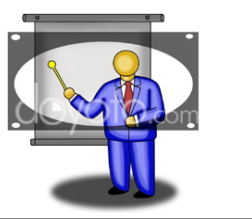
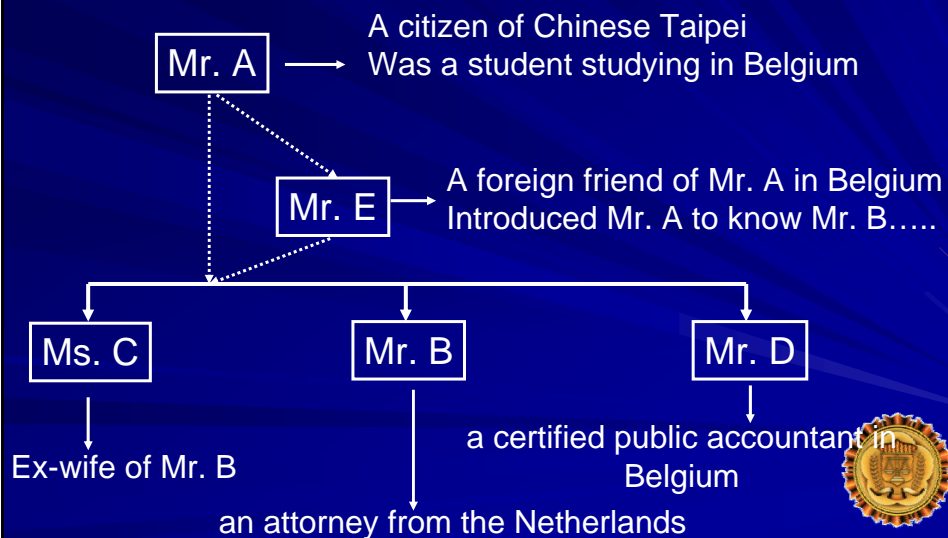


Transnational fraud and money laundering case study and preventive measures in Chinese Taipei



Case study 1

Organization of the fraud scam




Case study 1

Organization of the fraud scam – Eurasian Structure Finance



Case study 1

■ Practical operation of the fraud scam

- Step 1: setting up investment pitches to mislead investors
 - Mr. B directed Mr. A to collect the background information of 4 domestic companies in Chinese Taipei which already ceased their business and being suspended by authorities. Mr. A also falsified the performance reports of the 4 companies.
 - Mr. B used the falsified performance reports to mislead the owners of 13 Europe companies which had very good performance and profitable to have the impression that the Eurasian Structure Finance had very good performance on business.
- 

Case study 1

■ Practical operation of the fraud scam

- Step 2: luring the 13 Europe companies to be merged by the Eurasian Structure Finance
 - Mr. B assigned Mr. A to be the president of the Eurasian Structure Finance in Asia region and disguised to be the representative of the said 4 companies in Chinese Taipei to plan investing related industries in Europe.
 - The scam group defrauded the owners of the said 13 Europe companies by lying that the group was willing to merge the companies with higher price than the net value in market.
 - Finally, the 13 Europe companies were merged the scam group.



Case study 1

■ Practical operation of the fraud scam

- Step 3: creating false financial statements
 - After the completion of acquisition, the scam group counterfeited joint venture contracts between the scam group and 13 Europe companies.
 - The scam group directed Mr. A to prepare false financial statements with huge loses of the Eurasian Structure Finance and counterfeited the certification signature of certified public accountants on the financial statements.



Case study 1

■ Practical operation of the fraud scam

- Step 4: using false financial statements to defraud the government of Belgium and private companies
 - The scam group used the false financial statements to evade taxes for the 13 Europe companies in Belgium by the excuse that the 13 companies had to burden the huge losses according to the joint venture contracts.
 - Mr. B, the practical controller of the scam group, continually embezzled the surplus assets derived from the business operation and tax evasion of the companies which amounted to 3.1 billion BEF in total and remitted the proceeds of crime to abroad banking accounts including in Chinese Taipei for money laundering and dividing the illegal gains with his conspirators in the scam group.



