

CAROUSEL VAT FRAUD SCHEMES

OFFSHORE ALERT CONFERENCE

LONDON

11 NOVEMBER 2019

Confidential and Proprietary

NAVIGANT
A Guidehouse Company

AGENDA

- 1 Impact of Carousel VAT Fraud in the EU**
- 2 The Mechanics of Carousel VAT Fraud Schemes
- 3 Regulatory and Enforcement Options
- 4 Enforcement – Operation Greed
- 5 The Role of Investigative and Intelligence Consultancies**

IMPACT OF CAROUSEL VAT FRAUD IN THE EU

2% of Organized Crime Groups = 80% of the fraud



Losses amount to c. 1.5% of EU-27 GDP.



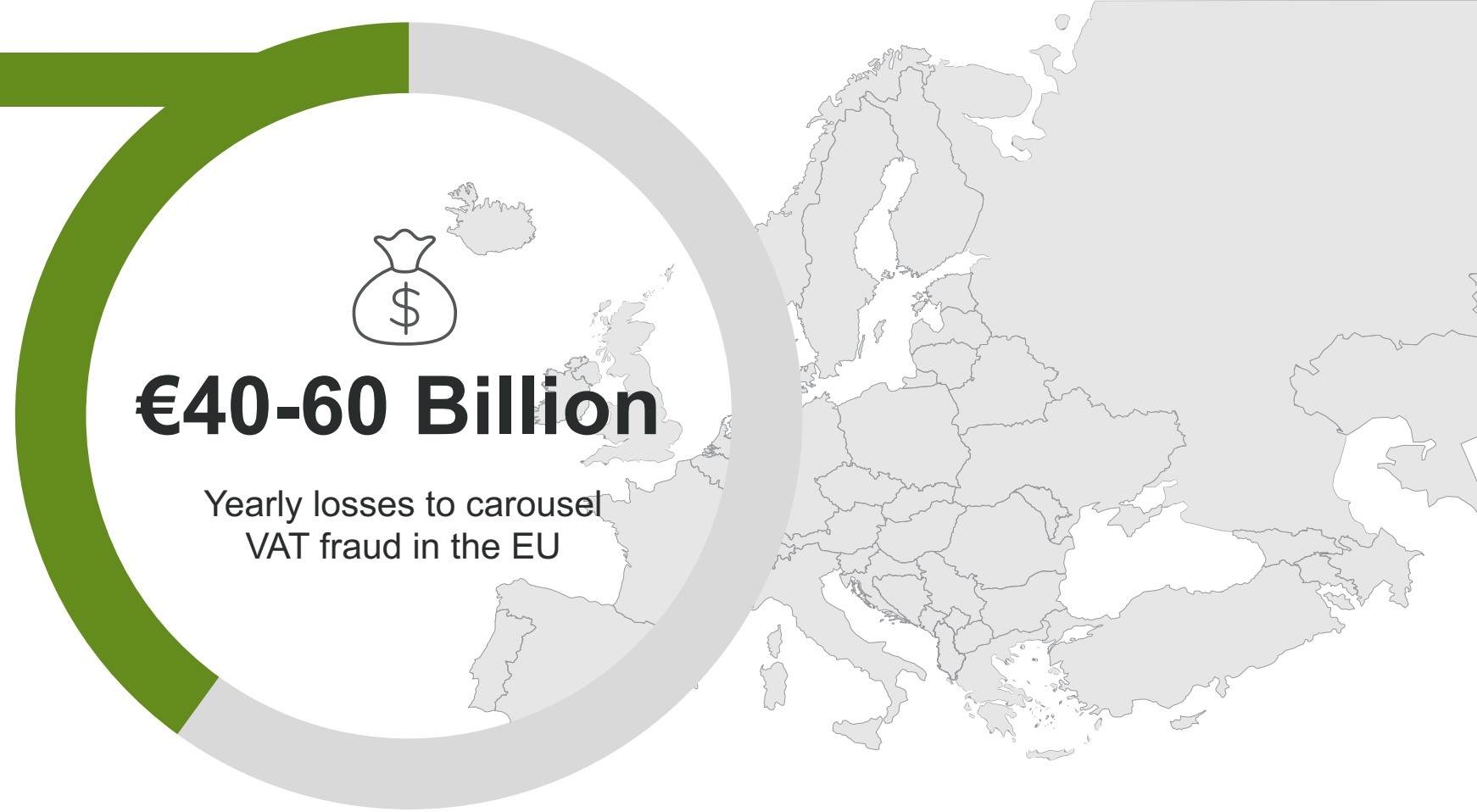
Growing in Romania, Finland, UK, Ireland, Estonia, and France between 2016 and 2018



Equivalent to annual GDP of countries such as Belarus, Slovenia, Lithuania and Serbia



Moving from goods to include intangible products (e.g. carbon credits)



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THE MECHANICS OF CAROUSEL VAT FRAUD SCHEMES

The trader imports goods from another country and is not charged VAT by the seller.
(E.g. €10 million in poultry from EU country X to Y).



THE MECHANICS OF CAROUSEL VAT FRAUD SCHEMES



THE MECHANICS OF CAROUSEL VAT FRAUD SCHEMES



Buffer A sold to Buffer B; who sold to Buffer C, who sold to Buffer D for €18 million + €4.5 million VAT

