Financial Crimes Intelligence: Use of Payment Cards in Criminal Activities
EXCERPT FROM NATIONAL GEOGRAPHIC CHANNEL DRUGS, INC. SEASON 5 EPISODE 14 – COCAINE WHITE GOLD
France targets prepaid debit cards in fight against terror finance

France, announcing fresh moves against terrorist financing, said on Nov. 23 it would target prepaid debit cards which it said were used in the recent Paris attacks. "We will regulate more strictly the use of prepaid cards which were used in the November 13 attacks, in order to make it harder to remain anonymous," Finance Minister Michel Sapin told a news conference.
16,803 GIFT CARDS – $2.1 MILLION
Many criminals use cloned and altered credit cards to purchase prepaid and retail gift cards to launder the illicit cash.
SUSPICIOUS CARDS FOUND

- Criminals will traffic these cards across the country using a variety of delivery methods
  - Parcel shipments
  - Concealed in vehicles
  - Concealed on person

USPS Phoenix
209 Cloned Credit Cards

Kane County County SO
$8,000 Cash, $7,000 Prepaid
THE CLONED CREDIT, DEBIT, PREPAID AND GIFT CARD SMUGGLING EPIDEMIC

- Last year-
  - 32 m Americans had their credit cards stolen;
  - 12.7 m individuals had their identities stolen;
  - $16B was laundered due to ID theft fraud:

- Over $40B loaded on prepaid cards from illegal and illicit activities.

- Cash seizures are down as criminals move proceeds using prepaid cash cards and debit accounts.

“Prepaid cards are the currency of criminals. Our problem is you can’t distinguish the number of a prepaid card from a legitimate bank account.”

- IRS Commissioner John Koskinen
THE ISSUE FOR LAW ENFORCEMENT...

• Stolen identities and cloned financial card information is easily concealed on a mag stripe and difficult to determine.

• Securing intelligence from payment cards obtained during an arrest is time consuming and many times fruitless.

• Payment card and bank information is difficult to collect and document.
GLOBAL PAYMENT BRANDS AND NEW DISRUPTERS

Visa

MasterCard

UnionPay

American Express

PayPal

JCB
CREDIT CARD FRAUD + SMUGGLING + ORGANIZED RETAIL CRIME = CRIMINAL OPPORTUNITY

Stolen Credit Card Magnetic Stripe Data → Smuggled into U.S. via the Internet and Cloned

Cards – Sold or used outside U.S. • Merchandise sold outside U.S. ← Purchases at U.S. stores • Electronics • Prepaid cards • Store cards • Other items
Criminal organizations contact a complicit supplier of Prepaid cards.

Prepaid Card supplier loads cards with illicit funds (in any currency).

Prepaid Cards are shipped via mail or via courier (loaded or unloaded).

Cash is withdrawn in destination country (in local currency) via ATM.

As soon as cards are ‘unloaded’ they are available to be used for subsequent transactions.

THE CRIMINAL MARKET IS EXPLODING
THE ISSUE FOR LAW ENFORCEMENT…

- Law enforcement is just now becoming aware of the problem.

- Payment card and bank information is difficult to collect and document.

- Securing funds attached to a prepaid card is time consuming and may take weeks or months to accomplish, if ever.

- Transferring funds takes even longer with less than desirable results.
RECENT PAYMENT CARD SEIZURES

Madison County Sheriff’s Office
38 Debit Cards - $129,000
$59,000 Cash

Fort Worth Police Department
197 payment cards, 20% Cloned Cards
$42,000 prepaid Cash
CARD CLONING 101

Criminals can quickly create counterfeit payment cards

- Easily accessible skimming and recoding devices can copy to any mag stripe.
- Credit, debit and prepaid card information on the dark web for pennies an account.
- "Table Top" embossing machines can alter the face of the card to match information contained on the mag stripe.
- Hotel room cards, or DL could contain credit, debit or prepaid card information.
WHAT ARE PREPAID CASH CARDS?

• Branded by Visa, MC, Amex, Discover
• Referred to as “Open Loop” cards, these are global cash cards
• Works like other debit cards to buy goods and services or to get cash
• One time use, or can be re-loaded with cash at over 150,000 merchant locations in the U.S., or using online transfers from bank accounts or another payment cards.
• Funds can be transferred to other prepaid cards anywhere in the world in a matter of seconds using internet applications or mobile phones.
WHAT ARE GIFT CARDS?

• Branded by Retailers for use only at their stores
• Referred to as “Closed Loop” cards
• Act like cash to buy goods and services at certain merchants
• Purchased for a specific amount and can only be re-loaded by the merchant
• Funds can not be transferred to other gift cards
CASHING OUT GIFT CARDS AT PAWN SHOPS

- Cartel human trafficking mules accept gift cards for payment

- Gift cards are sold for cash in pawn shops at 50-70% of the face value.

- With over 2,200 retail locations in Mexico, buying a Wal-Mart gift card is fast and easy. Home Depot, Target, Best Buy and Wal-Mart cards are among the most popular brands for money laundering.
INSTANTLY TRANSFER CASH ANYWHERE IN THE WORLD

Find services and locations

Western Union

NetSpend Reload Network Locations

Bank Account Transfers

PayPal® Transfers

Mobile Check Load

NetSpend Card Account Transfers

Send money to Colombia

Send mobile reloads instantly

Cash Pickup or Bank Deposit

Send money anywhere in Colombia

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## LEGAL POSITION

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<th>Legal Concerns</th>
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| 1. Interrogating the magnetic stripe of a confiscated credit, debit or prepaid card does not violate an individual’s fourth amendment rights. | **US v. Alabi:** the agents’ examination of the magnetic strips on the credit and debit cards did not constitute a search for Fourth Amendment purposes.  
**US v. Bah:** 6th Circuit Court of Appeals upheld a lower court ruling that a scan of magnetically-coded information on a credit or debit card does not involve a physical intrusion into a constitutionally protected area. |
| 2. Individuals do not have privacy rights with magnetic stripe cards.           | There is simply no basis to extend **Riley v. California 134 S. Ct. 2473**, to digital information that literally has no purpose other than to be provided to others to be read.                                                   |
| 3. Prepaid cash cards are treated like currency.                               | **Oklahoma v. Eighty Three (83) Walmart Gift Cards and various MasterCards and Visa Cards:** the definition of "currency" is "An item (such as coin, government note, or banknote) that circulates as a medium of exchange." It is the opinion of this judge that stored value cards, gift cards, prepaid credit cards, etc., certainly meet this definition."  
**US v. Ross William Ulbricht, ak/a “Dread Pirate Roberts,” a/k/a “DPR,” a/k/a “Silk Road”** Digital currency allegedly used by defendant and his co-conspirators constituted “funds” within meaning of money laundering statute. Digital currency at issue had value, in that it could be used to pay for things. |
SUMMARY:

• Cards are quickly becoming the preferred method of currency for criminal activity and money laundering.
• Card information can be easily copied on to any magnetic stripe card making detection and analysis difficult.
• Criminals can transfer funds from one prepaid card to another in a matter of seconds.
• Prepaid Cash Cards are cash equivalents.
• Law Enforcement has the legal right to read credit, debit and prepaid card magnetic stripes.
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