



American
Bankers
Association®

REFERENCE GUIDE TO FINANCIAL CRIMES

Second Edition

Authors:

Kevin D. Eack, JD, CAFP, CPP
Rick Schwein, CAFP
Ian Mitchell, CAFP
Kelley Chamberlain, CAFP
with contributions by Brad Craig, CAFP



This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.

The American Bankers Association is committed to providing innovative, high-quality products and services that are responsive to its members' critical needs.

To comment about this product, or to learn more about the American Bankers Association and the many products and services it offers, please call 1-800-BANKERS or visit our website: www.aba.com.



Copyright © 2018 by the American Bankers Association, Washington, D.C.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without prior written permission from the American Bankers Association.

10 9 8 7 6 5 4 3 2 1

Catalog Number: 3016324 ISBN: 0-89982-711-X

Printed in the United States of America

TABLE OF CONTENTS

List of Figures	vii
Preface	ix
Acknowledgements.....	xi
About the Authors.....	xiii
 Part I—Financial Institution Fraud	
Chapter 1: Introduction.....	3
Fraud Risk Overview	3
Fraud Management Basics.....	4
Categorizing Bank Fraud	8
Building a Fraud Management Program.....	9
Chapter 2: Identity Fraud	13
Identity Fraud Types and Methods	14
Identity Data and Information Compromise	17
Identity Fraud Mitigation.....	20
Chapter 3: Electronic Payment Fraud	25
Wire Transfer Fraud.....	25
ACH Fraud.....	28
Faster Payments	31
Electronic Payment Fraud Mitigation.....	32
Responding to an Event	33
Chapter 4: Payment Card Fraud.....	35
Payment Card Participants.....	35
Payment Card Features and Transactions	36
Payment Card Fraud Types.....	38
Theft of Identity Information	39
Theft of Physical Cards.....	41
Theft of Card Information.....	43
Payment Card Fraud Mitigation.....	53
Chapter 5: Check Fraud	57
Check Processing and Related Fraud.....	58
Types of Check Fraud.....	58
Check Fraud Mitigation	60
Chapter 6: Loan Fraud.....	63
Auto Loan Fraud	63
Dealer Fraud	67
Response to Vehicle Loan Fraud	70
Preventing Consumer Vehicle Fraud.....	71
Chapter 7: Mortgage Fraud	73
Mortgage Fraud Types.....	73
Mortgage Fraud Mitigation.....	75

Chapter 8: Internal Fraud	79
Addressing the Threat.....	80
Background Checks of Insiders.....	81
Chapter 9: Building a Case File for Law Enforcement and Prosecution—Fraud	83
Prosecuting a Fraud Case.....	83
The Investigative Summary.....	84
The Criminal Process.....	85
Suspicious Activity Reporting.....	86
 Part II—Cyber-enabled Financial Crime	
Chapter 10: Information and Data Security	91
Underground Economy and Monetization.....	92
Digital Identity Versus True Identity.....	96
Vulnerabilities.....	97
Threat Actors.....	98
Threat Actor Motivations.....	108
Attack Patterns.....	109
Cyber-Enabled Fraud Schemes.....	110
Preparing Suspicious Activity Reports.....	115
Useful Investigative Research Tools.....	115
Cyber Information Sharing.....	117
Cyber Legal and Regulatory Resources.....	119
 Part III—Money Laundering and Countering the Financing of Terrorism	
Chapter 11: Understanding Money Laundering and Managing Risk	123
Money Laundering Defined and Explained.....	123
Money Laundering Process and Methods.....	125
Money Laundering as an Extension of Criminality.....	131
Electronic Money and Cyber-Laundering.....	133
Reverse Money Laundering.....	136
Trade-Based Money Laundering.....	137
Money Laundering Statutes and Regulations.....	138
An Overview of AML Agencies and Organizations.....	140
The Role of Banks and Other Financial Institutions.....	143
AML Programs: Methods and Strategies.....	145
Chapter 12: Countering the Financing of Terrorism	151
Understanding Terrorist Financing.....	151
Distinctions between Money Laundering and Terrorist Financing.....	152
An Overview of Terrorist Threats and Terrorist Groups.....	153
Understanding Global Sources of Terrorist Financing.....	156
Terrorist Financing Methodologies and Typologies.....	158
The Link between Money Laundering and Terrorist Financing.....	162
Alternate Remittance or Transmission Systems.....	163
Laws to Combat Terrorism.....	164
Suspicious Activities Indicative of Terrorism Financing.....	169
Charitable Organizations and Terrorist Financing.....	170
The Role of Banks and Other Financial Institutions.....	172
CFT Methods and Strategies.....	173

Glossary	181
Endnotes	195