

**CG Technology, L.P.
f/k/a Cantor G&W (Nevada), L.P.
d/b/a Cantor Gaming**

Attachment A

Statement of Facts

I. Background

A. Cantor Gaming

1. CG Technology, L.P., formerly known as Cantor G&W (Nevada), L.P. and formerly doing business as Cantor Gaming, is an affiliate of financial services firm, Cantor Fitzgerald, LLP. For purposes of this document, “Cantor Gaming” will refer to both Cantor G&W (Nevada) L.P. d/b/a Cantor Gaming and CG Technology, L.P.¹ Cantor Gaming operates race and sports books. Cantor Gaming also offers mobile gaming within the state of Nevada and provides gaming technology to casino customers globally.

2. Cantor Gaming currently holds non-restricted gaming licenses, originally acquired in 2009, with approvals from the Nevada Gaming Commission to operate a race book, sports pool, off-track parimutuel race wagering, and off-track parimutuel sports wagering at multiple establishments in Nevada. Cantor Gaming opened its first race and sports book at the M Resort Spa Casino on March 1, 2009. It added similar books at the Hard Rock Hotel & Casino, the Tropicana, and the Cosmopolitan in approximately late 2010, at the Venetian Casino Resort in 2011, and at the Palms Casino Resort and the Silverton Casino Lodge in 2012.

3. Cantor Gaming’s books are associated with high dollar value wagering on sporting events. Like other sports books, Cantor Gaming’s books are also popular with professional gamblers. At times, bettors would set up desks and computers in Cantor Gaming-affiliated sports book areas within casinos to facilitate high-stakes wagering. By 2014, Cantor Gaming estimated that it was conducting over 30% of all sports wagers and processed more than 50% of the technology-based wagers in the State of Nevada.

4. Cantor Gaming hereby agrees and stipulates that the following information is true and accurate. Certain of the facts herein are based on information obtained from third parties by the government through their investigation and described to Cantor Gaming. Cantor Gaming admits, accepts, and acknowledges that it is responsible for the acts of its officers, directors, employees, and agents as set forth below.

B. The Financial Crimes Enforcement Network

5. The Financial Crimes Enforcement Network (FinCEN) is a bureau within the Department of the Treasury. Pursuant to 31 C.F.R. § 1010.810, FinCEN has “[o]verall authority for enforcement and compliance, including coordination and direction of procedures and activities of

¹ Cantor Gaming changed its name to CG Technology, L.P. in January 2014.

all other agencies exercising delegated authority” under the BSA and its implementing regulations. FinCEN regulates casinos and other financial institutions under the BSA.²

6. The Internal Revenue Service (IRS), examines casinos for compliance with the BSA under authority delegated from FinCEN. In late 2010, IRS examined the operations of Cantor Gaming for BSA/AML compliance. The examination covered the period from March 1, 2009 to March 31, 2010. IRS found during that period violations of multiple BSA requirements, including compliance program failures, failures to file both Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs), inadequate procedures and internal controls to detect and accurately report suspicious activity and currency transactions, and recordkeeping failures. FinCEN and the IRS continued their joint investigation after the 2010 examination. As detailed below, this investigation revealed that Cantor Gaming continued to have significant anti-money laundering program, reporting, and recordkeeping failures through September 28, 2015.

II. Related Proceedings

A. Jersey Boys Prosecution

7. The State of New York, as discussed below, brought an indictment in 2012 that alleged that the “Jersey Boys” was an illegal gambling operation that conducted its illegal activities at least as early as 2010, and continued at least until late 2012. This operation employed “runners,” or individuals who opened wagering accounts and placed bets with Cantor Gaming’s sports books. These runners were paid by the leader of the criminal operation for placing bets on behalf of others. This arrangement was illegal under both Nevada and federal law.

8. The leader of the Jersey Boys, G.K., attempted to conceal the illegal activity, the true source of the funds, and the identities of the actual bettors.

