



Safeguarding America through
Financial Investigations

Volume VI: No. 1 • January 2009

Inside This Issue

El Dorado Task Force Investigation 2

Doleiro—The Black Market Foreign Exchange in Brazil 4

Operation Living Large 4

Cornerstone is U.S. Immigration and Customs Enforcement’s (ICE) comprehensive investigative initiative for fighting financial crime.

The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE financial, narcotics and public safety investigations.



U.S. Immigration and Customs Enforcement

**Toll-Free Tip Line:
1-866-DHS-2-ICE**

www.ice.gov/cornerstone

New Center Boosts Intellectual Property Investigations

The ICE-led National Intellectual Property Rights Coordination Center (IPR Center) is the U.S. government’s latest weapon in the fight against violations of intellectual property rights (IPR) laws.

Located in Crystal City, Va., the multi-agency IPR Center is responsible for coordinating a unified U.S. government response regarding IPR enforcement issues, with participation from ICE and other federal agencies. The IPR Center serves as a fusion point for intelligence on IPR violations from other government agencies, industry, transportation providers and others. IPR Center partners employ a three-pronged approach of investigation, interdiction and outreach in the fight against IPR crime.

ICE is committed to protecting U.S. financial systems by proactively addressing vulnerabilities that undermine our economic security.



Partners in Action

The growing threat to industry, the American public and our economy associated with IPR violations has been the catalyst for a partnership between government and industry. ICE encourages anyone with information regarding possible IPR violations to call (866) IPR-2060 or go to www.ice.gov to submit a report electronically.

Recent Outreach Events

June 2008 ICE co-hosted the Mid-Atlantic Anti-Money Laundering Conference in Crystal City, Va. More than 500 people attended this event, including representatives from private industry and law enforcement.

August 2008 Director Marcy M. Forman spoke at the International Association of Financial Crimes Investigators (IAFCI) annual training conference in Hollywood, Calif. Members of the Financial Programs/Cornerstone Unit (FPCU) unveiled their new



Director Marcy M. Forman with IAFCI International President Werner R. Raes.

Cornerstone booth to more than 1,200 members of the IAFCI.

August 2008 FPCU Program Manager Jason Gialanella attended the National Retail Federation Regional Conference in San Francisco to learn more about organized retail crime,

and to explain to the retail industry how ICE can assist in combating this growing problem.

September 2008 FPCU Program Manager Kevin Tyrrell spoke at the California Department of Financial Institutions annual conference in Monterrey, Calif. to explain what ICE is doing to prevent the illegal movement of money across our nation’s borders.

October 2008 FPCU Acting Unit Chief John Tobon presented at the 3rd annual forum on Anti-Money Launder-

ing & Counter-Terrorist Financing regarding how ICE uses BSA filings when conducting investigations.

October 2008 Director Marcy M. Forman spoke at the American Banker’s Association/American Bar Association Money Laundering Enforcement Conference in Washington, D.C. The FPCU, as part of Cornerstone’s outreach initiative, worked alongside other exhibitors to talk with conference attendees about ICE and its various financial investigative programs.

In March 2006, ICE agents from the Office of the Special Agent in Charge in New York assigned to the El

Dorado Task Force initiated an investigation into possible IPR violations. In September 2007, this investigation resulted in 29 defendants being charged in three separate complaints with conspiracy to smuggle more than 950 shipments of merchandise, including counterfeit merchandise, into the United States, principally from China.

The charges were the result of a 19-month coordinated partnership by ICE agents and CBP officers. These shipments were smuggled through ports of entry at Newark, N.J., Houston, Texas, Long Beach, Calif., the New York Container Terminal in Staten Island, N.Y., and John F. Kennedy International Airport.

Many of the suspects were also charged with conspiracy to traffic counterfeit goods. Additionally, four of the defendants were charged with money laundering. During the investigation, multiple Bank Secrecy Act (BSA) reports helped identify numerous bank accounts and business locations, greatly enhancing the investigation.

