



The Evolution of Prepaid Instruments from Giftcards to Virtual Money Laundering in a Global Theatre and its Implications for Financial Inclusion Programming

Presentation Session

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**Maria Stephens
USAID**

**Susan Lea Smith
U.S. Department of Justice**

**T. Jack Williams
Paymentcard Services, Inc.**

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Female: Good morning everybody in person and online. Hello webinar folks. My name is Olga Nacalaban and I'm with the KDMD Group, supporting with USAID. I wanted to introduce you guys to the Emerging Payment System Seminar event. This is actually the last one of these series. I wanted to introduce the Senior Technical Advisor, Maria Stevens, from USAID.

Female: Good morning. It's wonderful to see you all here and good morning to everybody online. I hope you can follow this closely and we look forward to your active interaction as well. I'm not going to go through great lengthy introductions of the two speakers here. These are going to be posted online and most people in town know these folks anyway. I will just mention that Jack Williams is the father of the gift card, which is kind of an interesting child to have.

He speaks with a great amount of authority on this topic, of seeing the gift card evolve in the ways that it has evolved. Jack is the President of Payment Card Services, again, a very experienced person in terms of understanding the mechanics of payment systems. That's going to be very useful for our discussion today.

Susan Lea Smith is a Senior Trial Attorney with the Department of Justice's Asset Forfeiture and Money Laundering Division, a former JAG with Navy I understand. She is a subject matter expert in everything related to asset forfeiture, money laundering, and the emerging payment systems that intersect with those two phenomena.

So without further ado I'm going to give some general introductory comments to try to set a scene for what Jack and Susan are going to discuss at greater length this morning – and try to work this as well. Where's my presentation? Okay, there we go. What I'm going to do is try to give you some of my own thoughts as a technical advisor with USAID who's been looking at these emergent payment systems for a couple of years now with colleagues like Susan and Jack and others.

These are just my general impressions of what might motivate the promotion of and support for different types of emerging payment systems within an international development context. And when I say emerging payment systems I'm not speaking restrictively of mobile money transfers, even though you'll probably hear a lot more of those in most discussions in the development context.

Today we're going to be focusing a lot on prepaid cards. But what I want you to keep in mind is that there are a lot of interesting hybrids taking place these days. So you're going to see cards merged with mobile. We're going to talk about that today. You want to try to mentally break down those different walls when you think about emerging payment systems and

see them really as blended models, and think about the risks associated with those blended models.

The first bullet that I want you to focus a little bit on is one of the two assumptions that I hear a lot within the development community about the rationale for promoting emerging payment systems within a broader development context. And that's that an increase in mobile money transfers will lead to an increase in financial transparency, which in turn will lead to a reduction in corruption.

As a former Math teacher I love tearing these types of syllogisms apart and I would encourage you to do the same thing, focusing on that middle piece. This is direct causality. Take that middle piece apart and test it under a few scenarios. The trick is going to be getting the data. What I want you to do is keep that thought in mind when you are listening to the different types of models that are going to be introduced today through Jack's and Susan's presentations, and ask yourself, "Okay have we actually increased financial transparency through this particular product or service? If so, what evidence do I have to actually support that claim?"

If not, what types of risk, identification, and mitigation strategies are you going to need to employ to trace and track those types of flows so that you don't flip that final – the corruption. So you're actually not increasing corruption indirectly. What are some of the advantages, again, of using – why do I hear my voice over there – EPS within a development context? The instruments can be used at both ends, can be easily used by the unbanked at both ends of the transaction: the sending of and the receiving of the funds.

So this really helps when you have an unbanked population that you're trying to support and bring into the financial fold. In the case of carrying the cards overseas you don't need the internet or the computer. You just carry the card. So there's an ease in transport with the prepaid cards. Currently there is little restriction imposed. That \$10,000.00 declaration limit does not apply to the prepaid cards when you're crossing borders.

Again, so it's easier to carry them over borders. They're easy loading and cash out options for these cards. Just think about Green Dot. It's pretty easy to put – what is it - \$2,500.00 on each card and cash out at \$400.00 a day wherever an ATM takes a Visa or MasterCard. So you could take four Green cards, load \$2,500.00 on three and \$2,501.00 on the fourth, cross the border, not have to declare and cash out at \$400.00 a day within a couple of days.

That's it. You didn't have to declare anything. Minimal identification requirements: again on both ends of the transaction. It's good on the one

hand because you're bringing people into the financial fold who lack those formal identifications. But think about the other side of that equation. This is when it starts to get really interesting. You can use these prepaid cards to open accounts online and then that gets you into the whole virtual world with the MMO's that we're going to talk about today.

Think about second life. And in fact if you do that one or two times over you've kind of created a cash-like function, which is hard to trace. And also emerging payment systems complement the current development agenda of promoting diaspora-based remittance flows from countries back to the country of origin of the sender. There are some good and positive benefits to introducing emerging payment systems into a broader development context.

That should not be – how do we get this thing going? That should not be thwarted by some of the issues that I'm trying to throw up here for consideration. Here are some of the other sides of the equation. In the countries that we generally, at AID, do our work, there's no Consumer Financial Protection Bureau. There's no Dodd-Frank consumer protection language. There's no FDIC-like protection that can be backed by effective financial infrastructure.

I mean there are FDIC-like programs but once triggered you need to see if they're actually going to go into action the way that they can and should. So the assets underlying a lot of these transactions are quite exposed. This is what we're going to talk a bit about today – is when you see the high-tech, low-tech hybrids of these emerging payment systems models it's going to get challenging to trace those funds.

So you think cash going into a prepaid, going into an MMO – how do you trace all of those transactions when they go low-tech, high-tech? Companies currently are providing global remittance products that are already tied to prepaids. Here is a couple of examples right here. See here's that blending that I'm telling you about. There is limited (and this is where we're going to turn to this sheet that I gave to you) or really absent emerging marketing and fragile state legal, regulatory, and enforcement capacity to oversee the introduction of many of these emerging payment systems into their payments platforms.

And this problem, in my opinion, is further exacerbated by a strong donor push for such programming in these country contexts. So by way of illustration, have a look at the handout that I gave you this morning. And this is just my checklist. By the way, I haven't even included on this the UN-supported programs, which will blow this up significantly. So this is really kind of a partial list. But if you look at this list here –

This is just my thumbnail sketch list of the countries that I know which are currently receiving significant amounts of emerging payment systems type funding and programming. And 92 percent of the countries on this list (I think it's 24 out of the 26) can be categorized just by these two criteria alone as medium to high risk in terms of their capacity to significantly identify and monitor the risks that can be associated with these emerging payment systems.

