

# The Fall of Wirecard, Fraud, Round-Tripping, Money Laundering and the Web of Lies

It is not the first time, now in Germany, already back in 2017 they conducted the same schemes in Singapore authorities have investigated against Wirecard Asia and their **Board Members since then.**

**Quick Menu** [hide](#)

- I\_Wirecard: News from Singapore – now it could become cruel
- II\_How did we got involved with Wirecard
- III\_Wirecard's Former Billionaire CEO Markus Braun Arrested Over Allegations Of Fraud
- IV\_Was he financially engineering the profits?
- V\_The Global Wirecard Scam
- VI\_Wirecard's Merchant Cash Advance Scam
- VII\_Illegal Lending in Turkey?
- VIII\_KPMG and the Supervisory Board
- IX\_Is Wirecard round tripping with Singapore entities?
- X\_Why do we think this is interesting?
- XI\_Uninspiring financials
- XII\_Wirecard's late Australian accounts have finally been filed
- XIII\_Wirecard Innovation or Integration?
- XIV\_Project Aslan
- XV\_The Indian Round-Trip
  - XV.I\_Here's what it looked like:
  - XV.II\_December 2014:
  - XV.III\_2015:
  - XV.IV\_2016/17:

- XV.V\_2018:
- XV.VI\_2019
- XVI\_The Israel connection of Germany's multi-billion corporate fraud
- XVII\_Processing binary options payments by Wirecard UK and Ireland Limited
- XVIII\_Wirecard and the ICC-Cal affair
- XIX\_Risk / Fraud Management Solutions by Wirecard was a Hoax
- XX\_AML and KYC Violation at Wirecard Card Solutions Ltd – UK
- XXI\_Suspend the management board?
  - XXI.I\_Today we are releasing publicly our fourth letter to the Wirecard Supervisory Board, sent on the 26th of November 2019
- XXII\_Letter to the audit committee calls for the audit committee to release the KPMG audit scope
- XXIII\_Letters to the Supervisory Board calls for a forensic audit
  - XXIII.I\_Today we are releasing publicly three letters August 23, 2019, September 19, 2019 and October 18, 2019
- Is it immoral to uncover fraud? Editor in 2020
- Meet the criminal Brains of an incredible financial Fraud
- Sex-Money-Prostitution-Government Cover up – Money Laundering (Story coming soon)

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\*My (Editor please see at the end) report below will show some interesting developments of a large scale fraudulent operation and their Top Managers that seem to pop up again and again.

\*Being a financial Software expert, with over 30 Years experience, a Freelance Reporter, deep knowledge of IT Security, working for many global Enterprises and Banks, I simply cannot believe that Control instruments like the German Bafin or the audit company E&Y did not know about the history of Wirecard and their Executives.

Chronological:

# **Wirecard: News from Singapore – now it could become cruel( where it started in 2006)**

For many years I have been working as a software security expert first in Asia, Singapore and and Wirecard came to my radar in 2017 after their local software developers in Singapore contacted me to develop a so-called Payment Gateway, that makes payments between end users – Credit Cards (Visa-MasterCard) and the customers of Wirecard.

Looking at their Operation and what they wanted to accomplish, I immediately became suspicious because it seemed to me that the entire scheme was more in the direction of some funny financial transactions, maybe even a large scheme of money laundering. I refused and left the office, an office that looked more then a mailbox office in a business center. Well I was so right because....here some reports from back then....

**Tuesday, March 12, 2019 8:00 p.m.**

ASCHHEIM / MUNICH (IT-Times) – Wirecard AG does not seem to be resting and new developments should cause further question at the German online payment provider.

Wirecard has now apparently “lost contact with senior managers” who are accused of fraudulent business, reports the Financial Times today, which relies on investigators in Singapore. The person had no longer been in contact with the Singapore office since February 9, 2019, exactly ten days after the first Financial Times report on Wirecard AG.

The information became public when Wirecard unsuccessfully tried to recover corporate documents (240 boxes) at the Singapore High Court. This involved emails, accounting records and stored files. Investigators at the Commercial Affairs Department (CAD) at the

police in Singapore had described Wirecard's approach as "criminal" and "without legal basis" in order to hinder or limit the investigation. Judge Chua Lee Ming then also rejected Wirecard's attempts to get corporate documents returned. A total of six Wirecard employees are said to be involved in the matter according to Special investigators. The crimes are said to be so severe that prison sentencing could be possible.

Under the radar of the CDA are Edo Kurniawan, James Wardhana (International Finance Project Manager), Irene Chai (Head of Controlling), Fook Sun Ng & Jeffry Ho Kok Hoong (Directors) and a Russian person named Grigory Kuznetsov (EVP Global Financial Services) in charge of Wirecard licencing in Asia. The CDA are investigating for forgery of documents, money laundering and manipulating Balance sheets through a so-called round-tripping from 2014 to 2018.

Numerous companies are currently being investigated, the court said, including six Wirecard subsidiaries in Indonesia, Malaysia, India, the Philippines and Hong Kong.

In addition, eleven other companies outside the Wirecard Group have been targeted by the investigators, including the companies Matrimonial Global and Flexi Flex, which maintain business relationships with Wirecard subsidiaries.

According to investigators, distribution agreements from Wirecard units in Hong Kong, Indonesia, Singapore and Malaysia have been backdated.

**\* (Today the same allegations are made by the German Attorney General and if the Germans get involved there must be some hard evidence to proof that)**

Investigators have also secured a large number of company documents, however Wirecard would not have given investigators a complete list of all documents. Wirecard AG then declared that the company “fully cooperates with CAD and is convinced that the whole matter will be resolved very soon. ”

**\* (A clear lie, since the court in Singapore has already rejected all requests by Wirecard executives)**

The Wall Street Journal was also skeptical about the rapid growth of the Fintech highflyers. The business model is too “opaque” and there are many subsidiaries that were previously mostly have been taken over. This makes it difficult to have a clear view of the business processes.

A total of 50 subsidiaries were fully consolidated in Wirecard AG as of December 31, 2017, those with more than 200 international payment networks (banks, payment solutions, card networks) should be connected. The Asian region was recently the driving force of Wirecard AG, with the reported growth rates, if they correspond to reality, Asia would very soon be the geographic core business of Wirecard AG.

Wirecard AG’s sales growth has just ended in the last two Fiscal years 2016 and 2017 increased enormously according to balance sheets, but also the debt of Company.

CEO Markus Braun told the Reuters news agency today that a Bookkeeper in Singapore have been suspended pending investigations due to “fraud and creative accounting”. (lim / rem)

# How did we get involved with Wirecard

The Wirecard Singapore office contacted Wolfgang to discuss the issuance of a possible Prepaid Mastercard for eHalal.io (Whitepaper) but Wolfgang informed the management in Singapore to let the German office contact him directly which they did. As Wolfgang has been a longterm business associate of me due to the fact we have been working on numerous software projects for the past 12 years including the Development of a Halal Certification system.

Wirecard loved our Business proposal as it included a B2B and G2B Halal certification portal, A B2C Consumer Travel portal offering cheap Flights and Hotels, Halal Cruise bookings and a Halal food marketplace. As part of eHalal was also powered on the Ethereum Network and we successfully integrated our eHalal tokens with Binance's Trust Wallet we hoped for a listing on Binance Exchange as it could have been a perfect marriage for Wirecard, and our German and Singapore operation.

After I visited Wirecard in Aschheim to listen to their requests, I had the same impression then in Singapore before, Wirecard was running a total in-transparent business model, for my opinion that was based on covering up financial transactions, as Security expert, German Sicherheitsbeauftragter (Security Compliance Officer) and multiple certified IT engineer and I refused any cooperation and left the premises.

The biggest issue became regulatory and compliance as it was made clear from Day 1 during our negotiation with Wirecard that the prepaid card would not be shipped from Germany and the agreement would also not be signed with Wirecard Germany as the Wirecard team advised to use Wirecard in the United Kingdom as the UK have more

liberal regulations on financial compliance and anti money laundering laws.



I was shocked and made it clear to Wolfgang if we do a deal with Wirecard, we would follow the European Union financial regulatory rules and the prepaid cards must be issued within the European Union. We adjusted our business model and focused only on Muslims within the European Union and potentially Muslim asylum seekers as the German federal government announced every asylum seeker should have an IBAN account in either Germany or within the EU. I also made it clear that eHalal prepaid debit cards would not end up in countries such as the Middle East and South Asia and can only be topped up within the European Union by linking an IBAN account not provided by Wirecard Bank but by real brick and mortar banks.

I briefly considered to contact the German Government's authorities BaFin, but then voted against it, because the very powerful Shareholders that had Members from all kind of Industries and for my

opinion also Governments that were acting on lobbyist, who were protecting their investments and Wirecard.

I am glad I did not, because now it came out that BaFin (Federal Financial Supervisory Authority) involved only ONE employee into the fraud investigations, by my experience a clear sign of powerful influence on the German and even European authorities.

Conclusion, it is absolutely impossible, that the German Government and Federal Financial Supervisory Authority did not know from day one, what was going on.

From inside its grey corporate headquarters in Aschheim outside Munich, Wirecard projects an image of one of Germany's leading business success stories, a Fintech champion to rival software giant SAP.

After a decade of breakneck growth, Wirecard has become a favorite darling among investors, with a market capitalization greater than Deutsche Bank, placing the company in the prestigious German DAX 30 index, yet Wirecard's seemingly irresistible rise has been plagued by intermittent controversy about its accounting and business practices.

Earlier last year, white-collar crime investigators raided Wirecard's offices in Singapore multiple times in connection with allegations that sales and profits were invented at numerous subsidiaries across Asia.

Edo Kurniawan, the company's head of international reporting, was named among six suspects. In response, Markus Braun, Wirecard's Austrian chief executive, dismissed the problems as a local difficulty with scant financial impact. He blamed the payment processing company's fast growth and outlined a dozen measures to improve compliance, including the appointment of a new chairman of the supervisory board in 2020.

Wirecard's stock price, which initially fell 40 per cent to €97, has since recovered to about €140, giving it a €17bn market capitalization. Then, the Financial Times was again publishing documents which cast further doubt on Wirecard's accounting practices.

