

FEDERAL BUREAU OF INVESTIGATION
INTELLIGENCE BULLETIN

FBI Criminal Investigative Division, Money Laundering Intelligence Unit

20 December 2017

FBI IB18 20171220

(U//FOUO) Darknet and Criminal Forum-Based Services Very Likely Increase Capability to Move Illicit Funds Anonymously through Provision of Shell Companies and Offshore Accounts

(U//FOUO) The FBI assesses services offered by Darknet^a and criminal forum-based Trust and Company Service Providers (TCSPs)^b very likely^c increase the capability for criminal actors to move illicit funds anonymously by offering shell companies^d and offshore bank accounts^e to members of online criminal forums and Darknet marketplaces. This assessment is made with medium confidence,^f based upon technical access to forum and Darknet marketplace posts and messages, an FBI subject interview, private communications between actors, and open source reporting.

(U//FOUO) The FBI assumes the Darknet and criminal forum-based TCSPs are accurately characterizing, and able to provide, the services they are advertising on criminal forums. If human or technical source reporting identified a shell company name or offshore account details being provided from a known online service provider to a forum or Darknet marketplace member, it would raise the overall confidence in this assessment. Further, the FBI assumes Darknet and criminal forum-based TCSPs are providing their services in furtherance of criminal activity.

(U//FOUO) The FBI assesses criminal actors engaged in other violations, who are not yet active on Darknet marketplaces or in criminal forums, likely will increase their online presence and employ services provided by Darknet and criminal forum-based TCSPs. If this occurs, it would likely increase the number and type of criminal actors using offshore and corporate account services, thus enhancing the anonymity surrounding the source and destination of their financial transactions. Human or technical reporting indicating that actors not yet active on criminal forums have distrust for Darknet marketplaces would lead to a change in the confidence level about this judgment.

^a (U) The Darknet consists of overlaying networks that use the public Internet but require specific software.

^b (U) For more about TCSPs, see Appendix C.

^c (U) Appendix A: Expressions of Likelihood

^d (U) A shell company is a company registered in a state or country where it has no physical operations or assets.

^e (U) An offshore company is a company registered or incorporated outside of the country where it has its main offices and operations. An offshore account is one held in a foreign account, usually in a tax haven country.

^f (U) Appendix B: Confidence in Assessments and Judgments Based on a Body of Information

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(U) Source Summary Statement

(U//FOUO) Reporting in this intelligence bulletin was derived primarily from criminal forum posts and private communications between criminal actors starting in 2009 until late 2016, as well as from an interview with an FBI subject with direct access. The open source reporting is from a cyber security company, deemed reliable, with direct access to criminal forums and Darknet marketplaces.

(U//FOUO) The criminal forum posts and open source reporting were both critical to the assessment due to their representation of the criminal services offered. Reporting from the FBI subject provided context for services described in this intelligence bulletin. The reporting was current as of March 2017.

(U//FOUO) Actors Providing Shell Company and Offshore Account Services through Online Forums and Darknet Marketplaces Very Likely Facilitate Money Laundering

(U//FOUO) The FBI judges services offered by Darknet and criminal forum-based TCSPs very likely increase the capability for criminal actors to move illicit funds anonymously by offering shell companies and offshore bank accounts to members of online criminal forums and Darknet marketplaces. Shell company and offshore bank accounts create a facilitation platform for all three stages[§] of money laundering by providing placement accounts for illicit proceeds soon after they are obtained, accounts for actors to use in the layering process to hide the source or destination of funds, or by creating legitimate-looking companies to facilitate the integration of illicit funds into legal assets.

- (U) According to a May 2016 report from a computer security company with direct access, Darknet or criminal forum-based TCSPs offered ready-made services to set up offshore shell companies. The TCSPs set up a fake company with a named representative, completed required paperwork, opened bank accounts, created false monetary transactions, created a WebMoney passport,^h and provided debit or credit cards to Darknet or forum members. Most TCSPs offered to create companies and accounts in Panama, the British Virgin Islands, and the Dominican Republic.¹
- (U//FOUO) Actor “FinService,” a member of a high-level criminal forum, indicated that he provided “Corporate and Financial Solutions” to customers, which included the creation of offshore companies and accounts. Another high-level forum member, “Moi\$a Frenkel,” stated he opened companies and registered titles based on the needs of the customer. He indicated he had accounts in a number of European banks in offshore

[§] (U) The three stages of money laundering are: (1) placement, in which illicit proceeds are introduced into the financial system; (2) layering, in which the criminal attempts to separate the proceeds from the crime through a series of transactions; and (3) integration, in which the illicit proceeds are made to look legitimate through investment in legal assets. (U) *Source:* Web site; www.treasury.gov; accessed on 16 March 2017; Source is the US Department of the Treasury.

^h (U) WebMoney is a virtual currency primarily geared towards Russian-based actors. WebMoney Passport is a digital identification document, certified with signature sample of the WebMoney transfer system user, containing personal data of the owner (name and contact information).

