

# International Hawala Conference

Abu Dhabi, UAE

May 15-16, 2002

“Formal & Informal  
Value Transfer Systems:  
Law Enforcement &  
Regulatory Challenges,  
the U.S. Experience”

# Overview

- Background on the Money Transmitter Industry
- Challenges for U.S. Law Enforcement & Regulatory Authorities
- U.S. Approach: Registration & Suspicious Activity Reporting

Money transmitters [or remitters]  
and other types of Money Services  
Businesses are part of an industry with  
approximately 160,000 U.S. entities.

Experts estimate that more than \$200  
billion per year flows through this  
industry.

## Formal

- 10-20% cost
- Detailed records often kept
- Generally in compliance with law & regulations
- Transfer money/value in days/weeks
- Orders sent directly to area serviced
- Agency specialized in money services
- Recipient presents ID
- Plain instructions by wire

## Informal

- 0-1.5% cost
- Minimal/no records
- Generally not in compliance with law & regulations
- Transfer money/value in hours
- Orders often routed through intermediate countries
- Mixed with other business
- Recipient cites code
- Coded instructions by fax or telephone

# Money Laundering Case Involving “Formal” Type Money Remitter

Owner and employees of a Casa de Cambio (remittance & exchange service) on the US - Mexico border accepted cash known to be drug proceeds and wired the money to Central America where it was converted to cashier's checks made payable to fictitious names



# Money Laundering Case Involving “Formal” Type Money Remitter

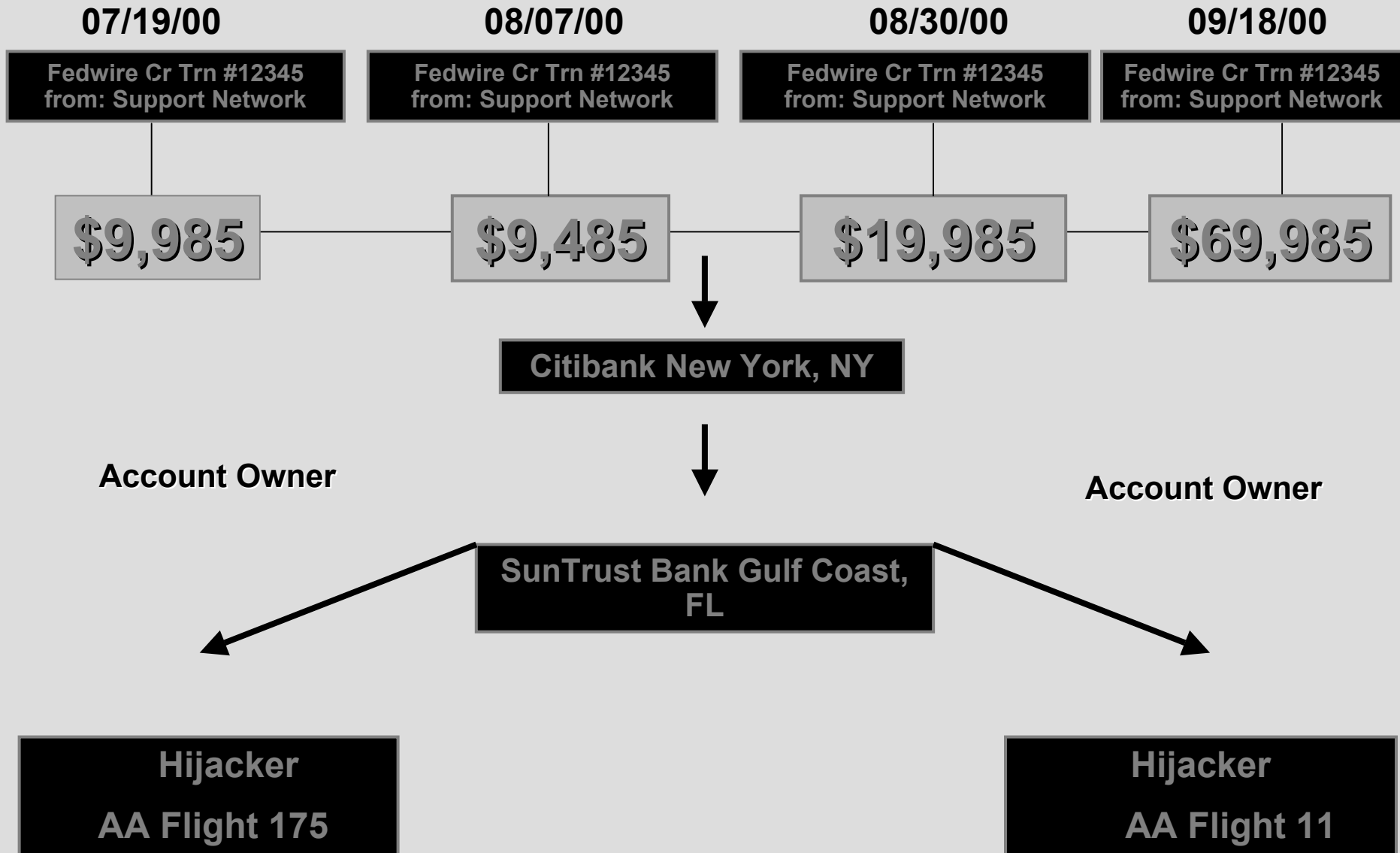
Cashier’s checks were then transported back to the US and delivered to the customer for a fee.