Internal company spreadsheets, along with related correspondence between senior members of Wirecard's finance team, appear to indicate a concerted effort to fraudulently inflate sales and profits at Wirecard businesses in Dubai and Ireland, as well as to potentially mislead EY, Wirecard's tier-one auditor.

The decision to publish these documents follows repeated charges by Wirecard that the FT is relying on fake material and that its own journalism is corrupt and suspect. (What could be a better defense, then to accuse those who found out the Truth, of Lying). Let's set the record straight – The Financial Times is one of the most financial respected newspapers in the World for the past 132 years and is owned since 2015 by Nikkei Inc.

The documents, provided by whistleblower's, give the clearest picture to date of Wirecard's questionable accounting practices and business model.

Markus Braun, chief executive of Wirecard in its defense had claimed that FT reporters have facilitated market manipulation in collusion with short sellers. These allegations have been widely circulated in the German media and are the subject of a legal complaint in Germany, an investigation by BaFin, the German financial regulator, and a probe by prosecutors in Munich.

**\*(Here it shows, that BaFin was well aware of the fraudulent conduct of Wirecard)!**

The FT categorically rejected Wirecard's allegations on all counts. A recently concluded two-month review conducted by an external law

firm, RPC, found no evidence of collusion between FT reporters and market participants.

**\*Decades of planning to run the largest financial scam ever committed after the 2nd World War in Germany.**

Established in 1999, Wirecard has been a pioneer in the processing of digital payments. In Germany, where consumers prefer to pay in cash, it caught the imagination of investors looking for a blue-chip European digital champion to match those in Silicon Valley. Initially known for processing payments for online gambling markets and porn sites **\*(here we come – the culture of Wirecard – in Singapore know to be the hotspot of Gambling Software Development)**, Wirecard received a banking licence in 2006 and evolved into a full-service payments operation, providing the software and systems to plug online businesses into the global financial system. With billions of dollars in transactions **\*(the source of the funds – where are they coming from? – the reader may make up their own opinion)** up for grabs as consumers abandon cash, Wirecard is jostling with giant rivals such as Vantiv (Worldpay) in the US and China's Alipay for a share of the fast-growing market. It says it processed €100+ billions in transactions last year, a rise of 37 per cent. It is projecting 40 per cent growth in underlying earnings this year.

Over the past decade Wirecard has fueled its expansion by buying smaller payment processing businesses and groups of customers around the world, including a 2017 move to take on 20,000 merchant clients of Citibank, spread over 11 Asia-Pacific countries. The deal was intended to make the company a household name across the region. Wirecard has also said its geographic reach has expanded by working with hundreds of partner processing companies, which fill in gaps when Wirecard lacks the expertise or local authorization to process payments itself.

**\*(That is correct – they desperately were looking for Software experts from the West, as their own mainly South Asian developers lack of experience and knowledge of the Global Banks financial regulations was a major issue)**

A focal point of the FT's inquiries into Wirecard is one of these partner companies, a Dubai based intermediary called Al Alam Solutions, which documents indicate contributed half of the German company's worldwide profits in 2016. Wirecard staff have described Al Alam as a "third party acquirer" (TPA), payments jargon for a business licensed by the big payment networks, such as Visa and Mastercard, to help retailers accept credit card transactions.

Al Alam was purportedly the spider at the heart of an international web, processing vast sums for 34 of Wirecard's most important and lucrative clients in the US, Europe, Middle East, Russia and Japan.

**Yet when the FT visited Al Alam's Dubai office, it became clear this was a threadbare operation. A former employee told the FT it had just six or seven staff. Neither Visa nor Mastercard have any record of a relationship with Al Alam, deepening the mystery of why Wirecard would refer business to the partner company, given the German Fintech group already has Wirecard Processing, its own payment processing subsidiary employing scores of staff, nearby in Dubai.**

Internal financial reports from 2016 and 2017, shared between members of Wirecard's finance team and obtained by the FT, detail the business which has supposedly flowed through Al Alam. The documents records about €350m of payments from 34 key clients as passing through Al Alam, on behalf of Wirecard, each month during the period.

Yet there are strong indications — likely to attract attention from auditors and regulators — that much of the payment processing attributed to these 34 clients could not have taken place.

**When contacted by the FT, 15 of the 34 clients said they had never heard of Al Alam, of which only four said they did use Wirecard for payment processing at the time. Six did not respond to requests for comment or declined to discuss the matter, and five of the other purported clients could not be traced or contacted by the FT. The remaining eight named clients appear to have shut down completely at the time they were appearing in Wirecard’s books.**

In early 2017, for example, Al Alam is shown in the documents to have been processing around €46m of payments every 30 days on behalf of Wirecard for an Irish prepaid card business called **Cymix Prepaid**, however Cymix was liquidated in 2012, according to Irish corporate records. Another client, US payments processor **CCBill**, sent Al Alam €24m of dollars each month to transact, according to Wirecard financial reports. However, CCBill’s chief operating officer, Jake Powers, told the FT the company had no connection to Al Alam **“of any kind”**.

As a payments industry professional, he said he would be expected to know where and how CCBill’s transactions were being routed.

Separately, a Philippines-based gambling business called Gaming Network Solutions is on the

Wirecard books for its CardSystems subsidiary as having €2m of payments processed monthly by Al Alam through the whole of 2017, but Fred Fateh, founder and chief executive of Gaming Network Solutions Singapore, said his company’s three-year relationship with Wirecard ended when Rodrigo Duterte was sworn in as president of the Philippines vowing to crack down on gambling: **“Exactly June 30, 2016, we stopped our real money operations,”** he told the

FT. Mr Fateh's need for payment processing had ended when his business switched to games played for points, not cash.

Either way, he had never heard of Al Alam. Details of a transcript between Wirecard staff seemingly defunct entities still seeing their business booked in the Wirecard spreadsheets during this period include Bank de Binary, a financial firm which closed in March 2017 following regulatory pressure; Molotok, a former Russian competitor to Ebay; and Piku, a shuttered coupon business from Japan. Together these findings raise doubts over whether substantial sales and profits were actually travelling through Al Alam to Wirecard — or were simply invented.

For a decade, EY's reputation as one of the Big Four worldwide accountancy and auditing firms has helped to rebuff criticism of Wirecard's accounts and business practices. Its signature on the financial statements helped to convince many investors that Mr Braun's decision to minimise the Singapore accounting scandal — first reported by the FT — was credible. Three spreadsheets — internal financial reports published by the FT, with their accompanying correspondence — cast doubt on EY's oversight. \* **(To my opinion, E&Y Board members were holding large Share Holding of Wirecard thru Proxies and Subsidiaries)**

They show how Wirecard's finance team used the now-suspect relationship with Al Alam to justify revenues, profits and asset values to auditors. The supposed Al Alam business was funneled through two thinly-staffed Wirecard subsidiaries, which rank among the technology group's largest and most profitable in financial terms, according to the limited German-language public disclosure available.

Wirecard says the US payments processor CCBill was a multi-million dollar client of its partner company Al Alam Solutions but CCBill says it has had no business with Al Alam. One is CardSystems Middle East in

Dubai, which whistleblowers said was effectively a one-man operation run from an apartment in the Burj Khalifa, the world's tallest building.

The other is **Wirecard UK & Ireland**, whose nondescript office in Dublin housed a dozen staff, according to whistleblowers.

Correspondence between senior executive members of Wirecard's finance team underlines just how central Al Alam was to the profits claimed for these two key subsidiaries. Alongside the spreadsheets, the FT published a selection of this correspondence to help to demonstrate the apparent authenticity of the accompanying documents.

According to one of the spreadsheets, shared between executives in July 2017 and titled "Übersicht Dritt-Acquirer" (overview of third-party acquirers), Al Alam was responsible for €265m of revenues in 2016 with an "ebitda-effekt" of €173m. That is equivalent to a quarter of Wirecard's worldwide sales that year and more than half of its earnings before interest, tax depreciation and amortisation.

Somehow, the €4.2bn of payments routed through Al Alam in 2016 produced more profit for Wirecard than the rest of the €62bn worth of transactions it processed that year, if the figures in the overview are taken at face value.

**\*(This suspects a major money laundering operation – regulatory authorities silently closed their eyes and never investigated the honorable DAX member and alone this is an unbelievable scandal)!**

The documents raise important questions about EY's oversight of Wirecard's relationship with Al Alam and the integrity of revenues flowing through the **Wirecard UK & Ireland** and CardSystems Middle East subsidiaries.

Since 2016, Wirecard has claimed an exemption used by multinational groups to not file accounts for Irish subsidiaries **\*(think at Google, Facebook and others...!)**, by guaranteeing their liabilities.

The group's Irish businesses are audited by BCK, a Dublin-based firm. In the case of CardSystems, Mr Braun told investors that year that the subsidiary came under EY's group audit. It emerged in a September bond prospectus that CardSystems had no local auditor in Dubai and the company said it will now appointed one.

**Now look at that** ...The group's Munich finance team appears to have prepared documents for EY, conducting the group audit, which said CardSystems earned €69m of profit from €1.6bn of payments processed by Al Alam in 2017.

Details of the underlying customer business were included. These figures appear in a financial report, titled "Q4 2017 Monitoring CR\_intern", sent in April 2018 to Edo Kurniawan, the head of international reporting **(and looked for by Singapore authorities for financial misconduct)**, by Lars Rastede, Wirecard's manager of mergers and acquisitions. It was the final days of that year's audit, and in a subsequent Skype conversation Mr Rastede said "there is massive effort flowing into that big table!".

**\*(From my experience, companies that still use excel Spreadsheets and not recognized financial Software tools for reporting, are either totally negligent or are frauds)**

Mr Rastede's spreadsheet detailed profits at a wide range of Wirecard businesses and Mr Rastede said it had been specifically requested by Andreas Loetscher (\*another Wirecard shareholder?), the EY partner who signed Wirecard's group accounts days later.

EY declined to comment, citing client confidentiality. Al Alam said it operates "in full accordance with all applicable laws, rules and regulations" and "was not involved in any alleged process to fake revenues or profits at Wirecard".

**(\* a blank lie, as he knew that this Al Alam was not really existing)**

Wirecard rejected any allegation that financial data were invented by its staff. It said all customer relationships were subject to regular audits, and that customers usually connect and contract only to Wirecard, which integrates the services of various parties.

