

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

IN THE MATTER OF:

SIGUE CORPORATION AND SIGUE, LLC
SAN FERNANDO, CALIFORNIA

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Number 2008-1

ASSESSMENT OF CIVIL MONEY PENALTY

I. INTRODUCTION

Under the authority of the Bank Secrecy Act and regulations issued pursuant to that Act,¹ the Financial Crimes Enforcement Network has determined that grounds exist to assess a civil money penalty against Sigue Corporation and Sigue, LLC (“Sigue”), San Fernando, California. To resolve this matter, and only for that purpose, Sigue 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 this ASSESSMENT OF CIVIL MONEY PENALTY (“ASSESSMENT”) by this reference.

II. JURISDICTION

Sigue is a money services business, headquartered in San Fernando, California, with over 7,500 agent businesses, also known as authorized delegates, located throughout the United States. Sigue and its agents provide money transmission services from the United States to Mexico and Latin America. The Internal Revenue Service Small Business/Self-Employed Division examines Sigue for compliance with the Bank Secrecy Act and its implementing regulations.

At all relevant times, Sigue was a “financial institution” and a “money services business” within the meaning of the Bank Secrecy Act and the regulations issued pursuant to that Act.²

III. DETERMINATIONS

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

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

A. Summary

During the period from November 2003 through June 2006, Sigue's anti-money laundering program was deficient in all four core elements. Namely, Sigue failed to implement effective internal controls, designate compliance personnel and conduct effective independent testing and training to ensure compliance with the Bank Secrecy Act. Sigue conducted business without adequate systems and controls reasonably designed to prevent the money services business and its agents from being used to facilitate money laundering. Despite repeated patterns of high risk activity, Sigue failed to implement effective internal controls, training or independent testing to manage the risk of money laundering. Sigue's failure to comply with the Bank Secrecy Act and the regulations issued pursuant to that Act was serious, longstanding and systemic.

B. Violations of the Requirement to Implement an Anti-Money Laundering Program

The Financial Crimes Enforcement Network has determined that Sigue violated the requirement to establish and implement an effective anti-money laundering program. Since July 24, 2002, the Bank Secrecy Act and its implementing regulations have required money services businesses to establish and implement anti-money laundering programs.³ An effective program is one that is reasonably designed to prevent the money services business from being used to facilitate money laundering and the financing of terrorist activities.⁴ The regulation requires money services businesses to implement written anti-money laundering programs that, at a minimum: (1) incorporate policies, procedures and internal controls reasonably designed to ensure ongoing compliance; (2) designate a person to assure day-to-day compliance; (3) provide training of appropriate personnel; and (4) provide for independent review to monitor and maintain an adequate program.⁵ The failure to establish and implement an effective anti-money laundering program disabled management at Sigue from implementing measures to respond to continued patterns of suspicious activity, with repeated common characteristics, at certain agent locations.

1. Internal Controls

Sigue's policies, procedures and internal controls were not sufficient to prevent money laundering and ensure complete and accurate reporting of suspicious activity, particularly with regard to agents that presented a higher risk for money laundering.

Sigue's transaction monitoring system was not commensurate with the volume, dollar amounts and geographical reach of transactions processed by the money services business. In some instances, this resulted in the filing of incomplete and/or inaccurate suspicious activity reports. Furthermore, Sigue failed to conduct timely reviews and analysis of transactions to effectively evaluate and manage the risk of both money laundering and non-compliance with the Bank Secrecy Act. The systems and controls at Sigue did not allow management to exercise effective supervision and control over agents and monitor for, investigate and prevent misuse of

³ 31 U.S.C. § 5318(h)(1) and 31 C.F.R. § 103.125(e).

⁴ 31 C.F.R. § 103.125(a).

⁵ 31 C.F.R. § 103.125(c) and (d).

the institution by criminals and/or intentionally noncompliant agents. Despite repeated patterns of suspicious activity by identical or similar customers, beneficiaries and agents, management at Sigue did not develop and implement measures to prevent money laundering. In addition, the internal control processes governing the suspicious activity reporting program at Sigue were not sufficient to comply with the Bank Secrecy Act and manage the risk of money laundering.

As a result, on multiple occasions over an extended period of time, 47 agents assisted remitters in the structuring of transactions to avoid the reporting requirements of the Bank Secrecy Act. Specifically, during single business days certain agents knowingly facilitated or instructed remitters to break down cash transactions into smaller amounts and/or provide multiple false names to evade the currency transaction reporting requirements of the Bank Secrecy Act. This conduct deprived law enforcement and other authorities of accurate, complete and valuable information that would have otherwise appeared on currency transaction reports required by the Bank Secrecy Act.

2. Designation of Personnel to Ensure Compliance with the Bank Secrecy Act

In view of the scope, volume and nature of activity at Sigue, management failed to designate enough personnel to prevent money laundering and ensure day-to-day compliance with the Bank Secrecy Act. The roles, responsibilities and oversight of the compliance function were not adequately defined and implemented among management and personnel. For example, management failed to ensure that adequate personnel and measures were in place to preserve the integrity of Bank Secrecy Act records and to prevent misuse of the institution by criminals or intentionally noncompliant agents, particularly with respect to the prevention of both structuring and the collection of false customer identification information.

