

## **Proactive Bank Secrecy Act Searches Lead to Crackdown on Unlicensed Money Remitters**

An investigator in the District Attorney's office was conducting a proactive search in the BSA database for illicit activity and found a SAR filed on a business thought to be operating as an unlicensed money remitter. The office opened an investigation on the subjects of the SAR and obtained guilty pleas within 60 days. This investigation led to two other investigations and the eventual conviction of additional unlicensed remitters.

The case was initiated when a financial institution identified a married couple who were conducting transactions through the husband's business as indicative of the operations of a money remitter. The institution checked with FinCEN to determine if the business was registered as an MSB. When the institution did not find the business' name listed with FinCEN, it filed a SAR. A few weeks later, the District Attorney's office conducted a proactive search of SARs, located the SAR filed on one of the defendants, and opened an investigation. The investigation revealed that in a period of three years, the defendant wired millions of dollars to a foreign country through his business. Specifically, the couple made regular deposits into local banks and periodically initiated large wire transfers to the foreign country.

A few months after the SAR was filed, the District Attorney had shut down the business, arrested the couple, and moved to freeze more than \$10 million in assets.

After their arrest, the defendants cooperated with and led authorities to an associate who operated multiple businesses in state as well as offices in two other states and Canada. The associate had been in business since 1987, and since 2000 was responsible for illicitly moving millions of dollars to the foreign country. Investigators believe that the associate controlled most of the unlicensed wire transfers to the foreign country. Like the defendants, the associate had not registered with FinCEN.

The District Attorney's office continued investigating unlicensed money remitters and soon learned of an individual operating a money remitter business out of a jewelry store. In the first eight months of 2005, that individual facilitated the movement of millions of dollars between the foreign country and the United States. Investigators believe that the individual had been in business for at least two years and used five different bank accounts to disguise the activity. The individual operated like a traditional hawala system in that not all money received was sent to the foreign country. Instead, some funds were kept to distribute to recipients of transmittal orders that had been placed in the foreign country. The individual pleaded guilty at the end of 2005 to operating an illegal money transmission business and other violations of the banking regulation.

In all three cases, the operators of the unlicensed money remitters failed to comply with state and federal laws designed to prevent money laundering. They did not check the identity of clients sending or receiving money, did not complete or file required BSA forms, nor did they screen the clients against the Office of Foreign Assets Control list of known terrorists and drug traffickers. The investigations all began with a single proactive BSA query of SARs.

(Investigating Agency: State District Attorney)

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