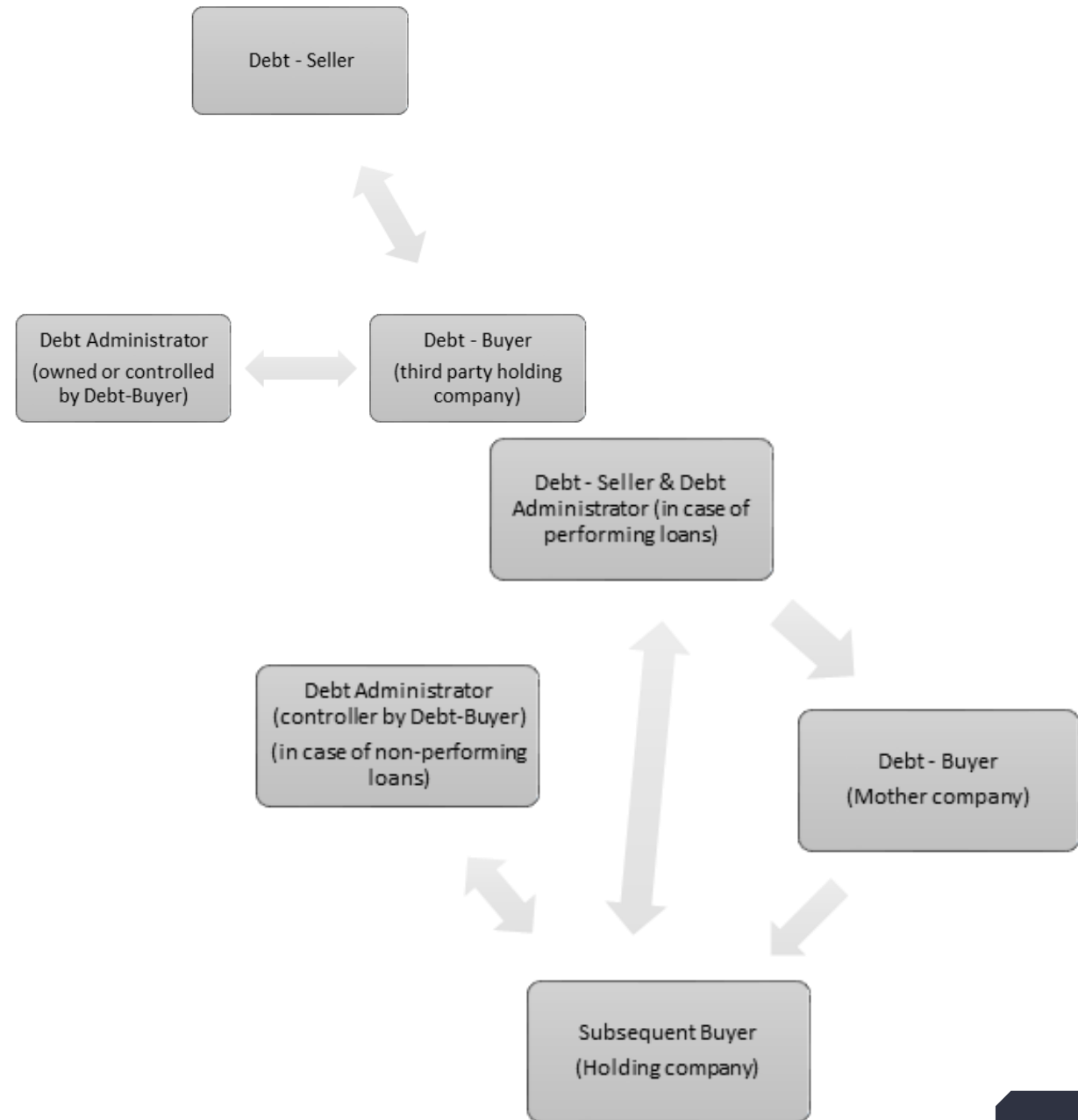


# CONTRACTUAL NEXUS

- the intra-EU cross-border debt collection system is designed to maximize profits, minimize tax and can potentially serve as money laundering mechanism
- of a tri-/multi-partite contractual relationship involving the following parties: *the (original) debt-seller* (a credit institution), *the debt-buyer* (usually an investment or holding