

Bank Secrecy Act Records Detail Transactions Related to Illicit Smoke Shop Sales

A Federal judge sentenced the owners of a tribal tobacco shop to probation and community service, and ordered to them pay almost \$10,000,000 in restitution, for conspiring to traffic in contraband cigarettes and for structuring currency transactions. The defendants earlier pleaded guilty in Federal court to illegally purchasing, receiving, and selling untaxed cigarettes, thereby depriving the state millions of dollars in tax revenue.

In addition, the owners admitted to structuring more than \$2 million dollars in cigarette sales into multiple bank accounts over a period of several years. More than a dozen SARs document the structured transactions that occurred as part of the illicit sales. Investigators noted that the SARs and other FinCEN records were pivotal to unraveling the financial transactions related to the scheme.

Federal law makes it a crime to transport, possess, or sell contraband cigarettes, whether on federal land (including tribal reservations) or elsewhere. The trafficking of contraband cigarettes, which bear no state tax stamp and thus avoid the mandatory state tax collection on the product, is known to be a financial source for criminal enterprises such as terrorist and organized crime organizations. In this particular case, the defendants made millions of dollars selling contraband cigarettes.

Federal and State officials collaborated to conduct a joint investigation into the tobacco shop where the sales of contraband cigarettes were occurring. During a period covering several years, the defendants sold at least 700,000 cartons of contraband cigarettes from the smoke shop, generating over \$20 million in revenue, to numerous non-tribal customers. Additionally, investigators were able to determine that the defendant's had unlawfully avoided more than \$9 million in state taxes from their contraband sales.

The Federal agencies' ability to obtain, analyze, and interpret SARs and Form 8300s from information filed by financial institutions and businesses provided critical information about the defendants' illegal activity. The SARs filed by financial institutions revealed that on numerous occasions the defendants made deposits from contraband cigarette trafficking in amounts between \$9,000 and \$9,800. The defendants told others in the tribal community that they intended to use the money locally; however, while the defendants deposited the money into several accounts, large amounts of the revenue were actually diverted into personal accounts of the defendants.

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