The Basel rating: I think on the second page of the sheet that I gave you there's a hyperlink to the Basel rating, what actually comprises this Basel rating, which is a composite indicator that looks at levels of corruption, due process. It's pretty much a political rating index and it's quite good actually. Question – Class question. On that list – I think it's 144 countries are on that list. If I ranked it from one being the worst by the Basel ranking to 144 being the best, any guess on what those outer parameters might be?

How about the worst? It begins with an I, and it's not Iceland. It's not Ireland, and it's not Indonesia.

Male: [inaudible comment]

Female: Louder?

Male: Iran. Is it Iran?

Female: Got it. Iran. So Iran's your outer perimeter. How about 144? It begins with an N, think snow.

Male: Norway.

Female: Norway. Go Norway. Okay so those are outer perimeters. Now where do you think Kenya fits? And I'm specifically choosing Kenya only because Kenya does have a rather well-known mobile money program. Where do you think Kenya fits on that Iran to Kenya spectrum? What number?

Female: Eight.

Female: Wrong. Good guess. Ooh, way wrong. Lower than eight.

Female: [inaudible comment]

Female: Two. So just ponder that for a minute and think about that when we're talking later about these different models.

Male: Can you tell me why that is? I don't really understand _____ should be high and _____ should be low. *[Inaudible comment]*

Female: High as in high risk?

Male: Yes.

Female: There are many variables. Dig apart at this Basel rating and you'll get a sense on that.

Male: That's what I'm looking at.

Female: Right. What I mean is –

Male: How did it come to those *[inaudible comment]*?

Female: We could have a whole lecture on that. In fact, maybe we should. What I would suggest for the time being (it's a very good question because there's no easy answer to that) is that you dig into the variables that comprise the Basel indicator and that might lead you a little closer to your answer.

Female: *[inaudible comment]*

Female: Kenya just opened its Financial Intelligence Unit in June. Speaking of FATF, the Financial Action Task Force status – How many are familiar with FATF? Okay, so if you're on the gray and black list that's going to put you in that medium to high risk category pretty quickly. There's a strong correlation between your FATF status and Egmont Group membership because Egmont Group membership you have to clear some pretty high AML-CFT compliance hurdles to get there. So I just put there as a little check to the FATF status.

This is for you to keep and think about. I'm going to sit down now and let our real speakers talk. But I wanted to set this context for you. Chris?

Male: I'm still focused partly on the first slide when you articulated –

Male: Hi. Chris Lehmann, Department of Justice. On the first slide when you indicated the list of rationales, who is that representing? A rationale in favor of prepayment systems by USAID or by the industry? Because you basically described a structuring system to evade U.S. Reporting laws, which to my mind you practically made a prima faciem money laundering case there.

Female: Which certainly was not my intention. This is my list –

Male: And Susan will probably be addressing that.

Male: Where are you using the microphone?

Female: It's open. These are open.

Male: There's one right there.

Female: No that's fine. You can speak.

Female: It's open.

Female: Okay so this is my running list of my impressions of what's motivating development practitioners and donors to promote these emerging payment systems as part of their overall financial inclusion agenda.

Male: *[inaudible comment]* a development promoter want to avoid U.S.?

Female: But Chris, right now, what she was talking about –

Male: Is legal – yeah.

Female: Is perfectly legal.

Male: So why would want to promote that?

Female: You mean going -?

Male: It's a scheme to avoid the \$10,000.00 reporting requirement _____.

Female: Well, but we don't have a \$10,000.00 reporting requirement that includes cards.

Male: For this, yeah.

Female: For prepaids.

Male: So we identify a *[inaudible comment]*.

Female: It's a weak link. And what I'm saying for this is that there are many weak links that potentially could be exploited and damage an otherwise benign and benevolent program intention. That's the point I'm trying to make. I don't think anyone's consciously trying to create a loophole. I think there are weak links that are not being addressed and mitigated. Does that help sort of?

Male: Except for the part about consciously trying to create a loophole. In my mind that is consciously trying to create a loophole.

Female: This is a problem where technology has outdistanced our ability to regulate it. That's our –

Female: Okay. So let's move on – Excellent question and hopefully they'll shed a light further on the challenges and mitigation strategies.

Male: Good morning. First of all it's a privilege and opportunity to be here and be able to address you all and talk about these cards and talk about the various points. But yes I am the inventor of the gift card. Back in 1993 I worked for Blockbuster Entertainment and I went to Wayne Huizenga and I said, "I have this idea for a gift card." And I said, "Oh here's what it's going to look like." He looked at me and I made this presentation in front of three or four people on the executive staff.

He kind of thought about it for a second and he said, "Williams, you're an idiot." He said, "No one in the history of mankind will want a little card instead of a paper gift certificate." And I said, "Oh I believe in this," and a long, long, long story and we're going to show you some of that. But from those days I would never have thought that we would have evolved as we have today to where American Express at Walmart issued a Bluebird prepaid debit card for financial services.

While to you that doesn't seem much; relative to the industry that is a significant leap. That brings the validity of what I have been saying for a while and that is prepaid debit cards have evolved. They've evolved from a gift to a financial services delivery tool to the empowerment. For example, 46,000,000 get their SNAP payments on a card. Unemployment – WIC they call it, Women, Infants, and Children.

Child support payments are made on cards. Prepaid debit cards have helped in a very, very positive way millions upon millions of people in this country and around the world. So I don't want our conversation today to be focused on the bad guys. The bad guys are a natural evolution. We haven't thrown out cash because cash is used by some bad guys. Nor would we ever contemplate that for prepaid cards.

They're an outstanding tool, but it's being able to understand the methodology behind them. It's understanding the theory. So what I hope to prevail today is what is the theory behind these cards? How do you interdict them? What are some ways that we've come up with to kind of help you with that? Let's start with a little trip down memory lane. Does anybody remember this? If you don't, don't tell me.

So in 1984 the first phone: can you imagine this phone that had a range of half a mile? They'd charge you \$0.21. It cost \$4,000.00 to buy this thing. It was the hottest, must have. It was like having an iPhone 6 today. It is that hot. People would carry them around. It took Motorola years and years to be able to figure out how to do this. But it became the standard in 1984 to 1988 of cellular phones. But yet we look at what's in your pockets today.

Each one of you probably has a smart phone. And that smart phone allows you to do what? You can call anybody in the world. You can text anybody in the world. And you can e-mail anybody in the world. And you can get that message to them in seconds. Well that message is not lost on the bad guys. Let's kind of set the stage. This is the state of Washington. I'll tell you, the state of Texas – I'll give you one that's not here, the state of Texas.