9. Many of the bets placed by the Jersey Boys runners were on behalf of out-of-state bettors, which was also illegal.

10. In 2012, Paul Sexton, a runner for the Jersey Boys, was indicted in the State of New York on one count of enterprise corruption, nine counts of money laundering, and one count of conspiracy. As charged in the indictment, Sexton and others collected and distributed money on behalf of the organization, and acted in concert with Michael Colbert to launder money through Cantor Gaming. Between July 2011 and October 2012, Sexton placed about 4,464 wagers with Cantor Gaming on behalf of G.K., which totaled about \$22 million. In September 2013, Sexton pled guilty to fourth degree money laundering.

11. Two other Cantor Gaming customers, Steven Diano and Joseph Paulk, were also indicted at the same time in 2012 for their part in the Jersey Boys operation. Diano and Paulk conducted large gambling transactions at Cantor Gaming from 2011 through 2012. Diano was indicted on one count of enterprise corruption, five counts of money laundering, and one count of conspiracy. Paulk was indicted on one count of enterprise corruption, eight counts of money laundering, and one count of conspiracy.

² See Treasury Order 180-01 (July 1, 2014).

B. Michael Colbert

12. Cantor Gaming's Director of Risk Management, Michael Colbert, was also indicted as part of the Jersey Boys illegal gambling operation. Colbert reported to the Chief Executive Officer of Cantor Gaming; and in 2012, he became Vice President of Cantor Gaming.

13. Colbert was aware of the arrangement with the Jersey Boys runners, and facilitated its operation. Colbert and the other managers were also aware that many of the bets placed by the runners were on behalf of out-of-state bettors, and that this activity was illegal.

14. On August 21, 2013, Colbert was charged in the Eastern District of New York with a felony count of participating in an illegal gambling conspiracy. Colbert pled guilty to this charge on August 21, 2013.³

C. Nevada Gaming Control Board Settlement

15. On January 6, 2014, Cantor G&W (Nevada) Holdings, LLC, Cantor G&W (Nevada) Holdings, LP; Cantor G&W (Nevada) LLC; and Cantor G&W (Nevada), LP (collectively referred to herein as the "Cantor Entities") were charged with an administrative complaint before the Nevada Gaming Commission by the Nevada Gaming Control Board. The complaint charged 18 counts stemming from illegal gambling, including messenger betting, and other illegal activities at Cantor Gaming sports books.

16. On January 13, 2014, the Cantor Entities settled these charges. The Cantor Entities fully admitted to 14 of the 18 charges; admitted that the Gaming Control Board could prove one other count; and neither admitted nor denied three remaining counts. Among other terms of the settlement, the Cantor Entities agreed to pay a fine of \$5.5 million to the State of Nevada Gaming Commission to settle the charges.

D. Non-Prosecution Agreement between Cantor Gaming and the U.S. Department of Justice

17. The U.S. Attorney's Offices for the Eastern District of New York and District of Nevada have entered into a non-prosecution agreement with Cantor Gaming on the same date as this action by FinCEN. Under the terms of that agreement, Cantor Gaming has agreed to a \$10.5 million fine, and a \$6 million forfeiture.

III. Cantor Gaming's AML/BSA Violations

A. Anti-Money Laundering Program

18. Since June 1, 1995, casinos have been required to "develop and implement written programs reasonably designed to assure and monitor compliance" with the BSA and its implementing regulations.⁴ Like all casinos, Cantor Gaming was required to have an anti-money

³ *U.S. v. Colbert*, Cr. No. 13-490 (E.D.N.Y. 2013).

⁴ 31 C.F.R. § 1021.210(b)(1).

laundering (AML) compliance program that provided for, at a minimum: (a) a system of internal controls to assure ongoing compliance; (b) independent testing by either internal or external personnel that is commensurate with the money laundering and terrorist financing risks posed by the products and services offered by the casino; (c) personnel training; (d) a designated individual or individuals responsible for assuring day-to-day compliance; (e) procedures for using all available information to determine and verify name, address, social security or tax identification number, and other identifying information for a person, to the extent determining and verifying the information is otherwise required under the BSA; (f) procedures for personnel to use all available information to determine whether any transactions or patterns of transactions must be reported as suspicious; (g) procedures for using available information to determine whether any records must be made and maintained pursuant to the BSA; and (h) for casinos with automated data processing systems, use of such systems to aid in assuring compliance.⁵

19. From the day Cantor Gaming opened for business in March 2009 through September 28, 2015, Cantor Gaming failed to develop and implement an effective AML program that was reasonably designed to assure and monitor compliance with the BSA. Cantor Gaming failed to exercise due diligence in monitoring for suspicious activity. There were multiple filing and recordkeeping violations as a result of insufficient anti-money laundering compliance controls, procedures, training, and audits.

