



# Department of the Treasury Financial Crimes Enforcement Network

## Advisory

**FIN-2010-A011**

**Issued: September 1, 2010**

**Subject: Informal Value Transfer Systems**

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The Financial Crimes Enforcement Network (FinCEN) is issuing this Advisory to remind financial institutions of previously published information concerning Informal Value Transfer Systems (IVTS),<sup>1</sup> so that Suspicious Activity Reports (SARs) referencing IVTS can be more helpful to law enforcement. Recent information continues to indicate possible use of IVTS to fund attempted terrorist attacks, including against the United States. Vigilance by financial institutions, in combination with law enforcement efforts, against illicit IVTS activities will continue to contribute to U.S. national security and help to protect the financial system from abuse.

As a type of Money Services Business (MSB) and specifically, as a type of money transmitter, IVTS may legally operate in the United States, so long as they abide by applicable state and federal laws. This includes registering with FinCEN and complying with anti-money laundering and counter-terrorist financing provisions of the Bank Secrecy Act (BSA) applicable to all money transmitters and to certain other MSBs. A more sophisticated form of IVTS operating in the United States often interacts with other financial institutions in storing currency, clearing checks, remitting and receiving funds, and obtaining other routine financial services, rather than acting independently of the formal financial system.

More information on how IVTS may operate, how financial institutions may be used in an IVTS process, and potential indicators of IVTS activity can be found in FinCEN Advisory 33 published in March 2003.<sup>2</sup> While not intended to be a comprehensive description of all possible IVTS arrangements or activities, the information in that Advisory remains relevant to all financial institutions. Recent examples of unlicensed or unregistered IVTS activity, subsequent to FinCEN's Advisory in 2003, highlight the operations of the more sophisticated form of IVTS:

- One case involved Abad's Carnival French Ice Cream (Carnival) in Brooklyn, New York, which was convicted of operating as a money transmitter without an appropriate state license. According to court records, \$22.2 million was deposited

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<sup>1</sup> The term "IVTS," as originally stated in the March 2003 IVTS Advisory cited herein, refers to any system, mechanism, or network of people that receives money for the purpose of making the funds or an equivalent value payable to a third party in another geographic location, whether or not in the same form. The transfers generally take place outside of the conventional banking system through non-bank financial institutions or other business entities whose primary business activity may not be the transmission of money.

<sup>2</sup> "Informal Value Transfer Systems," FinCEN Advisory 33 (March 2003).  
[http://www.fincen.gov/news\\_room/rp/advisory/pdf/advis33.pdf](http://www.fincen.gov/news_room/rp/advisory/pdf/advis33.pdf).

by cash, checks, and wire transfers into twelve accounts held at multiple U.S. banks from 1996 through 2003, including from a separate company under the same ownership. The deposits typically were structured to avoid reporting requirements. These funds were then consolidated into a central account in the U.S. using checks and wire transfers from the twelve separate accounts. From that central account, \$21.9 million was wired to accounts held in 25 other countries on behalf of customers in the U.S. The recipient IVTS operators that controlled the accounts in those countries then exchanged the funds into local currency and distributed the payments to the intended beneficiaries.<sup>3</sup>

- In 2009, Mauricio Alfanso Mazza-Alaluf was convicted of providing IVTS services without a license. Mazza-Alaluf used his U.S. bank accounts to assist with thousands of transactions totaling hundreds of millions of dollars after physically carrying millions of U.S. dollars through Los Angeles International Airport. Mazza-Alaluf then deposited the funds in bank accounts in the United States to relay payments from Chilean businesses and individuals to U.S. customers, clearing informal transfers between entities through accounts in his own name.<sup>4</sup>
- Another recent example involved a multi-national effort to transfer \$3.4 million to individuals located in Iran. In June of 2010, Mahmoud Reza Banki was convicted of, among several crimes, operating an unlicensed money-transmitting business. Banki received several million dollars into his U.S. bank accounts on behalf of U.S. customers and then contacted IVTS brokers in Iran to have the equivalent amount of funds paid to the recipients. These transfers to Iran were also in violation of Office of Foreign Assets Control (OFAC) sanctions.<sup>5</sup>

FinCEN will continue to monitor SARs that identify unregistered IVTS and report findings and emerging trends in future advisories and guidance as appropriate.

### Guidance

Financial institutions should continue to be alert to the possible use of IVTS to move funds linked to laundering of criminal proceeds or to finance terrorism. If a financial institution knows, suspects, or has reason to suspect that an IVTS is operating in violation of the registration requirement under the BSA for money transmitters not acting solely as agents of others, or, even if registered, is being used in the illegal transmittal of funds, a SAR should be filed.

When completing a SAR involving IVTS, financial institutions are requested to check the appropriate box indicating the type of suspicious activity being reported, and to note the abbreviation "**IVTS**" in the narrative. Also, the narrative should include an explanation as to why the financial institution knows, suspects, or has reason to suspect that an IVTS may be involved in the reported activity.

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<sup>3</sup> See *United States v. Elfgeeh*, 515 F.3d 100 (2<sup>nd</sup> Cir. 2008).

<sup>4</sup> See, *United States v. Mazza-Alaluf*, 607 F.Supp.2d 484 (S.D.N.Y. 2009).

<sup>5</sup> See *United States v. Banki*, 2010 U.S. Dist. LEXIS 51330, 2010 WL 2076770 (S.D.N.Y. 2010).

Questions or comments regarding the contents of this Advisory or the March 2003 IVTS Advisory should be addressed to the FinCEN Regulatory Helpline at 800-949-2732.

***Financial institutions wanting to report suspicious transactions that may relate to terrorist activity should call the Financial Institutions Toll-Free Hotline at (866) 556-3974 (7 days a week, 24 hours a day).*** The purpose of the hotline is to expedite the delivery of this information to law enforcement. Financial institutions should immediately report any imminent threat to local-area law enforcement officials.