The group initially responded to the FT's questions about earnings attributed to Al Alam by dismissing documents described in this article as fake. Wirecard later elaborated on this, saying that financial reports "usually only present an aggregated view across clusters of clients", and said that client names on authentic company spreadsheets may not be reliable either. Customer incorporation data "is rarely represented in internal financial reporting or is masked by aliases", it said.

**\*(I worked for many global Enterprises and Banks, I never heard such a thing)!**

Together these findings raise doubts over whether substantial sales and profits were actually travelling through Al Alam to Wirecard — or were simply invented. Further questions arise based on internal correspondence between Wirecard executives and the relationship with EY, its tier one auditor. For a decade, EY's reputation as one of the Big Four worldwide accountancy and auditing firms has helped to rebuff criticism of Wirecard's accounts and business practices.

Its signature on the financial statements yearly helped to convince many investors that Mr Braun's decision to minimise the Singapore accounting scandal — first reported by the FT — was credible. Three spreadsheets — internal financial reports published by the FT, with their accompanying correspondence — cast doubt on EY's oversight.

They show how Wirecard's finance team used the now-suspect relationship with Al Alam to justify revenues, profits and asset values to auditors.

## **Wirecard's Former Billionaire CEO Markus Braun Arrested Over Allegations Of Fraud**

On Monday, I reported that Markus Braun, the billionaire CEO of online payments company Wirecard, faced serious allegations over the company's rapid growth and questionable business practices. Specifically, regulators and investors were concerned over claims that the FinTech company purported to have \$2 billion dollars in a couple of Philippine banks. Investigations conducted by an outside auditor revealed that the money wasn't there and possibly never existed.

In my coverage of Wirecard, I wrote, "Braun made out very well at Wirecard, earning about \$3 million a year. He plowed millions of his own money into the tech company and heavily borrowed \$150 million from Deutsche Bank, a company that's been the subject of numerous regulatory infractions, to invest into the company. As the stock price rose, Braun, who owned 7%, became a billionaire on paper." Despite allegations raised by the Financial Times and sophisticated investors, Braun continued to vehemently deny having knowledge of any improprieties. I raised the issue, "In light of his substantial holdings, lush compensation, coupled with reporting by the Financial Times and other publications and vocal short sellers, it makes one wonder."

# Was he financially engineering the profits?

On Monday night, Braun, the architect of Wirecard's push to make it one of Germany's largest tech companies, was arrested on suspicion of presenting false information, inflating the digital payment company's balance sheet and sales through fake transactions, suspicion of false accounting and market manipulation. He was accused of doing this to make the company look more attractive to investors and customers. These actions would also serve to pump up his net worth that was tied up in Wirecard stock.

Munich prosecutors claimed that Braun may have acted in cooperation with other perpetrators. A spokeswoman for the Munich prosecutor's office told the Financial Times that there are other people who are also under investigation.

Braun turned himself into the police after a judge issued an arrest warrant. This has been a rapid fall from grace for Braun. He's a billionaire based on the stock price of Wirecard and was at the helm of the company for roughly 20 years—up until his abrupt resignation two weeks ago. This fiasco may be one of the largest, most recent corporate frauds committed in Europe.

In the midst of this alleged fraud, there's some dark humor. Elizabeth Holmes was, for a brief blip in time, a billionaire and the beloved wunderkind of Silicon Valley. She founded Theranos, a company that supposedly made it easy to test for maladies and diseases with a painless blood test pinprick. She adopted the black turtleneck sweater as her daily go-to attire, drawing inspiration from Apple's Steve Jobs' standard uniform. After Holmes was accused of fraud and her business imploded, she was viewed as a villain. Her iconic Jobs-copycat black turtleneck turned into a meme of mistrust. Braun,

ironically, sported the same black turtleneck as part of his regular wardrobe.

According to the auditors of Ernst & Young (EY) the Singapore subsidiary Wirecard Singapore Pte. Ltd., refused the attestation for the correctness of the Annual balance 2017. This is shown by documents in the register of the Singaporean financial regulator ACRA.

2017 was the last verified year of the Wirecard branch in the Asian city-state with a harsh statement “We can neither adequacy, completeness and correctness of the annual accounts, we can still determine the scope of possible adjustments estimate that may be required in relation to the Company’s financial statements. ”

The Singapore subsidiary of the payment service provider Wirecard has no attestation for the 2017 annual balance sheet. This was shown by documents in the register of the Singaporean financial regulator ACRA, reported the “Handelsblatt” at that time. 2017 is the last verified financial year of Wirecard in the Asian city-state.

Wirecard has two subsidiaries in Singapore, Wirecard Asia Holdings Pte Ltd (WDAH) and Wirecard Singapore Pte Ltd (WDSG). Both have been consistently late in filing audited financials a pattern at almost all Wirecard subsidiaries throughout the world including the UK subsidiary.

## **The Global Wirecard Scam**

Co-Authored by Dipl. Ing. Bernard Bowitz and Wolfgang Holzem with data provided by an Anonymous Investor Group based in Asia and Europe.

**Our previous letters to the supervisory board drove Wirecard to bring in KPMG for the special audit. The results of the audit, together with our recent insight on EY's cash accounting treatment drove EY to take a closer look at the trustee cash balance, which was found to be counterfeit. Anonymous Investor Group**

**The 2018 accounts remain outstanding for both subsidiaries in Singapore:**

- The 2017 annual report, filed over a year late, in October 2019, had a disclaimed opinion by EY, who also raised concern over preceding years. This is extremely unusual and demonstrates significant concern by EY.
- The Singapore Payment Services Act requires audited financials and transactions for licensees. Wirecard does not yet hold a license in Singapore, and we believe it will not qualify for one without audited financials.
- The 2016 annual report, also filed late, in June 2018, shows that material information was not provided to EY about the whistleblower investigation that began in March 2018.
- On the 2017 numbers, the business is loss-making, shrinking, and insolvent, only surviving on a €30M loan from Wirecard Sales International.

The 2017 financials for WDSG were filed on the 18<sup>th</sup> of October 2019, over a year late. Ernst & Young (EY) chose to disclaim their opinion on the accounts, a rare situation where the auditors judge that they have the inability to obtain sufficient appropriate audit evidence, and they also judge that the effects on the financial statements are material and pervasive.

Subsidiary	FYE	AGM	Filing	Lateness	
		Deadline	Deadline	Actual Filing (Days)	
Wirecard Asia Holding 2016 Accounts	31/12/2016	01/07/2017	31/07/2017	20/04/2018	263
Wirecard Asia Holding 2017 Accounts	31/12/2017	01/07/2018	31/07/2018	12/02/2019	196
Wirecard Asia Holding 2018 Accounts Pre Extension	31/12/2018	01/07/2019	31/07/2019		Late
Wirecard Asia Holding 2018 Accounts Post Extension	31/12/2018	29/08/2019	29/09/2019		Late
Wirecard Singapore 2016 Accounts	31/12/2016	01/07/2017	31/07/2017	22/06/2018	326
Wirecard Singapore 2017 Accounts	31/12/2017	31/07/2018	30/08/2018	18/10/2019	413
Wirecard Singapore 2018 Accounts	31/12/2018	01/07/2019	31/07/2019		Late

WDSG filed 2016 financials on the 18<sup>th</sup> of June 2018, 326 days late, which received a clean, unqualified audit opinion from EY. This is surprising as Rajah & Tann (R&T) had finished on the 4<sup>th</sup> of May 2018 a report that showed preliminary findings of fraud at WDSG. The evidence they had investigated included the email inboxes of Irene Chai, Head of Finance at WDSG, and James Wardhana, International Finance Project Manager, Finance and Controlling Asia Pacific at WDSG.

It seems extremely unlikely that Wirecard shared the news of the R&T investigation with EY prior to the June 18, 2018 completion of the 2016 audit. If they had, it would have been at least a material “post-balance sheet event”, if not a reason to disclaim the 2016 audit entirely.

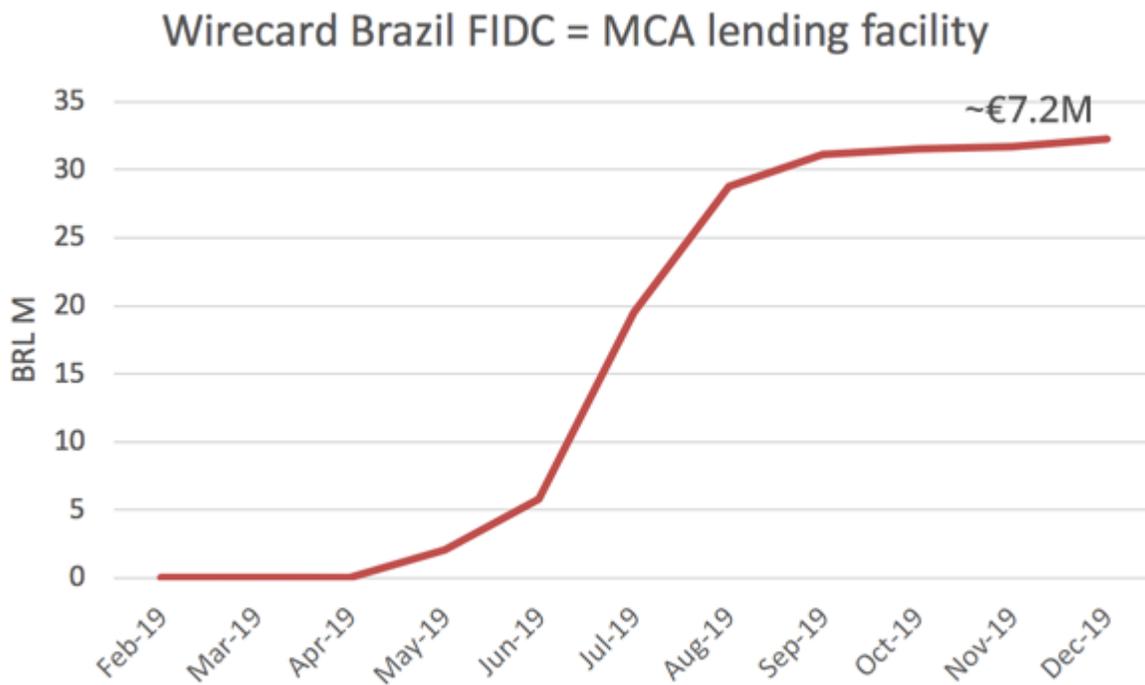
Did Wirecard hide this investigation from their own auditors?