1. Policies, Procedures, and Internal Controls

20. A casino is required to have a compliance program that includes “[a] system of internal controls to assure ongoing compliance.”⁶ Cantor Gaming failed to establish and maintain effective internal controls to ensure compliance with the BSA’s reporting requirements.

21. Cantor Gaming failed to develop policies and procedures for due diligence to detect and report suspicious transactions or patterns of transactions; the timely and accurate filing of CTRs; obtaining required information on issued negotiable instruments; and obtaining the permanent addresses and social security numbers for deposit accounts.

22. Cantor Gaming designed its original written AML program, dated March 1, 2009, for the race and sports book at the M Casino, the first book managed by Cantor Gaming. It included a brief preliminary risk assessment, but failed to assess whether the high value bids conducted through Cantor Gaming and accepted at the M Casino would impact its money laundering risks. Additionally, the written AML program failed to adequately consider the particular business activity, environment, or anticipated clientele of the M Casino in evaluating the money laundering and terrorist financing risks at the location.

23. Cantor Gaming’s written AML program was not reasonably designed to address the risks of the business and adequately assure and monitor compliance with BSA requirements. In 2009, Cantor Gaming evaluated its money laundering and terrorist financing risks and concluded that all of its different operating locations had equivalent money laundering risks because they offered the same products and services. Cantor Gaming failed to consider whether the books in

⁵ 31 C.F.R. § 1021.210(b)(2).

⁶ 31 C.F.R. § 1021.210(b)(2)(i).

different facilities served different types of clients who engaged in different patterns of gaming or had any other potential differences that resulted in different money laundering vulnerabilities and risks.

24. Cantor Gaming re-evaluated its money laundering risk in 2011 and 2012, but based its conclusions largely on the assumption that it would transfer its high-betting customers into account-based gaming. The conclusions drawn during the 2011 and 2012 risk assessments were contingent on planned future developments rather than the actual products and services offered to casino customers at the time. Rather than considering current risks and re-evaluating as the business model changed, Cantor Gaming continued to designate its money laundering risks as “medium” in all of its books (including its newly added facilities) from 2009 through 2013.

25. A casino’s AML program must be designed to monitor for potentially suspicious transactions and ensure the filing of SARs. Despite this requirement, Cantor Gaming’s AML program lacked sufficient policies or procedures regarding how to monitor for potentially suspicious transactions involving account based wagering until its December 2012 AML program revision.

26. Cantor Gaming personnel failed to identify suspicious activity conducted through its race and sports books. Indeed, for the first 18 months of running race and sports books, Cantor Gaming failed to file any SARs with FinCEN and only filed its first SAR after the suspicious activity was discovered by IRS examiners. Thus, the controls and procedures in place to detect and report both suspicious incidents and ongoing patterns of suspicious conduct failed for the first 18 months Cantor Gaming was in business.

27. Through September 28, 2015, Cantor Gaming also lacked adequate internal controls to ensure that proper customer identification documentation was obtained on a day-to-day basis for customers who opened deposit accounts, received negotiable instruments, or conducted CTR-reportable transactions. These control failures led to other violations. Because it failed to ensure that customer identification was properly reviewed, Cantor Gaming failed to properly maintain records and failed to correctly file CTRs. As detailed below, this internal control deficiency in turn caused other violations of the BSA’s reporting and recordkeeping requirements.

28. Through September 28, 2015, Cantor Gaming’s written AML program was also not reasonably designed to assure and monitor compliance in its actual business practices because it was not adapted to Cantor Gaming’s offered products and services. The written AML program included procedures for business activities that Cantor Gaming did not engage in, such as cash currency exchanges, cashing checks at the cage, and operating table games, while failing to provide procedures for offered services, including account-based wagering and accepting gaming account deposits via wire.