Approximately US \$40 million in drug proceeds laundered in this case.

# Terrorist Financing Case Involving Money Remitters

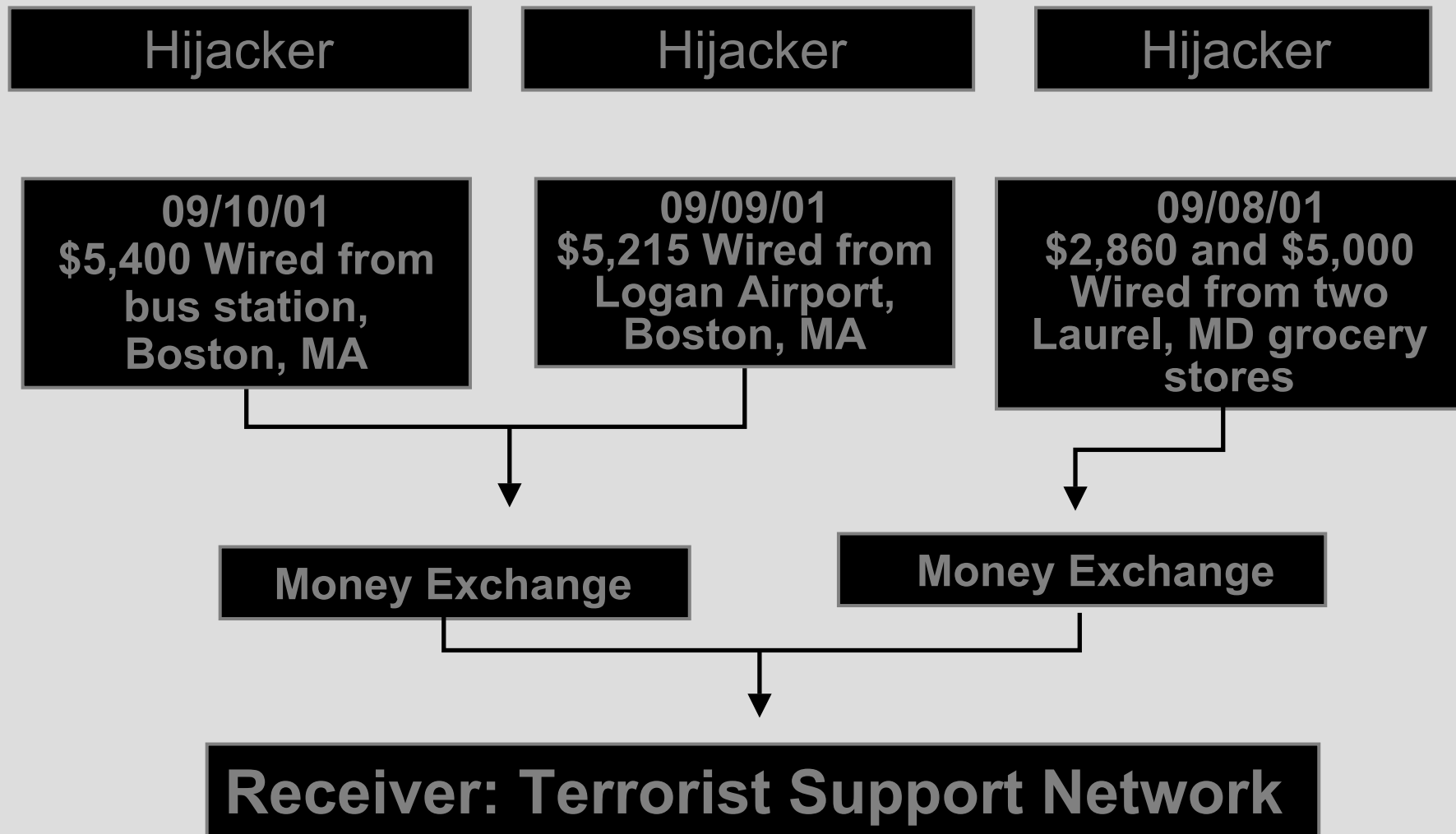
Both formal and informal  
money remitters are used to  
transfer al-Qaida funds

