

OPERATIONAL GUIDE TO WHITE-COLLAR CRIME ENFORCEMENT

A Report of the National Center on White-Collar Crime

X
DETERMINATION OF UNDISCLOSED FINANCIAL INTEREST

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I. INTRODUCTION

The purpose of this guide is to familiarize state and local investigators with some of the basic investigative techniques used to trace financial transactions of white-collar crime violators and how to utilize these techniques in detecting hidden ownership of business interests and other property.

It would serve no useful purpose to merely extract from existing texts and publications a variety of sources of information applicable to the tracing of financial transactions. To do so would offer the criminal investigator no more than a succinct summary of basic information that he is already somewhat familiar with, and would not meet his critical training needs; i.e., the actual "how to" techniques that must be applied to detect hidden ownership of business interests and other assets, the movement of currency, and the acquisition of unexplainable wealth.

Therefore, in this guide, the emphasis is placed on explaining the investigative steps to be taken by criminal investigators in: (1) tracing financial transactions through banks; (2) analyzing the movement of currency; (3) analyzing brokerage accounts; and (4) extracting information from public records to aid in the detection of hidden ownership of businesses and real property.

II. TRACING FINANCIAL TRANSACTIONS THROUGH BANKS

A. Introduction

It would be impractical for all criminal investigators to master the art of following internal banking audit trails in order to obtain evidence of financial transactions pertinent to a particular criminal investigation. Bank record-keeping systems are far too complex, and change too rapidly, due to improvements to electronic data processing systems, to warrant training of criminal investigators in this area. It is vital, however, for criminal investigators to acquire and maintain a high degree of familiarity with the capability and responsibility of banks to maintain and retrieve, upon appropriate request, key information concerning financial transactions with their customers.

The following information can be of inestimable value to criminal investigators in seeking information from banks concerning pertinent financial transactions of white-collar crime targets. It is based, in part, on "Operational Guidelines" issued by the American Bankers Association to all member banks in the United States, in order to comply with the "Regulations on Financial Recordkeeping and Reporting of Currency and Foreign Transactions" issued by the United States Treasury Department to implement Public Law 91-508.

The users of this guide should recognize that bank records are, in most instances, not readily obtainable. Substantial legal requirements must usually be met in order to justify legal process which banks customarily will demand as a condition for disclosure. Thus, preliminary investigation to lay the basis for obtaining such records will usually be necessary.

The availability of the investigative avenues described in this guide will, however, often determine whether a promising investigation will grind to a halt or successfully go forward. Legal advice from a prosecutor or agency legal counsel should be sought in all such instances. However, it should also be recognized that bank officials and employees can be questioned

by investigators in the same way as any other potential witnesses, and that their responses to such properly put inquiries may provide important information worth further pursuit, or non-record information as to movements, relationships, and even transactions in which the investigative target may be engaged.

1. The Target's Checks

An original or microfilm reproduction of most demand deposit or savings account records must be retained by banks for five years. The required records include: (1) signature cards; (2) statements, ledger cards or other records showing complete activity; and (3) all checks, drafts, or money orders drawn on the bank or issued and payable by it. Reproductions must show the face and reverse of all checks except those on which the reverse is blank.

It should be noted that the above requirement is waived in most instances for all checks drawn for \$100.00 or less. However, experience has shown that most banks microfilm all checks, both front and back, regardless of the amount of the checks, since they have found that it is cheaper to do so rather than incur the expense of sorting out those that have to be microfilmed under the regulation. Therefore, there is, in most instances, a microfilm record of all checks written by potential white-collar crime targets, and said checks can and must be produced to criminal investigators, under appropriate authority.

The importance of this provision of the law, where white-collar crimes are concerned, can be illustrated by typical commercial bribery or kickback situations. The recipient of a direct or indirect bribe or kickback will obviously make no record of his receipt of the money, and the person who wrote a business check, a surprisingly common practice, will take great pains to see that his books conceal the nature of the payment, and that, after cancellation, his check is destroyed. Therefore,

the existence of the bank's microfilm copy of the check may constitute the only way that the prosecution can establish the existence of a relationship or pattern of conduct which may be essential to make its case.

2. The Target's Deposits

In addition to the requirements concerning the target's checks, banks must retain for a two-year period all records needed to trace a check in excess of \$100.00 deposited in a demand deposit account or to supply a description of a deposited check in excess of \$100.00. This requirement includes the retention of originals or copies of all records prepared or received that would be needed for tracing said checks, unless the checks were microfilmed while they were still associated with the customer's deposit ticket.