29. In addition to having an AML program poorly tailored to its actual operations, Cantor Gaming’s business conduct and operational procedures during the relevant time period were inadequate to monitor and ensure BSA compliance. Cantor Gaming did not fully implement its AML program, which resulted in multiple failures to detect suspicious activity, make or retain appropriate records, and to accurately and timely file required reports.

30. IRS examiners documented these program failures and advised Cantor Gaming to correct the violations during the 2010 examination, but Cantor Gaming's AML program failures continued as evidenced by later versions of its written AML program. For example, Cantor Gaming failed to include any due diligence procedures to address its customers' source of funds.

31. Indeed, sometimes Cantor Gaming weakened its AML program by affirmatively removing provisions from its AML program. For instance, in 2012, Cantor Gaming's AML program described various activities or conduct that might be deemed suspicious, including situations where a customer transfers, with no reasonable explanation, funds between his or her own wagering account and another customer's wagering account. But in January 2013, Cantor Gaming deleted the provision from its AML manual.

32. In another example, Cantor Gaming's original AML program instructed that if a transaction were completed without getting the customer's required information (such as identification, address, or social security number), the customer would be barred until the information was obtained and the CTR was filed. However, that provision was deleted from Cantor Gaming's AML program in May 2011, and did not reappear in later versions.

33. Another example relates to Cantor Gaming's Account Based Wagering system. In its 2012 risk assessment, Cantor Gaming stated that "Cantor's goal is to guide its customers towards account based wagering, including mobile gaming. Not only does this minimize the amount of [over-the-counter] cash...but it also provides a transparent view of all of a customer's activity within a computerized system." Reflecting this change, Cantor Gaming's December 2012 manual described possible suspicious activity related to its account-based wagering program; but Cantor Gaming deleted the description in its 2013 manual, and continually failed to include it thereafter.

2. Independent Audit

34. A casino is also required to provide for internal or external independent testing of its BSA compliance. The scope and frequency of the testing must be commensurate with the risks posed by the services and products offered by the casino.⁷ The scope of Cantor Gaming's independent testing was inadequate to effectively counter the money laundering risks associated with its products and services.

35. Cantor Gaming had a weak internal audit program. In 2009, Cantor Gaming hired an independent accounting firm to audit its BSA compliance. In 2010, Cantor Gaming moved the independent audit function in-house. Cantor Gaming then conducted semi-annual audits. These internal audits sampled short periods of time and found notable failures to properly record transactions, file accurate and timely CTRs, and receive agent acknowledgement forms from customers. Despite finding these problems in a small sample and presenting them to management, the audits were not expanded to cover additional time periods, nor did they examine whether adequate procedures were in place to detect ongoing patterns of suspicious conduct.

⁷ 31 C.F.R. § 1021.210(b)(2)(ii).

36. Notably, the audits covering 2011, during which the Jersey Boys conducted their illegal gambling conspiracy, did not find any failures to file SARs on the patterns of conduct directly related to that illicit scheme.

37. Cantor Gaming's internal audit review remained weak due to its limited transactional testing, which involved a small sample of wagering accounts and a low percentage of sample dates. The limited scope of the internal audit undermined Cantor Gaming's ability to detect patterns of suspicious activity and potential recordkeeping errors. FinCEN's investigation affirmed that non-compliance with independent testing requirements continued through at least August 2013.

3. Training Violations

38. A casino's AML program must provide for training of casino personnel, including training in the identification of unusual or suspicious transactions.⁸ Cantor Gaming failed to train appropriate personnel in BSA recordkeeping and reporting requirements and failed to train personnel in identifying, monitoring, and reporting suspicious activity.

39. Despite beginning operations in March 2009, Cantor Gaming did not adopt an AML training program until 2010.

40. Moreover, even after Cantor Gaming's training program began, it was often ignored. Although Cantor Gaming's written AML program requires employees to attend training upon hiring and annually thereafter, multiple employees failed to attend the subsequently required annual trainings. Indeed, senior members of Cantor Gaming's compliance department, as well as its president and CEO, either received no BSA training or attended only one session from 2010 to 2013.

