

2015 Bank Secrecy Act Conference

June 18th, 2015
6:30 a.m. - Registration
7 - 5:15 p.m. - Conference

Paris Hotel & Casino
Las Vegas, NV



7 CLE Hours

3100 W. Charleston Blvd. Las Vegas, NV 89102 702-382-2200

9456 Double R Blvd. Suite B Reno, NV 89521 775-329-4100

COMPLIANCE

2015 BSA Conference

Thursday, June 18, 2015

Paris Hotel and Casino (Las Vegas, Nevada)



INTERNATIONAL
GAMING INSTITUTE
WILLIAM F. HARRAH COLLEGE OF HOTEL ADMINISTRATION



AMERICAN
GAMING
ASSOCIATION



CASINO ESSENTIALS
Customized Online Title 31 Training
Programs for Casinos



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Presented by the State Bar of Nevada Gaming Law Section

Agenda

- 7:00-8:30 a.m. BSA 101 Breakfast**
- Kevin Rosenberg, General Counsel, Goldberg, Lowenstein & Weatherwax, LLP (Los Angeles, CA)
 - Jeffrey Setness, Esq., Shareholder, Fabian & Clendenin, P.C. (Las Vegas, NV)
- 8:30-9:00 a.m. Networking Break**
- 9:00-9:15 a.m. Opening Remarks & Introduction of Keynote Speaker**
- Geoff Freeman, President & CEO, American Gaming Association (Washington, DC)
- 9:15-9:45 a.m. Keynote Opening Address**
- Stephanie Brooker, Director, Enforcement Division, FinCEN (Washington, DC)
- 9:45-10:00 a.m. Networking Break**
- 10:00-11:00 a.m. Wish List of BSA Changes to Benefit Gaming Industry and Government**
- Kevin Rosenberg, General Counsel, Goldberg, Lowenstein & Weatherwax, LLP (Los Angeles, CA) ~ Moderator
 - Donna Lindsey, Director, Financial Investigations, MGM Resorts International (Las Vegas, NV)
 - Michelle Stevenson, CCEP, Compliance Manager, M Resort (Las Vegas, NV)
- 11:00-11:15 a.m. Networking Break**
- 11:15-12:15 p.m. Gaming Industry Best Practices**
- Elizabeth Cronan, Senior Director, Gaming Policy, American Gaming Association (Washington, DC) ~ Moderator
 - Jim Baldacci, Deputy Chief Compliance Officer, Penn National Gaming (Wyomissing, PA)
 - Katrina A. Carroll, Counsel, WilmerHale (Washington, DC)
 - Elizabeth Tranchina, Vice President, Legal Affairs, Isle of Capri Casinos, Inc. (St. Louis, MO)
- 12:15-1:45 p.m. Lunch with Keynote Speaker**
- M. Kendall Day, Chief, Asset Forfeiture & Money Laundering Section - U.S. Department of Justice (Washington, DC)
- 1:45-2:45 p.m. Know Your Customer Expectations and Vetting High Rollers**
- Paul Camacho, CPA, Vice President of AML Compliance, Station Casinos, LLC (Las Vegas, NV)
 - Gregory Lisa, Chief - Money Services Businesses & Casinos Section, Enforcement Div., FinCEN (Washington, DC)
 - Jonathan Solomon, Senior VP & Global Chief Compliance Officer, Las Vegas Sands Corporation (Las Vegas, NV)
- 2:45-3:00 p.m. Networking Break**
- 3:00-4:00 p.m. What to Expect in a BSA Audit: How to Prepare?**
- Jim Dowling, Dowling Advisory Group (Pasadena, CA) ~ Moderator
 - Fran Gates, Regional Compliance Manager, Penn National Gaming (Biloxi, MS)
 - Eleanor Gonzales, Compliance Officer/Cage Manager, Hustler Casino (Gardenia, CA)
 - Peggy Jacobs, Vice President of Gaming Compliance, MGM Resorts International (Las Vegas, NV)
- 4:00-4:15 p.m. Networking Break**
- 4:15-5:15 p.m. Hot Topics in IRS Examinations**
- Jason Carmen, IRS, BSA Casino Group Manager (Las Vegas, NV)
 - Gregory Lisa, Chief - Money Services Businesses & Casinos Section, Enforcement Div., FinCEN (Washington, DC)

JIM BALDACCI

Deputy Chief Compliance Officer Penn National Gaming, Inc.