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zones, and that he considered offers to work with fraudulent transactions, according to forum posts from 2011 to 2012.²

- (U//FOUO) According to private communication between an FBI subject and criminal forum actor in December 2016, the subject indicated he was able to supply the other actor with an urgently needed corporate account for a cashoutⁱ drop^j in the United States. The subject then gave the other actor the name of a US corporation, its director, and an account number to facilitate the transfer.³
- (U) In June 2016, an FBI subject and former criminal forum member with direct access indicated that he had two lawyers helping him open shell companies. When the subject opened shell companies and accounts, he either used his own fake passport or used a “flyer” (or “flying director”), who could physically fly to a location in person to open accounts and sign documents. The subject indicated flyers were mainly Russian, Serbian, or Ukrainian, and that he paid the “flyers” via WebMoney.⁴

(U) Perspective

(U//FOUO) While the use of shell company and offshore account services for illicit activity is not a new threat, the advertising of TCSPs on criminal forums and Darknet marketplaces highlights the ease at which criminal members can find the necessary assistance needed for anonymous illicit funds transfers. While FBI reporting indicates the earliest examples of TCSPs began in 2011, it is only in the last two years that specific examples of TCSP advertisements, which indicate the level of services they offer, have been reported.

(U//FOUO) Darknet marketplaces and criminal forums require different levels of information from prospective members, but most sites only require a username (moniker) and password to gain entry. The inherent anonymity on forums and Darknet marketplaces, coupled with the obfuscated shell company and offshore account ownership offered by the Darknet marketplace and forum-based TCSPs, enhances forum members’ abilities to conceal their identity.

(U//FOUO) This is the first FBI or USIC product on shell company and offshore bank account services offered specifically to members of online forums and marketplaces to facilitate money laundering. This report is consistent with the Department of the Treasury’s 2015 “(U) *National Money Laundering Risk Assessment*” in the judgment that while shell companies can serve legitimate purposes, they can also be used to conceal the source, ownership, and control of illegal proceeds.

ⁱ (U) Criminal actors conduct numerous cashout methods to monetize their funds, most of which involve money laundering. These methods include automated clearinghouse payments, wire transfers, automated teller machine/point-of-sale withdrawals, use of domestic and international money mules, crypto currencies, virtual currencies, pre-paid cards, reshipment of goods, market manipulation, fraudulent tax refunds, and mobile payments.

^j (U) “Drop” is another term for mule, meaning an individual or account used to facilitate money laundering.

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(U) Analysis of Alternatives

(U//FOUO) The FBI considered the alternative hypothesis that individuals offering to open shell companies and offshore accounts to Darknet marketplace and forum members are unaware of the illicit activities of their potential customers, and that they are acting as financial advisors for potential clients. The FBI judges, however, this hypothesis is unlikely, based on the offering of these services on Darknet marketplaces, or on forums requiring significant vetting.^k Human or technical source reporting indicating that Darknet and Forum-based TCSPs are working with law enforcement to report suspicious activity on behalf of their clients would support the alternative hypothesis. If more reporting becomes available to address the alternative hypothesis, the FBI will reconsider and adjust the level of likelihood, if necessary.

(U) Outlook

(U//FOUO) The FBI assesses criminal actors engaged in other violations, who are not yet active on Darknet marketplaces or in criminal forums, will likely increase their online presence and employ services provided by Darknet and criminal forum-based TCSPs. As Darknet marketplaces increase in popularity, the enhanced anonymity they offer will likely generate increased interest and membership. The FBI assesses, as information sharing increases related to customers suspected of money laundering, criminal actors not yet active on Darknet marketplaces and criminal forums will likely recognize the benefits of enhanced anonymity offered by using money laundering services operated on Darknet marketplaces and criminal forums.

(U//FOUO) If this occurs, the number and type of criminal actors using Darknet marketplace and forum-based TCSPs will likely increase. In the short term, the FBI will lose some visibility on the ownership of accounts for users employing TCSP services. Over the long term, this will likely create a scenario where threat actors have access to, and use, multiple different online money laundering services, increasing the difficulty for law enforcement to monitor the movement of illicit funds.

(U//FOUO) Human or technical reporting indicating that actors not yet active on criminal forums have distrust for Darknet marketplaces would lead to a change in the confidence level about this judgment.

(U//FOUO) The following would indicate criminal actors engaged in other violations, not yet active on Darknet forums and criminal marketplaces, are increasing their online presence to use online shell company and corporate account services:

- (U//FOUO) The use of known forums or terminology linked to forums, Darknet marketplaces, or money laundering facilitation Web sites. (that is, actors mention forums/marketplaces/sites by name in communications); or

^k (U) Criminal forums may employ different tactics in order to vet new members. In order to gain a membership, criminal forums may require new members to obtain “vouches” from existing members as a way to prove they are a trustworthy and active member of the community.

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- (U//FOUO) Seized media or searches of traditional criminal enterprises indicate use of forums, Darknet marketplaces, or money laundering facilitation Web sites.