## Wirecard’s Merchant Cash Advance Scam

In November 2018 Wirecard claimed it had launched a new Merchant Cash Advance (MCA) Product and in both May and June 2019, Wirecard told analysts that at least 33% (€133M) was in Turkey and Brazil. Earlier statements in March, and May, have repeatedly said that the bulk of the programme is in Brazil, with some also in Asia and Europe. In August 2019, Wirecard mis-remembered their earlier

statements, and told analysts that they had previously stated MCA was less than 33% in Brazil and Turkey. Overall lending shrank to €370M. We have seen Wirecard's own accounts for both Brazil and Turkey. In both countries, MCA lending would appear negligible or non-existent. And in Turkey, it's illegal, suggesting if there is any MCA lending, this is a separate problem in itself. More details for both Brazil and Turkey are available. But at its simplest, any firm with a meaningful MCA programme would see this reflected on the balance sheet as significantly more receivables than payables at any given moment and neither Brazil nor Turkey have anything like this.

As of 31 December 2019, the outstanding balance in the Wirecard Brazil FIDC (Wirecard's regulated receivables fund) was R\$32.3M. This translates to about €7.2M. In fact, this number has been fairly consistent for months. In 2018, when Wirecard first claimed to be pre-funding receivables in Brazil, this facility had not been set up. It does now exist, but lending volumes are very small.



The lies keep piling up. There's no meaningful MCA lending in Turkey, and what there is, is illegal. Similarly, there's close to zero in Brazil. So where is this €133 million? Are they lying about it to mask a lack of cash flow?

- [Click here to download Wirecard Brazil's annual financial statements in Portuguese.](#)
- [Click here to download Wirecard Turkey's annual financial statements in Turkey, issued by another Big4 Auditing Firm, Deloitte.](#)

Wirecard claims that at least 1/3 of its supposed €400M MCA program comes from Brazil and Turkey, with Brazil being the larger. Nonetheless, Wirecard is claiming that there is at least some meaningful lending, and subsequent revenue, from this business in Turkey.

## **WRONG!**

Wirecard Turkey's own audited (by Deloitte) financials shows that the MCA business there is tiny. As notable, in the entire report, **there is not a single mention of MCA.**

## **Illegal Lending in Turkey?**

As it turns out, MCA lending is illegal in Turkey. View [legal opinion showing wirecard's mca product is illegal in Turkey.](#)

Our work on the ground in Turkey suggests Wirecard are offering some small volumes of MCA to wireless carriers and mobile app vendors. The lack of disclosure in this audited report suggests they are misleading both Deloitte and the Turkish Banking Regulator (BRSA). Revenues and TPV in 2018 were only €2.4m / €61m which shows the business can only support tiny volumes of MCA – but this is not disclosed in the annual report.

We have informed the banking regulator in Turkey (BRSA) and we believe they will be looking into this imminently.

# KPMG and the Supervisory Board

We have written several letters to the Wirecard Supervisory board highlighting our concerns and have called for the management board to be suspended to protect shareholder assets. Wirecard's own filings confirm that management's statements in 2018 and throughout 2019 about MCA were, and remain, false. KPMG and the Supervisory Board will easily see that in the accounts. But we reiterate our earlier question, "*why are they misleading investors about MCA lending?*" Our answer to this remains consistent: to hide something. We believe Wirecard management are concealing a substantial overstatement of profits at CardSystems Middle East, Wirecard's un-audited Dubai subsidiary, whose client transactions bear hallmarks of being fake/fraudulent. These dubious "clients" have contributed 58% of Wirecard AG profits in 2018.

## Is Wirecard round tripping with Singapore entities?

As we've been searching for where Wirecard's MCA business is (and the bulk of it looks not to be in Brazil, Turkey or Europe), we've come across a number of details that have made us take a second look at certain aspects of the business. There are some very odd coincidences and complicated relationships between Wirecard, its current and former executives, and third-party companies, many of which are suspicious in themselves, and, when taken together, raise yet more questions.

A company in Singapore, oCap Management, formerly called Senjo Trading, whose MD, **Carlos Haeuser worked for 13 years at Wirecard** as a senior executive, started claiming to offer merchant cash advance in Singapore in November 2018 at around the same time it received €115M (\$131M) of funding from an unknown third

party. (Coincidentally, this is also the time when Wirecard started talking about MCA). By the end of December 2018, €113M of these funds had been lent out by oCap, without any sales people and without any advertising spend, and with distribution expenses of just \$38K.

Until 2017, oCap was involved in trade financing and ship management, but also referenced etrade finance and blockchain technology on their website. However with Carlos' arrival, and promotion to MD on the 9th of November 2018, the business shifted track to offer MCA. Their level of success in just one month seems remarkable considering that, despite claiming to have facilitated \$100M of loans in 2017 they had zero revenues in 2017 from interest income. Rather, in 2017 all revenues – on the basis of their audited accounts – were derived from ship management fees.

Following the €115M loan in late 2018, and in just 6 weeks, oCap somehow lent all that of money onwards in EUR, USD and GBP denominated loans from Singapore.

Furthermore in 1Q19, when Wirecard's MCA program grew further to €400M, oCap formed a Luxembourg subsidiary that is described as “acquiring or assuming the risks associated with loans receivable”.

## **Why do we think this is interesting?**

oCap has multiple close ties to Wirecard, making the timing of their MCA business launch interesting:

- oCap was formerly known as Senjo Trading. Wirecard lent €25M to Senjo Group, a related business, [in May 2017](#). Senjo was also widely reported as being a material driver of Wirecard revenues, EBITDA and receivables.
- oCap's CEO and MD, Carlos Haeuser had been a long-serving Wirecard executive, joining the firm in 2005 and promoted to EVP in 2010. He left the business in March 2018 to join oCap,

although paperwork suggests there was some overlap between his time at Wirecard and oCap with his new appointment as director of oCap taking place on 5th March while he only officially left his previous roles as CEO of Wirecard Turkey and CEO of Wirecard Technologies on 15 March 2018 and 22 March 2018 respectively ([Source ACRA](#)).

Carlos Haeuser is the CEO of oCap, and was appointed a director on the 5th of March 2018.

On the 15<sup>th</sup> of March 2018 Carlos resigned as the Chairman of the board and MD of Wirecard Turkey (replaced as Chairman by Wirecard COO Jan Marsalek) ([Source](#)).

On the 22<sup>nd</sup> of March 2018, Carlos was removed as CEO of Wirecard Technologies GmbH ([Source](#)).

- Of course, it's also interesting that Turkey is where Wirecard has previously claimed to be doing significant volumes of MCA despite their audited financials showing nothing of the sort and worth remembering that MCA is illegal in Turkey.
- oCap has also had two auditor resignations so far in 2019. T Ravi, their auditor of 2016 and 2017 resigned in early February 2019 to be replaced by BDO, who resigned in July 2019 without signing the 2018 financials. They were replaced by the less well known OA Assurance who eventually signed the annual report in August 2019. Related party disclosures changed between the 2017 and 2018 accounts – perhaps this is why BDO did not sign the accounts?

While this could all be a coincidence, it is worth examining closely in light of the criminal “round-tripping” investigation that Wirecard is facing in Singapore, where the CAD is investigating Wirecard for allegedly moving money from its balance sheet to undisclosed related parties and then back as revenue, earlier in 2018 than the events described above. We think the CAD in Singapore should be aware of the suspicious timing and similarities of these events.

The FT has previously reported that Senjo (now oCap) had significant unpaid receivables at Wirecard and that a substantial portion of their revenues and EBITDA come from Senjo. It seems reasonable to conclude that Wirecard was the 3rd party that lent the €115M to Senjo. If any of this money has made it back to Wirecard to pay-off the receivables that are owed by Senjo/oCap – that would be **round-tripping**.

Wirecard claims that it is lending €370M via MCA. This number has fallen, since the previously stated €400M. They've also changed their statements regarding where this money is being lent, telling investors at the H1 results call that it's now less than 1/3 in Brazil and Turkey. According to their CPO, it's not in Europe. There aren't a lot of places left it could be, and Wirecard refuses to disclose to investors where it is (contrary to Markus Braun's statements re transparency).

**Wirecard management told analysts and investors that they had no relationship with Ocap and that there had been no relationship with Carlos Haeuser since January 2018.**

The accounts show a different story.

In November 2018, Ocap received an unsecured, euro-denominated €115.6M loan from an undisclosed party, which they managed to lend out entirely by year-end. Wirecard's 2018 annual report states, when referring to merchant cash advance, "a volume of €115.6M was already earmarked for this purpose by powerful financing partners". **The newly filed WDAH reports show that Wirecard Asia borrowed from Wirecard Group in order to make an onward loan of €115.6M.** A euro-denominated loan made in Singapore of the exact same amount as that received by a company with strong ties to Wirecard strongly suggests this is a loan to Ocap, contrary to management's claims.

