



EGMONT BECA Award Submission - Operation Hammer

BECA Case Description

Operation Hammer is, to date, Guernsey's first money laundering investigation to successfully apprehend and charge multiple offenders. It provides excellent example of the workings of the reporting regime, intelligence development and dissemination to multiple agencies and successful enforcement action.

Introduction

Operation Hammer was instigated as a money laundering investigation in 2011 following the receipt and development of substantial financial intelligence which focused on a Latvian syndicate involved with criminal activity both in Guernsey, Jersey, UK and Latvia. The initial subjects of the investigation were Martins APSKALNS and Subject 1, both Latvian Nationals working in Guernsey. The Guernsey Financial Intelligence Service (FIS) received Suspicious Transaction Reports (STR) under the Disclosure (Bailiwick of Guernsey) Law, 2007 relating to both individuals and this was supplemented by other Law Enforcement Intelligence. The STR's identified that large cash amounts were being paid into bank accounts in Guernsey and electronically transferred to Latvia for the benefit of APSKALNS.

The criminal activity being undertaken was initially difficult to substantiate but as the investigation developed it became evident that it included the fraudulent use of compromised credit cards to purchase numerous airline flights and mobile phone 'top up' for third parties. The investigation progressed with another Latvian male, Subject 2, being identified via receipt of further financial intelligence via the submission of STR's to the FIS showing that he was laundering of the proceeds of crime by large cash amounts being paid into his bank account and electronically transferred to APSKALNS' girlfriend's Latvian bank account, again for his benefit.

In November 2011 the Guernsey Border Agency Financial Investigation Unit (GBA FIU) was contacted by Jersey Police who had arrested and charged a male in Jersey for fraud offences. Financial evidence obtained in Jersey provided a direct evidential link to APSKALNS and Subject 1 in Guernsey and therefore substantiated the criminality with which these men were involved. The matter was immediately acted upon with the evidence obtained via the service of a letter of request to the Jersey Authorities and a money laundering operation instigated.

In February 2012 coercive orders were served upon the financial institution and produced substantial financial evidence which identified that proceeds of crime had been laundered via the use of Guernsey based bank accounts held in the names of APSKALNS, Subject 1 and Subject 2. In total, between 1st November 2010 and 28th February 2012, 163 individual cash credits amounting to £210,460.00, all the proceeds of criminal conduct, had been deposited into a number of HSBC Guernsey bank accounts. The criminal proceeds had then been electronically transferred to Latvian held bank accounts under APSKALNS' control where it was withdrawn in cash by a member of the syndicate.

The GBA Financial Criminal Team devised a targeting operation and conducted directed surveillance on the members of the syndicate in order to identify the criminality involved to an evidential standard. In March 2012 two of the syndicate, Subject 1 and Subject 2, were arrested in Guernsey, interviewed under caution and subsequently charged with the offence of money laundering. Searches of residential premises following the arrests of these two men directly led to the arrest, interview and charge of a third Latvian male, Subject 3.

Money laundering charges were brought against the four Latvian individuals. APSKALNS, considered the syndicate leader, was sentenced on 1st March 2013 and is serving a four year custodial sentence. The three other Latvian males absconded prior to being dealt with by the Royal Court of Guernsey and currently remain at large with arrest warrants having been issued by the Court. Confiscation matters are ongoing with an ongoing asset tracing initiative being undertaken by the FIU in conjunction with the Latvian authorities.

Background - Evolution of the Case

APSKALNS first came to the notice of Law Enforcement in Guernsey as early as 2007 with the receipt of sporadic intelligence linking him to the importation and onwards distribution of controlled drugs. This intelligence continued to be received along with other information linking him to organised crime but the intelligence surrounding APSKALNS and the details of the criminality with which he was allegedly involved remained uncorroborated.

The FIS developed the intelligence received and completed wide-ranging financial enquiries. An intelligence package was disseminated to the Guernsey Joint Intelligence Unit where it was further developed by intelligence officers. Intelligence indicated that APSKALNS was employed in Guernsey by a local construction company and had acquired a Guernsey based bank account.

In January 2010 APSKALNS name was noticed in connection with numerous flight bookings for Latvian Nationals inbound and outbound from the Bailiwick of Guernsey and beyond to Latvia. This pattern continued throughout the year and it became apparent that bookings had often been completed in false names and paid for with third party credit card details, often held in the names of US residents. In some instances the flight tickets were used and at other times the passengers, usually Latvian Nationals, failed to travel.

