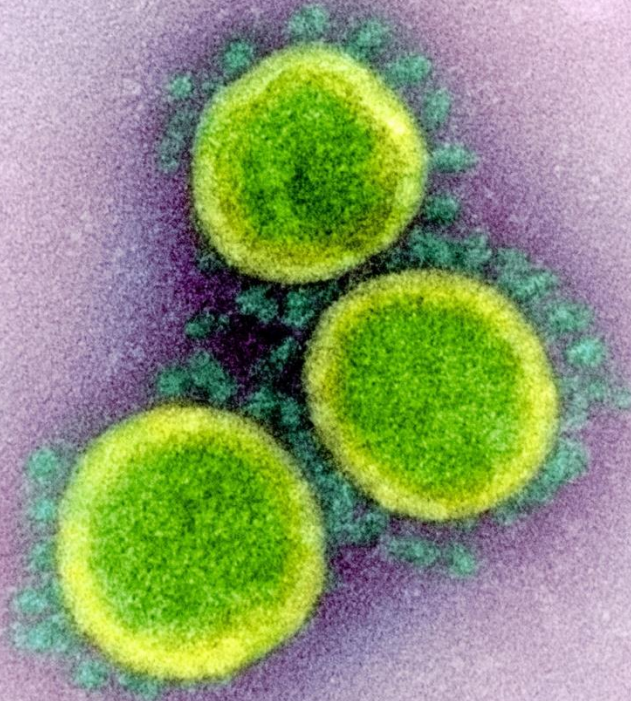


Money Laundering, Fraud and Financial Crime in a Pandemic Era: What you don't know WILL hurt you



Tim Dunfey | Ross Delston | Moyara Ruehsen
Webinar | June 1, 2020
Middlebury Institute of International Studies at Monterey

Image: Novel Coronavirus SARS-CoV-2 by NIAID licensed CC BY



TIMOTHY DUNFEY, CAMS, CFE

ATTORNEY + BANK COMPLIANCE OFFICER

- * Independent investigator hired by multiple financial Institutions to investigate complex fraud cases and employee misconduct as well as investigating potential money laundering carried out by customers.
- * Financial Crimes Compliance Officer for a Credit Card Company.
- * Certified Anti-Money Laundering Specialist (CAMS) and Certified Fraud Examiner (CFE).
- * Member of a team of advisors representing the Board of Directors at one of the world's largest banks regarding anti-money laundering control deficiencies.
- * Compliance Officer at a US based global bank managing a team of 50 analysts conducting annual due diligence reviews for the highest risk customers across 5 lines of business – private banking, international banking, brokerage, retail and correspondent banking.
- * Advisor to multiple global banks regarding the implementation of process improvements to address regulatory criticism.

www.bankregulatory.com



ROSS S. DELSTON, CAMS

ATTORNEY + EXPERT WITNESS

WASHINGTON, DC

- * Independent attorney specializing in AML issues since July 2000.
- * Expert witness on AML compliance in 14 civil cases.
- * Participated in two monitorships, AIG and BNP Paribas.
- * Former banking regulator at FDIC; Of Counsel, Jones Day; Consulting Counsel, International Monetary Fund.
- * Certified Anti-Money Laundering Specialist (CAMS).
- * Author, “Five Typologies for Fraud During the Coronavirus Pandemic and How to Avoid Them” https://www.martindale.com/legal-news/article_law-office-of-ross-delston_2525009.htm
- * Co-author, “Strengthening Our Security: A New International Standard on Trade-Based Money Laundering (TBML) is Needed Now” (2012) and “Reaching Beyond Banks: How to Target TBML” (2008), both in Case Western Journal of International Law.
- * Widely quoted on AML and banking issues in New York Times, Times of London, New Yorker, Washington Post, Wall Street Journal, Bloomberg, McClatchy, American Banker, Moneylaundering.com, the Nikkei (Japan) and the Hindu Business Line (India).



MOYARA RUEHSEN, PhD, CAMS, CFCS
ASSOCIATE PROFESSOR
MIDDLEBURY INSTITUTE OF INTERNATIONAL STUDIES

- * More than 25 years experience teaching organized crime and financial crime-related courses for graduate students and professionals.
- * More than 15 years experience advising private sector firms and government agencies in the U.S. and abroad on money laundering, terrorism financing and proliferation financing matters. <https://mdmrconsulting.com/>
- * Founder and Director of the Financial Crime Management specialization at the Middlebury Institute's Graduate School of International Policy & Management
- * Co-author, "Following the proliferation money,"
<https://journals.sagepub.com/doi/full/10.1177/0096340215590798>
- * Co-author, "Terrorism Financing Methods: An Overview,"
<http://www.terrorismanalysts.com/pt/index.php/pot/article/view/279>
- * Winner of multiple teaching awards.
- * Certified Anti-Money Laundering Specialist (CAMS) and Certified Financial Crime Specialist (CFCS).

AGENDA

1. Seven typologies for Covid-related money laundering and fraud
2. Conducting Customer Due Diligence & Detecting Red Flags
3. Q&A

PPE Stockpile Fraud

- Business has a 'secret source' of Personal Protective Equipment (PPEs) such as N95 masks, gloves and gowns.
- Or demands payment up-front to expedite delivery (advance-fee fraud).
- Romano Case
- D. Allen & M. Revolorio Case

Trade Based Money Laundering (TBML) using PPEs

- * Import/Export company and value transfers –
 - A mask costs .10 cents;
 - A company buys 1,000,000 (\$100,000);
 - Then sells the same masks to a Panama company for \$10 each (\$10,000,000).

