

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK**

IN THE MATTER OF:)
)
)
BALTIC FINANCIAL SERVICES, INC.) **Number 2010-5**
MONTCLAIR, NEW JERSEY)

ASSESSMENT OF CIVIL MONEY PENALTY

I. INTRODUCTION

Under the authority of the Bank Secrecy Act and regulations issued pursuant to that Act, the Financial Crimes Enforcement Network has determined that grounds exist to assess a civil money penalty against Baltic Financial Services, Inc. (“Baltic” or the “Money Services Business”).¹ To resolve this matter, and only for that purpose, Baltic has entered into a CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY (“CONSENT”) without admitting or denying the determinations by the Financial Crimes Enforcement Network, as described in Sections III and IV below, except as to jurisdiction in Section II below, which is admitted.

The CONSENT is incorporated into the ASSESSMENT OF CIVIL MONEY PENALTY (“ASSESSMENT”) by this reference.

II. JURISDICTION

Baltic is an independent money transmitter, located in Montclair, New Jersey. The privately owned company is a New Jersey corporation, with assets amounting to approximately \$76,000. Baltic markets funds transfer services to and from Latvia, a “major money laundering country.”² At all relevant times, Baltic was a “money services business,” “money transmitter” and “financial institution” within the meaning of the Bank Secrecy Act and its implementing regulations.³ The Internal Revenue Service, Small Business/Self-Employed Division examines money services businesses for compliance with the Bank Secrecy Act, under delegated authority from the Financial

¹ 31 U.S.C. § 5311 et seq. and 31 C.F.R. Part 103.

² United States Department of State International Narcotics Control Strategy Reports (“INCSRs”) for 2006, 2007, 2008, 2009, and 2010 identified Latvia as a “major money laundering country.” The term means a country whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking. 22 U.S.C. § 2291(e)(7).

³ 31 U.S.C. § 5312(a)(2) and 31 C.F.R. § 103.11.

Crimes Enforcement Network.⁴ The State of New Jersey Department of Banking and Insurance examines money services businesses for compliance with anti-money laundering requirements, under laws of the State of New Jersey.

III. DETERMINATIONS

The Financial Crimes Enforcement Network has determined that Baltic violated Bank Secrecy Act registration requirements for money services businesses.⁵ Since 2001, the Bank Secrecy Act has required certain money transmitters to register with FinCEN by filing a registration of money services business (“RMSB”) form, and renewing the registration every two years. If the money services business’ ownership or number of agents changes, a re-registration requirement may apply.

Bank Secrecy Act compliance by money services businesses is a critical part of the government’s efforts against money laundering, terrorist financing, and other financial crimes. Bank Secrecy Act forms, including RMSB forms, must be filed in an accurate, complete and timely manner. The registration requirement is an initial and foundational step required as part of the Financial Crimes Enforcement Network’s regulations that are intended to assist law enforcement and other government agencies in the enforcement of criminal, tax and regulatory laws, and to prevent money services businesses from engaging in, or being misused to facilitate, the flow of illicit proceeds.⁶ By mitigating the risk of criminal abuse of money services businesses, the Financial Crimes Enforcement Network’s regulatory framework seeks to promote the provision of legitimate financial services to consumers, in particular the unbanked and underbanked. RMSB forms promote greater transparency with respect to money services businesses that serve as gateways to the U.S. financial system, and are an integral part of highly useful investigative audit trails utilized by law enforcement, the Financial Crimes Enforcement Network and other government agencies. RMSB forms are also useful for money transmitters and other types of money services businesses in establishing and maintaining banking relationships. Banking organizations, in keeping with their responsibilities under the Bank Secrecy Act, normally request registration information from money transmitters and other types of money services business customers that are required to register.⁷

At all relevant times, Baltic conducted business as an independent money transmitter, and had knowledge of Bank Secrecy Act registration requirements. Baltic provides money transfer services in any amount to and from Latvia. In a typical transaction, the customer would complete a

⁴ 31 C.F.R. § 103.56(b)(8).

