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# **ASSET FORFEITURE**

## **Tracing Money Flows Through Financial Institutions**

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Office of Justice Programs  
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Office of the Director

Washington, D.C. 20531

Dear Colleague:

Illicit drug traffic continues to flourish in every part of the country. The cash received by the traffickers is often converted to assets that can be used by drug dealers in ways that suit their individual tastes. Since 1981, federal authorities have increased their attack on these assets through both criminal and civil forfeiture proceedings with remarkable success. The recent passage and use of state asset forfeiture laws offers an excellent means for state and local jurisdictions to emulate the federal success.

The Bureau of Justice Assistance (BJA), in the Office of Justice Programs, has funded a nationally focused technical assistance and training program to help state and local jurisdictions facilitate broader use of such laws. BJA selected the Police Executive Research Forum to develop and administer this program because of its history of involvement in practical, problem-oriented research to improve police operations and the Forum's central role in developing training materials for use by police agencies and chief executives.

As part of this project, the Forum has contracted with experts in the area of asset forfeiture and financial investigations to prepare a series of short manuals dealing with different concerns in the area of asset forfeiture. We hope these manuals help meet the rapidly unfolding needs of the law enforcement community as more and more agencies apply their own forfeiture laws and strive to learn from the successes and problems of their peers.

I welcome hearing your comments about this program. We have structured this project so that most requests for information or assistance can be handled through the Forum staff in Washington, D.C., by calling 202/466-7820.

Sincerely yours,

  
Charles P. Smith, Director  
Bureau of Justice Assistance

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## Tracing Money Flows Through Financial Institutions

Law enforcement agencies have been waging a continuous battle against narcotics traffickers for years, with admittedly mixed results. For every leader arrested, two stand up to replace them. Even arresting the entire upper echelon of a drug organization may have little effect. As long as the organization's assets remain in place, others can easily step up and rebuild.

The passage of key federal criminal statutes has changed the nature of drug investigations. Those statutes include the Racketeer Influenced and Corrupt Organizations Act, Continuing Criminal Enterprise Statute, and the Money Laundering Control Act of 1986. Each is significantly strengthened by the inclusion of civil and criminal forfeiture provisions, which enable enforcement agencies to seize assets of drug organizations and other criminal enterprises.

Those laws, often cloned at the state level, allow law enforcement officials to uproot drug organizations. Without assets, criminal organizations cannot continue, no matter how many people are waiting in the wings to replace the arrested leaders. Such organizations cannot purchase their narcotics, bribe officials, pay their troops, nor enjoy the fruits of their illegal enterprise. Without assets, the organization must be rebuilt from the ground up.

Bank records are probably the single most important source of leads to assets that can be seized under the aforementioned laws. Thus, the more you know about tracing transactions through banks, the better you can use those laws in your investigations.

This paper discusses records that are available from banks and explains methods of tracing transactions into banks, through banks, and out of banks—whether through account transactions, loans, securities, bank checks, wires, or cash. The

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process is simple: follow the paper to its ultimate source and to its ultimate disposition. The trail can lead to assets, witnesses, and other principals.

### Obtaining Bank Records

Bankers have become an important source of information to law enforcement, especially in recent years. To cultivate them as white-collar sources makes sense. Anything that can be done to facilitate their compliance with your search request will benefit you as well.

Bank records can be obtained in most jurisdictions by civil discovery (in the case of civil forfeiture procedures), civil summons, court subpoena, grand jury subpoena, search warrant, or other similar legal process.

The cost of obtaining bank records can be very high. Most banks will not give police agencies free access to their files but will charge the agency a fee for search-and-retrieval time and for reproduction costs. However, most cases do not require an in-depth analysis of all bank records. Therefore, the proper selection of records to be retrieved is a function of case requirements and the case agent's workload balanced against the cost and time involved in retrieval.

Drafting a legal request to include every possible item you may eventually want the bank to retrieve is generally a good idea (Exhibit 1). As a matter of public relations, you should work closely with the bank to develop a step-by-step process of retrieval.

### Types of Banking Transactions

Banking transactions can be divided into two types for our purposes. The first involves transactions that flow through accounts—that is, account transactions. They include account deposits, account withdrawals, and debit and credit memos (memo entries).

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## Exhibit 1

### Bank Document Request Language

- I. All Bank Records \_\_\_\_\_ - Present
- A. All open or closed checking, savings and NOW accounts
    - 1. Signature cards
    - 2. Bank statements
    - 3. Cancelled checks
    - 4. Deposit tickets
    - 5. Credit and debit memos
    - 6. Wire transfer records
    - 7. Forms 1099 or back-up withholding statements
  - B. Retained copies of all open or closed bank loan or mortgage documents
    - 1. Loan application
    - 2. Loan ledger sheet
    - 3. Copy of loan disbursement document
    - 4. Copy of loan repayment document
    - 5. Loan correspondence file
    - 6. Collateral agreements
    - 7. Credit reports
    - 8. Copies of notes or other instruments reflecting the obligation to pay
    - 9. Copies of real estate mortgages, chattel mortgages or other security for bank loans
    - 10. Copies of annual interest paid statements
    - 11. Copies of loan amortization statements
  - C. Certificates of Deposit (purchased or redeemed)
    - 1. Copies of the certificates
    - 2. Records pertaining to interest earned, withdrawn or reinvested
    - 3. Forms 1099 or back-up withholding statements records
  - D. Open or closed investment or security custodian accounts
    - 1. Documents reflecting purchase of security
    - 2. Documents reflecting negotiation of security
    - 3. Safekeeping records and logs
    - 4. Receipts for receipt or delivery of securities
    - 5. Copies of annual interest paid statements
  - E. All open or closed IRA, Keogh and Other Retirement Plans
    - 1. Statements
    - 2. Investment, transfer and redemption confirmation slips
    - 3. Documents reflecting purchase of investment
    - 4. Documents reflecting redemption of investment
    - 5. Copies of annual interest earned statements
  - F. Customer correspondence file
  - G. Retained copies of all Cashier's, Manager's, Bank, or Traveler's checks and money orders
    - 1. Copies of documents used to purchase check/money order
    - 2. Copies of documents reflecting negotiation of check/money order

3. Retained copy of application
  4. Retained copy of negotiated check/money order
- H. Wire transfer files
1. Fed. Wire, Swift or other documents reflecting wire transfer of funds to, from or on behalf of (the subject)
  2. Documents reflecting source of funds for wire out
  3. Documents reflecting disposition of wire transfer in
- I. Retained copies of all open or closed safe deposit box rental and entry records
- J. Open or closed credit card files
1. Applications for credit card
  2. Monthly statements
  3. Copies of charges
  4. Copies of documents used to make payments on account
- K. Retained copies of Currency Transaction Reports (Forms 4789)
- L. Retained copies of bank's CTR Exempt List (if subject is exempt) and documents reflecting justification for exemption.

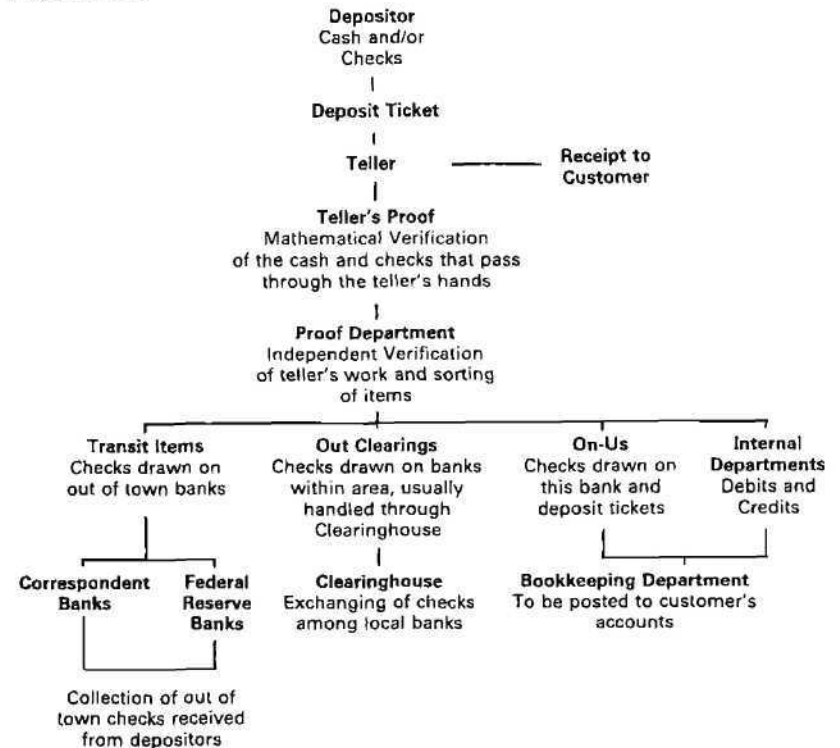
The second type of transaction is the nonaccount transaction. Loans fall into this category, as does the purchase or sale of securities (including certificates of deposit, stocks, bonds, and Treasury bills). The purchase or negotiation of bank checks is also a nonaccount transaction, as are cashier's checks, money orders, traveler's checks, and cash transactions (the exchanging of cash for cash and the cashing of third-party checks). Wire transfers and entries into a safe deposit box are also nonaccount transactions.

### Flow of Transactions Through Banks

Tracing transactions through a bank is like any other asset-tracing procedure—you search for the ultimate source of the funds coming into the bank and you search for the ultimate disposition of funds leaving the bank. Both ends of the transaction can lead to hidden sources of income, hidden assets, previously unknown witnesses, and other principals.