The above records required to be retained by these regulations must be filed or sorted in such a way as to be accessible within a reasonable period of time, taking into consideration the nature of the record and the amount of time expired since it was made.

3. Analyzing the Target's Deposits and Expenditures

The importance of the above regulations to criminal investigators cannot be over emphasized. Among other things, with proper authority, criminal investigators involved in the investigation of white-collar crime cases can analyze targets' bank accounts, and, where appropriate, identify the maker of specific pertinent checks deposited by a target to his bank accounts, as well as determine the nature of his expenditures, when appropriate. This type of information can be used to assist in establishing hidden ownership of businesses and other assets as well as to furnish criminal investigators with names of possible associates of targets engaged in white-collar crime activities.

For example, a monthly pattern of deposits of unidentified checks to a subject's commercial account, in similar

amounts, would warrant an effort to "trace" one of the checks through the bank's records in order to identify the "maker" of the check. Such a technique could lead to the identification of an individual making loan payments to the subject. This technique may not only lead to an expenditure of substantial funds (e.g., a large loan), from the proceeds of the subject's illegal activities, but may as well identify another associate of the subject, who may possess additional information about his illegal activities.

Therefore, once a decision has been made that an investigation warrants the expenditure of the necessary time, copies of all of the target's bank statements, for the years of interest to the investigator, should be obtained if a proper legal basis can be established. Further preliminary investigation to lay such a groundwork will frequently pay off. At this point it is usually advisable to look into the legal requirements for obtaining a warrant or a grand jury subpoena. Only those deposits and withdrawals that appear to be of interest to the investigator should be listed on separate schedules. An attempt should then be made to associate the deposits and withdrawals with other known financial transactions, thereby isolating those that cannot be identified. It is those isolated deposits and withdrawals, that, if traced through the bank's records, may well lead to the discovery of hidden business interests or other undisclosed assets.

The above technique is not complex. To be successful, legal access to the bank's records must be obtained, and the investigator must take the necessary time to make a careful analysis of the deposits and withdrawals appearing on the monthly bank statements. A background in accounting is not a prerequisite.

Sample "Questionable Deposits" and "Questionable Withdrawals" schedules are contained on the following two pages.

SCHEDULE OF QUESTIONABLE DEPOSITS

<u>Date</u>	<u>Amount of Deposit</u>	<u>Remarks: Possible Explanation for Deposit</u>
<u>1977</u>		
1/17	\$ 85.00	Possible quarterly dividend checks on stocks held by broker in name of nominee.
1/31	485.00	Possible monthly rent checks from undisclosed property ownership.
2/28	485.00	?
3/31	485.00	?
4/17	85.00	?
4/18	20,000.00	Returned from Las Vegas on prior day. Possible Las Vegas hidden business interest.
4/30	485.00	?
5/23	18,776.21	Proceeds from sale of ABC stock.
5/30	485.00	?
6/18	5,621.37	Odd amount indicates possible sale of 100 share block of stock through undisclosed brokerage account.
6/30	485.00	?
7/17	85.00	?
7/31	485.00	?
8/31	485.00	?
9/30	485.00	?
10/15	20,000.00	Returned from New York on prior day. Possible New York hidden business interest. May be a pattern. See Las Vegas remark above.

SCHEDULE OF QUESTIONABLE WITHDRAWALS

<u>Date</u>	<u>Amount of Withdrawal</u>	<u>Remarks</u>
1/31	\$ 625.00	Similar withdrawal each month. May be payment on loan at unknown bank. Could open up a variety of new leads.
2/26	5,738.19	Odd amount indicates possible purchase of 100 share block of stock through undisclosed broker.
4/19	10,000.00	Entered safe deposit box same day. Returned from Las Vegas prior day. Also deposited \$20,000.00 prior day.
5/10	15,000.00	Purchased traveler's checks at ABC bank same date. (Get copies of cancelled traveler's checks from issuing company to determine (1) dates and locations of travel, (2) nature of expenditures, and (3) names of endorsers.
6/10	385.00	May be annual homeowner's insurance policy. (Purchased residence in June, three years earlier.) Similar check withdrawals in June of both prior years. May lead to identification of insurance broker, which could open up new leads.
8/16	10,000.00	Purchased Cashier's Check same date. Observed by surveillance team same date entering ABC Nursing Home. Get copy of Cashier's Check. Check the endorsement. May prove to be hidden investment in Nursing Home.

