

NATIONAL OFFICE FOR PREVENTION AND CONTROL OF MONEY LAUNDERING – FIU, ROMANIA

Notes for the presentation to the 1st preparatory meeting of the 20th OSCE Economic and Environmental Forum (6-7 February, 2012, Vienna)

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MONEY LAUNDERING CASES/TYPOLOGIES

1) Laundering money from fraud

Several natural persons initiated a criminal group which aimed to purchase the equipment used to carry out frauds at ATMs, to be used in different European states.

Some of the group members were detected in other states while they committed ATM fraud. Thus, they used false cards with an ATM, which had inscribed on the magnetic tape the identification data of certain electronic payment instruments belonging to several persons (the real holders of cards). The data were obtained by passing the original card through a machine that reads and registers data from the card's magnetic tape. It was also found that the criminals knew the PIN code of original cards, since, when they used the ATM, they managed to perform the required transactions.

The transfer in the country of the amounts resulted from crimes was carried out by the group members (using false identity documents) through:

- a company in one of the European countries where they performed their criminal activities, which took over part of money and transferred them to accounts opened with banks in Romania, on behalf of persons trusted by the group members (relatives or friends);
- systems of money rapid transfer.

The techniques of money laundering used by the group members were diverse, from the simplest methods to complex ones.

Thus, the accomplices in the country, who had the role of „whitening" the illicit funds received from abroad, concealed the real nature of the origin of money, by using the banking system, namely through accounts opened with several banks in Romania. The procedures used were the following:

- opening a large number of accounts with the branches of the same bank and ordering repeated transfers of money between these accounts;
- unusual high deposits and withdrawals of cash;
- deposits of cash in several accounts, so that each amount is small, but their total is significant;
- frequent cash deposits in the accounts of clients by third persons, without an apparent connection with the account recipient.

The members of the group also focused on investing the dirty money in land and houses. These goods were acquired (directly or through intermediaries) and subsequently resold in order to justify the large amounts of money they had, given that none of the group members had a stable job or business. These real estate were either:

- acquired for preservation and renovation

- newly built;

- bought and immediately resold (case in which the group aimed only to run several apartments in a short period of time, the selling price being the same or even smaller than the purchasing one, trying to make lost any trace that would lead to the origin of funds);

- acquired as a result of sharkloan activities (from persons who failed to repay the borrowed money and the interest).

2) Laundering money from tax evasion through phantom companies

Three individuals received (a as a result of a claim for restitution) a property located in the central area of Bucharest.

A few months later, they sold the property to company C Ltd. for the amount of 250,000 Euro. This company proved to be a „phantom” company that had as declared business activity “recovery of metal scrap”. It should be noted that during two years, from the accounts of C Ltd. was withdrawn an amount in cash equivalent of around 1.000.000 Euro with the justification “payment to individuals for purchasing scrap metal”, given that the records of financial bodies did not include statements regarding the company’s obligations to the state budget, VAT reimbursements or the balance sheet corresponding to the commercial activities carried out in that period.

After about one month, C Ltd. sold the property to Mr. X, with the same price as of acquisition, namely 250.000 Euro, a transaction apparently lacking commercial logic. It is important to note that X is the representative for operations in the accounts of C Ltd.

After a few other months, X concluded a pre-agreement of sale/purchase with another natural person for the price of 2.500.000 Euro, with an advance payment of 70.000 Euro. In the following period, X concluded pre-agreements of sale/purchase with other nine natural persons in similar conditions, obtaining the total amount of 700.000 Euro, which he finally claimed in cash in several installments. The ten persons, who had the quality of promissory buyer:

- had the same family name and their residence in the same locality;

- had the quality of partners and administrators at many companies with business activity „recovery and recycling of scrap metal”;

From the accounts of these companies was withdrawn in cash over two years the total amount of 8.500.000 Euro.

After another period of time, X entered into a sale-purchase contract with Company A, to buy the same property for the amount of 4.500.000 Euro, which was certified at another notary office.

The analysis of the bank account of Company A showed that this was financed through numerous cash deposits carried out by persons of X’s family, amounting in total to 4.500.000 Euro with the explanation “returns from sales”.

Company A paid in cash a first instalment of the price of the property, namely

the equivalent of 1.500.000 Euro at the moment of signing the contract, payment which was made in front of the notary.

The notary, given several reasons, required the seller (X) to apply a digital print on the contract. It has to be noted that both in front of this notary and in subsequent transactions carried out at bank's pay-desks, X turned up accompanied by two other persons, who permanently advised him what to do. X may be an illiterate person.

Company A paid the second instalment of price of the property through bank transfer in one of X's accounts, namely the equivalent of 3.000.000 Euro. On the same day, X turned up at the bank's pay-desk announcing that he will receive that amount in his account from company A and that he wants the money cash, the following day. The bank's employees tried to explain both to citizen X and his two attendants that the amount had not yet been received in the account and that given the large quantity of cash required, a prior appointment is needed.

The next morning, X together with his two "advisers" came to the bank and threatened that if the payment is not made instantly, they will transfer the entire amount in an account opened with another bank, which they finally did.

Thus, X opened a new account with another bank, went back to the bank that refused the payment and issued a payment order for the amount available in the account and transferred all the money to the new account, from where he withdrew it cash.