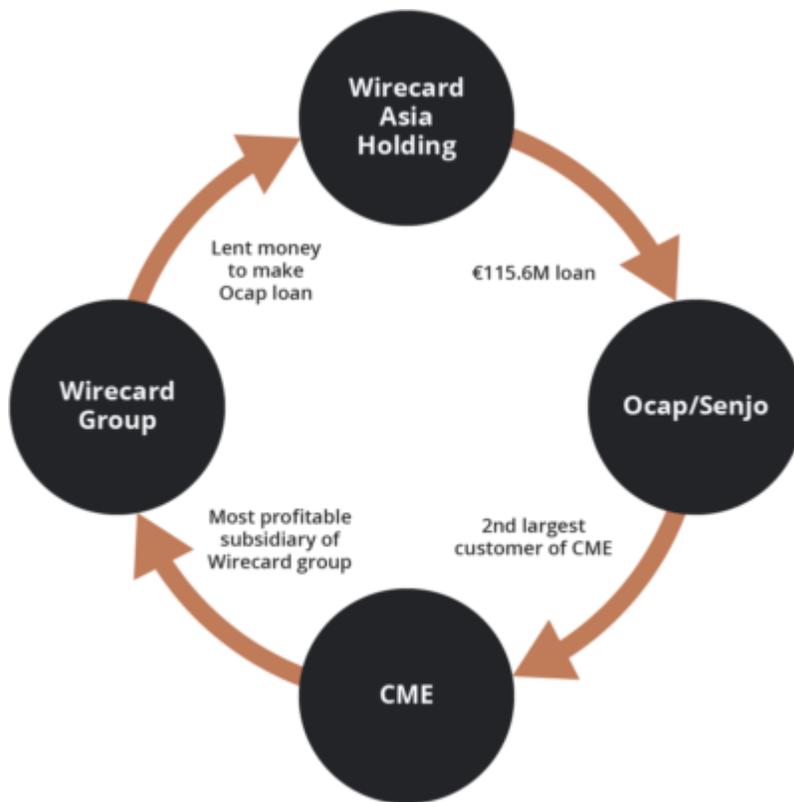
**This report indicates that Wirecard has been untruthful in their communication with investors about a material transaction of >€100M.**

Wirecard has misled investors about who this money was lent to, and they failed to disclose the fact that the loan appears to be a related-party transaction:

The Ocap CEO, **Carlos Haeuser**, was not only a long-standing executive of Wirecard, but his wife, **Brigitte Axtner Haeuser** is Head of Digital Sales for Wirecard and a named director of WDAH in Singapore in the 2018 annual report. In addition, Ocap/Senjo is an important client for Wirecard: in the Wirecard internal documents released by the FT, it is shown as the second largest customer of CardSystems Middle East (CME), Wirecard's most profitable subsidiary.

It is also concerning that, within six weeks of making the loan, Wirecard made a €5M allowance for a potential loss. This stands out as an unusual allocation, particularly bearing in mind the relationship between Ocap and Wirecard directors. If Brigitte saw Ocap as such a credit risk, should WDAH have sanctioned lending the €115M to Ocap?

The loan was extended following the balance sheet date, with partial repayment of the loan extended until 2020. This would suggest the business is not doing as well as hoped. Were these late 4Q transactions an avenue to circulate money to CME and pay down the aged Senjo receivables referred to by the FT?



## Uninspiring financials

WDAH 2018 gross revenues of SGD\$208M grew 64% YoY from SGD\$127M in 2017. However, interchange, network, and transition service fees grew faster, meaning **net revenues fell 8% YoY**, from SGD\$12.6M to SGD\$11.6M. This substantial margin erosion should be alarming for investors, especially considering the positive commentary from management about the Citi portfolio.

SGDs	2016	2017	2018
Gross revenue	4,155	127,169	208,080
YoY		2960%	64%
Interchange, network & transition fees	-	(114,568)	(196,481)
YoY			71%
Net revenue	4,155	12,601	11,599
YoY		203%	-8%
Loss from operations	(4,542)	(14,186)	(37,797)

The Citi portfolio in Singapore was acquired in June 2017, which suggests that 2018 organic gross revenues are flat to down YoY. This suggests that Wirecard is experiencing customer losses since the acquisition. Certainly, there's evidence of this such as Adyen's public announcement that they won Singapore Airlines.

Despite the deteriorating financial performance, management took the decision not to impair the SGD\$95M of goodwill. We would note that the 4.57% discount rate used by management when performing the impairment test fell from 5.5% in 2017, a significant red flag as it inflates the DCF value, all else being equal. It would be interesting to see how they justified this fall in the discount rate to their auditors given the declining organic revenue with deteriorating gross margins, increased cash burn, a police investigation into potential accounting fraud and money laundering, a €115M loan to a firm associated with the director's husband, and a CFO who reportedly fled the country.

Above we mention Wirecard's specific denials to analysts and investors about their relationship with Ocap. We are happy to share more details with regulators if requested.

# Wirecard's late Australian accounts have finally been filed

We have previously reported Wirecard's regional filings were late all around the world; most notably in Singapore, the UK, Australia and NZ. The first has now filed; Wirecard Australia filed its annual report on the 1st of November, almost exactly 6 months after it was due on the 30th of April.

The audit opinion was signed by **Grant Thornton** on the 28th of October and includes an "emphasis of matter" related of concern. Grant Thornton appears concerned about the solvency of this business given the substantial (AUD\$16M) losses.

The key driver of these losses was an impairment of the acquired Citi Merchant Acquiring business, concurrent with the purchase. This is very unusual accounting. It indicates that the local management does not believe the business is worth the price that has been agreed for it. The acquired Citi portfolios are due to be transitioned onto the Wirecard platform by the end of 2019, but to our knowledge, none have yet been transitioned. Is this related to the impairment?

	2018 \$
Purchase consideration	9,801,370
Fair value of identifiable net assets recognised	624,684
Goodwill	10,426,054
Impairment	(10,426,054)
Residual Goodwill	-

- [Download Wirecard Australia 2018 annual report](#)

This impairment begs the question: how are the other acquired Citi subsidiaries performing? Singapore was one of the biggest portfolios acquired, but there have been substantial accounting issues locally, and both of the local subsidiaries are yet to file 2018 accounts. Despite

a lack of locally audited financials, these have been consolidated into the group accounts. Furthermore, on the 1st of January 2020 the Singapore Payment Services Act comes into action, and Wirecard has not yet received a license.

The Wirecard Asia (Singapore) 2017 accounts showed \$94.8M of goodwill held on the balance sheet from the Citi acquisition; has management done an impairment test on that goodwill for 2018? What risk does that pose to the group financials? How was the group audit completed without a local impairment test?

Will Wirecard provide a full and transparent update here? Are there more impairments coming?

The Wirecard Group Annual report, published in April 2019, stated €0.0M of impairment losses. As the Australia impairment should have been consolidated, this appears to be misleading.

#### Goodwill

In EUR million	31 Dec 2018	31 Dec 2017
Payment Processing & Risk Management	552.6	528.1
Acquiring & Issuing	153.0	147.4
Call Center & Communication Services	0.3	0.3
Total	705.9	675.8
Less: impairment losses	0.0	0.0
	705.9	675.8

## Wirecard Innovation or Integration?

Wirecard is trying to draw investors' attention to "Innovation at Google" and "Smart Cities", instead of explaining why in 2.5 years they have not been able to migrate the volumes acquired from Citi in Asia in 2017 onto their own processing platform.

A reminder of some of the key focuses of the past analyst days:

- **2012:** Wirecard Card Reader
- **2014:** Bijlipay case study; Bluetooth Low-Energy Beacons.
- **2016:** Connected.POS – the Cloud for Retailers. Boon!
- **2017:** Smart Data & the Omnichannel analytics suite
- **2018:** Voice Commerce & the Blockchain
- **2019:** Google? Smart Cities?

### **Have any of these generated any material revenues?**

Instead of a focus on “innovation”, we conclude this series of questions with a deeper look at the ongoing issues of the integration of the Citi Asia merchant acquiring portfolios (Project Aslan). These issues raise substantial concerns about the long-term viability of the business in Singapore and have been brushed aside by Wirecard.

Wirecard’s Citi Asia acquisition, their largest acquisition to date, is faltering. Analysts should focus on the known:

### **What is really happening with Project Aslan and why?**

Vision 2025 – more appropriately named Fantasy 2025 – is a pipe dream meant to distract from the true goings-on in the business of Wirecard.

Analysts should not rely on Wirecard’s Vision 2025 when they cannot produce simple audited financials for its subsidiaries in a timely fashion.

## **Project Aslan**

Wirecard’s acquisition of 11 Citi Asia merchant-acquiring customer portfolios was first announced to investors in March 2017, and Citi gave a final deadline to Wirecard of 31st December 2019 to transition all merchants onto the Wirecard platform before Citi shut down their processing business.

In August 2019, Wirecard confirmed that only 7 of the 11 countries have actually been acquired thus far, but also claimed that all acquired customers would be migrated from Citi by 2020.

Recent conversations with people close to the matter suggest that **not a single country has been converted onto the Wirecard platform** due to technical challenges with the integration. Can Wirecard tell investors what has caused these delays? What is the plan to convert seven different countries by the end of the year? What happens to the remaining four countries?

When Wirecard first announced the acquisition, the closing was “due to be completed in multiple stages up to June 2018”. The first year after all were planned to be closed (2019) was due to see a significant uplift in margins as they shifted customers onto the Wirecard platform. But this schedule has slipped by over a year – can Wirecard give investors a full and transparent update?

**Three months to finalise this work seems a challenge after two and a half years of inaction. What are the consequences to Wirecard if the deadline is missed?**

Wirecard’s most recent public filing (the September bond prospectus) flagged “a risk of a delay in the technical integration and migration” of the Citi portfolio, and stated that allegations in Singapore are likely to cause delays to achieving individual licenses. Are these the allegations the police are investigating, and are these causing issues for Wirecard with the Monetary Authority in Singapore as well as the Commercial Affairs Department?

**Singapore’s new Payment Services Act comes into force on the 1<sup>st</sup> of January. Will Wirecard get a license while the CAD investigation is still pending?**

In addition, we have heard from people close to the matter that several major Singapore customers, including Singapore Airlines and The Four Seasons Group, have moved away from or dropped Wirecard recently for all cross-border transactions, making this business even

less viable. Is this true? What volumes has Wirecard lost from large international customers?

### **Key questions:**

- Is Wirecard going to meet Citi's 31st December 2019 deadline for the transition of all processing businesses? What are the consequences if not?
- What percentage of Citi volumes acquired have been transferred over onto Wirecard processing?
- Why have only 7 of the 11 countries mentioned been acquired by Wirecard?
- Will operations be forced to cease in Singapore if Wirecard fails to gain a license under the new Singapore Payment Services Act coming in to force in three months' time?

## **The Indian Round-Trip**

Was Wirecard's Indian acquisition deliberately structured to generate round-trip profits through EMIF?

Key questions about about Wirecard's Indian business and alleged revenue growth following its acquisition of Hermes i-Tickets (Hermes) in India in 2015 are:

- Why did Wirecard purchase Hermes and the other assets from an anonymous Mauritius-based fund called Emerging India Fund (EMIF) instead of purchasing the assets directly from the founders who had been **negotiating with Jan Marsalek** (Emails attached) for almost a year?
- Who is the beneficial owner of EMIF, the fund that "flipped" Hermes to Wirecard for €290M in profit, an 8x return in just one month?
- Will Wirecard confirm they generated revenue and EBITDA from EMIF-owned subsidiaries? How much in total? Has the growth in

revenues and EBITDA at Hermes been an avenue for those illegitimate gains to EMIF to flow back to Wirecard?