It should be noted that the schedules have been prepared solely to demonstrate the technique involved in tracing what appear to be worthwhile leads to the identification of hidden ownership of business interests and other assets, and are not intended to reflect a complete listing of all deposits and withdrawals from a target's bank accounts during a given period. The users of this guide will usually have a sufficient background in the facts of a case to speculate about and perhaps determine the reason for each deposit, as shown in the third (Remarks) column.

4. Safe Deposit Box Entrance Records

One of the most overlooked sources of financial information by criminal investigators is the entry records to safe deposit boxes. The records establish the date and time of day that a target entered his safe deposit box and also provide the investigator with an exemplar of the target's signature. The information obtained from the entry records can be used in a variety of ways in the investigation of white-collar crime cases.

First, they assist the criminal investigator in analyzing a target's financial transactions, by making a comparison of the dates of entry into the safe deposit box with known financial transactions; i.e., the deposit and withdrawal of currency from bank accounts, the acquisition with and disposal of assets with currency, the reduction of liabilities with currency, etc.

Second, and of equal importance, the information can also be used to contradict a target's alibi as to his whereabouts during a key interrogation or by a prosecutor during cross-examination of a target at trial.

After obtaining copies of safe deposit box entry slips, the investigator should prepare a simple schedule, listing by dates and times of day, that the target entered his box. Opposite the entry dates, appropriate space should be left for information concerning known financial transactions.

Thereafter, every time the investigator learns of a financial transaction entered into by the target, particularly where the source of the funds for the transaction are not apparent, the safe deposit box entry schedule should be checked to determine whether or not the target entered his box on or about the date of the transaction. This technique takes only a minimum of time, yet can provide the investigator with a helpful tool in determining a target's pattern of financial conduct. In addition, the psychological impact on a target, when confronted during the course of interrogation with a literal reconstruction of his financial modus operandi, can be overwhelming.

The value of such information to a prosecutor during the course of trial can also be of equal importance.

The record of entries into a safe deposit box should, accordingly, be obtained on every target whose financial transactions are being investigated, and on those targets on whom "financial intelligence" is being gathered.

The record retention period for safe deposit box entries varies among banks. However, most banks continue to retain the records well beyond the scheduled destruction dates due to the limited storage space they require and the cost of manpower to meet record destruction schedules. In any event, the information should be obtained as quickly as legally possible, after the subject of investigation is identified.

Examples of safe deposit box entry records maintained by and available from banks are contained on pages 8-11 of Appendix D, in "The Seventh Basic Investigative Technique." *

A sample "Safe Deposit Box Entry Schedule" is contained on the following page.

*In Herbert Edelhertz, et al. The Investigation of White-Collar Crime (Washington: U.S. Government Printing Office, 1977), Stock No. 027-000-00507-1.

EXAMPLE OF A SCHEDULE OF SAFE DEPOSIT BOX ENTRIES

<u>Date of Entry</u>	<u>Time of Day</u>	<u>Remarks: Possible Explanation</u>
<u>1977</u>		
1/5	1:50 p.m.	Purchased new Cadillac. Paid cash.
2/13	11:00 a.m.	?
2/28	12:00 noon	Deposited \$10,000.00 with stock broker.
4/14	1:30 p.m.	Left that afternoon for Las Vegas. Check for Las Vegas associates, leads, etc.
4/19	1:00 p.m.	?
5/23	2:15 p.m.	Observed that afternoon with owner of XYZ Nursing Home -- Possible hidden interest.
6/28	10:15 a.m.	Went to settlement on new residence. Made down payment of \$20,000.00 in cash.
7/21	1:45 p.m.	?
8/4	3:00 p.m.	Purchased \$10,000.00 traveler's checks.
10/12	10:15 p.m.	Left that day for New York. Check for New York associates, leads, etc.
11/12	10:00 a.m.	?
12/23	12:30 p.m.	Purchased mink coat.

5. Loan Files

One of the most important types of records maintained by banks that can lead to the identification of hidden assets is a bank's loan files. They contain, among other things, a record of all loan transactions, the collateral that secures some of the loans, and the results (including documentation) of credit investigations made by the bank. Such documentation may frequently provide leads identifying important witnesses.

When a bank makes a commercial loan to an individual, or a business entity, it requires a detailed statement of the assets and liabilities of the borrower. These statements, among other things, can lead directly or indirectly to the identity of assets controlled by a target. They also often contain references to other banking contacts of a target, which, again, opens up a whole new avenue of leads.

The basic loan files are maintained by banks in their Credit Departments and are retained, for the most part, indefinitely.

