenses incurred in these activities. Whatever the operating modality of the import lease, the lessee will begin to pay the lease payment only when the imported asset has been received to its satisfaction, regardless of whether the lessee is operating.

- Export leasing: a contract involving equipment that must be exported. Under this type of contract, the financial institution is in one country and the lessee, of whatever nationality, is in another country, for which reason all export leasing is also international leasing.
- Syndicated leasing: leasing in which the leased asset belongs to two or more domestic or foreign financial entities. In the case of syndicated operations carried out by domestic entities, they may freely agree on their percentages of co-ownership in the leased asset.
- Subleasing: this is a leasing modality under which the leased equipment is owned by a financial institution other than the one that executes the contract.
- Lease-back: also known as retro-leasing or sale and lease back, this is a leasing contract under which the provider and the lessee are the same party. It is used by companies that wish to free up resources for working capital by selling their assets to finance companies and leasing them back.
- Real estate leasing: this is a contract in which the leased asset is real estate.
- Infrastructure leasing: this is understood as a contract involving assets used in the execution of infrastructure works or projects. Under this modality, the financial institution acquires the equipment that the lessee requires for the development of infrastructure projects, and simultaneously leases it with an option to purchase, for periods equal to or greater than 12 years, or for the period of the respective concession contract, if any. This type of leasing is used in infrastructure projects in the following sectors: transportation, energy, telecommunications, drinking water and basic sanitation.
- Master agreement or “master lease”: this involves the establishment by a finance company or bank of a maximum limit on the amount or period of leasing operations, and it covers all of the assets to be acquired in a single contract.
- Vendor leasing: this involves an agreement between financial institutions and providers of equipment that can be subject to mass marketing under the leasing contract. The provider gives the financial institution discounts on the price of the assets and commissions, and sometimes assumes



obligations related to the maintenance and repurchase of the assets. In exchange, the financial institution finances the sale of said assets. These agreements involve mutual collaboration between the parties, and they benefit the financial institution as well as the provider by expanding the sales force for these assets and promoting the execution of leasing contracts.

- Leveraged leasing: this is an operation in which the resources used by the financial institution to acquire goods and lease them to the lessee come from one or more investors, with the financial institution acting as the contract administrator. Under this modality it is also possible for the financial institution to act as co-owner of the leased asset if it contributes part of the resources with which said asset is acquired.
- Leasing with territorial entities: under this modality, the lessee or lessor, depending on whether it is a financial lease or an operating lease, is a municipality, government or other territorial entity or public company.
- Dry and wet leasing: this involves the leasing of aircraft. Dry leasing involves only the lease of the aircraft, while wet lease payments also cover the use of equipment and the crew, the maintenance necessary for the operation, and the cost of insurance.

## 11.2 DOCUMENTS OF INTEREST

The documents that identify leasing operations and characteristics are: the enrollment and/or application form, the provider record, the certificate of delivery of the asset, and documents related to the lease payments and additional expenses, contract modifications, and the termination or cancellation of the contract.

### 11.2.1 Leasing enrollment and/or application form

The leasing enrollment and/or application form contains information about its owner, whether a natural person or legal entity.

This document, together with others usually required by the financial institution in order to comply with legal obligations of banking supervisors (e.g., copies of identity documents, chamber of commerce certificates or economic activity certificates, financial statements, and tax returns), allows to establish some information such as the lessee's identification, location, economic activity, income and expenses, assets, liabilities and capital, commercial or personal references, and main customers or suppliers.

Image No. 44.  
Enrollment and/or application form

LEASE CORPORATION ABC				
LEASE APPLICATION BY PRIVATE PERSON				
<b>APPLICANT</b>				
Given name and surname		Date of birth	Passport number	Personal ID code
Address (actual)		Town/Country	Postal code	Phone/Fax
Address (registration)		Town/Country	Postal code	E-mail
Education	Bank account no.	Bank		
Children	Date of birth	Children	Date of birth	
<b>APPLICANT'S WORKPLACE</b>				
Company	Address		Registry code	Phone
Position	Length of employment with the company		Net monthly salary	
Direct supervisor (name)			Phone of the direct supervisor	
Previous workplaces		Position	Length of employment	
Other sources of income (from whom)		Amount (net)	Period of receipt	
<b>VALID LIABILITIES OF THE APPLICANT (leasing, loan, guarantee, surety)</b>				
From whom	Amount (balance)	Monthly payment	Due date	Security
<b>CO-APPLICANT (spouse or guarantor)</b>				
Given name and surname		Personal ID code	Passport number	Date of birth
Address (if other than that of the applicant)		Town/Country	Postal code	Phone
Company	Position		Length of employment with the company	Net monthly salary
<b>VALID LIABILITIES OF THE CO-APPLICANT (leasing, loan, guarantee)</b>				
From whom	Amount (balance)	Monthly payment	Due date	Security
<b>SELLER</b>				
Contact person			Phone	
Car to be leased, the year of production			Purchase price, inclusive of VAT	
<b>DESIRED CONDITIONS</b>				
Operational lease	<input type="checkbox"/>	Leasing term (in months)	Downpayment (%)	Residual value
Financial lease	<input type="checkbox"/>			Planned run
Car's installment	<input type="checkbox"/>			
Additional services				
Comprehensive insurance with the principal excess: <input type="checkbox"/> 2000 <input type="checkbox"/> 3000 <input type="checkbox"/> 5000				
Traffic insurance Payment: <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual				
Fuel credit card <input type="checkbox"/> Nestle <input type="checkbox"/> Statoil <input type="checkbox"/> Alexela/UnoX Limit <input type="checkbox"/> 1500 <input type="checkbox"/> 3000 <input type="checkbox"/> 5000				
<b>DOCUMENTS APPENDED TO THE APPLICATION AND CONFIRMATION OF THE APPLICANT</b>				
<input type="checkbox"/> Sales offer <input type="checkbox"/> Copy of the passport <input type="checkbox"/> Applicant's pay slip or bank statement for the last 6 months				
<input type="checkbox"/> Co-applicant's pay slip or bank statement for the last 6 months				
The applicant (applicant) confirms (confirms) that the data presented or to be presented are correct, valid and complete. The applicant hereby authorizes to request and receive information in writing and orally about the applicant and his (her) representative(s) from any third parties (incl. credit institutions, insurance companies, registries, authorities, etc.) and asks the latter to give the requested information upon the first request (incl. turnover and balance of accounts, ownership of assets, claims against the applicant, etc.).				
Date	Signature of the applicant		Signature of the co-applicant	

(Source: Study findings)

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

#### 11.2.1.1 Warning signs regarding the leasing enrollment and/or application form

1. Leasing applications in the name of several companies with the same legal representative and address.
2. Lack of interest in obtaining financial advantages (e.g., offer of below-market interest rates).

3. When the company's legal representative refuses to deliver personal or company information or to receive an official in his/her offices.
4. Customers that define their activity as rentier or independent professional and that manage large sums of money without a clear and consistent source of resources.
5. A leasing application that bears no relation to the customer's normal business operations or that is intended for purposes other than those indicated.
6. Several leasing application forms under one or more names, all with the same beneficiary, with no apparent justification.
7. Leasing enrollment forms of companies that have common partners, managers, administrators or legal representatives.
8. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the leasing enrollment forms completely or to accept incomplete or false information.
9. Persons who fill out the leasing enrollment forms with illegible or "deceptive" handwriting, or information that is false, difficult to verify or insufficient.
10. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms for the leasing enrollment.
11. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for the leasing enrollment.
12. Leasing enrollment applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
13. Persons or entities that frequently open and close leasing products in the same financial institution or others in the same location, without justification.
14. A leasing applicant who is classified as a Politically Exposed Person (PEP)<sup>78</sup> and who tries to avoid properly and completely filling out the affiliation documents or does not adequately justify the origin of his/her money, or tries to be registered as authorized to manage one or more financial products of third parties, without the existence of a clear and justified relationship.
15. Leasing beneficiaries that have no direct relationship, or any apparent justification for their relationship, with the applicant.

<sup>78</sup> According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military officials, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

16. Persons listed as leasing beneficiaries who have an inconsistent or improper relationship with the applicant, e.g., an external auditor authorized to manage the products of the audited party.
17. Persons listed as, or who seek to be registered as, leasing beneficiaries for the management of one or more financial products, and who are named in national<sup>79</sup> or international<sup>80</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
18. A leasing application backed by assets of unknown origin.
19. Low use of financing sources in relation to the volume of business or economic activity.
20. Early and/or immediate payment of leasing or other obligations of significant value, with no apparent justification.
21. Leasing operations guaranteed by certificates of deposit and other investment documents purchased from unknown customers.
22. Operations granted with collateral of unknown origin or whose value bears no relation to the customer's situation.
23. Acceptance in lieu of payment of goods that have an unclear origin or that have belonged to several third parties.
24. Rapid decline of financial liabilities to non-established sources of financing.
25. Companies created with low capital that suddenly receives large sums of domestic or foreign investment.
26. Transactions with domestic companies that have been financed by foreign company loans which are reflected as local loans.
27. The performance of activities other than those related to the company's purpose.
28. Leasing of luxury goods that are not a source of income and/or are presented with a guarantee offered by a third party.
29. A customer who apparently gives no importance to the costs or commissions related to the operations, generally for import leasing.
30. A customer that performs an activity that it knows perfectly well and that decides to switch to another activity that it does not know well or that was not included in the ordinary course of its business.

<sup>79</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>80</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

31. The creation of securities through cash deposits and their later use to guarantee a leasing operation.
32. Customers whose operations are based on sudden increases in their net worth that they attribute to lottery or gambling winnings, inheritances or donations, without providing information about the origin of such wealth.
33. Customers who do not act on their own behalf and do not reveal information about the beneficiary.

### 11.2.2 Provider registration form

The leasing-related provider registration form contains information about the provider of the assets, whether a natural person or legal entity.

This document, together with others required by the financial institution in order to comply with legal obligations of banking supervisors (e.g., copies of identity documents, chamber of commerce or economic activity certificates, financial statements, and tax returns), establishes matters such as the provider's identification, location, economic activity, income and expenses, assets, liabilities and capital, commercial or personal references, and main customers or suppliers.

In the case of a foreign provider, information that is relevant in its jurisdiction will be requested.

Image No. 45.  
Provider registration form

LEASING		PROVIDER REGISTRATION FORM	
FORM			
(Diligenciar todos los espacios del formulario en letra impresa sin tachones ni comandados.)			
CITY	OFFICE	DATE DD MM AAAA	UPDATE DD MM AAAA
		RAD. Number	
I. PROVIDER INFORMATION			
PROVIDER KIND: NATIONAL <input type="checkbox"/> INTERNATIONAL <input type="checkbox"/>			
1. GENERAL INFORMATION			
COMPANY NAME			
ID	NIT: <input type="checkbox"/> SE/Sin Nit <input type="checkbox"/> F.C. <input type="checkbox"/>	CONST. DATE DD MM AAAA	
C.U.	ECONOMIC SECTOR	MAIN ECONOMIC ACTIVITY	
2. LOCALIZATION DATA			
ADDRESS:			
phone:	Fax:	E-mail:	
country			
state			
city			
3. Representante Legal			
Apellidos y Nombres:		Fecha de Expedición	
Tipo de Identificación: C.C. <input type="checkbox"/> C.E. <input type="checkbox"/> NIT <input type="checkbox"/> P.P. <input type="checkbox"/>		País: <input type="text"/>	
Número: <input type="text"/>		Dpto./Estado: <input type="text"/>	
Dirección del Representante Legal (donde ejerce sus funciones):		Ciudad: <input type="text"/>	
Teléfono: <input type="text"/>		Cargo: <input type="text"/>	
		Profesión: <input type="text"/>	
II. PUNTO			
<p>En nombre propio y en mi calidad de representante legal de _____, de manera voluntaria y representando que todo lo aquí consignado es cierto, ratifico la siguiente declaración de origen de fondos a la entidad, con el propósito de que se pueda dar cumplimiento a la normatividad legal vigente establecida por la SUPERINTENDENCIA FINANCIERA DE S.A., tiene origen o proviene de las siguientes fuentes (Detalle de la actividad, negocio, etc.):</p> <p>1. Declaro que los recursos que permite realizar la presente transacción comercial con LEASING</p> <p>2. Declaro que los recursos que administro no provienen de ninguna actividad ilícita.</p> <p>3. Declaro que no admitiré que terceros efectúen pagos en nombre de la sociedad, ni depósitos en sus cuentas con fondos provenientes de actividades ilícitas, ni efectúe transacciones destinadas a tales actividades o en favor de personas relacionadas con los mismos.</p> <p>4. Declaro que el País de procedencia de los recursos que administro es: _____</p>			

(Source: Study findings)

Given their technological advances, some banking institutions may be able to enroll these providers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the provider information mentioned above.

Finally, given that the asset involved in leasing operations is owned by the financial institution and will form part of its chain of ownership, it must exercise special control over the asset's origin. When the operation involves the financing of real estate or the receipt of real estate as collateral or in lieu of payment, the financial institution must verify the previous owners and that no proceedings are pending that could result in the extinction of the right of ownership.

#### **11.2.2.1 Warning signs regarding the provider registration form**

1. Providers whose legal existence cannot be identified for the supply of any good or asset, based on the information and documentation provided.
2. Foreign providers with national representation whose registration and legal operations in the country cannot be determined.
3. Providers whose partners or shareholders and principal and alternate legal representatives are named in national<sup>81</sup> or international<sup>82</sup> lists of terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
4. Foreign providers or representatives in the country that are reported on precautionary lists.
5. Providers that cannot provide leasing operation documentation that establishes the ownership and legality of the asset.
6. Providers who are reluctant to provide information or documentation for the leasing operation.
7. Providers whose creation certificate contains numerous amendments or changes in partners or shareholders without a reasonable justification.
8. Providers recognized for marketing a specific good or asset that suddenly provide different goods or assets for which there is not reasonable analysis or study.
9. Providers that supply goods below the prices offered by other specialized providers that market said goods.

<sup>81</sup> Lists published by each country. For example, in Colombian the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>82</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).



10. Providers who are reluctant to provide information about their shareholder composition or associates.
11. Assets received in lieu of payments, which have belonged to third parties and whose origin or holders cannot be determined.
12. Assets received for a value well below the cadastral assessment or commercial cost.
13. The sale of assets received in lieu of payment, where the sale is to third parties who are reluctant to provide information or the origin of the resources cannot be determined.
14. An application to register a leasing provider by companies that have partners, managers, administrators or legal representatives in common with the lessee of the asset.
15. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the leasing enrollment forms completely or to accept incomplete or false information.
16. Persons who fill out the leasing enrollment forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient
17. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms for the registration of the leasing provider.
18. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for the registration of the leasing provider.
19. Leasing provider registration applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
20. A leasing provider registration applicant who is classified as a Politically Exposed Person (PEP<sup>83</sup>) and tries to avoid properly and completely filling out the affiliation documents or does not adequately justify the origin of his/her money, without the existence of a clear and justified relationship
21. Persons listed as leasing providers who have an inconsistent or improper relationship with the lessee, e.g., an external auditor authorized to manage the products of the audited party.

<sup>83</sup> According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military official, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

22. Persons listed as, or who seek to be registered as, leasing providers for the management of one or more leasing products, who are named in national<sup>84</sup> or international<sup>85</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
23. Documentary letters of credit for imports which do not have sufficient information about the customer that is authorizing the importation, in accordance with the regulations of the financial institution, or when they are payable against copies of documents.
24. Utilization of instruments of international use, such as the issuance of letters of credit, financial remittances or any that is offered by financial institutions, provided that there is no proportionality with the provider's economic activity for acquiring the asset to be leased.
25. Natural persons or legal entities that do not satisfactorily declare the origin of the funds for the payment to be made upon the acquisition of assets sold by the entity.
26. Successive changes in the business name.
27. Customers whose operations show little or no profitability over time and who do not take measures to correct these results.
28. An apparently legitimate company that assumes rights or obligations with another company facing solvency or liquidity problems, for the purpose of hiding the illegal source or origin of the funds.
29. Substantial transactions with the public sector, such as the purchase of contracts for works or supplies, or participation in the purchase of companies that are in the process of being privatized and that are not consistent with the economic opportunities of the customer.
30. A project indicated by a loan customer that does not appear to be profitable or economically viable.
31. An application for leasing or other type of operation with the promise to reciprocate by making deposits of considerable magnitude.
32. Reduced sources of financing with respect to the volume of the customer's business or economic activity.
33. An offer of a good or service where many of the activities required for its production or supply is subcontracted.

<sup>84</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebcidno/Consulta.aspx>).