To understand the nature of account transactions, one must

**Exhibit 2a**



understand how transactions flow through a bank through deposits, withdrawals, and memo entries (Exhibit 2a & 2b). The transaction begins at a transaction entry point. This may be a teller, a memo entry from another department, or input from the cash services department.

The teller serves as the transaction entry point when, for example, he or she receives a deposit through the mail, from an automatic teller machine, or directly from a bank customer. The cash services department handles deposits for larger cash customers, such as department stores and grocery stores.

From the entry point, transactions go to the proof depart-

## Exhibit 2b

### Types of Banking Transactions and Records Maintained

#### I. Account transactions

##### A. Deposits

1. Teller tape
2. Deposit ticket
3. Item deposited
4. Cash in ticket
5. Credit memo

##### B. Withdrawals

1. Teller tape
2. Check
3. Cash out ticket
4. Debit memo

#### II. Non-account transactions

##### A. Loans

1. Loan application
2. Loan ledger
3. Correspondence file
4. Loan Disbursement Documents
  - a. Teller tape
  - b. Bank check
  - c. Credit memo
5. Loan repayment documents
  - a. Teller tape
  - b. Copies of checks
  - c. Cash in tickets
  - d. Debit memos

##### B. Securities—CDs, Stocks, Bonds, etc.

1. Bank copy of security (delivered)
2. Security held in safe keeping
3. Payment instrument
  - a. Teller tape
  - b. Copy of check
  - c. Cash in ticket
  - d. Debit memo
4. Disbursement instrument
  - a. Teller tape
  - b. Bank check
  - c. Credit memo

##### C. Bank Checks—Cashier's Checks, Treasurer's Checks, Money Orders, Traveller's Checks

1. Copy of bank check
2. Copy of application

##### 3. Purchase document

- a. Teller tape
- b. Copy of check used
- c. Cash in ticket
- d. Debit memo

##### 4. Redemption document

- a. Teller tape
- b. New bank check issued
- c. Credit memo
- d. Cash out ticket

##### D. Wire Transfers

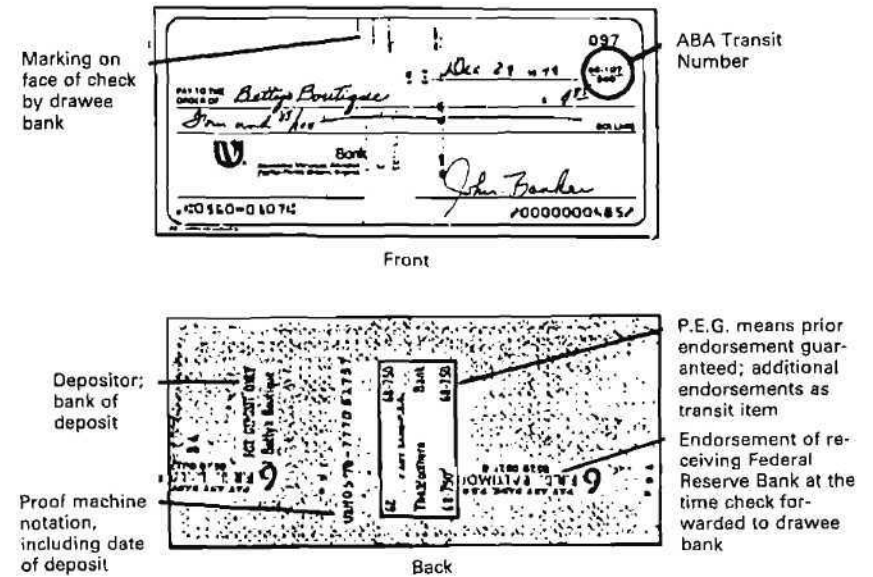
1. Application for wire
2. Federal Reserve wire memo
3. Swift message memo
4. Funds out documentation
  - a. Teller tape
  - b. Copy of check used
  - c. Cash in ticket
  - d. Debit memo
5. Funds in documentation
  - a. Teller tape
  - b. Bank check
  - c. Credit memo

##### E. Safety Deposit Box

1. Signature card/contract
2. Entry Record

## Exhibit 3

### Negotiated Check



ment. Here each item is encoded with a discreet number so it can be located in the bank's records system (Exhibit 3). In addition, the MICR number (that series of computerized numbers which appear at the bottom of checks) is encoded at this point. That number will be read by high speed computer readers during the clearing process (Exhibit 4).

Each item is then microfilmed. Items that enter the bank together are generally filmed together in the order of their receipt. The items are entered into the bank's computer system at this point.

All items are then batched by high speed machines to facilitate further processing. Items are generally batched in four (or

## Exhibit 4

### MICR Encoded Check

STANDARD BANK & TRUST COMPANY 1-887 210

No. \_\_\_\_\_

MAY 19, 1981

PAY TO THE ORDER OF John Beaker \$ 56<sup>75</sup>

Fifty six and 75/100 DOLLARS

J. R. AGENT  
J. R. Agent

⑆0210⑉0987⑆12200842670⑆

⑆042⑆0000005670⑆

CHECK ROUTINE ABA TRANSIT ACCOUNT PROCESS AMOUNT  
BY SYMOL NUMBER PREQUALIFIED CONTROL POSTQUALIFIED

more) categories: "on-us" items, clearinghouse items, transit items, and special items. *On-us* items are all those that can be cleared totally within the bank. *Clearinghouse items* are those which must clear through other local banks and are thus cleared through a local clearinghouse. *Transit items* are those which must be sent outside the bank's area for clearing. They are sent through correspondent banks and Federal Reserve banks. For our purposes, *special items* consist of cashier's checks, debit and credit memos, certificates of deposit, loan transactions, wire transfers, etc. They require special handling by the bank.

Items requiring further handling, such as transit items and special items, are sent to the appropriate department for final processing.

The last step in transaction processing occurs in the bookkeeping department, into which all items eventually flow. There, they are filed in a manner that allows quick retrieval. The bookkeeping department, which often contains an error resolution unit, maintains those files and searches them for other departments.

## Requesting Bank Records

The first step to take, even before drafting any subpoenas, is to determine the existence of checking or savings accounts, loan accounts, investment accounts, and safe deposit boxes. Always ask the bank to check for both open and closed accounts. In most cases, one can obtain this information by interviewing a bank official. However, some banks will not voluntarily assist you in determining whether your subject has an account. They will require a subpoena stating the exact name of the account, etc. Fortunately those banks are few, and bank employees with this attitude can sometimes be overruled by their superiors.

### *Ask for Signature Cards and Account Statements*

Once you have received account and other information, you can request several items simultaneously. Ask for the signature cards of all accounts, account statements, loan records, and safe deposit records. Those records are requested first for several reasons. They are generally easily retrievable by the bank. This means you get the information quickly and with little initial cost to your agency. Second, you must analyze the account statements before you can request the detailed information concerning checks, deposits, and memo entries.

Signature cards not only reveal who owns the account but also can serve as handwriting exemplars (Exhibit 5). In addition, they often refer to corporate board resolutions, partnership agreements, or other business agreements on file at the bank. Those resolutions can provide leads to other witnesses, principals, or co-conspirators.

Before requesting account statements, determine what time period you need to cover. Be certain to request enough statements so that a complete history is compiled. The cost of obtaining account statements is generally negligible, as is the bank's time to procure them. So ask for all the statements that might be relevant, within reason. Remember, banks must retain records for periods specified by law. If the bank states that



Exhibit 5

**First American Bank of Virginia**  
 Post Office Box 627 McLean, Virginia 22101

**PERSONAL ACCOUNT APPLICATION/SIGNATURE CARD**

Customer (1) \_\_\_\_\_ Customer (2) \_\_\_\_\_

Customer Name \_\_\_\_\_  
 Residence (type mailing address on bottom part) \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Home Phone No \_\_\_\_\_  
 Employer \_\_\_\_\_  
 Employment Address/Business Location \_\_\_\_\_  
 Work Phone \_\_\_\_\_

Other Accounts with First American Bank of Virginia  
 Checking  Savings  Visa  
 Mastercard  Check-A-Line  
 Loan  Mortgage  Trust  
 Safe Deposit Box  Other  
 MONEY EXCHANGEsm Card

Checking  Savings  Visa  
 Mastercard  Check-A-Line  
 Loan  Mortgage  Trust  
 Safe Deposit Box  Other  
 MONEY EXCHANGEsm Card

Special CIS Information \_\_\_\_\_

First Name MI Last Name \_\_\_\_\_ Branch  ODA  SAV Account # \_\_\_\_\_  
 First Name MI Last Name \_\_\_\_\_ Date Opened/by \_\_\_\_\_ First Deposit \_\_\_\_\_

Payable on Death to \_\_\_\_\_ Type  Service Charge \_\_\_\_\_

Special Instructions \_\_\_\_\_  
 Address for Statements \_\_\_\_\_

SOLE OWNERSHIP  JOINT ACCOUNT WITH SURVIVORSHIP  JOINT ACCOUNT—NO SURVIVORSHIP

(1) \_\_\_\_\_ Signature \_\_\_\_\_ ID/SSN \_\_\_\_\_  
 (2) \_\_\_\_\_ Signature \_\_\_\_\_ ID/SSN \_\_\_\_\_

Exhibit 6a



JAMES DAVID HARDING  
 150 HALLORY DR. APT 2F  
 ST. SIMONS ISLAND, GA 31522  
 (912) 555-5151

Customer Account  
 0697088100 PAGE 1  
 FROM 2-27-85 TO 3-28-85

10 CHECK LOAN  
 AVAILABLE CREDIT IS \$2,000.00 CREDIT LIMIT IS \$2,000.00

PREVIOUS BALANCE	NUMBER/TOTAL CREDITS	NUMBER/TOTAL DEBITS	FEES	NEW BALANCE			
10 CHECK 116	8,304.21	3	45,136.13	26	35,623.99	3.00	17,921.35

