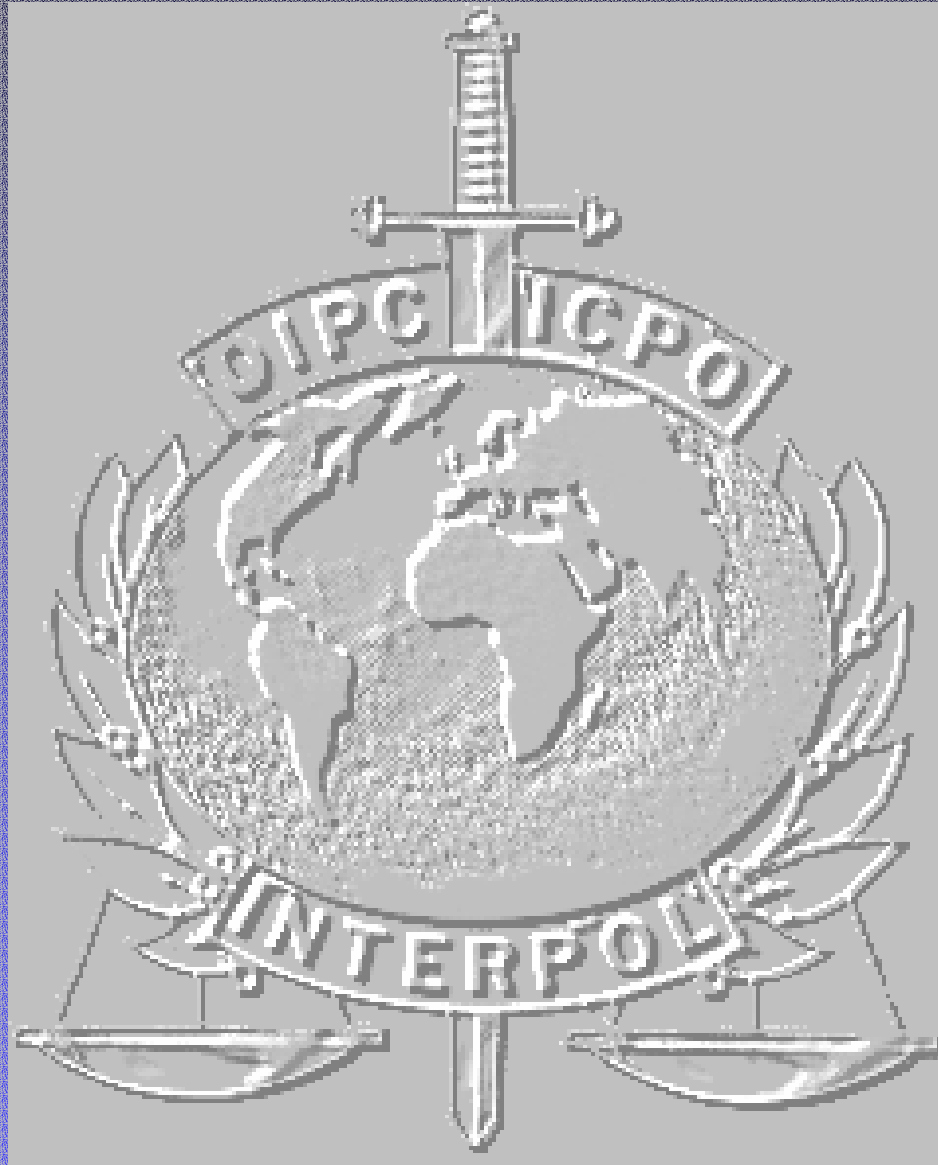


# ***ALTERNATIVE REMITTANCE SYSYEM***

## *Challenges & Strategies*





# BRAND NAMES

## ASIAN ORIENTAL

### Chinese

hui kuan → to remit sums of money

chiao hui → overseas remittances

phoe kuan → message houses

nging sing kek → money letter shop

Fei chien → flying money

→ *also chop shop*

Indonesian → Bangelap (dark bank)

China → di xia qian zhuang”  
(underground money shop)

Vietnam → hui

Thailand → poey kuan

## INDIAN SUB-CONTINENT

### HAWALA OR HUNDI

## MIDDLE EAST

No indigenous system-conduit for  
others systems

# HAWALA MINTS

## DEVELOPING ECONOMIES + Exchange Controls

- ❖ Misinvoicing of imports/exports
- ❖ Illegal imports
- ❖ Proceeds of crime
- ❖ Bribes/commissions
- ❖ Capital Flight/Tax evasion
- ❖ Tourists-local expenses assured
- ❖ Educational/medical costs



