



## U.S. Immigration and Customs Enforcement

# TRIP WIRE

*"Integrity is the CORNERSTONE of our financial systems."*

### **Cornerstone**

#### ***A New ICE Financial Investigations Division Program***

*Secretary Ridge's Announcement, New  
York, NY*

On July 8, 2003, DHS Secretary Tom Ridge unveiled U.S. Immigration and Customs Enforcement's (ICE's) financial programs designed to safeguard the integrity of our nation's financial systems against criminal exploitation. Secretary Ridge announced the launching of *Cornerstone* – a new ICE Financial Investigations Division program - to identify vulnerabilities in financial systems through which criminals launder their illicit proceeds. *Cornerstone* will develop a working partnership with industry representatives to share information and eliminate financial industry-wide security gaps that could be exploited by criminal organizations or terrorists. As part of the *Cornerstone* program, ICE has created a unit solely dedicated to provide training to the private sector on identifying and preventing exploitation by criminal organizations.

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### **Financial Investigations**

#### *Around the World*

##### **ICE in Iraq**

Since the commencement of Operation Iraqi Freedom, ICE Senior Special Agents have been on the ground in the Iraqi Theater of Operation (ITO), locating and identifying Iraqi front companies and procurement networks. These companies and networks were allegedly used to assist with procurement and further Iraq's attempt to acquire, develop, and maintain weapons of mass destruction and advanced weapons systems. ICE's efforts involve the utilization of financial records, import and export documents and related sources. As an example, ICE Special Agents in Baghdad are working jointly with Central Bank of Iraq (CBI) employees in reconstructing the financial history of Iraq in an effort to locate hidden regime assets and identify additional investigative leads pertaining to violations of U.S. Federal laws.

ICE Agents recovered approximately \$32 million of the previous regime's hidden assets. Additionally, ICE assisted U.S. Military Forces in the recovery of millions more in U.S. currency in Iraq. In April 2003, ICE initiated Operation Iraqi Heritage, an effort to identify and recover cultural property items looted from the Iraq National Museum. ICE, assisted by U.S. Military Forces, has recovered over 39,400 manuscripts and 700 artifacts.

##### **ICE Agents Arrest Father-son Team Accused of Arming Saddam Hussein**

On October 15, 2003, officials from ICE announced the arrest of Sabri Yakou, 69, and his son Regard Yakou, 43, on charges of brokering the sale of six armed patrol boats, worth some \$11 million, to the Saddam Hussein regime prior to the recent war in Iraq. Sabri Yakou, an Iraqi native, is a legal permanent resident of the United States with businesses in California, Singapore, Iraq, and elsewhere. His son is a naturalized U.S. citizen. The arrests were the first to result from the deployment of ICE teams to Iraq in March of this year to search for evidence that U.S. persons or entities may have supplied Iraq with arms, technology or materials in violation of U.S. laws and U.N. embargoes. To date, ICE agents have uncovered evidence in Iraq that has prompted roughly 30 ongoing investigations into possible illegal exports of U.S. arms, technology or materials to Iraq. (*see <http://www.ice.gov> for full Press Release*)

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*'Cornerstone' continued*

Cornerstone will continue to:

- Identify and assess the means and methods used by criminals to exploit financial systems in order to transfer, launder and otherwise mask the true source of criminal proceeds.
- Work with specific private sector industries to gather new intelligence and shut down vulnerabilities found within existing financial systems.
- Dedicate Special Agents at all 25 field offices as liaisons to the private sector.
- Investigate and prosecute criminal organizations exploiting traditional and emerging non-traditional financial systems.
- Work with financial institution security teams to discern how criminal organizations exploit financial systems in their industry.
- Provide the private sector with *TRIPWIRE*, a quarterly report detailing specific examples of how certain U.S. financial systems are being exploited by criminal organizations to transfer, launder or mask the true source of criminal proceeds. *TRIPWIRE* will also provide recommendations to industry on detecting and preventing such exploitation.

## Cornerstone Special Agents Serve as Subject Matter Experts

*Cornerstone* is staffed with Senior Special Agents who serve as subject matter experts in various disciplines, including fraudulent schemes, money service businesses, casinos, bank regulators, alternate remitters, outbound currency initiatives and human smuggling/human trafficking. These agents work with a broad spectrum of Federal, state and local agencies and industry/private sector representatives in support of the *Cornerstone* mission.