Case study 1

■ Practical operation of the fraud scam

- Step 5: money laundering scheme
 - 446 million BEF among the illegal gains was remitted into Ms. C's banking account which was opened in the Offshore Banking Unit of Bank H in Chinese Taipei, and Ms. C also authorized Mr. A to manage her banking accounts as the status of an agent.
 - Mr. A was directed by the scam group to transfer the proceeds of crime into the group member's banking accounts in other jurisdictions to launder the illegal funds and some was remitted to his personal accounts as his illegal-gotten profits.
 - This scam caused huge losses of the said 13 Europe companies amounted to 3.1 billion BEF.



Case study 1

■ International cooperation to probe this case

- The judicial authorities of Belgium proposed request to AMLD via its FIU for tracing the illegal funds flow and related banking accounts information in Chinese Taipei to verify the money laundering methods in this case and the destination of the illegal funds.
- Then, judicial assistance was raised by government of Belgium to the authorities in Chinese Taipei through diplomatic channel.



Case study 1

■ The role of AMLD in this case

- Assisting the authorities from Belgium to trace the illegal funds flow and identify the banking accounts being used to launder money in this case.
- The staff of AMLD also assisted the representatives from Belgium judicial authorities including court, prosecutor's office and law enforcement agency to debrief Mr. A in Chinese Taipei for identifying the scam organization, techniques to defraud the said 13 Europe companies, money laundering methods and collect related evidence.



Case study 1

■ Final results of this case

- The scam group members were prosecuted in Belgium.
- Finally, Mr. A returned his personal illegal gain 37 million BEF in the fraud scheme to the government of Belgium and he was punished to pay 200 thousand NTD fine to the government of Chinese Taipei for deferred prosecution in this case.



Case study 2

■ The source of this case

- The AMLD continually received 5 Suspicious Transaction Reports from Bank R and Bank S that revealed:
 - Company Z and company Y were individually registered in Bahamas and Saint Christopher-Nevis and the owners were foreigners Mr. A and Mr. B.
 - The two companies opened many banking accounts in the offshore banking units of various banks in Chinese Taipei. The registered business item of company Z was second hand goods trading.



Case study 2

■ The source of this case

- The two companies had same contact address and same agent Ms. C to manage their banking accounts in Chinese Taipei.
- Mr. A also owned another two companies W, X and opened banking accounts in the same banks.
- One law enforcement agency in Chinese Taipei ever required the bank to produce the transaction statement of Company W for investigating a transnational fraud case.



Case study 2

■ The source of this case

- The banks ever received many letters or emails from different jurisdictions to query the background information of the companies or lodged complaints of the companies involving transnational fraud scheme or request to freeze the banking accounts and return funds to the originators of remittances etc.



Case study 2

- The AMLD immediately began to analyze the STRs and strongly suspected Ms. C was very possible to launder money for different transnational scam groups.



Case study 2

- **Actions taken by the AMLD**
 - To trace the law enforcement being taken in the past on this case :
 - Switzerland authorities ever requested a law enforcement agency in Chinese Taipei to collect the banking account information of Company W through Interpol but the details and results of the case unknown.
 - The Investigation Bureau, an another law enforcement agency in Chinese Taipei, ever debriefed Ms. C for investigating a transnational fraud case but had no evidence to prove she was a member of the scam or launder money for the scam, and then the case was closed.



Case study 2

■ Actions taken by the AMLD

- To investigate the background information of Company Z, Y, W, X and Ms. C and found:
 - Ms. C was a freelancer and had no criminal record. She took translation and to be an interpreter for living.
 - Ms. C was entrusted by many foreign companies and individuals from other jurisdictions to assist them to open and manage banking accounts, and she charged service fees as rewards from providing these kinds of assistance.
 - Mr. A and Mr. B were foreigners from northern America and they had only few entry records to this jurisdiction and had very short stay every time.



