

Local Municipality Case Example (Failure to Follow Reporting Requirements)

In early 2012, FinCEN conducted outreach to all of its state and local law enforcement partners, and asked for cases where FinCEN data played a useful role in their investigations. Below, in their own words, is an example of how FinCEN's stakeholders use FinCEN data. It has been edited only for confidentiality and privacy concerns.

The following example is from a local municipality case. Local police and sheriff's agencies increasingly use FinCEN records in their investigations. Many local agencies have representatives on SAR review teams and task forces that share FinCEN data. In addition, FinCEN has given direct access to some local agencies with a robust financial crime focus that have a history of using the data.

"An investigation was initiated on a jewelry and pawn store and its owner due to information obtained by a confidential source (CS). According to the CS, the store was a money service business that was assisting in the laundering of illegal gambling proceeds by cashing checks over \$10,000 without complying with the reporting requirement as mandated by the U.S. Department of Treasury. Either the Currency Transaction Report (CTR) was never filed or, the information listed on the CTR was intentionally incorrect and misleading. The owner also provided the CS with a list of nominee names that should be used as payees on the checks in order to conceal the identity of the persons cashing the checks. The owner was aware that the checks being cashed by these individuals were from illicit gambling proceeds and would charge 4 to 6% of the checks in order to cash them and violate the reporting requirement for these individuals, instead of her normal fee of 2 to 3% for legitimate customers.

In order to verify the validity of the information, an undercover operation was initiated which targeted the store and its owner. The undercover officer (UO) was introduced to the owner by the CS as an individual needing checks cashed without the filing of a CTR. The UO then cashed numerous checks at the business with the owner that were each over \$10,000. The checks were intentionally made payable to a false nominee name, which was on a list of names provided by the owner. When the checks were cashed by the UO, the owner failed to obtain his identification for the CTR and cashed the checks anyway. The owner charged the UC 4% for each check cashed. Three checks were cashed by the UO in this manner totaling \$33,000. Using the FinCEN data base, it was confirmed that the owner failed to file the CTRs for the three checks cashed by the UC at her business.

In addition to the undercover operation, a financial analysis of the business bank accounts for the years 2008-2009 revealed 105 checks cashed at the business that were all over \$10,000. A FinCEN data base check revealed that these transactions either did not have a corresponding CTR or the CTR that was filed had inaccurate information concealing the identity of the person receiving the cash. The total dollar

amount of checks cashed by the owner that violated the reporting requirement was \$3.2 million dollars for the years 2008-2009.

As a result of using the FinCEN database, this case resulted in the state prosecution and the seizure of almost \$150,000.”

[Published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 22, October 2012]