

## How to Write an Intelligence Product in the Bottom Line Up Front (BLUF) Format

This exercise will demonstrate how to write an intelligence product in the BLUF format, using an intelligence assessment produced by the U.S. Department of Justice (DOJ) National Drug Intelligence Center (NDIC) as an example.

While you're reading, keep in mind that the point of this exercise is to demonstrate the proper format for an intelligence piece, not to teach you about drug money laundering or prepaid cards.

**Your project's Title, Executive Summary, and Introduction will be written last. To find out why, see page 7.**

In this report, the Executive Summary is called Key Judgments. Regardless of its name, this section's purpose – to summarize the piece – remains the same.



### Assessment

Product No. 2006-R0803-001

#### Prepaid Stored Value Cards:

##### A Potential Alternative to Traditional Money Laundering Methods

31 October 2006

#### Key Judgments

Prepaid stored value cards—a product experiencing explosive growth—provide an ideal money laundering instrument to anonymously move monies associated with all types of illicit activity, without fear of documentation, identification, law enforcement suspicion, or seizure. Therefore, it is very likely that drug traffickers and criminals alike are exploiting and will increasingly exploit the convenience and anonymity of prepaid stored value cards to launder and move funds associated with their illicit enterprises.

- Prepaid stored value cards cannot be seized for Report of International Transportation of Currency or Monetary Instrument (CMIR) violations; are loosely regulated; function as remittance cards; frequently provide cardholder anonymity when individuals are obtaining cards or adding value to cards; often have liberal daily limits on total card value, reloading, withdrawal, and spending of funds; and feature fees that are generally consistent with or lower than the normal “cost” of laundering money.
- Prepaid stored value cards are, in many ways, superior to established methods of money laundering and money movement—specifically, the use of money transmitters and bulk cash smuggling—and may replace these methods under certain conditions.
- Drug traffickers and other criminals will most likely use prepaid stored value cards in lieu of electronic money transfers because the fund-transfer processes are similar and use of the cards provides additional benefits.
- Prepaid stored value cards are an advantageous alternative to bulk cash smuggling via package delivery services or couriers on board commercial conveyances (airplanes, buses, trains)—methods that carry a significant risk of detection by law enforcement.
- It is much less likely that prepaid stored value cards will replace traditional bulk cash smuggling by private or commercial vehicle—methods that currently appear to be adequate to fulfill traffickers' needs.
- U.S. regulatory action alone will not be sufficient to suppress the money laundering threat posed by prepaid cards, since cards issued by non-U.S. banks or other institutions can be used domestically to transfer funds, make purchases, or access cash at automated teller machines (ATMs).

Why, as intelligence analysts, are we so concerned about learning how to write in the BLUF format? Why don't we each write in the style that suits us best?

**Like all successful products,  
intelligence products must be tailored to meet the needs of their customers:  
policymakers and commanders.**

These busy men and women rely on clear, concise, and accurate intelligence reporting to make daily decisions that affect U.S. national security, U.S. policies, and the lives of U.S. servicemen and -women. Arranging your intelligence reporting in the BLUF format helps them efficiently locate and comprehend the information they need.

## Background:

The section that follows the Introduction should include background information that your audience will need in order to understand the results of your analysis. By presenting this information here, the next section can focus entirely on your analysis without getting bogged down with explanatory details and technical jargon. Because your product should focus primarily on the results of your analysis rather than the research you conducted to perform it, this section should be concise without sacrificing clarity. This section can be titled in any manner that is appropriate to its contents.

## Bottom Line Up Front (BLUF):

In the BLUF format, the first sentence of each paragraph will sum up all of the information in the paragraph. A good BLUF should cover all of the information in a paragraph, like an umbrella. If the paragraph contains any information that doesn't fall under the BLUF's "umbrella," that information should be moved to a more appropriate paragraph or the BLUF should be changed to include the additional information. Following the BLUF, the component sentences in the paragraph should be arranged from most to least important.