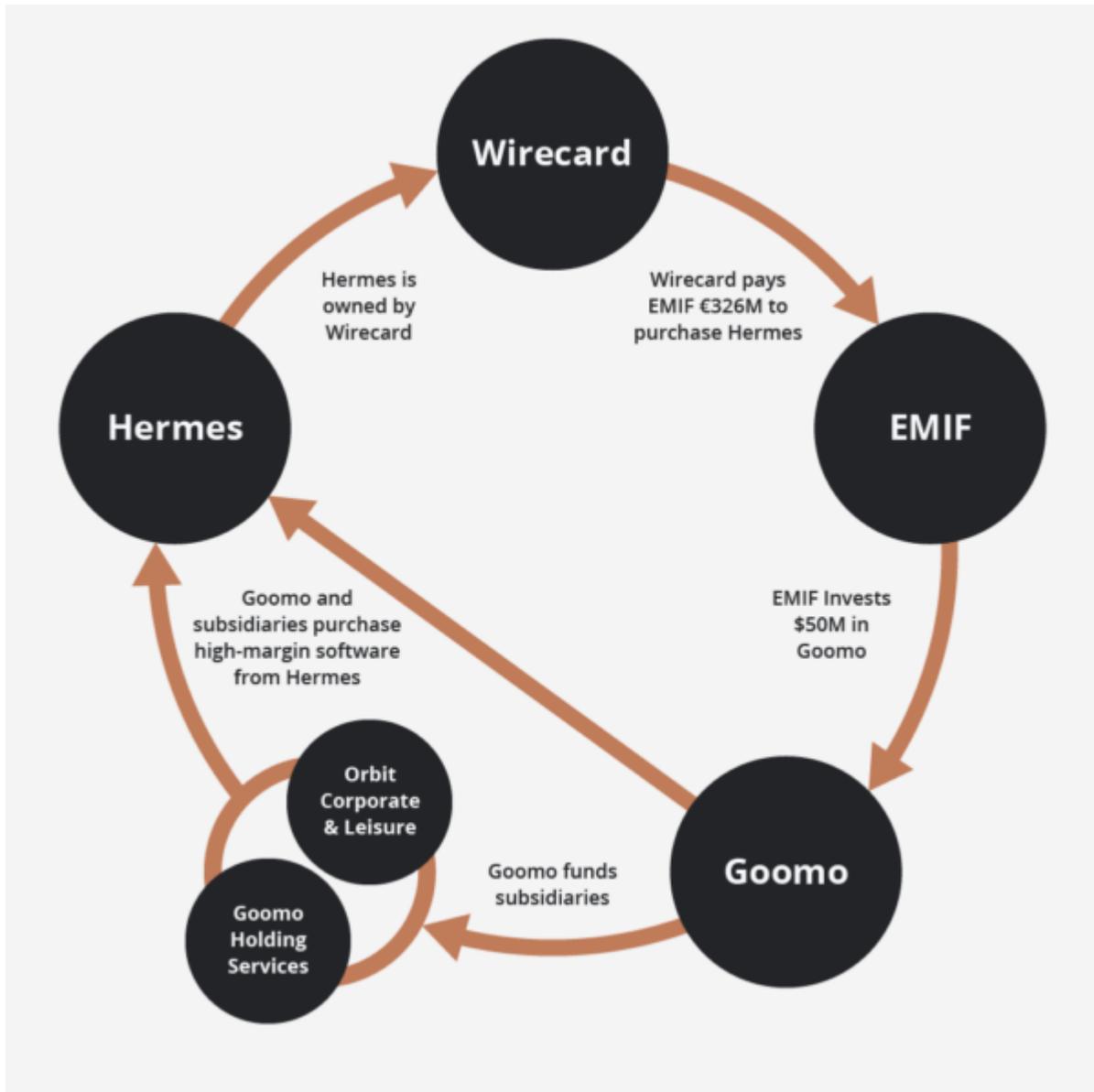
- Why would Wirecard pay €326M for an asset that, if they'd purchased it from the founders a month earlier, they could have bought for just €39M?

Were Wirecard shareholders defrauded of €287M in the 4Q15 purchase of the Hermes asset in India? €326M was paid to an anonymous Mauritius-based fund, Emerging India Investment Fund 1A (EMIF), just one month after EMIF purchased the assets for a paltry €39M. At the time, Wirecard strongly implied they had paid the full amount to the original owners of Hermes (false) and never properly clarified why they paid 8x more for an asset they'd recently been negotiating to buy directly.

This transaction, covered in the media, is just the first piece of the story. Investors should also be aware that some of the proceeds paid to EMIF appear to have flowed back to Hermes through multiple software deals – transactions that look like revenue round-tripping on the part of Wirecard and EMIF.

## **Here's what it looked like:**

EMIF received €326M from Wirecard and then spent \$50M buying a company called Goomo Holdings PTE LTD in Singapore. Wirecard (Hermes) then recognised software revenue from Goomo, and also recognised revenue from two of Goomo's Indian subsidiaries.



These look like clear round-tripping transactions, facilitated by both Wirecard and the owner of EMIF.

Based on our research and information, the principal events unfolded as follows:

## December 2014:

- [Palani Ramasamy](#), co-founder of Hermes, and [Jan Marsalek](#), the Wirecard COO, meet in Vienna to discuss Wirecard purchasing

Hermes and assets of the GI Retail group. The meeting is set up by [Henry O'Sullivan](#), who later proposed that "HenryCo-Offshore" acquire some assets in the transaction. Wirecard have stated "**they do not have information** that Mr O'Sullivan is or was a shareholder of EMIF1A" – note the verbiage here: not having information is very different to denying Mr O'Sullivan owns or controls EMIF.

## 2015:

- Negotiations between Wirecard and Hermes continue with a January 2015 MoU drafted between the two parties.
- September 2015, Hermes is sold to EMIF, a newly registered Mauritius fund, at a price of €39M.
- October 2015, Wirecard purchases Hermes from EMIF for €216M with a €110M earn-out, returning 8x EMIF's investment in a month.

## 2016/17:

- EMIF first invested SGD\$25M into Goomo Holdings Pte Ltd in Singapore in December 2016. [This press article suggests they purchased the whole business for \\$50M.](#)
- Flush with cash (directly and indirectly from Wirecard) – two of Goomo Holdings subsidiaries (Goomo Holding Services and Orbit Corporate & Leisure) in India sign > \$12M of software deals with Hermes.
- Two other Henry O'Sullivan related-entities, Mindlogicx and Skilworth Technologies, also bought >\$3M of software from Hermes in 2017, which all added up to substantial profitable growth for Wirecard's operations in Asia.
- Conversations with people close to the matter suggest that these transactions started just after Hermes was purchased back in November 2015, under the name, remarkably, "Project Ring".
- EY expressed concerns about accounting between Orbit and Goomo.

## 2018:

- Hermes' auditor, Suresh Surana, provides a qualified audit opinion for the 2017 accounts based on a lack of transparency into some of the above transactions.
- Rajah & Tann's preliminary report questions the validity of the Orbit / Goomo revenue transaction, noting that the 2017 Service Agreement between the two companies was not created until 2018.

## 2019

- Co-founders of Hermes [resign as directors](#), after a "couple of years... recommending for Statutory and Compliance Audits but none paid heed to it".
- The CAD in Singapore raids Wirecard offices, and opens investigations into all of Hermes, Orbit & Mindlogicx in Singapore for money laundering and round-tripping. Wirecard tells investors that any restatement is limited to a few million dollars. EY signs the 2018 audit provisional on any findings from the CAD.
- Our research suggests this round-tripping is of greater scale and substance than Wirecard have disclosed to investors.

**Once again – investors need to ask Wirecard: Who is the beneficial owner of EMIF, and how much revenue and EBITDA have Wirecard generated from EMIF-related parties?**

- [India lawsuit in London](#)
- [Hermes director's resignation letter](#)

## **The Israel connection of Germany's multi-billion corporate fraud**

Collapsed fintech firm allegedly processed payments for binary options scammers, while one of its executives pleaded guilty to abetting fraud in Israeli money-laundering scandal.

Wirecard, the German payments company that collapsed last week in what has been described as one of “Europe’s biggest corporate frauds of recent years,” is linked to two recent major Israeli financial scandals: binary options and the ICC-Cal affair.

But while the prosecutors allege that Wirecard earned far less revenue than it claimed, there is evidence that at least some of the revenue it did earn came from processing payments for scams.

As reported by The Times of Israel and other publications, Wirecard processed payments for Israel’s widely fraudulent binary options industry, which stole billions of dollars from mom-and-pop investors worldwide. The extent of Wirecard’s processing of payments for binary options remains to be fully elucidated.

Meanwhile, one of Wirecard’s former executives, Dietmar Knoechelmann, a German man who married an Israeli woman and is now a German-Israeli dual citizen, was convicted in Israel in November 2016 of abetting fraud in the ICC-Cal money laundering scandal. The scandal was first exposed by Israel’s Globes newspaper in 2009. In 2016, Knoechelmann pleaded guilty to helping to deceive Visa and Mastercard as well as US authorities by helping to process tens of millions of dollars of payments to online gambling websites that were illegally targeting Americans.

Knoechelmann pleaded guilty to carrying out this fraudulent activity between 2008-2010. Until March 2009, he still worked for Wirecard, as a director of its Ireland subsidiary, Wirecard Payment Solutions Holdings Limited. Bizarrely, the name of the company Knoechelmann was working for at the time he abetted fraud in the ICC-Cal affair is mentioned nowhere in the Israeli government’s complaint or verdict.

Knoechelmann pleaded guilty to carrying out this fraudulent activity between 2008-2010. Until March 2009, he still worked for Wirecard, as

a director of its Ireland subsidiary, Wirecard Payment Solutions Holdings Limited. Bizarrely, the name of the company Knoechelmann was working for at the time he abetted fraud in the ICC-Cal affair is mentioned nowhere in the Israeli government's complaint or verdict.

## **Processing binary options payments by Wirecard UK and Ireland Limited**

Any merchant who wants to accept credit card payments needs an “acquiring bank” or “merchant acquirer” to accept and underwrite them. The acquiring bank is required by law in many countries to make sure the merchant's activity is not illegal and to know the true identity of the merchants' owners and not just the identity of its directors, who may be stooges.

