

## **SARs Help Uncover Scheme to Hide Payments from Drug Traffickers to Buy Vehicles**

A vehicle dealer created a scheme to hide payments for the purchases of aircraft by suspected drug traffickers. The scheme involved using multiple bank branches for deposits, and the avoidance of filing any Form 8300s. However, the alert financial institution identified the suspect transactions and filed multiple SARs. A SAR review task force identified the relevant SARs and initiated an investigation.

The investigation resulted in the corporation that sold the vehicles pleading guilty to conspiracy to aid and abet structuring financial transactions. The owner and president spoke on behalf of the company at the plea hearing, admitting the factual basis for the plea was accurate.

As admitted in court, the corporation sold multiple vehicles for cash to purchasers whom they believed to be foreign nationals, involving deposited cash they believed to be from illegal narcotics trafficking. The company and its agents knew that the buyers were structuring cash into the corporate account in increments of less than \$10,000 in order to avoid Federal cash transaction reporting requirements.

The company and its agents tracked deposits by these purchasers, requiring them to alert the corporation of the deposits and which vehicle sales the deposits related to. Often the purchasers faxed cash deposit tickets to the corporation as proof to ensure credit for the payment. They made deposits in such a way that the banks could not connect the transactions to a specific buyer or vehicle, and could not identify the individuals making the deposits or purchasing the vehicles, and therefore could not file a CTR for large cash transactions.

An undercover agent made contact with the owner stating that he wished to purchase a vehicle for a relative with currency and asked for advice on how to accomplish that without having any reports filed on the cash transaction. The owner's response indicated that he understood that the relative was engaged in drug trafficking activity in a foreign country, specifically trafficking marijuana. The owner proceeded to advise the agent how the foreigners did it, depositing cash in increments into corporate accounts and a salesman advised the agent about the corporation's Form 8300 reporting requirement for such cash transactions. When the owner asked how they got away with not reporting the foreigners, the salesman advised that no one had ever hassled the corporation about the issue. In a period of nearly one year, the corporation received nearly \$500,000 in structured funds for several planes, each with a separate buyer.

Several years earlier, a financial institution filed a SAR noting that the salesman came into a branch with more than \$170,000 to deposit in currency, claiming that the client did not have time to wire the money. The client, who accompanied the salesman to the bank, showed documentation that he was a resident and citizen of a foreign county. The financial institution filed subsequent SARs, especially in the years relevant to the

criminal actions outlined in the plea agreement. For example, one SAR notes deposits into branches throughout several states from unknown sources.

The case started when a proactive SAR review team identified one of the SARs filed on the owner. Undercover operations confirmed that the subjects were willing to circumvent reporting requirements, and had no problems selling the vehicles to potential smugglers, as long as the planes were only going to be used to smuggle marijuana.

[Published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 23, May 2013]