41. In addition, from March 1, 2009 until mid-2011, Cantor Gaming's AML training was not tailored to address the various positions within the organization to ensure all employees were appropriately trained to comply with BSA requirements relevant to their positions. Rather, in 2009, Cantor Gaming merely provided its employees with copies of its written AML program for use and reference in their daily duties. Additionally, Cantor Gaming did not maintain many records as to which employees had received training.

42. Cantor Gaming's written AML program also provided personnel with minimal guidance on how to fulfill the BSA's monitoring, recordkeeping, and reporting requirements. The program's guidelines for suspicious activity did not address what steps an employee should take and what resources an employee should use to determine whether a customer's wager had a legitimate source of the funds; and furthermore, the guidelines did not consider whether those transactions involved cash, account based wagering, or chips. The actual, day-to-day compliance practices of Cantor Gaming staff and management were not included in the AML program or as part of AML training. Cantor Gaming's repeated failures to detect suspicious activity and keep appropriate records demonstrate that Cantor Gaming failed to exercise due diligence in both developing and implementing its AML program through September 28, 2015.

⁸ 31 C.F.R. § 1021.210(b)(2)(iii).

4. Failure to Use All Available Information to Detect and Report Suspicious Activity

43. A casino's anti-money laundering program must contain procedures for using all available information to determine whether any transactions, or patterns of transactions, that require reporting under 31 C.F.R. §1021.320 have occurred. Cantor Gaming failed to implement comprehensive procedures when monitoring for suspicious activity, which resulted in failures to detect and report suspicious transactions as required by 31 C.F.R. §1021.320.

44. Cantor Gaming did not exercise due diligence, and failed to use all available information, to monitor for and report suspicious activity. Cantor Gaming lacked sufficient internal controls for obtaining and using available information to assess and report suspicious activity, including information that was publicly available at the time of the conduct.

45. Cantor Gaming had ample public information, or other easily-accessible information, at its disposal that would have allowed it to detect suspicious activity and report it as required. Indeed, many of its customers had been publicly charged with criminal violations, including violations relating to illegal gambling, money laundering, and other criminal offenses. Despite this, Cantor Gaming failed to file SARs on several transactions or further investigate them to detect suspicious activity.

B. Failure to File Suspicious Activity Reports

46. The BSA and its implementing regulations require a casino to report a transaction that the casino "knows, suspects, or has reason to suspect" is suspicious, if the transaction is conducted or attempted by, at, or through the casino, and the transaction involves or aggregates to at least \$5,000 in funds or other assets.⁹ A transaction is "suspicious" if the transaction: (a) involves funds derived from illegal activity; (b) is intended or conducted in order to hide or disguise funds or assets derived from illegal activity, or to disguise the ownership, nature, source, location, or control of funds or assets derived from illegal activity; (c) is designed, whether through structuring or other means, to evade any requirement in the BSA or its implementing regulations; (d) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the casino knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or (e) involves use of the casino to facilitate criminal activity. A casino must file a SAR no later than 30 calendar days after initially detecting facts that may constitute a basis for filing a suspicious activity report.¹⁰

47. Cantor Gaming's AML program violations detailed above, in paragraphs 18 through 46, resulted in additional violations. Cantor Gaming also failed to file SARs on certain suspicious transactions.

48. For instance, some transactions were conducted with duffel bags full of cash; others, until late 2012, were sent from out-of-state business accounts into the accounts of A.M.; others were, on their face, clear attempts to structure transactions to fall under reporting thresholds; and still

⁹ 31 C.F.R. § 1021.320.

¹⁰ 31 C.F.R. §§ 1021.320(a)(2)(i) – (iv).

others were in amounts well in excess of the customer's known income. Nonetheless, Cantor Gaming did not conduct further inquiry or diligence, and did not file SARs.

49. Cantor Gaming had one customer who went to the counter to place a sports wager for \$20,000, but hesitated to open an account because he was concerned about paying taxes on his winnings and apprising the IRS of his gambling activities. The manager also informed the customer that all cash transactions over \$10,000 require the filing of a CTR. Although he ultimately agreed to open an account and provide an identification and social security number, he deposited \$9,500 into the account. Cantor Gaming failed to file a SAR.