Jim Baldacci is the Deputy Chief Compliance Officer for Penn National Gaming, Inc., which owns or operates 25 casino and racetrack properties in 18 different jurisdictions in the US and Canada. In his compliance roll he helps oversee the company's regulatory affairs and has primary corporate responsibility for the company's AML/Title 31 and responsible gaming programs. He has worked in the casino industry for over 20 years primarily in Compliance and Casino Marketing. Mr. Baldacci has a bachelor's degree in Business Management from Southern Illinois University and an MBA from the University of Illinois.



STEPHANIE BROOKER

Director, Enforcement Division FinCEN

Stephanie Brooker is the Director of FinCEN's Enforcement Division. Stephanie previously served as FinCEN's Chief of Staff. Before joining FinCEN, Stephanie served as the Chief of the Asset Forfeiture and Money Laundering Section at the U.S. Attorney's Office for the District of Columbia. The U.S. Attorney selected Stephanie as the first chief of that newly created section, and Stephanie designed and implemented the section's enforcement program. As an Assistant United States Attorney, Stephanie investigated and prosecuted a wide range of cases in both the U.S. District Court for the District of Columbia and in D.C. Superior Court, including cases involving Bank Secrecy Act violations, money laundering, fraud, bank robbery, narcotics and firearms trafficking, child pornography, child abuse, and sexual assaults. Following law school, Stephanie joined the law firm of Hogan and Hartson as an Associate in the Appellate Practice Group. She then clerked for the Honorable James Robertson, U.S. District Court for the District of Columbia, and for the Honorable Diana Gribbon Motz, U.S. Court of Appeals for the Fourth Circuit. Following her clerkships, Stephanie returned to Hogan and Hartson as an Associate. Stephanie earned her Juris Doctorate degree, magna cum laude, from the Georgetown University Law Center.



PAUL CAMACHO, CPA

Vice President of AML Compliance Station Casinos, LLC

Paul Camacho is the Vice President of AML Compliance for Station Casinos. Paul previously served as the Special Agent in Charge for the Las Vegas Field Office of IRS Criminal Investigation. Paul has overseen sophisticated financial investigations involving abusive tax schemes, offshore banking, high dollar ponzi and investment fraud, embezzlement, internet fraud, military contract fraud, identify theft, mortgage fraud, money laundering, organized crime groups, illegal gambling operations, human trafficking, drug trade organizations, political corruption, sovereign citizens and terrorism financing. The aggregate dollar value of these investigations exceeds well over a billion dollars. Paul is a Certified Public Accountant and a graduate of California State University East Bay.

JASON CARMEN

BSA Group Manager IRS

Jason Carmen began working for I.R.S. BSA Casino Group in August 2007 and became manager in July 2009. He is responsible for all Nevada and Atlantic City casinos but as needed his group performs exams on tribal casinos, card clubs, and commercial casinos in other jurisdictions. Before coming to the I.R.S., Jason worked 10 years as a senior examiner for the Nevada Gaming Control Board. Jason has a B.S. in Accountancy and an M.B.A. from the University of Nevada, Las Vegas.



KATRINA A. CARROL

Counsel WilmerHale

Katrina Carroll is a counsel in WilmerHale's Washington office, focusing on anti-money laundering, financial sanctions and other illicit finance issues. She provides ongoing counseling, works on civil and criminal investigations, and advises on transactions involving sanctions and other regulatory issues. Katrina also serves as external counsel to two trade associations with regard to anti-money laundering and sanctions. Prior to joining the firm, Katrina spent nearly a decade working on these issues in the federal government. Most recently, she worked in Treasury's Office of Terrorist Financing and Financial Crimes, where she worked closely with the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Assets Control (OFAC), the Department of Justice and other government agencies on policy responses to threats to the international financial system. Katrina also served as senior counsel in Treasury's Office of the Assistant Counsel for Enforcement and Intelligence. Before Treasury, Katrina was senior counsel for anti-money laundering in the Office of Compliance Inspections and Examinations (OCIE) at the Securities and Exchange Commission.