(U) Intelligence Requirements

(U) FBI National Standing Collection Requirements

- (U//FOUO) USA-ML-CID-SR-0481-17

(U) This Intelligence Bulletin was prepared by the FBI Criminal Investigative Division's Money Laundering Intelligence Unit. Comments and queries may be addressed to the Unit Chief at 1-202-324-5524

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(U) Appendix A: Expressions of Likelihood

(U) Phrases such as “the FBI judges” and “the FBI assesses,” and terms such as “likely” and “probably” convey analytical judgments and assessments. The chart below approximates how expressions of likelihood and probability correlate with percentages of chance. Only terms of likelihood should appear in FBI products; the chart indicates terms of probability strictly for comparison, as they sometimes appear in reporting of other government agencies. Furthermore, the FBI does not arrive at judgments via statistical analysis; and will not use terms of probability to convey uncertainty in external FBI intelligence products.

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<i>Terms of Likelihood</i>	Almost No Chance	Very Unlikely	Unlikely	Roughly Even Chance	Likely	Very Likely	Almost Certain(ly)
<i>Terms of Probability</i>	Remote	Highly Improbable	Improbable (Improbably)	Roughly Even Odds	Probable (Probably)	Highly Probable	Nearly Certain
	1-5%	5-20%	20-45%	45-55%	55-80%	80-95%	95-99%

(U) Appendix B: Confidence in Assessments and Judgments Based on a Body of Information

(U) Confidence levels reflect the quality and quantity of the source information supporting judgment. Consequently, the FBI ascribes high, medium, or low levels of confidence to assessments, as follows:

(U) **High confidence** generally indicates the FBI's judgments are based on high quality information from multiple sources. High confidence in a judgment does not imply the assessment is a fact or a certainty; such judgments might be wrong. While additional reporting and information sources may change analytical judgments, such changes are most likely to be refinements and not substantial in nature.

(U) **Medium confidence** generally means the information is credibly sourced and plausible but not of sufficient quality or corroborated sufficiently to warrant a higher level of confidence. Additional reporting or information sources have the potential to increase the FBI's confidence levels or substantively change analytical judgments.

(U) **Low confidence** generally means the information's credibility or plausibility is uncertain, the information is too fragmented or poorly corroborated to make solid analytic inferences, or the reliability of the sources is questionable. Absent additional reporting or information sources, analytical judgments should be considered preliminary in nature.

(U) Appendix C: TCSPs and Required Paperwork

(U) The Financial Action Task Force (FATF) defines TCSPs as all persons and entities that, on a professional basis, participate in the creation, administration, and management of corporate vehicles (trusts, corporations, foundations, partnerships, and so forth). While the majority appear to be established for legitimate purposes, some are used wittingly or unwittingly to facilitate the misuse of corporate vehicles. TCSPs, more specifically, are persons or businesses that provide any of these services to third parties: acting as a foundation agent of legal persons; acting as a director or secretary of a company; providing a registered office (business address, partnership, or any other legal arrangement); acting as, or arranging, a trustee; or acting as, or arranging, a nominee shareholder.

(U) Paperwork required to open corporations and offshore accounts may include a notarized passport or national identity document, proof of address (utility bill), or bank or attorney references. In return, the TCSPs may provide proof of the company's incorporation, including Certificates of Incorporation, Memorandum and Articles of Association, share certificates, and copies of the company's rubber seal.

(U) *Source*: Online report; FATF; "Money Laundering Using Trust and Company Service Providers"; October 2010; www.fatf-gafi.org/media/fatf/documents/reports; accessed on 16 March 2017; Source is the FATF, an independent inter-governmental body.

(U) Endnotes

¹ (U) Online article; TrendMicro; “The Panamanian Shell Game: Cybercriminals with Offshore Bank Accounts?”; 9 May 2016; blog.trendmicro.com/trendlabs-security-intelligence/cybercriminals-panama-papers; accessed on 24 April 2017; Source is a respected cyber security company, deemed to be reliable, with direct access to the information.

² (U//FOUO) FBI; Electronic Communication; 31 March 2017; 2009-2012; “(U//FOUO) Analysis of Actors Providing Offshore Account Services to Cyber Criminals”; UNCLASSIFIED//FOR OFFICIAL USE ONLY; UNCLASSIFIED//FOR OFFICIAL USE ONLY; Source has direct access to historical criminal forum information.

³ (U) FBI; Electronic Communication; 16 February 2017; December 2016; “(U) Chats”; UNCLASSIFIED//FOR OFFICIAL USE ONLY; UNCLASSIFIED//FOR OFFICIAL USE ONLY; Source has direct access to criminal chat logs.

⁴ (U) FBI; Electronic Communication; 12 August 2016; 6 June 2016; “(U) Interview of [Name withheld]”; UNCLASSIFIED; UNCLASSIFIED; Source is an interview of a subject with direct access, whose reporting has not been corroborated.



Federal Bureau of Investigation

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