## Other Programs Within the Financial Investigations Division

### Money Laundering Coordination Center (MLCC)/Intake/Field Support Unit

This unit is staffed with Senior Special Agents and Intelligence Analysts, overseeing the Headquarters command and coordination center that collects, develops, manages and disseminates leads to the field. This unit is composed of the *Money*

*Laundering Coordination Center (MLCC)*, an interagency clearinghouse for undercover money laundering operations, *Intake*, which coordinates and disseminates investigative financial leads, and a *Field Support Section*, which provides necessary investigative assistance.

### Financial Programs

This unit is staffed with Senior Special Agents as Program Managers, targeting money laundering activities, currency smuggling and other financial investigations. Further, this unit supports field level financial investigations and national initiatives.

## Emerging Financial Vulnerabilities

### "The Matricula Consular Issue"

The *Matricula Consular* is an identification card issued to citizens of Mexico residing in other countries, whether or not they are legally in that country, to include the United States. In practice, ICE has found that this card is most often carried by individuals who do not have lawful status in the U.S. The Mexican Consulate is responsible for issuing the cards and maintaining data pertaining to these cards.

The major security issue surrounding the cards is the use of a Mexican birth certificate as the principal document to obtain a *matricula*. Mexican birth certificates are often difficult for authorities to authenticate and may be issued based upon unverifiable information, such as statements of witnesses to the birth, baptismal records, etc. To compound the issue, the U.S. Government lacks regulatory oversight over the standards, documents and data utilized by Mexico to issue the card.

DHS Undersecretary, Asa Hutchinson has stated that general acceptance of foreign government-issued identification documents makes enforcement more difficult, particularly if the documents allow access to other types of documents such as state issued driver's licenses. Further, the U.S. Department of Justice has concluded that the *matricula* is not a reliable form of identification. This said, 74 of our nation's 9,000 banks now accept the card as a form of identification. No major bank in Mexico lists the card among identification it accepts, and only 10 of Mexico's 32 states and districts recognize the card as a valid identification document.

*'Vulnerabilities' continued on page 3*

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'Vulnerabilities' continued



Presecurity feature matricula



Matricula with security features

Over one million *matriculas* issued by Mexico before 2002 are still valid and in circulation. Unfortunately, these cards have no security features. Mexico issued over one million of an improved *matricula* in 2002, but does not have a system in place to authenticate identification documents or to safeguard against duplicate card issuance.

These identification cards are now printed bilingually and expire five years after the date of issuance. Mexico has added several features to prevent counterfeiting. Valid cards have a serial number printed on both the front and back of the card. On the face of the card, you will find a

photograph of the cardholder, the cardholder's name, a local U.S. address and the card's expiration date.

Because of the growing acceptance of the *matricula*, several other foreign governments – including Guatemala, Honduras, Poland, Peru and El Salvador – are preparing to issue similar cards. The inherent danger in the use of such cards is that in matters of national security, identification verification and other crucial issues, the U.S. Government will be reliant on the scrutiny and security of foreign governments. DHS Secretary, Tom Ridge has advised that institutions accepting the *matricula* card do so at their own risk.

## Financial Tidbits

### ICE's Forensic Document Lab (FDL):

The FDL, located in McLean, Virginia, supports ICE's fight on crime. The FDL is the only Federal crime laboratory dedicated almost entirely to the forensic examination of documents. This is a unique operational/intelligence enforcement tool employed by ICE to authenticate identification and other documents.

### Federal Trade Commission (FTC) Survey:

On September 3, 2003, the FTC announced that more than 27 million people have been victims of identity theft in the last five years. According to the FTC, in the last year, 9.9 million people were victims of identity theft, which cost them \$5 billion and cost businesses and financial institutions nearly \$48 billion. Credit card fraud followed by bank and utility fraud, were the most common forms of identity theft.

### Lawyers Charged With Immigration Fraud:

In August of 2003, ICE and other Federal agencies, arrested and charged two Virginian lawyers and a restaurant owner with immigration fraud for allegedly conspiring to prepare and submit more than 150 fraudulent employment applications. The two lawyers allegedly prepared fraudulent applications, sold them for between \$10,000 to \$50,000 to Korean immigrants, who then used them to obtain green cards.