ELIZABETH CRONAN

Senior Director, Gaming Policy American Gaming Association

Elizabeth Cronan serves as the Senior Director of Gaming Policy for the American Gaming Association (AGA), where she is tasked with managing the AGA's policy and regulatory affairs agenda. Elizabeth previously was Director of Global Government Relations and Public Affairs at International Game Technology (IGT). Prior to joining IGT, Elizabeth was head of the U.S. Legal and Research Division for Gambling Compliance, a business intelligence provider based in London and Washington, D.C. While at Gambling Compliance, she was charged with establishing the company's D.C. office and was a member of the company's executive management team. Elizabeth has also served as an Advisor to the Board of GeoComply, a geo-location technology provider, where she was responsible for government relations and strategic communications. Elizabeth is a graduate of the College of St. Benedict – St. John's University and William Mitchell College of Law, and was admitted to the Minnesota Bar in 2008. Elizabeth is also a member of the American Bar Association.



M. KENDALL DAY

Chief, Asset Forfeiture & Money Laundering Section U.S. Department of Justice

In March 2015, M. Kendall Day was appointed Chief of the Asset Forfeiture and Money Laundering Section (AFMLS). Kendall first joined AFMLS in April 2013 as the Principal Deputy Chief, and during his time in the section Kendall has supervised ground-breaking criminal cases, including the guilty plea by BNP Paribas in June 2014 for violations of U.S. economic sanctions, resulting in more than \$8.9 billion in criminal penalties. Kendall joined the Department of Justice through the Honors Program in the Tax Division in 2003. He then served as a trial attorney and later Deputy Chief in the Criminal Division's Public Integrity Section. During his tenure at the Public Integrity Section, Kendall prosecuted and tried some of the Criminal Division's most challenging cases, including the prosecutions of Jack Abramoff, a Member of Congress and several chiefs of staff, a state court judge, and other elected local officials. Kendall also served overseas as the Division's Anti-Corruption Resident Legal Advisor in Serbia, where he mentored veteran organized crime prosecutors and drafted a criminal procedure code. For his work, Kendall has received a number of awards, including the Attorney General's Award for Distinguished Service, the Assistant Attorney General's Award for Exceptional Service, and the Assistant Attorney General's Award for Ensuring the Integrity of Government. Kendall clerked for U.S. District Judge Benson E. Legg in the District of Maryland. He earned his J.D. from the University of Virginia in 2002, and his B.A. from the University of Kansas in 1999.



JIM DOWLING
Managing Director
Dowling Advisory Group

Jim Dowling has more than 30 years of experience in the areas of anti-money laundering (AML) and risk management. He was a Special Agent with the IRS Criminal Division and a Managing Director at a “Big Four” accounting firm. Jim also served as the Anti-Money Laundering Advisor for the White House Drug Policy Office and was a member of FinCEN’s Bank Secrecy Act Advisory Group. The Dowling Advisory Group provides casinos with expertise in conducting Independent Testing of Title 31 programs, Risk Assessments and related programs.



GEOFF FREEMAN
President and Chief Executive Officer
American Gaming Association

Geoff Freeman is president and CEO of the American Gaming Association (AGA). In his role as chief executive of the AGA, Geoff is the leading advocate for the casino gaming industry and is responsible for positioning the association to address regulatory, political and educational challenges and opportunities. Prior to joining the AGA, Geoff was chief operating officer and executive vice president for the U.S. Travel Association, the nation’s leading voice for increasing travel to and within the United States. Under his strategic leadership, the travel industry enacted the Travel Promotion Act, derailed an assault on corporate meetings and events, and began the march to building an army of one million employee activists. During his tenure, U.S. Travel doubled its resources. Previously, Geoff was the Director of Government Relations and Strategic Outreach for Freddie Mac and Director of Strategic Initiatives for the American Association of Health Plans, the leading representative of the managed care industry. Geoff is a graduate of the University of California, Berkeley. He resides in Arlington, Virginia with his wife and three children.



