

Question#:	1
Topic:	New Methods
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable Charles E. Grassley
Committee:	JUDICIARY (SENATE)

Question: Bulk cash smuggling remains the most widely used method by drug traffickers to transport large sums of money across the border, but criminals are using new ways to move money.

Can you please explain what types of methods are now being used by criminals to move dirty money into and out of the U.S.?

Response: To facilitate smuggling schemes, criminal organizations often transport their illicit funds through interstate commerce in the United States and abroad via concealment in vehicles, persons, containers, and other objects. In addition to bulk cash smuggling (BCS), transnational criminal organizations (TCOs) use other methods such as trade-based money laundering (TBML) and other informal value transfer systems.

Question: Some argue that increasing the penalties for bulk cash smuggling would help deter this conduct. Do you agree?

Response: BCS is often used in combination with different money laundering methodologies such as interstate funnel accounts, TBML, and peer-to-peer cryptocurrency exchanges. Increasing the penalties for BCS could potentially deter TCOs from conducting this illicit activity.

Question#:	2
Topic:	Pre-Paid Devices
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable Charles E. Grassley
Committee:	JUDICIARY (SENATE)

Question: According to law enforcement, criminals have adapted their methods of cross-border money laundering to include the use of pre-paid access devices as a means to hide illicit funds moving over the border. Section 13 of S.1241 address pre-paid access devices in part to address those concerns.

Does DHS believe pre-paid access devices present a legal loophole for transitional criminal organizations (TCO) to launder illicit proceeds of crime?

Response: The Administration is discussing potential concerns with the proposed changes and will follow up with the Committee with any further Administration comments.

Question: Can you provide specific case examples or instances where pre-paid access devices have indeed been utilized to launder illicit proceeds of crime?

Response: In a U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) Salt Lake City fentanyl and Xanax smuggling investigation, drug trafficking organization sold its illicit products via the dark web and used PayPal cash cards and other forms of prepaid cards to launder proceeds, including approximately \$50,000 U.S. dollars introduced into the financial system. ICE HSI seized U.S. currency as well as Bitcoin.

In October 2016, an indictment was unsealed charging a total of 56 individuals and five entities for their alleged involvement in a transnational criminal organization that has victimized tens of thousands of persons in the United States through fraudulent schemes that resulted in hundreds of millions of dollars in losses. The indictment alleged that the defendants were involved in a sophisticated fraudulent scheme organized by conspirators in India, including a network of call centers in Ahmedabad, India. Using information obtained from data brokers and other sources, call center operators allegedly called potential victims while impersonating officials from the Internal Revenue Service or U.S. Citizenship and Immigration Services. According to the indictment, the call center operators then threatened potential victims with arrest, imprisonment, fines, or deportation if they did not pay taxes or penalties to the government. If the victims agreed to pay, the call centers would then immediately turn to a network of U.S.-based co-conspirators to liquidate and launder the extorted funds as quickly as possible by purchasing prepaid debit cards or through wire transfers. The prepaid debit cards were often registered using misappropriated personal identifying information of thousands of

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identity theft victims, and the wire transfers were directed by the criminal associates using fake names and fraudulent identifications. In 2017, 24 individuals pleaded guilty in connection with the scheme.

Question: Can you provide specific data showing how many DHS investigations in 2013, 2014, 2015, 2016 and 2017 (in a year-by-year breakdown) involve the use of pre-paid access devices, including:

The total amount of money involved in suspected money laundering efforts with regard to pre-paid access devices.

A breakdown of whether those cases involved close-loop versus open-loop pre-paid access devices.

Response: The following table shows how many investigations ICE HSI initiated involving the use of pre-paid access devices between FY 2013 – FY 2017. ICE HSI cannot provide the number of these cases which were close-loop or open loop pre-paid cards as our case management system only identifies these as pre-paid card related investigations.

	# of Cases Initiated
FY 2013	32
FY 2014	30
FY 2015	37
FY 2016	40
FY 2017	26

The following table shows the total amount of money seized in suspected money laundering efforts with regard to pre-paid access devices:

	Amount of \$\$ seized
FY 2013	\$1,022,274
FY 2014	\$1,075,851
FY 2015	\$657,853
FY 2016	\$1,733,173
FY 2017	\$1,120,012

Question#:	2
Topic:	Pre-Paid Devices
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable Charles E. Grassley
Committee:	JUDICIARY (SENATE)

Question: Does DHS believe that pre-paid access devices should be subject to the same cross border reporting requirements as other forms of monetary instruments?

Response: The Administration is discussing potential concerns with these proposed changes and will follow up with the Committee with any further Administration comments.