<sup>85</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

34. The existence of a subcontractor that is named in national<sup>86</sup> or international<sup>87</sup> lists of terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.
35. Guarantees offered by unknown third parties who cannot confirm a plausible relationship with the customer and, therefore, cannot justify their assumption of said commitment.
36. Customers who do not act on their own behalf and do not reveal information about the beneficiary.

### 11.2.3 Asset delivery certificate

The delivery certificate contains the information necessary for reaching an agreement on the condition in which an asset or the elements that comprise it, whether personal or real property, are delivered.

This form is extremely useful for both the delivering and receiving party, since it describes the condition of the asset at the time of receipt and/or delivery. This document establishes facts such as the date and place of delivery of the asset and the identities of the receiving and delivering parties.

Image No. 46.

#### Asset delivery certificate form

Asset delivery certificate from leasing operation

I, the Lessee of the mentioned leasing contract, in order of the payments delivered from the contract, assure the reception of the asset(s) included in the leasing operation.

Given in the city of:

The Lessee

(Source: Study findings)

This certificate is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the place and date of delivery of the asset and the parties who received and delivered it.

<sup>86</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>87</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

### 11.2.3.1 Warning signs regarding the asset delivery certificate

1. The asset is delivered to a geographic site that does not correspond to the development of the lessee's economic activity, with no apparent justification.
2. The party who signs the certificate of delivery has no reasonable relationship with the lessee of the asset from the point of view of the financial institution.
3. A customer that performs an activity that it knows perfectly well and decides to switch to another activity that it does not know well or that was not included in the ordinary course of its business.
4. A customer who receives an asset that is not related to its principal economic activity, with no apparent justification.

### 11.2.4 Lease payment form

The lease payment form contains information about the date and place of payment and the amount paid. It is used for the collection of lease payments by financial institutions.

Image No. 47.  
Lease payment form

**ABC CORPORATION**

**Lease Payment Request Form**

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LEASED SPACE \_\_\_\_\_

DOCUMENT NUMBER (8-DIGIT ALPHA/NUMERIC) \_\_\_\_\_

☐ PAY FROM ENCUMBRANCE

PAYEE  
ADDRESS  
CITY/ STATE/ ZIP  
TELEPHONE NUMBER  
FAX NUMBER  
FBI/ SS NUMBER

PER THE ATTACHED AGREEMENT, PLEASE SET UP PAYMENTS AS FOLLOWS:

DATES TO RELEASE PAYMENT:	REFERENCE INVOICE NUMBER:	AMOUNT TO BE PAID:
	JUL RENT 2007	
	AUG RENT 2007	
	SEP RENT 2007	
	OCT RENT 2007	
	NOV RENT 2007	
	DEC RENT 2007	
	JAN RENT 2008	
	FEB RENT 2008	
	MAR RENT 2008	
	APR RENT 2008	
	MAY RENT 2008	
	JUNE RENT 2008	
TOTAL:		

Lease payments should be charged to following account(s):

ACCOUNT CODE	PEOPLESOFI PROJECT #
-----------------	-------------------------

Approved: \_\_\_\_\_

Date: \_\_\_\_\_

\*DUE DATE IS THE FIRST OF THE MONTH

(Source: Study findings)

This payment form is important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the place and date of the transaction, the type of payment (cash or check) and the amount paid.

#### **11.2.4.1 Warning signs regarding the lease payment**

1. The lease payment is made periodically in cash from a city other than the city in which the lease is filed, with no apparent justification.
2. The payment of different leases in cash by the same person, with no apparent justification.
3. The payment of different leases by different lessees through electronic transfers from the same bank account, with no apparent justification.
4. Advance or unexpected leasing payments without a reasonable explanation for the source of the money.
5. Transactions paid with income from businesses located in other countries, with no apparent justification.
6. The intentional failure to make agreed payments, for the purpose of having the guarantee enforced.
7. A large volume of liquidity, particularly in cash, in relation to the customer's business or economic activity.
8. Inconsistencies between the financial information and the money that will be delivered to the financial institution (extraordinary lease payment, monthly fees).
9. Execution of multiple transactions without a known explanation.
10. Unjustified deposits by natural persons or legal entities that are not consistent with their economic activity, occupation, profession, source of resources or financial capacity.
11. Deposits by customers whose residential or business addresses or telephone numbers do not correspond to the service area in which the transactions are executed.

#### **11.2.5 Contract addendum form**

This form is used to modify the clauses of an asset lease agreement.

Image No. 48.  
Contract addendum form

**ADDENDUM TO LEASE AGREEMENT**

This signed document shall be an Addendum to the Lease Agreement signed by \_\_\_\_\_, the lessee, and \_\_\_\_\_, the lessor or his/her assigns of \_\_\_\_\_, on this date \_\_\_\_\_, 20\_\_.

The following terms are hereby incorporated as part of the original Lease Agreement Contract.

**Payments and Processing Fees:**  
The Lessee agrees to pay rent as follows—  
The Lessee's rent for each semester shall be divided by no more than 4 (four) equal payments, plus a \_\_\_\_\_ processing fee per payment, for a total of \_\_\_\_\_ in \_\_\_\_\_ processing fees.

**Late Fees:**  
For each late payment, the Lessee agrees to pay the specified late fee PER PAYMENT, which is \_\_\_\_\_ per day (see #4 LATE FEES in the Lease Agreement.) A five-day grace period is given for unforeseen circumstances. Late fees will be assessed on the sixth day of the month and must be paid when rent is paid.

**Payment Due Dates:**  
The first rent payment is due upon move-in, or August \_\_, 20\_\_, whichever occurs first. Each subsequent rent payment is due on the first day of each month beginning October 1, 20\_\_ and continues in the first day of the month through the remainder of the contract; the last payment is due April 1, 20\_\_. In the event the first day of the month falls on a weekend or holiday, rent will be due on the first business day following a weekend or holiday.

**Lessee Acknowledges the Following:**  
Each additional payment, not including full semester payments on the two dates specified in the Lease Agreement, shall include a \$10.00 (ten dollar) processing fee per payment.

The Lessee further acknowledges that in the event rent is not paid on or before any of the dates specified above, late payment penalties of \$30.00 (thirty dollars) plus \$5.00 (five dollars) a day (see #4 LATE FEES in the Lease Agreement) shall be enforced PER LATE PAYMENT for each payment not paid in a timely manner. The five-day grace period noted above is to be used only for unusual and unforeseen circumstances, and not as a standard way of paying rent.

_____ Lessee (Tenant) Signature	_____ Date
_____ Lessor Signature	_____ Date

(Source: Study findings)

These addenda are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the time and place of a contract modification, what was modified, and who authorized and accepted the modification.

#### 11.2.5.1 Warning signs regarding the contract addendum form

1. Important changes relating to the characteristics of the lease with no apparent justification.



2. Changes in the effective term of the contract with no apparent justification.
3. An update to the payment plan that bears no relation to the payments agreed to in the leasing contract.
4. An update in the value of the option to purchase the asset that bears no relation to the value initially agreed to in the leasing contract.

#### 11.2.6 Confirmation of cancellation of a leasing contract

The confirmation of cancellation of a leasing contract contains information about the place and date of termination, the name and identification of the owner of the instrument and the specific conditions of the termination.

Image No. 49.  
Leasing contract cancellation form

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Date: \_\_\_\_\_

Subject: TERMINATION OF LEASE AGREEMENT

Dear, lessor

This is with reference to lease agreement made between \_\_\_\_\_ and \_\_\_\_\_ for the period of one year. My flat which is there on \_\_\_\_\_ is been allotted to you on lease for the period of one year at an agreement that \$ \_\_\_\_\_ will be your monthly rent. I am please to inform you that you had been very punctual and made all your payments on time. Apart from paying your rent on time you also have maintained my property very well and formed a good relation with the fellow neighbors. But I am extremely sorry to inform you that know you have to vacate my flat because I am facing some financial crises and hence I have to sell my property. I already got a great deal for my flat and have very less time i.e. 2month therefore it's my humble request to you that please accept this termination of lease and kindly vacate the flat before 2months.

Yours truly,

Name: \_\_\_\_\_

Address: \_\_\_\_\_

(Source: Study findings)

These documents are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the time and place of the contract termination and the parties who authorized and accepted it.

#### **11.2.6.1 Warning signs regarding the contract cancellation**

1. Sudden cancellation of a problematic operation, with no apparent justification with regard to the source of income.
2. Total or partial liquidation of a problematic operation in cash, or through documents that do not identify their maker.
3. When the customer proposes enforcement of a guarantee in foreign currency.
4. The immediate cancellation of the entity's liabilities, without justification of revenues.
5. The assignment of leasing contracts and purchase options to third parties.
6. The liquidation of operations without regard to the sanctions for breach or the economic losses.

### **11.3 RISK OF MONEY LAUNDERING THROUGH LEASING**

Leasing can pose a very high risk of money laundering.

The characteristics of its use, the type of operations carried out, their customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>88</sup>.

According to this document, leasing could be used in typologies such as financial and investment products that can be used for money laundering operations, and the use of illegal funds to reduce indebtedness or capitalize legitimate companies.

<sup>88</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>



PART III

## FINANCIAL SERVICES





## 12. E-BANKING

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E-banking (or Internet banking) is an electronic channel for the distribution of services offered by financial institutions. It is normally used to carry out banking transactions through an Internet connection.

### 12.1 DESCRIPTION

E-banking offers the main functions of a traditional bank, enabling one to perform monetary and non-monetary transactions using a web connection<sup>89</sup> in a remote fashion. Financial institutions make available to their customers<sup>90</sup> a portal through which information can be distributed or exchanged through the Internet using an interface with the bank's applications that enables the customers to make inquiries and perform transactions online.

These transactions, which can be performed 24 hours a day, 7 days a week, include consulting product balances, transferring funds between one's own accounts or to those of third persons in the same or another bank, paying for public services, paying bank obligations, such as credit cards and loans, paying taxes, and buying and selling foreign currencies.

In order to provide services that meet the needs of their customers, financial institutions have developed business strategies based on commercial segmentation. E-banking segmentation involves the establishment of different portals for different customer segments, and usually entails one portal for natural persons and another corporate or business portal dedicated to legal entities.

The evolution and development of mobile communications offers the possibility of accessing electronic banking using a mobile device or cell phone, as well as a computer. Such mobile connectivity is also through the Internet and involves the same access parameters as computer access, only through a different interface with the bank's Internet portal. The technology used for this portal is WAP<sup>91</sup>, which is an international standard for applications that use wireless communications, such as access to Internet services from a mobile phone.

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<sup>89</sup> The term "web" refers to the network of parties that make up the Internet.

<sup>90</sup> Customers are the natural persons or legal entities to which a financial institution provides a service or product through a legal or contractual relationship.

<sup>91</sup> WAP means Wireless Application Protocol.



Customers access the portal that corresponds to their segment. Usually, the bank's authentication process requires customers to have a debit card, a virtual PIN<sup>92</sup> or token<sup>93</sup>, an identification number and a password in order to access the portal to perform transactions or make inquiries. Security algorithms and protocols are applied to the information exchanged between the customer and the bank, such as identification numbers, access passwords and account balances, in order to prevent impersonation and fraud.

The Internet's global reach makes it important to establish minimum security and quality requirements for the exchange of information through product and service distribution channels. Accordingly, financial institutions are guided by regulations in adopting mechanisms that protect confidential banking information through the application of security standards, the strengthening of their systems to prevent information leaks, and the training of customers, users and employees on the measures that should be adopted for carrying out transactions given the risks involved in the use of this transactional channel.

## 12.2 ELECTRONIC DOCUMENTS AND RECORDS OF INTEREST

The electronic documents and records that identify the operations carried out through e-banking are: the enrollment form, account balances or bank statements, and the documents evidencing transfers and payments.

### 12.2.1 Enrollment form

The e-banking enrollment form contains information about the account owner and the conditions applicable to the use of the financial institution's portal. This form is either included in or added to the contract signed for opening a financial product, and it includes the identification number, location and economic activities of the customer requesting the service, the profiles of each user, the transactions available for each profile, and the maximum limit for each type of transaction.

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

<sup>92</sup> Virtual PIN: A personal identification number assigned by the bank.

<sup>93</sup> Token: A security token (also called authentication token or cryptographic token) is a physical device that generates dynamic passwords from time to time.

Image No. 50.  
E-banking enrollment form

**ABC BANK** Internet Banking Enrollment Form

Please check one: ☐ New customer ☐ Change existing customer

Applicant: \_\_\_\_\_ S.S. #: \_\_\_\_\_  
(Please Print or Type)

Business Name: \_\_\_\_\_ Tax I.D. #: \_\_\_\_\_  
(Business Name only)

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Phone #: \_\_\_\_\_ Alt/Business Phone #: \_\_\_\_\_

Email Address: \_\_\_\_\_  
(please include domain, ex. jsmith@unodc.com)

List the account number(s) and type(s) that you wish to access through Online Banking:

Account #	Type	Enable Bill Pay? (Y/N) <small>(select one account only)</small>

I/We am/are authorized by the appropriate business resolution and/or signature card on file with Riverside Bank to request the services listed above. This authorization will remain in force until revoked by me/us or by the Bank in accordance with the Bank's Online Banking Agreement.

Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Signature: \_\_\_\_\_ Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Notes/Comments: \_\_\_\_\_

Application verified by: _____		CSR	Date
Operations dept. – received by: _____	Date received: _____	Internet banking ID: _____	
	Date ID created: _____		
<i>(This section for Riverside Bank use only)</i>			

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships of the parties authorized to manage the e-banking services, as well as financial information about the account owner, including his/her location.

#### 12.2.1.1 Warning signs regarding e-banking enrollment forms

1. Requests for multiple e-bank enrollment forms under one or more names, with the same person authorized to use the service, with no apparent justification.
2. Requests for e-banking enrollment forms by companies that have common partners, shareholders, administrators or legal representatives.

3. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the e-banking enrollment forms completely or to accept incomplete or false information.
4. Persons who fill out the e-banking enrollment forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient
5. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms for e-banking enrollment.
6. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for e-banking enrollment.
7. E-banking applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer
8. Owners of financial products that refuse to justify an e-banking transaction.
9. Persons or entities that frequently open and close e-banking enrollments in the same bank or others in the same location, without justification.
10. An e-banking applicant who is classified as a Politically Exposed Person (PEP<sup>94</sup>) and tries to avoid properly and completely filling out the enrollment documents or does not adequately justify the origin of his/her money, or tries to be registered as authorized to manage one or more financial products of third parties, without the existence of a clear and justified relationship.
11. Persons authorized to manage e-banking services who have no direct relationship, or any apparent justification for their relationship, with the account owner.
12. Persons authorized to manage e-banking services for different people or companies at the same time, with no apparent justification.
13. Persons listed as e-banking service users who are authorized to manage one or more financial products and who have an inconsistent or improper relationship with the applicant, e.g., an external auditor authorized to manage the products of the audited party.
14. Persons listed as, or who seek to be registered as, authorized e-banking users for the management of one or more financial products and who are

94 According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military official, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

named in national<sup>95</sup> or international<sup>96</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.

### 12.2.2 Bank statements

A bank statement is a periodic report of the credit and debit transactions involving a financial institution's products, including e-banking transactions. The detailed statement lists all transactions by product in chronological order and provides a summary of the money inflows and outflows.

The information in the bank statement can be used to periodically establish the number and type of transactions performed through Internet operations.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money, the different ways in which the funds are transferred, and the channels used.

#### 12.2.2.1 Warning signs regarding the bank statement

1. The withdrawal of money from financial products with a considerable balance in a single day or other very short period after only transfer deposits have been made over a period of time.
2. Financial products with large sums of money in which transactions are performed mainly through electronic transfers or automated teller machines.
3. Financial products into which small transfers are initially made that soon grow to large sums of money.
4. Financial products from which multiple transfers are made to other cities or countries for different beneficiaries which do not have any relation to the product owner's economic activity.
5. Transfers of large sums of money that are withdrawn immediately or over a very short time period.

<sup>95</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>96</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

6. Transfers of large sums of money to financial products that are or have been inactive.
7. Accounts with a large volume of deposits through checks, electronic transfers and other negotiable instruments, when not justified by the customer's economic activity.
8. Receipt of several transfers, checks or payment orders for small sums of money when not justified by the customer's business.
9. Customers who record movements that have no relation to their financial statements.
10. A customer that receives many small transfers, check deposits or payment orders and then immediately transfers almost all of the funds to another city or country, when not consistent with the customer's economic activity.

### 12.2.3 Transfers

E-banking transfers contain information about the date, amount, IP address<sup>97</sup>, ordering party, beneficiary, intermediary or participating banks and, in some cases, addresses and telephone numbers. In addition, the customer usually has to register the accounts to which transfers will be made, depending on the type of enrollment with the bank. In the case of natural persons, these data are confirmed with the other entity before the first transfer is made.

