

## **Suspicious Activity Report Initiates Investigations into Fraud, High-Yield Investment Schemes; Egmont Exchanges Lead to Foreign Accounts and Asset Seizures**

An FBI agent proactively reviewing SARs identified a potential fraud scheme. However, as he dug deeper into the scheme, he learned the perpetrators of the crimes were in fact victims of yet another fraud based on high-yield investments. This second scheme led to a series of international transactions in accounts that investigators identified through Egmont cooperation. The Egmont Group is an international coordinating body for financial intelligence units (FIUs) formed to promote and enhance international cooperation in anti-money laundering and counter-terrorist financing.

The unique Egmont channel was used to quickly exchange information with counterpart FIUs in other countries. The owners of the identified business were in fact operating a Ponzi scheme – promising investors huge returns that were in reality payments from newer investors in the scheme. When the owners needed cash to pay investors, they turned to the defendant who was operating his own fraud scheme.

This year, separate United States Attorney's offices announced that the defendant pled guilty to Conspiracy to Commit Wire Fraud and Tax Evasion. He faces up to fifteen years in prison, a \$750,000 fine, and will be ordered to pay restitution to his victims.

The charges stem from an investigation into the defendant's participation in an international investment scheme wherein he promoted a high-yield investment opportunity in which he claimed he could obtain investors a 1,200% rate of return within six months. He told investors that he would generate these returns by using investment money to "lease funds" which would be used in a high-yield trading program. For several years, the defendant, through an investment business, received over \$13 million from investors who thought they were leasing larger amounts of money to be used in high-yield trading programs as the defendant had promised. As part of the scheme, he sent the victims bank documents, supposedly issued by a legitimate bank, making it appear that he had accessed large amounts of money on their behalf as part of his leased funds program.

Believing they were leasing hundreds of millions of dollars to be used in high-yield investment programs, investors transferred over \$13 million to accounts controlled by the defendant, including accounts in Switzerland and the Bahamas. In reality, the bank documents sent by him were forged and his leased funds program did not exist. Instead of using the funds for their intended purpose, the defendant diverted investor funds for his own benefit, acquiring an airplane, yacht, and a new Mercedes Benz automobile. Furthermore, he failed to file U.S. Income Tax returns reporting the income he had made from the scheme.

Authorities in Switzerland and the Bahamas, working cooperatively with the Federal Bureau of Investigation, froze the defendant's bank accounts, and eventually transferred the funds to the United States. In total, over \$5 million was repatriated to the United States from the Swiss and Bahamian bank accounts.

The FBI obtained seizure warrants and seized the airplane and automobile purchased by the defendant. He was arrested in 2005 and remains incarcerated pending his sentencing.

Investigators used BSA records extensively in this investigation. In addition to the SAR that initiated the case, banks and casinos also filed numerous BSA records on the defendant. Several SARs report transactions that are common in fraud schemes such as inbound wires into business accounts and payments made for such things as personal items and utilities. In addition, the SARs reference accounts in foreign countries. Several casinos filed CTRs on the defendant for large transactions, and one filed a SAR when he refused to provide his Social Security number necessary for the completion of the CTR. Finally, a bank filed a SAR after the investigating agent contacted the bank about the defendant's (fraudulent) account statements. In the SAR, the filing institution noted that his documents had actual bank officials' names on them and were "very similar" to their own documents.

(Investigating Agency: Federal Bureau of Investigation)

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