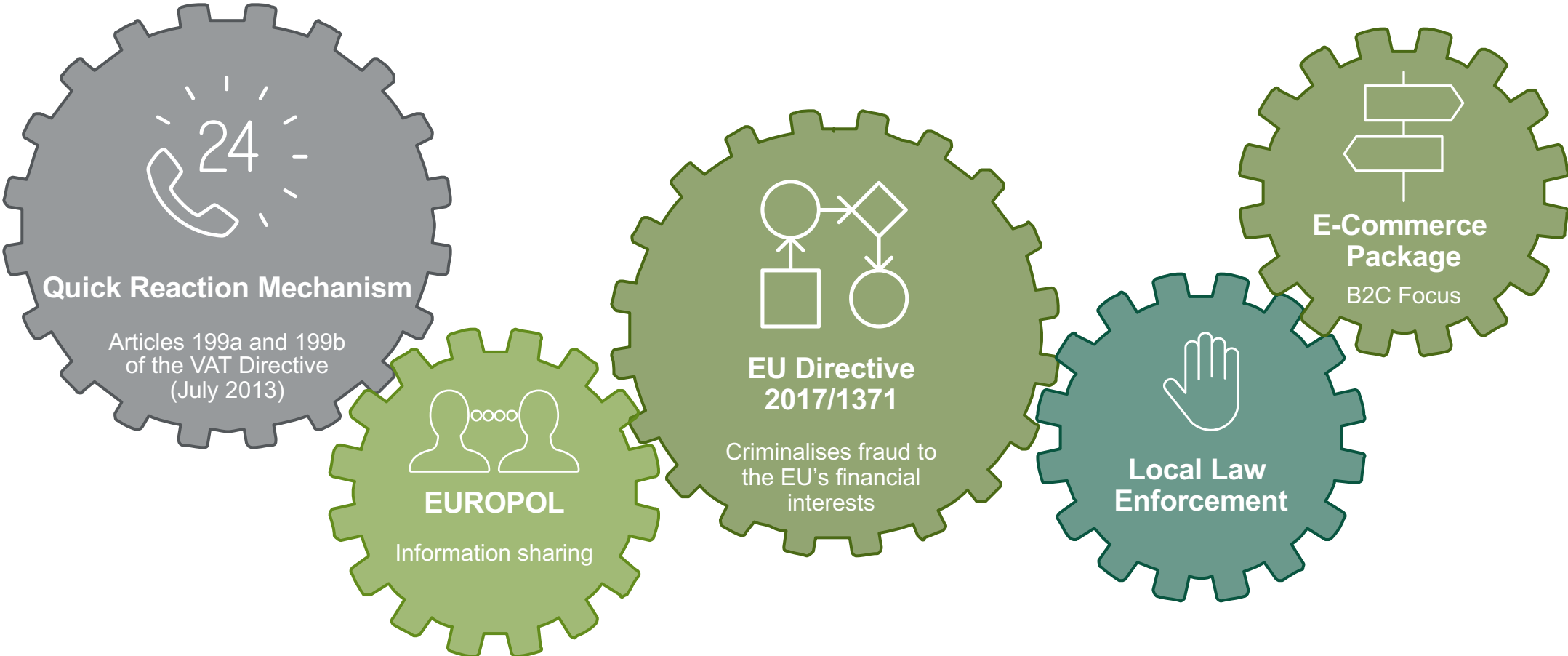
THE MECHANICS OF CAROUSEL VAT FRAUD SCHEMES



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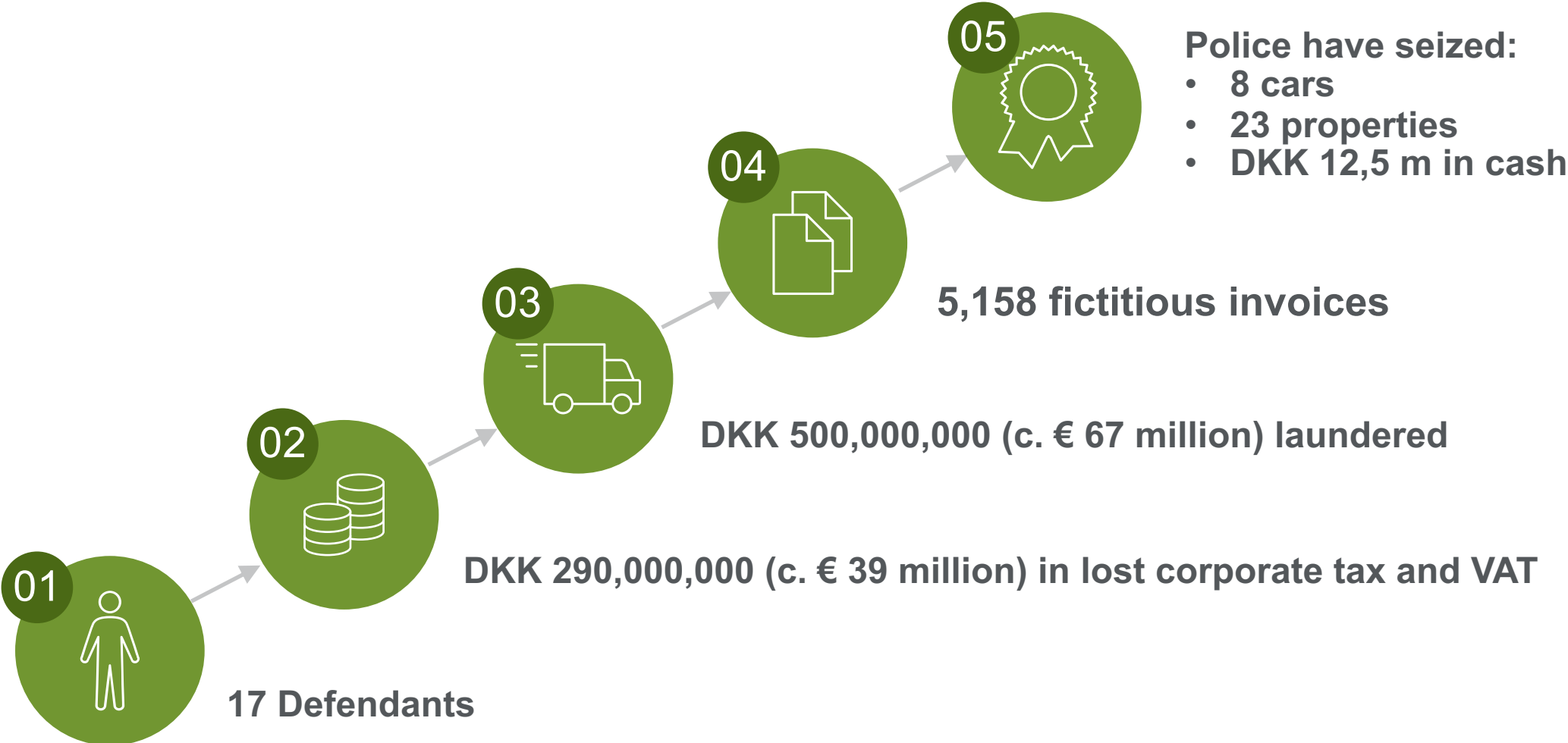
REGULATORY AND ENFORCEMENT OPTIONS