FRAN GATES
Regional Compliance Manager
Penn National Gaming, Inc.

Fran Gates is the Regional Compliance Manager for the three Mississippi casino properties owned by parent company Penn National Gaming Inc. In her capacity as Regional Compliance Manager she provides direct oversight of regulatory and Title 31 compliance for Hollywood Casino Tunica, Hollywood Casino Gulf Coast and Boomtown Casino Biloxi in which is contributed to over 22 years of gaming experience. During her tenure at Penn, two properties under Fran’s leadership have undergone rigorous Title 31 testing by IRS auditors with minimal findings. Fran holds a Bachelor’s Degree in Sociology from Alcorn State University.



ELEANOR GONZALES
Compliance Officer/ Cage Manager
Hustler Casino

Eleanor Gonzales is the Compliance Officer/Cage Manager at Hustler Casino in Gardena, California. Based on her 30 years of casino experience, she was appointed compliance officer in 2009. Since accepting the position, Eleanor has served a key role in developing and implementing BSA/AML and MTL Automation, as well as data analytic automation for Hustler Casino. Her responsibilities include direct overseeing and reviewing Title 31 compliance procedures and policies, and constant testing to ensure the effectiveness of the program. Most importantly, under her leadership, Hustler Casino has responded to multiple Title 31 examinations by the IRS with minimal findings.



PEGGY JACOBS

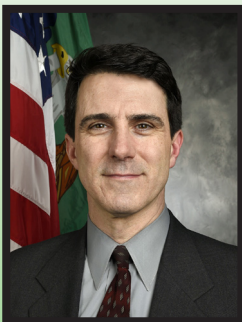
Vice President - Gaming Compliance MGM Resorts International

Peggy Jacobs Vice President – Gaming Compliance of MGM Resorts International, and serves as compliance officer for the company’s 10 strip properties. Peggy joined the MGM Resorts International Corporate Compliance team in 2011. It is in this role that she consolidated the Title 31 audit functions into one central location. She has also spearheaded the creating of a Financial Investigations Department, which is primarily responsible KYC and SAR related detection and reporting. Most recently, she played an active role in the AGA’s effort to create policies and guidelines in order for the gaming industry to more effectively comply with requirements of the Bank Secrecy Act (BSA). She served as a consultant for UNLV’s International Gaming Institute, and serves on the College of Southern Nevada’s Advisory Board. In May, 2010 Ms. Jacobs co-authored with MGM Grand’s Senior Vice President and General Counsel, “Anti-Money Laundering (AML) Programs and Nevada’s Casino Industry,” an article which appeared in the Financial Crimes Enforcement Network’s SAR Activity Review publication. Peggy earned a Bachelor’s degree in Management from Bellevue University.

DONNA LINDSEY

Director, Financial Investigations MGM Resorts International

Primary responsibility includes oversight of the Financial Investigations department including Suspicious Activity Reporting is to investigate, research and analyze financial transactions and customer data across all lines of business for possible suspicious activity, money laundering and/or violations of Title 31 regulations. Analyze transactions utilizing internal and external systems and tools for KYC and CDD. Partner and communicate with departments in the organization to gather information and develop comprehensive investigations. Act as a front line resource for the business groups and escalation point regarding suspicious activity/anti-money laundering matters.



