

Operation Mule Train

On July 1, 1998, the Chief Financial Officer, President, and Vice-President of a check cashing company were arrested on money laundering charges stemming from a two-year investigation conducted by the Los Angeles office of the FBI and the Los Angeles Police Department. According to corporate filings, the company was one of the largest check cashing enterprises operating in the western U.S., and purported to be one of the leading U.S. money transfer agents providing services to Mexico and Latin America. It was considered a significant and growing company among the increasing number of independent non-bank financial institutions operating in many inner-city neighborhoods where banks have reduced their presence.

The three executives, along with six other employees and associates, were arrested after a federal grand jury returned a 67-count indictment against 11 defendants, charging multiple conspiracies, money laundering, evading currency reporting requirements, aiding and abetting, and criminal forfeiture.

The initial target of the investigation was a company store in Reseda, California. Investigators, working in an undercover capacity, approached the manager, who agreed to launder “drug” money in exchange for a cash fee. Specifically, the manager converted large amounts of cash into money orders issued by the company. As larger sums were laundered, the manager sought the assistance of his associates working at other store locations. When a new manager took over operations at the Reseda store in April 1997, he brought in the company’s corporate officers, including the CEO, the President, and the Senior Vice-President. Pocketing the cash fee, the corporate officers authorized the issuance of money orders and the wire transfers of large sums of “drug” money to a secret bank account in Miami, Florida while the cash was used to maintain operations at the company stores.

To avoid detection by law enforcement, no SAR forms or CTRs were filed by the company for any of these transactions; however, SAR forms and CTRs were filed by the banks into which the cash deposits were made, and these filings significantly enhanced the value of other information received. In total, the defendants laundered over \$3.2 million dollars of “drug” money. The investigation is believed to be one of the largest money laundering “sting” operations targeting a check cashing business in U.S. history.

(Source: DOJ)

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