### Prepaid Stored Value Cards Assessment

#### Introduction

Prepaid stored value cards provide drug traffickers with a unique and simplistic money laundering method, which can be used to smuggle profits from the United States to other countries or to send instant cross-border remittances. The techniques made possible by prepaid stored value cards are, in many ways, superior to the use of money transmitters and bulk cash smuggling, methods commonly used to move a portion of the estimated \$13.6 billion to \$47.7 billion of wholesale illicit drug proceeds transferred to foreign destinations annually.<sup>1</sup> Under the proper conditions, prepaid stored value cards may emerge as a substitute for these methods.

#### Background

Several types of stored value cards—open system, semi-open system, closed system, and semi-closed system—are widely available in the United States. Open system cards operate on major credit card networks and can be used anywhere that the network brand is accepted, frequently including worldwide ATMs. These cards are similar in appearance to traditional debit cards and are embossed with the cardholder's name. Semi-open system cards generally have the same features and limitations as open system cards but cannot be used to access cash at ATMs. Closed system cards, such as store gift cards, operate on merchants' internal networks and can be used only to conduct transactions within the specific payment system(s) for which they were intended. Semi-closed system cards may operate on major credit card networks and carry a major credit card network brand. Closed and semi-closed system cards are generally anonymous, are issued in preset dollar amounts, and are not reloadable. All prepaid stored value cards draw value from funds provided to the program manager or a designee prior to use.

#### Typical Infrastructure of Network-Branded, Prepaid Stored Value Card Programs

- A **program manager** is the owner of a prepaid stored value card program. Typically, program managers are responsible for establishing relationships with processors, banks, payments networks, and distributors and for establishing pooled account(s) at banks.
- A **processor** facilitates payment transactions for prepaid stored value card programs and tracks and distributes funds in pooled accounts. Although this function is generally outsourced, program managers may choose to function as their own processors.
- A **bank** maintains pooled accounts, settles payments, and issues Visa- and MasterCard-branded prepaid stored value cards. Banks may also function as program managers and/or distributors.
- A **payments network** provides the connection between processor and retailer, ATM, etc., for authorization of payment transactions and issues American Express- and Discover-branded prepaid stored value cards.
- A **distributor** sells prepaid stored value cards.

Source: Federal Reserve Board; Network Branded Prepaid Card Association.

1. National Drug Intelligence Center (NDIC) estimates indicate that drug trafficking organizations (DTOs) generate, remove, and launder from \$13.6 billion to \$47.7 billion in wholesale distribution proceeds annually. These figures were derived by multiplying the total quantity of foreign-produced drugs available at the wholesale level in the United States by wholesale prices for those drugs.

## Using a BLUF and arranging sentences from most to least important ensures that readers are immediately aware of your product's most important points and that readers can locate information easily.

It is most effective to get right to the point, which is why BLUF is the best way for intelligence analysts to communicate with policymakers and commanders, who are often too busy to read and carefully digest every word of the intelligence products they rely upon to make decisions. Summarizing each paragraph at its beginning allows decisionmakers to quickly skim intelligence products without sacrificing clarity. Because materials that are not in the BLUF format—such as academic texts—may contain paragraphs with several important ideas located at the beginning, middle, or end, readers who skim these publications may inadvertently miss important information. Moreover, the BLUF format also helps readers locate information. For example, a reader looking for information on types of prepaid cards would, by skimming the BLUFs in the referenced document, immediately understand that the required information is located in the paragraph circled in red (above).

## Analysis:

The section that follows the Background section will contain your analysis, and will generally be the longest part of the paper. This section is often called “Substantiation” because it substantiates the assertions originally made in the Introduction (see page 7).

When communicating your analysis it is imperative that you communicate in a way that is accurate, brief and clear (see page 4). Writing clear and concise products forces analysts to carefully order their thoughts and think critically, and prevents accidental or intentional misrepresentation of the facts, thus improving the final analytical product.

There is no place for the analyst’s opinion or editorializing in intelligence analysis. Everything that you write must be based on facts that have been analyzed logically and, as much as possible, without biases.

This section can be titled in any manner that is appropriate to its contents.