One of the "tracing techniques" which can be most valuable in attempting to detect hidden ownership of assets by a target, is to analyze the record of loan payments contained in the loan files. Each loan payment should be checked against other records to isolate those payments where the source of the funds to make the payments cannot be readily identified. Each payment, isolated by this method, may well have been made from a source of funds associated with a hidden business interest, acquired from the proceeds derived from a target's white-collar crime activities, and is therefore worthy of the effort to trace the source of the payment through the banks records to its origin.

6. Cashed Checks

It is important that all criminal investigators who are involved in a white-collar crime investigation requiring the analysis of financial transactions be able to recognize when a check has been "cashed."

All banks use a code stamp on the face of a check to indicate that a check has been cashed. Since there is no standard code used by all banks, it is important that criminal investigators become familiar with the type of codes used by banks in their geographic area. Examples of "cashed" codes used by some of the leading banks in the United States are contained on page 39 of Appendix D to The Investigation of White-Collar Crime, "The Seventh Basic Investigative Technique."

Bank Identification Symbols

All checks printed for banking institutions contain a series of numbers in the upper right-hand corner on the face of the checks. These numbers represent an identification code developed by the American Bankers Association and are usually referred to as the "ABA Transit Number." The "ABA Transit Number" identification code is illustrated on pages 41-43 of "The Seventh Basic Investigative Technique."

Holding and Administering Property for Others

Most full-service banks offer a variety of "Trust" services to their customers. The most important aspect of this trust service to criminal investigators investigating white-collar crime cases is the performance of "agency" services to their customers. This service can assist a target in the event that he is attempting to conceal his interests derived from the proceeds from white-collar crime.

Some of the services, which should be checked out by the criminal investigator, are as follows:

1. Safekeeping -- The bank receives, holds and delivers property on the order of the customer.
2. Custodian -- The bank acts as a safekeeping agent; also collects and pays out income, buys, sells, receives and delivers securities on the order of the customer.
3. Escrow -- The bank acts as escrow agent. For example, a target may wish to dispose of a piece

of property. He executes and delivers a deed to the bank. The buyer pays over the purchase price to the bank. The bank is instructed to deliver the deed to the buyer and the money to the target or his nominee. Frequently the proceeds may go into the target's safe deposit box, thereby filling another blank on the "Safe Deposit Box Entry Schedule." The result? The investigator knows a little more about the target's financial modus operandi.

Trust departments of banks keep complete and accurate records of their services and are therefore a valuable source of information about a target who receives funds from that department. Essential records and reports can be obtained from the trust officer who supervises the target's account. Because of a bank's fiduciary responsibility, these files usually contain an extensive history of a trust and the transactions affecting it.

III. ANALYZING BROKERAGE ACCOUNTS

One of the more common repositories of the profits from white-collar crime activities is a brokerage account, where securities can be purchased and held by the broker, in a street name or in the names of nominees.

Analyzing a customer's monthly statement of transactions is no more complex than analyzing a bank statement.

The analysis of the account can lead to the detection of hidden ownership of securities. Of equal importance is the fact that an analysis of the endorsements contained on checks issued by the stockbroker to the target, upon the sale of securities by the target, can lead to the identification of other associates of the target not previously known. It can also lead to the identification of other bank accounts and other undisclosed assets, some of which may have been held in fictitious names.

An analysis of the broker's duplicate deposit records, on those occasions when the target purchases securities, can lead to the source of funds used by the target to make the purchases. The identification of the source of said funds may well lead to the detection of hidden business interests.

In making an analysis of purchases and sales of securities by a target, all purchases and sale transactions should be checked against (1) the Schedule of Safe Deposit Box Entry Dates, (2) the Schedule of Questionable Bank Deposits, and (3) the Schedule of Questionable Bank Withdrawals, in a further effort to correlate all known financial transactions, thereby aiding significantly in establishing the target's modus operandi.

An example of a customer's monthly statement is shown on pages 18 and 48 of Appendix D, The Investigation of White-Collar Crime, in "The Seventh Basic Investigative Technique."

The following rules are applicable in analyzing a target's brokerage account monthly statement:

1. When a target purchases stock there would be entries in all of the following columns:

- a. "Bought or Received" column;
- b. "Description" column, where the name of the security would be listed;
- c. "Price or Symbol" column, where the purchase price per share would be listed;
- d. "Debit" column, the amount of the purchase charged to the target's account.

2. When a target sells stock there would be entries in all of the following columns:

- a. "Sold or Delivered" column;
- b. "Description" column, where the name of the security would be listed;
- c. "Price or Symbol" column, where the sales price per share would be listed;
- d. "Credit" column, the proceeds from the sales credited to the target's account.

When a target purchases stock he has the option of taking "delivery" of the certificates from the broker or leaving them in the broker's custody.