According to internal company documents acquired by the Financial Times, Wirecard received commissions through the end of 2017 for the processing of payments for Banc de Binary, a now-defunct Israeli binary options company that was sued by the US Securities and Exchange Commission in 2013 for illegally selling binary options to US customers. Two other major clients were the Israeli-linked binary options companies Rodeler (24option) and Hoch Capital (itrader), according to internal Wirecard documents seen by the Financial Times.

In the course of a 2018 civil lawsuit in Israel, David Cartu, owner of the Irish payment processing company Greymountain Management, disclosed documents from the company's liquidator showing that Wirecard was one of the acquiring banks that Greymountain Management used to process binary options payments. According to Irish court filings, Greymountain Management processed payments for over 40 mostly Israeli binary options and forex websites including Porterfinance.com, Plustocks.com,

OmegaOption.com, BigOption.com, BinaryBook.com, MortonFinance.com and Capmb.com among others.



Despite being a modest, four-story building, Ulysses House in Dublin Ireland is the registered address of hundreds of companies. It is also the location of Greymountain Management and Wirecard UK and Ireland Limited (Photo credit: Google Street View)

The Israeli-Canadian David Cartu and his two brothers were charged by the Ontario Securities Commission in May of defrauding investors around the world out of \$233 million.

## **Wirecard and the ICC-Cal affair**

Between the years 2006-2010, ICC-Cal, a credit card company jointly owned by Israel's Bank Discount and Bank Beinleumi, fraudulently processed billions of dollars worth of payments for online gambling, porn (including bestiality) and sketchy e-commerce companies.

ICC-Cal was what is known as a merchant acquirer, meaning it had a license from Visa and Mastercard to "acquire" credit card payments provided it first vetted the merchants to make sure they were not engaged in illegal activity and, second, labeled the transactions of each merchant with a four-digit code that accurately reflected the nature of that merchant's business.

What ICC-Cal did over a period of several years, Israeli judges found, was accept and acquire payments for merchants that were deceptive about their activity. It also provided false codes for these merchants' transactions so that Visa and Mastercard would think these transactions were low risk and approve them. ICC-Cal processed billions of dollars worth of payments for online gambling companies that were targeting Americans, in contravention of the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), an American law that prohibits online gambling companies from accepting payments from U.S. customers.

One of these German men was Dietmar Knoechelmann, who represented a company that aggregated gambling websites, and helped process American gambling payments through a digital wallet.

Knoechelmann pleaded guilty in November 2016 to abetting payment fraud in the ICC-Cal affair but at no point in the complaint or verdict is the name of the company or companies he represented mentioned. He carried out this fraudulent activity between 2008-2010.

Until March 2009, he still worked for Wirecard, as a director of its Ireland subsidiary, Wirecard Payment Solutions Holdings Limited. In 2017 The Times of Israel asked the Justice Ministry the name of the company on whose behalf Knoechelmann had worked while engaged in abetting fraud, but the ministry said that as part of its plea deal with Knoechelmann, it had agreed to keep the name of the company under wraps.

Source: Times of Israel

# **Risk / Fraud Management Solutions by Wirecard was a Hoax**

**According to the 2017 Annual Report by Wirecard AG the following paragraphs come from Board**

For the use of risk management technologies to minimize fraud scenarios or Extensive tools are available for fraud prevention (risk management). The Fraud Prevention Suite (FPS) is based on rules and artificial intelligence based decision logic. Based on historical data, decisions are made within milliseconds in combination with dynamic real-time checks on the acceptance or rejection of one Transaction made. With extensive reports, for example on the question of which transactions are rejected and why, and the corresponding tools, traders can use Wirecards to optimize control. Age verification, KYC identification (know-your-customer), Analysis using device fingerprinting, hotlists and much more are incorporated into risk management strategies. An international network of service providers that specialize in credit checks, can also be included in the analysis depending on the retailer's business model. Wirecard's risk and fraud prevention technologies come from both Payment processing and acceptance as well as for the issuance and operation of issuing products. Wirecard enables its customers to securely process payments regardless of the sales channel, thereby minimizing the number of abandoned purchases and the quota of successful transactions to increase.

In the 2017 Annual Report, Anti Money Laundering Measures have not been included, furthermore only last month it was announced that in the history of 20 years of Wirecard has a Chief Compliance Officer been appointed since yesterday. The Supervisory Board of Wirecard AG appointed the American Dr. James H. Freis (49) as Chief

Compliance Officer effective July 1, 2020. On the Group Management Board of the company, he will be responsible for the newly created department “Integrity, Legal and Compliance”. The Legal, Contracts and Compliance functions will be bundled in this department.

James Freis has been responsible for compliance at Deutsche Börse AG, Frankfurt, since 2014. Prior to this, he worked for the international law firm Cleary Gottlieb Steen & Hamilton, Washington DC. Between 2007 and 2012, he was Director (CEO) of the United States Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN), where he was a senior U.S. government official responsible for the regulation of financial institutions. Freis was also head of the U.S. Financial Intelligence Unit (FIU), which conducts investigations into the implementation of and compliance with laws. He began his career in 1996 as a lawyer at the Federal Reserve Bank of New York. He later served as Senior Counsel at the Bank for International Settlements in Basel, Switzerland, before joining the U.S. Department of the Treasury as Deputy Assistant General Counsel for Enforcement & Intelligence.

Dr. James H. Freis became the Chief Executive Office of Wirecard AG after the dismissal of the former CEO of Markus Braun.

## **AML and KYC Violation at Wirecard Card Solutions Ltd – UK**

During the years of 2016 and 2017, a large number of debit card providers stopped issuing MasterCard and Visa cards due to new regulation set out by the European Union on Anti Money Laundering Laws, a new set of Know Your Customer (KYC) rules and to combat the International Financing of Terrorism. The first company that complied with such rules was Paysafe Group Limited which is also the current brand owner of Neteller, Skrill and regulated by the UK





Payoneer Wirecard's Openly Resold in Pakistan and Bangladesh



Payoneer Wirecard's Openly Resold in Pakistan and Bangladesh

In all fairness Payoneer does hold a Financial Licence in the European Union (issued of course by Gibraltar Financial Services Commission (GFSC), passported throughout the European Economic Area (EEA). It also holds an E-money institution licenced and authorized by the Central Bank of Ireland, passported throughout the European Economic Area (EEA). They hold additional licences in Hong Kong, Japan, Australia and India.

It is astonishing that European, UK and US Regulators have permitted this operation to go on for such a long time without opening an investigation to the Board of Directors at Wirecard AG, Wirecard Bank and Wirecard Card Solutions Ltd which makes me believe they were all part of this Wirecard scam or at least turn a blind eye but when you look at the Shareholder registrar you will find the Who is Who in the Global investment industry.

The Goldman Sachs Group, Inc. (US)	2.81	8.31	11.12
Morgan Stanley (US)	0.19	9.41	9.60
Societe Generale S.A.	0.28	6.09	6.37
BlackRock, Inc. (US)	2.89	2.68	5.57
Citigroup, Inc. (US)	0.22	4.81	5.02
DWS Investment GmbH	2.84	0.50	3.34
Union Investment Privatfonds GmbH	2.12	1.06	3.18

## **Suspend the management board?**

### **Today we are releasing publicly our fourth letter to the Wirecard Supervisory Board, sent on the 26<sup>th</sup> of November 2019**

The KPMG special audit has now been underway for over 50 days, ample time for preliminary reports to be delivered to the Supervisory Board.

If it is real, MCA would be easy to verify to KPMG by providing a list of individual merchants by geography with daily lending balances.

But if management cannot produce verifiable proof of a full history of MCA lending for KPMG, we believe suspending the Management Board immediately is the best way to preserve asset value for equity investors and the recent bond investors, while minimizing the potential legal liabilities of the Supervisory Board, and its members.

We also think it is unwise to allow the Management Board to transfer substantial investor resources to China, without further independent significant due-diligence on the asset in question. The Baker Tilly “independent advice” is, in our view, worthless, given the un-declared conflict of interest by the partner at Baker Tilly, Frank Stahl.

## **Letter to the audit committee calls for the audit committee to release the KPMG audit scope**

Doubts have already been raised about the credibility of Wirecard’s independent audit, such as those raised by Schirp & Partner Rechtsanwälte mbB who are currently gathering shareholder support to call an EGM and vote for a special auditor under section 142 of the German Stock Corporation Act.

Instead of throwing fuel on that fire, we are releasing our letter to Wirecard’s audit committee, calling on them to release the full scope of their audit with KPMG, and commit to releasing timely updates and a final report. Prior management communication has been misleading, and full transparency is the best way to resolve this.

## **Letters to the Supervisory Board calls for a forensic audit**

**Today we are releasing publicly three letters August 23, 2019, September 19, 2019 and October 18, 2019**

Today we are releasing an open letter to Wirecard's Supervisory Board, after the first two letters we privately sent to the board went unanswered.

Our first letter, sent in August to all Supervisory Board members and EY audit partners, addressed our concerns with management's changing story about MCA. We called upon the Supervisory Board to investigate the Management Board's inconsistent statements and make public any findings to allay investor concerns. We also provided an in-depth overview of our MCA concerns.

Having received no reply to our first letter, we addressed our second letter directly to Dirk Kocher, the legal adviser to the Supervisory Board from Latham & Watkins, with the expectation that he would circulate it to all Supervisory Board members. The letter addressed the potential personal liability the Supervisory Board members could face by dismissing credible fraud allegations whilst Wirecard was raising capital. According to our counsel, if plausible allegations and/or concerns have been raised to the Supervisory Board but not investigated, its members open themselves up to liability. We also specifically asked about the loan to OCAP and Carlos Haeuser's move to OCAP.

Our letter today joins other industry voices in calling for an independent forensic audit at Wirecard. The AI Alam data released by the FT and confirmed by Wirecard looks highly suspect, and we believe the Supervisory Board should announce that they will investigate immediately both to allay investor concerns and to protect themselves.

Finally, we recommend individual Supervisory Board members take independent legal advice. Allowing a bond offering to happen, with any knowledge of material undisclosed fraudulent actions could, to quote our counsel:

# "Is it immoral to uncover fraud? "

Sources: 14.7.20.10:00 - Isaan News, and some confidential sources

The Wirecard story continues, Short sellers, Public Prosecutor's office in Munich Now and Then, The Federal German Government, The Chancellery....

