

17 March 2023

SANCTIONS CONSIDERATIONS IN CROSS-BORDER TRANSACTIONS

On 15 March, Control Risks said in an article that assessing exposure to sanctions and broader financial crime risks is a critical diligence consideration when thinking of investing in any cross-border transactions. The article uses a fictional case study to outline the steps that buyers can take to identify, evaluate, and address sanctions risks, and the commercial considerations that sanctions compliance can cause. Though not intended as an exhaustive diligence and risk assessment, it raises the process and considerations for buyers.

<https://www.controlrisks.com/our-thinking/insights/sanctions-considerations-in-cross-border-transactions>

4 LESSONS FOR BUSINESS FROM RUSSIA'S INVASION OF UKRAINE

On 7 February, this article from Control Risks laid out the 4 lessons it says should be learned, in terms of exiting (or having to exit) a market –

- Plan your exit in advance and act quickly;
- Know who will run your business before they start;
- Be clear about the identities and profiles of your second-, third-, and fourth-order suppliers and clients; and
- Be aware of your audience.

<https://www.controlrisks.com/our-thinking/insights/four-lessons-for-business-from-russias-invasion-of-ukraine>

MANAGING SANCTIONS RISK FROM RUSSIA'S TRADE PARTNERS

This article from Control Risks on 16 March says that banned products continue to flow into Russia via countries that have traditionally strong trade ties or are geographical neighbours of Russia. This creates additional risks for international manufacturers who have ceased operations in Russia but still might become exposed to Russia-related sanctions risks through Russia's trade partner countries. Nonetheless, it says, there are a few common steps that each organisation can take to assess the level of risk of diversion, investigate any indication that diversion may have happened, and prevent it from happening in the future.

<https://www.controlrisks.com/our-thinking/insights/managing-sanctions-risks-from-russias-trade-partners>

LETTERS TO OVERSEAS ENTITIES WHO OWN OR LEASE PROPERTY OR LAND IN THE UK

On 16 March, Companies House in the UK updated its information about notices sent to overseas entities who need to register information with Companies House about their UK property and beneficial owners – saying that a third letter had now been sent. The requirement to register applies to overseas entities who bought property or land on or after:

- 1 January 1999, in England and Wales; and
- 8 December 2014, in Scotland.

<https://www.gov.uk/government/publications/letter-to-overseas-entities-who-own-or-lease-property-or-land-in-the-uk>

US: CELLPHONE COMPANIES MUST BLOCK OBVIOUS SCAM TEXTS

On 16 March, the Wall Street Journal reported that the FCC had issued new rules that require mobile service suppliers to block robotext messages that the FCC says are likely to be illegal, such as texts sent from unused or invalid numbers. The rules are said to be the first regulations specifically targeting the increasing problem of scam text messages sent to consumers.

<https://www.wsj.com/articles/cellphone-companies-must-block-obvious-scam-texts-fcc-says-5c6ff145>

<https://www.fcc.gov/document/fcc-adopts-its-first-rules-focused-scam-texting>

ERICSSON: DISCLOSURE FAILURES AS THE BASIS FOR DECLARING A BREACH OF A DEFERRED PROSECUTION AGREEMENT

On 17 March, the Wall Street Journal carried a detailed report on how a series of alleged missteps that led to Ericsson SA having to agree to pay a further \$207 million in fines (having already paid \$1 billion). Prosecutors highlighted, in particular, how failures by the Swedish telecommunication company's outside lawyers contributed to their decision to seek the new penalties. The action involved the revoking of the DPA that Ericsson entered into in 2019 to resolve bribery offenses in China, Djibouti and 3 other countries.

<https://www.wsj.com/articles/missteps-by-ericsson-and-its-lawyers-led-to-new-sanctions-against-company-a0e70f80>

ISRAEL APPROVES EXPORT LICENCE FOR SALE OF ANTI-DRONE SYSTEMS TO UKRAINE

On 17 March, ProIQRA reported that it is the first time since Russia's war against Ukraine that Israel has approved an export licence to sell anti-drone systems to Ukraine.

<https://proiqra.com/israel-approves-export-license-for-sale-of-anti-drone-systems-to-ukraine-pro-iqra-news/>

RUSSIA IS USING OLD OIL TANKERS TO BYPASS EXPORT SANCTIONS, RISKING SPILLS

On 17 March, the Washington Post reported that Russia is using a fleet of older, poorly insured tankers to sidestep Western sanctions on its fossil fuels, raising fears of a potentially catastrophic accident or oil spill as it works to finance its invasion of Ukraine, policymakers and environmental advocates have said.