Image No. 51.  
E-banking transfers

From and to	
From account:	050-190644-001 IDR CURRENT ACCOUNTS
Transfer to:	050-190644-115 USD CUA-INTEREST BEARING
Transfer	
Amount to debit:	IDR 1,234,578
Amount to credit:	USD 132.32
Exchange rate:	USD 1 : IDR 9330.0000
Nationality of Beneficiary:	
Reason for Transfer:	
Date and frequency	
Transfer type:	Transfer now
Details	
For your account:	
<div>Confirm Change Cancel</div>	

(Source: Study findings)

This type of document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or

<sup>97</sup> An IP address is a numeric label that identifies, in a logical and hierarchical manner, a communications/connection element of a device within a network that uses the Internet Protocol (IP).

confirms the origin and destination of a financial product, as well as about the persons involved in the transfer of the funds.

#### **12.2.3.1 Warning signs regarding e-banking transfers**

1. The customer is the beneficiary of multiple transfers from different locations that are not related to previous transactions.
2. The customer makes multiple transfers to different beneficiaries, with no apparent justification.
3. Transfers from an IP address that is different from the one recorded in historical transactions.
4. Transfers to an account without any transaction history, with no apparent justification.
5. Transfers made during non-business hours (8:00pm to 6:00am) or during hours that are not customary based on the transaction history.
6. Transfers made from IP addresses related to cases of fraud.
7. Transfers to or from illogical locations.
8. Transfers to payroll accounts that have no relation to the company that makes them.
9. Transfers of large amounts to accounts which are not consistent with the customer's usual behavior.
10. Financial Product with electronic transfers that are withdrawn immediately or quickly through checks made out to third parties, automated teller machines or transfers to other beneficiaries.
11. Transfers that are immediately re-transferred to another product, with no apparent justification.
12. Multiple transfers by legal entities on weekends or holidays to accounts that have no relation to the company making the transfer.
13. Electronic transfers for which there is neither an apparent commercial reason nor consistency with the customer's normal course of business.
14. Customers who deposit large sums of cash and then make transfers to other accounts or cities.
15. Electronic transfers that are followed immediately by the purchase of cashier's checks or remittances to third parties.
16. Different transactions (checks or transfers) to the same beneficiary on the same day.



17. Electronic transfers that are withdrawn immediately or quickly through checks made out to third parties, automated teller machines or transfers to other beneficiaries.

#### 12.2.4 Payment records

E-banking payment records contain information about the date, time, IP address<sup>98</sup> or cell phone number, amount, number of transactions, ordering party and the cost of the transaction.

Image No. 52.  
E-banking payments

ABC BANK ONLINE

Customer Support Sign Out

VANCOUVER LAPTOP INC. - Edit Profile

Banking Investing Insurance

Banking / Pay Bills & Transfer Funds

ONLINE PAYMENT

Amount:	\$ 100.00
From:	1234 1345 23556
Confirm Amount:	\$ 100.00
To Account:	3456 45678 6878
To Surname/Company name:	XXXXXX
To Given name:	XXXXXX

Confirm Cancel

(Source: Study findings)

This type of document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the funds in a financial account.

##### 12.2.4.1 Warning signs regarding e-banking payments

1. E-banking payments made for services in representative amounts.
2. Numerous and/or large payments for collections (e.g., tuition and/or room and board in schools or universities) by the same person.
3. E-banking payments of multiple obligations or credit cards in representative sums.

<sup>98</sup> An IP address is a numeric label that identifies, in a logical and hierarchical manner, a communications/connection element of a device within a network that uses the Internet Protocol (IP).

4. E-banking payments for services in representative amounts.
5. Financial accounts used only to receive deposit transfers and to pay for multiple public services, with no apparent reason.

### 12.3 RISK OF MONEY LAUNDERING THROUGH E-BANKING

E-banking services are one of the electronic channels that pose a high risk of money laundering operations.

The characteristics of their use, the type of operations carried out, their customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFI<sup>99</sup> and GAFISUD<sup>100</sup> documents.

One of the main problems of internet banking in terms of combating money laundering is the issue of supervision and the requirements for financial institutions to comply with money laundering regulations and report suspicious transactions. In the case of internet Banks, it is easy for the less than honest Bankers to avoid such responsibilities by claiming it was not clear to which jurisdiction they should report to.

According to this document, e-banking services could be used in typologies such as fictitious foreign investment in a “local company”, the use of shell companies to support the money laundering activities of criminal or terrorist organizations, financial and investment products that can be used for money laundering operations, the use of insurance company products, the declaration of a fictitious prize obtained abroad in order to bring illegal money into the country, transactions involving the use of illegal funds from another country, money laundering that is the product of corruption, the use of non-profit organizations for money laundering purposes, and the creation of companies to defraud through the use of pyramid schemes. There are also typologies associated with new payment methods (GAFI-2006) and website and Internet payment system vulnerabilities<sup>101</sup>.

## 13. AUTOMATED TELLER MACHINES - ATM

Automated teller machines are an electronic channel for the distribution of services offered by financial institutions. This electronic medium is normally used to perform banking transactions through cash-dispensing machines.

<sup>99</sup> These documents can be consulted at: <http://www.fatf-gafi.org>

<sup>100</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

<sup>101</sup> The term “web” refers to the network of parties that make up the Internet.

### 13.1 DESCRIPTION

An automated teller machine is a computerized communications device that provides financial services outside the bank. Customers<sup>102</sup> or users<sup>103</sup> generally use as a means of transaction and identification a magnetic strip provided by the financial institutions and/or a personal password or PIN<sup>104</sup>, or fingerprints if the entity as a biometric device to read them, in order to access their account balances, perform transactions such as debit card withdrawals, credit card advances, transfers, payments for services and obligations, and password changes, among others. One of the advantages of this channel is that it enables access to the savings and checking accounts and credit card limits of any financial institution from any automated teller machine in the world. The most advanced machines can receive checks or cash, with or without envelopes, depending on the technology used.

Automated teller machines mainly consist of an outside case that is usually protected by steel plates, which houses the screen, card reader, keypad and transaction record printer in the exterior, visible part of the machine. The interior contains a vault with cash drawers, separated by denomination, and their respective security.

In order to use an automated teller machine, one needs to insert a credit or debit card into the card reader and type in a personal password or PIN, and then follow the step-by-step instructions displayed on the screen. Each time the customer performs a transaction, he/she is given the option of printing a document that summarizes it. In some countries, limits on the amount that can be withdrawn are established by the bank, depending on the type of card used.

Because these services are offered to customers and users on a continuous basis, it is essential for the bank to have preventive security measures in place that minimize the risk of fraud, theft and damages. As security measures, some automated teller machines have a video camera, and some banks have procedures and controls for the creation, assignment and delivery of passwords.

The global reach of automated teller machines makes it important to establish minimum security and quality requirements for the exchange of information through product and service distribution channels. Accordingly, financial institutions are guided by regulations in adopting mechanisms that protect confidential banking information through the application of security standards, the strengthening of their systems to prevent information leaks, and the training of customers, users and

<sup>102</sup> Natural persons or legal entities to which a financial institution provides a service or product through a legal or contractual relationship.

<sup>103</sup> Natural persons or legal entities that are not customers, to which the entity provides a service.

<sup>104</sup> "PIN" stands for "Personal Identification Number".

employees on the measures that should be adopted for carrying out transactions given the risks involved in the use of this transactional channel.

## 13.2 DOCUMENTS OF INTEREST

The documents that identify the operations carried out through automated teller machines are: the application form, the account or bank statement, transaction receipts and, in some cases, videos.

### 13.2.1 Application form

The use of automated teller machines requires a plastic card and/or a personal password or PIN<sup>105</sup> provided by the financial institution, or fingerprints if the entity has a biometric device to read them, which are associated with a savings or checking account or credit card. In some cases, such use is authorized by the contract signed for the opening of a financial product or the approval of a separate form that establishes the identification, location and economic activity of the account owner, the persons authorized by the owner to access the services, the profiles of each user, and the transactions authorized by type of profile.

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships between the persons authorized to make ATM withdrawals and manage financial matters for the account owner, and the location of the transaction, among other things.

#### 13.2.1.1 Warning signs regarding the application form

1. An application for several debit and credit cards under one or more names and with the same person authorized to use the service, with no apparent justification.
2. An application for several debit and credit cards for companies that have common partners, shareholders, managers, administrators or legal representatives.

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<sup>105</sup> Personal Identification Number

3. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the leasing enrollment forms completely or to accept incomplete or false information.
4. Persons who fill out e-banking enrollment forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
5. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of debit or credit card applications.
6. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for debit and credit card applications.
7. Debit and credit card applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
8. Owners of financial products who refuse to justify transactions performed through automated teller machines.
9. Persons or entities that frequently open and close e-banking services in the same financial institution or others in the same location, without justification.
10. A debit and/or credit card applicant who is classified as a Politically Exposed Person (PEP<sup>106</sup>) and tries to avoid properly and completely filling out the enrollment documents or does not adequately justify the origin of his/her money, or tries to be registered as authorized to manage one or more financial products of third parties, without the existence of a clear and justified relationship.
11. Persons authorized to use debit and/or credit cards when they have no direct or apparently justified relationship with the owner.
12. A person who is authorized to use the debit and/or credit cards of different people or companies at the same time without any apparent justification.
13. A person listed as a debit and/or credit card user for the management of one or more financial products who has an inconsistent or improper relationship with the owner, e.g., an external auditor authorized to manage the products of the audited party.
14. Persons listed as, or who seek to be registered as, authorized to use or covered by debit and/or credit cards for the management of one or more

<sup>106</sup> According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military official, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

financial products, who are named in national<sup>107</sup> or international<sup>108</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.

### 13.2.2 Bank statements

A bank statement is a periodic report of the credit and debit transactions involving a financial institution's products. The statement details all transactions by product, including those performed through automated teller machines, and it provides a summary of the money inflows and outflows.

The information in the bank statement shows the number and type of transactions performed through automated teller machines that increase (origin or sources) and reduce (destination or uses) the available balance.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money, the different ways in which the funds are transferred, and the channels used.

#### 13.2.2.1 Warning signs regarding the bank statement

1. Financial products with large sums of money and transactions performed mainly through electronic transfers or the use of automated teller machines.
2. Financial products for which simultaneous debit transactions are performed (same date, office, city, ATM) for equal or similar amounts, with no apparent justification.
3. Multiple ATM withdrawals in the same city or different cities without any apparent justification or relationship with the product owner's economic activity.
4. Owners of financial products who suddenly change the type of transactions performed or the manner in which they withdraw money.
5. Deposits of large sums, mainly in cash, that are withdrawn over a very short time through automated teller machines.

<sup>107</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>108</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).



6. Sudden deposits in inactive accounts, followed by multiple cash withdrawals of the entire account balance from automated teller machines.
7. The withdrawal of money through ATMs from financial products with a considerable balance in a single day or other very short period after only transfer deposits have been made over a period of time.
8. Financial products with large sums of money in which transactions are performed mainly through electronic transfers or automated teller machines.
9. Customers who record movements that have no relation to their financial statements.
10. Inactive accounts with a minimum balance that suddenly receive a deposit or series of deposits, followed by daily cash withdrawals that continue until the entire balance has been withdrawn.
11. The withdrawal of representative amounts from the same ATM, or ATMs in the same network, on the same day, and withdrawals with cards whose monthly accumulated amount is representative.

### 13.2.3 Transaction receipts

ATM transaction receipts contain information about the transaction number, date, hours and minutes, equipment code, entity involved (for the user), account number, amount and new balance. The data included will depend on the type of transaction.

Image No. 53.  
Transaction receipt

ABC BANK

For Customer Service call

05/08/08 18:15 MCTN0031

XXXXXXXX8506 Posts On 05/09/08

Ser. No. 2738  
Withdrawal \$20.00  
From PRIMARY Checkings  
Chk Available Balance \$0.95

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the date, time and place of the transaction, the financial product involved, and the amount transacted, among other things.

### **13.2.3.1 Warning signs regarding the transaction receipt**

1. Withdrawals on the same day from different automated teller machines in different cities or from several automated teller machines. The number of ATMs and cities involved in the customer's transactions during a specific period, whether a day, a week or months.
2. The use of ATMs during unusual hours.
3. ATM transactions other than those usually performed by the customer, such as withdrawals, balance inquiries or transfers.
4. The use for identification purposes of the card numbers of the same customer or card numbers associated with the same account from which considerable amounts are withdrawn frequently in transactions performed close together.
5. The daily withdrawal of small amounts from different automated teller machines that add up to a large amount over time, in order to avoid detection and notice.
6. Transactions performed at unusual hours near the end of the day, in order to be able to withdraw the total amount allowed for that day and the next. For example, the withdrawal at 11:50 p.m. of the total permitted for that day, and the withdrawal ten minutes later of the amount permitted for the new day.
7. An increase in the number and value of transactions in a given ATM or city, especially on a border.
8. An increase in the number and value of ATM transactions with international cards.
9. The grouping of assets from one country in a border city, with a large growth in the number of transactions with respect to the historical use of the ATM.
10. The use of the same card in the same ATM, or in ATMs in the same network, to withdraw representative amounts on the same day.
11. Withdrawals with cards whose accumulated monthly value is representative.
12. ATM payments for services made for representative amounts.

13. Frequent credit card advances issued abroad or for representative amounts.
14. The use of multiple cards with the same PIN in specific ATMs and cities over time.
15. Continuous large withdrawals, transfers and/or advances using debit or credit cards issued in another country.

#### 13.2.4 Video recording

Video recording is a technology used for the capture, recording, processing, storage, transmission and reconstruction by electronic means of a sequence of images representing scenes in motion, for the purpose of associating the data and images of each transaction performed in automated teller machines. The availability of a video camera and the preservation of this material in an ATM depend on the laws of each country or the policies of each bank, so in some cases it is possible to capture an image of a person using an ATM and the date and time of the transaction.

This electronic record is very important for purposes of financial analyses and judicial investigations because it provides an image of the person making the transaction and confirms the date, time and place of the transaction.

Caution: Whilst video cameras are present at many ATMs, the life time of the actual film varies. It cannot be assumed that a recording will be available for inspection days or weeks later. Speed is of the essence when considering the capture of such material.

##### 13.2.4.1 Warning signs regarding video recordings

1. Use of the same card in the same ATM, or in ATMs in the same network, to withdraw representative sums on the same day.
2. An increase in the number and value of transactions in a given ATM or city, especially on a border.
3. An increase in the number and value of ATM transactions with international cards.
4. The grouping of assets from one country in a border city, with a large growth in the number of transactions with respect to the historical use of the ATM.

5. Transactions performed at unusual hours near the end of the day, in order to be able to withdraw the total amount allowed for that day and the next. For example, the withdrawal at 11:50 p.m. of the total permitted for that day, and the withdrawal ten minutes later of the amount permitted for the new day.

### **13.3 RISK OF MONEY LAUNDERING THROUGH AUTOMATED TELLER MACHINES**

Automated teller machines are an electronic channel that can pose a high risk of money laundering.

The characteristics of their use, the type of operations carried out, their customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>109</sup>.

According to this document, automated teller machines could be used in typologies such as international currency arbitrage through the transport of illegal money, financial and investment products that can be used for money laundering operations, the declaration of a fictitious prize abroad in order to bring illegal money into the country, and the use of prepaid savings account cards to launder money.

## **14. AUTOMATED CLEARING HOUSE - ACH**

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The Automated Clearing House is an electronic channel for the distribution of services that allows information to be exchanged between different financial institutions in a given banking system.

### **14.1 DESCRIPTION**

The Automated Clearing House is a system of networks for the electronic transfer of funds. It processes all transactions received from a bank's different distribution channels for transmission to other banks. It is a channel used for making regularly recurring payments, such as those related to payrolls, pensions, providers, dividends, expense reimbursements, billing for all types

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<sup>109</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sand-trends/>

of goods and services, and the automatic collection of said payments, as well as credit card and loan payments. These payments can be made electronically on a scheduled basis from checking or savings accounts in any bank in any city in the country.

The use of this channel involves the owners of the originating and receiving accounts as well as authorized originating and receiving entities that are members of the Automated Clearing House (ACH) system. This system enables the exchange of information such as the account numbers and the amount and date of the transaction, in accordance with the instructions of the customer, provided that the funds exist in the account to be debited and the parties authorize the transfer.