GREGORY LISA

Chief - Money Services Businesses & Casinos Section, Enforcement Division FinCEN

Greg Lisa is the Chief of the Money Services Businesses and Casinos Section within FinCEN’s Enforcement Division, where he oversees an enforcement staff responsible for ensuring compliance with the Bank Secrecy Act and its implementing regulations. Prior to joining FinCEN, Greg served in the Office of Enforcement at the Consumer Financial Protection Bureau (CFPB), initially helping to “stand up” the Bureau’s enforcement program, and then later as an Enforcement Attorney, where he investigated and brought civil enforcement actions against individuals and companies for a variety of federal consumer law offenses. Before working for the CFPB, Greg served in the U.S. Department of Justice, first as an attorney in the Civil Division, and subsequently in the Criminal Division as a federal prosecutor in the Organized Crime and Racketeering Section, where he investigated and prosecuted money laundering, RICO violations, violent crimes, fraud, and other federal offenses. Greg earned his bachelor’s degree, cum laude, from Georgetown University, and an M.A., cum laude, in Religious Studies from the University of Pennsylvania. After graduate school, he obtained his J.D., cum laude, from the Georgetown University Law Center, where he also served as an Articles Editor for The Georgetown Law Journal. After law school, Greg clerked for the Honorable Michael W. Farrell of the District of Columbia Court of Appeals. Following his clerkship, he joined the D.C. office of Jenner & Block, LLP as an Associate, working on a variety of regulatory, pretrial, trial, and appellate matters.



KEVIN ROSENBERG

General Counsel

Goldberg, Lowenstein, and Weatherwax

Kevin is the Chair of the Government Investigations and White Collar Litigation Group at the Los Angeles law firm of Lowenstein & Weatherwax, where his practice includes AML, BSA, and casino compliance. Kevin is a frequent presenter at national financial crime, money laundering, Bank Secrecy Act, and Title 31 conferences. Before joining L & W, Kevin served as federal prosecutor in Los Angeles for over 13 years. As a Deputy Chief in the Organized Crime Drug Enforcement Task Force, Kevin prosecuted domestic and international money laundering, bank fraud and related financial crimes, and violations of the Controlled Substances and RICO Acts. During his career, Kevin has tried over 50 cases and directed dozens of federal criminal grand jury investigations. Kevin was the lead prosecutor in the watershed BSA investigation/settlement involving the Las Vegas Sands Corp, which resulted in the company returning over \$47,000,000 to the government and making significant changes to its compliance programs related to its failure to file timely and appropriate SARs. Kevin began his career by serving in the U.S. Navy Judge Advocate General's Corps for nearly six years, which included assignments as an Appellate Government Counsel and Defense Attorney.



JEFFREY B. SETNESS

Shareholder

Fabian & Clendenin, P.C.

Jeffrey B. Setness is a shareholder with the law firm of Fabian & Clendenin, P.C. whose practice focuses in the areas of white-collar and criminal tax defense, civil tax litigation, representation before the Internal Revenue Service, and corporate investigations and corporate compliance. Prior to entering private practice, Jeff was a Trial Attorney with the Criminal Section of the Tax Division of the U.S. Department of Justice (DOJ Tax) in Washington, D.C. and later served as an Assistant United States Attorney (AUSA) with the United States Attorney's Office in Las Vegas and Reno. As a federal prosecutor, Jeff investigated and prosecuted a wide variety of federal criminal offenses including the currency structuring case of United States vs. Ratzlaf which was eventually heard by the United States Supreme Court. In addition to his white-collar criminal defense and tax practice, Jeff is a Certified Anti-Money Laundering Specialist (CAMS) and frequent speaker on Anti-Money Laundering (AML) Compliance.



