

## **Proactive Bank Secrecy Act Search Leads to Arrest in Ponzi Scheme**

In 2005, a financial investigator discovered a SAR filed two weeks earlier that referenced an investment group and a potential Ponzi scheme. The investigator contacted the bank and received supporting material related to the SAR. Because of the suspicious activity, the bank was preparing to close the account.

The District Attorney's office quickly launched an investigation. In total, there were four separate SARs that financial institutions submitted on the defendant documenting actions that had the appearance of a Ponzi scheme. In addition, there were several Currency Transaction Reports (CTRs) related to the defendant that recorded additional transactions that were part of the scheme.

The defendant had promised investors outlandish interest rates, up to 100 percent annually. He deceived customers by lying to them about his investment experience, the legality of the business, and the way that a customer's money would be invested. The defendant told investors, among other things, that he was a highly experienced investor, when in reality the defendant had no investment experience whatsoever.

Although the dollar amount of the suspected criminal violations was somewhat lower than most of their cases, the nature of the possible crime hastened their action. Investigators believed that if they did not act immediately, the perpetrator might defraud more victims. The District Attorney executed a search warrant and arrested the individual listed on the SAR.

A grand jury convened and handed down 18 felony counts, including multiple counts of fraud, larceny, and money laundering. The defendant pleaded guilty to the charges. The subject will serve a minimum of two to seven and a half years in prison, although the final sentence will be determined based upon the amount of restitution provided.

(Investigating Agency: State District Attorney)

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