

Emerging Risks in Emerging Payments

Criminal Use of Prepaid Cards



Evolving Criminal Use

- Initially, the crimes had some nexus to the Internet
 - Bank fraud and identity theft
 - Online drug sales
 - Online gambling
- Now, seeing cards used in other types of crime
 - Embezzlement
 - Hand-to-hand drug sales
 - But information being generated is now more useful to law enforcement.
 - Corruption



Evolving Safeguards

- Credit Card Accountability, Responsibility, and Disclosure Act (CARD Act)
 - Statutory mandate to issue a final rule on stored value by **February 16, 2010**
 - Requires consultation between FinCEN and DHS
- Current Proposals
 - Change of Terms: Prepaid access
 - Require Registration of Provider of Prepaid Access
 - Require Customer Identification Programs
 - Require SARS from providers and sellers
 - Cross Border Reporting – Requires Legislative Fix
 - new definition to be added to 31 U.S.C. 5312, 5316, 5332 of stored value
 - Several bills currently before Congress

Sallie Wamsley-Saxon



HushHush
The Finest in Southern Hospitality

- 
- Sallie Wamsley-Saxon ran Charlotte, NC-based prostitution ring with her husband
 - Charged up to \$700/hour
 - Sallie and her husband took 30%
 - Each had 5 prepaid cards in their names with a \$2500 load limit, so they could load \$25,000 at a time without a CTR being filed



Milad Ghattan (2006)

- Milad Ghattan purchased stolen credit card numbers online.
- Used the stolen credit card information to purchase “Virtual Visa” prepaid cards.
- Used the cards to obtain funds in three ways.



Milad Ghattan (2006)

- 1. Milad used the Virtual Visa cards to pay his tuition at the University of North Carolina at Greensboro.



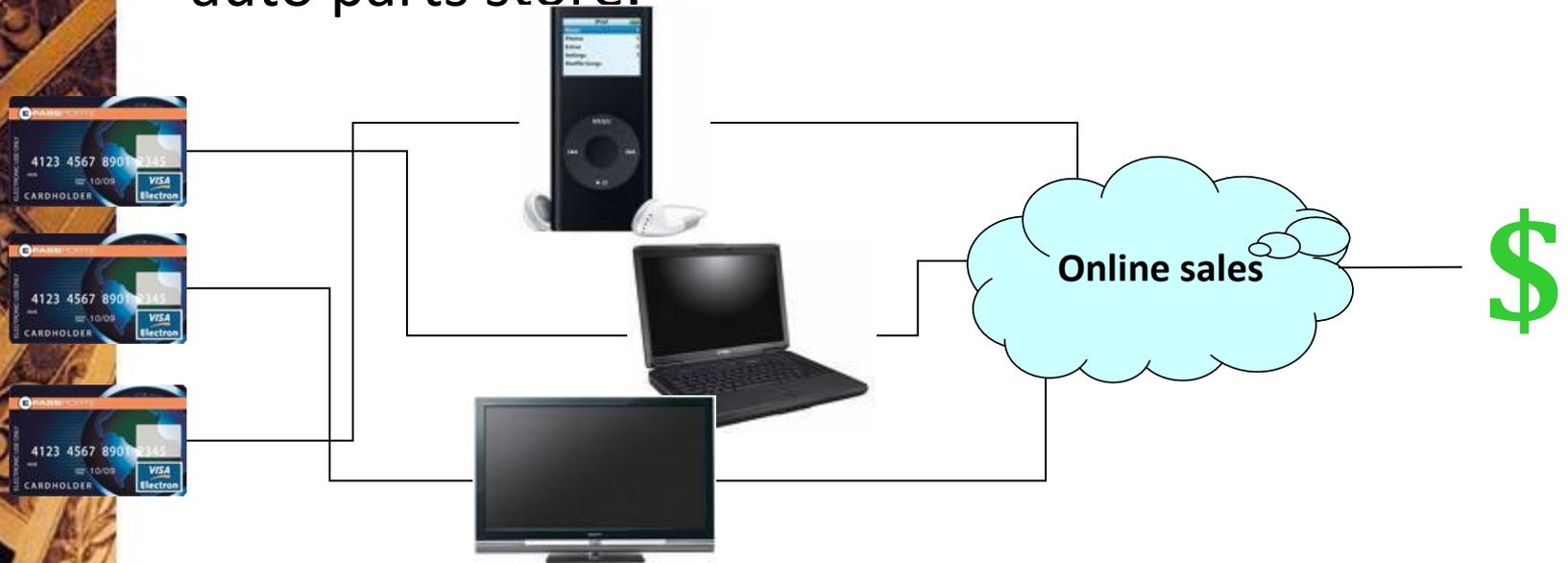
THE UNIVERSITY of NORTH CAROLINA
GREENSBORO



- Milad overpaid his tuition by \$31,000 and asked UNCG to issue him a check for the balance.