# “Formal” Type Remitters Used for Money Transfers to 19 Hijackers





# “Formal” Type Remitters Used for Money Transfers from 19 Hijackers



# “Informal” Type Remitters Used to Move al Qaida Funds

## European/African location

Search conducted (in conjunction with allies) of known terrorist residence

Telephone numbers and bank account numbers

Names/Addresses

## United States

Location identified in the United States

Subjects involved in Robbery and Fraud

Ledgers found with financial transactions recorded

Same bank accounts as found at foreign search location

# Money Remitters Present Various Challenges for U.S. Law Enforcement & Regulatory Authorities

*Those challenges are most pronounced with regard to informal remittance systems such as Hawala.*

# Challenges

- Lack of paper trail
- No centralized registry or licensing authority
- Language & Cultural Barriers
- Difficulty in obtaining sources of information/Informants
- Difficulty tracing money internationally

# The U.S. Approach

*Regulate Money Transmitters*

*Not to Prohibit Activity*

The overwhelming majority of funds/value transferred through money remittance systems [both formal and informal] have no link to criminal or terrorist activity.

# We Must

Take proactive steps to minimize the chance that these remittance systems may be misused for illicit purposes.

Ensure that law enforcement and regulatory authorities have the tools necessary to do their jobs.

# Money Services Business

The term "money services business" includes any person doing business, whether or not on a regular basis or as an organized business concern, in one or more of the following capacities:

- (1) Currency dealer or exchanger.
- (2) Check casher.
- (3) Issuer of traveler's checks, money orders or stored value.
- (4) Seller or redeemer of traveler's checks, money orders or stored value.
- (5) *Money transmitter.***
- (6) U.S. Postal Service.



# Money Services Business

No activity threshold applies to the U.S. definition of money transmitter. Thus, a person who engages as a business in the transfer of funds is an MSB as a money transmitter, regardless of the amount of money transmission activity.

# Registration

Department of the Treasury  
**TD F 90-22.55**  
 Issued November 2001  
 OMB No. 1506-0013

## Registration of Money Services Business

Do not write in this space.

1 Date of Filing  
 M M D D Y Y Y Y

2 Type of Filing  
 a  Initial Registration  
 b  2 Year Update  
 c  Corrects Prior Filing

d  Refiling because: Check all that apply [see instructions]  
 1  re-registered under state law  
 2  more than 10 percent transfer of equity interest  
 3  more than 50 percent increase in agents

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### Part I Registrant Information

3 Organization Name

4 Doing Business As (DBA)

5 Address (Number, Street, and Apt. or Suite No.)

6 Taxpayer Identification Number

7 City

8 State

9 Zip Code

10 Telephone Number (include area code)

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### Part II Owner or Controlling Person Information

11 Individual's last name or Organization's name

12 First Name

13 Middle Initial

14 Address (Number, Street, and Apt. or Suite No.)

15 Telephone Number - (include area code)

16 City

17 State

18 Zip Code

19 Country (if other than US)

20 Date of Birth  
 M M D D Y Y Y Y

21 Taxpayer Identification Number

22 If an individual, provide identification information for Owner or Controlling Person (Provide at least one)  
 a  Driver's Lic./State ID  
 b  Passport  
 c  Alien Registration  
 d  Other  
 e Number

f Issuer of Identification

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### Part III Money Services Information

23 Where services are offered: Check as many as apply  
 a  All States and Territories  
 b  All States

Alabama (AL)     Idaho (ID)     Montana (MT)     Puerto Rico (PR)  
 Alaska (AK)     Illinois (IL)     Nebraska (NE)     Rhode Island (RI)  
 American Samoa (AS)     Indiana (IN)     Nevada (NV)     South Carolina (SC)  
 Arizona (AZ)     Iowa (IA)     New Hampshire (NH)     South Dakota (SD)  
 Arkansas (AR)     Kansas (KS)     New Jersey (NJ)     Tennessee (TN)  
 California (CA)     Kentucky (KY)     New Mexico (NM)     Texas (TX)  
 Colorado (CO)     Louisiana (LA)     New York (NY)     Utah (UT)  
 Connecticut (CT)     Maine (ME)     North Carolina (NC)     Vermont (VT)  
 Delaware (DE)     Maryland (MD)     North Dakota (ND)     Virgin Islands (VI)  
 District of Columbia (DC)     Massachusetts (MA)     Northern Mariana Islands (MP)     Virginia (VA)  
 Florida (FL)     Michigan (MI)     Ohio (OH)     Washington (WA)  
 Georgia (GA)     Minnesota (MN)     Oklahoma (OK)     West Virginia (WV)  
 Guam (GU)     Mississippi (MS)     Oregon (OR)     Wisconsin (WI)  
 Hawaii (HI)     Missouri (MO)     Pennsylvania (PA)     Wyoming (WY)