The investigative techniques employed by ICE and CBP included the use of cooperating witnesses, undercover agents, and video and audio surveillance. During the course of their investigation, ICE agents and CBP officers seized counterfeit merchandise which, had it been authentic, ICE and CBP estimate would have been valued at approximately \$700 million.

Importation of Merchandise into the United States

Shipments of merchandise arriving at United States ports must be cleared, or granted entry, by CBP prior to entering the commerce of the United States. The importer obtains clearance through the use of a customs broker, an individual or company licensed by CBP to file entry documents for commercial shipments. The importer presents the customs broker with documents describing the shipment, including bills of lading, invoices and packing lists. Based on this information, CBP may clear a particular shipment, after assessing a duty, without inspecting it. After a shipment is cleared, it may be removed from the port and delivered to the importer or its customer. Counterfeit merchandise will be denied clearance and is subject to seizure.

Shipments of merchandise may also enter the United States temporarily, and without payment of duty, if they are to be delivered to another coun-



Images of counterfeit merchandise seized during one of the search warrants that was executed as a result of this investigation.

try. Such shipments require that only CBP-bonded trucks pick up the merchandise at the port and that the shipment be temporarily stored only at a CBP-bonded warehouse.

Schemes Used by the Criminal Organization

Scheme One: Permits to Transfer

Permits to Transfer (PTT) allow shipments to be moved from the port of entry to a CBP-bonded facility, where they must be held until CBP grants entry of the merchandise. In an effort to conceal counterfeit imported merchandise, or to avoid paying full duty for authentic merchandise, this investigation revealed that:

- 1) CBP-bonded warehouse owners and a CBP-bonded warehouse manager fraudulently obtained PTT to smuggle counterfeit and authentic merchandise into the United States. The defendants failed to deliver the merchandise to the bonded facilities and actually transported it to their own warehouses or the customers' warehouses; and
- 2) Managers of a CBP exam site—a CBP-bonded facility where CBP conducts commercial and enforcement examinations of containers—moved shipments of merchandise from ports of entry, prior to examination by CBP, to warehouses with non-counterfeit goods or authentic goods with a lower duty.

Scheme 2: Diversion Scheme

The in-bond system allows merchandise not intended for entry into U.S. commerce to transit the

El Dorado Task Force Investigation, continued

United States. In-bond movements allowed under U.S. law are valuable to the trade community because they help alleviate port congestion and facilitate trade by making it possible for importers to move cargo more efficiently. This merchandise transits through the United States without duties or taxes being paid, because it is moving under a bond that provides for liquidated damages if the conditions of the bond are not met.

In this scheme, merchandise distributors smuggled seven 40-foot containers with counterfeit goods valued, if authentic, at more than \$9 million through the Port of Los Angeles/Long Beach without paying customs duties. Suspects accomplished this by paying ICE agents, acting in undercover capacities, to file paperwork falsely indicating that the containers were merely in-bond, passing through the United States and destined for Mexico. The containers were actually delivered to several warehouses in the United States controlled by the suspects.

Scheme 3: Pass-Through Scheme

A “pass-through scheme” was also used by the conspirators. Suspects involved in this type of scheme

attempt to pass goods through the port of entry without being targeted for inspection. In this case, suspects smuggled approximately 22 containers with more than \$25 million of counterfeit merchandise into the United States. Suspects accomplished this by providing false information to CBP regarding the contents, value and consignees of the containers, as well as by paying undercover ICE agents to facilitate the release of the merchandise.

Money Laundering Activity

Evidence collected from one of the importer’s bank accounts revealed payments for smuggled counterfeit merchandise and the transfer of illicit proceeds to China in order to facilitate the smuggling scheme. One of the accounts revealed outgoing wire transfers of more than \$60 million to various entities, including the shippers and manufacturers of the smuggled counterfeit merchandise.