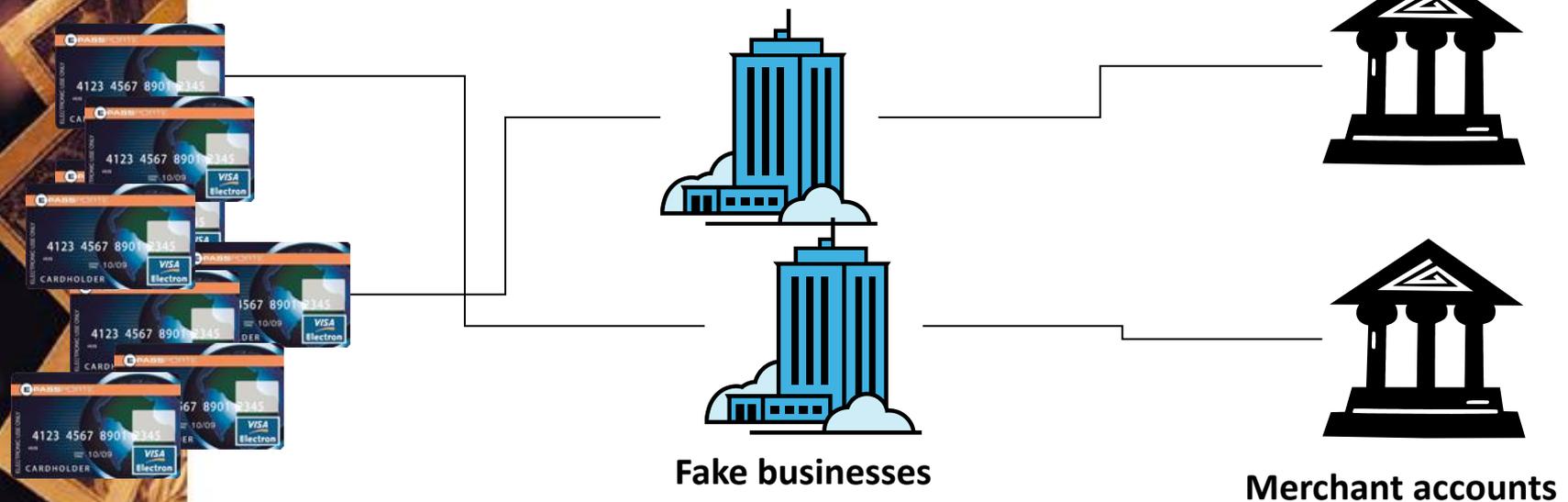
Milad Ghattan (2006)

2. Milad also purchased goods online using the Virtual Visa cards and had them shipped to his brother's auto parts store.



Milad Ghattan (2006)

- 3. Milad established obtained credit card merchant accounts for fictitious online businesses and used the Virtual Visa cards to purchase non-existent goods.

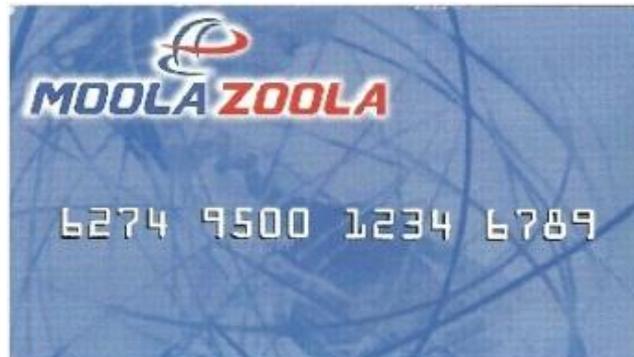


- In all, he stole at least \$90,000 in 15 months.

Moola Zoola

Initial Notification

- Initial contact from U.S. Bank Corp.
- Suspicious multiple transactions at Chase Bank in Frisco, TX
- Maximum withdrawals (\$800.00)
- Sequentially used cards
- Afternoons & late evenings



Early Investigation

- Account records reviewed for patterns (time & locations)
- On-site visit to Genpass
- Bank locations were scouted
- Surveillance was then attempted