Money laundering activity can be facilitated by each type of prepaid stored value card; however, open system cards have the greatest utility for money laundering related to wholesale-level drug trafficking. Open system cards function as a secure, compact, and inconspicuous vehicle for the physical transportation of funds. These cards also can be used to electronically transmit funds by the addition of funds to the card in one location and withdrawal of funds via ATM in another. Front companies can exploit payroll cards—a type of open system card used to pay employees who prefer not to use traditional bank accounts—by loading unlimited amounts of funds onto the cards of fictitious employees. Additionally, funds loaded on open, semi-open, and semi-closed system cards can be removed from cards via “purchases” made at front companies. Further, Black Market Peso Exchange (BMPE)<sup>2</sup> activity could be facilitated by all types of prepaid stored value cards because the cards can be used to purchase goods within the BMPE system. However, closed and semi-closed system cards are poor methods of moving large amounts of money, because they generally cannot be converted to cash without the resale of the card, often at a loss. Nonetheless, these cards can be sold in an increasing number of Internet venues, including web sites devoted exclusively to trading these cards and Internet auction sites that allow limited sales of the cards. These examples represent only a limited number of ways that prepaid stored value cards can be exploited by money launderers.

## Substantiation

Prepaid stored value cards have several characteristics that contribute to the considerable utility, efficiency, and accessibility of this money laundering method.

Prepaid stored value cards cannot be seized for failure to file a CMIR and may therefore be openly carried or shipped across U.S. borders without fear of seizure. According to the U.S. Department of the Treasury and the U.S. Department of Justice Asset Forfeiture and Money Laundering Section (AFMLS), CMIRs are not applicable to the cards, because they are not considered to be monetary instruments under 31 USC 5316. Thus, the cards are easier to transport across U.S. borders than illicit bulk cash—which, in amounts greater than \$10,000, must be concealed to prevent discovery and seizure—and the cards occupy less physical space as well. Additionally, it is often difficult to distinguish open system cards from traditional debit cards.

Prepaid stored value cards are loosely regulated in comparison to many other types of financial products, because it is unclear whether existing federal laws designed to regulate other financial products also apply to prepaid stored value cards and because the cards are specifically exempt from some Bank Secrecy Act (BSA)<sup>3</sup> requirements. The only applicable federal reporting requirement to providers of stored value is the Currency Transaction Report (CTR)<sup>4</sup> rule. While banks that maintain pooled accounts for program managers are clearly

2. The Black Market Peso Exchange (BMPE) is a system in which Colombian traffickers receive Colombian pesos in Colombia in exchange for U.S. dollars located in the United States. Peso brokers facilitate this process by selling Colombian trafficker-owned U.S. dollars located in the United States at a discount to Colombian merchants who use the funds to purchase U.S. goods.
3. The Bank Secrecy Act of 1970 was designed to do the following: deter money laundering and the use of secret foreign bank accounts; create an investigative paper trail for large currency transactions by establishing regulatory reporting standards and requirements; impose civil and criminal penalties for noncompliance with its reporting requirements; and impose detection and investigation of criminal, tax, and regulatory violations.
4. Currency Transaction Reports (CTRs) must be filed for all cash transactions greater than \$10,000.

## Footnotes should be used to convey additional background information, such as definitions, that is not appropriate for inclusion in the background section.

Using footnotes to convey this extra information maintains the flow of paragraphs and prevents paragraphs from becoming “cluttered” with unnecessary concepts. Footnotes also function as an excellent way to communicate to both well-informed and novice audiences in the same document by providing the well-informed reader the opportunity to read straightforward analysis without interruption, while still providing the novice reader with ample background information.

**Accuracy, Brevity, and Clarity:**

In intelligence writing it's imperative that the language used is as clear, concise, and to-the-point as possible. Carefully chosen language that is accurate, brief, and clear leaves nothing to interpretation, and greatly reduces the likelihood that a decisionmaker will misinterpret your analysis, and, as a result, make a decision that is contrary to U.S. interests. As a member of the intelligence community, national security and policies will be affected by, and the lives of servicemen and -women and civilians may depend on, your analysis and your ability to communicate it to decisionmakers in a way that is nothing less than crystal clear.

