

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

<b>IN THE MATTER OF:</b>	)	
	)	
	)	
	)	<b>Number 2015-09</b>
<b>LEE’S SNACK SHOP, INC.</b>	)	
	)	
<b>and</b>	)	
	)	
<b>HONG KI YI</b>	)	
<b>Los Angeles, California</b>	)	

**ASSESSMENT OF CIVIL MONEY PENALTY**

**I. INTRODUCTION**

The Financial Crimes Enforcement Network (“FinCEN”) has determined that grounds exist to assess a civil money penalty against Lee’s Snack Shop, Inc., and its owner and Chief AML Compliance Officer, Mr. Hong Ki Yi, pursuant to the Bank Secrecy Act (“BSA”) and regulations issued pursuant to that Act.<sup>1</sup>

Lee’s Snack Shop and Mr. Yi admit to the facts set forth below and that their conduct violated the BSA. Lee’s Snack Shop and Mr. Yi consent to this assessment of a civil money penalty and enter the CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY (“CONSENT”) with FinCEN.

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

---

<sup>1</sup> The Bank Secrecy Act is codified at 12 U.S.C. §§ 1829b, 1951–1959 and 31 U.S.C. §§ 5311–5314, 5316–5332. Regulations implementing the Bank Secrecy Act appear at 31 C.F.R. Chapter X.

FinCEN has authority to investigate money services businesses (“MSBs”) for compliance with and violation of the BSA pursuant to 31 C.F.R. § 1010.810, which grants FinCEN “[o]verall authority for enforcement and compliance, including coordination and direction of procedures and activities of all other agencies exercising delegated authority under this chapter.”

Lee’s Snack Shop was a “financial institution” and a “money services business” within the meaning of the BSA and its implementing regulations during the time relevant to this action. 31 U.S.C. § 5312(a)(2); 31 C.F.R. § 1010.100(t). The Internal Revenue Service, through the Small Business/Self-Employed Division (“IRS SB/SE”), examines MSBs for compliance with the BSA under authority delegated from FinCEN. FinCEN’s enforcement investigation draws on an examination conducted by IRS SB/SE conducted in 2011 with an examination scope of October 1, 2010 through March 31, 2011, as well as subsequent investigation.

Mr. Yi has been the owner of Lee’s Snack Shop since 1988, and its president and sole shareholder since 2000. During the time relevant to this action, Mr. Yi was a “partner, director, officer, or employee” of Lee’s Snack Shop within the meaning of the BSA. 31 U.S.C. § 5321(a)(1).

## **II. DETERMINATIONS**

FinCEN has conducted an investigation and determined that, from October 1, 2010 through the present, Lee’s Snack Shop willfully violated the BSA’s program and reporting requirements.<sup>2</sup> Lee’s Snack Shop failed to establish and implement an effective written anti-money laundering program by failing to have policies, procedures, and internal controls reasonably designed to assure

---

<sup>2</sup> In civil enforcement of the BSA under 31 U.S.C. §5321(a)(1), to establish that a financial institution or individual acted willfully, the government need only show that the financial institution or individual acted with either reckless disregard or willful blindness. The government need not show that the entity or individual had knowledge that the conduct violated the BSA, or that the entity or individual otherwise acted with an improper motive or bad purpose. Lee’s Snack Shop and Mr. Yi admit to “willfulness” only as the term is used in civil enforcement of the BSA under 31 U.S.C. § 5321(a)(1).

ongoing compliance, failed to provide adequate training, and failed to conduct independent testing of its compliance program. Lee's Snack Shop also failed to file required currency transaction reports ("CTRs") on all of its reportable transactions during the examination scope. Even after the examination scope period, and after IRS SB/SE specifically advised Lee's Snack Shop of these deficiencies, the company continued to file untimely CTRs. During the time relevant to this action, Mr. Yi served as the designated AML compliance officer for Lee's Snack Shop, and as such, was responsible for ensuring that the company complied with its obligations under the BSA and its implementing regulations. As described below, Mr. Yi willfully participated in Lee's Snack Shop's violations of the BSA.