The Automated Clearing House receives, validates, processes and distributes monetary transactions between banks through the appropriate offsets<sup>110</sup>. It maintains minimum security and quality requirements for the management of information through channels for the distribution of goods and services in order to prevent information leaks, and it trains customers, users and employees on the measures that should be adopted for carrying out transactions given the risks involved in the use of this transactional channel.

## 14.2 DOCUMENTS OF INTEREST

The following documents identify the characteristics of transactions carried out through an Automated Clearing House: the beneficiary account registration form, the transfer and/or payment forms, and the bank statement.

### 14.2.1 Beneficiary account registration form

The beneficiary account registration form contains information about the date and place of the transaction, the ordering party, the originating bank and the account to be debited, the beneficiary, and the destination bank and account(s).

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

<sup>110</sup> An offset is a means for extinguishing obligations. It occurs when two natural persons and/or legal entities qualify as debtor and creditor reciprocally and in their own right.

Image No. 54.  
Beneficiary account registration form

**ABC BANK**

Beneficiary account registration form

CITY	OFFICE CODE	OFFICE	DATE

ID NUMBER	ID CLASS	HOLDERS NAME

ORIGIN	ACCOUNT NUMBER	ACCOUNT TYPE

NUMBER OF ACCOUNT ADDED	TYPE OF ACCOUNT ADDED	ACCOUNT ADDED BANK OWNER

\_\_\_\_\_  
Signature

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships between the persons authorized to provide Automated Clearing House services.

#### 14.2.1.1 Warning signs regarding the beneficiary account registration form

1. Requests for multiple beneficiary account registration forms under one or more names, with the same beneficiary authorized to use the service, with no apparent justification.
2. Requests for beneficiary account registration forms by companies that have common partners, shareholders, administrators or legal representatives.
3. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the beneficiary account registration forms completely or to accept incomplete or false information.
4. Persons who fill out the beneficiary account registration forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.



5. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms for obtaining ACH services.
6. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for obtaining ACH services.
7. Persons who request beneficiary account registration forms who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.
8. Owners of financial products who refuse to justify an ACH transaction.
9. Persons or entities that frequently open and close beneficiary account registrations in the same bank or others in the same location, without justification.
10. An applicant for ACH services who is classified as a Politically Exposed Person (PEP<sup>111</sup>) and tries to avoid properly and completely filling out the enrollment documents or does not adequately justify the origin of his/her money, or tries to be registered as authorized to manage one or more financial products of third parties, without the existence of a clear and justified relationship.
11. Beneficiaries of ACH services who have no direct relationship, or any apparent justification for their relationship, with the account owner.
12. Beneficiaries of ACH services provided by different people or companies at the same time, with no apparent justification.
13. Beneficiaries of ACH transfers from one or more financial products who have an inconsistent or improper relationship with the products' owner, e.g., an external auditor authorized to manage the products of the audited party.
14. Beneficiaries of one or more ACH transfers who are named in national<sup>112</sup> or international<sup>113</sup> lists as terrorists, drug traffickers, tax delinquents,

<sup>111</sup> According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military official, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>112</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>113</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).

punished public officials, fugitives, criminals or persons wanted by the authorities.

### 14.2.2 Transfer receipt

The transfer receipt is an electronic record of the transfer order, and contains information about the date, amount, ordering party, beneficiary, and intermediate or participating banks. The customer must usually register the accounts to which transfers will be made, and the corresponding data are confirmed with the other entity before a transfer is made.

Image No. 55.  
Transfer receipt



The screenshot shows a web interface for 'ABC BANK ONLINE'. At the top, there are links for 'Customer Support' and 'Sign Out'. Below this, the user is identified as 'VANCOUVER LAPTOP INC. - Edit Profile'. The main navigation bar includes 'Banking', 'Investing', and 'Insurance'. The current page is 'Banking / Pay Bills & Transfer Funds'. The main content area is titled 'Transfer funds to other account'. It contains a form with the following fields and values:

Amount:	\$ 100.00
From:	1234 1345 23556
Confirm Amount:	\$ 100.00
To Account:	3456 45678 6878
to: Surname/Company name:	xxxxxx
To Given name:	xxxxxx

At the bottom of the form, there are 'Confirm' and 'Cancel' buttons.

(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the originating and receiving financial products and the people involved in transferring the funds.

#### 14.2.2.1 Warning signs regarding the transfer receipt

1. The customer is the beneficiary of multiple transfers from different locations that are not related to previous transfers.
2. The customer makes multiple transfers to different beneficiaries, with no apparent justification.
3. Transfers from an IP address that is different from the one recorded in historical transactions.

4. Transfers to an account without any transaction history, with no apparent justification.
5. Transfers made during non-business hours or during hours that are not customary based on historical transactions.
6. Transfers made from IP addresses related to cases of fraud.
7. Transfers to or from illogical locations.
8. Transfers to payroll accounts that have no relation to the company that originates them.
9. Transfers of large amounts to accounts that are not consistent with the customer's usual behavior.
10. Financial product with electronic transfers that are withdrawn immediately or quickly through checks made out to third parties, automated teller machines or transfers to other beneficiaries.
11. Multiple transfers that are immediately re-transferred to another product, with no apparent justification.
12. Multiple transfers by legal entities on weekends or holidays to accounts that have no relation to the company originating the transfer.
13. Electronic transfers for which there is neither an apparent commercial reason nor consistency with the customer's normal course of business.
14. Customers who deposit large sums of cash and then make transfers to other accounts or cities.
15. Electronic transfers that are followed immediately by the purchase of cashier's checks or remittances to a third party.
16. Different transactions (checks or transfers) to the same beneficiary on the same day.
17. Electronic transfers that are withdrawn immediately or quickly through checks made out to third parties, automated teller machines or transfers to other beneficiaries.
18. Service payments of representative amounts made through the ACH.
19. Numerous and/or large payments for collections (e.g., tuition and/or room and board in schools or universities) by the same person.
20. ACH payments for multiple obligations or credit cards in representative sums.
21. ACH payments made for services in representative amounts.
22. Financial accounts used only to receive deposit transfers and to pay for multiple public services, with no apparent reason.

### 14.2.3 Bank statements

A bank statement is a periodic report of the credit and debit transactions involving a financial institution's product. The detailed statement lists all transactions by product, including those made through the ACH, and it provides a summary of the money inflows and outflows.

The information in the bank statement shows the number and type of transactions that increase (origin or sources) and reduce (destination or uses) the available balance. The statement also contains information about the originating and receiving accounts in ACH transactions.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and/or beneficiary of the money and the date of the transaction, among other things.

#### 14.2.3.1 Warning signs regarding the bank statement

1. Financial product that registers withdrawal of money with a considerable balance in a single day or other very short period after only ACH transfer deposits have been made over a period of time.
2. Financial products with large sums of money in which transactions are performed mainly through electronic transfers or automated teller machines.
3. Financial products into which small ACH transfers are initially made that soon grow to large sums of money.
4. Financial products from which multiple ACH transfers are made to other cities or countries for different beneficiaries, which do not have any relation to the product owner's economic activity.
5. ACH transfers of large sums of money that are withdrawn immediately or over a very short time period.
6. The withdrawal of money from financial products with a considerable balance in a single day or other very short period after only ACH transfer deposits have been made over a period of time.
7. ACH transfers of large sums of money to financial products that are or have been inactive.
8. Accounts with a large volume of deposits through checks, electronic transfers and other negotiable instruments, when not justified by the customer's economic activity.

9. Receipt of several transfers, checks or payment orders for small sums of money when not justified by the customer's business.
10. Customers who record movements that have no relation to their financial statements.
11. A customer that receives many small ACH transfers, check deposits or payment orders and then immediately transfers almost all of the funds to another city or country, when not consistent with the customer's economic activity.

### 14.3 RISK OF MONEY LAUNDERING THROUGH AUTOMATED CLEARING HOUSE SERVICES

Automated Clearing House services are an electronic channel that can pose a high risk of money laundering.

The characteristics of their use, the type of operations carried out, their customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>114</sup>.

According to this document, Automated Clearing House services could be used in typologies such as fictitious foreign investment in a "local company", the use of shell companies to support the money laundering activities of criminal or terrorist organizations, financial and investment products that can be used for money laundering operations, the use of insurance company products, the declaration of a fictitious prize obtained abroad in order to bring illegal money into the country, money laundering that is the product of corruption, the use of non-profit organizations for money laundering purposes, and the creation of companies to defraud through the use of pyramid schemes.

## 15. POINT OF SALE TERMINAL- POS

The point of sale (POS) terminal is an electronic channel for the distribution of services offered by financial institutions for performing banking transactions through a telephone connection or other telecommunications network.

<sup>114</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

## 15.1 DESCRIPTION

The point of sale (POS) terminal has the main functions of a bank office, enabling payments, transfers and balance inquiries through the reading of credit/debit cards, bar codes and PINs. It consists of a keypad, card reader and communications software.

The most common location for terminals (also called dataphones) is in commercial establishments, supermarkets and restaurants. They facilitate the payment of bills through the use of debit/credit cards by directly debiting the customer's bank account or charging the customer's credit card, thereby streamlining sales transactions, providing security to customers and service providers, and eliminating the need to handle cash.

The POS terminal or credit card terminal can also be used by a bank as a mechanism for providing banking services in municipalities in which it has no office, by placing it in a commercial establishment that serves as a non-bank correspondent. In this case, the device is used not for the billing of purchases in the commercial establishment, but rather as a parallel system for performing financial transactions such as payments, transfers, balance inquiries, and small cash deposits and withdrawals. In all cases, this requires a qualified assistant who can count and store the cash used in transactions performed with the terminal.

Another option is to place the device in a banking office, a service known as "pin pad", which is used to perform transactions, such as payments and withdrawals of amounts greater than those allowed at automated teller machines, through the use of a PIN and a card with a magnetic strip.

## 15.2 DOCUMENTS OF INTEREST

The documents that identify the characteristics of point of sale (POS) transactions are the bank statement and transaction receipt.

### 15.2.1 Bank statements

A bank statement is a periodic report of the credit and debit transactions involving a financial institution's products. The detailed statement lists all transactions by product, including those performed through point of sale (POS) terminals, and it provides a summary of the money inflows and outflows.

The information in the bank statement can be used to periodically establish the number and type of transactions that increase (origin or sources) and reduce



(destination or uses) the available balance. The statement also contains information about the destination of the resources.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the money, the dates and places of the transactions, and the associated commercial establishments.

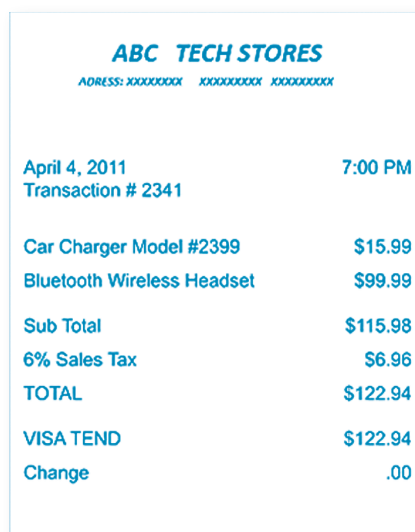
#### **15.2.1.1 Warning signs regarding the bank statement**

1. Transactions involving financial products with large sums of money that are performed mainly through electronic transfers, automated teller machines or POS terminals.
2. Simultaneous debit transactions (same date, office, city, telephone number) for equal or similar amounts, with no apparent justification.
3. Owners of financial products who suddenly change the type of transactions performed or the manner in which they withdraw money.
4. Deposits of large sums, mainly in cash, that are transferred over a very short time through POS terminals.
5. Sudden deposits in inactive accounts that are followed by multiple transfers of the entire account balance through POS terminals.
6. The transfer of money through POS terminals from financial products with a considerable balance in a single day or other very short period after only transfer deposits have been made over a period of time.
7. Customers who record movements that have no relation to their financial statements.
8. The sudden deposit or series of deposits into inactive accounts with a minimum balance, followed by daily transfers through POS terminals until the entire balance has been transferred.
9. The use of the same card in the same dataphone in the same network for transferring representative amounts on the same day, and transfers and payments with cards whose accumulated monthly amount is representative.

#### **15.2.2 POS transaction receipts**

The transfer receipt is the electronic record of the transaction, and contains information about the date, amount, debit account and balance.

Image No. 56.  
POS transaction receipt



(Source: Study findings)

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the destination of the resources of a financial product.

#### 15.2.2.1 Warning signs regarding the POS transaction receipt

1. Transactions performed from an unregistered commercial establishment.
2. Transactions performed on a date or at a time outside of normal business hours.
3. Customers who record movements that have no relation to their financial statements.
4. Persons who seem reluctant or annoyed when they are asked for proper identification for performing the transaction.
5. When the person who signs the transaction receipt is not the cardholder.
6. Multiple transactions performed from the same terminal which are not consistent with the customer's usual behavior.

### 15.3 RISK OF MONEY LAUNDERING THROUGH POINT OF SALE (POS) TERMINALS

The point of sale terminal is an electronic channel that can pose a high risk of money laundering.

The characteristics of its use, the type of operations carried out, its customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>115</sup>.

According to this document, POS terminals could be used in typologies such as fictitious foreign investment in a “local company”, international currency arbitrage through the transport of illegal money, the use of shell companies to support the money laundering activities, financial and investment products that can be used for money laundering operations, the declaration of a fictitious prize obtained abroad in order to bring illegal money into the country, money laundering that is the product of corruption, the use of non-profit organizations for money laundering purposes, trading in products with differentiated markets, and the creation of companies to defraud through the use of pyramid schemes.

## 16. INTERACTIVE VOICE RESPONSE - IVR

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Interactive voice response is an electronic channel for the distribution of services offered by financial institutions for performing banking transactions through a telephone connection.

### 16.1 DESCRIPTION

Interactive voice response offers the main functions of a banking office, enabling one to perform monetary and non-monetary transactions using a telephone connection. This automated system receives calls and interacts with customers through voice recordings and the recognition of simple requests or information entered with the telephone keypad.

The system reduces waiting times for customers, and allows them to perform transactions such as balance and product inquiries, payments, transfers, the use of credit limits, credit card advances, password changes, account blocking, activation of checkbooks, information about the office network, and the updating of data, without the need to interact with bank personnel. The system can also direct customers to service advisors who have more specific knowledge about their inquiries.

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<sup>115</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>

This service begins when the system answers a customer call and provides the customer with a pre-recorded menu of options to be selected. The customer selects an option by entering numbers on the keypad, and can navigate through the different options in order to perform the desired transaction or to reach an employee who can provide personal advice.

The customer's enrollment in the system is usually established through the signing of an agreement for a debit card (for a savings or checking account) or a credit card. The customer enters the system through the use of a PIN or other form of authentication, and the system provides information about the balances in the customer's active accounts. The customer is given only those options that correspond to his/her bank products and transaction authorizations, e.g., balance inquiries or monetary transaction services.

Customers can pay for public services through checking or savings account debits, and they can transfer funds between their checking and savings accounts or between their accounts and the active registered accounts of another account holder in the same or different bank. They can also transfer trust funds to their own or others' accounts in the same or different bank, as long as the receiving account has previously been registered.

There is usually a daily limit on the amount that can be transferred. The system verifies the account or card status and determines whether any block has been placed on them before approving or denying the transaction request. The customer is given a message with the transaction data, as well as the opportunity to confirm, modify or cancel the transaction. If the customer confirms it, the system generates and provides the customer with an authorization number.

## **16.2 DOCUMENTS AND ELECTRONIC RECORDS OF INTEREST**

The documents and electronic records that identify the characteristics of a transaction performed through the interactive voice or audio response service are: the enrollment form, the bank account, and the monetary transaction authorization log.

### **16.2.1 Enrollment form**

The interactive voice or audio response enrollment form contains information about the account owner, whether a natural person or legal entity, and the conditions for accessing the financial institution. In some cases this form is included in or added to the contract signed for opening a financial product,

and it includes the identification number, location and economic activities of the customer requesting the service, the profiles of each user and the transactions available for each profile, and the maximum limit for each type of transaction.

Given their technological advances, some banking institutions may be able to enroll their customers by capturing data electronically and directly (not necessarily on paper). However, they can still obtain the customer information mentioned above.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the relationships between the persons authorized to manage the interactive voice or audio response service, the financial status of the account owner, and the location of the transactions, among other things.

