MONEY LAUNDERING IN THE 21ST CENTURY: USE OF THE INTERNET

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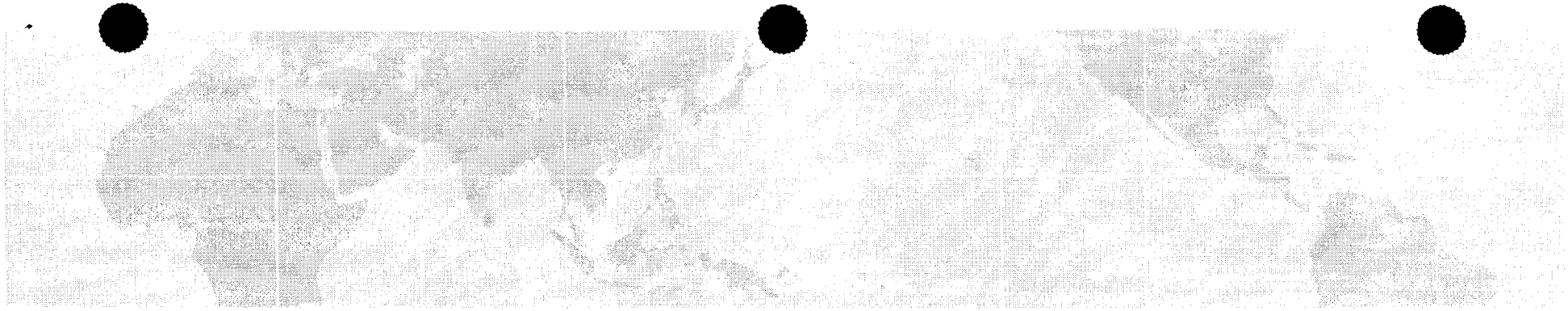

Money Laundering In the 21st Century

Timothy M. O'Shea,
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of Wisconsin

Introduction: purpose of discussion is to discuss how the Internet has affected:

- How money moves in interstate and international commerce; and
- How, in turn, those changes affect investigation of money laundering and underlying crimes

The Internet and prosecution

- AUSA & CTC
- Reflected on my money laundering prosecutions and thought about how a defendant's use of the Internet would have changed investigation and prosecution
- Apply what learned from Gold Medal & Patriot Act changes
- Provide set of sturdy, helpful go-bys

Three Sections:

- How the Internet has changed how money is sent in interstate and international commerce
- Review elements and definitions
- How we gather evidence

How the Internet has changed the way money is sent in interstate and international commerce:

Money Transfer Systems

- PayPal.com
- eMoneyMail
- Anypay

PayPal - Welcome - Netscape

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PayPal

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Welcome | Send Money | Request Money | Shop | Sell

Welcome

▶ PayPal members

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▶ New user?

SIGN UP

News more

"Secure, instantaneous payments" -USA Today

"The best solution" -Esquire

"The money's good" -Wall Street Journal

The way to send and receive money online

Send Money
Pay anyone with an email address

Request Money
Send a personal or group bill

Get $5 for signing up!

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Spotlight

Businesses
PayPal is the easiest and cheapest way for small businesses and websites to accept payments online.
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BANK ONE.

eMoneyMail

Exciting News!
Bank One's New and Improved eMoneyMail℠ Service Is Ready For You To Use!

Bank One has launched its eMoneyMail service within Bank One Online®. To see how easy it is to take full advantage of eMoneyMail, view our eMoneyMail demo.

Here are the great features and benefits of eMoneyMail:

- **eMoneyMail is easy.**
  Send money to anyone in the U.S. with the click of a mouse anytime you're banking online. All you need is the recipient's e-mail address. And to make that especially easy, you can set up your own eMoneyMail address book.
- **eMoneyMail is convenient.**
  You can now request money from anyone who has an e-mail address. It's easy to collect on those shared lunch expenses and Mother's day gifts with a click of a mouse.
- **eMoneyMail is secure.**
  Senders of eMoneyMail do not have access to the account information of recipients; likewise, recipients have no access to senders' financial information, either.

We've made it simple for you to become a new Bank One eMoneyMail customer – right now. But remember, in order to take full advantage of Bank One's new eMoneyMail service, here's what you need to do. . .