Report of a so-called short seller, who for security reasons would not like to be named

Research back then (2010) showed that the insolvent payment service provider from Aschheim illegally postponed sales from the gaming industry, earned 3 digit millions of euros on porn websites, supported tax evasion to a very large extent (with the help of a hole in the credit card processing processes and the Wirecard Invention of the first virtual credit card) and laundering.

In 2010, the public prosecutor and financial market regulator Bafin were contacted. The prosecutor suspended the Wirecard investigation two years later due to lack of evidence.

## **Why?**

Were there higher (money) interests involved?

Did some "celebrities" get cold feet?

## **It all came back up on the day of Wirecard's bankruptcy.**

Before, no one would have believed that Wirecard would defraud billions. Now you listen. Almost all media believed the fairy tale told by Wirecard about the evil short seller that spreads untrue rumors and thus manipulates courses. Short sellers were labeled as fraudsters, but Wirecard was protected against them.

**As early as 2008, Wirecard was apparently not doing the right thing.**

The analysis of the annual financial statements and the subsidiaries before 2008 revealed astonishing results. The Wirecard Group generated two thirds of its sales in Germany, but posted losses there. The profits came from Gibraltar and the British Virgin Islands. Gambling providers are typically located there. In addition, Wirecard's margins were up to ten times higher than those of its competitors. That was strange.

The weak cash flow was inflated, Wirecard's competitors and partners only had one explanation, it was clear that fraud was at stake here.

At the end of 2008, on the verge of a Wirecard party at the Munich Oktoberfest, confirmation that Wirecard was doing illegal business.

Almost the entire payment industry knew this, said Wirecard's American business partners. They drank champagne and enjoyed themselves that nobody in Germany seemed to know about the illegal practices. They were surprised that no one suspected anything, even though Wirecard was already on the stock exchange at the time.

**Although you already knew that at the time - why was it only in 2010 that the prosecutor filed a complaint about money laundering?**

Solid evidence was needed. In spring 2010, an informant from the payment industry came out unexpectedly.

He reported that Wirecard had to pay Mastercard fines of over 16 million euros for unauthorized re-encoding of credit card payments in the area of online gambling.

A payment request has recently been received by Wirecard. After that, it was believed that there was enough evidence. Criminal complaints about money laundering were filed with the Munich public prosecutor's office (the same one that is being investigated today) by email. Nothing happened for a month. The criminal complaint was filed again, this time in paper form and by post.

**Shortly afterwards, Wirecard was also reported for market manipulation by the Bafin and the public prosecutor. What happened to this ad?**

To date, it is not known whether the Bafin has even followed up on the criminal complaint.

The public prosecutor's office keeps all files under lock and key, the easiest way to keep out of the affair.

**How do you explain that fraud has not been noticed over the years?**

It is still inexplicable that the public prosecutor's office closed the investigation into money laundering that started in 2010 in 2012. The lawsuit was well-founded, including a detailed explanation of how to circumvent US gambling laws using the flower shops.

A second alleged letter from Mastercard, which was found on the Internet, also raised suspicions that payments had been illegally transcoded. But the prosecutor never checked whether the Mastercard letter was authentic. It would be a pleasure to inspect the investigation files: What exactly did the prosecutor do at the time? Why hasn't the alleged fraud been exposed?

**Shouldn't big investors have noticed something later? How did Wirecard get into the Dax?**

The Dax climb should never have happened. In terms of content, hardly anyone in Germany has dealt with the allegations. Neither authorities nor analysts have adequately investigated these. Instead, Wirecard critics have always been rigorously smashed.

A witness (shortseller) received an uninvited visit from three men in his office, who threatened him massively and demanded that he immediately close his short position.

Wirecard has defamed the statements of short sellers as lies for years. That was apparently enough to convince the authorities. But it is also a fact: banks, funds, analysts and auditors make sales by investing their customers' money in listed companies or advising companies. Bankruptcy like Wirecard means zero sales. Nobody likes to saw off the branch on which they are sitting.

### **Could someone have sponsored the company?**

You do not know whether someone has a protective hand over the company in the background, but today you cannot rule it out when it comes to Wirecard.

### **Shortseller has been the loser for years against Wirecard. How did Wirecard proceed?**

You do not know whether others have also had an uninvited visit. However, Wirecard hired lawyers, forensic experts, data specialists and experts with the aim of portraying critics as liars and course manipulators.

Wirecard also filed criminal charges in 2008 for course manipulation against short sellers. Representatives of the company then had a lively exchange with the prosecutors who were investigating short sellers. Once they submitted a detailed crime plan to the public prosecutor's office, which they allegedly received anonymously. In it,

people who demonstrably do not know each other plan to target the stock price. Even the public prosecutor suspected that this could be a fake.

Wirecard got away with it anyway. Shortsellers were also spied on in 2015. Others also report such methods. Wirecard must have built the right machinery.

A machine that was mainly served by dark shops from Eastern Europe, with call centers and dubious companies. Even today, these types of people threaten insider knowledge.

**There are many reservations about shortsellers. Among other things, that they benefit from the failure of companies. Why do these short sellers think important for the capital market?**

There is nobody who analyzes companies more critically than a shortseller. Journalists don't either, Dan McCrum of the Financial Times (FT) is an absolute exception. The reason is money. It is a lot of work to uncover fraud. There is no wage for that and for FT the Wirecard story will probably never pay off financially.

For example, Thielert AG's balance sheet fraud was uncovered in 2008. The CEO had manipulated his profits upwards for years with fictitious invoices - without the auditor wanting to have noticed anything. Shortsellers made a profit from it, then it was revealed.

**Many consider this to be immoral.**

It is immoral if, as at Wirecard, a share price is artificially driven up by balance sheet fraud and illegal sales. The task as a shortseller is to uncover such machinations. Sure, then the price drops and the shortseller makes a profit.

But how can it be immoral to uncover a scam? Shortsellers thus protect investors from even greater losses. In spring 2010, Wirecard's market value was just over a billion euros. Had the fraud been exposed at that time, a market value of more than 20 billion euros would never have been reached and investors would not have made such immense losses overall.

It is, of course, immoral and criminal if false rumors are spread to affect stock prices. However, this rarely happens in practice: untruths can quickly be invalidated by the company. Even if the allegations are correct, companies have the opportunity to correct mistakes without suffering much damage. In the USA or Great Britain, unlike Germany, the stock analyzes and assessments of short sellers receive a lot of attention.

### **Shortseller error?**

Using a simple Google search, stock analyzes and buy recommendations for other stock market letters can still be found that were published at the same time and were not included in the Bafin report on behalf of the public prosecutor at the time. These publications are likely to have had an impact on the course. The reports should also have other influences and exclude reports from stock market letters. In addition, ad-hoc announcements from companies or investor conferences were ignored. In one case, the assessors took the opening price on the right day, but the closing price on the day after that. In fact, the price demonstrably fell on that day by 4.41 percent - despite the buy recommendation of the stock market letter.

### **What did that mean for Wirecard?**

Back then, Wirecard learned how easy it is to silence critics with the help of the authorities. Finally, Wirecard had the authorities under control so well that, according to further reports from the FT about

massive inconsistencies in Wirecard businesses in Asia, the beginning of 2019 even banned shortsellers because of the risk of price manipulation - instead of simply following up on the information.

**Kremlin is unsuspecting at the main accused of Marsalek. But Marsalek did not act alone, it is a whole criminal band that was and probably is still here.**

**Former sales manager Jan Marsalek is considered a key figure in the Wirecard fraud scandal. The problem: The Austrian manager disappeared without a trace. A media report suggests that he is in the care of the Russian secret service. The Kremlin reportedly knows nothing.**

**In the Wirecard fraud scandal, the former head of sales, who disappeared without a trace, may have gone underground in Russia, according to a media report. But the Kremlin says it knows nothing.**

"No, nothing is known," said Kremlin spokesman Dmitri Peskow to a report in the "Handelsblatt", according to which the Austrian manager Jan Marsalek is said to have fled to Russia. The Russian authorities are not pursuing Marsalek.

Accordingly, there is neither a criminal case against the manager in Russia nor an extradition request. Russia also has no information about its whereabouts.

Marsalek, born in 1980, is the key figure in the Wirecard affair. Until the manager was fired without notice in June, he was responsible for day-to-day business at the financial services provider worldwide. He was originally suspected in the Philippines, and according to the Philippine government, he is married there - something the colleagues at the Aschheim headquarters were not aware of. The government in Manila later admitted that the data on entry and exit in the national

immigration authority's computer system was falsified. According to various - all unconfirmed - media reports, Marsalek is said to have contacts with Russian secret services.

### **Federal government is silent**

There was no official information about Marsalek's whereabouts on Monday from the German or Austrian side. At the federal press conference, a spokesman for the Federal Foreign Office merely stated that the media reports had been noted and were not commenting on speculation or ongoing investigations.

The Dax group from the Munich suburb of Aschheim initially granted presumed air bookings totaling an estimated 1.9 billion euros in June and then filed for bankruptcy. The alleged bogus transactions largely ran through alleged subcontractors in the Middle East and **Southeast Asia (see Wirecard-news.com)**. **Wirecard's** core business was the processing of card payments as a link between credit card companies and retailers.

Today, the Munich public prosecutor's office has been covering himself over all the years when it was suspected that Wirecard was not doing the right thing.

**Does the question remain open ... yes, which question?**

**"Unique business thriller " , Wirecard scandal soon as a feature film?**

**Guttenberg advertised with Merkel - Chancellery apparently helped Wirecard in China.**

**"One has to be guilty," Wirecard chat logs popped up....**

All this and more at <http://wirecard-news.com> an ISAAN News presentation

**“...also result in criminal liability of the supervisory board members (“investment fraud”) if the [issuer] issued securities and investors would then suffer material losses/default as a consequence of the misstatement or fraud.”**

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**EDITOR:**



## **Bernard Bowitz**

Being a financial Software expert, with over 30 Years experience, a Freelance Reporter, deep knowledge of IT Security, working for many global Enterprises and Banks, I simply cannot believe that Control instruments like the German Bafin or the audit company E&Y did not know about the history of Wirecard and their Executives.