10 CHECKING	DATE	DESCRIPTION	AMOUNT	AMOUNT	DAILY BALANCE
3-04	CHECK	114	158.00		8,006.21
3-04	CHECK	116	1,500.00		4,506.21
3-07	CHECK	120	11.00		4,495.21
3-08	CHECK	122	8.00		4,487.21
3-11	CHECK	110	26.25		4,460.96
3-12	DEPOSIT		43,433.03		47,893.99
3-12	DIRECT DEPOSIT		876.55		48,770.54
3-12	CHECK	124	25.00		48,745.54
3-12	CHECK	125	400.00		48,345.54
3-13	CHECK	121	500.00		47,845.54
3-14	CHECK	123	14.00		47,831.54
3-15	CHECK	119	3,402.30		44,429.04
3-18	CHECK	151	132.30		44,296.74
3-21	CHECK	161	21,719.52		22,577.22
3-21	CHECK	162	22.18		22,555.04
3-22	CHECK	152	40.50		22,514.54
3-22	CHECK	153	64.52		22,450.02
3-25	CHECK	155	1,389.31		21,060.71
3-25	CHECK	156	35.50		21,025.21
3-25	CHECK	164	500.00		20,525.21
3-25	CHECK	157	610.84		19,914.37
3-25	CHECK	158	2,200.00		17,714.37
3-26	DIRECT DEPOSIT		876.55		18,590.92
3-26	CHECK	160	287.44		18,303.48
3-26	CHECK	163	300.00		18,003.48
3-27	CHECK	154	7.08		17,996.40
3-27	CHECK	165	20.00		17,976.40
3-27	CHECK	153	50.05		17,926.35

it does not possess the records, check with your counsel for possible noncompliance with banking regulations.

Examine Statements to Facilitate Further Requests

Analyze all statement entries (Exhibits 6a, 6b, and 6c) to help narrow your requests for records. Most cases do not require pulling all bank records pertaining to the subject. A careful analysis of statements can help determine which items to request next. For example, interaccount transfers can often be identified from statements and thus eliminated from further detailed follow-up.

**Exhibit 6b**  
**Bobtail Statement**

STATEMENT OF YOUR PERSONAL CHECKING ACCOUNT											
ACCOUNT NO.		DATE AND BALANCE ON LAST STATEMENT				DEPOSITS AND OTHER ITEMS ADDED					
MONTH DAY YEAR		MONTH DAY YEAR		AMOUNT		MONTH DAY YEAR		AMOUNT			
650110		40181		222.07		528.62		3			
CHECKS AND OTHER ITEMS CHARGED		SERVICE CHARGES		DATE AND BALANCE OF THIS STATEMENT							
MONTH DAY YEAR		MONTH DAY YEAR		MONTH DAY YEAR		MONTH DAY YEAR		MONTH DAY YEAR			
543.60		1.4		1.40		25		501		205.44	

F. J. WAXER  
4161 S HARBOR DRIVE  
ENDICOTT NEW YORK

PLEASE EXAMINE THIS STATEMENT AND CANCELLED CHECKS PROMPTLY. THE FORM ON THE BACK OF THIS STATEMENT WILL BE HELPFUL IN BALANCING YOUR ACCOUNT.

**Exhibit 6c**

P.O. BOX 100  
COLUP SPR, S.C. 29402 ---  
724-5148

JAMES DAVID HARRIS  
870 HULLDAY DR APT 1F  
ST LOUIS, MISSOURI 63102  
(314) 555-5151 29405

M PAGE 1 OF 1

SCM NOW CHECKING SUMMARY ACCOUNT NUMBER 0213-0182-4  
SOCIAL SECURITY / TAX ID NUMBER 12480007

CURRENT CHECKING BALANCE 04/05/85 55.37  
PREVIOUS CHECKING BALANCE 03/06/85 56.27  
2 CHECKS AND OTHER SUBTRACTIONS TOTALING 38.10  
SERVICE CHARGE 2.80  
LOWEST DAILY BALANCE WAS \$ 55.37 ON 04/05/85

OTHER SUBTRACTIONS

DATE	AMOUNT	DESCRIPTION	SERIAL NBR	REF NO
03/11	29.83	MASTER CARD ECONO LODGE	II TRANSACTION ON 02/24 AT SUMMERSVILLE SC	60000607
03/12	8.27	MASTER CARD ROCK N EASY	II TRANSACTION ON 02/02 AT BRUNSWICK GA	60000402

If you are searching for a specific deposit known to have occurred, account statements may reveal the amount(s) and date(s).

In the absence of known deposits, one can look for large deposits or various patterns in the deposits noted on the state-

ments. In general, look for larger deposits, particularly if your subject is part of a large narcotics organization. If a case involves a small-scale trafficker, you may want to request smaller deposits or even all deposits. In addition, be alert for business deposits that appear to be out of the ordinary, such as large, even amounts deposited in an account of a retail business where receipts are normally received in small, uneven amounts.

Among the deposit patterns to look for on statements are at least two transactions of \$10,000 or more on the same day; large deposits in round numbers; and repeated deposits of the same amounts, especially when they are deposited with noticeable regularity. Also look for patterns in the timing of the transactions, such as deposits that occur shortly after an observed narcotics transaction. Those patterns not only suggest criminal activity but also may provide probable cause for search or arrest warrants or for civil seizure of assets.

You may also choose to trace money by checking the accounts for deposits over a certain amount, such as all transactions over \$5,000 or all of those made in even hundreds over \$1,000.

Finally, you could search according to the type of deposit transaction, such as by focusing on all currency transactions and/or all large or unusual memo entries. The latter may indicate wire transfers, loans, certificates of deposit, investments, or other hidden assets.

*How Many Records Should be Requested?*

Determining how much material to request can be difficult. It depends on the bank. If the bank can retrieve the documents easily, obtain more than you think you will need. If, on the other hand, the bank will have difficulty obtaining the items, select carefully. Remember, you can always get more from the bank. Your workload and public relations with the bank will help you decide how much to request and when to request it.

Note that some accounts may dictate a 100-percent search. That would be called for if the account is obviously a laundering account or if it is a hidden account.

*Ask for Front and Back*

Request both the front and back of each document selected, including deposit tickets, memo entries, and canceled checks. You need both the front and back to get endorsements, encoded numbers, and bank stamps. Remember, almost all document locator encoding is on the back of each item (Exhibits).

*Requesting a Back-up Search*

If the bank tells you there is no microfilm, or the requested item cannot be found or read on the film, consider requesting a back-up search. For example, some banks film all statement items just before they are sent out. This, in effect, is a second set of film for the items, the first being shot when the items come through the proof department. This second set is an excellent source of back-up data if the item cannot be found on the proof film.

The teller's tape and proof envelope are also good back up material. They are coded with numbers representing every transaction. Those numbers indicate the type of transaction—deposit, withdrawal, exchange—and the amount. In addition, the bank's computer reports may give the required details concerning a lost transaction, though these generally contain only numbers.

Always ask the bank about other types of back-up systems they may have. But this is an expensive proposition and must be chosen carefully. The back-up items may not give you the type of information needed. For instance, payee names, names of depositors, and endorsements will probably not be revealed. Always discuss this choice carefully with a knowledgeable bank officer who can tell you exactly what you are getting for your time and money.

**Analyzing Deposit Documents**

Once the requested deposit-related items arrive, analyze the *deposit tickets* (Exhibit 7) and *memo entries* (Exhibit 8a and 8b). Most deposit tickets and memo entries will not have much useful information on them, so the next step is to obtain the

**Exhibit 7**

**DEPOSIT TICKET**

JOHN BANKER  
22 MAIN STREET  
ARLINGTON, VA. 12345

DATE May 11 N.S.

CURRENCY	24	00
COIN	1	89
100's	64	11
10's	1	00
1's	15	18
TOTAL FROM OTHER BANK		
<b>TOTAL</b>	<b>535</b>	<b>18</b>

**F&T BANK**  
Cole, Va.

0 00 00000# 5000 /0000053518/

**Exhibit 8a**

**1st AMERICAN** P.O. BOX 827, McLEAN, VIRGINIA 22101  
TELEPHONE (703) 821-7777

**DEBIT**

WE DEBIT YOUR CHECKING ACCOUNT 19

FOR \_\_\_\_\_

ACCT. NUMBER \_\_\_\_\_

TO \_\_\_\_\_

BR/OEPT \_\_\_\_\_  
Tele \_\_\_\_\_  
Prepared By \_\_\_\_\_

**Exhibit 8b**

**1st AMERICAN** P.O. BOX 827, McLEAN, VIRGINIA 22101

**CREDIT**

WE CREDIT YOUR CHECKING ACCOUNT 19

FOR \_\_\_\_\_

ACCT. NUMBER \_\_\_\_\_

TO \_\_\_\_\_

BR/OEPT \_\_\_\_\_  
Tele \_\_\_\_\_  
Prepared By \_\_\_\_\_

items deposited and the items represented by the memo entries.

Requesting copies of the fronts and backs of items deposited and credit memos will reveal the actual source of the deposits. Note that the items deposited are not the deposit slips. The items deposited are copies of the actual checks and other docu-

ments that are listed on the deposit ticket.