<https://www.washingtonpost.com/climate-environment/2023/03/17/russia-oil-environmental-risk/>

CAMBODIA CELEBRATES RETURN OF 'PRICELESS' STOLEN ARTIFACTS

On 17 March, Kentucky Today reported that centuries-old cultural artifacts that had been illegally smuggled out from Cambodia have been welcomed home at a celebration led by Prime Minister Hun Sen. Many, if not all, of the items involved had been looted from Cambodia during periods of war and instability, including in the 1970s when the country was under the brutal rule of the communist Khmer Rouge. Through unscrupulous art dealers, they made their way into the hands of private collectors and museums around the world.

https://www.kentuckytoday.com/news/world/cambodia-celebrates-return-of-priceless-stolen-artifacts/article_2e5dca35-389b-5b78-a43a-25d8f10eabd3.html

ISRAELI TIKTOK STAR ARRESTED IN FRANCE ON SUSPICION OF SMUGGLING KHAT

On 17 March, the Jerusalem Post reported that Israeli Social media influencer Chen Elkayam, who has more than 60,000 followers on TikTok, has been arrested at an airport in France. She was detained for allegedly smuggling 220 kg (485 lb) of Khat, the largest amount of the stimulant caught yet.

<https://www.jpost.com/israel-news/article-734614>

<https://www.ynetnews.com/article/bye11bfwen>

RUSSIAN WITH TIES TO FOREIGN INTELLIGENCE AT HELM OF COUNCIL OF EUROPE'S AML PROGRAMME

Euromaidan Press in Ukraine reported on 17 March that Russian national Igor Nebyvaev, the executive secretary of the Council of Europe's AML body Moneyval, has family ties with Russia's Foreign Intelligence Service – his father serves in Moscow as an intelligence general. According to German newspaper Bild, even though Russia was expelled from the Council of Europe on 16 March

2022, around 90 Russians out of 120 working for the Council of Europe have kept their jobs to this day.

<https://euromaidanpress.com/2023/03/17/russian-with-family-ties-to-moscows-foreign-intel-at-helm-of-council-of-europes-anti-money-laundering-program-bild/>

AUSTRAC ACCEPTS ENFORCEABLE UNDERTAKING FROM PAYPAL

On 17 March, the National Tribune reported that AUSTRAC has accepted an Enforceable Undertaking from PayPal Australia Pty Ltd to ensure its compliance with Australia's AML/CFT laws. The undertaking comes after AUSTRAC identified concerns with PayPal's systems, controls and governance in relation to its international funds transfer instructions (IFTI) reporting.

<https://www.nationaltribune.com.au/austrac-accepts-enforceable-undertaking-from-paypal/>

AUSTRALIA: MONEY LAUNDERING RIFE IN FINANCIAL, PROPERTY MARKETS

On 16 March, The West Australian reported that 4 national law enforcement agencies will make up a new joint task force to crack down on wide-scale money laundering across Australia's financial and property markets. The Australian Federal Police, Border Force, the Australian Transaction Reports and Analysis Centre (AUSTRAC) and Australian Criminal Intelligence Commission will target perpetrators both in Australia and overseas.

<https://thewest.com.au/business/money-laundering-rife-in-financial-property-markets-c-10065630>

THE STRATEGIC IMPORTANCE OF LEGACY CHIPS

On 3 March, CSIS published a report saying that the chip shortage in late 2020 drew widespread attention to the fact that the most advanced semiconductors are no longer manufactured in the US, and that this represents a strategic vulnerability. Interestingly, this chip shortage was overwhelmingly a function of inadequate availability of so-called legacy chips, which US-based firms continue to make but not in sufficient quantities to meet the needs of domestic manufacturers. "Legacy" or "mainstream" semiconductor-based integrated circuits (IC) are made using established — but still evolving — manufacturing processes, typically with larger transistors etched on each chip, are ubiquitous and, despite the name, legacy chips are not stale technology. The reports says that, looking ahead, the importance of legacy chips for the operation of the modern economy will only continue to grow. Maintaining a robust and resilient supply base able to make the investments and to produce and improve constantly higher node chips is essential for the nation's competitiveness and economic security.