**Prepaid Stored Value Cards Assessment**

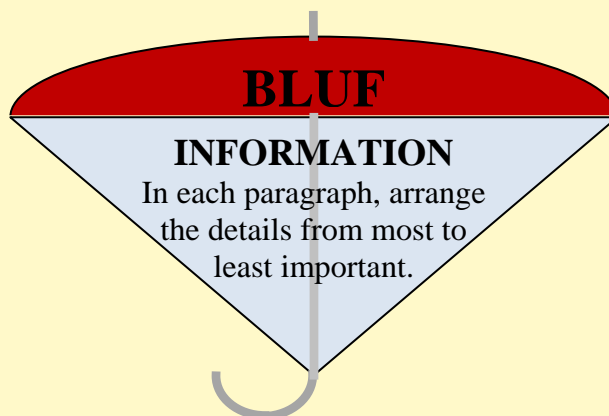
responsible for conducting program manager due diligence, it is unclear whether either party—the bank or the program manager—is required to verify the identities of individual cardholders; the USA PATRIOT Act requires financial institutions to verify the identities of customers for whom they have opened accounts.<sup>5</sup> Although the BSA definition of money services businesses (MSBs) includes issuers, sellers, and redeemers of stored value, these businesses—unlike other MSBs—are not required to register with Financial Crimes Enforcement Network (FinCEN), retain customer identification information or transaction records, or file Suspicious Activity Reports by MSBs (SAR-MSBs).<sup>6</sup> The only MSB BSA requirement applicable to providers of stored value is an obligation to maintain anti-money laundering (AML) programs. Conversely, money transmitters—also included in the BSA definition of an MSB—are required to maintain AML programs; to verify, record, and retain customer identification information on all transactions greater than \$3,000; and to file SAR-MSBs on all suspicious transactions in excess of \$2,000.

**Open system cards that offer global ATM access without a bank account function as remittance cards, allowing traffickers to move funds electronically in a manner that approximates money transfers.** By allowing cross-border remittances without the services of a bank or money transmitter, traffickers (through the use of the cards) can send remittances that are exempt from BSA requirements, including reporting requirements and verification of the cardholder's (and recipient's) identity. The cards are the ideal instrument for large-scale drug trafficking and money laundering operations because some of these programs have no limit on the amount of cash that can be accessed outside the host country. Moreover, many cards that are marketed as remittance cards are specifically designed to transport funds to Mexico because of legitimate demand; however, Mexico is the destination for a significant amount of wholesale drug proceeds. Cards that are not marketed as remittance cards can function as such if the provider offers multiple cards per account. Further, transactions are sometimes conducted without the cardholder's presentation of the card (by using the account number only). This situation enables cardholders in numerous locations to add or withdraw funds or make purchases.

**Because prepaid stored value cards can be obtained without securing a traditional banking relationship, they often can be obtained and reloaded anonymously or without photo verification of cardholder identity.** Cardholder anonymity is a marketed characteristic of some prepaid stored value products; while other cards require identity verification, several factors make it easy to falsify identification. Many cards that are purchased at agent locations, online, or by fax do not require photo identification; in these cases, identification is often accomplished by verifying that the cardholder's reported name, address, and social security number correspond according to a credit reporting service. This situation enables cardholders to secure multiple anonymous accounts by using stolen identities. The anonymity associated with obtaining prepaid stored value cards is maintained throughout the process of adding value to the cards, which also can be done without face-to-face interaction or identification. Most brands of such cards allow cash to be loaded anonymously at ATMs and at program managers' or agents' locations, making it difficult to determine the origins of funds and the identity of the funding individual or entity. Cards can also be loaded with varying degrees of anonymity via mail.

- 5. The USA PATRIOT Act defines "account" as "a formal banking or business relationship established to provide regular services."
- 6. Issuers, sellers, and redeemers of stored value cards may file Suspicious Activity Reports by MSBs (SAR-MSBs) voluntarily.