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## **The Cloak and Dagger of ATMs**

*Developed by El Dorado Task Force*

In July 2003, the ICE El Dorado Task Force in New York City, in conjunction with the NY/NJ High Intensity Financial Crimes Area (HIFCA) Task Force, met with a major New York based financial institution's, Fraud Prevention and Compliance staff, regarding issues involving independent ATMs and their potential for fraud and abuse. During internal compliance reviews by the firm, a number of ATM businesses were identified as having abnormal account activity. Although review of these accounts found no reportable violations at the time, the firm was concerned by the abnormalities. Concurrently, during a comprehensive analysis involving the movement of money orders, HIFCA concluded that a number of ATM businesses that are issuing agents of money orders or otherwise involved in the money order transactions appear to be conducting suspicious financial activity. El Dorado and HIFCA have identified several possible schemes that could be used to effectively launder illicit proceeds involving ATMs. El Dorado/HIFCA have identified the following indicators and vulnerabilities:

- The consistently heavy use of independent ATMs at locations that do not appear to support large volume business (i.e. local "bodegas" or other stores)
- The users of independent ATMs are willing to pay a service charge for each transaction, (limited to \$200) when they can conduct their business at a nearby bank branch for no fee
- The potential of independent ATM owners/operators stocking their machine with illicitly derived cash
- The automated settlement process is totally unregulated and whose activities and transactions are not reportable
- No background checks or other verification processes are required or conducted on purchasers or owners of independent ATMs
- As a result of ATM transactions, banks will have a debit on the account of the user or a credit to the account of the ATM owner. In both of these instances, the transaction is processed through an account settlement processing service (i.e. NYCE, Core Data, Cirrus etc). Banks typically see only one side of the transaction and accept

the transaction from the settlement process. They do not know the actual ATM location, nor do they know the type of activity at the ATM location. Therefore, as far as the bank knows, the funds entering or leaving an account via electronic settlement is "clean" money.

## **"Buying" into the American Dream**

Real estate agents and mortgage brokers say a large number of illegal immigrants appear to be finding ways to buy their first homes. These purchases are just one more example of the extent to which the nation's estimated 9 million illegal immigrants are integrating themselves into American society.

When applying for a mortgage loan, illegal immigrants have trouble documenting their income and proving their credit worthiness. Often, illegal immigrants will obtain and utilize fraudulent documents, such as Social Security Card's (SSN's), driver's licenses, proof of residency, etc. In addition, illegal immigrants can obtain an Individual Taxpayer Identification Number (ITIN) issued by the Internal Revenue Service (IRS) before attempting to purchase a home. No criminal background check is required before applying for an ITIN. Many financial institutions now accept ITINs from illegal immigrant customers as a primary form of identification.

The potential loss to financial institutions, due to default and foreclosure, rests in the inability to track or obtain restitution from illegal immigrants who have the ability to easily flee or change their identity.

## **Outreach to ICE Special Agents and the Financial Community**

### **Cornerstone Conference, Bethesda, MD**

September 22 to 26, 2003, Cornerstone hosted a training conference in Bethesda, MD. Various ICE entities and representatives from the financial community participated in the training of field Special Agents in the identification and investigation of financial systems vulnerabilities.

*'Outreach' continued next page*

*'Outreach' continued*

### **SHARE Program Conference, New York, NY**

On behalf of DHS, *Cornerstone* will soon host a Systematic Approach to Reducing Exploitation (SHARE) Program conference in New York City. This conference will include meetings with CEOs, Anti-Money Laundering officials and financial and trade sector officers. These meetings will lead to the development of training for the private sector to identify and develop methods to detect suspect violations. If your institution/corporation is interested in attending or has information to *SHARE*, please contact *Cornerstone*.

### **Future Cornerstone Conferences and Training**

*Cornerstone* is planning and scheduling future conferences and training seminars. In addition, as part of its outreach program, *Cornerstone* will offer individualized training seminars to financial and industry sector businesses around the country. *Cornerstone* subject matter experts will conduct these conferences and seminars. A calendar of events will be included in future *TRIPWIRE* publications.

#### ***Secretary of Homeland Security***

Tom Ridge

#### ***Assistant Secretary Designee***

Michael Garcia

#### ***Director of Operations***

Michael Dougherty

#### ***Director, Office of Investigations***

John Clark

#### ***Deputy Assistant Director, Financial Investigations Division***

Marcy Forman

#### ***Editor***

Michael Kuhn

#### **Office of Public Affairs**

**U.S. Immigration and Customs Enforcement**

**U.S. Department of Homeland Security**

**425 I Street NW**

**Washington, DC 20229**

## **Calendar of Events**

### **Special Event: Cornerstone Conference**

**Place:** Bethesda, Maryland

**Time:** September 22-26, 2003

### **Special Event: SHARE Program Conference**

**Place:** New York, New York

**Time:** TBA

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**ICE Web site:** <http://www.ice.gov>

#### ***Address correspondence and contributions to:***

Marcy Forman

Deputy Assistant Director

Financial Investigations Division

1300 Pennsylvania Avenue NW, Room 6.3C

Washington, DC 20229

**Fax:** 202-927-6476

**Voice:** 202-927-0840