Requesting the bank to make a careful search of the proof microfilm when *cash* deposits are found is important. A good idea is to have the bank examine at least the two items before and the two items after the cash transaction. This kind of search will help reveal cash splits. Those might include a large

**Exhibit 9**

Form **4789** **Currency Transaction Report** (Rev. December 1985) OMB No. 1545-0183 Expires 10-31-88

Department of the Treasury Internal Revenue Service **File a separate report for each transaction.** **Please type or print.** **For Paperwork Reduction Act Notice, see page 3.** **Complete all applicable parts—See instructions.** If armored report, see instructions and check box.

**Part I Identity of individual who conducted this transaction with the financial institution**  
 1 If multiple individuals involved, see instructions and check here  **2** Last name **3** First name **4** Middle initial **5** Social security number  
**6** Address (number and street) **7** Occupation, profession, or business  
**8** City **9** State **10** ZIP code **11** Country (if not U.S.)  
**12** Method used to verify identity **a** Describe **b** Issued by **c** Number  
**13** Reason items 2-12 are not completed  Armored car service (enter name)  Night deposit or ATM transaction  Multiple transactions (see instructions)  
 Mail deposit/shipment  Other (specify)

**Part II Individual or organization for whom this transaction was completed**  
 14 If multiple individuals or organizations are involved, see instructions and check here   
**15** Individual's last name **16** First name **17** Middle initial **18** Social security number  
**19** Name of organization **b** Check if (1)  broker/dealer in securities, or (2)  financial institution (see instructions) **20** Employer identification number  
**21** Address (number and street) **22** Occupation, profession, or business  
**23** City **24** State **25** ZIP code **26** Country (if not U.S.)

**Part III Customer's account number(s) affected by transaction**  
**27**  Savings  Checking  CD/Money market  Securities  Loan  Other (specify)

**Part IV Type of transaction. Check applicable boxes to describe transactions**  
**28**  Currency exchange (currency for currency)  
**29** CASH IN:  Deposit  Security purchased  Check purchased  CD/Money market purchased  For wire transfer  Receipt from abroad  Other cash in (specify)  
**30** CASH OUT:  Check cashed  Security redeemed  Withdrawal  CD/Money market redeemed  From wire transfer  Shipment abroad  Other cash out (specify)  
**31** Total amount of currency transaction (in U.S. dollars) **32** Amount in item 31 in \$100 bills or higher **33** Date of transaction (month, day, and year)  
**34** If other than U.S. currency is involved, please furnish the following information: **a** Exchange made  for or  from U.S. currency **c** Country **d** Total amount of each foreign currency (in U.S. dollars) **e** \$  
**35** If a check or wire transfer was involved in this transaction, please furnish the following information (see instructions):  
**a** If more than one check or wire transfer is involved, see instructions and check here   
**b** Date of check or wire transfer **c** Amount of check or wire transfer (in U.S. dollars) **d** Payee  
**e** Drawer of check **f** Drawee bank and MICR number

**Part V Financial institution where currency transaction took place**  
**36** Check applicable box to indicate type of financial institution:  Bank (enter code number from instructions here)  Savings and loan association  Credit union  Security broker/dealer  Other  
**37** Name of financial institution **38** Employer identification number  
**39** Address (number and street) **40** Social security number  
**41** City **42** State **43** ZIP code **44** MICR number  
**45** Signature (preparer) **46** Title **47** Date  
**48** Type or print preparer's name **49** Approving official (signature) **50** Date

cash deposit that is split among several accounts, or cash withdrawals from several accounts which make up one deposit in the account being searched.

Most currency transactions over \$10,000 require that a currency transaction report (CTR) be filed by the bank in accordance with the Bank Secrecy Act (Exhibit 9). The Bank Secrecy

Form 4789 (Rev. 12-85) **Multiple Transactions** Page 2

(Complete applicable parts below if box 1, 14, or 35a on page 1 is checked)

**Part I Continued—Complete if box 1 on page 1 is checked**  
**2** Last name **3** First name **4** Middle initial **5** Social security number  
**6** Address (number and street) **7** Occupation, profession, or business  
**8** City **9** State **10** ZIP code **11** Country (if not U.S.)  
**12** Method used to verify identity **a** Describe **b** Issued by **c** Number

**Part II Continued—Complete if box 14 on page 1 is checked**  
**15** Individual's last name **16** First name **17** Middle initial **18** Social security number  
**19** Name of organization **b** Check if (1)  broker/dealer in securities, or (2)  financial institution (see instructions) **20** Employer identification number  
**21** Address (number and street) **22** Occupation, profession, or business  
**23** City **24** State **25** ZIP code **26** Country (if not U.S.)

**Part III Continued—Complete if box 35a on page 1 is checked**  
**35** **b** Date of check or wire transfer **c** Amount of check or wire transfer (in U.S. dollars) **d** Payee  
**e** Drawer of check **f** Drawee bank and MICR number

**35** **b** Date of check or wire transfer **c** Amount of check or wire transfer (in U.S. dollars) **d** Payee  
**e** Drawer of check **f** Drawee bank and MICR number

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Act and related money-laundering issues are beyond the scope of this paper, but you should at least be aware of some of the information contained in CTRs, such as the names and addresses of the persons involved in the transaction and the social security numbers of the person conducting the transaction. Banks are required to file these reports; willful failure to file constitutes a felony. U.S. Customs Service headquarters maintains a data base of CTRs filed.

Other deposit items can be broken down into two types: *on-us items* and *clearinghouse items*. Both should be traced to their ultimate use or source within or outside the bank.

The first step is to request the ultimate use or source of *on-us* items deposited. Those are such items as loan proceeds, certificates of deposit or other securities negotiated, wire transfers in, bank checks deposited, and checks from other accounts at the bank.

If the deposit is the proceeds from a loan, obtain and analyze the loan file. *How* to do this is covered later; *what* it may uncover is discussed here.

Tracing loan proceeds to their ultimate use source may reveal hidden assets. This could be real estate either purchased with the loan or used to secure the loan; other assets purchased with, or used as collateral for, the loan; or bank or securities accounts.

The discovery of a loan could also lead to other witnesses, principals, or co-conspirators. They might be co-signers of the loan, others making loan payments, or actual owners of the securities serving as collateral. Credit file leads can also be found in the loan file.

The important point to remember is to follow-up when loans are discovered. For example, tracing securities (used as collateral for, or purchased with the proceeds of, the loan) to their ultimate source may reveal that the funds used to purchase them came from other hidden assets. The point is, do not just stop with the security. Go back to the security file and find the origin of the funds used to purchase it. Keep tracing until you reach the final source.

If the deposit came from a wire transfer, trace the wire to

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the originating bank to see where the funds for the wire originated. Again, this search could lead to other accounts, other witnesses, principals, coconspirators, or offshore transactions.

Bank checks deposited, such as cashier's checks and money orders, could be an indication of "smurfing" operations (structured currency transactions), particularly if large numbers of even-amount cashier's checks appear on a regular basis. Even occasional bank checks should be traced to their ultimate source, for bank checks are a favorite means of hiding the source and disposition of illegally gotten gains.

Cashier's checks often lead to other hidden accounts. They can lead to the discovery of hidden assets, for such checks are often used to distribute the proceeds of loans, the sale of securities, real estate closing proceeds, and similar items. Those checks can also lead to other witnesses, principals, or coconspirators who purchased or endorsed the check deposited into the subject's account.

On-us third-party checks deposited in the account in question may indicate their purpose on their face, and thus require no further follow-up. In such instances, the payment may be from a known source within the bank or it may have sufficient identifying information on it to allow you to locate and interview the witness regarding the purpose of the payment.

Other on-us checks deposited should be traced through the bank to their ultimate source. This may require a subpoena to open up yet another account to investigate. Once that account is opened, the investigative process begins again.

Another source of deposits is *clearinghouse items*. For our purposes, we will include both local clearinghouse and out of town transit items in this category. Since clearinghouse items will probably require legal process to trace them through third-party banks, carefully weigh which ones are worth pursuing. Some clearinghouse items will have sufficient identification to permit you to find and interview a witness—generally a cheaper and quicker method than trying to run the item through another bank.

Whether an item is an on-us item or a clearinghouse item can be determined by looking at the bank name on the check

## Exhibit 10a

### American Bankers Association Code

Also known as ABA Transit Number

No. 1-49 identifies the city  
No. 50-99 identifies the state

68-424  
514

This number identifies the bank

Thus the number 68-424 is identified as follows  
68—State of Virginia  
424—Arlington Trust Co., Arlington, Virginia

#### Federal Reserve Routing Code

No. 1-9 identifies the Federal Reserve District

68-424  
514

This number identifies:

- 1— Head office of the Federal Reserve District
- 2-5 Branch offices of Federal Reserve District

This number signifies:

- 0— Available for immediate credit
- Deferred credit
- 1-5 Designates the state in which the drawee bank is located
- 6-9 Special collection arrangements

Thus the number 514 is identified as follows:  
5—Fifth Federal Reserve District  
1—Head office in Richmond, Virginia  
4—Deferred credit and the State of Virginia

(is the name the same as that of the bank at which the deposit was made?), or by looking at the bank endorsements on the back of the item. If the item has a different bank's endorsement or a Federal Reserve bank endorsement, it is a clearinghouse item (Exhibit 3).

Many bank endorsements include the bank's transit number (Exhibit 3, 10a, 10b, and 10c). Those will help you locate the third-party bank, particularly if the rest of the bank endorsement is illegible.

Tracing clearinghouse items consists of taking the item in question to the third-party bank with appropriate legal process to allow you to track the item to its ultimate source.