## ❖ FREE MARKET ECONOMIES minus Exchange controls

- ❖ Legal earnings immigrants
- ❖ Illegal imports
- ❖ Over-invoicing of exports and bogus exports
- ❖ Proceeds of criminal and revenue offences

# PROFITS

## ➤ *Exchange Rate Manipulation*

- *Lower business overhead than banks*
- *Foreign exchange speculation/ black market currency dealing*
- *Lower rates on exchange in return for laundering services*

## ➤ *Commissions*

# NATURE OF FUNDS LAUNDERED



- Drugs Profits & Operating Funds- 11
- Arms-3
- Precious Stones Gold-3
- Terrorism-3
- Corruption/bribery extortion-6
- Gambling-4
- Human Traffic-4

## OVERVIEW

- Drug & Corruption proceeds Laundered evenly
- Indian sub continent launders funds from arms, gold & terrorism
- Asian Oriental region launders gambling & human traffic profits

# CASE STUDIES-INDIA

## ❖ RED FORT BLAST CASE 2000

### Confession of prime accused

*Operations funds through hawala on instructions of leader in India from controllers in Dubai*

## ❖ BOMBAY BLAST CASE '93

*Mumbai based hawaladar routed money to Account of prime accused*

### Pattern

- *Arrested accused in possession of counterfeit currency, some drugs and weapons & addresses of hawala dealers in cities where operations planned*
- *Hawala as preferred mode of payment by extortionists/kidnappers in several cases over '94-'99*

# CASE STUDIES-INDIA

## Russian Export Scam 1996- (Fraud of US \$ 90 million)

- ❖ Soviet Union Credit Scheme - state credit for exports to Russia
- ❖ Non existent or fly by night exporters dumped junk goods
- ❖ Value of exports inflated
- ❖ Money sent by hawala & received back through banking channels

# DEBT SETTling



# DEBT SETTling

Debt Settling Method	Country Group	
	Hawala-Hundi	Asian-Oriental
Reciprocal Remittance	...	•
Invoice Manipulation	....	•
Gold smuggling	..	
Conventional Banking	.. ( <i>Rarely</i> )	.....
Physical Smuggling of Cash	•	...

Note • = One country of the Asia/Pacific region

# FATF GUIDELINES

## ➤ *Licensing/Registration*

## ➤ *Identification and Awareness Raising*

*Identification Strategies*

## ➤ *Anti-Money Laundering Regulations*

*Customer Identification*

*Record Keeping Requirement*

*Suspicious Transaction Reporting*

- Profiling Financial Intelligence
- Targeting Certain Cash Transactions
- Other indicators

## ➤ *Compliance Monitoring*

## ➤ *Sanctions*

*Civil, criminal or administrative sanctions  
depending on severity of offence*

# COUNTERING ARS

Jurisdiction	Ban	No Action	Some Obligations (e.g. reporting or customer identification)	Registration & Some Obligations	Registration & Full Obligations
Australia			✓		
Cambodia			✓		
Canada			✓		
Chinese Taipei		✓			
Hong Kong China					✓
India	✓				
Indonesia			✓		
Japan	✓				
Korea				✓	
Malaysia				✓	
New Zealand			✓		
Pakistan					✓
Philippines			✓		
Singapore					✓
Thailand			✓		
USA					✓

# HAWALA CHECKS

- *Law penalising ARS/UGB when aiding & abetting ML/TF*
- *Standard police techniques- surveillance of suspect businesses*
- *More Proactive Border Control & Customs work to check reconciliation*
- *Continuing Banking Sector Reforms*