https://csis-website-prod.s3.amazonaws.com/s3fs-public/2023-03/230303_Shivakumar_Legacy_Chips.pdf?VersionId=3CnqsaOufV9_n0l35miYXEqfM8hpcZ6z

UK: RUSSIA SANCTIONS – 1 ENTRY REMOVED, 1 AMENDED AND ANOTHER DUPLICATE REMOVED

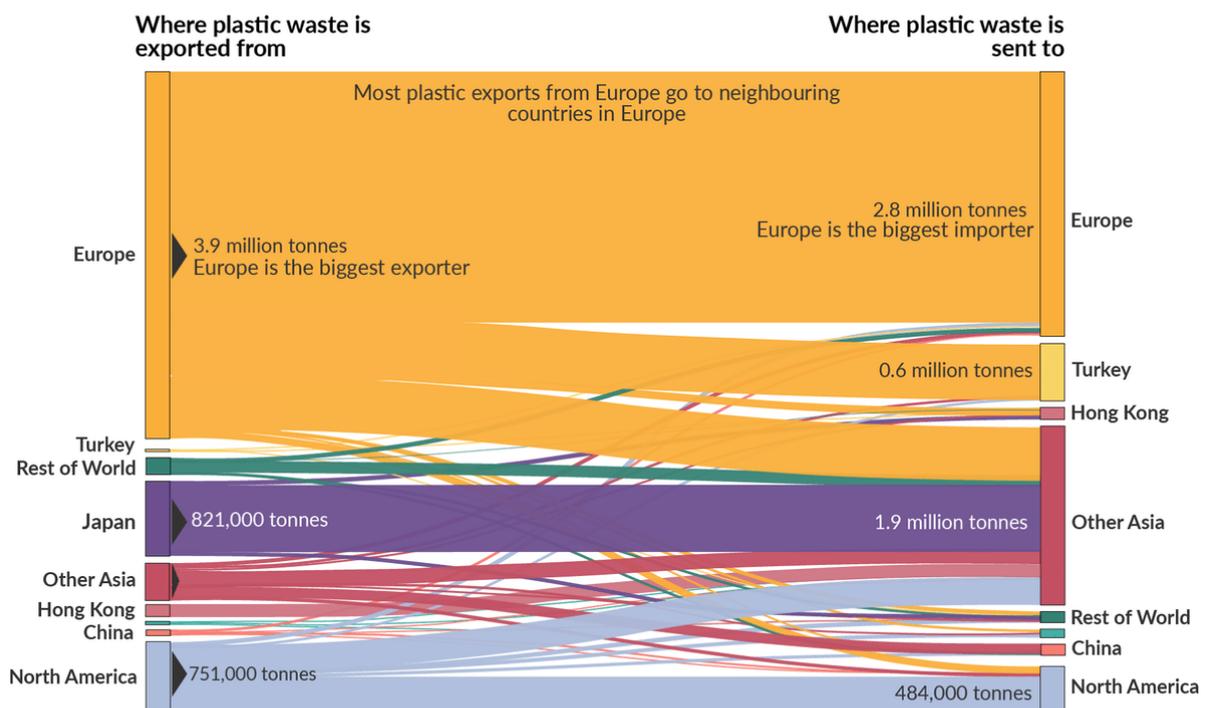
On 17 March, a Notice from HM Treasury advised that Brian McDonald, head of Russia desk for the English language edition of RT (formerly Russia Today), has been deleted; the entry for Igor Makarov have been amended; and a duplicate entry for the Minsk Wheel Tractor Plant has been deleted.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1143667/Notice_Russia_170323.pdf

CHARTED: THE GLOBAL PLASTIC WASTE TRADE

Plastic waste trade: where does it come from and where does it go?

Around 2% of the world's plastic waste is traded. Most is traded within regions, rather than between them. This is shown for the year 2020.



Source: OECD (2022). Monitoring trade in plastic waste and scrap. Based on UN Comtrade data. OurWorldinData.org - Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the author Hannah Ritchie.

<https://www.visualcapitalist.com/cp/charting-the-movement-of-global-plastic-waste/>

UK: SRA CHIEF SAYS 'ONSLAUGHT' OF EXTRA AML BURDENS LIKELY TO INCREASE

On 17 March the Law Society Gazette reported that there will be no let-up in the requirements made of law firms to prevent money laundering, according to the chief executive of the Solicitors Regulation Authority. More than a dozen firms have been fined in the past year for failing to carry

out a risk assessment properly, and SRA has also prosecuted firms that wrongly declared they had a compliant risk assessment.