An understanding of the above basic rules, in analyzing a customer's monthly statement, will enable criminal investigators to readily identify those transactions that reflect the payment of funds to the broker by a subject, as well as the payment of funds to a subject by the broker. As explained earlier, the funds used by the subject to pay for securities, and the disposition of funds received by the subject from the broker, may lead to the identification of other bank accounts and other undisclosed assets, as well as the names of associates previously unknown to the criminal investigator.

If he takes delivery of the certificates the number of shares would be noted in the "Sold or Delivered" column and the date column would show the date of delivery. In addition there would be no entry in the "price or symbol" column. If there was a price in the "price or symbol" column, the entries would reflect a sale rather than a delivery.

If there are no entries indicating "delivery" of the securities, they are, in fact, being held by the broker and the target is in what is commonly referred to as a "long" position. Usually the broker will list at the bottom of the target's December or January statement a summary of his "long" position, i.e., a listing of the number of shares of each stock being held for the target.

IV. PUBLIC RECORDS

There are a variety of types of information available to criminal investigators from state, county and city records that may be pertinent in the investigation of white-collar crime targets. Most of the records are readily available to criminal investigators, ~~as well as to the public.~~ Even

though some of the records are restricted from the public, they are available to criminal investigators under appropriate authority.

No attempt is being made in this paper to merely list the numerous types of records that are available. To do so would merely duplicate numerous publications that already contain this type of information.

There are several types of information, however, that are particularly pertinent to the investigation of white-collar crime targets, since they may lead to the detection of a target's hidden ownership of business interests and other property. They are as follows:

A. Real Property Records

Records of transfers of title to real property are maintained by all counties in all states, and are open to the public. While record-keeping systems may vary in some states, the basic systems are the same. Most counties refer to these records as "Grantor-Grantee" records. They contain, among other things, the description of property, dates of acquisition and sale, purchase and sale prices, identities of mortgagors and mortgagees, names of title insurance companies and other related information.

Examination of these records should be routinely made by an investigator when a decision has been made to subject a target to a financial investigation. It should cover a period of years at least equal to those in which the target is suspected of being involved in white-collar crime activities, and for at least two years following the period of his known involvement.

The importance of checking out at least two years following a target's known involvement in illegal activity cannot be over estimated. It is often during this period that a target may invest the proceeds from his prior illegal activities, at a time when he feels that it is relatively safe to do so.

Real property records are not difficult to examine. In all instances assistance from personnel in the appropriate county courthouse offices is available.

B. Fictitious Names Index

There is another basic county record that should be routinely examined in all white-collar crime investigations for all years in which a target is suspected of being involved in illegal activity, and again, for at least two years following the period of his known involvement.

The record, which is commonly described as the Fictitious Names Index, can be of considerable assistance in detecting hidden ownership of businesses.

While the format of the Fictitious Names index may vary in some states, it contains similar information.

The actual owner of a business must file a certificate with the County Clerk's Office, certifying that he is the owner of the business, disclosing the location of the business, identifying the name under which the business is conducted, and describing the nature of the business activity.

A similar certificate must be filed for partnerships and corporations, disclosing similar information outlined above, and disclosing the names of the co-partners and/or officers of the corporation.

Any other county records related to possible business interests of targets should be examined, including applications for and issuance of business licenses. This type of record should be carefully examined to determine whether or not business licenses have been revoked and the reasons for the revocations, if any.

The investigator should recognize that such public record information will frequently signal other events of investigative importance which occur simultaneously. For example, the dates of dissolution of a partnership may be a clue as to when business funds or assets were distributed, justifying a search of

bank or property transfer records for evidence of actual ownership.

V. AUTHORITY TO OBTAIN INFORMATION FROM BANKS, OTHER FINANCIAL INSTITUTIONS AND THIRD PARTIES

While it is recognized that state and local criminal investigators do not have the same powers as many federal investigators to readily obtain information from banks and other third-party sources, there are a variety of steps that can be taken to legally obtain the evidence necessary to detect hidden ownership of businesses and other assets. Some of the information is readily available either from public records, such as those already discussed in this paper, or, under certain circumstances, from city, county, state, and federal agencies.

Subpoena power, when available through the courts, grand juries, legislative bodies, crime commissions and other administrative groups, should be fully utilized.

When developing sources of information, criminal investigators should not concentrate solely on developing informants among the criminal element or from sources often referred to as "street" sources, whose credibility is so often found to be highly questionable.

