

## **Doctor Pleads Guilty to Charges Related to Failure to Comply with BSA Reporting Requirements for Overseas Accounts**

*Case summary:* In 2010, a United States Attorney announced that a doctor pled guilty to conspiracy to impede the United States and to making a false statement. He was facing a maximum sentence of ten years in prison and a maximum fine of \$500,000.

*Case details:* According to court documents, in 1997, the doctor inherited an undeclared bank account at a Switzerland branch of one of the world's largest international banks. The account was held in the name of a phony Liechtenstein trust. In 1999, the doctor met with an attorney who managed the account in Switzerland. The foreign attorney instructed the doctor to keep the account "hush," to avoid keeping any records relating to the account, and to send coded letters if he wished to meet with the attorney. Further, the attorney advised the doctor that if he transported or mailed less than \$10,000 in U.S. currency back to the United States, he would not have to declare the funds to the U.S. government upon re-entry to the United States.

Prosecutors alleged that in 2009, the doctor was informed that the international bank was closing his undeclared Swiss account and that he had until the end of the year to travel to Switzerland to withdraw all funds. He made multiple trips to Zurich in 2009 and met with his attorney at his office and a Swiss banker at the private wealth office of the international bank. The attorney and the Swiss banker refused to wire the money to the United States, as it would leave a trail for U.S. law enforcement. Instead, they provided him with approximately \$240,000 in U.S. currency. The doctor received most of the currency in individually wrapped bundles of sequentially numbered, new \$100 bills.

According to court documents, with the assistance of the attorney, the doctor mailed multiple packages containing over \$200,000 in U.S. currency from Switzerland to the United States to himself and another person.

In his plea, the doctor admitted that, upon his return to the United States, he falsely informed a U.S. Customs Inspector that he had traveled to Switzerland to purchase diamonds. Further, he falsely stated to a U.S. Customs Inspector that he had not recently mailed any U.S. currency from Switzerland into the United States. However, the plea agreement also noted that Customs and Border Protection officers seized a package containing approximately \$9,000 addressed to the defendant's residence.

Prosecutors alleged that, for the years 1997 through 2008, the doctor made and subscribed false U.S. Individual Income Tax Returns, Forms 1040, that failed to report on the Schedules B attached to the returns that he had an interest in a financial account in a foreign country. Additionally, the doctor failed to report the income he earned on his undeclared Swiss account on his tax returns.

From 1997 through 2008, the doctor failed to file with FinCEN a required Report of Foreign Bank and Financial Accounts on Form TD F 90-22.1 (FBAR) reporting his interest in his undeclared Swiss account.

As part of his plea agreement, the doctor agreed to forfeit to the government over \$200,000 in U.S. currency that law enforcement officials seized from packages that the doctor mailed from Switzerland to his residence in the United States.

United States citizens and residents have an obligation to report to the IRS on the Schedule B of a U.S. Individual Income Tax Return, Form 1040, whether they had a financial interest in, or signature authority over, a financial account in a foreign country in a particular year by checking "Yes" or "No" in the appropriate box and identifying the country where the account was maintained. United States citizens and residents also have an obligation to report all income earned from foreign bank accounts on the tax return.

United States citizens and residents who have a financial interest in, or signature authority over, a financial account in a foreign country with an aggregate value of more than \$10,000 at any time during a particular year are required to file an FBAR with FinCEN. The FBAR for the applicable year is due by June 30 of the following year.

In addition, individuals who physically transport, mail or ship, or cause to be physically transported, mailed, shipped or received, currency, traveler's checks, and certain other monetary instruments in an aggregate amount exceeding \$10,000 into the United States are required to file a FinCEN Form 105, Report of International Transportation of Currency or Monetary Instruments (CMIR), with the Bureau of Customs and Border Protection.

United States law prohibits individuals from structuring mailings of U.S. currency into the United States in amounts less than \$10,000 if the purpose of the structuring was to evade the requirement to file a CMIR.

[Published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 17, May 2010]