## Exhibit 10b

### The Numerical System of The American Bankers Association

*Index to Prefix Numbers of Cities and States*

Numbers 1 to 49 inclusive are Prefixes for Cities

Numbers 50 to 99 inclusive are Prefixes for States

Prefix Numbers 50 to 58 are Eastern States

Prefix Number 59 is Hawaii

Prefix Numbers 60 to 69 are Southeastern States

Prefix Numbers 70 to 79 are Central States

Prefix Numbers 80 to 88 are Southwestern States

Prefix Numbers 90 to 99 are Western States

Prefix Number 89 is Alaska

#### *Prefix Numbers of Cities in Numerical Order*

1 New York, N.Y.	35 Houston, Texas	66 North Carolina
2 Chicago, Ill.	36 St. Joseph, Mo.	67 South Carolina
3 Philadelphia, Pa.	37 Fort Worth, Texas	68 Virginia
4 St. Louis, Mo.	38 Savannah, Ga.	69 West Virginia
5 Boston, Mass.	39 Oklahoma City, Okla.	70 Illinois
6 Cleveland, Ohio	40 Wichita, Kan.	71 Indiana
7 Baltimore, Md.	41 Sioux City, Iowa	72 Iowa
8 Pittsburgh, Pa.	42 Pueblo, Colo.	73 Kentucky
9 Detroit, Mich.	43 Lincoln, Neb.	74 Michigan
10 Buffalo, N.Y.	44 Topeka, Kan.	75 Minnesota
11 San Francisco, Calif.	45 Dubuque, Iowa	76 Nebraska
12 Milwaukee, Wis.	46 Galveston, Texas	77 North Dakota
13 Cincinnati, Ohio	47 Cedar Rapids, Iowa	78 South Dakota
14 New Orleans, La.	48 Waco, Texas	79 Wisconsin
15 Washington, D.C.	49 Muskogee, Okla.	80 Missouri
16 Los Angeles, Calif.		81 Arkansas
17 Minneapolis, Minn.		82 Colorado
18 Kansas City, Mo.		83 Kansas
19 Seattle, Wash.		84 Louisiana
20 Indianapolis, Ind.		85 Mississippi
21 Louisville, Ky.		86 Oklahoma
22 St. Paul, Minn.		87 Tennessee
23 Denver, Colo.		88 Texas
24 Portland, Ore.		89 Alaska
25 Columbus, Ohio		90 California
26 Memphis, Tenn.		91 Arizona
27 Omaha, Neb.		92 Idaho
28 Spokane, Wash.		93 Montana
29 Albany, N.Y.		94 Nevada
30 San Antonio, Texas		95 New Mexico
31 Salt Lake City, Utah		96 Oregon
32 Dallas, Texas		97 Utah
33 Des Moines, Iowa		98 Washington
34 Tacoma, Wash.		99 Wyoming
		101 Territories

#### *Prefix Numbers of States in Numerical Order*

50 New York	85 Mississippi
51 Connecticut	86 Oklahoma
52 Maine	87 Tennessee
53 Massachusetts	88 Texas
54 New Hampshire	89 Alaska
55 New Jersey	90 California
56 Ohio	91 Arizona
57 Rhode Island	92 Idaho
58 Vermont	93 Montana
59 Hawaii	94 Nevada
60 Pennsylvania	95 New Mexico
61 Alabama	96 Oregon
62 Delaware	97 Utah
63 Florida	98 Washington
64 Georgia	99 Wyoming
65 Maryland	

## Exhibit 10c

### Routing Symbols

Routing symbols (in italics) of banks that are members of the Federal Reserve System

All banks in area served by a Federal Reserve bank or branch carry the routing symbol of the Federal Reserve bank or branch

#### Federal Reserve Banks and Branches

1. Federal Reserve Bank of Boston Head Office	<u>5-1</u> <i>770</i>	9. Federal Reserve Bank of Minneapolis Head Office	<u>17-8</u> <i>970</i>
2. Federal Reserve Bank of New York Head Office	<u>1-120</u> <i>270</i>	Helena Branch	<u>93-26</u> <i>920</i>
Buffalo Branch	<u>10-26</u> <i>220</i>	10. Federal Reserve Bank of Kansas City Head Office	<u>18-4</u> <i>7070</i>
3. Federal Reserve Bank of Philadelphia Head Office	<u>3-4</u> <i>370</i>	Denver Branch	<u>23-19</u> <i>1020</i>
4. Federal Reserve Bank of Cleveland Head Office	<u>0-1</u> <i>470</i>	Oklahoma City Branch	<u>39-24</u> <i>7030</i>
Cincinnati Branch	<u>13-43</u> <i>420</i>	Omaha Branch	<u>27-12</u> <i>7040</i>
Pittsburgh Branch	<u>8-30</u> <i>430</i>	11. Federal Reserve Bank of Dallas Head Office	<u>32-3</u> <i>7170</i>
5. Federal Reserve Bank of Richmond Head Office	<u>68-3</u> <i>570</i>	El Paso Branch	<u>88-1</u> <i>7120</i>
Baltimore Branch	<u>7-27</u> <i>520</i>	Houston Branch	<u>35-4</u> <i>7130</i>
Charlotte Branch	<u>66-20</u> <i>530</i>	San Antonio Branch	<u>30-72</u> <i>7140</i>
6. Federal Reserve Bank of Atlanta Head Office	<u>64-14</u> <i>670</i>	12. Federal Reserve Bank of San Francisco Head Office	<u>11-37</u> <i>7270</i>
Birmingham Branch	<u>61-19</u> <i>620</i>	Los Angeles Branch	<u>16-16</u> <i>7220</i>
Jacksonville Branch	<u>63-19</u> <i>630</i>	Portland Branch	<u>24-1</u> <i>7230</i>
Nashville Branch	<u>87-10</u> <i>640</i>	Salt Lake City Branch	<u>31-31</u> <i>7240</i>
New Orleans Branch	<u>14-21</u> <i>650</i>	Seattle Branch	<u>19-1</u> <i>7250</i>
7. Federal Reserve Bank of Chicago Head Office	<u>2-30</u> <i>770</i>		
Detroit Branch	<u>9-29</u> <i>720</i>		
8. Federal Reserve Bank of St. Louis Head Office	<u>4-4</u> <i>870</i>		
Little Rock Branch	<u>81-13</u> <i>820</i>		
Louisville Branch	<u>21-59</u> <i>830</i>		
Memphis Branch	<u>26-3</u> <i>840</i>		

## Exhibit 11



Cash



Deposit

#### MACHINE STAMPING EXAMPLE OF CHECK CASHED

Date	Teller Identification	Transaction Number	Signifies Cashied	Amount of Check
May 1 - 81	21	007	CC	100.00
MAY-1-81 22 007 CC**100.00				

### Tracing Withdrawals/Disbursements

While tracing deposited items to locate the ultimate source of funds entering the subject's bank account, you can trace the other end—the check withdrawals and other disbursements—at the same time.

Investigating disbursements is the same, in reverse, as the technique just discussed. In fact, it consists of fewer steps, for you can normally go right from the check endorsement or payee to the ultimate disposition. Again, disbursements are of two types, on-us items and clearinghouse items.

The first step is to review the checks for "cash" stamps and endorsements (Exhibit 11). Ask the banker to explain the cash-stamp and endorsement system. As previously noted, requesting a careful search of the proof microfilm for all *cashied* checks is important, including checks payable not only to cash but also to third parties and subsequently cashied.

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As with cash deposits, an analysis of both sides of the cash item on the microfilm may reveal what the cashed item was used for. The item could have been redeposited into one or more hidden accounts. On the other hand, it might have been used to purchase nonaccount items such as hidden certificates of deposit or securities.

Cashier's checks might have been purchased. If those are discovered, they should be traced, since tracing cashier's checks may reveal additional undisclosed assets. In addition, the money may have been used to make payments on loans used to purchase undisclosed assets, such as houses, yachts, and airplanes. Again, remember to look for compliance with the reporting requirements for transactions over \$10,000 under the Bank Secrecy Act.

An analysis of canceled checks may identify checks which require no further bank follow-up because either the payee is obvious or the purpose of check is obvious.

Trace the ultimate disposition of all on-us checks (payable to bank, cash, or third parties and negotiated at the bank). First, request evidence of the check's deposit to another account within the bank (trace for leads as noted above). Once such evidence is obtained, review the third-party's account statement and the deposit ticket containing the item deposited. In addition, review the other items deposited with the check. Look for leads to other witnesses and/or for questionable transactions that need further follow-up.

Trace all payments to nonaccount items for leads. Trace loan payments through the loan records, and trace the purchases of securities and certificates of deposit to their ultimate disposition. It is important to determine what happened to the proceeds of the securities and certificates of deposit when they were ultimately negotiated. In addition, wire transfers out should be followed through the wire transfer department, as discussed later.

Bank checks purchased with checks from the account should be traced through the bank's records to determine where they were ultimately negotiated. If you find that cashier's checks were deposited into someone else's account, you may have to

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open that account to understand fully the purpose of the payment.

Finally, determine whether to pursue clearinghouse items. Obviously, tracing transactions via third-party bank endorsements is another step which takes time. But if the payee or the purpose of the check is not obvious, or if the payee is hostile, you have no choice but to initiate the trace.

### **Searching Nonaccount Records**

Nonaccount transactions can also provide you with a significant amount of investigative information.

#### *Loans*

If the subject has opened or closed loans with the bank or has ever applied for loans there, fully document the transaction. Request all loan documents since they are usually very easy for the bank to retrieve, so cost and time are not factors in requisitioning them. Those records should be requested when you initially ask for the account ledgers.

Loan documents usually maintained by a bank consist of the loan ledger, the loan application, and the loan correspondence files.

The loan ledger details the loan and the payments made on it. The loan application is usually a financial statement full of leads to other assets (Exhibit 12). In fact, some banks require an application plus a full set of financial statements as well as the prior year's federal income tax return. Loan correspondence files contain letters and internal memoranda regarding the loan. In addition, the loan file may also contain notes, real or chattel mortgages, assignments, and corporate resolutions.

