

## **Proactive SAR Review Leads to Guilty Plea on Conspiracy and Money Laundering Charges**

A Suspicious Activity Report detailing more than \$4.6 million worth of fraudulent activity associated with electronics sales over the Internet prompted a SAR review team to initiate a case on a subject known to have been previously identified with fraudulent activity. The filer reported that the subject sold electronics through the Internet; however, a quarter of the subject's clients never received their purchases despite the credit card payments. Subsequently, investigators found additional SARs that detailed illicit activity on the part of the defendant.

The defendant, the former president of a company that sold electronic devices such as iPods, Xboxes, PlayStations and cell phones over the Internet and by telephone, pleaded guilty to fraud and money laundering. The defendant admitted that he defrauded a credit card processing firm of more than \$2 million worth of customer orders that his electronics business failed to fulfill.

At the plea hearing, the assistant U.S. attorney said the government could prove that, after incorporating the business, the defendant and another representative of his business submitted an application to a firm to process credit card transactions. As part of the application, the defendants prepared and submitted various supporting documents, including purported federal income tax returns for several years. Those returns falsely represented that the Internet business had gross receipts of more than \$2 million in 2 years. In fact, their Internet business was not in operation during those years, and the defendant's actual federal tax returns for those years did not reflect any business income from an Internet firm.

The credit card firm processed millions of dollars worth of credit card transactions on behalf of Internet business for orders the company received from the defendants' business. When the defendants' Internet business ceased operations, hundreds of customers subsequently complained to the credit card firm that their credit card accounts had been charged for unfulfilled merchandise orders. The credit card firm refunded customers more than \$3 million in charges for unfulfilled orders. The firm was able to recoup nearly \$1 million from a bank, but was left with a net loss of over \$2 million. Individual losses ranged from less than \$100 to thousands of dollars.

The defendant pleaded guilty to one count of conspiracy to commit wire fraud and one count of money laundering. At sentencing he agreed to pay over \$2 million in restitution.

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