The GBA in conjunction with Guernsey Police instigated a risk assessment exercise aimed at accumulating intelligence surrounding the booking of these flights in order that progress could be made towards executive action. By November 2010 substantial intelligence had been collected

which related to APSKALNS dealing with stolen credit card details and the use of this stolen data to book and pay for airline flight tickets for Latvian individuals. In summary, the criminality that was generating the proceeds was identified as the purchase and onward sale of flight tickets and mobile phone top-up with stolen credit card details obtained from websites which facilitated the sale of compromised card data. Access to such websites or forums is typically restricted, with new users having to be vouched for by people already signed up to the forums, so as to avoid detection by Law Enforcement Agencies. It was the use of two such internet sites which was eventually to put APSKALNS at the centre of this particular web of deceit.

The way the frauds worked would be as follows: APSKALNS would obtain the stolen card data from one of these websites. He or one of his associates would then use the stolen data to book a flight or obtain a mobile phone top-up. Sometimes the people on the flights or receiving the top-up would be known to APSKALNS, sometimes not. Either way, a cash payment would change hands and APSKALNS would be left with a problem – how to get the cash which he obtained for the frauds back into the bank accounts of himself and his criminal associates.

In February 2011 the FIS received a further disclosure from a financial institution relating to suspicious cash payments being credited to APSKALNS' account and electronically transferred out of the jurisdiction to Latvia. This significant financial intelligence indicated that the bank account was being used as a vehicle to move suspected proceeds of crime through the banking system to Latvian held bank accounts under APSKALNS' control. However, the type of criminality generating these criminal proceeds remained unsubstantiated. Similar STR reports were later submitted relating to suspicious activity on bank accounts held in the names of Subject 1 and Subject 2.

Our suspicions tended towards drug trafficking but investigations, including directed surveillance, had failed to substantiate the type of criminality generating the suspicious credits. A breakthrough came when the GBA FIU was contacted by Jersey Police who were investigating a Jersey resident, Jersey Subject 1. Jersey Police initially believed that it was Subject 1 who was involved with credit card fraud with Jersey Subject 1 due to the evidential content of mobile phone text messages and payment details that they had discovered during their investigation. It later became apparent that APSKALNS and Subject 1 had worked with Jersey Subject 1 on building sites in Guernsey.

The FIS disseminated evaluated intelligence reports to the Guernsey Border Agency Financial Criminal Team, Guernsey Police, Jersey Joint Financial Crime Unit, Serious Organised Crime Agency Financial Intelligence Unit and the Latvian Financial Intelligence Unit via EGMONT secure web. The disseminations were followed up by conference calls and meetings.

Background - Official Complaints and Arrests

During 2010 Guernsey Police received a formal complaint from Aurigny Air Services Ltd, a locally based airline company servicing the Channel Islands and the UK, concerning 'chargeback'¹ payments relating to credit and debit cards which had been used to make flight bookings with the company between September 2009 and October 2010. In particular the company provided specific details which linked flight bookings to a close associate of APSKALNS and co-accused in this case, Subject 1.

¹ The charge a credit card merchant pays to a customer after the customer successfully disputes an item on his or her credit card statement, typically from unauthorised / fraudulent use of their credit card without their knowledge.

In May 2010 Guernsey Police received a formal complaint from Sure (Cable & Wireless Guernsey Limited) relating to transactions for prepaid mobile phone credit obtained via the use of the online “top-up” facility provided by the company. The complaint stated that during the early part of April 2010 their Financial Accounts Team had received notifications of chargebacks from credit card providers. Internal investigations conducted at Cable & Wireless identified the particular IP addresses from where the transactions were originating. They noted that a large portion of the transactions had emanated from Latvia but that from April 2010 the suspect IP address related to a specific Guernsey residential address. The change in the location of the IP address from Latvia to the specific residential address in Guernsey coincided with APSKALNS relocating from Latvia, to his home address in Guernsey where the specific IP address was sourced. Subsequently, APSKALNS was arrested at the property and during a search of the premises some very good evidence was discovered.

In interview APSKALNS could not explain why the IP address for all the fraudulent “top-up” transactions was that of his home address in Guernsey. APSKALNS was also unable to explain why other fraudulent “top-up” transactions purchased during March 2010 showed an IP address in Latvia where he was located at the time. APSKALNS denied any involvement and was bailed.