company, or the parent company) and *the debt-administrator* (the original seller, or a debt-collection agency, fully owned by, or under the control of the debt-buyer), where debt portfolios are purchased at huge discounts (varying between 90 to 95% of face value).
- Debt-buyer usually registered abroad in tax haven



## PURPOSES AND RISKS II

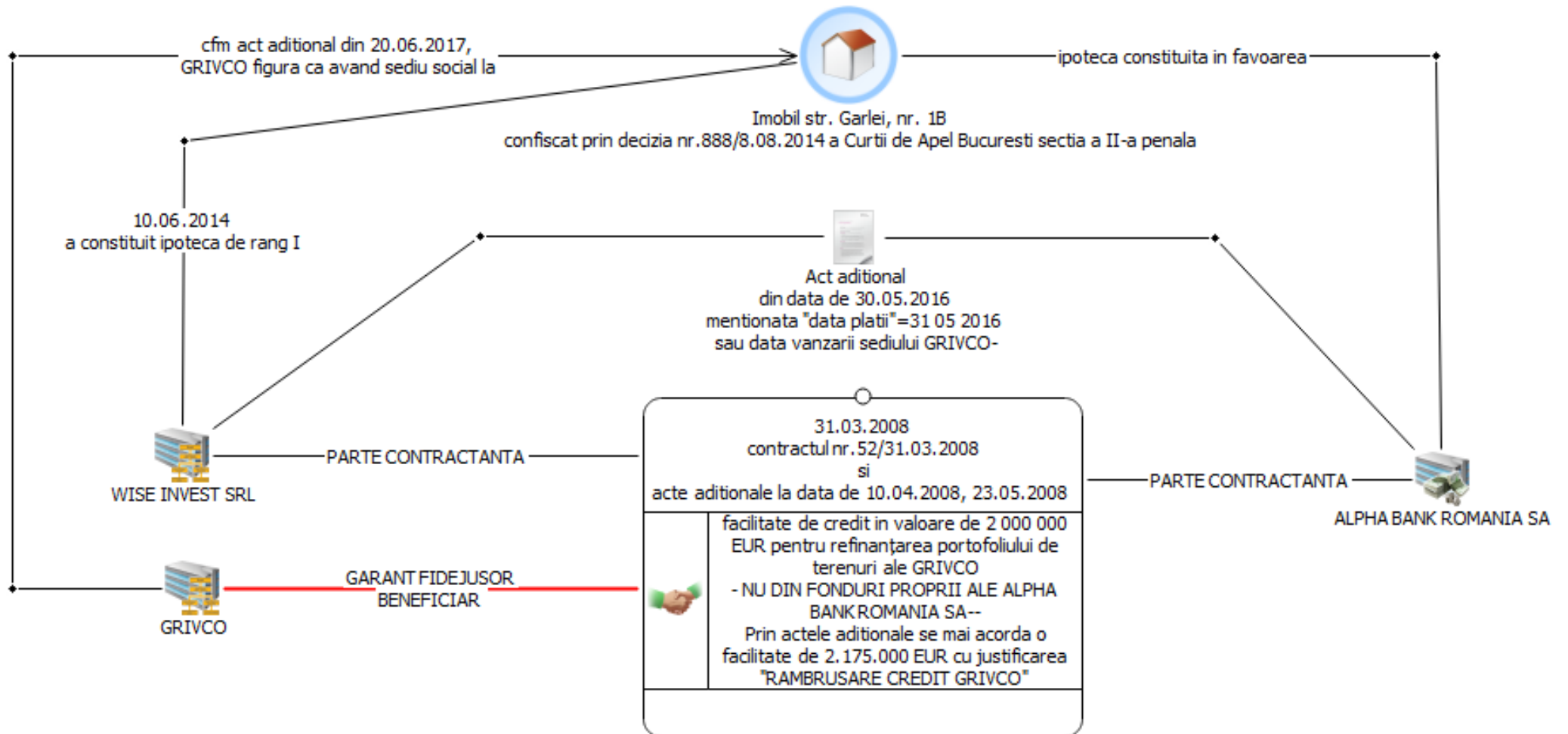
- The 3 axes:

1. Debt-Seller – Debt Buyer Axis

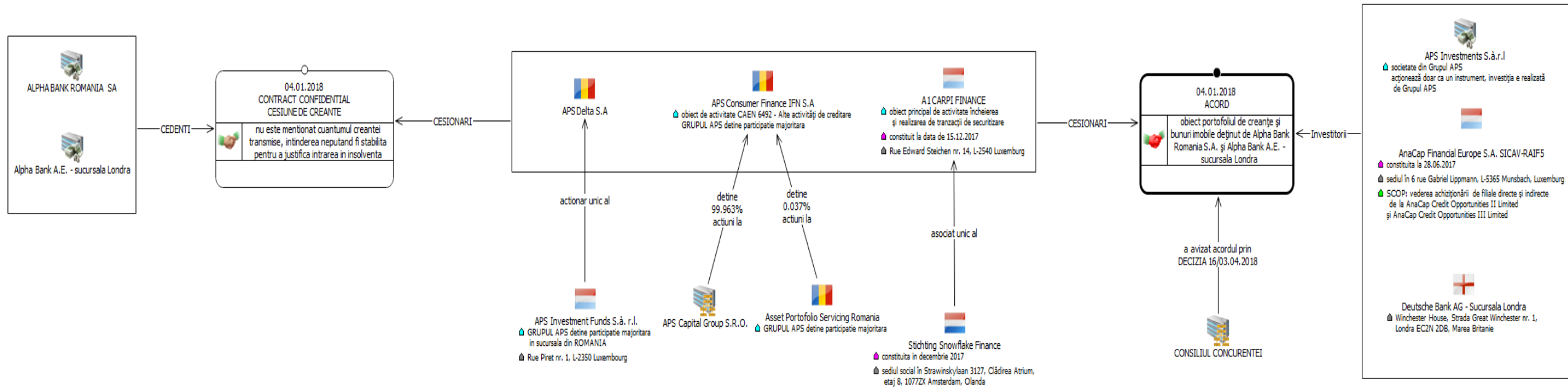
2. Debt-Buyer – Debt Collector Axis

3. Debt Collector - Consumer Debtor Axis