Criminal investigators should broaden the scope of this powerful investigative technique and develop informants and cooperative individuals among the white-collar groups who may have knowledge of a target's financial activities, as well as among the white-collar criminal's associates. In other words, develop sources of information among those individuals in the financial community where the profits from a target's illegal activities are actually expended.

Keep in mind that one of the most important keys to solving crimes, motivated by a greed for money, lies with the development of evidence of the disposition of the fruits of the crime -- money. In white-collar crimes the proceeds of crime are deposited, and not quickly spent as are the proceeds of street crime. In developing sources of information among those in the financial community, criminal investigators should keep in mind that bank officials, stock brokers, automobile dealers, furriers, jewelry store owners, etc., are all looking to the law enforcement officer for protection from the criminal element, not just from those who commit crimes of violence, but from those who commit white-collar financial crimes as well. The criminal investigator, therefore, literally has his foot in the door in creating a cooperative relationship with the business community.

In developing sources of information within the financial community, criminal investigators should employ the same high standards of conduct, as those employed in developing information from all other sources, to ensure that federal, state, and local statutes are not violated.

VI. CONCLUSION

It is not the purpose of this paper to "sell" criminal investigators on the merits of utilizing financial investigative techniques in the investigation of perpetrators of white-collar crimes or any other crimes that are money motivated. They literally have no alternative.

It has been the experience of the author of this paper, who has conducted and/or supervised the investigation of hundreds of criminal income tax fraud investigations of both white-collar and organized crime violators, that most of

the violators conduct a majority of their financial transactions by use of cashier's checks, money orders, commercial bank accounts, traveler's checks and other instruments of exchange rather than with currency. Their reasons vary, ranging from a fear of carrying currency to a false sense of security, fed by their egos, that they are smart enough not to leave an "audit trail" when utilizing banking services.

The day may be fast approaching when the perpetrators of financial crimes have no alternative to the use of financial institutions, since the amount of currency available in the United States today, in denominations of more than \$100.00, is very limited. The supply will ultimately run dry as the Federal Reserve Banks no longer circulate bills in denominations over \$100.00.

The criminal investigator, therefore, must sharpen his investigative skills in the use of "paper trail" techniques in order to keep pace with violators who are using these techniques to conceal their profits from white-collar crime violations.

APPENDIX

TRACING FUNDS IN FOREIGN BANK ACCOUNTS

Until recently there were very few non-federal investigations which involved foreign transactions. Now, however, with state and local investigators involved in more sophisticated crimes and with even more common international transactions, investigators should be familiar with foreign country services.

A. Foreign Country Services

Criminal investigators should be alert to the possibility that a target may have used the services of this department of a bank. Both domestic and foreign letters of credit are usually issued in this department.

Record-keeping regulations issued by the American Bankers Association pertinent to the movement of funds between the United States and foreign countries are stringent, and are summarized below.

Each bank must retain for five years the original record or a copy of the following:

1. Each item, including checks, drafts or transfers of credit in excess of \$10,000.00, remitted or transferred outside the United States;
2. Each remittance or transfer of funds, or of currency, other monetary instruments, checks, investment securities, or credit of more than \$10,000.00 outside the United States;
3. Each check or draft of more than \$10,000.00 drawn on or issued by a foreign bank which the domestic bank has paid or presented to a non-bank drawee for payment;
4. Each item of more than \$10,000.00 received directly by letter, cable or other means from outside the United States, including checks, drafts, or transfers of credits.

5. Each receipt of currency, other monetary instruments, checks, or investment securities, and each transfer of funds or credit, of more than \$10,000.00 received on any one occasion, directly, and not through a domestic financial institution, from a bank, broker or dealer in foreign exchange outside the United States.

B. Currency Transaction Reporting Requirements

Deposits, withdrawals, exchanges of currency, or transfers of currency, as well as other payments valued at more than \$10,000.00 in any transaction, must be reported by all financial institutions to the United States Treasury Department on their Form No. 4789, within 45 days of the date of a transaction.

Form 4789 requires that the party to the transaction be identified by his social security number, employer identification number, or by one of his bank account numbers. If the party to the transaction is not a customer of the bank, his driver's license number or other appropriate document is normally acceptable to the Treasury Department.

C. Transportation of Currency or Monetary Instruments

Persons who physically take or send more than \$5,000.00 in the aggregate of currency or other monetary instruments on any one occasion outside the United States must report the fact at the time, by filing Form 4790 with the United States Commissioner of Customs.

Persons receiving currency or other monetary instruments worth more than \$5,000.00 on any one occasion from outside the United States must file Form 4790 within 30 days with the Customs Officer in Charge at any point of entry or by mail to the United States Commissioner of Customs.