MICHELLE STEVENSON

CCEP, Compliance Manager

M Resort

Michelle is the Compliance Manager at Penn National Gaming, Inc. for the M Resort Spa Casino in Las Vegas, NV responsible for the AML program and overall casino compliance. Michelle has 20+ years' experience in the gaming industry, previously holding positions with William Hill US as Director of Financial Compliance where she was responsible for the daily BSA/AML program at over 100 locations, with Tropicana Entertainment as the Director of Compliance and an extensive career in the legal field as a corporate/gaming law paralegal in Biloxi, Mississippi. Michelle began her career in the legal field assisting casino clients with construction and contract litigation, licensure, development and zoning, developing compliance programs and working directly with gaming officials to implement corporate compliance charters. While in Biloxi, Michelle had her feet on the ground four days after Hurricane Katrina assisting with the clean up of a casino client's property where it was the first to re-open its doors after the storm. Michelle possesses an in-depth knowledge of business management principles and is recognized for being proactive to developments in the compliance regulatory environment, specializing in anti-money laundering regulations. Michelle holds a Bachelor of Arts degree in Social Sciences from Tulane University and will graduate with a Masters of Business Administration concentrating in general management and finance from Devry University's Keller Graduate School of Management in August 2015. She is also a Certified Compliance and Ethics Professional. She was also a panelist at the 7th Annual Title 31, Suspicious Activity & Risk Assessment Conference in 2014.



JONATHAN I. SOLOMON

**Senior Vice President & Global Chief Compliance Officer
Las Vegas Sands Corp.**

Jon is the Senior Vice President & Global Chief Compliance Officer for Las Vegas Sands Corp. (LVSC). He joined LVSC in January 2013. Prior to LVSC, Jon was the Managing Director & Global Chief Security Officer for Barclays, Corporate and Investment Banking and Wealth and Investment Management beginning in August 2009. Prior to Barclays, Jon retired from the Federal Bureau of Investigation (FBI) after a 26 year career as an FBI Agent. During his FBI career, Jon served as an Executive Assistant Director at FBIHQ, the Special Agent-in-Charge of the Miami Field Office and on the staff of the former FBI Director. In 2006, Jon received the Presidential Rank Award for Distinguished Service (the Nation's highest civil service award). He received his Juris Doctor degree from the University of Buffalo, State University of New York.



ELIZABETH TRANCHINA

**Vice President of Legal Affairs
Isle of Capri Casinos, Inc.**

Elizabeth Tranchina returned to Isle of Capri Casinos Inc. in January 2013 as vice president of legal affairs after having held various positions with increasing levels of responsibility within the legal department from October 2002 through July 2010. Shortly after returning, she was named corporate compliance officer. From August 2010 to January 2013 she served as vice president of legal affairs, corporate compliance officer with Peninsula Gaming. With approximately 15 years of experience in the gaming industry, Elizabeth began her legal career as an Assistant Attorney General with the Louisiana Department of Justice, Gaming Division. As an Assistant Attorney General, she provided legal counsel to the Louisiana State Police Casino Gaming Division and the Louisiana Gaming Control Board. Elizabeth has experience with gaming regulatory matters in Louisiana, Mississippi, Missouri, Iowa, Kansas, Colorado, Florida, Pennsylvania, Nevada and the Bahamas. Elizabeth holds a bachelor's degree from Louisiana State University and a Juris Doctorate from Southern University Law Center. She is a member of the American Gaming Association's Bank Secrecy Act working group responsible for the development of the American Gaming Association's "Best Practices for Anti-Money Laundering Compliance". She is a member of the International Association of Gaming Advisors, the Association of Corporate Counsel and serves on the Global Gaming Women Mentorship Committee.



AMERICAN
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ASSOCIATION

Geoff Freeman

President and CEO



Bank Secrecy Act Working Group

Michelle Rasmusson - Boyd Gaming

Hugh Turner - Borgata Hotel Casino

Patricia Morelli - CG Technology

Quinton Singleton - CG Technology

Rebecca Reed - Churchill Downs

Kacy Drury - Global Cash Access

Elizabeth Tranchina - Isle of Capri Casinos

Jonathan Soloman - Las Vegas Sands

Norman Richardson - Las Vegas Sands

Macaire Moran - Las Vegas Sands

Josh Smith - MGM Resorts International

Peggy Jacobs - MGM Resorts International

Tom Peterman - MGM Resorts International

Jim Baldacci - Penn National Gaming

Walter Stowe - Pinnacle Entertainment

Andrew Findlay - Station Casinos

Paul Camacho - Station Casinos

Bill Young - Station Casinos

Lari Ware - William Hill

Raquel Shingleton - William Hill US

Kevin Tourek - Wynn Resorts

Larry Whelan - Wynn Resorts





2015 BSA CONFERENCE

BSA 101

Jeffrey B. Setness
Fabian and Clendenin, P.C.