The defendants were charged with smuggling, trafficking in counterfeit goods, money laundering and wire fraud. Approximately 500 cartons of counterfeit goods were seized bearing the brand names of Louis Vuitton, Fendi, Gucci, Christian Dior, Fubu and Lacoste. A total




Red Flag Indicators

- Frequent transactions or purchase of negotiable instruments \$10,000 or less in order to avoid filing a Currency Transaction Report (CTR).
- Customer making cash deposits \$10,000 or less at multiple locations, or cash deposits made to one account at the same location by multiple individuals.
- Splitting large currency deposits among several accounts during a single transaction.
- Using multiple accounts to collect funds that are then transferred to the same foreign beneficiaries.
- Issuing sequentially numbered checks, money orders, or other financial instruments to the same person or business, or to a person or business with a similar name.

of \$749,250 in bulk cash and money orders was seized during the course of the arrest and search warrants. Additionally, as a result of an investigation by the SAC New York Asset Identification and Removal Group (AIRG), \$1,000,472 was seized from 12 bank accounts attributed to the charged defendants. Five real properties worth approximately \$4 million dollars were also seized. 📍



Images of the five real properties, which include two single family homes, one condo and one duplex. These properties have a combined value of approximately \$4 million.



Page 4 of 4

Volume VI: No. 1
January 2009

Doleiro—The Black Market Foreign Exchange in Brazil

The Brazilian doleiro market is the parallel, or black market for the exchange of Brazilian reais into other currencies, principally the U.S. dollar.

The market operates through a large underground network of enterprises in Brazil. These enterprises sometimes have no fixed place of business and operate only through cell phones. In many cases,

they operate in the shadows and are presumed to have lax or no money laundering controls.

The doleiro provides the services of an illegal money remitting business, offering both sides of the monetary transaction. In Brazil, it provides money transfer services to citizens and companies who are looking to move reais out of Brazil. In the United States and other countries around the world, the doleiro offers remittance payment services to remittance companies seeking to



have payments made in Brazil. Doleiros maintain scores of bank accounts in Brazil as well as abroad, including accounts in the U.S.

One example of ICE successfully shutting down a doleiro operation is Operation Living Large.

Operation Living Large

In October 2000, ICE agents in New Jersey opened a money laundering investigation after learning that possible drug proceeds were being laundered through a local bank. Working in partnership with law enforcement agencies in New York and Brazil, ICE targeted companies that were using U.S. bank accounts as conduits into the U.S. financial system for funds laundered through Brazilian doleiros. Bank Secrecy Act reports filed by U.S. financial institutions assisted this investigation by identifying additional bank accounts that were used by the doleiros.

The doleiros established U.S. bank accounts where they would receive and send wire transfers, with one of these accounts opened at Merchants Bank of New York, a division of Valley National Bank of New Jersey. Incoming and outgoing wire trans-

fers were credited to the doleiro's accounts from different entities, including businesses and individuals in the United States, Brazil and elsewhere, for payments in Brazil and the United States.

ICE learned that a bank employee, Maria Carolina Nolasco, a U.S. citizen originally from Portugal, was facilitating these wire transfers. In return for kickbacks from the doleiro organization, she used dozens of bank accounts under her control to transmit money on behalf of currency exchange houses and money transmitting businesses in Brazil. From May to December 2001, more than a half-billion dollars passed through 26 of these bank accounts.

ICE agents arrested Nolasco, and she was charged in an eight-count criminal complaint for conducting an illegal money transmitting business.

ICE ultimately seized 39 accounts worth over \$21 million connected to the doleiro organization. Nolasco has since been convicted in the District of New Jersey for violations of operating an unlicensed money



Red Flag Indicators

- Large amounts of wire transfers sent and received from different business entities.
- Large amounts of currency were sent and received into the target account, but the company was a shell company and nonexistent. Know-your-customer rules should help determine if a company has a physical location and is actively engaged in its stated business purpose.
- The companies were incorporated offshore, but the individuals and contact information were located in Brazil.
- A heavy volume of wire transfer activity with little or no corresponding cash deposits into any of the related accounts.
- Even though a company has business accounts at a financial institution, personal accounts are being used for business purposes.

service business and tax evasion, and is currently awaiting sentencing. During the course of the investigation, Brazilian authorities developed additional information concerning these doleiros, which led to more than 100 individuals being charged in Brazil for money laundering and other related crimes.

In August 2006, indictments were brought in this case against 16 corporate entities and 34 individuals for operating a money transmitting business without a license.