**Think of a BLUF as an umbrella: All of the information in each paragraph should be "covered" by the BLUF.**



## Text Boxes, Charts, and Graphs:

Text boxes are commonly used in the body of an intelligence product to draw attention to important concepts or highlight anecdotal material. The textbox on page 2 of the referenced assessment is used to highlight important information that must be known for the reader to understand the remainder of the assessment.

Charts and graphs should be used in the body of an intelligence product to help simplify important concepts. For instance, statistical information that is readily understood when displayed in a graph is often difficult to grasp when presented as text. Lengthy or complicated charts, however, should be located in an appendix.

Internet, or ATMs using various payment methods, including checks, bank credit, account-to-account transfers, Internet fund transfers, and electronic transfers of wages. Law enforcement agents participating in the El Dorado Task Force in New York found that they could use false identification to obtain prepaid cards and could have the cards sent to a post office box, further insulating illicit activity. U.S. Secret Service (USSS) investigations revealed that some prepaid card applicants not only use false identification but also fund their initial deposits with stolen credit cards. In addition, vending machines designed to add value to prepaid stored value cards are being used in Japan; the use of these machines will quite likely spread to the United States as the domestic popularity of these cards increases.

Many program managers offer liberal limits on daily total card value and on daily reloading, withdrawal, and spending of funds; some domestic program managers permit cardholders to load cards with an unlimited total value. Offshore banks also offer prepaid stored value cards with unlimited reloading; these cards are marketed specifically to allow cardholders to move money anonymously. Cards with liberal limits on total value are ideal for large-scale drug trafficking and money laundering operations; such cards make it easier for traffickers to manipulate larger amounts of money using fewer transactions. The network brands of most domestically issued prepaid stored value cards have suggested caps on card reloading, but the limits are not binding on issuers.

### Internal Anti-Money Laundering Guidelines for Network-Branded Prepaid Stored Value Cards

MasterCard International and Visa USA have established internal AML guidelines for network-branded, prepaid stored value cards in response to growing concerns about their potential utility for money laundering. Both brands suggest that companies carrying their brands administer programs regarding account limits and identity verification; however, neither organization is actively policing program managers to ensure compliance with these programs. MasterCard has proposed a card balance limit of \$2,500; however, the limit is not binding on issuers.

Source: U.S. Department of the Treasury.

Although consumer advocacy groups allege that fees charged for use of prepaid stored value cards are high in relation to legitimate consumer activity, the fees are generally consistent with or lower than the normal "cost" of laundering money. Depending on the manner in which the cardholder conducts activity and on the fees charged by the company, the total fees for the use of prepaid stored value cards can be similar to those charged by money transmitters and are significantly lower than the costs associated with bulk cash smuggling (i.e., the cost of maintaining vehicles, building traps in vehicles, purchasing gasoline, paying couriers, etc.). Card fees vary by provider and may or may not be charged for a variety of activities, including, but not limited to, account setup; loading, spending, and cash withdrawal of funds; monthly maintenance; balance inquiries; and overdrafts.

### Scope of the Industry

The rapid growth of the prepaid stored value market—which is quickly replacing a variety of paper payment products such as checks, traveler's checks, and gift certificates—and the resulting legitimate competition between institutions that offer such services will

## Context:

Use this section to provide the reader with the context of your analysis, but be careful not to confuse context with background. The Context section should give your reader a setting for your analysis by providing additional information about the set of circumstances or facts regarding the issue you've analyzed, while the background section should supply the reader with information that is essential to understanding the issue. Compare the referenced "Scope of the Industry" section to the "Background" section of this document; note that a reader who was unfamiliar with the concepts outlined in the Background section would not have the necessary knowledge required to make sense of the Context section. The Context section can be titled in any manner that is appropriate to its contents.

## Outlook:

The Outlook, or conclusion, should neatly sum up the content of the paper. As such, the conclusion should never introduce new ideas.

Although the Outlook section of the referenced assessment includes new *information*, it doesn't include any new *ideas*. Rather, the Outlook expands upon ideas that have already been addressed in the Analysis section. It is the presentation of these ideas – not the ideas themselves – that is new.