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Start eMoneyMail - Netscape PhotoImpact - Tmo3.jpg 11:08 AM

ANYPAY transactions - How it works - Netscape

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How ANYPAY works.

Please note: The **P2P** (payments between private customers) range of the services described below are currently only available for testing purposes. **Read why**

How ANYPAY works:

After opening you ANYPAY account you can send, request and receive money to and from anyone with an email address, even if they don't have an ANYPAY account: We will ask them by email to sign up and complete your transaction.
(**ANYPAY for business users**)

A typical transaction:

- add money to your account
- send money to any email address
- **Case A** - receiving email address **already registered**:
  The money is credited to the related ANYPAY account instantly
- **Case B** - receiving email address **not yet registered**:
  We send a note to that address. The notified receiver signs up with ANYPAY and finds your money in his new account

With ANYPAY you can:

- send, request and receive money by email.
- register bank accounts and credit cards as sources of funds for payments
- view your account balance and transaction history
- manage your personal preferences
- register additional email addresses that serve as an account number in ANYPAY

Sources of money for transactions:

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E-gold and related systems

- E-gold.com
- Omnipay.com
- Londonexchange.com
- Canadiangoldfunding.com

http://www.e-gold.com/unsecure/qanda.html - Netscape

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better money

e-gold

www.e-gold.com

e-gold is...

e-gold is an electronic currency, issued by e-gold Ltd., a Nevis corporation, 100% backed at all times by gold bullion in allocated storage.

Other e-metals are also issued: e-silver is 100% backed by silver, e-platinum is 100% backed by platinum, and e-palladium is 100% backed by palladium. However, the most popular e-metal (by an overwhelming margin) is e-gold.

e-gold is integrated into an account based payment system that empowers people to use gold as money. Specifically, the e-gold payment system enables people to Spend specified weights of gold to other e-gold accounts. Only the ownership changes - the gold in the treasury grade vault stays put.

here to stay

e-gold is always as good as the gold it's backed with - this year, next year, a thousand years from now.

trustworthy

Pursuant to the e-gold Account User Agreement, the physical bullion that comprises the value backing e-gold must be insulated from physical, legal and political risks. Title is held by The e-gold Bullion Reserve Special Purpose Trust that exists for the express purpose of holding bullion for the exclusive benefit of all e-gold account holders collectively. The bullion is held in the form of certified good delivery bars in allocated storage at repositories certified by the London Bullion Market Association (LBMA). Metal is held free of any lien or encumbrance whatsoever and explicitly may not be attached to any liabilities of e-gold Ltd. or any other entity. No metal may be removed from storage or any other disposition made without the signatures of both e-gold Ltd. and a third party Escrow Agent of good reputation.

45% 82% of 1K

Start http://www.e-gold.co... PhotoImpact - TM02.jpg 11:09 AM

Internet Casinos

- Illegal use
- *Really* illegal use
- Poor man's (or not quite so poor) Swiss bank account

Los Angeles Times latimes.com
>> Manage your auto insurance safely and simply. Right here, right now.
Enter your zip co your fast and fre

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• Careers
• Cars
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• Newspaper Ads
In print. Online. Your future is here.

January 9, 2002

Internet Scam Had Its Attractions

■ Investments: Some victims say they suspected fraud but kept playing.

By WALTER HAMILTON JERRY HIRSCH and JOSH FRIEDMAN, TIMES STAFF WRITERS

A day after a Mission Viejo teenager was accused of bilking investors out of $1 million in an Internet-based scheme, some of those who lost money said they suspected it was a scam all along--but got in anyway in the hope of earning a quick payout.

These investors said they regularly comb the Internet in search of various "investment" programs in which the strategy is to jump in early and secure a fast profit before the program collapses.