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OPERATION GREED – THE NUMBERS



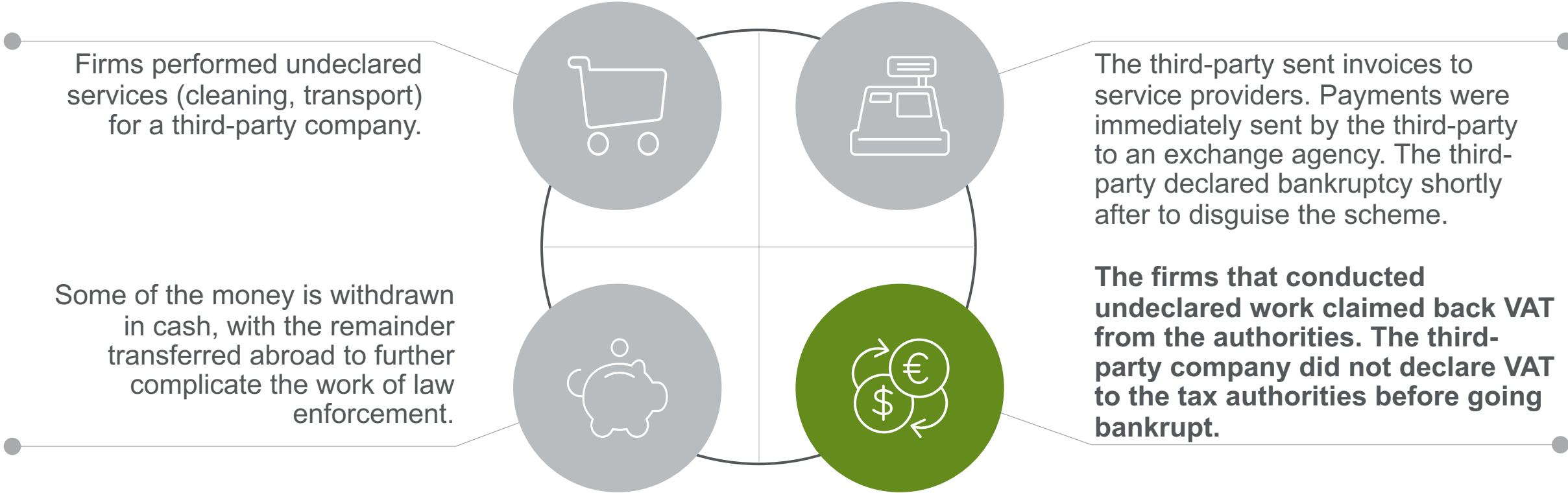
OPERATION GREED – THE MECHANICS



OPERATION GREED – THE MECHANICS



OPERATION GREED – THE MECHANICS



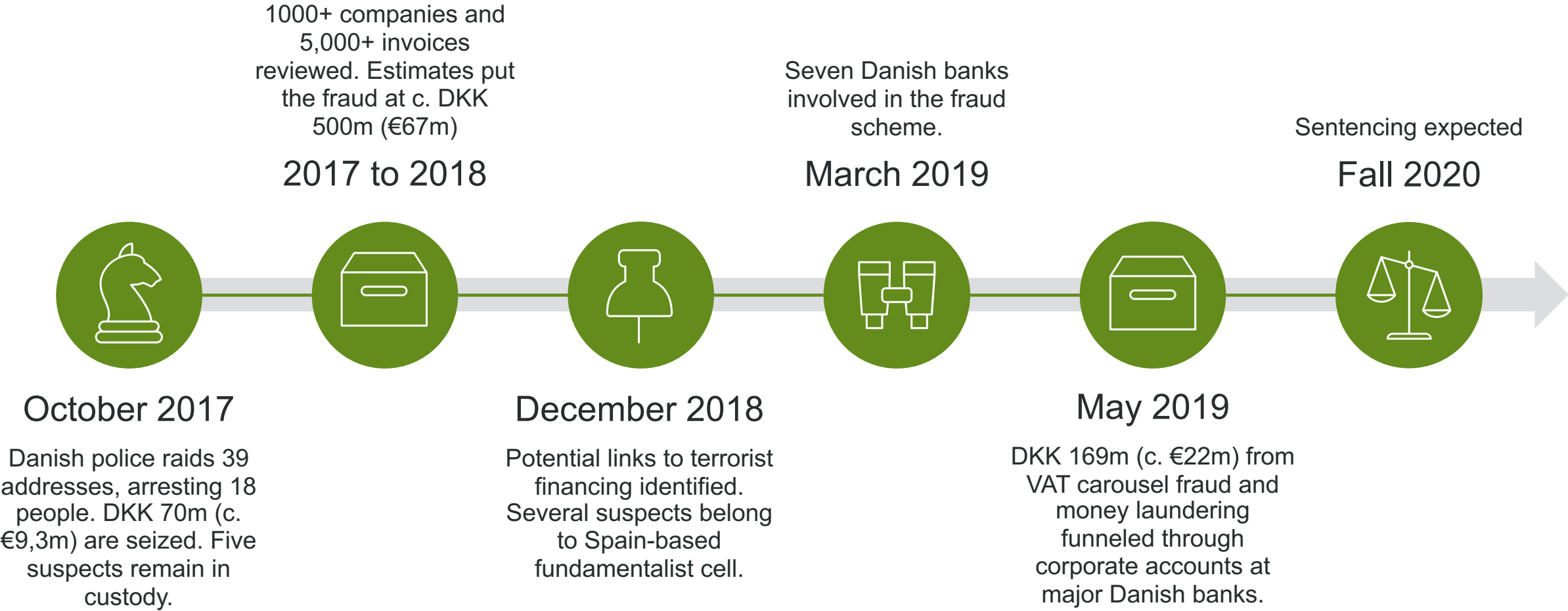
OPERATION GREED – THE MECHANICS



OPERATION GREED – THREE PILLARS TO THE FRAUD



OPERATION GREED – WHAT NOW?