This section can be titled in any manner that is appropriate to its contents.

### Prepaid Stored Value Cards Assessment

provide drug traffickers and other criminals with more service options; the increasing number of transactions will make illicit transactions more difficult to detect. The Mercator Advisory Group, a research and advisory firm focused on the payments industry, reports that from 2003 to 2004, spending on all types of prepaid cards, including store gift cards, payroll cards, and government benefits cards, grew by almost 21 percent (\$110.7 billion to \$133.9 billion). During that time the open system prepaid card market itself grew by 91.6 percent. The Aite Group, a research and advisory firm focused on issues related to the financial services industry, estimates that prepaid debit card spending will increase from \$12.8 billion in 2004 to \$150 billion by 2009. As of January 2005 roughly 7 million Visa and MasterCard brand prepaid debit cards were in circulation, issued by more than 2,000 programs. According to a report issued by the Aite Group in 2005, the number of U.S.-issued Visa- and MasterCard-branded money remittance cards will increase from 400,000 in 2005 to more than one million in 2006. Currently, network-branded prepaid stored value cards carry the logos of American Express, MasterCard International, and Visa USA. Discover Financial Services, in partnership with Morgan Beaumont, is working to develop prepaid stored value cards.

### Outlook

Drug traffickers, narcoterrorists, and other criminals will increasingly rely upon prepaid stored value cards as a method to launder and move funds, in part because the cards provide the means for a unique and simplistic money laundering method that can be used to send instant cross-border remittances or to smuggle profits from the United States to other countries. The cards are superior to established methods of money laundering and money movement—specifically, the use of money transmitters and some bulk cash smuggling techniques—because the cards can be utilized without fear of documentation, identification, law enforcement suspicion, or seizure.

Open system prepaid stored value cards may emerge as a substitute for use of money transmitters because the process of obtaining the cards is very similar to the process of making money transfers, including the use of “smurfs”<sup>7</sup> to place illicit funds. As such, the use of prepaid stored value cards in lieu of money transfers will require very little change in those traffickers’ operational activities, and any changes made will ultimately benefit the traffickers.

Under certain conditions, open system prepaid stored value cards may be used in lieu of bulk cash smuggling; however, this use depends on the particular bulk smuggling method. Use of these cards as a substitute for any such method will require significant operational changes, including the use of smurfs to structure and place funds. It is likely that the cards will emerge in lieu of bulk cash smuggling via package delivery services or couriers onboard commercial conveyances (airplanes, buses, trains) because it is more likely that bulk cash smuggled by these methods could be detected by law enforcement. It is less likely that bulk cash smuggling

7. “Smurfs” are teams of persons who, acting in conjunction with or on behalf of other persons, structure financial transactions by conducting or attempting to conduct one or more transaction in currency, in any amount, at one or more financial institutions, on one or more days, in any manner, for the purpose of evading the reporting requirements under Title 31. “In any manner” includes but is not limited to the breaking down of a single sum of currency exceeding \$10,000 into smaller sums, including sums at or below \$10,000. The transaction or transactions need not exceed the \$10,000 reporting threshold at any single financial institution on any single day in order to constitute structuring within the meaning of this definition.

## Editing:

Don't resent the editing process – everyone needs an editor, because *no one* writes a good first draft. Editors are necessary to identify biases, point out weaknesses in writing (for example, concepts that were insufficiently explained but, as written, made perfect sense to you and your peers, who understand the issues too thoroughly to notice such inconsistencies), correct grammar, and so on. Every intelligence agency has lots of editors, ranging from other analysts in your section to supervisors in your chain of command to professional editors in the publications department. Although editing may seem painful at times, your product is improved at every stage of the process.

The point of this exercise is to help you improve your writing by familiarizing you with the BLUF model for intelligence products, not to attempt the impossible (that is, magically making you write products that are “just right” the first time). Remember that writing in any genre is a process – a process that includes editing (i.e., lots of well-informed and well-intentioned help) – and relax.