3. Training

The training program at Sigue did not effectively prevent money laundering and ensure compliance with the Bank Secrecy Act. In some cases, training was neither completed nor documented, and was generally inadequate considering the scope, volume and nature of Sigue's activity. In addition, Sigue did not follow up and ensure that agents were versed and compliant with the instructions in the Bank Secrecy Act Compliance manual, particularly with respect to the prevention of both structuring and gathering of false customer records. Furthermore, Bank Secrecy Act training at the principal level did not effectively enable compliance personnel and management to appropriately respond to continued patterns of suspicious activity at certain agent locations.

4. Independent Testing

Sigue's independent testing of its Bank Secrecy Act program was ineffective. Audit scopes were not always tailored or designed to capture and test for compliance with certain requirements of the Bank Secrecy Act, particularly by higher risk agents. The scope of the independent testing did not include sufficient customer, beneficiary, or specific agent-to-agent transaction testing to effectively evaluate the overall sufficiency of the anti-money laundering program at Sigue. Sigue's anti-money laundering program compliance reviews of its agents,

within California, were limited in number and follow-up on cited deficiencies by regulatory authorities was not completed promptly. Furthermore, independent reviews failed to identify, evaluate and assist management with the tracking of suspicious activity at certain higher risk agents. The ineffectiveness of the independent review/testing function at Sigue to identify and notify management of repeated and systemic patterns of suspicious activity, contributed to the failure by management at Sigue to assess the risk to the institution and appropriately respond to continuing suspicious activity at certain agent locations.

C. Violations of the Requirement to Report Suspicious Transactions

The Financial Crimes Enforcement Network has determined that Sigue violated the suspicious transaction reporting requirements of the Bank Secrecy Act and regulations issued pursuant to that Act. These reporting requirements impose an obligation on money services businesses to report transactions that involve or aggregate to at least \$2,000, that are conducted or attempted by, at, or through the money services business, and that the institution “knows, suspects, or has reason to suspect” are suspicious.⁶ A transaction is “suspicious” if the transaction: (1) involves funds derived from illegal activities, or is conducted to disguise funds derived from illegal activities; (2) is designed, whether through structuring or other means, to evade the reporting or record keeping requirements of the Bank Secrecy Act or regulations under the Bank Secrecy Act; (3) serves no business or apparent lawful purpose and the money services business knows of no reasonable explanation for the transaction after examining the available facts, including background and possible purpose of the transaction; or (4) involves use of the money services business to facilitate criminal activity.⁷

Money services businesses must report suspicious transactions by filing suspicious activity reports no later than thirty (30) calendar days after detecting facts that may constitute a basis for filing such reports.⁸

Sigue violated the suspicious transaction reporting requirements of 31 U.S.C. § 5318(g) and 31 C.F.R. § 103.20, by failing to accurately file numerous suspicious activity reports. For example, on multiple occasions over an extended period of time, 47 agents assisted remitters in the structuring of transactions to avoid the reporting requirements of the Bank Secrecy Act. Specifically, during single business days certain agents knowingly facilitated or instructed remitters to break down cash transactions into smaller amounts and/or provide multiple false names to evade the currency transaction reporting requirements of the Bank Secrecy Act. The relevant reports filed by Sigue lacked accurate customer identification information, thereby depriving law enforcement of valuable information directly related to ongoing criminal activity.

IV. CIVIL MONEY PENALTY

Under the authority of the Bank Secrecy Act and the regulations issued pursuant to that Act,⁹ the Financial Crimes Enforcement Network has determined that a civil money penalty is

⁶ 31 C.F.R. § 103.20(a)(2).

⁷ 31 C.F.R. § 103.20(a)(2)(i) – (iv).

⁸ 31 C.F.R. § 103.20(b)(3).

⁹ 31 U.S.C. § 5321 and 31 C.F.R. § 103.57.

due for violations of the Bank Secrecy Act and the regulations issued pursuant to that Act, as described in this ASSESSMENT.

Based on the seriousness of the violations at issue in this matter, and the financial resources available to Sigue, the Financial Crimes Enforcement Network has determined that the appropriate penalty in this matter is \$12,000,000.

V. CONSENT TO ASSESSMENT

To resolve this matter, and only for that purpose, Sigue, 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 \$12,000,000. This assessment is being issued concurrently with the Deferred Prosecution Agreement and accompanying \$15,000,000 forfeiture by the Department of Justice against Sigue. The penalty assessment of the Financial Crimes Enforcement Network shall be deemed as satisfied by a portion of the \$15,000,000 payment to the Department of Justice.

Sigue recognizes and states that it enters into the CONSENT freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by the Financial Crimes Enforcement Network or any employee, agent, or representative of the Financial Crimes Enforcement Network to induce Sigue to enter into the CONSENT, except for those specified in the CONSENT.

Sigue understands and agrees that the CONSENT embodies the entire agreement between Sigue and the Financial Crimes Enforcement Network relating to this enforcement matter only, as described in Section III above. Sigue further understands and agrees that there are no express or implied promises, representations, or agreements between Sigue and the Financial Crimes Enforcement Network other than those expressly set forth or referred to in this document and that nothing in the CONSENT or in this ASSESSMENT is binding on any other agency of government, whether federal, state, or local.

VI. RELEASE

Sigue understands that execution of the CONSENT, and compliance with the terms of this ASSESSMENT and the CONSENT, constitute a complete settlement and release of Sigue's civil liability for the violations of the Bank Secrecy Act and regulations issued pursuant to that Act as described in the CONSENT and this ASSESSMENT.

By:

James H. Freis, Jr., Director
FINANCIAL CRIMES ENFORCEMENT NETWORK
U.S. Department of the Treasury

Date: January 27, 2008