SAR Filing Leads to Identification of Elaborate Ponzi Schemes

Case one. A multi-agency investigation of several subjects engaged in a Ponzi scheme, in which 5,000 investors were defrauded of $67 million, was aided by the filing of a SAR by a financial institution in Hawaii. Proceeds of the scheme were deposited into numerous accounts at various business locations in Hawaii and then wire transferred to offshore accounts in Antigua, Bahamas and

Vanuatu. The scheme collected approximately $67 million from about 5,000 investors throughout the United States and several foreign countries. Investors were told that their money would be invested with the Cayman Islands Government, which would pay the principals 20 percent interest per week. The principals, in turn, promised a return of 8 percent per week, plus 3 percent referral fee for investors who enrolled new investors. The investment was to run on a 13-week cycle. In reality, there was no such investment with the Caymanian Government, and the defendants kept substantial profits.

As reported in the SAR, one of the defendants deposited $100,000 which was subsequently wire transferred to Ireland. The cash consisted of $95,000 in one hundred dollar bills and $5,000 in twenty dollar bills. The customer represented himself as an investment consultant and a self-employed educational systems marketer. The customer provided bank officials with useful identification documents, and even inquired of bank employees if they wanted to invest with him promising to pay them a high rate of return. The transaction indicated that the customer was working as a middle person to hide illegitimate income from other people who may have been investors under his control.

Thus far, three search warrants have been executed and $1,473,536 has been seized. One defendant pled guilty to six counts of money laundering, mail fraud, wire fraud, conspiracy to launder monetary instruments, and conspiracy to defraud the United States. Six additional defendants were named in a 100-count indictment charging them with mail fraud, wire fraud, money laundering, structuring, and conspiracy. Indictments of other individuals involved in this scheme are expected.

(Source: U.S. Customs Service)

[Published in The SAR Activity Review – Trends, Tips & Issues, Issue 2, June 2001]

Case two. An FBI investigation was predicated on a SAR filed by a bank in Indiana that indicated structuring of currency deposits. After further investigation, an elaborate Ponzi scheme was identified which had been in operation from 1996 through August 2000. More than 500 victims were defrauded of more than $40 million before the scheme was discovered. This case was worked jointly with the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC), and the U.S. Marshals Service. The subject fled to Mexico where he was arrested. The subject, charged with 20 counts of money laundering and 11 counts of mail fraud, is currently incarcerated and awaiting trial. This investigation could be the largest financial loss case to be successfully investigated and presented by the Southern District of Indiana.

(Source: FBI)

[Published in The SAR Activity Review – Trends, Tips & Issues, Issue 2, June 2001]

Case three. After review of a SAR filed by a Michigan bank, the IRS initiated an investigation on an individual who engaged in a Ponzi scheme. The SAR, which was filed on an associate of the principal defendant, described allegedly fraudulent activity involving the sales of multi-year contracts for satellite dish systems and services to individuals. The customers were promised that their funds would be deposited in offshore accounts to help offset the cost of the satellite services. A business identified in the SAR narrative as being involved with the offshore investment activity was owned by the principal defendant.

The investigation led to the indictment of the defendant on 63 counts of mail fraud, wire fraud, and money laundering. Subsequently, the defendant entered a plea to one count of mail fraud and one count of money laundering. The defendant admitted that he solicited over $1.2 million from over 105 investors from late 1994 through September 1997 by representing that he could place the funds in secure overseas investments, which would return at least six times the investment amount in 40 weeks. In fact, the defendant placed the funds in the business account of the company identified in the SAR's narrative. He admitted that he used the funds from this account to purchase 20 vehicles for cash, which he used or gave to friends. He drew funds to pay salesmen who recruited other investors. He used approximately $300,000 of investors' money to make purchases of furniture, an entertainment center, firearms, real estate, and other items. The defendant was sentenced to a substantial jail sentence, and the government seized numerous assets including 10 vehicles, which were sold for approximately $200,000.

(Source: IRS/Criminal Investigation)

[Published in The SAR Activity Review – Trends, Tips & Issues, Issue 2, June 2001]