#### **16.2.1.1 Warning signs regarding the enrollment form**

1. Requests for several interactive voice or audio response enrollment forms under one or more names with the same person authorized to use the service, with no apparent justification
2. Requests for interactive voice or audio response enrollment forms by companies that have common partners, shareholders, administrators or legal representatives.
3. Refusals, attempted bribery of or threats against bank officials to induce them not to fill out the interactive voice or audio response enrollment forms completely or to accept incomplete or false information.
4. Persons who fill out the interactive voice or audio response enrollment forms with illegible or “deceptive” handwriting, or information that is false, difficult to verify or insufficient.
5. Persons who seem reluctant or annoyed when they are asked for proper identification or the mandatory completion of certain forms for interactive voice or audio response enrollment.
6. Persons who appear nervous, give hesitant responses and/or consult written notes when asked for information required for interactive voice or audio response enrollment.
7. Interactive voice or audio response applicants who demand to see or show a marked preference for a specific commercial advisor or bank manager or officer.

8. Owners of financial products that refuse to justify an interactive voice or audio response transaction.
9. An interactive voice or audio response applicant who is classified as a Politically Exposed Person (PEP<sup>116</sup>) and tries to avoid properly and completely filling out the enrollment documents or does not adequately justify the origin of his/her money, or tries to be registered as authorized to manage one or more financial products of third parties, without the existence of a clear and justified relationship.
10. Persons authorized to manage interactive voice or audio response services who have no direct relationship, or any apparent justification for their relationship, with the account owner.
11. Persons authorized to manage interactive voice or audio response services for different people or companies at the same time, with no apparent justification.
12. Persons listed as interactive voice or audio response service users who are authorized to manage one or more financial products and who have an inconsistent or improper relationship with the applicant, e.g., an external auditor authorized to manage the products of the audited party.
13. Persons listed as, or who seek to be registered as, authorized interactive voice or audio response users for the management of one or more financial products and who are named in national<sup>117</sup> or international<sup>118</sup> lists as terrorists, drug traffickers, tax delinquents, punished public officials, fugitives, criminals or persons wanted by the authorities.

### 16.2.2 Bank statements

A bank statement is a periodic report of the credit and debit transactions involving a financial institution's products. The detailed statement lists all transactions by product, including those performed through the interactive

<sup>116</sup> According to FATF recommendations, Politically Exposed Persons (PEP) are individuals who perform or have performed prominent public functions in a foreign country, for example, heads of state or government, senior politicians, senior government, judicial or military official, senior executives of state companies, and important political party officials. Commercial relations with PEPs' family members or close associates involve reputational risks that are similar to those of the PEPs themselves. This definition does not include persons of middle- or lower-rank in the aforementioned categories. See [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>117</sup> Lists published by each country. For example, in Colombia the lists of those wanted by justice ([http://www.policia.gov.co/portal/page/portal/Noticias\\_y\\_Documentacion/BUSCADOS](http://www.policia.gov.co/portal/page/portal/Noticias_y_Documentacion/BUSCADOS)); and of public officials with disciplinary backgrounds (<http://siri.procuraduria.gov.co/cwebciddno/Consulta.aspx>).

<sup>118</sup> Lists published by different organizations, such as the FBI (<http://www.fbi.gov/wanted/topten>), OFAC of the United States Department of the Treasury (better known as the Clinton List) (<http://www.treas.gov/offices/enforcement/ofac/sdn/>), and INTERPOL (<http://www.interpol.int/Public/Wanted/Fugitives/Links.asp>).



voice or audio response service, and it provides a summary of the money inflows and outflows.

The information in the bank statement shows the number and type of transactions performed that increase (origin or sources) and reduce (destination or uses) the available balance.

This document is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money and the date and amount of the transaction, among other things.

#### **16.2.2.1 Warning signs regarding the bank statement**

1. The withdrawal of money from financial products with a considerable balance in a single day or other very short period after only deposits through the interactive voice or audio response system have been made over a period of time.
2. Financial products with large sums of money in which transactions are performed mainly through interactive voice or audio response system electronic transfers or automated teller machines.
3. Financial products into which small interactive voice or audio response system transfers are initially made that soon grow to large sums of money.
4. Financial products from which multiple interactive voice or audio system transfers are made to other cities or countries for different beneficiaries, which do not have any relation to the product owner's economic activity.
5. Interactive voice or audio response system transfers of large sums of money that are withdrawn immediately or over a very short time period.
6. Transfers of large sums of money through the interactive voice or audio response system to financial products that are or have been inactive.
7. Accounts with a large volume of deposits through checks, electronic transfers through the interactive voice or audio response system, and other negotiable instruments, when not justified by the customer's economic activity.
8. Receipt of multiple transfers, checks or payment orders for small sums of money when not justified by the customer's business.
9. Customers who record movements that have no relation to their financial statements.

10. A customer that receives many small transfers, check deposits or payment orders and then immediately transfers almost all of the funds to another city or country, when not consistent with the customer's economic activity.

### 16.2.3 Electronic authorization

All successful monetary transactions generate a message with the relevant data, which the customer can confirm, modify or reject. If the client accepts the transaction, the system will generate a corresponding authorization number. If the system does not inform the client of the authorization number, the customer should verify his/her balances because an error may have occurred.

This electronic record is very important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms the origin and destination of the money and the date and amount of the transaction, among other things.

#### 16.2.3.1 Warning signs regarding the electronic authorization

1. The customer is the beneficiary of multiple transfers through the interactive voice or audio response system from different locations that are not related to previous transactions.
2. The customer makes multiple transfers via the interactive voice or audio response system to different beneficiaries, with no apparent justification.
3. Transfers through the interactive voice or audio response system to an account without any transaction history, with no apparent justification.
4. Transfers performed through the interactive voice or audio response system during non-business hours (8:00 p.m. to 6:00 a.m.) or during hours that are not customary based on the transaction history.
5. Transfers through the interactive voice or audio response system to or from illogical locations.
6. Transfers through the interactive voice or audio response service to payroll accounts that have no relation to the company that performs them.
7. Transfers through the interactive voice or audio response system of large amounts to accounts that are not consistent with the customer's usual behavior.
8. Financial Product with transfers through the interactive voice or audio response system that are withdrawn immediately or in a very short time

through checks made out to third parties, automated teller machines or transfers to other beneficiaries.

9. Transfers through the interactive voice or audio response system that are immediately re-transferred to another product, with no apparent justification.
10. Multiple transfers by legal entities through the interactive voice or audio response system on weekends or holidays to accounts that have no relation to the company making the transfer.
11. Transfers made through the interactive voice or audio response system for which there is neither an apparent commercial reason nor consistency with the customer's normal course of business.
12. Customers who deposit large sums of cash and then make transfers to other accounts or cities via the interactive voice or audio response system.
13. Transfers via the interactive voice or audio response system that are followed immediately by the purchase of cashier's checks or remittances to a third party.
14. Different transactions (checks or transfers) to the same beneficiary on the same day.
15. Transfers through the interactive voice or audio response system that are withdrawn immediately or in a very short time through checks made out to third parties, automated teller machines or transfers to other beneficiaries
16. Payments through the interactive voice or audio response system for representative amounts for services.
17. Numerous and/or large payments for collections (e.g., tuition and/or room and board in schools or universities) by the same person.
18. Multiple loan or credit card payments in representative amounts through the interactive voice or audio response system.
19. Multiple service payments in representative amounts made through the interactive voice or audio response system.
20. Financial accounts used only to receive deposit transfers via the interactive voice or audio response system to pay for multiple public services, with no apparent reason.

### 16.3 RISK OF MONEY LAUNDERING THROUGH IVR

The interactive voice or audio response system is an electronic channel that can pose a high risk of money laundering.

The characteristics of its use, the type of operations carried out, its customary behavior and the results of the analysis of the above-mentioned documents could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>119</sup>.

According to this document, interactive voice or audio response services could be used in typologies such as the use of shell companies to support the money laundering activities of criminal or terrorist organizations, financial and investment products that can be used for money laundering operations, the use of insurance company products, the declaration of a fictitious prize obtained abroad in order to bring illegal money into the country, money laundering that is the product of corruption, the use of non-profit organizations for money laundering purposes, and the creation of companies to defraud through the use of pyramid schemes.

<sup>119</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/methodsandtrends/>



PART IV

## USER TRANSACTIONS







## 17. USER TRANSACTIONS

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Users of financial institution services are natural persons or legal entities that occasionally use the office network or services of such institutions without having a legal or contractual relationship with them.

### 17.1 DESCRIPTION

Unlike customers, who establish or maintain an ongoing contractual relationship with financial institutions through a product or service, users simply occasionally use the office network or services that such institutions offer.

The user transactions that should be monitored and analyzed depend on their type, the coverage or network of offices, and the products and services offered by a financial institution.

Some of the services available to users are automated teller machine networks; public service, tax and contribution payments; special business collection services; the payment of local and international money orders; the purchase and sale of foreign currency; the issuance of sight drafts; and deposits to the accounts of a financial institution other than the collector.

User transactions are also subject to the risk of money laundering, which is why financial institutions need to closely monitor them in order to identify warning signs of unusual transactions that might become suspicious.

### 17.2 DOCUMENTS OF INTEREST

The main documents or electronic records that identify user transactions are: automated teller machine audit receipts or rolls, public service invoices, tax return or forms, forms for special business collections, forms for sending or receiving money orders, forms for the purchase or sale of foreign currency, and forms for deposits to accounts of an entity other than the collector.

Each of these documents or electronic records provides information about the transaction, making it possible to generally establish the account holder's name and data; the depositor or user; the amount, date, time and location of

the transaction; the name and/or account of the beneficiary; and the office of the financial institution in which the transaction is performed.

Image No. 57.  
Electronic records

Date	Time	Machine
10/02/07	06:09 PM	S1F09240
*****3014		
9450 SCRANTON, STE 105		
SAN DIEGO CA		
TRANS NUMBER	7950	
DEPOSIT TO CHECKING		\$520.00
CURRENT BALANCE		\$1054.22
AVAILABLE BALANCE		\$634.22
SMALL BUSINESS BANKING		

(Source: Study findings)

These documents, forms or electronic records are important for purposes of financial analyses and judicial investigations because they provide information that identifies or confirms the user's data, the characteristics, dates and amounts of the transactions, the origin and destination of the funds, and the relationships between the persons involved.

#### 17.2.1 Warning signs regarding user transactions

1. Multiple, continuous and large cash withdrawals from automated teller machines using local bank account cards from an institution other than the owner of the ATM.
2. Multiple, continuous and large cash withdrawals from automated teller machines as cash advances on credit cards issued by local or foreign financial institutions.
3. Multiple, continuous and large cash withdrawals from automated teller machines with debit or credit cards issued by foreign financial institutions.
4. Simultaneous cash withdrawals from the same ATM, or ATMs in the same network, in daily amounts that are high or at the maximum established by the financial institution.
5. Multiple local transfers through ATMs in amounts that raise warning signs of fractioning and/or that are made to different accounts.

6. Local transfers through ATMs in amounts that raise warning signs of fractioning and/or that are made to different accounts.
7. Multiple, continuous and large business payments for cell phone or public services, made through ATMs using local or foreign bank account cards.
8. The payment of multiple cell phone or public service bills with cash by the same person, with no clear and reasonable justification.
9. The cash payment of multiple tax returns on behalf of different taxpayers by a person who apparently has no relationship with them, when there is no clear and reasonable justification.
10. The payment of multiple business bills, university tuition, school room and board, etc. for different people, generally in cash, by a person who apparently has no relationship to the beneficiaries, when there is no clear and reasonable justification.
11. A sudden increase in the frequency and amount of a user's purchase or sale of foreign currency.
12. Multiple and continuous transactions for the purchase or sale of foreign currency by a user who is a minor, tourist or foreigner, or a person whose declared economic activity bears no relation to the amount transacted.
13. Multiple and continuous transactions for the purchase or sale of foreign currency by a user who frequently requests high denomination bills or trades in low denomination bills, with no apparent justification.

### **17.3 RISK OF MONEY LAUNDERING IN USER TRANSACTIONS**

User transactions through financial institutions can pose a risk of money laundering operations.

The characteristics of the transactions performed by financial institution users through automated teller machines; public service, tax and business payments; the sending and receipt of money orders; the purchase and sale of foreign currency; and deposits to accounts in financial institutions other than the receiving institution, as well as the analysis of the above-mentioned documents, forms and electronic records and the information about the parties involved, could coincide with some of the money laundering typologies indicated in the regional GAFISUD document<sup>120</sup>.

<sup>120</sup> See <http://www.gafisud.info/pdf/TipologiasRegionalesGAFISUD.pdf> or <http://www.fatf-gafi.org/topics/method-sand-trends/>

According to this document, user transactions could be performed in typologies such as “international foreign currency arbitrage through the transport of illegal money”, “fractioned transfers of illegal money through international money orders”, “the use of shell companies to support the money laundering activities of criminal or terrorist organizations”, “financial and investment products that can be used for money laundering operations”, “the declaration of a fictitious prize obtained abroad in order to bring illegal money into the country”, and “the physical transport of illegal money for currency conversion”.

Perpustakaan BNN

PART V

## COMMERCIAL INSTRUMENTS





## 18. PREPAID CARD

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A prepaid card is used for an anticipated amount of consumption. Transactions can be performed with the card up to the amount with which it has been charged in advanced.

### 18.1 DESCRIPTION

Prepaid cards enable one to access funds that are paid in advance by the cardholder. There are different types of prepaid cards, which are generally used in the same way as a debit card and, ultimately, depend on the availability of funds.

Prepaid cards can be issued for limited or multiple purposes. Limited or closed-system prepaid cards can be used for a restricted number of well-defined purposes at specific points of sale or service. Examples include gift cards issued by commercial establishments and prepaid long-distance calling cards. These cards may be limited to the initial amount of the card (non-rechargeable cards), or they may allow the cardholder to add value to them (up to a certain limit) and to reuse them (rechargeable cards).

Multiple-use or open-system prepaid cards can be used in a wider range of places for a wider range of purposes, on either a national or international scale. Examples include payroll cards and general use “debit cards” for people who do not own financial products. These cards are usually associated with a payment network, which allows them to be used in the same way as debit cards for making purchases or withdrawing cash from automated teller machines (ATMs). The network in which these cards can be used depends on the card issuer, and their processing is similar to the processing of transactions with debit or credit cards.

Depending on the administrative policy of the issuer, a prepaid card can be issued for each financial product of the user, or for a common account that contains the prepaid funds. The value of the cards is usually linked to a prepaid account established by the issuer or service provider.

Given the characteristics of this product, the card issuer does not always know who the final user will be.



## 18.2 DOCUMENTS OF INTEREST

The main document or electronic record that identifies prepaid card transactions is the audit receipt or roll, which is created as an internal record of the card issuer in the case of a closed prepaid system, and as the ATM record in the case of an open system.

Image No 58.  
Prepaid card receipt

STORE 4665386	TERM 703520002
MASTER **1234	RECEIPT 000139 APPROVAL 99999999
<hr/>	
SUBTOTAL	100.00
SURCHARGE	2.00
<b>TOTAL</b>	<b>102.00</b>

(Source: Study findings)

These electronic records of prepaid card transactions are important for purposes of financial analyses and judicial investigations because it provides information that identifies or confirms user data (depending on the type of card), and the characteristics, dates and amounts of the transactions.

## 18.3 WARNING SIGNS REGARDING PREPAID CARDS

1. Multiple, continuous and large cash withdrawals from automated teller machines using prepaid cards from an institution other than the owner of the ATM.
2. Multiple, continuous and large cash withdrawals from automated teller machines with prepaid cards issued by foreign financial institutions.
3. Simultaneous cash withdrawals from the same ATM or from ATMs in the same network in daily amounts that are high or at the maximum established by the financial institution.
4. Multiple, continuous and large business payments for cell phones or public services through automated teller machines or prepaid cards.

5. The persistent use over time of several prepaid cards from the same issuer in specific ATMs and cities.
6. The daily withdrawal of small amounts from different ATMs that add up to a large amount over time, in order to avoid detection and notice.

## **18.4 RISK OF MONEY LAUNDERING WITH PREPAID CARDS**

Prepaid cards can be used to perform money laundering transactions.

The characteristics of the transactions performed by prepaid card users and the corresponding electronic records may coincide with some of the money laundering typologies identified in the regional GAFISUD document.

According to this document, prepaid card transactions could be performed in typologies such as the “use of non-profit organizations for money laundering purposes” and the “use of prepaid savings account cards for money laundering purposes”.

## **19. INVOICE**

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A sales invoice is a commercial document or negotiable instrument that evidences the actual physical delivery of a good or provision of a service pursuant to a verbal or written contract.

### **19.1 DESCRIPTION**

A sales invoice is a credit instrument (it incorporates a right) that a seller issues and delivers or sends to the purchaser of a good or the beneficiary of a service.

This exchange invoice corresponds to the sale of merchandise that is physically delivered to the purchaser or the actual provision of a service. It confers a right of execution by establishing a clear, express and enforceable obligation that can be enforced judicially. Its negotiation is governed by local regulations applicable to the endorsement of securities.