Meanwhile, court records showed that the accused youth's family struggled financially in the 1990s, making two appearances in U.S. Bankruptcy Court in the last nine years. On Monday, the Securities and Exchange

Photos

Accused Teenager
(DON TORMEY / Los Angeles Times)
Jan 9, 2002

Related Stories
Youth Sought Investors While Dodging SEC
Jan 10, 2002

SEC Accuses Teenager of Securities Fraud
Jan 8, 2002

Times Headlines

How used together to frustrate an investigation

- SUA proceeds sent by Anypay to e-mail recipient (foreign ISP) who directs that the proceeds should be sent by a check which is then deposited in a Canadian bank
- SUA proceeds used to buy e-gold which is held on account on the Caribbean Island of Nevis
- E-gold transferred to Omnipay for purchases or check sent to your account at Hometown State Bank

What we don't see

- Suspicious Activity Reports (SAR's)
- Currency Transaction Reports (CTR's)

Money Laundering: elements and definitions

- 18 U.S.C. § 1956
- 18 U.S.C. § 1957

18 U.S.C. § 1956(a)(1)(B)(i) money laundering to conceal or disguise

- Defendant conducted a **financial transaction;**
- Knowing that the property involved in the transaction represented the proceeds of a specified unlawful activity (SUA);
- The property was in fact SUA proceeds; &
- Defendant conducted the transaction knowing that the transaction was designed to conceal or disguise the location, source, ownership or control of the SUA proceeds

Specified Unlawful Activity

- Bank, wire or mail fraud
- Illegal gambling
- Drug offenses
- Bribery and extortion
- Murder, kidnapping, robbery, arson or other crimes of violence
- Computer crimes (part of PATRIOT Act)
- And many others listed in 18 U.S.C. § 1961(1)

Financial Transaction

- A transaction which affects interstate or foreign commerce and
- *Involves the movement of funds by wire or other means* **or**
- Involving one or more monetary instruments **or**
- Involves a financial institution engaged in interstate or foreign commerce

18 U.S.C. § 1956(a)(1)(A)(i) money laundering to promote the SUA

- Defendant conducted a financial transaction;
- Knowing that the property involved in the transaction represented SUA proceeds;
- The property was in fact SUA proceeds;
- Defendant conducted the transaction knowing that the transaction was designed to promote the carrying on of the SUA

18 U.S.C. § 1957(a) – Spending more than $10,000 involving SUA proceeds

- Defendant engaged in a **monetary transaction**;
- Defendant knew transaction involved **criminally derived** property;
- Property had a value greater than $10,000; and
- Transaction occurred in the United States (or outside U.S. as long as defendant is a "United States person" under 18 USC § 3077)

Monetary Transaction

- A deposit, transfer or exchange, through interstate or foreign commerce of funds or a monetary instrument by, through or to a financial institution

Next Step: Gathering Evidence

- Multilateral Legal Assistance Treaty Requests (MLAT);
- Grand Jury
- Internet as a tool;
- Pen Register Trap & Trace
- 18 USC § 2516 (Title III)
- Search warrants: searching computers

Multilateral Legal Assistance Treaty (MLAT) Process

- See Office of International Affairs attachments
- How to and go-bys
- Keep wisenheimer comments to yourself

Internet as a tool

- Learn about targets and related businesses

Grand Jury Subpoena to Foreign Corporation with U.S. Branch

- In re: Grand Jury Proceedings (Bank of Nova Scotia)
- Need approval from OIA

Internet Pen Registers & trap and trace devices

- 18 U.S.C. §§ 3121, 3123, 3124 & 3127
- Now clear that law enforcement can use to trace Internet communications
- Pen/trap orders issued by federal courts have nationwide effect

18 U.S.C. § 2703:getting records from Internet Service Providers (ISPs)

- See attachment for chart of categories of information and process options for those categories
- Nationwide search warrants for e-mail (and voice mail)

Computer Search Warrants: distinction between "search" and "seizure" becomes crucial

- Get search warrant even when computer is already seized under valid 4th Amendment exception

Computer Search Warrants continued

- Cut off access to outsiders during warrant execution (see attachment: All Writs Act)

Computer Search Warrants continued

- Sneak and Peek warrants: 18 USC § 3103a

Computer Search Warrants continued

- Avoid problems with Privacy Protection Act, 42 USC §§ 2000aa through 2000aa-12

Title III: 18 U.S.C. §§ 2516-2518

- One can apply to intercept "electronic communications" for evidence of ANY federal felony (tax crimes now included)
- See attachment application from Gold Medal case
- Encryption

Thank you

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