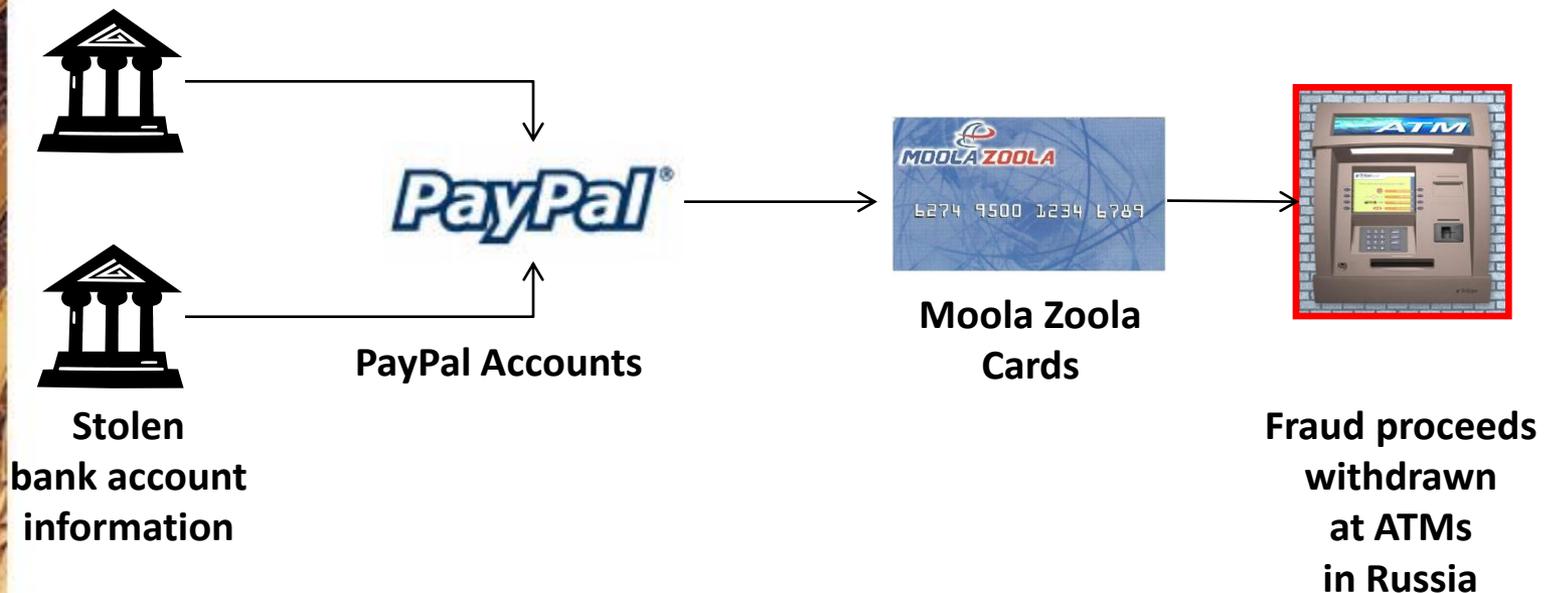
Russian Connection



- ATM withdrawals in Moscow and Uzbekistan
- Wire transfers to East Coast money remitter
- Postal Inspectors, IRS and ICE child pornography investigation

Robert Arbuckle (2006)

- Criminals used Moola Zoola cards to withdrawal fraud proceeds from ATMs in Russia.



Moola Zoola

- Fraud proceeds were allegedly withdrawn using 21 cards.
- Scheme ran from January 2006 until May 2006, when the Moola Zoola's payment processor and eBay notified federal law enforcement.