The first step in an analysis of loan documents is to review the loan ledger entries. This analysis will help determine which follow-up records to request, if any. For instance, a normal business operating loan with regular repayments from the business bank account may require no follow-up. On the other hand, unusual loans should be traced from beginning to end.





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Unusual loans would include those involving no record of loan proceeds going to the subject's bank account. As this is contrary to normal banking practice, you may find that the funds went to another account or were used to purchase an undisclosed asset.

Loans in odd amounts may also be unusual. Whether the amount is truly odd depends upon the subject's business. That must be considered when deciding whether to trace the loan.

The loan records may also indicate when a bank is in collusion with the subject. When the records show that a loan repayment is long overdue or the loan has an extended rollover, collusion between the borrower and the bank may exist. Likewise, loans made or maintained in violation of bank policy may also indicate a "special" arrangement between the two that you should know about.

A loan that appears to be way above the individual's ability to repay also suggests collusion, although this particular circumstance may instead be indicative of a hidden financial statement showing the subject's net worth to be much higher than that on the filed financial statement.

Loans that show unusual repayments should also be traced. Lump sum repayments and odd-amount repayments are generally considered unusual. Payments that are consistently late or otherwise against bank policy should also raise suspicions, as should payments that did not come from the subject's bank account.

In all those cases, you are looking for leads to other people or to other assets. For example, loan proceeds may have been deposited in hidden accounts, or those accounts may be used to make loan payments. Loans are frequently secured by hidden assets or may be co-signed by previously unknown associates. Alternatively, your subject may have taken out the loan for someone else. Tracing the ultimate disposition of the loan proceeds and the ultimate source of the loan repayments will uncover those leads.

The possibilities of the final disposition of the loan are similar to those discussed with respect to tracing account transactions. The disposition may be within or outside of the bank.

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Within the bank, the money may have been deposited into your subject's account, which would be the normal disposition, or into someone else's account. It may have been used to purchase a certificate of deposit or security through the bank's brokerage department. In some cases, one loan will be used to replace another in a rollover loan situation.

If the loan proceeds were sent out of the bank, you might be able to trace their path within the bank; before tracing them to their ultimate disposition, consider the cost/benefit of taking that step. The trace may not be worth the effort.

In tracing the funds within the bank, you may find that they were sent to the wire transfer department for transfer out of the bank. However, more commonly the proceeds are sent out of the bank via a bank check that the subject negotiates elsewhere. This check could be traced within the bank to determine the name and location of the bank where it was cashed.

Also trace the ultimate source of loan repayments. Again, it could be from within the bank. If so, repayment normally would come from the subject's account, but it could come from an undisclosed negotiated certificate of deposit or security.

In addition, repayments could come from a third party's account in the bank, which may mean that the loan really belongs to the third party and not the subject. For instance, what is the significance of the loan being in your subject's name, the proceeds being used to buy a luxury car the subject is known to drive, and the repayments coming from a third party's account? Obviously all these factors can become critical when trying to determine whether you have found an asset that can be seized. If the repayments come from outside the bank, you need to decide whether follow-up is justified.

In your review of the loan files, thoroughly examine all other loan documents, such as credit applications, financial statements, internal memoranda, letters, etc. Those can often lead to other witnesses or assets not previously uncovered. The figures on the financial statement or credit application can also be invaluable if you are using an indirect method of proof as part of your case against the subject.

**Exhibit 13**

Branch \_\_\_\_\_ Type \_\_\_\_\_ Certificate of Deposit No. № 911357

**1st AMERICAN**  
FIRST AMERICAN BANK OF VIRGINIA

**Certificate of Deposit**

Date \_\_\_\_\_ Source of Funds \_\_\_\_\_ Amount \$ \_\_\_\_\_ Dollars

Received from \_\_\_\_\_ Tax Identification Number \_\_\_\_\_  
(Under which interest is to be reported to the Internal Revenue Service)

Day Phone # \_\_\_\_\_

Term of Certificate \_\_\_\_\_ Interest Rate \_\_\_\_\_

Interest will be paid:  Monthly  Quarterly  at Maturity

Method of Interest Payment

Add to Principal  by Credit to Account No. \_\_\_\_\_  Check via Mail

This certificate is  Automatically renewable  Nonrenewable and is non-negotiable/non-transferable

Federal regulations prohibit the withdrawal, in whole or in part, of Certificates of Deposit prior to maturity without consent of the Bank, except where the depositor has died or has been judicially declared mentally incompetent. Early withdrawal penalties will be assessed as prescribed in the Bank's Certificate of Deposit Rules and Regulations.

First American Bank of Virginia by \_\_\_\_\_ Authorized Signature

This certificate must be presented for redemption (See other side.)

Payable on death to \_\_\_\_\_

The Bank is hereby authorized to recognize the signature(s) executed herewith in payment of funds or transaction of any business for this account. For joint accounts, the Bank may make payments upon the orders of both or either of the signers hereto. The signer(s) waive(s) protest for and notice of the dishonor and/or non-payment of any items.

I/we have received a copy of the Rules and Regulations governing this Certificate of Deposit.

Under penalties of perjury I certify that the Taxpayer Identification Number shown on the certificate and with my signature is my correct number

Principal Owner's Signature \_\_\_\_\_ Co-Owner's Signature \_\_\_\_\_

T.I.N. \_\_\_\_\_ T.I.N. \_\_\_\_\_

496 R(11/83) 1st copy - Customer 2nd copy - Branch 3rd copy - C.D. Operations

*Certificates of Deposit and Securities*

Assume you are examining a subject's bank records and you see a check written for the purchase of a certificate of deposit (Exhibit 13). Later you find another check used to purchase a security through the bank's discount brokerage department. First have the bank retrieve the certificate of deposit and securities files. Then obtain whatever additional records needed to trace the ultimate source of funds used to buy the certificates of deposit and securities. Likewise trace the ultimate disposition of the funds disbursed when those instruments were finally negotiated. You should also look in the file to see if those items were pledged for loans which may have been obtained to purchase yet other assets,

*Bank Checks*

Bank checks (Exhibits 14a, 14b, and 14c) can present difficult problems because, normally, they are extremely time consuming and expensive to locate, unless you know the date or number of the check.

However, if you locate deposits of bank checks into your subject's account or discover that he or she has purchased a bank check with a check from his or her account, then finding those checks will not be difficult. The bank can locate them quickly by obtaining a microfilm copy of the check deposited or purchased. From that you can get the check register of the check deposited (Exhibit 14a). The register may tell you who purchased the check. If not, the bank will be able to determine that from its internal records. The bank can also obtain the microfilm copy of the check purchased from your subject's account. Endorsements on the back of the check will allow you to trace it to its ultimate disposition.

If, on the other hand, you know only that your subject has a habit of buying bank checks at the bank and the purchase was not made from any known bank account, retrieval of these items will be extremely difficult—for in most banks this retrieval requires a search of every bank check written. This could total thousands of checks a day. Despite this, discussing

**Exhibit 14a**

**1st AMERICAN BANK**  
FIRST AMERICAN BANK OF VIRGINIA

CASHIER'S CHECK 6413192

4/25/88

FEBRU 60 10 4 51 38 84 15

AMOUNT \$ 444,518.86\*\*

\*\*Chevy Chase\*\*

#06413192# #05600424# 00051322#

**1st AMERICAN BANK** OFFICIAL CHECK APPLICATION (Please Print) BANK USE ONLY

PURCHASE BY	DATE	BANK
ADDRESS (Street City State Zip)		BRANCH
<input type="checkbox"/> Account Holder/Account No		CASHIER CHECK No. AMT \$
<input type="checkbox"/> Non-Account Holder (Foreign Drafts Only)		FOREIGN DRAFT No. AMT \$
PAYEE NAME		FOREIGN AMT
PAYMENT METHOD	AMOUNT	RATE
<input type="checkbox"/> Cash	\$	US \$
<input type="checkbox"/> Check	\$	FEE
<input type="checkbox"/> Debit Account No	\$	TOTAL \$
TOTALS		
PURCHASER SIGNATURE	DATE	TRANSACTION
ISSUED BY	TELLER NO.	BRANCH SECURITY NO.

FORM 887

your problem carefully with the appropriate bank official is always a good idea, since all banks differ in their treatment of bank checks. You may find a shortcut.

Another option is to interview employees at the branch levels to see if you can locate witnesses who can pinpoint the transactions more closely. If the subject goes to the same branch, officer, or teller, that person may be able to help you narrow the search. On the other hand, if the teller or officer is in collusion with your subject, that type of contact may do more harm than good.

**Exhibit 14b**

**1st AMERICAN BANK** 153403

147-210

PAY TO THE ORDER OF FEBRU 60 10 00 00 00 00 \$

IRVING TRUST COMPANY  
ONE WALL STREET, NEW YORK

AUTHORIZED SIGNATURE

#00153403# #021000678# #80R 3002521# 066

Issued by BARCLAYS BANK

142 1639 257 636  
5 (FIVE) \$20  
TRAVELERS CHECKS  
Starting with Serial Number ends with 1636  
US\$ 100

VISA

14216392576368#

**Exhibit 14c**

**FIRST AMERICAN BANK OF VIRGINIA MONEY ORDER** 407500

ISSUER FEBRU 60 10 1 500 00 00 00

APRIL 19 19 88 58 424 560

TO THE ORDER OF IRVING TRUST COMPANY

**1st AMERICAN BANK** OF VIRGINIA

#00407500# #05600424# 06493041#

**FIRST AMERICAN BANK OF VIRGINIA MONEY ORDER** REGISTER COPY 407500

PURCHASED BY IRVING TRUST COMPANY APRIL 19 19 88 58 424 560

NOT NEGOTIABLE

**1st AMERICAN BANK** OF VIRGINIA

#00407500# #05600424# 06493041#

Obviously, if you decide that bank checks are worth requesting, both the source of funds used to purchase the checks and the ultimate disposition of the checks should be traced.