Case study 2

■ Actions taken by the AMLD

- To trace the letters and emails received by the banks:
 - A national of Denmark alleged he was required to buy the stocks of Company V and remitted a large sum of money to the banking account of company W in this jurisdiction as precondition before he could sell the stocks of another company. It was deemed as a fraud behavior.



Case study 2

■ Actions taken by the AMLD

- An attorney from Switzerland queried the background information of Company Z and Company X to Bank R because his client had remitted a large sum of fund to the banking accounts of Company Z and Company X for investing Company V.



Case study 2

■ Actions taken by the AMLD

- A national of Singapore alleged that he remitted large sum of money two times to the banking account of Company Y for buying the stocks of Company U that was identified no existence afterward, and he requested Bank R to freeze the banking account and return his remittances.



Case study 2

■ Actions taken by the AMLD

- To further investigate Ms. C criminal activities :
 - To cooperate with law enforcement agency and apply wire tapping to Ms. C for verifying she was related to transnational fraud scam but was denied by court for the reason that no reasonable ground to suspect Ms. C involving transnational fraud scam.
 - To request the foreign counterparts to trace the funds flow in this case, but no positive response.
 - To debrief Ms. C but she insisted did not know the banking accounts were related to transnational fraud.



Case study 2

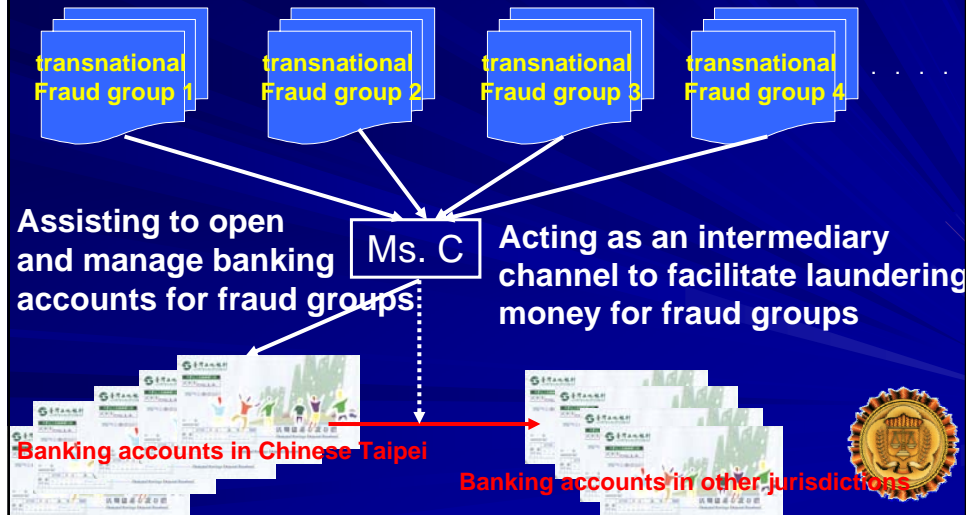
■ The development of this case

- All the banking accounts involved to this case were stopped transaction and cancelled by the two banks
- No legal complaint being raised or formal law enforcement being conducted in other jurisdictions
- The AMLD needs more information to verify the role of Ms. C playing in the transnational fraud scams
- MLA and information sharing playing key role on countering this transnational fraud scam



Case study 2

Money laundering channel of the transnational fraud scams



Preventive measures for countering fraud in Chinese Taipei

■ Indicators of financial transactions in fraud cases as follows:

- Deposit Accounts of persons frequently applying to open Deposit Accounts over a short period of time without reasonable explanation;
- Deposit Accounts of a client engaging in transactions obviously inconsistent with such person's age or background;
- Deposit Accounts of a client providing contact information which cannot be verified using normal measures;
- Deposit Accounts that a financial institution or a member of the general public has reported as being used by someone suspected of criminal activity;