<https://www.lawgazette.co.uk/news/onslaught-of-extra-aml-burdens-likely-to-increase-sra-chief/5115473.article>

UK: PROPERTY DEALER IN MORTGAGE FRAUDS A DECADE AGO HAS BEEN ORDERED TO PAY A FURTHER £92,500 – MONEY WHICH WAS RECOVERED FROM A SETTLEMENT OVER A DONATION TO A PRIVATE SCHOOL

On 17 March, the Law Society Gazette reported that Achilleas Kallakis must pay £92,500 within 28 days, and failure to pay will mean he could face 12 months imprisonment.

<https://www.lawgazette.co.uk/law/fraudster-convicted-decade-ago-must-pay-92500/5115468.article>

UK COURT OF APPEAL INDICATES THAT VICTIMS OF FRAUD CAN TARGET THIRD PARTIES

On 17 March, Dechert LLP reported on a Court of Appeal case involving an MTIC VAT fraud case. It was held that liquidators may bring claims against third parties suspected of being a party to fraud, even where they were not involved in the management or control of the insolvent company. The ruling is described as a warning to parties with indirect or tangential involvement in fraud that they may be at increased risk of a claims following insolvency. The ruling arose from a case involving five companies who participated in missing trader intracommunity (MTIC) fraud (also commonly known as *Carousel Fraud*) in the context of carbon credits, and subsequently went into liquidation owing HMRC considerable sums of unpaid VAT.

<https://www.dechert.com/knowledge/onpoint/2023/3/uk-court-of-appeal-indicates-that-victims-of-fraud-can-target-th.html>

UK CRIMINALS RELIED ON FRAUDULENT PASSPORT MASTERMINDS BROUGHT DOWN BY THE NCA

ON 17 March, a news release from NCA advised that 2 crime bosses who supplied fraudulent passports enabling murderers and drug traffickers to evade justice in the UK and cross international borders have been convicted. After the NCA established the false identities offenders were using, many fugitives have now been caught all over the world following joint working with UK police forces and international partners.

<https://www.nationalcrimeagency.gov.uk/news/uk-criminals-relied-on-fraudulent-passport-masterminds-brought-down-by-the-nca>

UK: AMENDED OPEN GENERAL EXPORT LICENCES

On 17 March, the Department for International Trade advised that the OGEL for the export after exhibition or demonstration: military goods; and export after repair/replacement under warranty: military goods have been amended to take into account changes to the military list.

<https://www.gov.uk/government/publications/open-general-export-licence-export-after-repair-replacement-under-warranty-military-goods#full-publication-update-history>

<https://www.gov.uk/government/publications/open-general-export-licence-export-after-exhibition-or-demonstration-military-goods>

US ARRESTS 'SERIAL FRAUDSTER' FOR HEADING A \$1 BILLION FRAUD SCHEME

On 17 March, OCCRP reported that a Chinese businessman has been arrested in New York for allegedly leading a group that cheated thousands of online followers out of over \$1 billion. Ho Wan Kwok and his associate Kin Ming Je are accused of working together to deceive Kwok's followers by making false claims and asking for investments into various businesses associated with them. Je remains at large. Various entities, such as GTV, G|CLUBS, G|MUSIC, G|Fashion, and the Himalayan Exchange, among others, were used as part of the illicit activities.

<https://www.occrp.org/en/daily/17426-u-s-arrests-serial-fraudster-for-heading-a-1-billion-fraud-scheme>

US: FTC ORDERS EPIC GAMES TO PAY BACK USERS \$245 MILLION MAKING UNWANTED PURCHASES

On 17 March, OCCRP reported that the Federal Trade Commission issued an order for Epic Games over its consumers who were tricked by the video game developer into making unwanted purchases. Epic Games, the developer behind the widely popular Fortnite and Gears of War franchises, was deemed to have duped its users into making in-game purchases with real money without their knowledge.

<https://www.occrp.org/en/daily/17425-u-s-ftc-orders-epic-games-to-pay-back-users-245-million>

ECUADOR EXPELS ARGENTINE AMBASSADOR FOR HELPING CORRUPT EX-MINISTER ESCAPE

On 17 March, OCCRP reported that Ecuador has declared the Argentinian ambassador to the country *persona non grata* for allowing a former Ecuadorian minister, María de los Ángeles Duarte, who found refuge at his Residence in Quito after a court sentenced her for corruption to leave the country.