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VAT Carousel

Detecting and Investigating Organised Crime

Imam Hoque

Co-Founder / COO

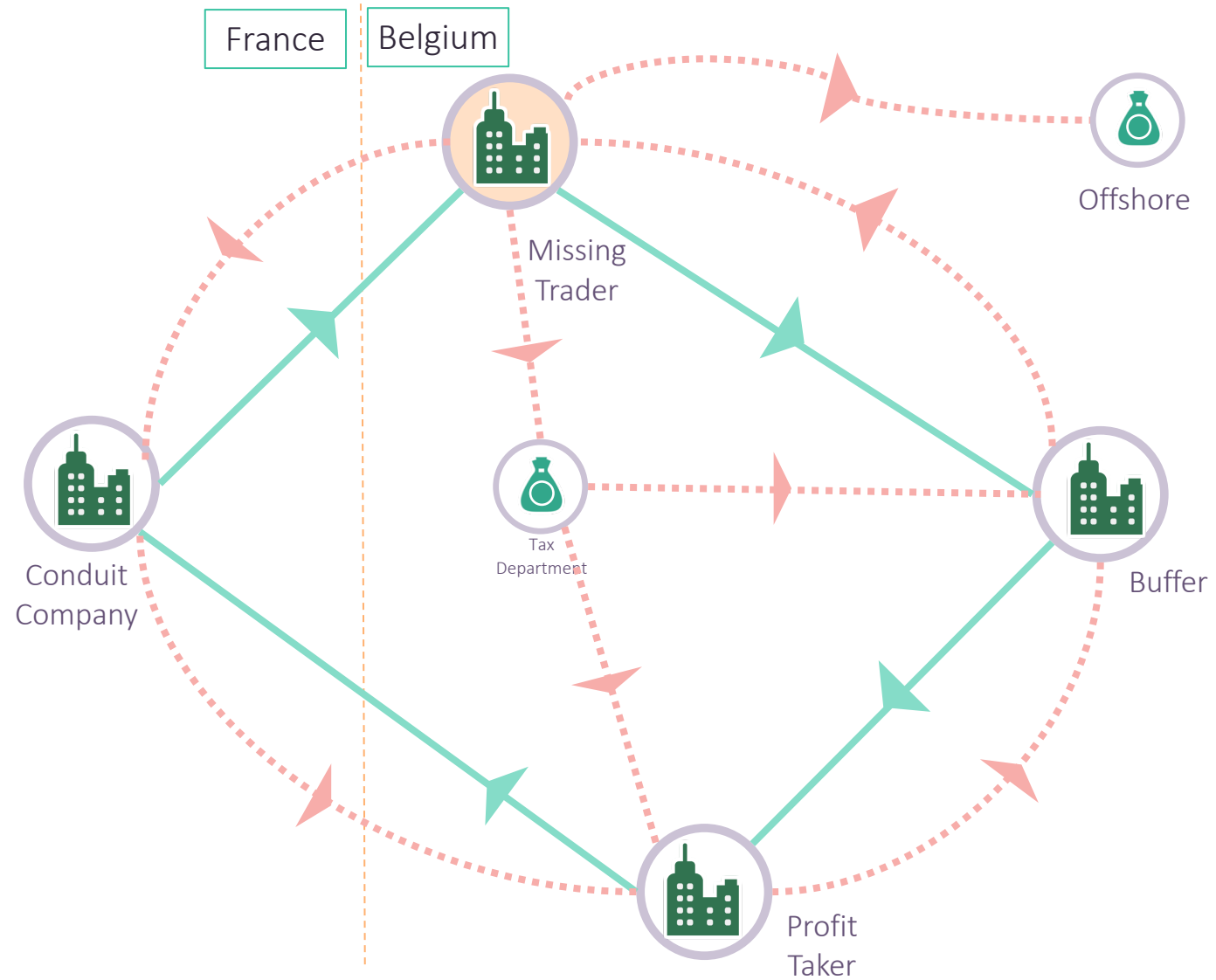
Nov 2019

VERSION 1.0

quantexa

Connecting Data | Empowering Decisions

Example modus operandi that requires discovery



However, the data represents a complex picture



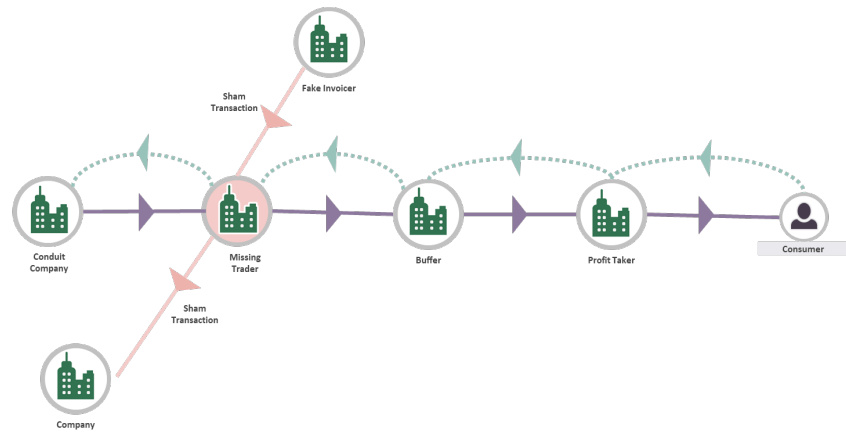
Millions of companies and individuals



The challenge is finding the needles in the haystack



Detection Model



A new paradigm is required that uses a “Context” driven approach

Event Based Statistics

Traditionally, analytical decision engines have focused on using statistics to score events (e.g. applications and transactions).