24 Number of Branches of Registrant

25 Services Offered by Registrant at its Branches:  
 Check as many as apply  
 a  Traveler's Checks issue  
 b  Traveler's Checks sales and/or redemption  
 c  Money Orders issue  
 d  Money Orders sales and/or redemption  
 e  Currency Exchange  
 f  Check Cashing  
 g  Money Transmission

26 Is this a mobile operation?  
 a  Yes    b  No

**Paperwork Reduction Act.** The estimated average burden associated with this collection of information is 45 minutes per respondent or recordkeeper, depending on individual circumstances. Comments regarding the accuracy of this burden estimate, and suggestions for reducing the burden should be directed to the Paperwork Reduction Act, Department of the Treasury, Financial Crimes Enforcement Network, P.O. Box 1618, Vienna, VA 22183-1618. You are not required to provide the requested information unless a form displays a valid OMB control number.

# Suspicious Activity Reporting

<b>TD F 90-22.56</b> Treasury Form February 2002		<b>Suspicious Activity Report by          Money Services Business</b>				<b>1</b>	
Please type or print. Always complete entire report (see instructions).							
1 Check the box if this report corrects a prior report. <input type="checkbox"/>							
2 Type of filer (check <u>all</u> that apply)							
a <input type="checkbox"/> Issuer of money order(s)		b <input type="checkbox"/> Seller of money order(s)		c <input type="checkbox"/> Redeemer of money order(s)			
d <input type="checkbox"/> Issuer of traveler's check(s)		e <input type="checkbox"/> Seller of traveler's check(s)		f <input type="checkbox"/> Redeemer of traveler's check(s)			
g <input type="checkbox"/> Money transmitter		h <input type="checkbox"/> U.S. Postal Service		i <input type="checkbox"/> Other _____			
<b>Part I Customer Information</b>							
3 Type of customer							
a <input type="checkbox"/> Purchaser		b <input type="checkbox"/> Payee		c <input type="checkbox"/> Both			
4 Individual's last name or Entity name				5 First name		6 Middle initial	
7 Permanent address (number, street, and apt. or suite no.)							
8 City				9 State		10 Zip code	
11 Country (if not U.S.)							
12 Government issued identification document							
a <input type="checkbox"/> Driver's license/State I.D.		b <input type="checkbox"/> Passport		c <input type="checkbox"/> Alien registration		d <input type="checkbox"/> Other _____	
e Number _____ f Issuing state or country _____							
13 Taxpayer identification number				14 Date of birth		15 Phone number (include area code)	
				MM / DD / YYYY		( ) - - - - -	
16 Customer number, if any				17 Occupation/Type of business			
18 Endorser's last name or Entity name, if any				19 Endorser's first name, if any		20 Bank account number of endorser, if any	
<b>Part II Suspect Instrument/Funds Transfer Information</b>							
21 Financial services involved in suspect transaction(s) (Check <u>all</u> that apply)							
a <input type="checkbox"/> Funds transfer		b <input type="checkbox"/> Money order		c <input type="checkbox"/> Traveler's Check		d <input type="checkbox"/> Other _____	
22 Date or date range of suspicious activity				23 Total dollar amount involved in suspicious activity			
From MM / DD / YYYY To MM / DD / YYYY				\$: _____ 00			
24.1 Serial number(s) of money order(s) <input type="checkbox"/> or traveler's check(s) <input type="checkbox"/>				a Issuer name			
b Starting No. _____				c Ending No. _____			
24.2 Serial number(s) of money order(s) <input type="checkbox"/> or traveler's check(s) <input type="checkbox"/>				a Issuer name			
b Starting No. _____				c Ending No. _____			
24.3 Serial number(s) of money order(s) <input type="checkbox"/> or traveler's check(s) <input type="checkbox"/>				a Issuer name			
b Starting No. _____				c Ending No. _____			
25.1 Funds transfer number				25.2 Funds transfer number			
a Issuer name				a Issuer name			
b No. _____				b No. _____			
Catalog No. XXXXXX							

# Results?

## MSB Registration

10418 registration forms filed

## Suspicious Activity Reporting

3,923 SARs filed

**[www.msb.gov](http://www.msb.gov)**

# Results

*These countermeasures are still very new  
and it remains to be seen:*

The extent to which these tools will aid law enforcement and regulatory authorities.

The extent to which informal money remitters (such as hawalas) will comply with the law.

# Next Steps

FATF Special Recommendations on  
Terrorist Financing

“Each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions.”



Questions?