(Source: Study findings)

The invoice must contain certain information in order to be considered a negotiable instrument under local law, including: the credit rights that are

incorporated, the signature of its creator (issuer), the due date, the invoice receipt date, the value or price, and the payment conditions.

The signature of the purchaser of the good or beneficiary of the service constitutes acceptance of the sales invoice and an acknowledgement of receipt and recognition of the obligation owed to the issuer of the invoice (the seller). This acceptance must be expressly recorded in the original invoice. In addition, the receipt of the merchandise or service by the purchaser or beneficiary must be acknowledged on the invoice and/or waybill, as the case may be. Once the invoice has been accepted by the purchaser of the good or beneficiary of the service, the contract that gave rise to it is deemed to have been duly performed.

Thus, the sales invoice is considered to be irrevocably “accepted” by the purchaser of the good or beneficiary of the service at the time indicated for the receipt, provided that no claim is made against the content of the good or service.

The “accepted” invoice may be transferred to a third party through an endorsement of the original. It is thus advisable to consult the local rules governing the endorsement of commercial or negotiable instruments.

## 19.2 WARNING SIGNS REGARDING AN INVOICE

1. Customers who present a historical volume of invoices for merchandise or services in increasing quantities or values that have no reasonable justification.
2. Customers who present invoices for merchandise or services in increasing amounts that have no reasonable relation the purchaser’s economic activity, location or form of payment.
3. Invoices with apparently false purchaser data (name, address, identification, telephone numbers, etc.).
4. Invoices with apparently false merchandise or service data.
5. Invoices with purchaser addresses that are apparently false or that are difficult to locate or access.
6. Merchandise or service invoices issued to purchasers who do not have the characteristics or conditions for being the true recipients.
7. Invoiced merchandise or services that are timely paid for but never delivered or provided.

8. Merchandise invoiced for an amount that is far below or above its commercial or market value.
9. Timely paid invoices for the provision of specialized services that are difficult to verify.
10. Invoices with merchandise unit values that have no logic or reasonable justification (they are excessively low or high).
11. Invoiced merchandise or services which the purchaser does not need or does not have a reasonable justification for acquiring.
12. Invoices that charge for the same merchandise or services more than once.
13. Merchandise or service invoices issued to a purchaser that has a criminal background, is the subject of judicial or administrative proceedings, or is included in national or international warning lists.
14. Invoices in which the purchaser's address or place of delivery has been the subject of judicial or administrative measures that limit the ownership or transit of the merchandise or services.
15. Multiple individual invoices for a large quantity of merchandise that comprises a single batch, in order to overstate its value.
16. Invoices delivered in blank or to be filled out by the purchaser.
17. Invoices for significant amounts that the purchaser pays in cash, when such payment has no reasonable justification, does not conform to commercial custom, or is made in installments.
18. Invoices for significant amounts for which the purchaser pays an excessive amount in cash and later requests the respective refund, without any reasonable justification, other than simple error.

## **20. PROMISSORY NOTE**

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A promissory note is a commercial document or negotiable instrument that evidences an unconditional promise to pay a specific sum of money to a third party on a future date certain or upon the occurrence of certain events.

### **20.1 DESCRIPTION**

A promissory note is a commercial document or negotiable instrument that is used in commercial or financial transactions in order to recognize an obligation

to pay a sum of money owed by a debtor to a beneficiary. It can be signed for a specific time period and amount, or for the payment of periodic quotas or installments.

Image No. 60.  
Promissory note

## Promissory Note

Borrower Information:	
Name:	Date:
Street Address:	Date of Birth:
City:	Area code/Telephone number:
State:	Driver's License Number:
Zip:	Social Security Number:

Lender Information:	
Name:	Area code/Telephone number:
Street Address:	If paying by check, make check payable to:  Send payments to:
City:	
State:	
Zip:	

Loan Information:	
Loan Amount:	Loan Period:
Interest Rate:	Payment Schedule:

Sign: *[Signature of borrower]*

Name & Address: *[Party name]*

(Source: Study findings)

The invoice must contain certain information in order to be considered a negotiable instrument under local law, including: the credit rights that are incorporated, an unconditional promise to pay a specific sum of money, the name of the payee (beneficiary), an indication as to whether it is payable to the order of someone or to the bearer, the form of payment, and the signature of the acceptor (debtor).

The signature of the acceptor or debtor constitutes acceptance of the promissory note, an acknowledgement of receipt of the money, and recognition of the obligation owed to the issuer of the promissory note (the beneficiary). This acceptance must be expressly set forth in the original promissory note.

In this way, the promissory note is considered to be irrevocably accepted by the debtor and serves as a security if the payment date or conditions incorporated therein are not complied with.

The accepted promissory note may be transferred to a third party through an endorsement of the original. It is thus advisable to consult the local rules governing the endorsement of commercial or negotiable instruments.

## 20.2 WARNING SIGNS REGARDING PROMISSORY NOTES

1. People who repeatedly sign and timely pay promissory notes for ever greater amounts that have no reasonable relation to their economic activity, location, form of payment or conditions.
2. Invoices with apparently false debtor data (name, address, identification, telephone numbers, etc.).
3. Invoices with debtor addresses that are apparently false or that are difficult to locate or access.
4. Promissory notes signed by debtors who do not have the characteristics or conditions for being the true recipients of the money.
5. Promissory notes signed by persons with valid identifications who are apparently impersonating the real debtor.
6. Promissory notes that are signed and timely paid even though the loan was never made.
7. Promissory notes signed for a specific amount that is paid in full even though a smaller sum of money was delivered to the debtor.
8. Promissory notes that are not reasonably justified because the people or companies that sign them apparently do not need financing or resources.
9. Promissory notes that are signed in a jurisdiction (place, city or locality) other than the one established for the payment or fulfillment of the obligation, without any reasonable justification.
10. Promissory notes signed by different people, of whom one or more are debtors or co-debtors of multiple obligations, with no reasonable justification for their relationships.



11. Promissory notes signed by debtors who have a criminal background, are the subject of judicial or administrative proceedings, or are included in national or international warning lists
12. Promissory notes signed by debtors who provide an address that has been the subject of judicial or administrative measures that limit their ownership or movement.
13. Individual promissory notes that add up to a large amount of money and that are paid simultaneously in a single payment or by the same person, without any reasonable justification.
14. Promissory notes that are delivered in blank or to be filled out at the convenience of the debtor without any specific instructions related to the payment or its conditions, and that are later timely paid for the amount “established” by the debtor.
15. Promissory notes signed for significant amounts that the debtor pays in cash, when such payment has no reasonable justification, does not conform to commercial custom, or is made in installments.
16. Promissory notes signed for significant amounts for which the debtor pays an excessive amount in cash and later requests the respective refund, without any reasonable justification, other than simple error.

## **21. PAYROLL DEDUCTIONS**

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A payroll deduction is a promissory note modality and a mechanism for the collection of receivables, through which the debtor expressly authorizes his/her employer to deduct from his/her pay (usually monthly or biweekly) a certain sum of money to be applied to an obligation owed to the employer or a third party.

### **21.1 DESCRIPTION**

By signing a payroll deduction promissory note, a debtor expressly authorizes the deduction of a certain sum of money from his/her pay to be applied or transferred by the employer (initial beneficiary) to a third party (final beneficiary) for the payment of a credit obligation during an established period.

Image No. 61.  
Payroll deduction promissory note

**AUTHORIZATION FOR PAYROLL DEDUCTION**

Employee's Name \_\_\_\_\_ ID Number \_\_\_\_\_  
Employee No. \_\_\_\_\_

I hereby authorize \_\_\_\_\_ (Employer Name) to deduct \$ (Amount) per pay period from my paycheck for \_\_\_\_\_ starting the pay period ending \_\_\_\_\_.

**PAYROLL DEDUCTIONS:**

A. Life Insurance Premium \_\_\_\_\_  
B. Loan (define type and amount): \_\_\_\_\_  
C. Employee Purchases (define items purchased and amount): \_\_\_\_\_  
D. Payroll Savings Plan (to be deposited into employee's individual saving bank) account # \_\_\_\_\_  
E. Other \_\_\_\_\_

I agree that my gross pay will be reduced by the amount of my deduction as checked and indicated above. In the event of a deduction change during the year, my employer is authorized to deduct the new amount from my pay. In the event a new Employee Deduction Authorization Form is not executed on or before the next year-end, this form shall be deemed to continue in force for the next succeeding year.

DATED: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_

(Source: Study findings)

Payroll deductions are used frequently by some financial and non-financial entities to grant loans to their employees, because this mechanism assures them of the collection of installments through payroll deductions. In other cases, the worker authorizes the payroll deduction to be paid to a third party other than the employer for a sum of money, good or service received.

In the event of termination of employment, the employee will usually authorize the deduction of the balance of the obligation from his/her final severance pay or salary. If this amount is not enough to cover the balance of the debt that was being collected through the warrant, the employee will usually sign a promissory note for the remaining sum.

Because a worker may default or be late on the payments as a result of attachments, unforeseen leave, medical disability or dismissal, most employers establish direct collection mechanisms other than payroll deductions, through their offices or bank accounts.

When signing a payroll deduction promissory note, it is very important to consider the local legal restrictions imposed on payroll deductions. For example, in Colombia employers cannot make payroll deductions that exceed fifty percent (50%) of the worker's monthly income. The monthly deduction established through a payroll deduction cannot exceed this legal limit unless expressly authorized by the worker.

Payroll deduction promissory notes must comply with various requirements in order to be considered a document that incorporates credit rights under local law, and they must include the following information: an indication of the credit rights that they incorporate; an unconditional promise to pay a sum certain; the express, manifest authorization of the worker (debtor) to deduct a sum certain from his/her pay; the name of the beneficiary of the payment (which could be the employer or a third party); the form and expiration date (period) of payment; and the signature of the acceptor (debtor).

The signature of the acceptor (worker or debtor) constitutes acceptance of the payroll deduction, an acknowledgement of the credit obligation assumed, and recognition of the obligation owed to the beneficiary (the employer or a third party). This acceptance must be expressly set forth in the original promissory note.

In this way, the payroll deduction promissory note is considered to be irrevocably accepted by the worker (debtor) and serves as a security that authorizes the payroll deduction and/or collection mechanism in the event of job termination.

## **21.2 WARNING SIGNS REGARDING PAYROLL DEDUCTION PROMISSORY NOTE**

1. Workers who repeatedly sign payroll deduction promissory notes for ever greater amounts that have no reasonable relation to their economic activity, location, form or payment or conditions. In some cases these promissory notes are paid early in cash or without payroll deductions so that the debtor can access a new obligation.
2. Payroll deduction promissory notes with apparently false worker data (name, address, identification, telephone numbers, etc.).

3. Payroll deduction promissory notes with worker (debtor) addresses that are apparently false or that are difficult to locate or access.
4. Payroll deduction promissory notes signed by workers (debtors) who do not have the characteristics or conditions for being the true recipients of the loan.
5. Payroll deduction promissory notes signed by workers (debtors) with valid identifications who are apparently impersonating the real debtor.
6. Payroll deduction promissory notes that are signed and timely paid through payroll deductions even though the loan, good or service that justifies the document was never delivered.
7. Payroll deduction promissory notes signed for a specific amount that is paid in full through payroll deductions, even though a smaller sum of money or a good or service different from what was agreed to was delivered to the debtor.
8. Payroll deduction promissory notes signed by workers (debtors) who apparently do not need financing, resources, goods or services that reasonably justify the signing of the document.
9. Payroll deduction promissory notes that are signed by workers (debtors) in a jurisdiction (place, city or locality) other than the one established for the payment of the obligation through payroll deductions, without any reasonable justification.
10. Payroll deduction promissory notes signed by different workers (debtors), one or more of which are debtors or co-debtors of multiple obligations, with no reasonable justification for their relationships.
11. Payroll deduction promissory notes signed by workers (debtors) who have a criminal background, are the subject of judicial or administrative proceedings, or are included in national or international warning lists.
12. Payroll deduction promissory notes signed by workers (debtors) who provide an address that has been the subject of judicial or administrative measures that limit their ownership or movement.
13. Payroll deduction promissory notes signed by different workers (debtors) which individually would not be representative, but together amount to a large sum of money and are paid simultaneously in a single direct payment (without payroll deductions) or by the same person, without any reasonable justification.
14. Payroll deduction promissory notes signed in blank by the worker (debtor) or that are to be filled out later without any specific instructions related to the amount or terms of payment, and that are later timely paid through payroll deductions for the amount “established” in the document.

- 15.** Payroll deduction promissory notes signed for significant amounts that the worker pays directly in cash (rather than through payroll deductions), when such payment has no reasonable justification or is made in installments.
- 16.** Payroll deduction promissory notes for significant amounts for which the worker makes direct cash payments (rather than payroll deductions) in an amount greater than the balance of the obligation, and later requests the respective refund of the excess payment, without any reasonable justification, other than simple error.

Perpustakaan BNN





**PART VI**

## **FINANCIAL AND COMMERCIAL INSTITUTION EMPLOYEES**







## 22. FINANCIAL AND COMMERCIAL INSTITUTION EMPLOYEES

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Financial and commercial institution employees, especially those who directly or indirectly handle the transactions of customers and users, are continuously exposed to the risk of money laundering and terrorist financing.

Financial and commercial institution employees are at risk of complicity or the omission of controls in performing transactions for customers or users who attempt to use the institution for carrying out money laundering and/or terrorist financing activities.

Several countries have adopted international recommendations by implementing prevention mechanisms directed mainly at financial institutions and financial activities that are not designated as such: casinos, real estate agents, precious metal dealers, lawyers, notaries, other independent legal and accounting professionals, and providers of company and trust services. Countries have also been exhorted to extend the application of these mechanisms to other activities and professions that pose a risk of money laundering.

As a consequence of the evolution of this process, several countries in the region now impose administrative and judicial penalties on financial institution employees and executives who are involved in money laundering investigations or who negligently allow others to commit money laundering crimes. Financial institution employees may also be responsible for crimes of omission if they fail to take compulsory preventive actions and thereby facilitate money laundering by third parties.

For commercial entities, the process of implementing preventive measures has been directed more toward self-regulation, given that the phenomenon has shifted to unregulated sectors in order to shield their activities.

Initiatives such as the Safe and Responsible Business Program (*Programa de Negocios Responsables y Seguros*)<sup>121</sup> of the United Nations Office on Drugs and Crime have been developed to raise awareness in unregulated sectors of the economy about money laundering and terrorist financing and to guide

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<sup>121</sup> More information can be found at: [www.negociosresponsablesysegueros.org](http://www.negociosresponsablesysegueros.org)

them in developing preventive measures to avoid becoming involved in these types of crimes.

While the law in many countries requires financial institutions to adopt certain mechanisms and instruments for the prevention and control of money laundering in all of their customers' and users' operations, these institutions must also take measures to prevent their employees from becoming direct or indirect participants in criminal activities.

Normally, these preventive systems establish policies, translated into rules of conduct, to guide the activities of financial and commercial institution employees. These directives, usually contained in a code of ethics, are designed to ensure the adoption and proper development of all established mechanisms and instruments for preventing the institution's products and services from being used as vehicles for carrying out criminal activities.

In addition, the institutions must establish very clear procedures to make all of its employees aware of their responsibilities, duties and authority, at an operational, management and administrative level. Such procedures, normally contained in a manual, must be sufficiently disseminated and continually updated.

A financial or commercial institution employee's failure to apply certain controls, preferential treatment of certain customers or users, frequent acceptance of gifts from customers, absence from the workplace, and abnormally long work hours are some of the signs that he/she may be participating, either willingly or under duress, in criminal financial activities, or collaborating with a criminal or terrorist organization in trying to hide the origin or destination of funds and/or laundering of money.

Some of these behaviors can be identified, confirmed or verified through various reports, documents and financial records that are important for purposes of analysis and judicial investigations because they provide information about the direct or indirect participation of an employee in criminal activities.

## **22.1 WARNING SIGNS REGARDING FINANCIAL AND COMMERCIAL INSTITUTION EMPLOYEES**

1. A financial or commercial institution employee who frequently makes control exceptions when processing transactions for a specific customer or user.