Monetary instruments are defined as coin or currency of any country, traveler's checks, money orders, investment securities in bearer form or otherwise in such form that title passes upon delivery and negotiable instruments in bearer form or otherwise in such form that title passes on delivery. Monetary instruments do not include bank checks made payable to the order of a named person which have not been endorsed, or which bear restrictive endorsements.

Criminal investigators at the state and local level do not have immediate access to retained copies of Forms 4789 and 4790 from the IRS and the Customs Service on a formal basis. However, it should be noted that copies of Forms 4789 and 4790 are retained by issuing banks for a period of five years, and are available under the same circumstances and conditions as any other bank records. Some of the principal techniques utilized by state and local criminal investigators in obtaining information from banks and other third-party sources is discussed on pages 2 through 14 of this guide.

Copies of both forms are contained on the following two pages.

D. Enforcement of Public Law 91-508

All of the Financial Recordkeeping and Currency and Foreign Transactions Reporting requirements of banks under Public Law 91-508 are enforceable by specific civil and criminal penalties for willful violations of the law and regulations issued thereunder. As a matter of fact, several large banks have already been prosecuted for violations.

Detailed information concerning Public Law 91-508 can be obtained by requesting from the United States Department of the Treasury, a publication prepared by the Office of the General Counsel of the Treasury, issued in June, 1972, entitled "Currency and Foreign Transactions Reporting Act - Statute, Regulations, and Forms." Requests should be addressed to the Deputy Assistant Secretary (Enforcement), the Department of the Treasury, Washington, D. C. 20220.

Currency Transaction Report

File a separate report for each transaction
 (Complete all applicable parts—see instructions)

Part I Identity of person who conducted this transaction with the financial institution

Name (Last, first and middle initial)	Social security number
Number and street	Business, occupation or profession
City or town, State and ZIP code	

Part II Person or organization for whom this transaction was completed (Complete only if different than Part I)

Name	Identifying number
Number and street	Business, occupation or profession
City or town, State and ZIP code	

Part III Description of transaction (If additional space is needed, attach a separate schedule)

1. Nature of transaction (check the applicable boxes)
- | | |
|--|--|
| <input type="checkbox"/> Deposit | <input type="checkbox"/> Check purchased |
| <input type="checkbox"/> Withdrawal | <input type="checkbox"/> Traveler's checks purchased |
| <input type="checkbox"/> Currency exchange | <input type="checkbox"/> Security purchase (specify) |
| <input type="checkbox"/> Check cashed | <input type="checkbox"/> Other (specify) |

2. Total amount of currency transaction (in U.S. dollars)	3. Amount in denominations of \$100 or higher	4. Date of transaction (Month, day and year)
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5. If other than U.S. currency is involved, please furnish the following information:

Currency name	Country	Total amount of foreign currency
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6. If a check was involved in this transaction, please furnish the following information (See instructions):

Date and amount of check	Payee
Drawer of check	Drawee bank and City of location

Part IV Type of identification presented in this transaction

By customers: <input type="checkbox"/> Savings account number..... <input type="checkbox"/> Checking account number..... <input type="checkbox"/> Share account number..... <input type="checkbox"/> Loan account number..... <input type="checkbox"/> Safety deposit box number..... <input type="checkbox"/> Other (specify)	By others: <input type="checkbox"/> Driver's permit State Number <input type="checkbox"/> Passport Country Number <input type="checkbox"/> Alien ID card Country Number <input type="checkbox"/> Other (specify)
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Part V Financial institution reporting the financial transaction

Name and address	Identifying number (see instructions)
	Business activity

Sign here ----- ----- -----
 Authorized signature Title Date

General Instructions

This report is required by Treasury Department regulations (31 Code of Federal Regulations 103).

Who Must File.—Beginning July 1, 1972, each financial institution (as described in these instructions) shall file a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to such financial institution, which involves a transaction in currency of more than \$10,000.

Exceptions.—Financial institutions are not required to file Form 4789 for transactions:

- (1) with Federal Reserve Banks or Federal Home Loan Banks;
- (2) solely with, or originated by, financial institutions or foreign banks; or
- (3) between a bank and established customers maintaining a deposit relationship with the bank, in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the customer's business, industry or profession.

However, upon request each bank shall submit a report listing those customers who engage in transactions which were not reported because of the exemption in (3).

When and Where to File.—This report shall be filed on or before the 45th day following the date of the transaction with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155. Forms may be obtained from any Internal Revenue Service office.

Identifying Number.—Social security number or employer identification number if other than individual.