### Currency Exchange

Documenting pure currency exchanges is equally difficult. Unfortunately, the use of currency and the use of cashier's checks are the two primary methods of laundering funds since these methods leave few paper trails to follow.

If you suspect that the subject is engaging in cash-for-cash transactions, the primary avenue of investigation will have to be the branch personnel where the transactions took place. Pure cash-for-cash transactions are normally very hard to document. They generally require a search of all teller tapes and proof film by date, and even that is not conclusive. That procedure is not only expensive and time consuming but may be futile as well. Nonetheless, such evidence can be useful to corroborate the testimony of a bank employee.

Some banks now require customers to make deposits and withdrawals rather than exchanges. This leaves a paper trail to follow.

Many banks now capture large cash transactions separately, which may make them easier to locate. You need to discuss the record-keeping system with appropriate bank personnel to determine the best approach to this problem.

If you isolate a date of a certain cash transaction, have the bank copy several transactions before and after the cash transaction you are interested in, as it may give you a trail to the source or disposition of the cash. Remember to check for compliance with the Bank Secrecy Act when you locate large currency transactions, particularly if they are over \$10,000.

### Wire Transfers

Once the bad guys think they have their money safely deposited in a bank, they tend to attempt to launder their funds by wire transfers to other banks in the U.S. or abroad (Exhibit 15). There is nothing mysterious about wire transfers. Like anything else, if you see a memo entry in the account indicating a

### Exhibit 15

**FIRST AMERICAN BANK** Order for Money Transfer (Outgoing) Fee \$ \_\_\_\_\_

Amount \$ \_\_\_\_\_ Date \_\_\_\_\_ 19\_\_\_\_ Prepared by \_\_\_\_\_

Purchaser's name \_\_\_\_\_ Home phone \_\_\_\_\_

Address \_\_\_\_\_ Work phone \_\_\_\_\_

Available Balance \_\_\_\_\_

Receiving Institution \_\_\_\_\_ Hold Amount \_\_\_\_\_

Address \_\_\_\_\_ Funds verified by \_\_\_\_\_

Hold placed by \_\_\_\_\_

Credit to account of \_\_\_\_\_ (Beneficiary)

Beneficiary account # \_\_\_\_\_

Reference \_\_\_\_\_

Attention \_\_\_\_\_

Additional Information \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

THE UNDERSIGNED PURCHASER HEREBY EXPRESSLY AGREES THAT ACCEPTANCE OF THIS ORDER BY FIRST AMERICAN BANK OF VIRGINIA IS SUBJECT TO THE TERMS AND CONDITIONS STATED BY THE REVERSE SIDE HEREOF

Purchaser's Signature \_\_\_\_\_

Debit Account Number \_\_\_\_\_

289 R18(83) White - Branch Copy Yellow - Branch Copy

Authorized Personnel Use Only

Foreign Amount \_\_\_\_\_

Rate \_\_\_\_\_

U.S. Amount \$ \_\_\_\_\_

Commission \$ \_\_\_\_\_

TOTAL \_\_\_\_\_

Date \_\_\_\_\_ 19\_\_\_\_ Time \_\_\_\_\_

Wire Transfer Representative \_\_\_\_\_

Authorized Signature \_\_\_\_\_

CONFIRMATION If the above does not agree with your debit tape, notify Bank immediately at 1975 Chain Bridge Road, McLean, Virginia 22102 Telephone #703-821-7272

Pink - Customer Copy

wire transfer, the bank can generally easily retrieve the documents pertaining to the wire.

Those documents will identify who sent the wire and to which bank, along with the date and the amount. Regarding wire transfers sent to another bank within the United States, the sending bank's documents will also generally indicate to which account at the receiving institution the money was credited. If the sending bank's documents do not specify the account, the receiving institution knows that information. So it is a matter of taking the evidence to the receiving institution and documenting the ultimate disposition of the wire.

**Exhibit 15a**

**First American Bank of Virginia  
Conditions Governing the Transfer of Funds**

1. Customer hereby authorizes FIRST AMERICAN BANK OF VIRGINIA, hereinafter referred to as "Bank", to charge its account and effect this transfer through its correspondent(s) which may forward this transfer to any one of its branches or correspondents ultimately referred to as "Payer".
2. Bank agrees that it will send Customer an advice of debit for the transfer of funds made under this agreement. Customer agrees that it will examine the advice of debit upon receipt and promptly notify Bank if it objects to the advice within (5) working days.
3. Customer agrees to pay all charges which Bank may impose for this transfer or related act, and it further agrees to reimburse Bank for any expenses incurred by Bank to initiate or terminate this transfer or related act requested by Customer.
4. Bank agrees that it will use its best efforts to ensure that this transfer is handled promptly. Customer agrees that Bank will not be liable for any loss resulting from reasonable delay in making this transfer. Bank's duties and responsibilities will be limited to those set forth herein. Bank will use due care in performing same and shall be responsible for any loss sustained by Customer only to the extent such loss is caused by Bank's negligence, however in such case liability shall extend only to direct loss resulting therefrom, as opposed to consequential or special loss or damages. Nothing herein shall be deemed as assumption by Bank of any liability which Customer may have to incur to others. Customer further releases Bank and agrees to indemnify and hold Bank harmless from and against any and all loss, damage, expense, including attorney's fees, caused or occasioned by any act, neglect, or circumstance beyond the immediate direct control of Bank. Nor shall Bank be liable for any delay in this wire transfer resulting from any cause other than Bank's own negligence or for any failure on the part of the Payee to confirm to its customer the receipt of funds.
5. If transfer is of currency other than that of the country to which it is to be transferred, it shall be payable to Beneficiary in the currency of the said country at the current buying rate of Payer for the currency transferred, unless Beneficiary arranges otherwise with Payer and pays its charges in connection therewith without responsibility on banks part for purchasing banks rate at time of transfer.
6. Upon receipt of a request for the revocation of an item the Bank may endeavor to cancel such item, provided, the request is received at such time and in such manner as to afford the Bank and its correspondent(s) a reasonable opportunity to act.
7. Upon receipt by Bank of confirmation by Payer of such cancellation, and when Payer shall have made freely available to Bank and its correspondent(s) that amount which may have been credited to it relative to the transfer, Bank will (subject to any regulations then applicable thereto) refund the amount of transfer to the Customer, less expenses incurred by Bank, its correspondent(s) and Payer. If amount to be transferred is in other than United States dollars, Bank and its correspondent(s) shall determine whether refund will be made in a) United States dollars at Bank's buying rate for the amount of foreign currency on date of refund; b) in the amount and currency of the transfer; or c) by instructing the Payer (or some other correspondent in the country to which the transfer was sent) to hold said amount of foreign currency for the Customer's account and risk.
8. The indemnification and limitation provisions of this Agreement will be governed by the laws of the Commonwealth of Virginia. It may not be changed, modified, or discharged orally.


Please evidence acceptance of this Agreement by signing where indicated on the reverse side.

*Safe Deposit Boxes*

Regarding documentation of safe deposit box ownership and entries, obtain the safe deposit box signature card, which also serves as a rental contract (Exhibit 16a), and the box entry record (Exhibit 16b).

The signature card indicates who owns the box, and the entry card can sometimes be combined with other evidence, such as a major narcotics sale on the same date, to prove a source of funds.

**Exhibit 16a**

NO. _____	
SAFE DEPOSIT-INDIVIDUAL	
LESSEE _____	
DEPUTY _____	
DATE OF CONTRACT _____	RENT \$ _____
PASSWORD _____	
LESSEE _____	
DEPUTY _____	
DEPUTY _____	
NO. _____	
_____ 19 _____	_____ 19 _____
AND APPOINT _____	AND APPOINT _____
AS _____ DEPUTY AND AGENT, TO HAVE	AS _____ DEPUTY AND AGENT, TO HAVE
ACCESS TO THE BOX COVERED BY THIS CONTRACT	ACCESS TO THE BOX COVERED BY THIS CONTRACT.
TO TAKE AND REMOVE FROM OR ADD TO THE	TO TAKE AND REMOVE FROM OR ADD TO THE
CONTENTS THEREOF, AND HAVE FULL AND	CONTENTS THEREOF, AND HAVE FULL AND
ABSOLUTE CONTROL OVER THE SAME, HEREBY	ABSOLUTE CONTROL OVER THE SAME, HEREBY
WAIVING ANY LIABILITY OF THE LESSOR, ARISING	WAIVING ANY LIABILITY OF THE LESSOR, ARISING
OUT OF THE EXERCISE, BY THE SAID DEPUTY, OF	OUT OF THE EXERCISE, BY THE SAID DEPUTY, OF
ANY OF THE POWERS HEREIN CONTAINED, WITH THE	ANY OF THE POWERS HEREIN CONTAINED, WITH THE
RIGHT TO REMOVE ALL OF THE CONTENTS OF SAID	RIGHT TO REMOVE ALL OF THE CONTENTS OF SAID
BOX, RECEIPT FOR THE SAME, AND SURRENDER	BOX, RECEIPT FOR THE SAME, AND SURRENDER
SAID BOX	SAID BOX

Wires sent offshore are another matter. Tracing them depends upon the country and the institution receiving the funds. A complete discussion of tracing funds laundered offshore is beyond the scope of this paper. Suffice it to say that you should get all the documents available pertaining to funds wired offshore and pursue the issue as appropriate. Do not give up just because the wire transfer went offshore.