**A. Violations of the Requirement to Establish and Implement an Effective Written Anti-Money Laundering Program**

The BSA and its implementing regulations require MSBs to develop, implement, and maintain an effective written anti-money laundering ("AML") program that is reasonably designed to prevent the MSB from being used to facilitate money laundering and the financing of terrorist activities. 31 U.S.C. §§ 5318(a)(2), 5318(h); 31 C.F.R. § 1022.210. Lee's Snack Shop and Mr. Yi were required to implement a written AML program that, at a minimum: (a) incorporates policies, procedures and internal controls reasonably designed to assure ongoing compliance; (b) designates an individual responsible for assuring day to day compliance with the program and BSA requirements; (c) provides training for appropriate personnel, including training in the detection of suspicious transactions; and (d) provides for independent review to monitor and maintain an adequate program. 31 C.F.R. §§ 1022.210(c) and (d).

Lee's Snack Shop and Mr. Yi failed to develop, maintain, and implement an effective written AML program that adequately addressed three of these four minimum requirements. First, the company failed to have adequate policies, procedures, and internal controls to ensure that it

identified and filed CTRs for transactions exceeding \$10,000 in currency, as required under the BSA. As a result, and as discussed in detail below, Lee's Snack Shop failed to file at least 216 CTRs in a timely manner during the IRS exam scope period, and hundreds more even after the examination had concluded. Lee's Snack Shop and Mr. Yi also failed to conduct a BSA compliance and money laundering risk assessment, and thus could not implement internal controls designed to mitigate risks posed by the products and services it offered.

Second, Lee's Snack Shop failed to provide adequate training for its personnel. The company's AML program provided that training of personnel must occur at least annually. But despite the BSA and the company's own formal policy, Lee's Snack Shop was only able to provide evidence that its AML Compliance Officer, Mr. Yi, received training conducted in June 2007, almost four years before the examination.

Independent reviews of the company's AML program were inadequate. An adequate independent review should have identified the failure to file CTRs, deficient training, and would have included transaction testing. The independent reviews erroneously stated that training was conducted on an annual basis, did not identify the failure to file CTRs, and did not include transaction testing. Transaction testing would have allowed both the reviewer and Lee's Snack Shop to ensure that the company was complying with its reporting requirements.

In summary, despite having a written anti-money laundering policy, Lee's Snack Shop failed to implement an effective AML program. As the company's designated compliance officer, it was Mr. Yi's responsibility to ensure that this AML program was in place, was effective, and was followed. As a result of these serious deficiencies, Lee's Snack Shop operated for years without an effective compliance program and, and as detailed below, committed significant transaction reporting violations.

## **B. Violations of Reporting Requirements**

The BSA imposes an obligation on MSBs to file a CTR for each deposit, withdrawal, exchange of currency or other payment or transfer which involves a transaction in currency of more than \$10,000. 31 C.F.R. § 1010.311. MSBs must report currency transactions exceeding \$10,000, and must do so within 15 calendar days after the transaction occurs. 31 C.F.R. § 1010.306(a)(1). Multiple transactions must be treated as a single transaction if the financial institution has knowledge that (1) they are by or on behalf of the same person, and (2) they result in currency received (cash in) or currency disbursed (cash out) by the financial institution totaling more than \$10,000 during any one business day. 31 C.F.R. § 1010.313(b).

From October 1, 2010 through March 31, 2011, Lee's Snack Shop failed to timely file 216 CTRs for currency received or disbursed exceeding \$10,000. This represents a failure to file rate of 100%. Lee's Snack Shop filed the 216 CTRs at the direction of IRS-SB/SE examiners only after the transactions were identified during the course of the examination. Lee's Snack Shop failed to file CTRs for currency received or disbursed, exchanges of currency with other financial institutions,<sup>3</sup> and CTRs from single or multiple transactions from daily check cashing services provided to retail customers.