I met with the Attorney General not too long ago. In 2009 they actually seized \$100,000,000.00 of cash in the operations. Last year they seized \$30,000,000.00 of cash in their law enforcement operations. So where is that cash going? We see here in the state of Washington other law enforcements have confirmed that there is a migration from cash to plastic. Well some of the rules – We don't have the border requirements. There are a lot of reasons. But it is a true fact today that the cartels and the bad guys understand this.

So let's put cards in the context of where they are. There are three genres of card illicit use. One is fraud. Fraud is taking somebody's credit card and buying a prepaid card with it. And so you have a victim. But you have two forms that are non-victimized. The second one is money laundering. That's where just good, old-fashioned cartel money laundering, whether it's drug laundering or whether it's human trafficking, child sex selling, but that whole category.

And law enforcement numbers see to vary. They're all over the ballpark. But that seems to be like \$120 Billion dollars. And again, then you also have the side – what the IRS saw in the various illicit tax returns and the loading of money and identity theft, that whole scheme. That's billions and billions of dollars. Then there's this one kind of hanging out there that is much smaller and that's terrorist funding.

Remember that a prepaid card will buy an airline ticket at any ticket counter without pulling any of the TSA triggers. If you were to walk up with cash and do the same ticket buying you'd have everybody and their brother – You'd have new best friends that would be sitting all around you on the flight that you were about to take. So that's what we want to talk about today, money movement today.

As I was setting it up it's about \$120 Billion. It's moved globally. There are so many guestimates. This is Susan Smith's bedroom here. I just wanted you to see what that was. She hates it when she has to store cash like this. It was all taken off of prepaid cards right? We spend all day doing this. But what's happened is cash is now a problem. The new rules and regulations in Mexico have compounded the cartel's ability to move funds.

You still have the prostitution, child porn, and all that whole side that's able to move funds. But they are becoming a prepaid source or methodology for moving money. And while I've read it in the newspaper it seemed like \$36 Billion to \$40 Billion seems to be the average number that is quoted in the press that the IRS moved money. Again, they don't ask my opinion. And for those of you who know the industry, I think we can do to Mercator and be able to get them to do special research on cartel money.

So today you face a new challenge. We're in a whole new world, a whole new era of funds movement. You certainly have the fraud side. You have the money moving side. You have the elicited tax return identify theft side and you have the terrorist side. In the old days they weren't used very much at all. So now we have an infrastructure that's global. Think about the difference. Cash in and of itself is not global in its movement.

You can't move a piece of paper from here to there in seconds. I can do that with mobile technology. So we further complicate the whole error, this whole concept by the speed of which mobile has now taken over. And we'll touch on mobile. Global remittances can be done in seconds. I'm going to show you companies (and you can look them up) that can move money from anywhere in the world to anywhere in the world in seconds.

In the old days when you used to bust down a door law enforcement would look for a counter, one of those little things that goes *[sound like brrrrrrr]* and would run through the cash and have all the rubber bands everywhere. Now they just look for a computer with an Excel spreadsheet because that's how it's done. But before we go much further I thought you'd get a kick out of a little history.

This is a picture of the very first ATM in Upper Arlington. That's up near Columbus, Ohio. It was the very first one done in 1959. In those days they were called "anytime machines." ATM came up later. And it was called online debit because the machine was online full-time and was able to process 24/7. And a fundamental decision was made back then that it would always require a PIN.

The very first DDA Debit (Visa check cards sometimes they're called) was in 1978 by the Seattle First National Bank. It was called offline and it actually ran, and they still run today, on credit card platforms. And this is the very first gift card that I did. It was based on a movie called *The Indian in the Cupboard*. It was taking a movie theme – a movie many years ago – and we made a gift card out of it.

One of the other customers was Exxon. Exxon came to me and they said, "We like that. We want to do that. With the next movie coming up I want to do that." Well the next movie up was Titanic and it just never worked out for Exxon to do a Titanic gift card.

Let's talk about some of the issues. Let's talk about the foundation of cards in this industry. So an issuer (financial institution, the bank) is the member of the network. The network is like MasterCard, Visa, AmEx, and Discover. Those are network. The acquirer is very important. The acquirer is the liaison between the merchant and the networks. He gets the money and moves the money. He is the money person here.

A switch is a point of aggregation. Understanding where the switches are; it's where the points that these transactions come together. A transaction goes from a merchant terminal, goes to a switch, and then it goes into the proverbial cloud to be pushed on for processing. Program manager: and just a little sidebar – if I say the name of a company that exists it has nothing to do with anything other than an example right?

Green Dot is a good example of a program manager that you've heard of. A program manager; their primary job is the sales, the marketing. They hang them up on the shelves. They have the little packaging. The program manager has historically been the person that does all the sales and marketing of it. And the processor is the fulcrum point of these programs and that is the holder of the transaction database.

That is the person (the company), that has the data. It has all of the activity. And the key, the most important element here, is called the transaction history file. That's what you want. Everything that happened to a card is embedded in that trans hist file. Let's do some more terms so we're all together.

BIN is called the Bank Identification Number. It's the first six digits you see on a card. But it should also be understood that the next three digits are called the BIN extensions. That's how banks and how processors primarily monitor and report their programs. It's a way to subordinate different programs – divide this program from this program to this program.

Networks: MasterCard and Visa. The role that MasterCard and Visa play in this is they provide the authorization network and they provide the funds clearing and settlement. They get the merchant paid. And then Visa, of course, takes a large cruise ship and goes to London and takes all the bankers to enjoy the Olympics. But other than that, that's their primary role. That is the role of the networks. And a point of sale is certainly the merchant, his terminals and everything.

So how are they different? A prepaid card is a virtual account. Change your paradigm. It's a virtual account that has multiple access points. There is no money on a card and there's no money on a phone. I had a guy walk up to me after a speech and said, "Where do you put the money on the phone?" I said, "Oh, very carefully. You take your \$100.00 and you have to fold it very, very thin. And if you'll slip it right on top of the battery it gets absorbed in."

That guy walked away and I'm thinking, "Oh no. This guy's in trouble. We may have a fire. Maybe that's where the fires came from in phones." *[Laughter]* There is no phone that holds money. There is no card that holds money. They hold information that allows access to a central database. So they have these unique ranges. Prepaid has a range.

