

SARs Identify Huge Check-Kiting Scheme by Auto Dealer

SARs initiated the investigation of an automobile dealer who held several accounts at different institutions and continually transferred funds among the accounts, which caused the accounts to be overdrawn by millions of dollars. In addition to filing the SARs, the bank also notified law enforcement. The SAR narratives described the bank's relationship with the defendant and noted that he received a loan for his automobile dealership; however, the defendant did not make payments on the loan.

The defendant wrote checks on accounts that he controlled and deposited these checks into other accounts that he operated, all the while knowing there were insufficient funds in the accounts against which the checks were drawn. As a result of this check-kiting scheme, one of the auto business accounts was overdrawn by more than \$6 million and another by almost \$200,000.

As part of its business relationship with the auto dealership, the bank allowed the dealership to scan items for deposit into, and to initiate wire transfers out of, the account. The bank also made the proceeds of checks deposited into the auto dealership's account available for immediate withdrawal, without waiting for the checks to clear. The defendant took advantages of these privileges to facilitate the check-kiting scheme.

A Federal court sentenced the automobile dealer to several years in Federal prison for his involvement in a multimillion-dollar bank fraud and money laundering scheme. The defendant was also convicted on charges resulting from a wire fraud scheme in which the defendant approached a former business customer for a loan in excess of \$400,000 that he claimed would be used to purchase recreational vehicles for re-sale. He provided the former customer with a false personal financial statement that claimed that his net worth exceeded more than \$6 million. Charges were also brought against him related to the false representation of his financial status when attempting to obtain a loan.

[Published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 20, October 2011]