3) Laundering of money from drug trafficking

Through a Suspicious Transactions Report, a commercial bank sent to our FIU information regarding suspect operations in the bank account of natural person A, citizen of a Middle East country, resident in Romania. The suspicions concerned the fact that he received various amounts of money as "loan return" from non-resident individuals and then he withdrew those funds in cash, through several operations under the reporting limit (15,000 euro).

The following aspects emerged from the analysis carried out in the FIU:

Individual A was the beneficiary of transfers from an account open in a country in East Asia, as follows: from individual B (citizen of that country) he received the equivalent of around 55.000 Euro and from individual C (Romanian citizen) he received the equivalent of around 40.000 Euro.

In order to check the origin of funds, our FIU requested data and information from the partner Financial Intelligence Unit (FIU) in the respective country in East Asia. We received information that B is known as perpetrator of the crimes of illegal possession and drug trafficking and C was reported as part of his relational circle.

Regarding individual C, it is important to mention that she is A's wife and previously she had been married to a citizen of the country from which funds were transferred.

Also, following enquiries in our data base « Situation of external transfers over the reporting limit », the following operations were identified:

a) transfers carried out by B: the equivalent of 110.000 Euro in the benefit of D (A's brother) and the equivalent of 145.000 Euro in the benefit of E (A's sister in law), in their accounts opened with banks in Romania. The analysis of the accounts of individuals D and E (both citizens of the same country in the Middle East) showed that they exchanged in Euro the funds received from B and transferred the amounts of 110.000 Euro and 145.000 Euro in A's account as "loan return".

b) transfers carried out by C (A's wife) from an account opened at a bank in East Asia in the benefit of the same relatives of his husband, namely D (equivalent of around 68 000 Euro) and E (equivalent of around 35.000 Euro); as in the previous case, the funds, after being changed in Euro, were transferred also in A's account in Romania.

The individual A withdrew in cash, through several operations below the reporting limit, a part of the funds received (in total approx. 110 000 Euro) and another part of were used to carry out bank transfers with the explanation "purchase of properties" (around 340.000 Euro).

In conclusion, we can consider that there were identified indications of laundering of funds which could originate from the crime of drug trafficking.

4) Laundering of money from bank card fraud

A Romanian and an American citizen initiated the following financial circuits, through companies controlled by them:

The Romanian citizen received, based on fictitious loan contracts, in an account opened with a bank in Romania, considerable amounts from an American company that had as business the sale of pre-paid telephone cards and as owner the American citizen. The sums were transferred in Romania from an account opened in USA, but also from an account opened in Bermuda, where the American company had another office.

From the information received from the FinCEN in USA, it emerged that the American citizen was involved in frauds related to bank cards.

The money received by the Romanian citizen in his personal account had the following route:

-a part was withdrawn cash;

-a part was used to purchase a land;

-a part was transferred to a Romanian company controlled by the Romanian citizen as "company credit".

-the amount of money received by the Romanian company was transferred, based on a fictitious invoice, in the account of another company that has as owner the American company.

Thus, the money transferred from the accounts of the American company to the Romanian natural person returned to the initial administrator, after being "moved" through the personal accounts of the Romanian citizen and the accounts of certain companies controlled by him.

In these circumstances, it was assumed that all these financial circuits, involving significant amounts, based on possibly false documents (loan contracts, invoices) were conducted in order to hide the illicit origin of the money obtained from crimes related to bank cards, perpetrated by the American citizen and the Romanian citizen, through the companies they controlled.

5) Laundering money through insurance products

a) The Office received from an insurance company a suspicious transaction report regarding a request of anticipated redemption of a life insurance policy signed by a Romanian citizen (A), only six months ago. Three weeks before the redemption request, A had paid, in consecutive days, two additional premiums of 20.000 Euro each (in total 40.000 Euro).

The financial analysis carried out revealed the following aspects:

- according to the information received from fiscal authorities, the incomes declared by the Romanian citizen A are much lower than the sums he paid as "premiums";
- the analysis of operations run in A's bank account revealed that he received (as "salaries") the amount of 75.000 Euro from a company known as being involved in activities of tax evasion (including illegal VAT reimbursements).
- using a part of the sums received, A paid the two additional premiums amounting to 40.000 Euro and three weeks later he requested the redemption of the policy and received 25.000 Euro from the insurance company;
- the 25.000 Euro received following the redemption of the policy were used as follows: 9.000 Euro were withdrawn in cash and 15.500 Euro were transferred in the account of another individual (B) – none other than the administrator of the tax dodger company previously mentioned;
- in turn, B used that money to make a term deposit and to carry out a cash withdrawal.

b) The Office received from an insurance company a suspicious transaction report regarding a life insurance contract amounting to 50.000 Euro for 30 years, negotiated by company 1 SRL for its administrator, Romanian citizen A. The reported suspicions consisted in:

- during negotiations the client expressed a keen interest in the assignment or cancellation of the contract;
- the client requested a derogation from the usual clause that redemption can only be requested after 4 years (the client wanted the period to be reduced to 2 years).

The financial analysis revealed the following aspects:

- the fiscal authorities informed the FIU that SC 1 SRL is involved in tax evasion;
- SC 1 SRL is also known as a "slow-payer" therefore it cannot obtain bank loans;
- A used the insurance policy as collateral to obtain a bank loan amounting to 30.000 Euro;
- A used the amount of the loan to make a payment in the benefit of SC 1 SRL as "personal contribution".