Remember all fours are Visa cards. Not all fives are MasterCard. There are fives that are not MasterCard. 6011 is Discover. 37 and a few others are the AmEx. That starts their BIN's. But IIN's are something called Issuer Identification Numbers, generally used in the PIN world. These are administered by the American Bankers Association and can also be used for global routing of card transactions.

Closed loop are gift cards, just a regular buying a merchant gift card is closed loop. But you have large closed loops now, which is Supplemental Nutritional Assistance Program, the food stamps. That is a large closed loop system. That is not open. It's only in certain grocers for example – personalized and all of those types. Processor is the key to understanding what you want to know.

Here's an example, M2. These guys are out of Orlando. But you can see that they offer a lot in a variety of services. Processors are the hub of the prepaid engine. That is the most important lesson that if you walk out of here and don't hear anything else I say at least; understanding that is very important. So program managers provide the sales and the marketing. Here's a good program manager in the payroll space.

There are a significant number of people that sell payroll cards today. They go out to employers and they say, "Hey why do you want to pay for

paper checks? I've got a new deal for you. Let merchants pay your payroll costs through the interchange, the fee that the merchant pays. We'll replace all your paper checks and you can do it with cards." There are a lot of companies that legitimately use payroll cards to replace paper checks in a variety of situations.

Female:

With these perhaps the greatest vulnerability of the prepaid cards is the way that cash can be loaded onto the cards. You have to understand with the general purpose reloadable card – And once again let me go back. There are essentially three different kinds of cards. There's the closed system card which is more generally what you think of as the gift card. It works within the system that issued it.

And you normally cannot get cash. You've got to buy a product with it. Then you have an open system card that looks something like this. This is the gift card that's a Visa, MasterCard, American Express card where I can use it at any point of sale terminal but I can't get cash off of it. It's not individualized to myself. And then there's what we call a general purpose reloadable card which looks just like your debit card.

In fact it says "debit" on it. And that's going to be a clue to you that it's a general purpose reloadable card because it has the debit marking on it. For us in law enforcement it makes it difficult because we can't distinguish it between the check card that's also in your wallet because there's nothing on that card unless we look and we learn the prepaid provider or the program manager. Here, this is Vanilla, Green Dot. They're going to put their insignia on those cards and that's going to be an indication to us that they're prepaid.

So I can put money on those cards in a number of ways. Mostly I'm going to load it with a cash load and that's where they're the most vulnerable. But I also – The trick with these cards as well is that yes, industry has put a \$10,000.00 limit on most of the general purpose reloadable cards. However, there's no legal requirement as to the load that can be put on these cards. Here in the United States industry itself has limited itself to \$10,000.00.

Outside the United States these cards – I know when I was in Kuwait they essentially told me they put as much as \$60,000.00 to \$70,000.00 on them at a time because they flee Kuwait in the summer and the put all of their living expenses on the general purpose reloadable cards. There's really no true limit as to the amount of money that can be loaded (we say) onto the cards – loaded into the bank account that is linked to this.

But what is, as I said, the vulnerability here is the cash load. This is Green Dot's – This is how you load a Green Dot card, or 48 other cards. They

have agreements with 48 other card issuers or card providers so that this little piece of cardboard can then load their cards. Now you can go – Walmart is probably the best place to go because you can put the most amount of money on this little card, and that's \$1,000.00.

If you go down the street to CVS they'll let you put \$500.00 on them. But what makes them so unique is they're totally anonymous. So as long as I may have a general purpose reloadable card anybody can go buy one of these. I can walk into a Walmart. I can buy ten of these and put \$1,000.00 on each, and \$950.00 on the last one so I don't get over that \$10,000.00 reporting requirement and walk out of the store and it's totally anonymous.

Then what I have to do is then I can just hand those cards off to somebody. But those cards are now \$9,500.00. So if Maria's bad has a hole in it and she drops in on the street and I pick it up, I am the proud owner of \$1,000.00 and I can just load it onto my card because once again it's totally anonymous. You scratch off, you find the number on the back, and then via telephone or computer you load that onto your card.

In that sense, anybody in the world – They can either ship it to them or they can load it. I can just give the number. And as an example, this is a case that the U.S. Attorney's Office did out of the Western District of North Carolina. This is a case against a madam, Sallie Wamsley-Saxon. She ran a prostitution ring. She would send her girls all over the country. She thought she was being very smart by not accepting credit card transaction because she knew that we could track the credit card transactions.

So her girls would only accept cash. But then she discovered prepaid cards and thought, "This will be a great way for me to pay their expenses. But more importantly if they'll go -." They were instructed once they'd been paid for their services to go into the local CVS or go into the local Walmart, buy one of these money packs. Before they left the store they would call her, give her the number on the card. And while she's talking to them she would get on the computer and take her 30% off of this card and load it onto her prepaid cards.

So in a manner of less than 60 seconds she successfully laundered her profits from that prostitution ring. And it's essentially happened outside of the normal financial channels. If we had (which we did) – If we had subpoenaed and gotten her bank records we would never have seen these transactions. And in fact at the time this case was one of the first cases that we did where we found these prepaid cards. We didn't know what we were doing with them and we walked away from them. We left them

sitting on the desk. She had five of them and her husband had five of them so they all were successfully loaded with the prostitution.

Here with the Green Dot system as well – As I said it loads not only Green Dot cards. It loads all the Walmart cards because Green Dot is the program manager for Walmart. But it also loads 48 other prepaid cards. Now they're not the only program manager that has these. NetSpend® has one which is I guess in the number two, the program managers of the largest. But even Western Union – You can walk into any Western Union and you can load about 70 different cards they have agreements with.

So once again the loading of these cards is somewhat problematic. Now what Green Dot's done in an attempt to try to control the loads on these cards is (as Maria point out) you can only load – The maximum load you can put in any week is \$2,500.00 of cash on the card. But if I ACH onto that card I can put any amount of money on that card. What the control is is for the cash load, not an ACH load.

In the typical fraud situation or the typical corruption type situation; they are – Many times the money is already in the financial institutions. So the ability then to get money off or to make a payment, an ACH type of transaction on the card, makes these cards much more vulnerable in that situation.

Female: But when you say the money gets loaded onto a prepaid card, what prepaid card is that that it gets loaded onto?

Female: It's going to be what it – When you go – It could be – Obviously you're going to have to purchase one. You're going to have to go down to the CVS and take one of the GPR cards off the hook. Once again I use Green Dot just because I've got this little card here and Green Dot's probably the biggest of the program managers. When you guy their card you can initially load \$500.00 onto the card.

Female: But if I had a card, let's say a prepaid card affiliated with my bank account, could it also be loaded onto that?

