

Suspicious Activity Reports Help Unravel Complex Fraudulent Banking Scheme

Information from SARs helped unravel a complex fraudulent banking scheme in which victims lost thousands of dollars to fake investments and a multinational financial institution had its identity stolen.

The scheme to defraud investors allegedly started in late 2002, when an individual devised a plan to gain money from prospective investors by posing as an executive and owner of a bank on the West Coast who was about to purchase a small legitimate state-chartered, Federal Deposit Insurance Corporation-insured bank. The subject falsified official documents to support the claim. The subject also counterfeited documents that would indicate to an investor an established banking relationship with a multinational bank. In essence, the subject stole the identity of the legitimate bank.

The subject would ask prospective investors to wire money to the subject's bank. In return, the subject promised to issue certificates of deposit to show that the investments were secure. The subject obtained promises for investments of over several million dollars in the subject's so-called bank. The subject targeted very sophisticated investors and certificate of deposit brokers, and victims included a municipal government and a large credit union. Apparently, the low rate of return on the certificates of deposit was within reasonable market rates and did not immediately raise any red flags with the investors.

However, soon after investors wired over half a million dollars to the subject's account, one of the investors became suspicious and notified the FBI. Other investors, including the multinational bank, also became suspicious of the bank and its backers, and began conducting investigations. Because of the numerous inquiries, the multinational bank became aware of the false documents and filed SARs on the subject. The multinational bank received several complaints from the defrauded investors, suggesting the multinational bank had defrauded the investors when, in fact, it was itself a victim of the fraudulent scheme.

The FBI opened an investigation of the subject and retrieved BSA documents related to him, including SARs and CTRs. The SARs revealed the complexity of the case by describing forged documents and falsified bank guarantees. While the agents were aware of the subject's scheme to defraud investors, they were unaware of the threat posed to the banking system caused when the subject assumed the identity of a bank. Information in the SARs eventually caused prosecutors to call on the affected bank's BSA compliance officer to testify at the trial on the events that caused the bank to file the reports.

It was discovered that during the scheme, the subject spent nearly \$100,000 for a lawyer, broker, and other expenses. Prosecutors stated that they believed the subject was going to use nearly \$1,000,000 of the illicitly-gained funds for the cash purchase of a home. The victims of this scheme included a church for which the defendant had promised to help secure financing for a project. The defendant also is associated with an Internet business that appears to be a pyramid scheme. Several victims have been identified and state officials are continuing to investigate this get-rich-quick scheme.

The subject was arrested and eventually convicted on 12 counts of wire fraud. The subject was released on bond pending sentencing. However, this did not hinder the subject's criminal activity. While free on bail awaiting trial, the subject lived an extravagant lifestyle beyond the subject's means and allegedly engaged in fraudulent activities and identity theft.

The government moved to revoke bond on probable cause of these additional crimes. The subject was arrested again and sentenced to five years in prison and ordered to pay nearly \$100,000 in restitution to the victims.

(Investigating Agency: Federal Bureau of Investigation)

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