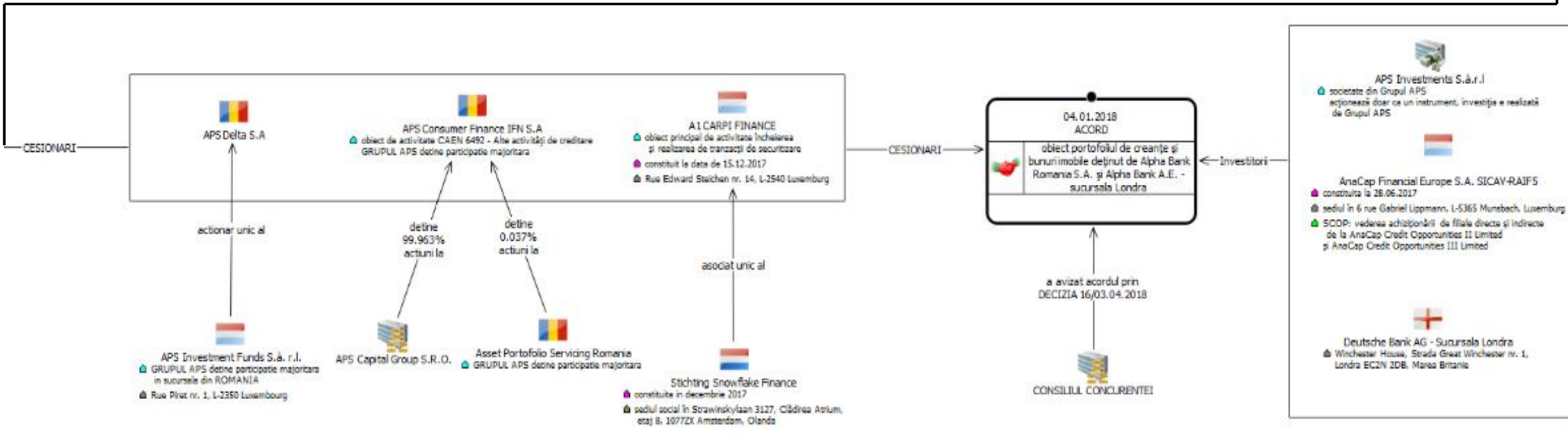
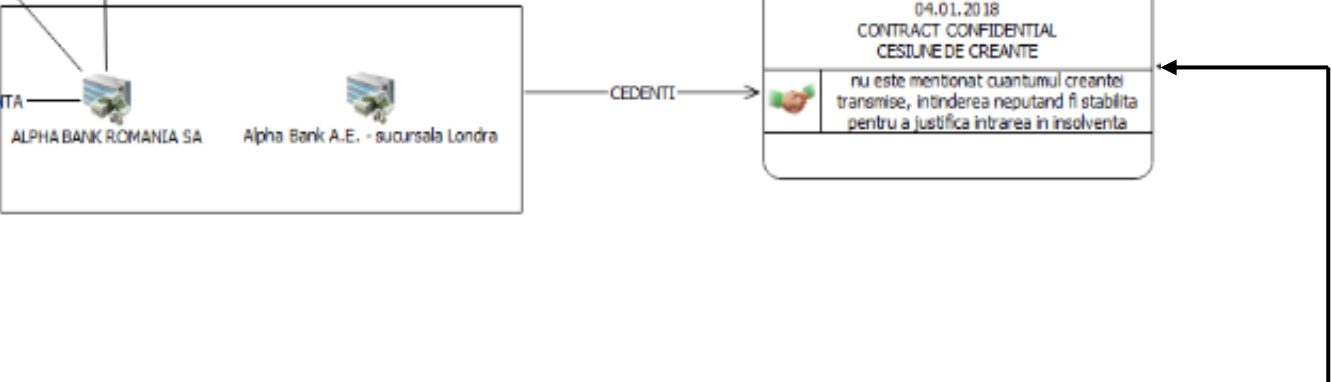
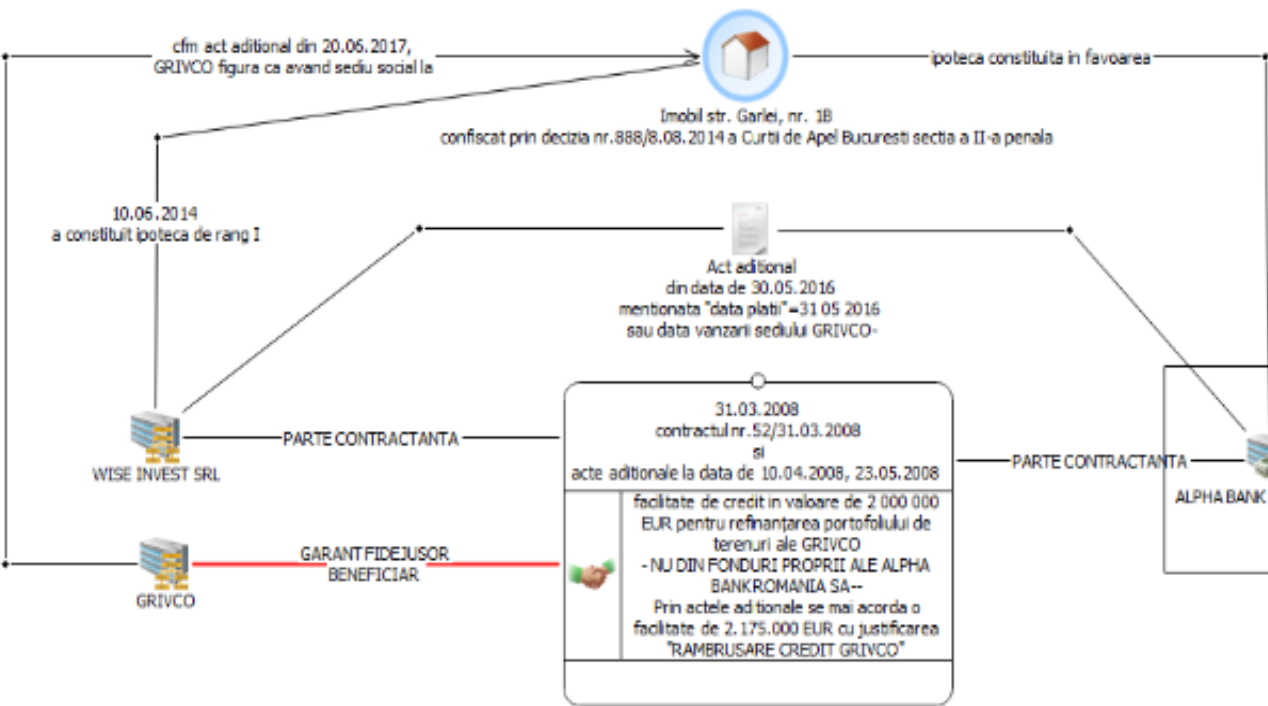
# PHASE 1