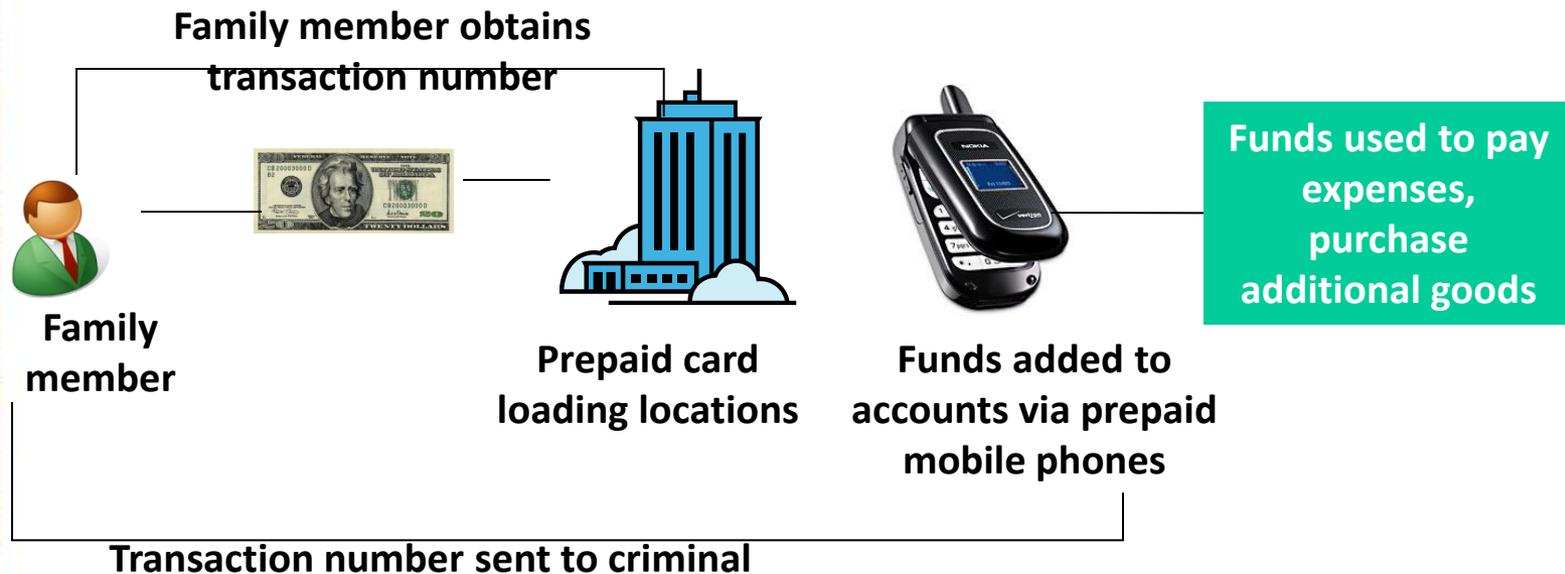


BGF (2009)

- The Black Guerilla Family (BGF) is a nationwide prison gang.
- The BGF smuggles narcotics and other contraband into prisons. In May, one member was convicted of murder.
- Before a series of arrests in early 2009, the BGF was attempting to take over the drug trade in Maryland prisons and had been expanding its footprint in Baltimore's violent narcotics trade.
- The BGF had numerous reloadable prepaid accounts, all of which appear to have been established by real people.

BGF (2009)

- The defendants instructed their customers – mostly prisoners – to pay the gang by having family members transmit money through a prepaid card network.



International Hacking Ring

- Prosecution of International Identity Theft Hacking Ring (US v. Tsurikov, et al.) in 2009
 - Defendants from the Estonia, Moldova, and Russia
- Sophisticated technique in obtaining plaintext PINs
- Sophisticated cash-out networks
- Focus of this group: small number payroll debit cards / PINs, quick cash-outs around the globe



RBS: Methods of Compromise

- December 2008
 - RBS WorldPay, U.S. payment processing arm of Royal Bank of Scotland
 - December 2008, RBS reports compromise involving pre-paid cards, including payroll cards and open-loop gift cards
 - Personal information on approx. 1.5 million cardholders may have been affected
 - Criminals interested in small number of prepaid payroll cash cards



RBS: Methods of compromise

- The cash-out:
 - Distributed 44 prepaid payroll card numbers and PINs to network of cashers worldwide
 - Notified the network at specific time to begin cashing
 - **Over 12 hours, over \$9 million** withdrawn at over 2,100 ATMs in 280 cities
 - Including US, Russia, Ukraine, Estonia, Italy, Hong Kong, Japan, and Canada
 - Hackers were inside the RBS system monitoring the withdrawals, tracking the proceeds of the fraud

RBS Indictment

- Atlanta indictment (FBI)
 - US v. Tsurikov, et al. (November 2009)
 - Defendants include 5 Estonians, 1 Russian and 1 Moldovan
 - 1 Estonian convicted in Estonia
 - currently under extradition request to US
 - Unprecedented foreign law enforcement cooperation
 - 16-count indictment alleging breach of RBS WorldPay computer systems to compromise the data encryption used to protect the payroll debit cards

4 Hackers Indicted in \$9.5 Million Bank Card Attack

By Kim Zetter  November 10, 2009 | 12:15 pm | Categories: Breaches, Cybersecurity, Hacks and Cracks



• WANTED •



by

THE NEW YORK COUNTY DISTRICT ATTORNEY'S OFFICE,
THE UNITED STATES SECRET SERVICE,
and internationally by INTERPOL,

covelin-wanted-poster

FOR CYBERCRIMES
INCLUDING MONEY LAUNDERING, SCHEME TO DEFRAUD, AND CONSPIRACY,
IN VIOLATION OF NEW YORK STATE LAW

OLEG COVELIN



Four men have been indicted in Georgia on charges that they hacked into the Atlanta-based bank card processing company RBS WorldPay. They allegedly used an army of flunkies to steal \$9.5 million in cash from ATM machines around the world in a span of hours.

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IT'S PROTECTED

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How To Use It

On the Internet...



"On the Internet, nobody knows you're a dog."

Susan L. Smith
**Asset Forfeiture and Money
Laundering Section**

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