50. As discovered during the 2010 IRS examination, Cantor Gaming failed to file SARs for additional instances in which customers appeared to structure transactions to avoid CTRs, or where the source of the funds was unknown. In one instance, the customer received \$301,000 in verified gaming winnings from three sports tickets, despite the fact that the wagers were placed by three different customers.

51. Cantor Gaming also failed to undertake appropriate inquiry with respect to and failed to file multiple SARs on "high roller" customers, some of whom were associated with criminal activity. For instance:

- a. Steven Santo Diano, a Cantor Gaming customer and professional gambler, conducted 16 transactions, totaling \$674,000 cash-in and \$260,000 cash-out in 2012. In 2012, Diano was indicted as a co-conspirator in the Jersey Boys illegal gambling scheme for his participation in the sports betting operation that took place between 2011 and 2012. Despite Diano's indictment, and despite lacking any information as to Diano's source of funds, Cantor Gaming never filed a SAR on any of his transactions.
- b. Paul Sexton, a runner for the Jersey Boys organization, was indicted in 2012 for his role in the Jersey Boys illegal gambling scheme described in section II. In particular, the indictment charged that he acted as an agent and money collector in the multi-million dollar sports betting operation between April 13, 2011 and October 18, 2012. The charges against him included counts of enterprise corruption, money laundering and conspiracy. Public records reveal that Sexton pled guilty to money laundering in the fourth degree on September 24, 2013. Sexton conducted 42 transactions, totaling \$2,172,432 cash-in and \$1,275,702 cash-out between 2011 and 2012. Despite Sexton's indictment, and despite lacking information as to a legitimate source of funds, Cantor Gaming failed to file any SARs on Sexton's transactions.
- c. J.I., another of Cantor Gaming's customers, began depositing significant amounts of cash into his gaming account in 2012. The customer was an attorney who advertised fixed fees for criminal and family matter representation; he had filed for Chapter 7 Bankruptcy in 2007. Despite the customer's involvement in a low-cash business, in 2012 he conducted at least \$1,858,030 cash-in transactions, and at least \$1,753,917 in cash-out transactions at Cantor Gaming. These amounts were also highly anomalous from his normal transactional patterns from the years previous and after. Cantor Gaming's suspicious activity review committee never

received or reviewed a suspicious incident report on this individual and Cantor Gaming never filed a SAR on any of the transactions that he conducted during 2012 and 2013.

- d. Brothers Michael and Jeffrey Jelinsky also wagered and cashed out millions of dollars at Cantor Gaming books between 2010 and 2013. Public records reveal that in 2009, the Jelinsky brothers pled guilty to federal illegal gambling and money laundering charges in the District of Nevada and forfeited \$5 million in ill-gained assets and proceeds. These charges stemmed significantly from their illegal bookmaking operation and money laundering schemes at the Palms, from which Cantor Gaming ran books beginning in 2012. Michael Jelinsky was sentenced to 15 months in federal prison. He was released on August 31, 2010 and immediately resumed his gaming activities through Cantor Gaming. Jeffrey Jelinsky served a longer sentence of 21 months in federal prison. Following his release, he also resumed his gaming activities as a customer of Cantor Gaming. Although a majority of Las Vegas casinos ceased doing business with the Jelinskys following their convictions, Cantor Gaming did not. Michael Jelinsky conducted over 230 transactions, totaling over \$6 million in U.S. currency, from 2010 to 2013. His brother, Jeffrey Jelinsky conducted over 140 transactions between 2011 and 2013, totaling over \$2.5 million cash-in and an additional \$4 million cash-out. Despite the brothers' high volume of gaming transactions occurring over a four-year period that began in 2010 and followed their publicized convictions, and despite a lack of knowledge as to a legitimate source of funds for their wagers, Cantor Gaming only filed a single SAR for \$15,000 on Michael Jelinsky in 2013 and three SARs on Jeffrey Jelinsky for \$240,000 in 2013.
- e. K.K., was a Cantor Gaming customer and business-owner, whose business license was revoked by Nevada in 2012, according to public records. K.K. was also a doctor until public records reveal Nevada revoked his medical license in 2008. Between 2009 and 2013, he conducted over 150 transactions totaling almost \$1.5 million cash-in and an additional \$2.2 million cash-out. Cantor Gaming did not file SARs on any of K.K.'s transactions.
- f. K.H. a Cantor Gaming customer, is the owner of a small Las Vegas company that provides services to individuals who receive traffic citations and have to go to court or traffic school. K.H. conducted at least 160 transactions totaling approximately \$1.8 million cash-in and another \$2.3 million cash-out between 2010 and 2013. Cantor Gaming only filed one SAR listing K.H. as a subject in August 2013 for \$40,000. Jeffrey Jelinsky, whose criminal gaming endeavors are described above, was also a subject of this SAR. K.H.'s association with Jeffrey Jelinsky, as well the nature of his business, should have triggered additional SAR filings by Cantor Gaming, especially given the large volume of K.H.'s gaming transactions.