Single View Analytics

More recently people are scoring entities (people, organisations, vehicles and addresses), however a key challenge is providing the single view or “entity resolution” across internal and external data sources.

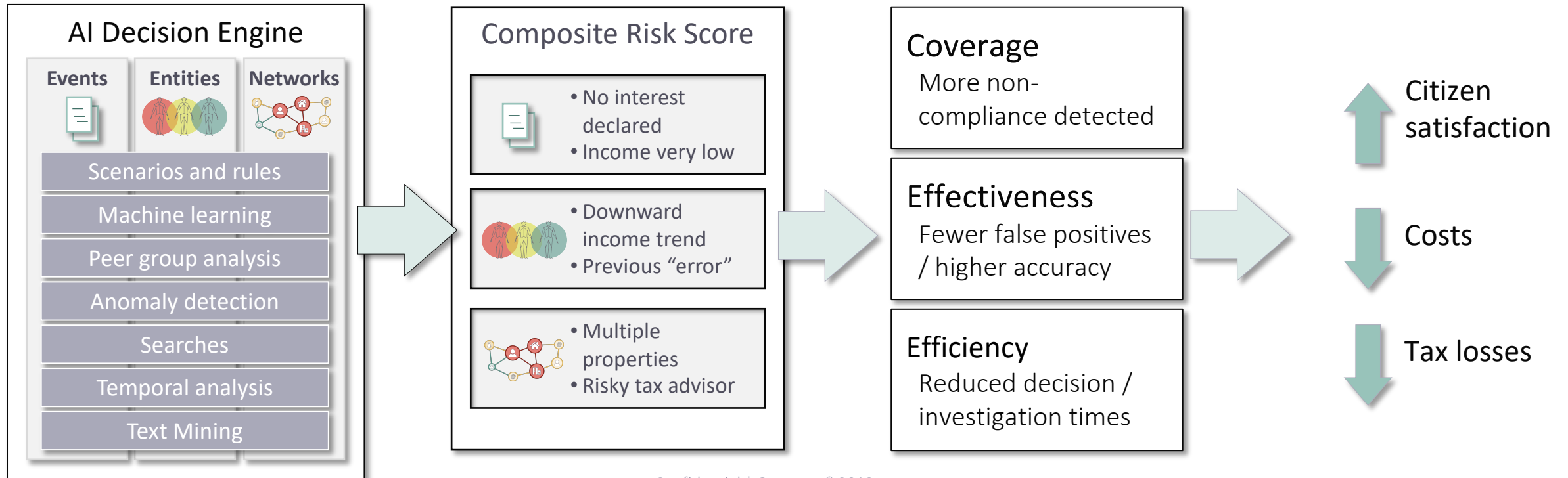
Network Analytics

People are starting to realise that the real world is a series of networks and a decision must account for the network (businesses, families, trading groups, spheres of influence and organised crime gangs).

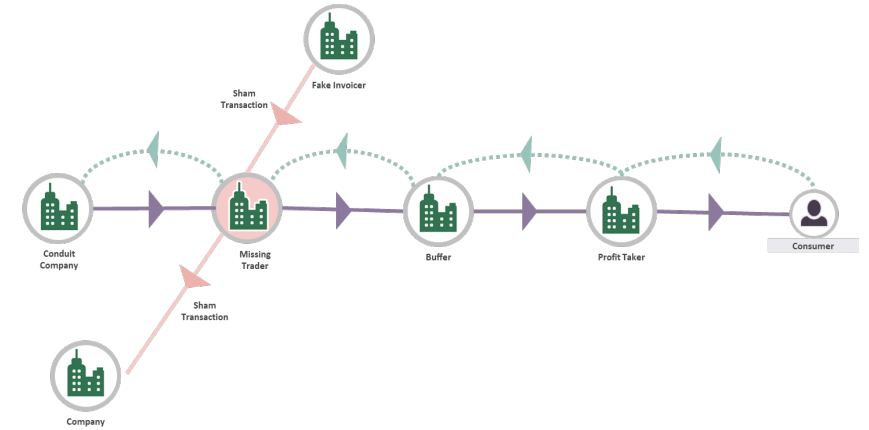
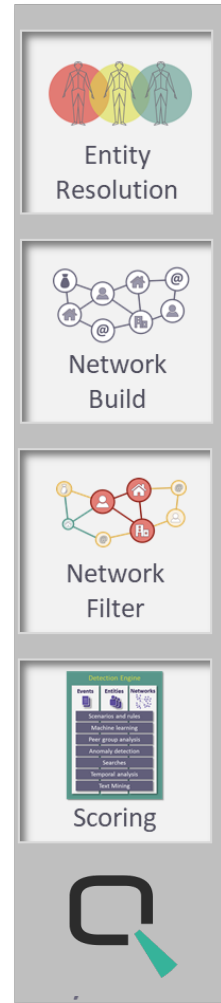
Realtime / Dynamic / Adjustable

Not only this, in today’s world the complex task of consolidating entities or scoring networks have to occur in real time as well as batch, with the ability to adjust matching and network building criteria.

Example within the compliance:

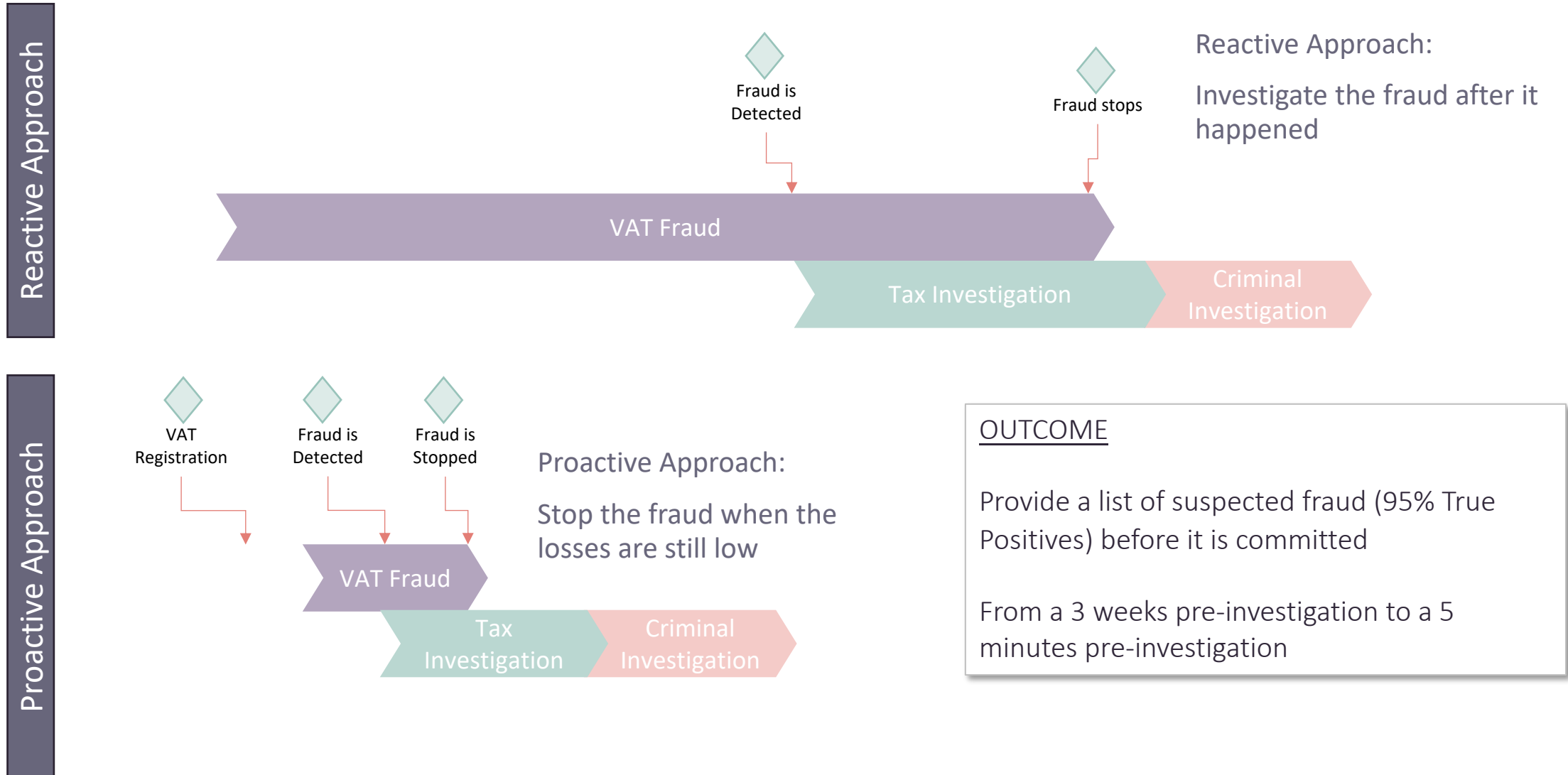


Using a context based approach



Using proactive approach

Early Fraud detection minimizes the losses and maximize the success of criminal investigations



Automatically generated alerts by company owner

quantexa Search Bulk Search Upload Task Lists Investigations Signed in as jeromebryssinck logout

Investigations

Name filter

Alert Date	Network Name	Score	VAT at Risk
20/2/2019	Michael Greene	285	19,540,400.00 €
18/2/2019	Joe Pichlak	250	3,341,604.00 €
20/2/2019	Martha Xhonneux	263	18,311,297.00 €
19/2/2019	Patrick Pease	156	221,111.00 €
18/2/2019	Stephanie Van Deven	121	10,453,105.00 €
19/2/2019	Andrei Penzki	166	10,324,272.00 €
19/2/2019	Marie Traufler	164	11,246,420.00 €
18/2/2019	Lise Potvlies	205	19,482,515.00 €
18/2/2019	Markus Grau	230	13,772,349.00 €
18/2/2019	Pavlov Tschesnki	248	6,221,284.00 €
18/2/2019	Lidya Vervloesem	147	15,626,909.00 €
18/2/2019	Marcel Verwegen	235	4,854,074.00 €
20/2/2019	Andy Plot	100	6,563,309.00 €



Explainable scores generated by a context driven model

The screenshot displays the Quantexa interface with the 'Investigations' tab active. On the left, a network graph shows connections between entities: 'Infiniti Trade Limited', '50 VICARAGE CLOSE, ERITH KENT, DA81ET', 'A T Building Services I', 'A T Bull', 'Buffer Company', 'Director MICHAEL', and 'Levanter Corsham Limited'. On the right, a table lists scores and their contributions for various categories.

Score	Description	Contribution
	New Company	50
	Multiple companies at the same address	100
	Low Margin	300
	Important national turnover	350
	High Risk Commodity	200
	VAT declaration: High Risk Fields, No Low Risk Fields	560
	New Company	250
	Address with multiple risky Missing Traders	100
Missing Trader	High Risk Commodity	200
	Risky transactions	263
	New directors	150
Missing Trader	Total change of management	400
Cross checking	Undeclared transactions	600

Timeline: 30/03/2004 to 11/08/2009. Navigation controls: Play, Pause, Previous, Next.