Female: You wouldn't have a prepaid card affiliated with your bank account. A prepaid card – The monies from a prepaid card always go into a pooled account that the issuer holds in the name, sometimes of the program manager, or sometimes of the bank itself. Okay? Then, here in the United States the FDIC has issued an opinion that essentially as long as that general purpose reloadable card can be identified with a particular person – That's why the conduct customer identifications and new regs requires them to conduct customer identification.

If that card can be identified and linked to an individual person then it receives FDIC insurance. So it's a sub-account of that big pooled account.

Female: Loretta that's the General Consul number eight that she's talking about.

Female: That's how the general purpose reloadable cards – If it's a gift card; these are totally anonymous. They just go into a big pooled account and are just identified by number, no name.

Female: Just a quick note for everybody, we have a Q&A session at the end, so everybody will get the chance to do that – just so that we can get through the presentation.

Female: Now these cards, because we can't move cash off of them, industry has tried to convince us that these are not mechanisms for money laundering, but the bad guys have figured out how to launder money off of them because they're totally anonymous. That's what makes them attractive. Now pretty much the maximum load I can put on this card is \$500.00, but in one instance we're aware of (because the bank did what they were supposed to do and filed Suspicious Activity Reports for us) we know that somebody bought \$500,000.00 worth of these cards.

It's a Visa – not a gift – It was a Visa brand but it was a Visa gift card. We then know that they were taken across the border and they bought a condo in Panama City, Panama with them for \$300,000.00. So somebody swiped 6,000 of these cards to pay for that piece of real estate. Now the bank found that highly suspicious and filed a Suspicious Activity Report. And the problem is though, while we investigated it I know who bought the condo, but I don't know who bought the cards. And I don't know the source of the money. So this was a dead end for us.

Female: Sorry, if I could interject right here because that's a choice that I forgot to make in the introductory comments. Another challenge that law enforcement and others have is there is not a functional equivalent within the EPS context to the Basel guidance on prudential oversight of assets. In addition to that there's no core set of nomenclature or vocabulary for use in communicating these types of phenomena that Jack and Susan are describing.

I'll give you a little anecdote. I was at training down in Tampa a couple of weeks ago and there were reps from several U.S. Government agencies participating on a panel.

And I asked them, I said, "If you were to describe in an SAR (Suspicious Action Report or a Suspicious Transaction Report) a sort of typical EPS-based transaction? Do you have an analyst who starts that process, who

uses a core set of vocabulary to write that report, dump it into a repository in such a way that Jack, the analyst on the other end of the transaction, can pick it up and understand with a reasonable amount of confidence the original intent of that analyst? Is that link there in terms of the vocabulary as it would be if I were talking about a deposit or a wire transfer in a bank-based system?"

And I didn't really get a response to that question. So my conclusion is there isn't. That's something we need to keep in mind too, that in order to share this information so that it's actionable intelligence we need to get to that level.

Female:

And just as another example of how quickly the money can move and be laundered, this is the Royal Bank of Scotland WorldPay case. WorldPay is the processor for Royal Bank of Scotland. What happened here is tremendous. Very good hackers hacked into the Royal Bank of Scotland WorldPay system. They specifically went to the prepaid payroll section. They issued themselves 44 prepaid payroll cards and because they're hacking they lifted the limits off of those cards.

Essentially they took the limits away from the cards. And they then distributed those cards to money mules or cashers for them. They went back into the system. They told those cashers, "Go," and within a 12-hour period they hit 2,100 ATMS all throughout the world and they stole \$12,000,000.00. At the end of the period – Or \$9,000,000.00. I apologize. \$9,000,000.00 in 12 hours. At the end of that period they told them to stop.

The cashers walked away so they have all this cash, millions of dollars in cash. The cashers walked away with 30 percent and then they turned around and loaded the rest of the money into a digital currency, WebMoney. WebMoney is offshore in Russia and so for us the money trail ended. Now because of the incredible job of the FBI we were able to identify the hackers in this case. They were five Estonians, one Russian, and one Moldovan.

The head of the hacking ring I guess was the Estonian. He was convicted in Estonia but they actually did extradite him to the United States. The Russians, for the first time, actually prosecuted somebody for hacking and they gave him four years of probation to show us that they were serious about that crime.

[Laughter]

Take it over.

Male:

On the RBS case, what was interesting was that they did this on a Sunday night. They came in. They had lived in their platform for about a month. They knew how that worked. They also were able to anticipate PIN's – the PIN generation. They were able to learn the algorithm that generated PIN's. W

When they actually did this during the 12 hours they went back in and then reset everything to the way it was so that no one at Royal Bank had any clue until they got a clearing settlement file from Europe for the \$9,000,000.00 that they owed. They said, "Well no there's got to be a mistake here." And then then dug in and found out. These guys are really good. They know what they're doing and they know how to understand how to infiltrate the payment systems.

Let's talk real quick about mobile. Everybody is hearing about mobile here. Google's going to be one of the big ones, certainly the one that was most thought of. I think it's going to be NFC, that's near field communications. That is a chip that's embedded in the phone that holds the same data that the mag stripe holds in a card. Think of it as the chip is the magnetic stripe and it holds that same account number, the algorithms. There's a long process that's involved.

These have not taken off well. You don't see big programs today. There's a real break from the ability of a processor to embed the mag data into the NFC chip. That's one thing. And I think everyone is still reeling from the fact that the iPhone 5 with all of its pre-publicity was going to have a NFC chip in it. When it did not I think a lot of the steam kind of went out of the sales and I think everybody is kind of –

I think it's still out there. Google would like it to be out there. Google Wallet was really to drive Google offers, which was part of their Groupon. It's all about relationship management. Google has not really caught on yet. Isis was the company in November a couple of years ago that said, "We're going to replace MasterCard and Visa as a payment system." And I think before you take on MasterCard and Visa you'd better really be ready. So Isis is yet to launch and MasterCard and Visa are setting records in their profits.

Here's the other kind. This is the kind of mobile guy that uses the mobile carriers. He's not going through the rails of MasterCard and Visa. So Smart Cash is somebody that you can sign up. You can have an account, a prepaid account. Again, remember the big difference. Why is this important? Prepaid is a global phenomenon. Cash is a radius phenomenon. Cash only moves from where the cash is.

But because a processor can be based in Estonia or Russia or in the Caribbean or in South America it's not restricted to how and where it moves money. You have companies like this. This is only just for examples, not anything inappropriate. But they use the rails. Their methodology of communication goes through short codes. Remember when you're watching American Idol or something and it says, "Text your votes to 12345." That's called a short code.

