

Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments



The Financial Action Task Force (FATF) Recommendation 32 requires that jurisdictions have appropriate measures in place to detect the physical cross-border transportation of currency and Bearer Negotiable Instruments (BNIs). In addition, countries should ensure that competent authorities have the power to stop or restrain currency and BNIs suspected to be related to Money Laundering (ML), Terrorist Financing (TF) or Proliferation Financing (PF). Thirdly, proportionate and dissuasive sanctions should be available for persons who make false declaration or disclosures. This Recommendation ensures that terrorists and other criminals cannot finance their activities or launder the proceeds of their criminal enterprises through the physical cross-border transportation of currency and BNIs.

Key Definition

Bearer Negotiable Instruments (BNIs): These include monetary instruments in bearer form such as travelers' cheques, negotiable instruments (including cheques, promissory notes and money orders) that are in either bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery; incomplete instruments (including cheques, promissory notes and money orders) signed, but with the payee's name omitted.

Implementation of Recommendation 32

The effective implementation of Recommendation 32 requires a significant amount of resources due to the fact that the jurisdiction must ensure that both incoming and outgoing cross-border transportation of currency and BNIs are being monitored. Additionally, criminals may seek to use one (1) or several different methods of transportation. These include the following:

1. Cash Couriers;
2. Through the Post; and
3. By Containerized Cargo.

Jurisdictions can implement any of the following three (3) systems to address FATF Recommendation 32:

◆ Declaration System

There are three (3) main types of Declaration Systems. Firstly, a *Written Declaration System* requires ALL Travelers to complete a written declaration before entering the jurisdiction. Secondly, a *Written Declaration System for Travelers Carrying Amounts Above a Certain Threshold* is used for individuals who meet the specified criteria. Thirdly, an *Oral Declaration System for All Travelers* requires individuals to say if they are carrying an amount of currency or BNI over a certain threshold. This is usually done at Customs Entry Points.

◆ Disclosure System

In a Disclosure System, travelers are required to provide the authorities with appropriate information upon request. There is no requirement for travelers to make an upfront or written declaration.

◆ Mixed System

This is simply a combination of a Declaration and Disclosure System.

The Declaration or Disclosure System should apply to both incoming and outgoing transportation of currency and BNIs and should allow for the greatest possible measure of international cooperation and assistance among competent authorities.

Best Practices for Declaration and Disclosure Systems



1. Travelers should be aware of their declaration or disclosure obligations. Jurisdictions must make the requirement explicitly and clearly known to all travelers. This will enhance the effectiveness of the system including the ability to prosecute future false declarations and disclosures. This can be done through the following mechanisms:
 - ⇒ Adequate Signage at points of entry and border crossings advising of the obligation to declare/disclose, how and when the declaration or disclosure should be made and the possible consequences for making a false declaration/disclosure.
 - ⇒ Signage and Declarations should be readily available in different languages. This will ensure that the information is clearly communicated to travelers.

Record Keeping and Information Sharing

Jurisdictions must ensure that a system is implemented which allows for the collection of all of the necessary data without overburdening or overwhelming travelers. The collection of information serves four (4) main purposes:

- * Starting Point for a Case File;
- * Detection of Trends and Typologies;
- * Expert Witness and Evidence Sources; and
- * Provision of Assistance to Other Jurisdictions.



Information that is collected must be shared with the Financial Intelligence Unit (FIU), other domestic partners and international counterparts under strict safeguards such as Memoranda of Understanding (MOU) to ensure proper use of the data. The information shared must be comprehensive, tailored to the needs of the recipient and sent in a timely manner.

The FIU should be informed of all suspicious cross border transportation incidents and be provided with comprehensive details to ensure that the information is available to allow for the swift and effective performance of its functions.

Measures to Detect False Declarations and Disclosures

To enhance their ability to detect false declarations/disclosures and possible ML/TF/PF, jurisdictions need to:

1. Use risk assessments;
2. Know or predict who is travelling;
3. Know what to look for; and
4. Co-operate with their counterparts.



Use of Risk Assessments

Jurisdictions are encouraged to base targeting efforts upon intelligence and analysis together with risk and threat assessments. Authorities must first identify travel routes, flights, ships and concealment methods that are considered high-risk. Detection methods should be focused on key transit areas, destinations and source jurisdictions, and the authorities in these jurisdictions should co-ordinate activities, intelligence and information on targeted carriers or individuals. Risk assessments should also take into account the weaknesses and other vulnerabilities that have an impact, either directly or indirectly, on the financial infrastructure of the jurisdiction.

The Traveler

Jurisdictions need to map traveler streams and know what kinds of travelers are most likely to arrive from what port of origin or depart to what destination. This knowledge needs to be constantly updated.

Currency/BNIs

To detect a false declaration/disclosure, Competent Authorities need to establish the amount of currency/BNI that the traveler is carrying. At the border, the following best practices facilitate the capacity of jurisdictions to detect currency and BNI: i) use of animal units (such as canine units), x-rays and other detection equipment, all of which may be used in accordance with a risk-based targeted approach; ii) use of at-random selection mechanisms to select travelers for search; and iii) use of field interviews on those individuals who merit further examination.

Cooperation

Customs Officers located at busy ports of entry and border crossings usually only have a short period of time in which they may interact with an individual traveler, and decide whether to take further action or allow the traveler to proceed. Pre-interdiction operations can assist Custom Officials by enabling them to target suspected travelers long before they actually approach or cross the border. Pre-interdiction operations can take a variety of forms and may target both individual travelers and criminal networks.

Red Flags/Indicators

The FATF has developed a collection of red flag/indicators that can be used to detect cash couriers.

GOODS

- Possession of illegal goods (narcotics, endangered species, counterfeit goods)
- Possession of small valuable items; (precious metals and stones, art objects, electronic goods)
- Possession of a (new or prepaid) mobile phone with unknown or a few numbers saved
- Possession of stored value cards that cannot be endorsed in destination country

TRAVELER

- Relevant Criminal Record
- Interest in Declaration/Disclosure System/Procedures
- Purpose of Travel Unknown or Inconsistent with Profile of Travelers
- Refusal to consume food or drinks offered on vessel which may indicate that currency is hidden on body
- Uneasy Movement or Unusual Body Shape due to bulk cash hidden on body

DOCUMENTS

- History of Lost or Stolen Travel Documents
- Travel Document Pages appear to be damaged to conceal past travel

CURRENCY

- Cash is carried in several currencies
- Source of Funds cannot be explained
- High Risk Currency
- Amounts declared/disclosed do not match the actual amounts carried



PATTERNS

- Multiple individual travelers appear to be involved in similar movements or show similar travel patterns
- Travel patterns that mirror smuggling patterns of illegal goods



Persons of interest

Custom authorities in country A are aware that persons of interest are involved in a profit generating crime. They attempted to carry the funds out of country A, but were stopped because of their status as persons of interest. As they were searched, the authorities found almost AUD 100 000 (USD 90 000) in cash which had not been declared. The funds were seized and the persons of interest charged with failure to declare currency and later convicted for that reason. The currency was confiscated and a large portion was used to compensate the persons defrauded by the persons of interest.

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REFERENCES

FATF Guidance Document: Detecting and Preventing the Illicit Cross-Border Transportation of Cash and Bearer Negotiable Instruments 19 February 2010

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