Question#:	3
Topic:	Money Laundering Cases
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable Charles E. Grassley
Committee:	JUDICIARY (SENATE)

Question: With so much illegal money flowing through the U.S. financial system, it seems obvious that this should be a priority and a focus for law enforcement. Often, however, money laundering charges are an after-thought in the investigation and prosecution of drug, terrorism, or other cases.

Why have our law enforcement agencies not been able to identify, target, seize, and prosecute more of this illegal money flowing into our country?

Response: U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) believes that law enforcement agencies have made a significant impact on stopping the flow of illicit currency into the United States. ICE HSI works with our private industry partners via our Cornerstone Program outreach to the financial sector, strengthening anti-money laundering efforts through partnership. ICE HSI has liaised with the Treasury Executive Office for Asset Forfeiture and Financial Crime Enforcement Network. ICE HSI will conduct financial investigations when it is evident that specified unlawful activity has occurred and case work is fully supported by the prosecuting U.S. Attorney's Office or component from the Department of Justice. In Fiscal Year (FY) 2017, ICE HSI effected 2,942 financial related arrests and seized \$306,782,043 in illicit proceeds related to financial investigations.

Question: What is DHS doing to focus exclusively on investigating and prosecuting money laundering cases?

Response: ICE HSI is a critical investigative arm of the Department of Homeland Security and works with the prosecuting components of the Department of Justice and respective U.S. Attorney's Offices to prosecute money laundering cases. By analyzing trade and Bank Secrecy Act data, ICE HSI is able to identify, target, and investigate cases where illicit proceeds have been laundered through U.S. financial institutions.

Question: Can you identify how many open DHS investigations focus solely on money laundering last year?

Response: ICE HSI initiated 4,061 financial investigations in FY 2017.

Question#:	4
Topic:	Bank Secrecy Act
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable Charles E. Grassley
Committee:	JUDICIARY (SENATE)

Question: In 2009, Congress imposed a statutory deadline on the U.S. Department of Treasury to issue regulations in final form implementing the Bank Secrecy Act, regarding the sale, issuance, redemption, or international transport of stored value, including stored value cards, to make pre-paid access devices subject to cross-border reporting requirements. Nearly a decade later, no action has been taken.

Has DHS been consulted by Treasury with respect to the legal mandate imposed by Congress to propose and finalize a rule making prepaid access devices to cross border reporting requirements?

Response: U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI), through its liaison to the Financial Crimes Enforcement Network (FinCEN), has discussed this rulemaking with the Department of the Treasury.

Question: What is the current status of the proposed rule?

Response: ICE HSI defers to the U.S. Department of the Treasury for a response.

Question: When was DHS last contacted by Treasury on this issue?

Response: As recently as October 2017, the ICE HSI liaison to FinCEN met with FinCEN and U.S. Department of the Treasury entities to discuss rulemaking.

Question#:	5
Topic:	Monetary Possession Standard
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable John Kennedy
Committee:	JUDICIARY (SENATE)

Question: Should we index the \$10,000 standard we use for reporting monetary possession in terms of present dollar value and inflation?

Response: While U.S. Immigration and Customs Enforcement (ICE) believes the current \$10,000 standard is appropriate, ICE stands ready to provide technical assistance should Congress decide to legislate on the topic.

Question#:	6
Topic:	Financial Supporters of Terrorism
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable John Kennedy
Committee:	JUDICIARY (SENATE)

Question: Every year, many wealth measurement companies come out with a list of the world's wealthiest individuals. Putin, Saddam Hussein, Muammar Gaddafi – They all had or have billions. How many financial supporters of terrorism are in these lists? Now and in past years? Which world leaders have or have ever used their net worth to support terrorism?

Response: U.S. Immigration and Customs Enforcement defers to the Department of the Treasury to provide a response to this question.

Question#:	7
Topic:	Cell Phone Access to Funds
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable John Kennedy
Committee:	JUDICIARY (SENATE)

Question: If someone has online banking access on a cell phone and their bank account exceeds \$10,000, would they be carrying digitally-accessible currency across the border like this bill prohibits?

Response: No. The balance is held in a bank account. They are not carrying the actual currency.

Question#:	8
Topic:	Unintended Consequences
Hearing:	S. 1241 Modernizing AML Laws to Combat Money Laundering and Terrorist Financing
Primary:	The Honorable John Kennedy
Committee:	JUDICIARY (SENATE)

Question: Are there any unintended consequences that could derive from this bill? If this bill raises regulations and oversight on these digital capabilities - do you think it will push criminals more towards cash or other methods?

Response:

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[The FOUO/LES response has been sent separately.]

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