That is basically a shortcut to the end processors, into the point to where it needs to go. It doesn't go through some long process. So short codes and being able to process – You take a bad guy down today and he can very easily, instead of running back in the back throwing drugs in the commode, they're going to be using their phones to send transmissions to move money.

Virtual accounts we talked about earlier. It's the hub of this wheel. It's the most important process here. Virtual accounts can reside anywhere in the world and they interact into the financial system. They can be in Africa. They can be in the Philippines. It doesn't matter where the virtual account is housed. FinCEN got it right when they called these prepaid access devices. This is accessing to an account.

And the job for law enforcement is going to be how do you intersect that transmission, that communication, so that you're able to access the virtual account that's actually the centerpiece. It's where the money is. It has to have access into the financial networks. It has ATM communication. And who drives that are processors. And it's the processors in the world that can move this money based on instructions they receive.

So who are some of the disrupters on the horizon? In my opinion I think PayPal®. Remember I'm saying "disrupter." I think they're going to be a formidable source. I think if you walked into a Home Depot not too long ago you could actually transact using and key entering a transaction at a Home Depot point of sale. You put in your 10-digit cell phone. It could be any 10-digit number actually. And you'd put in a four-digit PIN and that accessed your prepaid account.

So key entered transactions. PayPal® also just recently signed a deal with a Discover card platform so that you can have a PayPal® card that can be used anywhere that a merchant accepts Discover. So now you've expanded 232,000,000 PayPal® accounts. A 100,000,000 PayPal® accounts receive funds – or had a financial transaction plus or minus within the last 30 days – a formidable number of accounts and access to those accounts. And that's a global phenomenon.

Another disrupter I think is on the horizon that's worth noting is China Union Pay. China Union Pay is a division of Bank of China. And what makes it unique is about 18 months ago Bank of China said, "Hey we've got a new deal for prepaid all you prepaid guys. We've got a great offer." They said, "For \$15,000,000.00 you can sign up here and you have two requirements. One, it's \$15,000,000.00. The second one is that you have to have five names on your application that have not been in jail for the last five years for a prepaid card event."

I thought that was being really techie. That's getting a little too strict in their requirements. But today approximately 440 financial institutions operate behind the Bank of China as China Union Pay. So there there's no control of the issuers. There's no oversight. We're leaving the control of the money and the limits to the Chinese government to administer that.

Discover is kind of the up and comer. I think they're getting to be pretty smart in what they're doing. But PayPal® will be a disrupter, and that is would be changing how we buy. They have some weaknesses because they have a step in there, and that is how do they get money? But soon they're going to be opening up and you'll be able to direct deposit right into your PayPal® account.

Female: As I told you, with the gift cards, why the criminals like them is they're totally anonymous. But what they don't like about them is they can't get cash off of them. How many of you have ever seen Square used before? Where did you see it used? Holler out.

[inaudible comment]

Female: The food trucks that are out here? Farmers markets, maybe a small business. Squares turned in your local kid that mows your lawn where you always had to come up with the cash. Now he can take credit if he has a smartphone, because it costs you nothing to create a Square account. And Square gives you – You can say you want it just 'cause you want it, or because you have a business. And what I had to certify to get my little Square terminal free was that I wouldn't use it for any illegal purposes.

However, as I told Jack, I got a call maybe two weeks ago from a law enforcement agent who said somebody had given him my name. And he said, "This is my problem. I've got a methamphetamine dealer. We've taken him down. He's in jail. But I can't find the money anywhere. And he's a very successful methamphetamine – Where is the money?" And I said, "Beats me."

And he said, "Well what's happened is I've got a recorded conversation of him talking to his mother in jail and he says she needs to go to his Square

account." And I started laughing. He said, "Why?" And I said, "That means he's not taking cash for the meth, he's taking cards. He's taking cards for the meth." He goes, "You're kidding me." I was like, "No. Square is where he's holding all his money."

So Square is essentially – When Square first came out I just thought, "Credit card fraud." But I went to a prepaid conference and they taught me how to launder money with Square. And that's essentially I go buy one of these. I have a Square account, totally anonymous. I can't get access to cash. Now I can. I just zip it through my Square and that money is put into my bank account. So now I have taken an anonymous, prepaid instrument using a very new and a very effective technology.

It's a great technology for the small business man, for those entrepreneurs out there. We're all moving away from cash. But it's also a mechanism that can be easily used by the criminals to launder their funds. The other thing you've gonna do is there are now a number of web sites out there now that will buy these for a discount. And the discount to the criminal is just the cost of doing business.

Male: So just to follow up, sales are 2.75 percent. That's what you pay. It seems like you have a low cost to good sold. When you're selling drugs you can afford the 2.75. Now what we see is we've seen criminals that are standing on the corner. They used to have cash. Now they pull out their smartphone. They have their plug. It's a sale and, "Let me have your prepaid." "All right." Bang, bang. And the final question is, "Would you like to have a receipt e-mailed to your home?"

[Laughter]

They get their money fast, easy, and neat. Prepaid cards will fundamentally change cash in this country. It's the speed. It's easy. We have digitized all of the sale transactions and there are other Squares and _____ *[sounds like Soon]* Sale and there are going to be other ones coming out soon. This is not unique here. These transactions – you'll start seeing them much, much more readily. Now when they take guys down on the street you're going to have to be looking for their sale accounts.

What else is happening in the streets? What else is confounding law enforcement? That is this mag stripe is embedding in what's called tracks 1 and 2 with a lot of information. It has security algorithms. It's got a bunch of numbers, sentinels, and a bunch of things. This device can transpose the information from this as simply as this. If you wondered how they did it in a restaurant when they took your card away, that's exactly how they do it.

This is a little bit more expensive. They usually don't pay the high dollars for the smaller ones. But as simple as taking this card and pushing one button on the front I have just captured the data. And now I take a hotel room key and I push the second button and I run it through the exact same device. And now I've just taken and replicated the Visa card onto a hotel room key and law enforcement would never look for it.

I met with the Chief of Police for the State of Wyoming. And Wyoming is unique in money laundering and child prostitution because of interstate 80 that flows east/west from Portland to Philadelphia. They arrested a guy not too long ago and we were talking about this. He said, "Darn. You know I arrested a guy right on the street -." If they're east bound they have children in the car, they have drugs. And if they're west bound they have money.