Identification Required.—Before any transaction is effected a financial institution shall verify and record the identity, and record the account number on its books or the social security or taxpayer identification number, if any, of a person with whom or for whose account such transaction is to be effected. Verification of identity for a customer of the financial institution depositing or withdrawing funds may be by reference to his account or other number on the books of the institution. Verification of identity in any other case may be by examination, for example, of a driver's license, passport, alien identification card, or other appropriate document normally acceptable as a means of identification.

Penalties.—Civil and criminal penalties are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See sections 103.47 and 103.49 of the regulations.

Specific Instructions

- Part I.—(1) In the address block, enter the permanent address of the person conducting the transaction.
- (2) In the social security block, enter the social security number of the person conducting the transaction. If the person has no number, write "None" in this block.

- Part II.—(1) In the name block, individuals should enter their last name, first name and middle initial, if any, in that order. All others should enter their complete organization name.
- (2) In the identifying number block, enter the social security number or employer identification number.

Part III, line 6.—This part should be completed only where a check is cashed or a bank check is purchased with currency.

Part IV.—See instruction "Identification Required," above.

Part V.—Institutions may also enter in the name and address block other identifying information.

Definitions

Bank.—Each agent, agency, branch or office within the United States of a foreign bank and each agency, branch or office within the United States of any person doing business in one or more of the capacities listed below:

- (1) a commercial bank or trust company organized under the laws of any state or of the United States;
- (2) a private bank;
- (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;
- (4) an insured institution as defined in section 401 of the National Housing Act;
- (5) a savings bank, industrial bank or other thrift institution;
- (6) a credit union organized under the laws of any state or of the United States; and
- (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

Currency.—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

Financial Institution.—Each agency, branch or office within the United States of any person doing business in one or more of the capacities listed below:

- (1) a bank;
- (2) a broker or dealer in securities, registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934;
- (3) a person who engages as a business in dealing in or exchanging currency as, for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks;
- (4) a person who engages as a business in the issuing, selling or redeeming of travelers' checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;
- (5) an operator of a credit card system which issues, or authorizes the issuance of, credit cards that may be used for the acquisition of monetary instruments, goods, or services outside the United States.
- (6) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

Person.—An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

Transaction in Currency.—A transaction involving the physical transfer of currency from one person to another. A transaction which is a transfer of funds by means of bank check, bank draft, wire transfer, or other written order, and which does not include the physical transfer of currency is not a transaction in currency within the meaning of this part.

Report of International Transportation of Currency or Monetary Instruments

This form is to be
 filed with the
 Bureau of Customs

Date of currency or monetary instrument activity 19.....

Part I Person Transporting, Mailing, Shipping, or Receiving a Monetary Instrument
 (Items 5 through 11 are applicable to alien individuals only)

1. Name (last or family, first, and middle) or business name 4. Permanent address in United States or abroad 5. Address while in the United States 6. Date of birth (month, day, and year) 8. Visa date	2. Identifying number (see instructions) 7. Alien registration card number, if any 9. Place United States visa was issued	3. Check whether the currency or monetary instrument was: (a) <input type="checkbox"/> Received (b) Shipped or mailed: <input type="checkbox"/> Into the U.S. <input type="checkbox"/> From the U.S. (c) Carried by traveler (check ap- plicable block and enter city): <input type="checkbox"/> Entering the U.S.— City <input type="checkbox"/> Leaving the U.S.— City
10. Of what country are you a citizen or subject?		11. Passport number and country
12. Were you acting as an agent, attorney, or in other capacity for anyone in this currency or monetary instrument activity? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," please complete the following: (a) Name of person in whose behalf you are acting (b) Complete address of that person (c) Business activity, occupation or profession of that person		

Part II Currency and Monetary Instrument Information (See Instructions)

13. Type and amount of currency and/or monetary instrument:

(a) <input type="checkbox"/> Coins (specify amount)	\$
(b) <input type="checkbox"/> Currency (specify amount)
(c) <input type="checkbox"/> Bearer instrument (specify type and amount)
(d) Total amount (add lines (a), (b) and (c))	\$

14. If other than United States currency is involved, please complete the following:

(a) Currency name

(b) Country

(c) Equivalent in United States dollars (specify amount) \$

15. Name of person from whom the currency or monetary instrument was received (to be completed by recipients only)

16. If the currency or monetary instrument was mailed, shipped, transported or carried, please complete the following:

(a) Method of shipment

(b) Name of transporter or carrier

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief it is true, correct and complete.

Sign Here ► Signature

..... Title (Owner, etc.) Date

44-10-91904-1