2. A financial or commercial institution employee who avoids certain internal or approval controls that have been established for specific transactions, products or services.
3. A financial or commercial institution employee who is frequently responsible for mistakes, discrepancies or inconsistencies, without sufficient or adequate explanations.
4. A financial or commercial institution employee who fails to verify someone's identity or to compare the person's information and/or fingerprints with the information in the institution's records or databases.
5. A financial or commercial institution employee who hinders his/her colleagues in attending to certain customers or users, without any apparent justification.
6. A financial or commercial institution employee, especially a business consultant, who frequently attends to the same customer or user whom he/she pretends not to know.
7. A financial or commercial institution employee, especially a business consultant, who only partially documents or verifies the information of a customer or user without a clear and reasonable justification.
8. A financial or commercial institution employee, especially a business consultant, who attends to a customer in a preferential, exclusive and permanent manner or exempts a customer from certain controls, based on the argument that the customer is "well known", "referred by another institution", "trusts only me", "I advise him/her on all his/her business", or similar claims.
9. A financial or commercial institution employee who is frequently absent from the workplace, without a clear and reasonable justification.
10. A financial or commercial institution employee who frequently receives gifts, invitations or other benefits from certain customers or users, without a clear and reasonable justification.
11. A financial or commercial institution employee who is frequently at the office after or outside normal working hours, without a clear and reasonable justification.
12. A financial or commercial institution employee who is reluctant to go on vacation or to accept changes of position or promotions, without a clear and reasonable justification.
13. A financial or commercial institution employee whose lifestyle or financial and investment transactions are not in keeping with his/her income (from work or other known sources), without a clear and reasonable justification.

## 22.2 RISK OF MONEY LAUNDERING BY FINANCIAL AND COMMERCIAL INSTITUTION EMPLOYEES

The actions or omissions of a financial or commercial institution employee can facilitate the activities of a criminal or terrorist organization. Such conduct may be voluntary or forced, and represents a risk for the execution of money laundering activities.

The characteristics of certain transactions handled by a specific employee, differentiated attention to certain customers or users, abnormal work or personal conduct, or sudden changes in lifestyle may coincide with some of the money laundering typologies of the sector that are identified in documents published by the Colombian UIAF<sup>122</sup> and the GAFI/FATF<sup>123</sup>.

According to these documents, the participation of an employee or business agent could be used in typologies such as “complicity of a business agent”, “structuring scheme”, “alternative remittance system”, “correspondent banking allegedly facilitates laundering of fraud proceeds”, “travelers’ checks provide anonymity for criminal transactions”, and “collusion of customer intermediary and/or insurance company employees”.

<sup>122</sup> The Financial Information and Analysis Unit (Unidad de Información y Análisis Financiero – UIAF) is the Financial Intelligence Unit of Colombia, and has published several documents on money laundering typologies and the financing of terrorism. Please see: [www.uiaf.gov.co](http://www.uiaf.gov.co)

<sup>123</sup> The Financial Action Task Force (FATF) has published several documents on money laundering typologies and the financing of terrorism. Please see: <http://www.fatf-gafi.org>

PART VII

## TERRORIST FINANCING







## 23. TERRORIST FINANCING

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Terrorist financing is one of the criminal phenomena that has attracted the attention of the international community because of its nature and consequences. The relationship of terrorist financing with other scourges, especially money laundering, requires us to study it in some depth in this chapter.

Terrorist acts, methods and practices, in all of their forms and manifestations, are aimed at destroying human rights, fundamental liberties and democracy; threatening States' territorial integrity and security; and destabilizing legitimately constituted governments<sup>124</sup>.

Given the growing concern of the international community with the increase in the frequency and violence of terrorist acts, the most significant development in international law in the fight against this scourge has been the establishment, at a universal level, of a common legal framework. This framework is currently characterized by eighteen conventions and protocols that have been developed over the last forty years, as well as a set of Security Council resolutions related to the prevention of and fight against terrorism. Of note among the eighteen conventions and protocols is the International Convention for the Suspension of the Financing of Terrorism, adopted in 1999.

With the adoption of Resolution 1373 (2001), the Security Council placed terrorism and terrorist acts under Chapter VII of the United Nations Charter as acts that threaten the maintenance of peace and international security, and it established a series of legal obligations for the Member States of the United Nations. Resolution 1373 calls upon Member States to classify the financing of terrorism as a crime; deny refuge to those who finance, plan, facilitate or commit these acts; and ensure the prosecution of said persons, in addition to taking other preventive and suppressive measures.

Financial measures aimed at preventing and suppressing terrorist acts are gaining increased importance in the fight against this scourge. In order to perpetrate terrorist acts, it is necessary to mobilize funds to maintain the organization's cells and individuals, purchase equipment, provide training,

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<sup>124</sup> United Nations Global Counter-Terrorism Strategy (A/RES/60/288 of September 20, 2006)

acquire weapons, organize complex actions and buy complicity. The importance of the measures adopted to fight against the financing of terrorism lies in their preventive nature, since they attack terrorist acts in the phase prior to their commission.

Combating terrorist financing is a very significant challenge. An effective AML/CFT system, in general, is important for addressing terrorist financing, and most measures previously focused on terrorist financing are now integrated throughout the Recommendations, therefore obviating the need for the Special Recommendations. However, there are some Recommendations that are unique to terrorist financing, which are set out in Section C of the FATF Recommendations. These are: Recommendation 5 (the criminalisation of terrorist financing); Recommendation 6 (targeted financial sanctions related to terrorism & terrorist financing); and Recommendation 8 (measures to prevent the misuse of non-profit organisations). The proliferation of weapons of mass destruction is also a significant security concern, and in 2008 the FATF's mandate was expanded to include dealing with the financing of proliferation of weapons of mass destruction. To combat this threat, the FATF has adopted a new Recommendation (Recommendation 7) aimed at ensuring consistent and effective implementation of targeted financial sanctions when these are called for by the UN Security Council<sup>125</sup>.

## 23.1 LEGAL FRAMEWORK

### 23.1.1 International instruments in the fight against terrorism

In 1963, the international community, under the auspices of the United Nations, began to adopt legal instruments – *conventions* and *protocols* – designed to fight terrorism, which have been ratified by a large number of countries as a sign of their commitment to the fight against this scourge, which recognizes no boundaries.

Although these instruments do not establish a definition of terrorism, they do refer to terrorist acts as criminal offenses, and specifically classify as crimes acts relating to the financing of terrorism, attacks against civil aviation, ships and fixed platforms, and the use of hazardous materials, as well as acts based on the legal status of the victims. They exhort the States to criminalize the majority of foreseeable terrorist acts.

<sup>125</sup> FATF, International Standards on combating money laundering and the financing of terrorism & proliferation - the FATF Recommendations, pg. 8. [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

### 23.1.2 The International Convention for the Suppression of the Financing of Terrorism of 1999<sup>126</sup>

The financing of terrorism is a priority matter in the fight against this scourge, given that terrorist acts require the mobilization of important means for maintaining clandestine networks, training teams, carrying out complex operations and procuring weapons, among other acts.

This legal instrument provides a concrete, innovative response to this complex problem. It signifies a global condemnation of terrorism, and it strengthens the body of international law against terrorism, with an emphasis on prevention, by penalizing the preparation and logistical support that make the existence of terrorist groups and the commission of acts of violence possible.

### 23.1.3 United Nations Security Council Resolutions<sup>127</sup>

Since 1999, the United Nations Security Council has adopted a series of resolutions to fight terrorism, including the following:

- Resolutions 1267 of 1999<sup>128</sup>, 1333 of 2000<sup>129</sup>, 1390 of 2002<sup>130</sup>, 1455 of 2003<sup>131</sup>, 1526 of 2004<sup>132</sup>, 1617 of 2005<sup>133</sup>, 1822 of 2008 and 1904 of 2009, relating to the Committee on Sanctions against the Taliban, Al Qaeda and Osama Bin Laden.
- Resolutions 1540 of 2004, 1673 of 2006<sup>134</sup> and 1810 of 2008<sup>135</sup>, relating to the Committee on the Non-Proliferation of Weapons of Mass Destruction.
- Resolutions 1373 of 2001<sup>136</sup>, 1535 of 2004 and 1566 of 2004<sup>137</sup>, relating to the creation and regulation of the Counter-Terrorism Committee (CTC).

<sup>126</sup> More information can be found at <http://www.acnur.org/biblioteca/pdf/1636.pdf>

<sup>127</sup> See: <http://www.un.org/es/documents/sc/>

<sup>128</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N99/300/47/PDF/N9930047.pdf?OpenElement>

<sup>129</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N00/806/65/PDF/N0080665.pdf?OpenElement>

<sup>130</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N02/216/05/PDF/N0221605.pdf?OpenElement>

<sup>131</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N03/214/10/PDF/N0321410.pdf?OpenElement>

<sup>132</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N04/226/72/PDF/N0422672.pdf?OpenElement>

<sup>133</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N05/446/63/PDF/N0544663.pdf?OpenElement>

<sup>134</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N06/331/13/PDF/N0633113.pdf?OpenElement>

<sup>135</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N08/318/68/PDF/N0831868.pdf?OpenElement>

<sup>136</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N01/557/46/PDF/N0155746.pdf?OpenElement>

<sup>137</sup> See: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N04/542/85/PDF/N0454285.pdf?OpenElement>

Resolution 1373 of 2001 makes specific reference to the issue of preventing and eliminating the financing of terrorism, and establishes the following binding provisions, which require all Member States to:

- Prevent and suppress the financing of terrorist acts;
- Classify as a crime the provision or collection, by any direct or indirect means, of funds by their nationals or in their territory, with the intention or knowledge that said funds will be used to perpetrate acts of terrorism;
- Freeze without any delay funds and other financial assets or economic resources of persons who commit, attempt to commit, participate in or facilitate the commission of acts of terrorism; of entities owned by or under the direct or indirect control of these persons; and of persons and entities that act on behalf of these persons and entities or under their orders, including the funds obtained or derived from the assets owned by or under the direct or indirect control of these persons and other persons and entities associated with them;
- Prohibit their nationals and all persons and entities within their territories from directly or indirectly making any funds, financial or economic resources, or financial or related services, available to persons who participate in terrorism, entities owned by or under the direct or indirect control of such persons, and persons and entities that act on behalf or under the orders of such persons;
- Deny refuge to those who finance, plan, commit, or support acts of terrorism or provide refuge to terrorists;
- Prevent their territories from being used to finance, plan or commit acts of terrorism against other States or their citizens;
- Prevent the movement of terrorists or terrorist groups through effective border controls and the issuance of identity and travel documents, as well as the adoption of measures to prevent the falsification, illegal alteration and fraudulent use of identity and travel documents;
- Ensure, in accordance with international law, that refugee status is not used illegitimately by the perpetrators, organizers or sponsors of acts of terrorism; and
- Ensure the prosecution of all persons who participate in or support the financing, planning, preparation or commission of acts of terrorism; and, in addition to taking any other measures to suppress said acts, ensure that they are classified legislatively as serious crimes and that the punishment imposed reflects the seriousness of these acts of terrorism.

### 23.1.4 Regional Instruments

#### 23.1.4.1 Recommendations of the International Financial Action Task Force (FATF) on Money Laundering

The purpose of this inter-governmental and multidisciplinary organization, created in Paris in 1989 by the G-7 and made up of 33 countries and two international organizations<sup>138</sup>, is to adopt, based on expert studies, legal, procedural and financial measures in the fight against money laundering and the financing of terrorism. In 1990, it drafted 40 recommendations as a basic framework for combating the phenomenon of money laundering worldwide, which have been adopted to date by more than 130 countries.

At a regional level, the Financial Action Task Force of South America (GAFISUD)<sup>139</sup> and the Financial Action Task Force of the Caribbean (GAFIC)<sup>140</sup>, attached to the FATF, develop the same mandate in South America and Mexico and the Caribbean Basin countries, respectively.

These recommendations were revised in 1996 in order to integrate the evolution of money laundering typologies. In 2001, the FATF extended its mandate to the financing of terrorism, and following a new revision in 2003 it expanded its framework of action to the joint fight against money laundering and terrorist financing.

In 2001 and 2004, the FATF drafted nine recommendations<sup>141</sup> that complement the original 40 original recommendations by establishing minimum criminal justice standards related to prevention, control and suppression that each country must apply in accordance with their legal systems, with respect to the following matters:

<sup>138</sup> Made up of the following countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Spain, the United States of America, the Russian Federation, Finland, France, Greece, Hong Kong, China, Ireland, Iceland, Italy, Japan, Luxembourg, Mexico, Norway, New Zealand, the Netherlands, Portugal, the United Kingdom, the Republic of Korea, Singapore, Sweden, Switzerland, South Africa and Turkey. The two international organizations are the European Commission and the Gulf Cooperation Council.

<sup>139</sup> Made up of the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay, and soon to be joined by Costa Rica and Panama.

<sup>140</sup> Made up of the following countries: Antigua and Barbuda, Anguilla, Aruba, The Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, the Dominican Republic, El Salvador, Granada, Guatemala, Guyana, the Republic of Haiti, Honduras, Jamaica, Montserrat, the Netherlands Antilles, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam, Turks and Caicos Islands, Trinidad and Tobago, and Venezuela

<sup>141</sup> More information can be found at <http://www.fatf-gafi.org/dataoecd/55/1/34266749.pdf>

Table No. 1  
FATF recommendations associated with terrorist financing

Recommendation	Issue addressed
1	Ratification and placement of United Nations instruments
2	Criminalization of terrorist financing and money laundering committed in the course of terrorist activities
3	Freezing and confiscation of terrorists' assets
4	Declaration of suspicious transactions linked to terrorism
5	International cooperation
6	Remittances of alternative funds
7	Wire transfers
8	Non-profit organizations
9	Cash couriers

Finally, these recommendations were revised in 2012<sup>142</sup> in order to integrate the FATF nine recommendations, the most measures previously focused on terrorist financing are now integrated throughout the Recommendations, therefore obviating the need for the Special Recommendations.

#### 23.1.4.2 The Inter-American Convention against Terrorism: Measures adopted by the Organization of American States (OAS)<sup>143</sup>

Although the Organization of American States (OAS) has included the issue of terrorism in its work agenda since the 1970s<sup>144</sup>, it was not until 2002, as a result of concern over the attacks of September 11, 2001, that it adopted the Inter-American Convention against Terrorism, a regional instrument that seeks to prevent, punish and eliminate terrorism, even though it does not define what terrorism or terrorist acts are. However, along the same lines as other international anti-terrorism instruments, it recommends that the Member States of the OAS adopt necessary measures for the effective application of such instruments, as well as the establishment of internal regulations that classify and penalize offenses addressed by international law.

The Convention contains 23 articles that establish a series of important measures related to the financing of terrorism. Article 4 of the Convention places emphasis on banking supervision, cross-border movements, and cooperation and collaboration among regional authorities, and it urges the Member States to follow the guidelines of the 1999 Convention for the

<sup>142</sup> More information can be found at [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>143</sup> More information can be found at [http://www.oas.org/juridico/spanish/tratados/sp\\_conve\\_interame\\_contr\\_terror.pdf](http://www.oas.org/juridico/spanish/tratados/sp_conve_interame_contr_terror.pdf)

<sup>144</sup> The Convention was signed in Washington in 1971 in order to prevent and punish terrorist acts in relation to crimes against persons and extortion.



Suppression of the Financing of Terrorism and Resolution 1373 of 2001, as well as the recommendations developed by specialized organizations and entities, such as the FATF, CFATF, GAFISUD and the Inter-American Drug Abuse Commission (CICAD).

## 23.2 BASIC CONCEPTS

To understand the issue of terrorist financing in its entirety, it is necessary to clarify some basic concepts. These concepts, such as terrorism and organized crime, or money laundering and terrorist financing, at first appear to be similar and tend to be referred to without distinction because of similarities in their characteristics and definitions, ignoring the fact that each of these concepts has its own identity, to the point of being able to speak of a conceptual divergence.

### 23.2.1 Terrorist groups and criminal organizations

The first thing that these concepts share is the lack of a universally accepted legal definition<sup>145</sup>, which has frequently led to terrorist organizations being assimilated to the concept of organized crime. The manifestations of these two types of crime are often similar in their *modus operandi* and in their consequences: the use of violence, their operation through networks, and the trafficking generated by organized crime (drugs, weapons, and contraband) often constitute the main sources of terrorist financing.

Terrorism and crime have reached well beyond national borders. Both exploit the advantages of worldwide economic and financial policies within the context of globalization processes that seek to minimize the obligations and controls related to economic and human flows.

The nexus between organized crime and terrorist organizations is located at the intersection of their illegal activities, their opportunities for generating funds and revenue, and the laundering of the same, such that when their objectives and interests converge, both may cooperate to a certain

<sup>145</sup> The International Convention against Transnational Organized Crime (ONU-2000), or Palermo Convention, defines a criminal organization in relation to its organizational mode, as a “structured group of three or more persons existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit”.