52. A.M. is a professional gambler and the owner of a sports wagering company based in Florida. In addition to providing his clients sports wagering advice, A.M. would refer them to an

offshore bookmaking operation with which he claimed to be unaffiliated. In fact, A.M. controlled the operation through a third party individual posing as the operation's agent. Bettors did not know that the offshore gambling sites were not actually booking the bets placed, but rather, A.M. was booking the bets himself. A.M. maintained a sports wagering account at Cantor Gaming, which he utilized to limit his personal risk on the bets he booked through his offshore operation.

53. From approximately 2010 through 2013, A.M. placed more than \$300 million in wagers through his account at Cantor Gaming. His source of funds included proceeds from A.M.'s offshore booking activities and from multi-million dollar proxy gambling agreements with clients, who would wire money directly into A.M.'s account at Cantor Gaming. A.M.'s high volume and frequency of betting activity made him an important and valued customer at Cantor Gaming. For two years, Cantor Gaming failed to file any SARs on A.M. During this time, A.M. was placing a high volume of large bets at Cantor Gaming through his agents in Las Vegas, who were compensated for their services. He also communicated with executives and employees at Cantor Gaming on a regular basis to facilitate his betting activity. Furthermore, A.M. traveled back and forth from Florida to Las Vegas with duffel bags containing bulk shipments of cash, in amounts that were usually in the hundreds of dollars but sometimes in the millions of dollars. Also from 2010 through 2013, A.M., along with others acting on his behalf, deposited and withdrew more than \$200 million in U.S. currency using wagering accounts at Cantor Gaming. This money included funds from A.M.'s offshore bookmaking operation and from his illegal betting activity at Cantor Gaming. In December 2012, Cantor Gaming finally filed the first SAR on A.M., narrating suspicious activity conducted by one of his agents. However, it wasn't until January 2013, after A.M. had already transacted several millions of dollars through his account, that Cantor Gaming filed a SAR questioning the source of funds for A.M.'s betting activity.

54. Cantor Gaming's AML program, procedures, and controls failed to detect ongoing criminal activity by its Director of Risk Management and Vice President, Michael Colbert, and his co-conspirators. As stated above in section II, between January 2010 and October 2012, Colbert knowingly allowed runners to place bets with Cantor Gaming on behalf of the Jersey Boys gambling operation. At least three of the indicted co-conspirators placed significant cash bets and were subjects of CTRs filed by Cantor Gaming. Colbert's co-conspirators pled guilty in Queens County New York to a variety of illegal gambling and money laundering charges arising from their involvement in illicit activity at Cantor Gaming race and sports books.

55. Cantor Gaming filed CTRs on the millions of dollars of cash transactions conducted by participants in the Jersey Boys scheme, but filed only one SAR on a Jersey Boys participant during the course of the conspiracy. The SAR did not discuss whether there was a legitimate source of funds or lawful purpose for the gambling activity, but instead discussed a single incident where the gambler took his winnings in a combination of cash and chips that appeared designed to evade CTR reporting requirements. Cantor Gaming also did not file any SARs on either Colbert or other indicted members of the Jersey Boys after the conspiracy became public knowledge.