Although Lee's Snack Shop – and Mr. Yi specifically – were warned after the conclusion of the 2011 Examination, and they had agreed to undertake measures to correct the company's CTR compliance issues, the company continued to file untimely CTRs. From January 1, 2012 through December 1, 2014, Lee's Snack Shop filed 55% (497 out of 903) of its CTRs in an untimely manner. Sixty percent of the late filed CTRs ranged from 30 to 76 days late.

---

<sup>3</sup> Each side of a currency exchange between two non-bank financial institutions subject to the CTR reporting requirement (currency received and currency disbursed) requires a CTR to be filed. Each financial institution involved in the transaction is subject to a separate reporting requirement. 31 C.F.R. §§ 1010.310 and 1010.311.

Perhaps more troubling than the reporting violations themselves were the company's and Mr. Yi's conduct and actions during the course of the IRS SB/SE examination. During the exam, the company's owner, Mr. Yi – who is also its AML Compliance Officer – failed to disclose that Lee's Snack Shop frequently exchanged checks for cash with another MSB, an arrangement known as "wholesaling" or "bulk check cashing." Mr. Yi attempted to conceal these transactions by withholding business records (such as checks and adding machine tapes). Mr. Yi also produced to the examination team deposit records and certain adding machine tapes that did not list the wholesale-exchanged checks, and insisted that Lee's Snack Shop never cashed checks over \$10,000.

The exam team discovered evidence that Lee's Snack Shop engaged in this wholesaling arrangement with another MSB. These transactions accounted for over \$2.1 million worth of wholesale-exchanged checks during the six-month examination scope. Mr. Yi ultimately admitted that Lee's Snack Shop exchanged all single checks over \$10,000, and multiple checks from the same issuer that aggregate to over \$10,000, with this other MSB. Mr. Yi stated that the company had been wholesaling checks for the past two years. However, further investigation revealed that the wholesaling arrangement had been in place for more than a decade. Notably, during four prior IRS SB/SE examinations, Lee's Snack Shop and Mr. Yi failed to disclose this wholesaling arrangement to the examiners.

IRS SB/SE examiners also discovered certain checks found payable to "Lee's" written in Mr. Yi's handwriting. Mr. Yi initially stated that most of these checks were deposited and not cashed, but instead were replacements of customer-returned checks. Later, he admitted to writing "Lee's" on the payee line, cashing nearly all of these checks, and depositing the proceeds into a company account.

### **III. CIVIL MONEY PENALTY**

FinCEN has determined that Lee's Snack Shop willfully violated the program and reporting requirements of the BSA and its implementing regulations, and that Mr. Yi willfully participated in these violations. FinCEN has also determined that grounds exist to assess a civil money penalty for these violations. 31 U.S.C. § 5321(a)(1) and 31 C.F.R. § 1010.820.

FinCEN has determined that the penalty in this matter will be \$60,000.00.

### **IV. CONSENT TO ASSESSMENT**

To resolve this matter, and only for that purpose, Lee's Snack Shop and Mr. Yi consent to this ASSESSMENT of a civil money penalty in the sum of \$60,000.00 and admit that they violated the BSA's program and reporting requirements.

Lee's Snack Shop and Mr. Yi recognize and state that they enter into the CONSENT freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by FinCEN or any employee, agent, or representative of FinCEN to induce Lee's Snack Shop or Mr. Yi to enter into the CONSENT, except for those specified in the CONSENT.

Mr. Yi and Lee's Snack Shop understand and agree that the CONSENT embodies the entire agreement between them and FinCEN relating to this enforcement matter only, as described in Section II above. Mr. Yi and Lee's Snack Shop further understand and agree that there are no express or implied promises, representations, or agreements between Lee's Snack Shop and FinCEN, or between Mr. Yi and FinCEN, 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.

