

# (U) DELIVERY VERSUS PAYMENT (DVP) ACCOUNTS



## DEA BULLETIN



(U) This DEA Bulletin is based on preliminary reporting and may be subject to updating as additional information becomes available.

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### (U) Event

(U//DSEN) The New York Division has developed information that a type of account typically used by Wall Street banks known as Delivery Versus Payment (DVP) accounts may be used as money laundering tools, to layer transactions, to avoid the need for reporting requirements, and to link to offshore, foreign Prime Brokerage Accounts.

### (U) Significance

(U//DSEN) DVP accounts are institutional accounts that have the capacity to link to an offshore Prime Brokerage Account, allowing a money launderer to situate assets outside of law enforcement's jurisdiction but still use the U.S. and global capital markets to invest in various securities such as equities and bonds. Once the account is activated, there are no automatic regulatory reporting requirements because of the non-cash nature of the accounts making monitoring more difficult for law enforcement. The DVP settlement system is the "international standard" for settlement. This system and account allows institutions to settle their investment transactions. It is amenable for money launderers who have already penetrated the banking system to move capital globally and layer their transactions.

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## (U) Details

(U) DVP is an account type which allows the buyer and seller of securities to calibrate the delivery of securities to its cash payments. It is a non-cash and non-repository (assets are not held in the account) account that is dormant until it is activated by a transaction. Once the transaction settles, the securities automatically migrate from the DVP account into a Prime Brokerage Account, potentially thousands of miles away. Consequently, law enforcement has a short window to gather evidence on the transaction.

(U//DSEN) DVP accounts are linked to a Prime Brokerage Account which custodies the securities and in this capacity, serves as the controlling account. Prime Brokerage and DVP accounts can be located in the United States or abroad. Illicit funds generated by drug trafficking can be introduced into the banking system through a foreign Prime Brokerage account, which would then be linked to a number of DVP accounts globally. Cash in the Prime Brokerage Account can become mobile and can be quickly converted to a number of forms (equities, bonds etc.) through DVP. Because of the institutional nature of these accounts, a money launderer, through the DVP structure and a foreign Prime Brokerage Account, can manage illicit financial assets while portraying an aura of legitimate institutional business to confuse law enforcement. Investigative information reveals that sophisticated money laundering organizations (MLOs) are currently using Prime Brokerage Accounts to facilitate global financial transactions as well to manage a number of different bank and brokerage accounts.

(U) Investigators should be sensitized to the type of financial accounts they encounter. A DVP account is a non-cash account which does not hold securities, making seizure difficult. The seizure must be done at the Prime Broker level. If the Prime Broker is located abroad, seizure becomes more difficult. Settlement instructions for DVP transactions include valuable information such as institutional ID numbers, Depository Trust Company (DTC) number, addresses, the names or names of decision makers of the account as well as information regarding where the controlling account is located. The DVP account can be identified by the account code which will specify whether the account is a cash account, retail account or a DVP institutional account. The DVP account can also be surmised by its dormant state with zero balances and zero securities.

(U) For example, DVP settlement instructions may take the following form:

Account Title: ABC Bank

Account: Prime Brokerage Account

Address: Zurich, Switzerland

Executing Broker: XYZ Securities

Address: New York City, USA

Account Type: Delivery Versus Payment, or DVP, or Settlement Versus Payment (DVP)

Account #: 5432873 (DVP)

(U) In this example, we are dealing with a bank, which is an institutional account. The bank has a prime brokerage account in Switzerland. The bank transacts with a New York-based Wall Street firm through a New York based DVP account created by XYZ Securities. The account in New York will specify the type of account as either a cash account (usually retail), a Hold in Street Name account (usually retail) or an institutional DVP account. Depending on the firm involved the DVP account may have many or a few numbers to identify the account.

(U//DSEN) DVP accounts are under the jurisdiction of the Bank Secrecy Act and, according to the Financial Industry Regulatory Authority (FINRA), firms using these accounts should “strive to identify these accounts and should use documentary, non-documentary or a combination of both methods”. Some of these documents are articles of incorporation, trust formation agreements, government issued business licenses” etc. Additionally, FINRA delineated its 2014 examination priorities which included “penalizing” executing firms that assist DVP clients liquidate “large volumes of low-priced securities without sufficient anti-money laundering (AML) controls.”

*(U) This product was prepared by the DEA New York Division. Comments and questions may be addressed to the Chief, Analysis and Production Section at [dea.onsi@usdoj.gov](mailto:dea.onsi@usdoj.gov).*