## Title, Introduction, and Executive Summary:

Your Title, Introduction, and Executive Summary will usually be the last part of your product that is written, because each of these components must summarize everything contained in the product.

The Title of an intelligence product should function as “the ultimate BLUF” in your product. The Title – which should succinctly represent the contents of the product – should be thought of as a contract between you and your reader, in that you promise to provide the reader with no more and no less information than the Title conveys. Creating an accurate Title is extremely important because the Title is often your first and only opportunity to catch the attention of a decisionmaker.

The Executive Summary and the Introduction, both of which should summarize all of the most important points in a product, have very similar functions. Generally, Executive Summaries are designed to be stand-alone documents of one or two pages that can convey the analytical impact of the full intelligence product (minus the details) to busy decisionmakers. An Introduction should briefly and generally sum up the main points of the paper, like a less-detailed Executive Summary. In some intelligence products that include Executive Summaries, the Introduction may be omitted; however, it is usually recommended that both the Executive Summary and the body of the paper (Introduction, Background, Analysis, Context, and Outlook) be treated as stand-alone documents.

operations conducted via private and commercial vehicles—one of the primary money movement methods used by Mexican drug trafficking organizations (DTOs)—will be replaced by the use of prepaid stored value cards. A considerable amount of the estimated \$8.3 billion to \$24.2 billion in Mexican and Colombian wholesale drug proceeds generated annually in the United States quite likely is moved into Mexico via bulk cash smuggling by vehicles. The use of bulk cash smuggling via vehicles is likely adequate to fulfill the traffickers’ current needs; in addition, there would be no need to transport the cards long distances by vehicles, since the cards can be sent to a final destination expeditiously via package delivery services or commercial conveyances. However, if the movement of bulk cash were severely hindered by dramatically increased law enforcement interdictions in the Southwest Border area, the chances that these cards would be used in lieu of smuggling via vehicles would increase.

**The U.S. Department of the Treasury has acknowledged the need to modify and clarify existing regulations related to the prepaid stored value card industry; in fact, FinCEN recently announced that it will issue new regulations designed to clarify the roles and obligations of issuers of prepaid cards.** Although it is not yet clear what actions will be taken, there is an obvious need to implement several changes to existing regulations. In order to enable seizure of prepaid stored value cards with a monetary value of more than \$10,000, stored value should be included in the definition of monetary instruments for CMIR purposes. Because it is often difficult to distinguish between traditional debit cards and network-branded prepaid stored value cards, a requirement designed to distinguish the appearance of open and semi-open system prepaid stored value cards would enable law enforcement agencies to better identify suspicious cards. Due diligence procedures required of financial institutions under the USA PATRIOT Act—such as identity verification and comparison of customers’ identities against names of known terrorists—should be applied to prepaid stored value cards because open and semi-open system prepaid stored value cards are used in a manner that approximates a traditional checking account. Additionally, the imposition of compliance programs such as those that apply to money transmitters—including customer identification, recordkeeping, and SAR-MSB reporting requirements—would empower law enforcement investigations by allowing agencies to access information such as cardholders’ identities, to track transactions, and to identify patterns of suspicious activity. Procedures such as identity verification, recordkeeping, and SAR-MSB reporting requirements will most likely become the responsibility of the program manager in conjunction with the processor, rather than the responsibility of the bank, because the bank’s role in the prepaid card process prevents it from having access to information necessary to completing those processes. Various risks are associated with different types of cards; therefore, it is also likely that those cards will be regulated in different ways. For example, there may not be a need to treat closed or semi-closed cards—which are issued in small preset amounts and cannot be reloaded or used at ATMs—with the same AML procedures as open system cards. Because prepaid stored value cards have demonstrated unique and substantial economic benefits, any regulations applied to these products should be balanced in order to protect consumers and combat money laundering without inhibiting the growth of the industry.