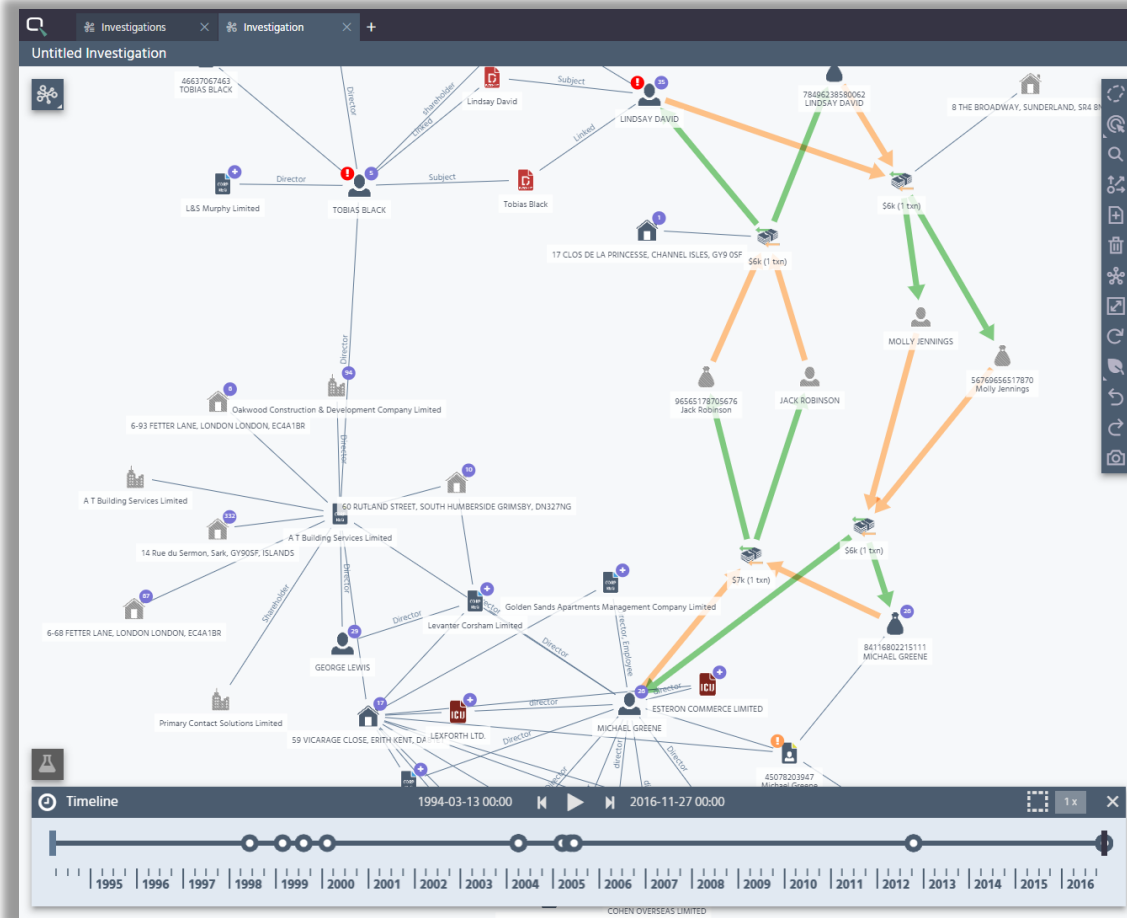


Networks automatically identified and displayed for review

The screenshot displays the Quantexa software interface. At the top, the navigation bar includes 'Search', 'Bulk Search', 'Upload', 'Task Lists', and 'Investigations'. The user is signed in as 'jeromebrissinck'. The main area shows a network graph with a central node for '59 VICARAGE CLOSE, ERITH KENT, DA81ET' and numerous other nodes representing companies and individuals, such as 'Amour Locksmith (UK) Limited', 'The Montessori Floor (Holdings) Limited', 'A.T. Building Services Limited', 'Parnover Associates Limited', 'LEXFORTH LTD.', 'CROWN MIND HOLDINGS LIMITED', 'COHEN OVERSEAS LIMITED', 'CROWN MIND HOLDINGS LIMITED', 'Post Script Designs Limited', 'Levanter Corsham Limited', 'Finodynamic Limited', 'ESTERON COMMERCE LIMITED', 'Theopen05 Com Ltd', 'Grant Associates Limited', 'Levanter (Golden Sands Apartments Management Company) Ltd Limited', 'St. Fidelis Catholic Primary School', 'Erith and District Hospital', 'Eglise catholique Our Lady of The Angels', and 'Erith and District Hospital'. A timeline at the bottom shows the period from 22/11/1990 to 30/06/2015. On the right, the 'Selection Details' panel for '59 VICARAGE CLOSE, ERITH KENT, DA81ET' includes a map, a street view image, and the address '59 Vicarage Ct, Erith DA8 1ET, Royaume-Uni'. The 'Linked to ICIJ?' field is set to 'true'. The bottom right corner features a 'Tout afficher' button.



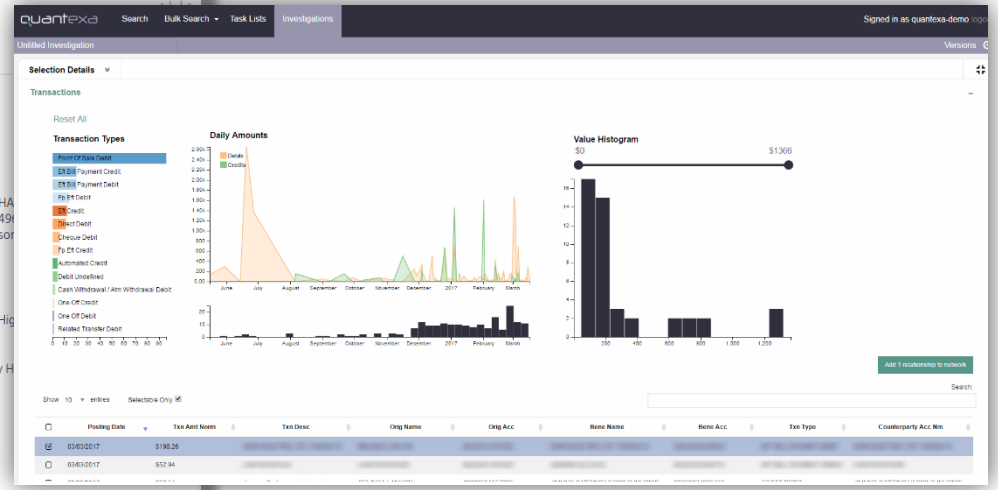
Organised crime has a consistent picture: HSBC Financial Crime FIU