TBML using PPEs

- Company says “I already have a buyer lined up in Brazil. I am going through Panama to take advantage of the free trade zone.”
- The first company has just shifted \$9,900,000 to the Panamanian company.

The latest 'cures' are worth studying

These so-called
'cures' change
all the time!



Coronavirus Cocktail ‘Cures’

- Online prescriptions for unproven ‘cures’ such as chloroquine and hydroxychloroquine with an antibiotics such as azithromycin (Z-Pak).
- Company may actually provide medications, treatments or prescriptions, but it’s still a scam.

Antibody testing and vaccines

- Only a few antibody tests have been approved by FDA, and that's changing by the minute.
- All the other companies marketing test kits should be viewed with great skepticism.
- There are no vaccines available as of June 2020.
- DOJ's first pandemic fraud case was about vaccination kits supposedly from the WHO.

DOJ's First Pandemic Fraud Case

 An official website of the United States government [Here's how you know](#) ▾



THE UNITED STATES
DEPARTMENT OF JUSTICE

Search this site



[ABOUT](#)

[OUR AGENCY](#)

[PRIORITIES](#)

[NEWS](#)

[RESOURCES](#)

[CAREERS](#)

[CONTACT](#)

[Home](#) » [Office of Public Affairs](#) » [News](#)

SHARE 

JUSTICE NEWS

Department of Justice

Office of Public Affairs

RELATED LINKS

[Speeches and Press Releases](#)

[Videos](#)

[Photos](#)

[Blogs](#)

FOR IMMEDIATE RELEASE

Sunday, March 22, 2020

Justice Department Files Its First Enforcement Action Against COVID-19 Fraud

Federal Court Issues Temporary Restraining Order Against Website Offering Fraudulent Coronavirus Vaccine

The Department of Justice announced today that it has taken its first action in federal court to combat fraud related to the coronavirus (COVID-19) pandemic. The enforcement action filed today in Austin against operators of a fraudulent website follows Attorney General William Barr's recent direction for the department to prioritize the detection, investigation, and prosecution of illegal conduct related to the pandemic.

CARES (PPP or Paycheck Protection Act) Act Fraud

- Fraudulent Loan Applications
 - Baoke Zhang case
 - William Sadleir case
- Beware of agents, consultants and others who guarantee funding or tout their access to lenders.
- For non-bank financial institution lenders, make sure they have an AML program; if the answer is no, they are either incompetent or frauds.



Ponzi Schemes

- * All Ponzi schemes run out of money eventually.
- * A crisis will speed this up when investors wish to redeem (e.g. Madoff, Stanford and Rothstein).
- * Common element: Too good to be true.
- * Trust your gut – don't talk yourself out of a healthy skepticism.

Work-from-home Schemes

- Newly unemployed falling prey to such offers
- Gullible are used as money mules
- “Keep a cut and wire us the rest”
- “Send the remainder via a Bitcoin ATM”



**This is a lot
to swallow**

Detecting PPE Stockpile Fraud

Legitimate customers have one or more of:

- a) An existing business in the PPE field;
- b) An operating website;
- c) Ratings or reviews on Amazon or Google; and
- d) CEO with relevant experience.

Common Red Flags for Money Laundering and Fraud

- * Extremely rapid growth – making millions of dollars after only a few years in business.
- * Sales or asset growth regardless of market conditions.
- * Use of an accounting firm that doesn't match the size and complexity of the business or frequently changing accounting firms.

Common Red Flags

- * Frequent transfers to and from related third parties – other businesses they own at that bank at other institutions.
- * A disproportionately high level of compensation or compensation is derived from bonuses and/or family members employed by business at high salaries.
- * During the pandemic, retail business that continues to have the same level of receipts.

Customer Due Diligence (CDD)

- * Use Google, LexisNexis, public databases, local criminal court records and PACER (Federal courts).
- * Conduct negative news searches.
- * Google home addresses: Commensurate with position and/or stated income?

Customer Due Diligence (CDD)

- * Look at website: Fully operative or a rush job?
- * How long has business been in operation – just since pandemic?
- * Be skeptical when family members are involved.
- * Ask questions – have questions for all of their answers!

REPORTING the FRAUD

- * Include key terms: **Covid19** and **PPP fraud** in the SAR Narrative
- * Encourage customers to report fraud to:
 - * FBI at <https://ic3.gov>
 - * FTC at <https://ftc.gov/complaint>
 - * And DHS at Covid19fraud@dhs.gov

No need
to wring
your hands
– just ask
a question



Acknowledgments

Our thanks and appreciation to the following
for their thoughtful comments, suggestions and assistance:

Robin Sherman

Graphic Design and Layout Expert
Savannah, GA

Stephen Walls,
Attorney, Washington, DC

Muchadei Zvoma

Marketing and Webform Design
Middlebury Institute

Contact Information

TIM DUNFEY
ATTORNEY + BANK COMPLIANCE OFFICER
TIMDUNFEY@ALHAMBRA COMPLIANCE.COM
TAMPA, FL

ROSS DELSTON, CAMS
ATTORNEY + EXPERT WITNESS
WASHINGTON, DC
ROSS@GLOBALAML.COM

MOYARA RUEHSEN
ASSOCIATE PROFESSOR
MIDDLEBURY INSTITUTE OF INTERNATIONAL STUDIES AT MONTEREY
MRUEHSEN@MIIS.EDU

Middlebury Institute's Financial Crime Management Program

For more information contact:

Nicole Gager

Assistant Director of Global Recruiting

ngager@miis.edu

<https://www.middlebury.edu/institute/academics/additional-programs/certificates/financial-crime>

or Prof. Moyara Ruehsen
mruehsen@miis.edu



Middlebury Institute *of*
International Studies at Monterey