**U.S. regulatory action alone will not be sufficient to suppress the money laundering threat posed by prepaid cards.** Even if clear and consistent regulatory measures are imposed, cards issued by non-U.S. banks or other institutions—which are not subject to the BSA—can be used in the United States to make purchases or access cash at ATMs. Limited international oversight of these cards is possible through a recommendation of the Financial Action Task Force on Money

**The title of your product is often your only opportunity to “market” your product to decisionmakers, so it must accurately and concisely represent your analysis.**

The title *Cloak of Mist: The Keys To Disappearing* is unlikely to appeal to policymakers or commanders, who are too busy to waste time guessing whether the writing is an essay about performing magic tricks, a Harry Potter book, or an analysis of a relevant intelligence issue.

*The Keys to Disappearing: Essential Tools for Covert Agent Tradecraft* is a much better title that immediately conveys the subject of the work to decisionmakers who may be interested in the topic.

### **Accuracy, Brevity, and Clarity in Title Construction:**

Even good titles, such as *Looking Back: What Today's Use of Covert Action Should Consider with Regard to Past Failures and Successes*, can be improved.

Although this title accurately conveys the subject of the intelligence product to decisionmakers, it is not yet concise nor clear.

Clear intelligence writing is as direct and literal as possible, which prevents misinterpretation. If accepted literally, however, this title could be confusing: "today" is not using covert action.

Brief intelligence writing gets directly to the point without using "extra" words, thus increasing clarity. The wordiness of this title prevents it from being readily understood.

A revised title such as *Covert Action: The Lessons of Past Failures and Successes* accurately, briefly, and clearly represents the product's content.

#### **Prepaid Stored Value Cards Assessment**

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Laundering (FATF), which has publicly stated the need to monitor the growth of and implement AML controls for this industry; however, FATF recommendations will have little effect on non-member countries and noncooperative countries or territories (NCCTs). Legislation of regulatory controls that would allow the U.S. government to prevent foreign cards from being used in the United States will be difficult. In order to limit illicit use of foreign-issued cards in the United States, cooperation from card branders will be necessary.

**Card readers should be made available to law enforcement agencies throughout the United States, particularly those located at or near ports of entry (POEs), in order to determine the value of cards—seizures of funds on cards might be possible if it could be proven that the card was funded with the proceeds of a specified unlawful activity (SUA).<sup>8</sup>** If law enforcement officers who encounter suspicious cards, i.e., one (or more) high-value card or numerous low-value cards that have no credible purpose, there may be a separate basis on which to seize the cards under 18 USC 1956, *Laundering of Monetary Instruments*, or 18 USC 1960, *Prohibition of Unlicensed Money Transmitting Businesses*. Law enforcement officers may be able to assemble evidence regarding the cards—specifically, information regarding how much money is loaded on the cards; how the funds were generated; where the cards are being taken and for what purpose; and, if the cards are being carried by a courier, what that person is being paid and the number of previous trips he or she has made. During this process it is important that law enforcement officers avoid alerting the suspect to their suspicions regarding the source of the funds in order to ensure that the funds are not removed from the cards by the suspect or a conspirator.

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8. Specified Unlawful Activity (SUA) is defined under 18 USC 1956 (c) (7).



## **Bibliography and Citations:**

Government publications rarely include detailed bibliographies or citations. When drafting an intelligence piece, however, the analyst should always keep records of information sources in the form of detailed citations and a bibliography. Although this often helps analysts keep large amounts of materials organized in the short term, it's especially useful when managers or customers ask questions about data sources weeks, months, or years after a product was written. For projects which involve the analysis of a large amount of data, it is also helpful to keep an informal record of the methodology used to analyze the data.

For this class, your final project must include citations and a bibliography. Henley-Putnam University requires the use of Chicago style according to Kate Turabian's *Manual for Writers*. Footnotes or endnotes will be the standard for source citations, not parenthetical references and reference lists.

## **Sources**

### **National**

U.S. Department of Justice  
Criminal Division  
Asset Forfeiture and Money Laundering Section  
Drug Enforcement Administration  
Federal Bureau of Investigation

U.S. Department of the Treasury  
Financial Crimes Enforcement Network

### **Open Sources**

American Banker  
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Money Laundering Alert  
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