Kevin Rosenberg
Lowenstein & Weatherwax, LLP

Why Casinos Must Deal With BSA

- Currency & Foreign Transactions Reporting Act of 1970 (aka, the BSA) requires U.S. financial institutions to assist U.S. government agencies to detect and prevent money laundering
- **Financial institutions include: casinos; card clubs;** banks; credit unions; foreign bank branches/agencies; insurance companies; travel agencies; car, boat, or airplane dealers; securities brokers or dealers; money services businesses; jewelers; pawnbrokers; and futures or commodities brokers

Casino AML Program Requirements

******31 CFR §1021.210(b)(2)(i) – (v)***

1. System of internal controls to assure ongoing compliance
2. **Internal and/or external independent testing for compliance**
3. Training of casino personnel
4. **Individual or individuals to assure day-to-day compliance**
5. Procedures for using all available information
6. **The use of automated programs to aid in assuring compliance**

FinCEN Advisory – August 11, 2014

“Culture of Compliance” – Strengthen AML/BSA

1. Leadership actively involved – understand purpose and how reporting used
2. **Revenue interest not compromising compliance**
3. Relevant info shared across departments
4. **Adequate resources to compliance**
5. Independent, qualified, unbiased, and conflict-free testing

Money Laundering Crimes

- Money Laundering Control Act (1986) at 18 U.S.C. §§ 1956 and 1957, provided law enforcement new weapons to combat drug trafficking
- **Two basic categories of crimes:**
 - Failure to comply with reporting requirements
 - Engaging in certain transactions that help criminals launder funds.

Money Laundering Crimes (Reporting)

- **CTR:** each deposit, withdrawal, exchange of currency or other payment of currency more than \$10,000 by, through, or to the financial institution.
- **Form 8300:** any transaction for more than \$10,000 in “coin or currency,” of the U.S. or another country.
- **Structuring:** crime to breaking up transactions to avoid reporting requirements
- **Suspicious Activity Report**

Money Laundering Crimes (Reporting)

- MUST file SAR for transactions knows, suspects, or have reason to suspect:
 - (1) involved funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity;
 - (2) were designed to evade the reporting/recordkeeping requirements of the BSA; or

Money Laundering Crimes (Reporting)

- MUST file SAR for transactions knows, suspects, or have reason to suspect:
 - (3) had no business or apparent lawful purpose or was not the sort in which the particular customer would normally be expected to engage, AND institution knew of no reasonable explanation for the transaction after examining the available facts.
- Casinos must also file SARs for transactions it knows, suspects, or has reason to suspect “involved use of the casino to facilitate criminal activity.”

Money Laundering Crimes (Act)

- Criminalizes individual and company actions involving funds from “specified unlawful activity.”
- **Nearly 200 different federal offenses are SUAs**
 - Federal health care offenses; certain controlled substances crimes; Bk fraud; bribery of public officials or witnesses; smuggling goods into the U.S.; unlawful firearms importation; bank fraud; racketeering; mail theft; interstate transportation of stolen property; financing terrorism; smuggling or export control violations; and wire fraud.

Money Laundering Crimes (Act)

- Money laundering occurring by way of:
 - (1) financial transaction intending or designed to promote an SUA, conceal the nature, location, source, ownership, or control of SUA proceeds, avoid reporting requirements, or evade taxes;
 - (2) an international financial transaction intended to promote an SUA, conceal the nature, location, source, ownership, or control of SUA proceeds, or avoid reporting requirement;

Money Laundering Crimes (Act)

- Money laundering occurring by way of:
 - (3) a government sting operation involving a financial transaction or attempted financial transaction with property represented to be the proceeds of an SUA with the intent to intended to promote an SUA, conceal the nature, location, source, ownership, or control of SUA proceeds, or avoid reporting requirement; or
 - (4) conspiracies to commit the same.