C. Currency Transaction Reporting Requirements

56. The BSA and its implementing regulations require casinos to report transactions that involve either “cash in” or “cash out” of more than \$10,000 during a single gaming day.¹¹ A casino must aggregate transactions in currency – treat the transactions as a single transaction – if the casino has knowledge that the transactions are conducted by, or on behalf of, the same person.¹² A casino must report transactions in currency through the filing of CTRs.

57. Cantor Gaming failed to file, filed late, or incorrectly filed CTRs. During the 2010 examination, examiners discovered 79 incorrectly filed CTRs, including several with a Post Office Box address instead of a street address, others with an incorrect EIN, and over 50 CTRs incorrectly filling out the “multiple transaction” section of the CTR.

58. Subsequent investigation revealed continued CTR failings. For instance, between November 8, 2010 and February 17, 2011, Cantor Gaming filed at least 605 CTRs late. And between January 1, 2012 and December 31, 2015, Cantor Gaming filed another 565 CTRs late, almost 100 of which involved more than \$100,000 in cash-in or cash-out.

D. Recordkeeping Requirements

59. The BSA and its implementing regulations subject casinos to specialized recordkeeping requirements.¹³ With respect to each deposit of funds, account opened or line of credit extended, a casino shall, at the time the funds are deposited, secure and maintain a record of the name, permanent address, and social security number of the person involved. The casino shall also verify the name and address at the time the deposit is made, account opened, or credit extended.¹⁴

60. Cantor Gaming violated the recordkeeping requirement by failing to obtain or verify critical information in at least 97.5% of all deposit accounts opened from March 1, 2009 through March 31, 2010. Specifically, 5,210 of 5,369 deposit accounts lacked a social security number, a permanent address, or a verification of valid ID.

61. The 2010 IRS examination also cited Cantor Gaming for opening 4,188 of 5,369 deposit accounts without verifying and documenting customer identification.¹⁵ In its response, Cantor Gaming contended that since the transactions in question were mobile gaming, they didn’t need to retain identification. Cantor Gaming agreed to amend its policies going forward, but did not correct their deficient records.

¹¹ 31 C.F.R. § 1021.311.

¹² 31 C.F.R. § 1021.313.

¹³ 31 C.F.R. § 1021.410.

¹⁴ 31 C.F.R. § 1021.410(a).

¹⁵ 31 C.F.R. § 1021.410.

62. Later investigations continued to reveal recordkeeping problems. For instance, during a state audit, the Nevada Gaming Control Board sought a random sample of 19 account wagering applications. Cantor Gaming failed to retain eight of those applications.¹⁶

63. Of the remaining 11 application records, one was not signed by a patron; two were not countersigned by a supervising employee; two lacked a social security number; and three lacked a home telephone number of the customer.¹⁷

64. In April 2013, the Nevada Gaming Control Board requested account wagering applications for the top 100 accounts from Cantor Gaming. In response, Cantor Gaming submitted 168 account wagering applications for approximately 94 account holders.

65. Many of the submitted records lacked the required information. Eighty-eight of the wagering applications were completed improperly. Twenty-nine of the applications lacked a social security number, and another 29 did not include a telephone number. Eight of the applications lacked a date of birth of the applicant.¹⁸

66. In perhaps the most egregious recordkeeping violation, Cantor Gaming failed to keep proper records on its highest-volume patron, A.M. There is no evidence that A.M. had filled out a wagering account application, despite having been a patron of Cantor Gaming since at least 2010. On January 23, 2013, the Enforcement Division of the Nevada Gaming Control Board requested the application from Cantor Gaming. Cantor Gaming provided the application on January 30, 2013, but it had been completed on January 29, 2013, six days after the request from the Gaming Control Board.¹⁹

¹⁶ 31 C.F.R. § 1021.410(b)(7); Nevada Gaming Commission Regulation 22.140(12).

¹⁷ 31 C.F.R. §§ 1021.410(a) and (b)(7); Nevada Gaming Commission Regulation 22.140(12).

¹⁸ 31 C.F.R. §§ 1021.410(a) and (b)(7); Nevada Gaming Commission Regulation 22.140(12).

¹⁹ 31 C.F.R. §§ 1021.410(a) and (b)(7); Nevada Gaming Commission Regulation 22.140(12).