For its part, the International Convention for the Suppression of the Financing of Terrorism (ONU-1999) does not contain a conceptual definition of terrorism. Rather it defines terrorism based on its material effects, as an act “intended to cause death or serious bodily injury to a civilian or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act”.



extent. This has occurred with the relationship between drug trafficking and terrorism, in which drug trafficking is effectively protected by the subversion of terrorism, and terrorism receives continuous financing from drug trafficking.

Among the divergent elements of these two concepts is their motivation; while terrorist organizations have political or religious objectives, challenging the established order, the purpose of criminal organizations is to profit from illegal activities.

The use of violence is another determining factor in their differentiation, to the extent that in most cases terrorist organizations use it in an indiscriminate manner that victimizes innocent people who are not related to the struggles of the responsible organization, whereas criminal organizations use violence in a selective manner to inflict harm on other criminal organizations.

A final characteristic that differentiates terrorists from criminals is their way of life. The bosses and other leaders of criminal organizations usually want and lead an ostentatious life full of luxuries. This is not so with terrorist organization leaders or officers, who lead completely clandestine lives.

### 23.2.2 Money laundering and terrorist financing

People very often associate two realities that have more differences than similarities. The confusion is linked to the financial concept that supports both money laundering arising from criminal activities and the financial operations related to the activities of terrorist organizations, not to mention the fact that both usually use the same techniques or operators to move funds, such as parallel financial networks.

Terrorist organizations have to move their funds in a way that hides their final use, which is the financing of their logistical and lethal activities. They need to adopt mechanisms and means that enable them to hide their purpose. They can use official financial channels, especially in countries considered to be tax havens; parallel networks or remittance systems, especially the Hawala type; physical couriers; and the fractioning of bank account deposits or withdrawals, among other means.

The techniques used for laundering money – *which seeks to hide the illegal origin of the money* – are basically the same as those used to cover up the sources and purposes of the financing of terrorism.

While both activities have the same underlying monetary focus, there is a conceptual difference between them. The financing of terrorism involves the treatment of assets of any source (whether or not legal) in order to finance a future terrorist activity, while money laundering involves the incorporation in the financial market of funds derived from crime and the camouflaging of their illegal sources.

Thus, the expression “money laundering” refers to a past illegal act that produced assets which, without proper treatment, would leave its perpetrators or beneficiaries at a high risk of judicial prosecution. On the other hand, the expression “financing of terrorism” refers to a future illegal activity. The problems faced by terrorist financing operators are completely different and are subject to a different logic, to the extent that the operators seek to obtain funds from any source – *legal or illegal* – in order to carry out terrorist acts in, more or less, the near future.

Because of these differences, terrorist financing can be considered to be different from laundering “dirty” money, and it should constitute a specific crime.

### **23.2.3 The financing of terrorism as an autonomous, fraudulent crime**

The International Convention for the Suppression of the Financing of Terrorism of 1999 elevates this activity to the category of an autonomous, fraudulent crime that covers both the supply and collection of funds.

It is important to note that in accordance with Articles 2 to 5 of the Convention of 1999, the crime of financing of terrorism is defined very broadly, given that:

- It includes the provision and collection of funds for the performance of terrorist acts;
- The funds can be of any nature and can have a legal or illegal origin. For the commission of the crime, it is sufficient that the funds have been collected for the purpose of committing a terrorist act, without the need for the funds to have actually been used;
- All persons who participate in the financing of terrorism in one way or another when the use of the funds is known can be prosecuted;
- The criminals can be natural persons or legal entities, which allows for a legal field of action over the entire financing chain; and
- It covers attempted financing of terrorism.

#### 23.2.4 Stages of the terrorist financing process

The process of financing terrorist organizations can be broken down into three stages or phases, allowing one to accurately identify the three main motivations behind the process, as described below:

- **Fundraising stage:** The initial phase, also referred to by FATF experts as the *collection* phase, consists of the search by terrorist organizations for financing sources. Such sources can be legal, such as contributions from states, individuals, entities, organizations and donors that support the terrorists' cause or that are not deceived, and resources from legitimate commercial activities that are already circulating in financial channels. The sources can also be illegal, such as the proceeds from any criminal activity, which generally circulate in cash.
- **Disposition stage:** The intermediate phase seeks to place the collected funds at the disposition of the terrorist organization, to await their final use. This is referred to by the FATF as *transmission/dissimulation*, which corresponds to the movement of the funds through different techniques. Unlike the stratification stage of money laundering, this stage does not involve efforts to disguise the origin of the funds or to give them the appearance of legality, but rather efforts to hide their movement and final use.
- **Utilization stage:** This is the last phase, in which the collected, transferred and accumulated funds are used for the financing of the organization's structural logistics or the operating logistics related to the planning and execution of terrorist acts. It is also called the *use* phase by FATF experts.

It can be observed from the foregoing description that, unlike the process of money laundering – *which can also be divided into three stages* – the use of the legal financial system is not a mandatory or strategic step for terrorist organizations, as it is for criminal organizations, whose main concern is being able to change the illegal origin of their income from criminal activities so that they can use it with peace of mind and without any risk of detection.

#### 23.2.5 International lists of individuals and entities designated as terrorists

These lists facilitate the work of financial institutions in detecting suspicious transactions or customers that are related to terrorism, and enable them to adopt measures to freeze the corresponding financial assets.

Pursuant to Resolution 1267 of 1999, the United Nations Security Council created a committee to oversee the application of measures against the Taliban and Al Qaeda, ensuring that the States comply with their obligation to freeze the funds and financial assets of these groups, preventing their entry or transit through their respective territories, and enforcing the arms embargo.

Under this Resolution, the Security Council Committee established a list of individuals and entities related to the Taliban, Al Qaeda and Osama Bin Laden<sup>146</sup>. This list currently contains 496 names of people and entities to which all States must apply the above-mentioned sanctions. The Committee examines the names presented for inclusion in or exclusion from the list, as well as all additional information about the people and entities on the list.

In addition, some regions and countries have prepared their own lists, such as Canada (2003), the United States of America (1996) and the European Union (2001). These lists have been included in anti-terrorist legislation in order to facilitate the identification, detention, prosecution and punishment of terrorists and terrorist groups that operate throughout the world, as well as the identification, detection and freezing of the assets of the people, entities and organizations included in the lists.

#### 23.2.6 Sources of terrorist financing

Financial support is essential for terrorist and criminal organizations, because it ensures their survival as an organization and enables them to achieve their objectives. They need different sources of financing, adequate mechanisms for laundering and hiding their funds, and appropriate channels for the final use of their funds.

It is important to distinguish terrorist acts from the activities that support terrorism. Both correspond to different but complementary behaviors and internal logic related to primary activities (acts of terrorism) and secondary activities (support for terrorism)<sup>147</sup>. Thus, a terrorist organization can perform both activities in the same country, or perform their secondary activities in different countries, depending on the type of structure and networks that they have established around the world.

<sup>146</sup> The updated consolidated listed can be viewed at <http://www.un.org/spanish/sc/committees/1267/consolist.shtml>

<sup>147</sup> Proposal of the Terrorism and Counterterrorism Research Group of Canada (TCRG)

The financing of these activities necessarily passes through several phases, depending on the countries in which the terrorist organization performs each of its activities:

- Production, attainment and collection of funds: these can take place in the country of the primary activity or in other countries;
- Movement of flow of the funds: this includes the country of the primary activity, the countries of the collection activity and, possibly, other countries through which the funds move; and
- Financing of the organizational and operational logistics: this involves the country of the final use of the funds, which may be different from the country in which the terrorist organization has its physical headquarters or location, as in the case of international terrorism.

### 23.2.7 International counter-terrorism organizations

Different international and regional organizations have been created to support the States in the fight against the financing of terrorism, and they have become more active since the attacks of September 11, 2001. These organizations are described below:

- United Nations Counter-Terrorism Committee (CTC) and its Executive Directorate (CTED): this Security Council Committee<sup>148</sup> was created by Resolution 1373 of 2001 after the attacks perpetrated on September 11, 2001. Among its principal mandates is the supervision and verification of the application of Resolution 1373 of 2001 by the Member States of the United Nations, which includes urging them to adopt measures designed to strengthen the legal and institutional capacity of each country to combat terrorist activities at a national, regional and worldwide level.

United Nations Office on Drugs and Crime: UNODC promotes the fight against illegal drugs and international organized crime throughout the world in accordance with the *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)*, the *United Nations Convention against Transnational Organized Crime (2000)* and the *United Nations Convention against Corruption (2003)*, and other United Nations instruments and accepted international standards.

<sup>148</sup> More information can be found at <http://www.un.org/spanish/sc/ctc>

- UNODC's Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism (GPML) has been specifically tasked by the United Nations General Assembly, most recently in resolutions 66/181 (2011), 66/177 (2011) and 65/232 (2010), to provide *technical assistance to Member States to combat money laundering and the financing of terrorism*. GPML works on a world-wide basis to assist Member States -- via their legal, financial, law enforcement and judicial authorities -- to develop effective and comprehensive domestic anti-money laundering and, jointly with the UNODC Terrorism Prevention Branch, counter-financing of terrorism legal and regulatory frameworks, as well as the institutional infrastructures and practitioner skills needed to implement them. The Programme is pivotal to UNODC's mandate to prevent drug offences and other crimes.
- In 2002, the General Assembly approved a broad program of activities for the Terrorism Prevention Branch. These include the provision of assistance to the States in order to strengthen their local and regional capacity in the fight against terrorism, technical assistance related to legal matters such as the ratification and application of universal legal instruments, and the enhancement of the capacity of national criminal justice systems to apply such instruments, with respect for the principles of the rule of law and the defense of human rights, as a fundamental part of the mandate of UNODC.
- The Inter-American Committee against Terrorism (CICTE): in June 1999, the General Assembly of the OAS created the Inter-American Committee against Terrorism (CICTE)<sup>149</sup>, for the purpose of uniting the efforts of the nations of the Americas to confront terrorism through the strengthening of hemispheric cooperation in the prevention and elimination of this scourge.
- European Union organizations: in response to the attacks of September 11, 2001, the Committee of Ministers of the member countries of the Council of Europe agreed in November of that year to create the Multidisciplinary Group on International Action against Terrorism (GMT), for the purpose of effectively implementing existing international instruments in the Council of Europe in the fight against terrorism, such as the European Convention on the Suppression of Terrorism of 1977.
- FATF (GAFI), GAFISUD and CFATF (GAFIC): the International Financial Action Task Force on Money Laundering (FATF/GAFI) is a worldwide reference on the subject of the fight against money laundering and terrorist financing, in that it develops and promotes an international response for combating these phenomena.

<sup>149</sup> More information can be found at <http://www.cicte.oas.org>



- INTERPOL, EUROPOL and other organizations: INTERPOL<sup>150</sup>, whose origins date to 1914 with the International Convention of Judicial Police, currently has 188 member countries. Its objective is to promote and develop all institutions that favor collaboration and coordination in the prevention and suppression of criminality, in accordance with its members' statutes.

EUROPOL<sup>151</sup>, which was created in 1994 under the European Union Treaty, plays an active role in the fight against crime through the coordination of Member States' police offices in the joint investigation and monitoring of terrorist and criminal organizations.

There are other organizations that have developed very important investigations and activities related to the fight against the financing of terrorism, even though such fight is secondary to their main purpose.

This is the case with the Inter-American Drug Abuse Control Commission (CICAD)<sup>152</sup> of the Organization of American States. There are also international financial organizations that participate in the fight against money laundering and terrorist financing by supporting regional and national projects on these matters. This is the case with the World Bank<sup>153</sup>, the International Monetary Fund<sup>154</sup> and the Inter-American Development Bank<sup>155</sup>, which, since 2002, have jointly and individually developed methodological guidelines for monitoring and evaluating the FATF recommendations, the application of the universal legal framework in the fight against terrorism, and preventive measures that should be applied by financial institutions in order to identify suspicious conduct.

Finally, there is the Wolfsberg Group of 12 international banks, which has developed some principles for the prevention of terrorist financing<sup>156</sup>, and the Egmont Group<sup>157</sup>, which since 1995 has brought together the Financial Intelligence Units of different countries to exchange information about money laundering as a transnational crime.

<sup>150</sup> More information can be found at <http://www.INTERPOL.int>

<sup>151</sup> More information can be found at <http://www.europol.eu.int>

<sup>152</sup> More information can be found at <http://www.cicad.oas.org>

<sup>153</sup> More information can be found at <http://www.worldbank.org>

<sup>154</sup> More information can be found at <http://www.ifm.org>

<sup>155</sup> More information can be found at <http://www.iadb.org>

<sup>156</sup> More information can be found at <http://www.wolfsberg-principles.com>

<sup>157</sup> More information can be found at <http://www.egmontgroup.org>



### 23.3 WARNING SIGNS ASSOCIATED WITH THE FINANCING OF TERRORISM

The prevention and detection of terrorist financing activities are the responsibility of the government in general, and the financial sector in particular. This is why it is important for government authorities and financial sector officials to jointly establish coordinated work plans to respond to the common objectives of detecting and breaking up financial operations with terrorist purposes.

Of course, this is not a simple task, as there are many obstacles to the identification of illegal financial activities that are *a priori* cloaked in legality. These include the difficulty in finding evidence that links natural or legal persons that are geographically far from the organization to which they provide financial assistance, or in responding to the following question: *Where is the link that establishes that a specific financial activity corresponds to a case of terrorist financing?*

This question is important because the process of legitimizing the proceeds of organized crime activities has long-term, rather than immediate, effects. This is also true of terrorist acts, given that the financing of terrorist organizations is directed to future, rather than immediate, activities. Terrorist organizations are very patient, and they may even spend years planning an attack.

Another important thing to consider in performing this difficult work is the identification of the operations. Identifying a link between the crime and the money once the money has entered the market is practically impossible, because the path taken by the money would have to be retraced. The same is true with respect to the financing of terrorist activities, which is usually done in small amounts. On this point another question arises: *How, then, to identify them?*

Following various studies performed on different methodologies, and using the knowledge developed by financial institutions for preventing money laundering, it has been concluded that the most appropriate time for locating, identifying and subsequently tracking the money is when it is placed in the financial system, applying the following guidelines for detection:

1. Quantity and quality of the money;
2. Geographic area of origin;
3. Verification of the names involved in the different security lists;
4. Verification with international lists of people and organizations designated as terrorists, as well as entities suspected of being connected with them;

5. Personal qualities, correspondence with the money handled;
6. Transactions that have an unusual character in relation to the customer's profile; and
7. Transactions that are suspicious based on defined criteria.

### 23.4 TYPOLOGIES ASSOCIATED WITH THE FINANCING OF TERRORISM

Funds or resources are categorized as either legal or illegal, depending on their origin.

Legal sources include donations, which represent a significant percentage of the funding of some subversive movements in the world. Donations are made by those who sympathize with the terrorist cause, either personally by individuals with financial power or through public events organized by local associations.

Donations can also be less than voluntary when a terrorist organization enforces in its area of influence and action a compulsory tax, often called a revolutionary tax, which of course hides the extortion of funds, or the misnamed “*vaccines*”, against certain persons, merchants or landowners who have significant assets, or a prosperous company in certain regions of the country.

This modality also includes the collection of funds through charities, non-profit organizations and non-governmental organizations (NGOs), which may be fully aware of the final use of their donations, or may be deceived through a veil of false or real altruistic intentions.

Funds can also be legally collected through different types of commercial activities, such as the sale of goods and services, or the legal professional activities of some members of the organization who may have access to personal loans and productive investments. Short-term stock market speculation is another effective means used for accumulating reserves without the need to use bank transfers.

With respect to illegal sources, most terrorist organizations have resorted to illegal activities in order to supplement their sources of income in ways that resemble the means used by criminal organizations. In addition to being a quick and almost unlimited source of resources, such activities enable terrorist cells to be independent and self-financing. The most common illegal financing modalities are extortion, kidnapping, fraud and theft using violence, smuggling, counterfeiting, prostitution, and human trafficking.

The complicity of different modes and actors involved in terrorist financing is becoming increasingly tight, as complex relations are established among terrorist organizations, political regimes, organized crime groups, guerrillas, and fundamentalist religious organizations.

Terrorist financing typologies do not differ from those of money laundering by organized crime. The choice of such methodology for mobilizing funds for terrorist purposes will depend on the following factors:

1. The logistical and operational importance to the terrorist organization of the volume of funds to be handled;
2. The location of the fund-generating activities;
3. The location of the organization in relation to the areas in which the funds are produced or collected;
4. The location of the logistical activities;
5. The location of the operational activities; and
6. The degree of legal pressure from the fight against terrorism, terrorist financing and money laundering, and, generally, organized crime. This pressure, in turn, depends on such factors as the existence of preventive and suppressive legislation, the active participation of the financial sector, and the sanctions applied and their deterrent power, among others.





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