If, on the other hand, you suspect that the subject moved funds by wire but you do not know from what source or when, then you are confronted with the same problem you had with bank checks. Hundreds of thousands of wires are sent every day. To isolate the ones sent by your subject can be very costly and time consuming.

LESSEE \_\_\_\_\_ LESSEE \_\_\_\_\_  
 LESSEE \_\_\_\_\_ LESSEE \_\_\_\_\_  
 DEPUTY \_\_\_\_\_ DEPUTY \_\_\_\_\_  
 WITNESS \_\_\_\_\_ WITNESS \_\_\_\_\_  
 ADDRESS OF DEPUTY \_\_\_\_\_ ADDRESS OF DEPUTY \_\_\_\_\_  
 THE APPOINTMENT OF THE ABOVE DEPUTY IS HEREBY \_\_\_\_\_ THE APPOINTMENT OF THE ABOVE DEPUTY IS HEREBY \_\_\_\_\_  
 REVOKED \_\_\_\_\_ 19 \_\_\_\_\_ REVOKED \_\_\_\_\_ 19 \_\_\_\_\_  
 LESSEE \_\_\_\_\_ LESSEE \_\_\_\_\_  
 WITNESS \_\_\_\_\_ WITNESS \_\_\_\_\_

**IDENTIFICATION**

NAME	NAME	NAME
RESIDENCE	RESIDENCE	RESIDENCE
PHONE	PHONE	PHONE
FIRM	FIRM	FIRM
ADDRESS	ADDRESS	ADDRESS
PHONE	PHONE	PHONE
MOTHERS MAIDEN NAME	MOTHERS MAIDEN NAME	MOTHERS MAIDEN NAME
COLOR OF HAIR	COLOR OF HAIR	COLOR OF HAIR
COLOR OF EYES	COLOR OF EYES	COLOR OF EYES
HEIGHT	HEIGHT	HEIGHT
WEIGHT	WEIGHT	WEIGHT
REMARKS	REMARKS	REMARKS

6. Lessor will retain no keys which will open any leased box, and upon the surrender of said box, the keys thereto must be returned immediately. Any expense incurred by the lessor in opening or repairing said box, or the doors enclosing the same, or in changing the locks thereon occasioned by the loss of a key or keys or by failure to deliver the same at the time of cancellation or surrender, must be paid by the lessee. Lessee must notify lessor at once if a key is lost.

7. Lessee shall give the lessor his signature and that of his agent or deputy, should he appoint any, and such signature shall be conclusive evidence of the lessee's knowledge of and assent to the rules and regulations, and this shall, without repetition, apply to all renewals and subsequent leases of boxes from the lessor to the lessee.

8. The liability of lessor in respect to property deposited in said box is limited to ordinary care in the performance by employees and officers of lessor of their duties, and shall consist only of (a) keeping the box in the vault where located when this rental contract is entered into, or in one of equal specifications, the door to which box shall be locked at all times except when an officer or an employee is present, (b) allowing no person access to said box except lessee or authorized deputy or attorney-in-fact having special power to act, identification by signatures being sufficient, or his legal representative in the case of death, insolvency or other disability of lessee except as herein expressly stipulated. An unauthorized opening shall not be presumed or inferred from proof of partial or total loss of contents.

9. All rentals of boxes shall be payable in advance, and if possession of the box rented is not given up and its keys returned to lessor at the date of cancellation or surrender of the box at the expiration of this lease, or of its renewal, then the lessee shall be and remain a tenant at sufferance, and lessee shall not be permitted access to said box but may be debarred therefrom at any time at the option of the lessor, and after ten days' notice to lessee by mail to his or her place of residence or business, as given by lessee on the books of lessor, lessor shall have the right to forcibly open such box and the door thereto, at the expense of lessee, and in the presence of any two of its officers or employees whom the President may select, and if the contents thereof shall prove of sufficient value, in the estimation of these witnesses, the lessor shall take charge of such contents as a special deposit, subject to the payment of all rentals that may have accrued, subject to its rules, regulations and charges as to special deposits, if the contents shall be thus estimated not of sufficient value for deposit, lessor shall have the right to remove them from said box and shall make such disposition thereof as lessor may deem proper without further liability.

10. Lessor shall not be liable for any delay caused by failure of the vault doors or locks to operate.

11. Lessee shall not use said box, or permit the same to be used, for the deposit of any intoxicating liquors, narcotics or any property of an explosive or destructive nature.

12. This contract is personal to the lessee and shall not be assigned or transferred, and any assignment or transfer thereof shall immediately terminate it.

13. Lessee hereby acknowledges the receipt of two keys to said box and space.

14. Lessor shall be immediately notified in writing of any change of address of lessee, and in the absence of any notice in writing, a notice forwarded to the address given by lessee at the time of making this contract shall be sufficient for all purposes.

15. Neither the lessor nor any officer or employee thereof, in his private or official capacity, shall be authorized to act as deputy or agent for the lessee in respect to any matter or thing connected with said box.

16. Lessor reserves the right to make such other and further reasonable rules and regulations, without notice, as may from time to time be needful for the safety, care and cleanliness of the premises and for the preservation of good order therein.

Dated \_\_\_\_\_ at **FIRST AMERICAN BANK OF VIRGINIA**  
 BY \_\_\_\_\_ LESSOR  
 FOR SAFE DEPOSIT DEPARTMENT  
 \_\_\_\_\_ LESSEE

Address \_\_\_\_\_  
 Street \_\_\_\_\_ City \_\_\_\_\_  
 State \_\_\_\_\_ Zip Code \_\_\_\_\_

DATE \_\_\_\_\_  
 I HEREBY CERTIFY THAT ALL OF THE PROPERTY STORED IN BOX NO \_\_\_\_\_ COVERED BY THIS CONTRACT  
 HAS BEEN SAFELY WITHDRAWN AND THE SAID BOX IS HEREBY SURRENDERED.

BY \_\_\_\_\_ LESSEE

KEYS GIVEN TO AND  
 BOX FOUND EMPTY BY \_\_\_\_\_ FOR THE BANK  
 3214-781

(Lease of Safe Deposit Box to One Person)

BOX NO \_\_\_\_\_ SECTION \_\_\_\_\_ **1st AMERICAN** RENTAL \$ \_\_\_\_\_  
FIRST AMERICAN BANK OF VIRGINIA (DUE ANNUALLY IN ADVANCE)

the lessor, in consideration of the foregoing rental, the receipt of one annual installment of which is hereby acknowledged, by these presents leases unto the undersigned lessee, its safe deposit box bearing the above number, and the space necessary for its reception, situate in its Safe Deposit Vault in its banking house, for a period of one year from the date hereof, renewable in subsequent terms of one year each, upon the same general terms, conditions and agreements, as are herein contained, and in the event that a renewal lease, in writing, shall not be executed and delivered, then this instrument shall of itself operate as, and be held to be a renewal or successive renewals hereof, subject to the right of cancellation as herein provided.

Lessor and lessee covenant and agree to and with each other that said box and said space is leased subject to the following terms, conditions, agreements, rules and regulations:

1. Lessor reserves the right to cancel any lease after ten days' notice by mail to the address on its records and the return of the unearned rental for the unexpired term of the lease.

2. Papers must not be examined within the vault, but in rooms which the lessor shall provide for that purpose. Lessee himself must remove and replace his box. Should an attendant handle the box as an accommodation to the lessee, lessor assumes no liability therefor.

3. Lessor shall under no circumstances, except as provided in paragraph 9, be considered as bailee or otherwise howsoever in control or possession of the contents of the leased box, the relation of the lessor and lessee, under this agreement, being that solely of landlord and tenant.

4. The vaults may be wholly closed upon any national, state or city holiday, or upon any other day when, on account of mobs, unusual crowds, closing of Cleaning House Association, acts of God, or for any other reason said lessor shall deem such closing prudent and proper, and the lessor shall have the exclusive right to fix the hours for opening and closing the same, and said hours may by it be changed from time to time.

5. If by any act, writ, decree or process of any court against any person having right of access to a box the lessor is forbidden to allow the box to be opened by such person, the box may be closed to every one, until such act, writ, decree or process be annulled. The lessor may refuse access to the box at any time until all charges connected with the box have been paid.





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## About the Author

Charles Morley is President of the Morley Group, a financial investigations and law enforcement training group located in Arlington, Virginia. He is a former IRS Criminal Investigator and Chief Investigator for the United States Senate Permanent Subcommittee on Investigations.

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## Police Executive Research Forum

The Police Executive Research Forum is the national forum of chief executives of large city, county, and state police agencies. The Forum's purpose is to improve the delivery of police services and the effectiveness of crime control through several methods:

- the exercise of strong national leadership;
- public debate of police and criminal justice issues;
- research and policy development; and
- the provision of vital management and leadership services to police agencies.

Forum members are selected on the basis of their commitment to the Forum's purpose and principles. The principles which guide the Police Executive Research Forum are that:

- Research, experimentation, and exchange of ideas through public discussion and debate are paths for development of a professional body of knowledge about policing;
- Substantial and purposeful academic study is a prerequisite for acquiring, understanding, and adding to the body of knowledge of professional police management;
- Maintenance of the highest standards of ethics and integrity is imperative in the improvement of policing;
- The police must, within the limits of the law, be responsible and accountable to citizens as the ultimate source of police authority; and
- The principles embodied in the Constitution are the foundation of policing.

### Police Executive Research Forum

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