STR

STR

STR

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Criminal  
Databases

FIUs  
without LEA  
representatives

STR

STR

FIUs  
with LEA representatives

STR

STR

STR

STR

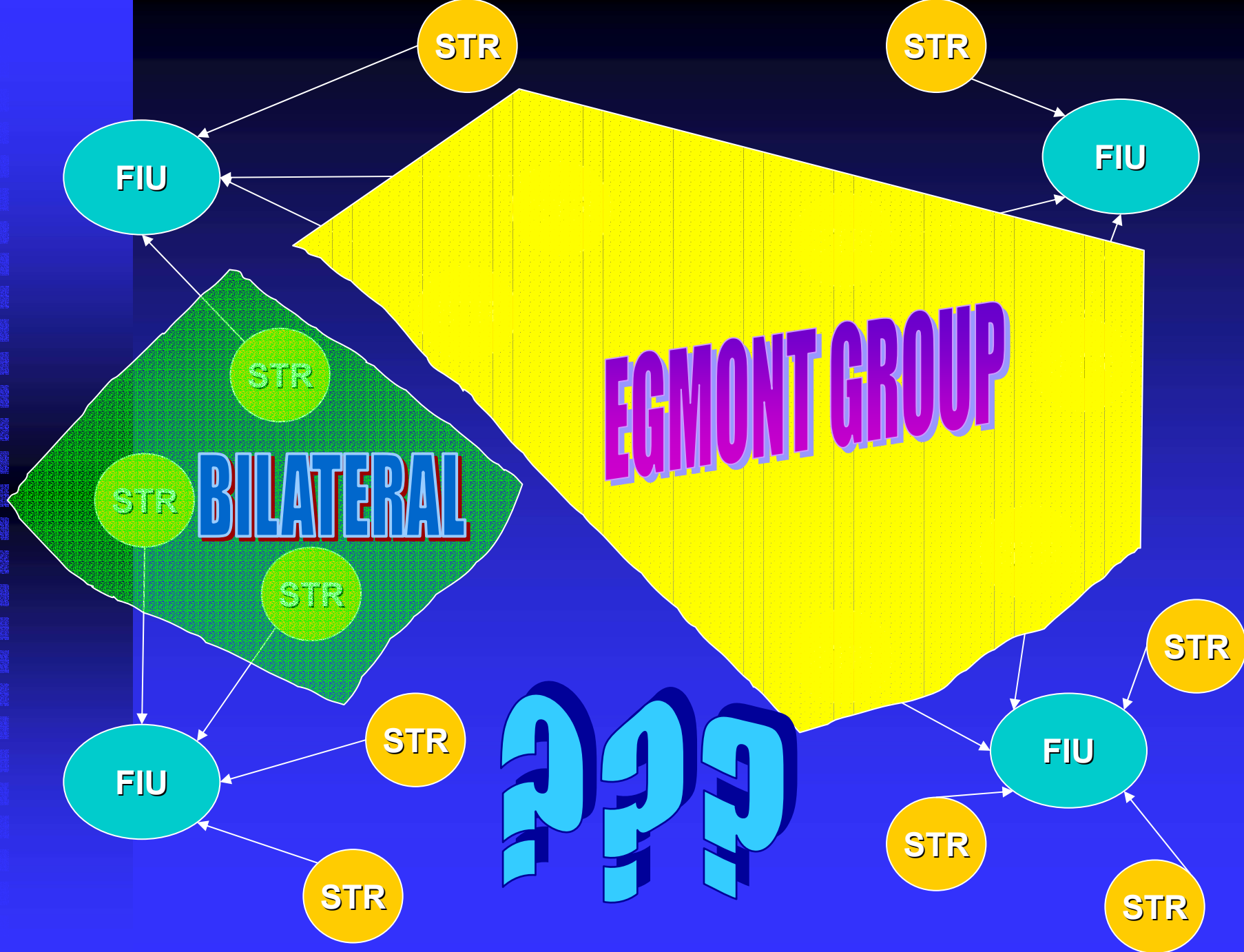
STR

# PROBLEMS

- ❖ STR inadequately assessed or shelved
- ❖ ONE comparison → No memory
- ❖ NO Integration

## SOLUTIONS TODAY

- BILATERAL
- EGMONT GROUP



# NEEDS

- ❖ **Centralization**
- ❖ **Neutral Place**
- ❖ **Rules Recognized and adopted**
- ❖ **Technical Infrastructure**
- ❖ **Memory**

# OFFER

- ❖ Global communication system
- ❖ Restrictions available on data dissemination
- ❖ Centralized Database at Interpol
- ❖ In addition:
- ❖ Criminal information on:
  - ❖ Criminals / companies
  - ❖ Telephone Numbers
  - ❖ Stolen Travel Documents (G8, EU, OSCE, ICAO)...



*THANK YOU FOR YOUR KIND ATTENTION*

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