Preventive measures for countering fraud in Chinese Taipei

■ Indicators of financial transactions in fraud cases:

- Deposit Accounts with high volumes of small amount inward/outward remittances suspected of probing activities;
- Deposit Accounts of a client who makes frequent use of electronic services or facilities of banks over a short period of time, in a manner that is obviously different with normal transaction activities of such client;
- Dormant Deposit Accounts that resume activity which involves unusual transactions;



Preventive measures for countering fraud in Chinese Taipei

■ Indicators of financial transactions in fraud cases:

- Deposit Accounts with transactions that meet the indicators of money laundering as set out in the Money Laundering Prevention Guidance of Banks;
- Other Deposit Accounts with transactions determined by the competent authorities or banks to be suspicious or unusual.



Preventive measures for countering fraud in Chinese Taipei

- According to the Regulations Governing Bank Handling of Accounts with Suspicious or Unusual Transactions
- Banks shall adopt the following measures for Deposit Accounts with transactions:
 - Deposit Accounts that have been prohibited to dispose shall be handled in accordance with relevant laws and regulations;
 - If a Deposit Account is opened under a fake name, the bank shall notify authorities including the AMLD. The bank shall also close such account immediately.



Preventive measures for countering fraud in Chinese Taipei

- For a Deposit Account reported as a Watch-listed Account, the bank shall immediately suspend all transactions in such Deposit Account. All inward remittance amounts shall be returned to the remitting bank; (*"Watch-listed Account" shall mean an account under a criminal investigation by court, public prosecutors office, or a judicial police authority and has, notified banks to classify as watch-listed.*)



Preventive measures for countering fraud in Chinese Taipei

- When financial transactions meet the indicators of fraud cases, banks shall verify and keep close watch on the Deposit Accounts. If a bank finds any illegality, such bank shall notify a judicial police authority immediately and file STR to AMLD according to the regulations of MLCA.



Preventive measures for countering fraud in Chinese Taipei

■ Preventive measures of FIs

- When processing a Deposit Account opening application, a bank shall require dual identification documents, one of which shall be an identification card or incorporation certificate, and the other of which shall be an identification document capable of identifying the applicant.



Preventive measures for countering fraud in Chinese Taipei

- A bank shall reject a customer's account opening application, if any of the following exists:
 - The customer is suspected of using a fake name, a nominee, a shell entity, or a shell corporation to open a Deposit Account;
 - The customer uses forged or fraudulent identification documents or only provides photocopies of the identification documents;
 - Documents provided by the customer are suspicious or unclear, or the customer refuses to provide other documents, or the documents provided cannot be authenticated;



Preventive measures for countering fraud in Chinese Taipei

- The customer delays in providing identification documents in an unusual manner;
- Another Deposit Account opened by the same customer has been reported as a Watch-listed Account; or
- Other unusual circumstances exist and the customer fails to provide a reasonable explanation.



Preventive measures for countering fraud in Chinese Taipei

- For transactions processed through professional intermediary institutions, or for Deposit Accounts ever being classified as Watch-listed Accounts or high risk transactions, a bank shall establish suitable risk control measures, in addition to the regular customer due diligence procedures, including:
 - The opening of such accounts shall be approved by a higher level supervisor;
 - The source, destination, and reasonableness of property and funds shall be confirmed; and
 - The bank shall exercise ongoing monitoring and control the transactions in such account.



Conclusion

- Transnational fraud is gradually transforming into a global criminal thread
- The victims not only in single jurisdiction but around the world and the losses from fraud criminal activities are huge
- It needs close international cooperation to share information and operate mutual legal assistance between different jurisdictions for countering transnational fraud
- It needs more coordination efforts among regulatory authorities, law enforcement agencies, judicial authorities and financial institutions for developing an effective mechanism to disrupt transnational fraud scam



The End