Network

Details Scoring Transactions

- 491 Network score
- 200 Transaction cycle detection (1)
 - 200 The accounts: 84116802215111, MICHAEL GREENE, 56769656517870, Molly Jennings, 78496238580062 LINDSAY DAVID, 96565178705676, Jack Robinson transaction cycle
- 100 Dow Jones Risk (2)
 - 100 TOBIAS BLACK links to an Extremely High (Category: Some(Financial Crime))
 - 100 LINDSAY DAVID links to an Extremely High (Category: Some(Financial Crime))
- 92 Individual on ICJ (4)
- 50 AML Alerts (1)
- 25 Inexpensive Postcode (2)
- 24 ID Manipulation (2)
 - 12 MICHAEL GREENE has multiple dates of birth, indicating potential ID manipulation
 - 12 TOBIAS BLACK has multiple dates of birth, indicating potential ID manipulation



- Pilot completed in 6 weeks, 3 people
- In production 5 months after pilot
- Investigations taking weeks reduced to hours
- 4 projects live, 5 in design/pilot & 6 more in discussion

50billion + records, 1000's of live users



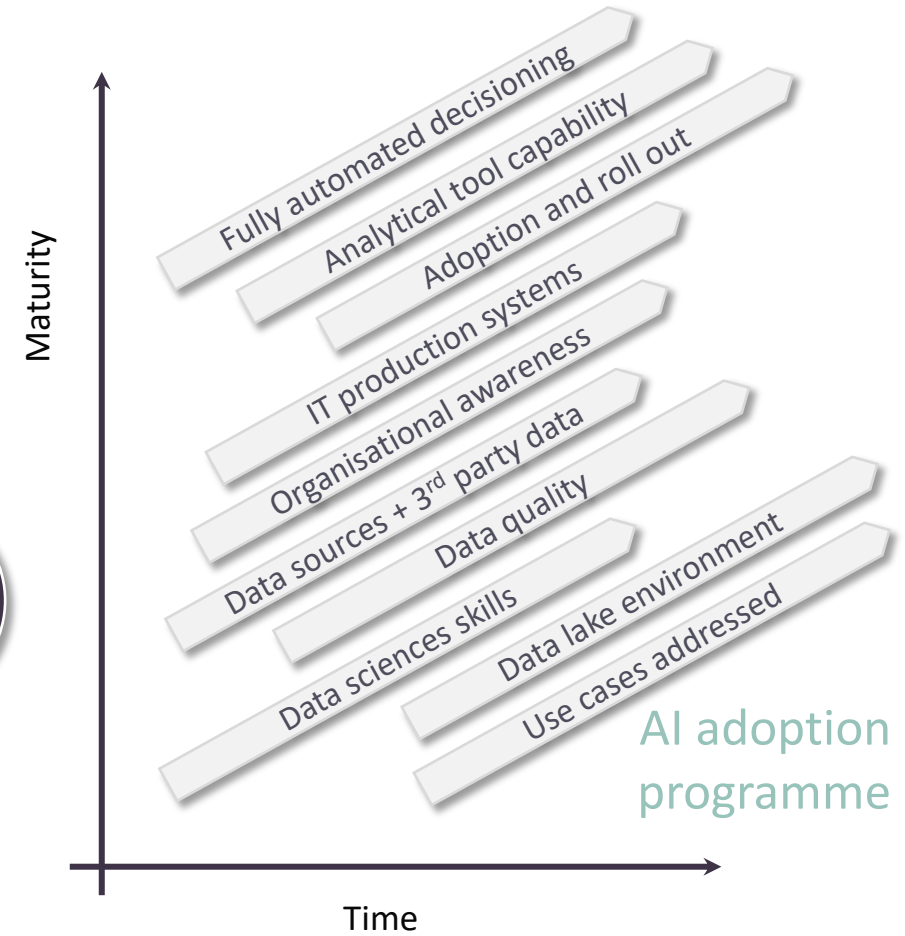
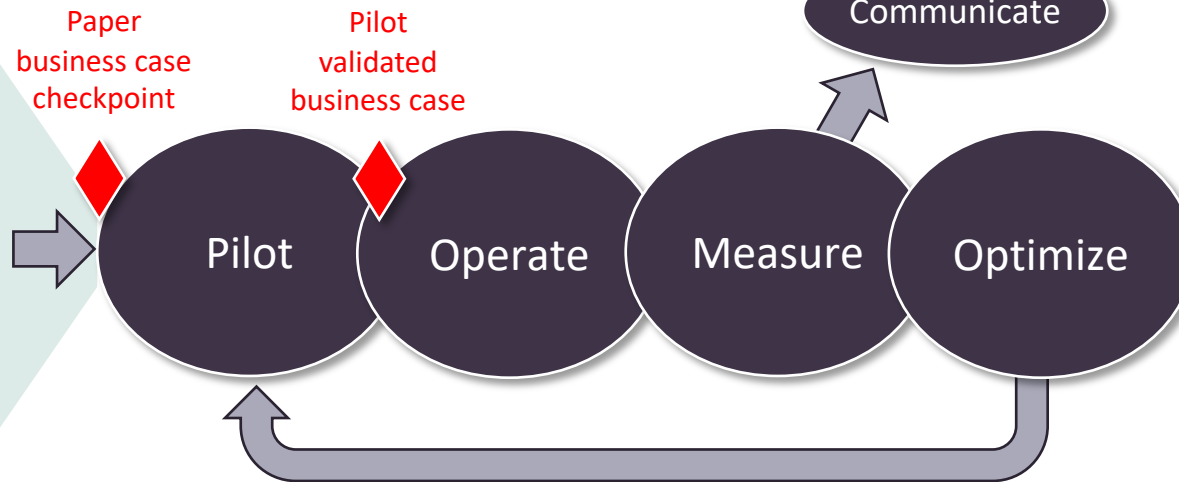
Approach to adopting automated model based detection

Philosophy

Have a vision, start piloting early, move toward the end state in “baby steps”, work in parallel and deliver results early...

Selecting your first pilot

- Data available
- Significant labour costs
- Significant potential impact
- Ease of automation
- Proven examples





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THANK YOU