He said, "Well we busted a guy. We took him down and we counted 140 room keys in his car." And I said, "Well what'd you think?" He said, "Well I thought he stayed in a lot of hotels." I said, "Well he did or he stole them." Being able to take and replicate a legitimate card and put it on a hotel room key, onto a driver's license, onto a Steak and Shake \$3.00 gift card so that it throws off –

The reality is this isn't the only way with the Visa bug on it that money is moved on cards. Many times it is anything that has a mag stripe has the same functionality. But again it just hides everything. It's just light. It's just neat. It's really fast. I tried to show Susan – I was going to say – I asked for her credit card so I could show her how well it does but –

Female: And as I recall you can put 800 -?

Male: Eight thousand.

Female: Eight thousand – This little thing will hold 8,000 card numbers. Carry it in your pocket and commit credit card fraud.

[Laughter]

Female: As Jack said, because the near field communication hasn't been adopted here in the United States we still can move money through phones here in the United States. These are two services that do them, which is Obopay. Obopay is probably the biggest. You have to create an Obopay account with them. As you can see they also issue a prepaid card as a mechanism for getting money out of that account. But you can text – By using the text you can text money from any phone to any other phone, anywhere in the world.

As I said Obopay is probably the biggest of that. For me, law enforcement is always instructed to get the numbers off the phone. Now we have to be very careful to make them also look at the text messages to make sure whether money has moved. Zip Wire is another company. This is a company out of Philadelphia. It's the same. You can hold five accounts, \$2,500.00 in each account with Zip Wire, through text messages move that money to another phone anywhere in the world.

I can, in a few text messages, move \$10,000.00 very quickly across borders. So essentially, even though we don't have the near field communication in our phones and that ability to store that information tech companies have figured out a different way to move that money.

Male:

In the old days it was the cartels taking a bunch of prepaid cards that they'd taken across the border. They would take a bus and they'd drive around. They'd get a bunch of workers. They'd put them in the bus and they'd say, "Here are your 20 cards. Here are your 20 cards." Everybody would have cards and they'd drop them off at ATM's. The people would jump out and they would hit the ATM's. It's roughly \$154.00. It depends. With the Columbian Peso there's a lot of paper.

They would go through and then the bus would go back around, collect everybody and would take their piece and would give somebody a tip. That's the old days. The new days – and again, I keep stressing that these are examples only. It has nothing to do with anything illegal, illicit, or anything. But Zoom is a good example of money movers that move lots of money to lots of places in the world. Again, the hub of that is a prepaid card.

Zoom is one of my favorites. They have almost 1,000 locations in Columbia that you can move \$2,999.00. And the funding source – So I go on and open my account. You put in the recipient information. You put in Pablo Escobar. You put in some address. And you move your \$2,999.00 to a location that's convenient, whether it's Medeine, Calle, or Barranquilla – it doesn't matter. And the guy walks up and says, "Hey I'm Pablo Escobar."

"Oh great. Do you have some ID?" "I do, look. It looks just like Benjamin Franklin. Here's my \$100.00." It's the magic ID throughout all the countries. Here at \$3,000.00 – So I can go to a Walmart or a Walgreens and buy the things that I need in order to move lots of money through companies like Zoom, like Icoball, like – I'll show you the other ones, all using MoneyPacks.

Actually the drug mules are just going in. They're buying these and they're calling the Lieutenant. They say, "Here's my number," and they're

being instructed to throw these away. That's how they can start loading lots of cards. They can use electronic koalas (that's my word, not anybody else's) and move money all over the world that you need.

Female: And on top of that, for us the new advanced fee fraud schemes are using these instead of Western Union. And then you can move them through these kinds of web sites.

Male: There are 150,000 places I can put money onto a prepaid card in this country. Let's talk about some new networks.

Female: This is perhaps the thing for us in law enforcement we have the greatest difficulty with. We have some FBI analysts with us today whose specialties are in these. But probably when they talked face to face with their special agents, their special agents' eyes glass over, because we in law enforcement and as prosecutors think in very concrete terms. We think very think very linearly. Money moves from point A to point B.

It's either cash or it's a bank account. To think that people are spending real money for virtual things just blows our mind away. And so it's very difficult for me as I go out there and try to spread the word that they need to be looking in these virtual games, that especially as the bad guys get young they are looking in these virtual games. Because what makes these virtual games vulnerable for us is that many of them issue their own digital currency.

So they're taking a U.S. dollar, they're taking a Euro and their changing that into their own virtual currency. And perhaps the two biggest of those is Entropia and Linden Labs or Second Life. Second Life issues the Linden dollar. The Linden dollar floats but it averages about \$250.00 Linden dollars equals \$1.00. Entropia PED's is always \$1.00 equals 10 PED's. They have a set thing.

Then you have the World of Warcraft which has two or three different types of games. There you play for gold and it's not one of those that you can buy and sell. But we do know that we have farms that essentially they have people playing World of Warcraft to create gold and then that's sold over the internet. This is a screenshot from Second Life. You're creating your virtual avatar.

You know, you and I sit here and think, "So what's the big deal?" All of these people written up in Business Week make their living in Second Life. So you and I go to an office every day. They sit in front of their computers every day. This is what they do. They make their living in Second Life. This particular individual - Her avatar's name is Anshe

Chung. She actually sits in Frankfurt, Germany. She's the first millionaire in Second Life.

That's not a millionaire in Linden dollars. That's a millionaire in U.S. dollars. She buys virtual real estate, develops it, rents it, and sells it. She has her own line of clothes. Everything is virtual but a lot of money obviously is being made in Second Life. In Entropia they auction off virtual space stations, virtual things. There's one individual; he took a second mortgage on his house to spend \$100,000.00 to buy a space station.

He makes his living in Second Life now. He recently – As he said he sold his space station – not the space station but a bunch of stuff. He threw it all in, auctioned it off to get another \$100,000.00. He now runs a bank in Entropia. Entropia just licensed five banks in Entropia, one which is owned by the largest Russian online payment system, which makes me a little nervous.

But Entropia as well has a licensed bank that is licensed by the government in Sweden and they only deal in virtual currencies. A lot of money is moving. We're not necessarily looking for it because we just don't think that way. We do know the FBI works very closely with Linden Labs. We do know – Unfortunately there's been a very large Ponzi scheme, in this case where somebody opened a bank.

This was not a licensed bank by the OCC. They offered five percent on your savings, and where most of us are getting .5 percent that seemed attractive. And when you have millions of people dropping in \$1,000.00 here and there they walked away with \$73,000,000.00 U.S. dollars. It was just a large Ponzi scheme. Perhaps in the criminal area these digital currencies –

These are issuers of digital currencies. These have become the most problematic for us. After a case that we did against the biggest of the digital currencies here in the United States, which was e-gold, all of these digital currencies moved offshore. So Liberty Reserve used to be in Costa Rica. It's now in Russia. Pecunix is out of Panama. WebMoney is out of Russia.