# PHASE 2



# THE ENTIRE SCHEME





# MONEY LAUNDERING RED FLAGS IN THE CLEARING PORTFOLIO'S PROCESS

## FATF TYPOLOGIES SECURITIES SECTOR(2009)

- **money laundering typology:** block trades of illiquid stocks are transacted at a pre-agreed price between two parties.
- “parties agree to the initial purchase of an illiquid security at an artificially low price with the same security being bought back some time later by the original seller or an associate at a significantly higher price
- the pricing model on a bespoke or custom built derivative may be extremely difficult for anyone, other than a market expert, to understand.
- Such transactions have frequently been used to transfer profits from high-tax to low-tax jurisdictions and for the purposes of avoiding exchange control regulations”.



# MONEY LAUNDERING RED FLAGS THROUGH INSOLVENCY PROCEEDINGS

## FATF TYPOLOGIES: REAL ESTATE SECTOR(2007)

- **Basic techniques:**
    - Use of mortgage schemes.
    - Use of complex loans or credit finance.
    - Use of investment schemes and financial institutions.
  - • Use of non-financial professionals.
  - • Use of corporate vehicles.
- Use of properties to conceal money generated by illegal activities.



# MONEY LAUNDERING RED FLAGS

## FATF TYPOLOGIES REAL ESTATE/SECURITIES SECTORS(2007, 2008)

- **Basic techniques:**
  - Use of mortgage schemes.
  - Use of complex loans or credit finance.
  - Use of investment schemes and financial institutions.
- • Use of non-financial professionals.
  - Use of properties to conceal money generated by illegal activities.
- • Use of corporate vehicles.
  - activities.

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## DOJ SETTLEMENTS

In the aftermath of financial crisis:

- Deutsche Bank \$7.2 billion settlement with the US DOJ
- RBS \$1.1 billion [JURIST report] after it allegedly sold toxic mortgaged-backed securities.
- In July 2014 Citigroup, Inc. agreed to pay \$7 billion to DOJ
- In November 2013 the DOJ announced that a \$13 billion civil settlement with JPMorgan & Co.