<https://www.occrp.org/en/daily/17424-ecuador-expels-argentine-ambassador-for-helping-corrupt-ex-minister-escape>

FIGHT FOR KAZAKHSTAN LOOTED BILLIONS LANDS IN NEW YORK COURTS

On 14 March, Bloomberg Law reported on Mukhtar Ablyazov's 2-decade journey from jailed Kazakhstan energy minister to accused money launderer at the heart of two New York federal lawsuits. Courts in the UK sentenced him to 22 months in prison for contempt and froze more than \$5 billion he's accused of stealing from BTA Bank in Kazakhstan.

<https://news.bloomberglaw.com/business-and-practice/fight-for-kazakhstans-looted-billions-lands-in-new-york-courts-1>

ABOUT \$300,000 SEIZED FROM DOMESTIC TRAVELLER IN AUSTRALIA

A news release from Australian Federal Police on 15 March advised that a Sydney man has faced Perth Magistrates Court after he allegedly attempted to fly interstate with about \$300,000 cash hidden inside his carry-on luggage.

<https://www.afp.gov.au/news-media/media-releases/about-300000-cash-seized-traveller-perth>

GIBRALTAR: LARGE NUMBER OF MONEY LAUNDERING INVESTIGATIONS UNDERWAY, SAYS POLICE

On 17 March, GBC reported that the Royal Gibraltar Police says it currently has a 'large number' of active money laundering investigations ongoing.

<https://www.gbc.gi/news/large-number-money-laundering-investigations-underway-says-rgp>

GIBRALTAR: £22 MILLION MONEY LAUNDERING CASE – FATHER AND SON PLEAD NOT GUILTY TO ALL CHARGES

On 17 March, GBC reported that Court proceedings followed a 2-year financial investigation by Customs. It led to tobacco retailer Rajesh Shukla, 62, being accused of 6 offences that include concealing more than £22 million in undeclared tobacco sales from the tax office. His son, Rohit, 32, faces one charge of money laundering linked to over £17,000 in undeclared income. The alleged offences date back to between 2015 and 2020.

<https://www.gbc.gi/news/22-million-money-laundering-case-father-and-son-plead-not-guilty-all-charges>

FraudWit Quick Guide

To Understanding ACH Fraud

ACH (Automated Clearing House) is a common form of electronic funds transfer (EFT). It is used as a means for payments and external transfers for both consumers and businesses, carrying its own fraud risk. Typical uses include direct deposits from employers to employees, drafts for paying bills, external transfers from account to account, and B2B payments for paying vendors and merchants.

Key Terms: ODFI and RDFI

ODFI = Originating Depository Financial Institution

RDFI = Receiving Depository Financial Institution



The ODFI is the bank to originate the ACH, which can be either pushed out of the account or pulled into the account. Because they are *initiating* the debit or credit, they hold the liability (with limited exceptions).



R10/R17 Returns

While there are many ACH return codes, R10 (Unauthorized Transaction) is one most often associated with fraud. The R17 (File Record Edit Criteria) can be used by the RDFI when the ACH is deemed questionable.

Five Things You Can Do To Help Stop ACH Fraud

1. Understand ACH liability
2. Ensure secure online banking channel
3. Know your ACH products
4. Educate customers
5. Develop and enhance ACH fraud controls

Common Fraud Schemes Involving ACH



Account Takeover



Romance Scams



Authority Scams



Investment / Crypto Scams



Business Email Compromise (BEC)

For more information on ACH, check out [NACHA.org](https://www.nacha.org)

[FraudWit.com](https://www.fraudwit.com)

https://www.linkedin.com/posts/fraudwit_digitalbanking-payments-fraudawareness-activity-7036512664851783680-9fLJ

GUIDANCE: OFSI ENFORCEMENT AND MONETARY PENALTIES FOR BREACHES OF FINANCIAL SANCTIONS

OFSI has issued this updated guidance.



https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1143219/March_2023_Monetary_Penalty_and_Enforcement_Guidance.pdf

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[FraudWit.com](https://www.fraudwit.com)

https://www.linkedin.com/posts/fraudwit_digitalbanking-payments-fraudawareness-activity-7036512664851783680-9fLJ

<https://www.buymeacoffee.com/KolvM842y>

