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Online Proceeds of (cyber)crime: Opportunities all around

Remarks for the Launch event of CyberEAST

Hein Dries





The good, the bad and the ugly

Where do we stand?

A lot of use of the internet in the financial sector (the good):

- Fraud risks
- Do we know the customer (identity)?
- Can we do Due Diligence?

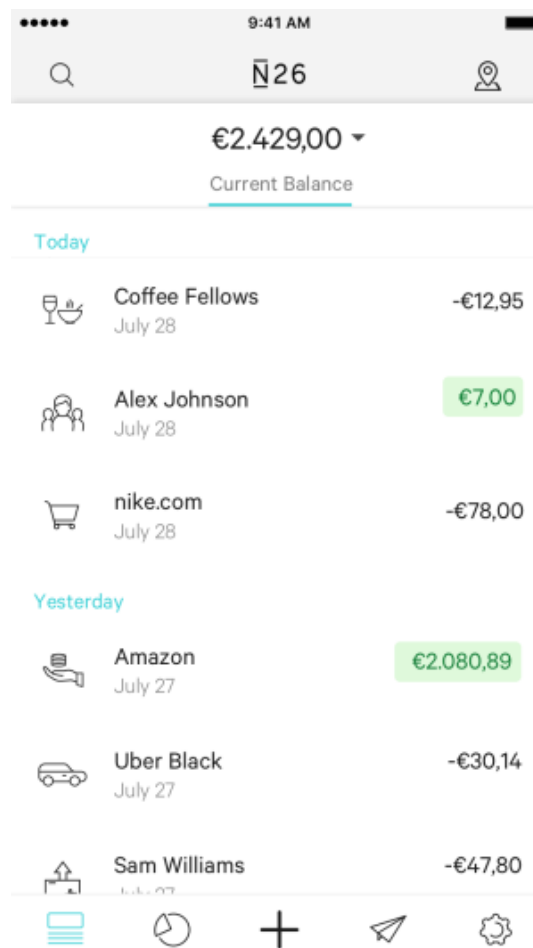
Issue: increased use of advanced/new/anonymous financial services by (cyber)criminals (the bad):

- Business email compromise
- Crypto for laundering proceeds
- Investment frauds

The ugly:

- State actors (out of scope today)

(online) Banking



Opportunities (for criminals):

- Account takeover
- Insecure transaction types (hack the
- Business email compromise
- Laundering (rapid clearing of transa

Opportunities (for law enforcement)

- Reliance on networked devices (con
- Increased sensors that can identify takeover.
- Digital evidence
- Regulated entities:
 - KYC (Know Your Customer)
 - CDD (Customer Due Dilligence)
 - AML/Indicators of suspicious tra

Challenges(for law enforcement):

- Cooperation (public-public and publ
- Understanding and detecting online



Technology

Arrests in 10 countries over money-transfer scams

🕒 12 September 2019

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Money-transfer scams have netted fraudsters millions, the FBI says

Police in 10 countries have arrested 281 people they suspect of carrying out large-scale money-transfer scams.

The FBI co-ordinated the raids over several months against groups of people suspected of stealing millions of pounds from companies and individuals.

- **Biometric Identification:**

Type	1:N match probability (optimum)
Iris	2x: infinite
Fingerprint	10x: near infinite 1x: ~100.000.000
Face	1000
Voice	1000

The New York Times

Chicago Man Fraudulently Accrued 42 Million Delta SkyBonus Points, U.S. Says

Gennady Podolsky used his position as a travel agent to cheat Delta Air Lines out of \$1.75 million worth of loyalty points, according to an indictment.



Opportunities (for criminals):

- Account takeover
- “Loose” KYC
- Fraud!
- Use for Money Laundering (international cooperation)

Opportunities (for law enforcement):

- AML, KYC and CDD requirements
- Less regulated: fraud risk – so stringent controls

Challenges(for law enforcement):

- Seizure and confiscation
- Information sharing (often international)
- Cooperation (public-public and public-private)
- Understanding and detecting online proceeds

Crypto currencies, smart contracts



Opportunities (for criminals):

- “Impossible” to regulate private wallets
- Exit scams and exchanges (target of opportunity)
- Less regulated industry

Opportunities (for law enforcement):

- Public ledger
- Increased intelligence in understanding transaction patterns (blockchain analysis software)
- Regulated parties:
 - KYC (Know Your Customer)
 - CDD (Customer Due Dilligence)
 - AML/Indicators

Challenges(for law enforcement):

- Attribution
- Seizure and confiscation
- Cooperation (public-public and public-private)
- Understanding and detecting online proceeds

Increased use of “smart contracts”: allow to create new “tokens” that represent “a value”

Especially: Ethereum

Opportunities (for criminals):

- Non delivery on investment opportunities
- ICO

Opportunities (for law enforcement):

- Regulated industry (?)
- Awareness

Challenges(for law enforcement):

- Seizure and confiscation
- Information sharing (often international)
- Cooperation (public-public and public-private)
- Understanding and detecting online proceeds

Financial investigation: should be started at the same time as the investigation into the actual (predicate) offence

Search and seizure: increasingly need to apply to digital assets (proceeds)

Warsaw convention 2005: Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198)

- "proceeds" means any economic advantage, derived from or obtained, directly or indirectly, from criminal offences. It may consist of any property as defined in sub-paragraph b of this article;
- Cybercrime: predicate offence?
- Extended confiscation: reversal of burden of proof! (cf. Directive (2014/42/EU) on the freezing and confiscation of instrumentalities and proceeds of crime in the EU)

Beneficial ownership...

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Thank you for your attention



Hein Dries
VIGILO
The Netherlands
+31 71 7113243
hein@vigilo.nl