Arizona Financial Crimes Task Force

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MONEY TRANSMITTERS

- DolEx
- MoneyGram
- Continental Exchange Systems (CES)-RIA & AFEX
- Sigue
- Enramex
- Bancomer Transfer Services (BTS)
- Western Union (WU) includes VIGO & Orlandi Valuta
- UniTeller Banorte
- transNetwork
MSB Aggregators

- Meeting the needs of an expanding consumer base in Mexico, U.S. based MSBs and third party payers in Mexico, known as aggregators, collaborated to provide expanded services;
- Through a proprietary platform, each aggregator created a single payment channel to connect contracted Mexican retail and financial institutions with U.S. based MSBs;
- Aggregators are not restricted to handling money transfer payout services for only one U.S. based MSB but may contract with a host of MSBs which offer money transfer services to Mexico and Latin America.
AML COLLABORATION ACROSS MSBs

- If designed and deployed correctly, the AML compliance capabilities of the MSB aggregators add another broad layer of AML filtering across numerous financial and retail locations in the U.S. and Mexico which significantly enhances deterrence of international money laundering;

- In order to operate at the highest level of efficiency, it would be logical for U.S. based MSBs and MSB aggregators to closely collaborate on appropriate and timely money transfer data sharing and analysis.
TRANSACTION ANALYSIS

- Until recently, a U.S. based money transfer sender informed the originating MSB of the receiver’s city and state in Mexico and the intended receiver was restricted by the originating MSB to receive the money transfer in the specified city/state and at the paying agent locations contracted by the U.S. based MSB;

- MSB aggregators expanded the receivers’ options beyond the list of the initiating MSBs’ contracted paying agents to the aggregator’s retail or financial affiliates’ branch locations throughout Mexico.
Pursuant to subpoena or court order, the Arizona Attorney General receives transaction data from several U.S. based MSBs and from three MSB aggregators;

All of the involved MSBs are directed to submit transaction data in the same electronic format to the Arizona Attorney General, Transaction Record Analysis Center (TRAC);

Other than a few exceptions, MSB Aggregators do not originate money transfers in the U.S. and only pay those transactions originated by U.S. based MSBs.
Money transfer is sent/paid by a subpoenaed MSB and MSB aggregator, the same completed transaction detail will be supplied by each MSB to the TRAC data system;

Transactional analysis across all of the involved MSBs revealed deficiencies and/or discrepancies in data collection and sharing between the originating MSBs and MSB aggregators;

Some of the identified deficiencies in duplicate transaction data are innocuous while others present AML compliance risks to the originating MSBs and paying MSB aggregators and may also negatively affect law enforcement’s ability to accurately analyze MSB transaction data.
IMPORTANT DISCREPANCIES

✓ Originating MSB provided to Aggregator the money transfer sender name but not the sender’s address, city or state;

✓ Originating MSB did not provide the recording agent name, address, city or state to the MSB aggregator resulting in the aggregator only identifying the corporate MSB name, address, city and state for each transaction;

✓ MSB aggregator collected the payee’s telephone number and ID number and issuing state but this information was either not shared or captured in the transaction data of the originating MSB;
IMPORTANT DISCREPANCIES

✓ The originating MSB provided the correct paying agent name but the paying agent address, city and state in transaction data was entirely inaccurate;

✓ The MSB aggregator provided the correct paying agent name, but a different and entirely accurate paying agent address, city and state in transaction data;

✓ The accurate information collected by the MSB aggregator for the paying agent’s address, city and state where the payout occurred was either not shared with the MSB originator or not included by the MSB originator in the transaction records.
Data analysis of MSB agent in Phoenix revealed approximately 70% of sent money transfers paid in Sinaloa, Mexico while the remaining 30% were paid in other Mexican states;

Further analysis revealed more than 80% of the transfers sent from the Phoenix agent location, allegedly paid in states other than Sinaloa, were paid through contracted aggregators in Mexico creating duplicate transactions in the TRAC data system;

Analysis of duplicate transactions revealed repeated discrepancies between the originating MSB’s reported money transfer payout locations and the payout locations submitted by the paying aggregators;

A majority of the transfer payouts reported by the aggregators were actually paid in the same Sinaloa city and not in other Mexican states, showing inaccurate reporting by the originating MSB.
KEY ANALYTICAL FINDINGS

- Data sharing deficiencies and discrepancies between MSB originators and aggregators have resulted in a potential AML risk to the involved MSBs;

- Money transfers identified by the originating MSB as being paid in one Mexican state but actually paid in another State as reported by the paying aggregator, are concentrated in higher risk regions such as Sinaloa and Michoacan;

- AML Compliance departments of MSB aggregators are strategically situated to analyze money laundering threats across the data of multiple contracted originating MSBs however, the aggregator AML analytical model may be degraded by deficient transaction data sharing or collection by originating MSBs.
QUESTIONS?

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