On Thursday 28th October 2010 APSKALNS was intercepted at Guernsey Airport when he was attempting to travel on a flight ticket purchased with stolen credit card details. He was arrested by Guernsey Police prior to boarding. In interview APSKALNS claimed that a friend in Latvia had made the flight booking on his behalf because he offered cheap flights via the internet. APSKALNS denied all knowledge of the flight payment details and stated that he had been sent a text message with the flight booking locator reference and that he had printed the boarding card from the internet. He was subsequently bailed. It transpired that APSKALNS had actually been describing his own method of criminality.

On 29th October 2010 APSKALNS departed from Guernsey to St Malo with Condor Ferries and absconded from the Island in contravention of his bail conditions.

Although now absent from Guernsey, APSKALNS continued to perpetrate his fraudulent activities through the internet. Initially, APSKALNS arranged for other people to pay the cash obtained from his continuing frauds into his Guernsey based bank account. For about six months, between the start of November 2010 and 20th April 2011, there were 62 separate cash deposits in Guernsey totalling some £109,275 paid into APSKALNS’ own HSBC bank account. Over a similar time period, police also later identified 5 cash payments through cash paying in machines in Jersey, again all to APSKALNS’ personal bank account. All this money made its way out again, in 42 separate transfers, into APSKALNS’ Latvian bank account, from where it was distributed to other participants in the fraud.

Due to the volume and nature of these unexplained cash deposits, nearly all of which were made through paying-in machines in Guernsey and Jersey, the bank realised by early 2011 that there was something irregular going on. Accordingly, in April 2011 the bank closed down APSKALNS’ Guernsey bank account and declined to process any further transactions through that account. This now left APSKALNS with a major issue – without access to a convenient bank account to make cash payments into, his lucrative and fraudulent activities could have been curtailed.

His solution was to persuade at least two of his Latvian friends and acquaintances who he referred to as "his boys" (being Subject 1 and Subject 2) to allow him to use their Guernsey based bank accounts for the same purpose.

Enquiries have identified that between 24th May 2011 and 10th November 2011, 27 separate cash deposits totalling £55,670 were paid into Subject 2's Guernsey bank account, all of which came from criminal activities. A further £39,305 was paid via cash paying in machines in Guernsey into the Guernsey bank account of Subject 1 who was a close friend of APSKALNS. A further 22 cash deposits totalling £5,425 were also made in Jersey between September 2011 and February 2012 into Subject 1's Guernsey bank account.

A similar amount of money was paid out of those Guernsey based accounts, again in several separate payments, into Latvian bank accounts over which APSKALNS had control.

Executive action

In March 2012 Subject 1 and Subject 2 were identified as both travelling inbound to Guernsey by separate means following short returns to Latvia. Each male was arrested, cautioned, interviewed under caution and charged with money laundering. During the resultant searches Subject 3 was identified as being complicit in the criminality, arrested and subsequently charged with money laundering.

Word of the arrests transferred to APSKALNS in Latvia and in March 2012 he returned to Guernsey of his own free will to face the outstanding matters against him. In interview APSKALNS informed the interviewing officers that the criminality was his responsibility and that he had come back to Guernsey to save his friends. APSKALNS was charged with money laundering and fourteen counts of fraud by misrepresentation. He pleaded guilty to all charges against him and on 1st March 2013 he was sentenced to four years imprisonment by the Court and the Court recommended that his deportation be considered by the Governor of Guernsey.

Subject 1 and Subject 3 were remanded out of custody and absconded from Guernsey prior to being dealt with by the Court. Subject 2 entered a not guilty plea but subsequently absconded from Guernsey just prior to his trial in January 2013. Arrest warrants remain in place for all three men and liaison work continues with the Latvian authorities in order to bring these men to justice and confiscate any proceeds of crime that can be identified.

Conclusion

An intensive investigation led to the charging of four individuals with money laundering. The main syndicate leader is currently serving four years in the States of Guernsey Prison and arrest warrants remain in place for the remaining three. Guernsey remains determined that these men will face justice and are currently working with the Latvian authorities in order to reach this conclusion.

Equally, Guernsey is determined to seize APSKALNS' assets in Latvia to ensure that the adage 'Crime does not Pay' is upheld in this instance.