⁵ 31 U.S.C. § 5330 and 31 C.F.R. § 103.41.

⁶ See Amendment to the Bank Secrecy Act Regulations-Definitions Relating to, and Registration of, Money Services Businesses, 64 FR 45438 (August 20, 1999).

⁷ A money services business should retain a copy of RMSB forms it submitted to the Financial Crimes Enforcement Network, as part of its records, for five years. Determinative evidence of a money services business’ registration is an acknowledgement letter sent by the Internal Revenue Service-Enterprise Computing Center-Detroit upon receipt, and appropriate processing, of a RMSB form. The Financial Crimes Enforcement Network’s website, www.fincen.gov, contains a “MSB Registration List,” identifying money services businesses that are currently registered. The MSB Registration List is updated monthly, and provided as a general reference for the public.

form⁸ provided by Baltic, and provide Baltic with cash, check or money order payable to Baltic in U.S. dollars for the amount of the transaction and applicable service fees. The form would typically contain the names, addresses, and telephone numbers for the customer and beneficiary to the transaction including an alternate contact person's name and phone number in the event the beneficiary could not be reached as well as an indication if physical delivery by a Baltic agent in Latvia would be required. Baltic would deposit the cash, checks or money orders provided by the customer in its financial institution account. Once the funds cleared and became available, Baltic would instruct the financial institution to wire transfer the funds to a designated financial institution in Latvia. Baltic's agent would retrieve the funds from the designated financial institution and make the funds physically available to the beneficiary. The funds would be provided in U.S. dollars or a designated currency. The Baltic agent would check identification and obtain the beneficiary's signature in processing the disbursement of funds to the beneficiary. Baltic would also provide the above described process in reverse order to accommodate customer transactions originating in Latvia with beneficiaries in the United States. Baltic filed RMSB forms with the Financial Crimes Enforcement Network in 2001 and 2003. Afterwards, however, Baltic repeatedly failed to comply with biennial renewal requirements in a timely manner, despite notifications that it was not in compliance with Bank Secrecy Act registration requirements for money transmitters.⁹ In fact, for a majority of the time between January 2005 and September 2010 Baltic conducted business as an unregistered money transmitter, in violation of the Bank Secrecy Act.

IV. CIVIL MONEY PENALTY

As administrator of the Bank Secrecy Act, the Financial Crimes Enforcement Network may impose civil money penalties against Baltic, or any person who owns or controls Baltic, for violations of money transmitter registration requirements.¹⁰ The Financial Crimes Enforcement Network may assess a civil money penalty for failure to register as a money services business, in an amount up to \$5,000 per violation. Each day a violation continues constitutes a separate violation. The Financial Crimes Enforcement Network has determined that a civil money penalty is due for the violations of the Bank Secrecy Act and its implementing regulations described in this ASSESSMENT. After considering the seriousness of the violations and the financial resources available to Baltic, the Financial Crimes Enforcement Network has determined that the appropriate penalty in this matter is \$12,000. This civil money penalty shall be satisfied by four \$3,000 payments to the United States Department of the Treasury.

V. CONSENT TO ASSESSMENT

To resolve this matter, and only for that purpose, Baltic, without admitting or denying either the facts or determinations described in Sections III and IV above, except as to jurisdiction in Section II which is admitted, consents to the assessment of a civil money penalty in the sum of \$12,000, which shall be satisfied by four \$3,000 payments to the United States Department of the Treasury. Baltic shall pay the first \$3,000 installment within five business days of the date of this

⁸ The form is called by Baltic the "Agreement for the Transfer of Funds."

⁹ Baltic filed renewals during 2006 and 2010, instead of renewing in 2005, 2007, and 2009 as required by the registration regulation and instructions to the RMSB form. See 31 C.F.R. § 103.41(b)(2).

¹⁰ See 31 U.S.C. § 5330(e) and 31 C.F.R. § 103.41(e).