The one over here – MintChip – has not been issued yet but the Canadian government is jumping ahead. They're actually asking that somebody develop a real digital currency for them which will be the Canadian dollar. They are seeing digital currency as a way to move forward. They're actually going to put their own currency into a digital format.

With Liberty Reserve, WebMoney, and Pecunix I at least can go on a web site. I know where they exist. They are a company that is taking in funds that is creating accounts, essentially acting like a financial institution. So we know supposedly where money is. But the biggest problem for us is down there at the bottom, which is Bitcoin. Bitcoin is created, as many of you may or may not know, by a software program that any of us can download onto our computers.

When it first came out I don't think any of us were too concerned about it. We thought it was just a bartering type thing and it wouldn't really have too much value. And then suddenly we saw the value of it spike up. You can go onto web sites and essentially see the floating value of Bitcoin all the time. But now, as you can see, because of the tour of the tor, or the onion network, the bad guys have begun to develop web sites on them and the only currency they're accepting is Bitcoin.

So here you can see where Bitcoin's value spiked rather dramatically and then it failed rather dramatically. It failed because a hacker got into some computers and stole about \$500,000.00. That's the vulnerability of Bitcoin, that it's value sits in a digital wallet and various computers. But what we have seen is the value of Bitcoin has crept back up. It's about one Bitcoin equals \$10.00.

And the reason for that are these. These are web sites that have been created on the tor or the onion network. This is the Silk Road web site. It is a drug marketplace where you can buy and sell any kind of drug that you can imagine. It is there. Oxycodone, heroin, marijuana, cocaine – it is all there. And the only currency they accept is Bitcoins. And of course that is because it's totally anonymous.

With the help of Alden Pelker; she's also identified another one for me where you can buy guns. And for us in law enforcement of course that's a huge problem because now you're not going to have to do the identification that's required by the state laws. There's not going to be that background check to determine whether or not you're a felon that can or cannot have a gun. You can buy very powerful automatic weapons as long as you can purchase the Bitcoins.

So if you don't have a good enough computers you can now purchase the Bitcoins at all these kinds of different exchanges. These are just a few. BitInstant is the largest here in the United States. Mt. Gox is probably the largest in the world out of Tokyo. BitMarket is out of Columbia. AurumXchange is out of Australia. All of these you can buy and sell Bitcoins. And if you look at the BitInstant site they teach you how you can move your digital Bitcoin into another digital currency like Liberty

Reserve. And Liberty Reserve you can then move into PayPal®. Then you can move it back into a national issued currency.

They have connections with all these different digital exchangers and digital providers in a way that you can move your national currency into an international one. All of these exchanges for the most part will also issue a prepaid card as a mechanism for turning that digital currency into a real live currency. Let me caution you. The Bitcoin, the BitInstant one in the middle there, is not a true prepaid card. That's a mockup. MasterCard has denied all knowledge of this prepaid card and has not issued this card.

This is a wannabe. But the Visa card through AurumXchange and the Visa through Bitcurex are. And the MasterCard through Obopay are true prepaid cards. And you'll see Mt. Gox doesn't have a prepaid card. They just issue a Bare instrument. So at least for us a Bare instrument would have to be reported if it was brought across our border.

Female: But just to bring this back to the development context another wannabe that's being actively promoted is a hybrid of Bitcoin plus M-Pesa and it's being actively marketed within African markets. That's the morphing I was telling you about that brings us right back to the development community where we need to be mindful of these risks.

Female: So here in your development community where you want to use your mobile payments this is how Bitcoin or these digital currencies are going to see their life in real money. They're going to go into an M-Pesa and then they can get the cash out at one of their agents in Kenya or wherever it might be. Now here in the United States our biggest problem (as I've said they've all moved offshore) is how do we deal with them?

Fortunately for us FinCEN changed our MSB's or Money Service Business regulations last year. They became effective in September of last year. And essentially they changed the definition from doing business here, having an office or an agent within the United States, to a person wherever located which does business in wholly or a substantial part in the United States. So if they have a U.S. client here we believe they're doing business in the United States.

This is a way then we can attack them criminally by not registering with FinCEN and thereby violating our unlicensed money transmitting rule.

Male: This is one of my favorite guys: GoldNow. I like him. This is a gold credit. This isn't gold. You're buying a credit that ties to the price of gold. I've had this slide for a while but the reason why I like it so much is he's full service. Not only does he give you a place to move your money, he even has (if you'll see down there) the ability to help you open up a Swiss

bank account. So he's a full service money guy. At least they're showing that customer service is important for money laundering.

As we wrap this up, we've looked at all these things and we said, "Now what do we do?" So there is one arrow in the quiver of proverbial law enforcement and that is the technology does exist today to be able to interrogate a card at point of arrest. See, in today's world – I talked to the IRS guys not too long ago. They have a lot of cards, an awful lot of cards. But they're 12-15 days old. So gosh, what an incredible coincidence, they're all \$0.00 value.

You give somebody 12 days and they can figure out how to move the money. So the key to this is going to be point of arrest. How do you do it immediately? How do you find out if there is or isn't? A terminal process, the platform does exist today. It does work. I'm going to show you a demo in just a second as it launches the application. It's a battery-powered hand-held. This is my personal Visa card.

I'm going to take it. You swipe it through. What it does is it asks for a case number. It asks for an agent number. I just used 007. I just thought that would be right. You push the green button. This is a wireless going through the AT&T network. And in that length of time it prints out a receipt and shows it on the screen that there's \$20.00 on the card. The second step is that you can – When the time is legal –

I'm not a lawyer. I'm just showing you technology. This is the lawyer so I want to make all that – No one's every confused me of being a lawyer before. *[Laughter]* And I don't want anybody to think I am. What I'm here to show you is the technology, the capability that is unique. It's been developed. Now you can freeze the money at point of arrest. You can hold it. Remember how fast you can move the money. We're talking about seconds.

Exigent circumstances may have a play in this but then again I leave that to the lawyers. I'm not here to be a lawyer but just to show you the capability. This is what the little reader looks like. As we look at concluding this I think you've seen from Susan and I that this is real. I was at a speech not too long ago and an individual said, "Oh prepaid cards are never used in illicit activities." And I thought, "Oh there's somebody that's out of touch with reality, or has something else."

This is real and we need to work to find ways – And Susan and I are certainly doing our part. With that I'll turn it over and thank you very much.