Money Laundering Crimes (Act)

- Financial transactions = transactions
 - “which in any way or degree affects interstate or foreign commerce involving the movement of funds by wire or other means or involving one or more monetary instruments ...
 - or a transaction involving the use of a financial institution which is engaged in, or the activities of which affect, interstate or foreign commerce in any way or degree.”

Money Laundering Crimes (Act)

- Knowingly attempting to or actually engaging in monetary transaction involving over \$10,000 of criminally derived property by or through a fin inst.
- Monetary transaction = “deposit, withdrawal, transfer, or exchange, in or affecting interstate commerce, of funds or a monetary instrument by, through, or to a financial institution.”
- Dfdt need only know “it was the product of *some* illegal activity.

POTENTIAL CRIMINAL EXPOSURE (Corporate and Individual)

- Aiding and Abetting ML Conspiracy
- Substantive ML/ML Conspiracy
- Engaging in Monetary Transactions with Property Derived from SUA
- Failure to File SARCs
- Failure to Maintain Adequate AML
- Criminal Forfeiture

Money Laundering Crimes ***(What Does This Really look Like)***

- Money laundering alive and well globally.
- A 2014 State Department report:
 - 66 countries, including the United States, Afghanistan, Iran, Iraq, Mexico, China, Japan, Israel, Canada, and the United Kingdom, as a “primary concern” for money laundering
 - 69 countries as a concern” for money laundering
- Oct. 2014 GTO: 2,000 businesses L.A. Fashion Dist.
- Apr. 2015 GTO: 700 businesses in Miami.

Money Laundering Crimes ***(Three Steps of Money Laundering)***

First Step – Placement

Cash derived from illegal activity is introduced into the financial system.

Second Step – Layering

The money is then moved from financial institution to financial institution and from account to account to make it difficult to trace.

Third and Step – Integration

Finally, the money is integrated into the financial system through a series of additional transactions until it has the appearance of being the proceeds of legitimate activities.

Money Laundering Crimes ***(What Does This Really look Like – con't)***

- Your casino, hotel, or travel agent customer/patron wire transfers large amounts of funds to pay for services or put on account, but the money comes from originators you cannot link to the customer/patron.
- That same customer's wires come from businesses, cities, or countries to which he has no visible link.
- That customer also breaks up his wire transfers into numerous smaller transfers.

<http://www.nytimes.com/2013/08/28/us/lasvegas-casino-settles-in-money-laundering-inquiry.html>

Money Laundering Crimes ***(What Does This Really look Like – con't)***

- You bank a judge who makes many large, round-dollar transactions, often occurring on a single day, and has an abnormal volume of activity compared to account balances.

http://www.fincen.gov/news_room/nr/pdf/20150227.pdf (reporting \$1.5 million penalty against bank for failing to report suspicious activity tied to judicial corruption)

Money Laundering Crimes ***(What Does This Really look Like – con't)***

- You operate a check cashing business that accepts hundreds of thousands of dollars a month in personal checks made out to a wildly popular family restaurant and bar in a Los Angeles suburb.
- How about your bank provides accounts for that same restaurant and accepts those same checks as deposits.

<http://nj.gov/oag/newsreleases14/pr20141021b.html>

Money Laundering Crimes ***(What Does This Really look Like – con't)***

- Casino patron feeds thousands of dollars in \$100, \$50, or \$20 bills into slot machine only to quickly cash out with just a few plays.

<http://www.wlky.com/news/men-wanted-in-connection-with-money-laundering-at-horseshoecasino/27305924>

- Jewelry store customer who operates health care clinics buys \$60,000 platinum and diamond ring.

<http://www.justice.gov/opa/pr/bioscan-principal-pleads-guilty-multi-million-dollar-health-care-fraud-and-money-laundering>

RISK ASSESSMENTS

“[t]he casino industry is vulnerable . . . because casinos engage in a fast-paced cash intensive business and can provide their customers with **financial services nearly identical to those generally provided by depository institutions.**”

FinCEN - 59 Federal Register 61660 - 61662 (Dec. 1, 1994)

Risk Assessing = Risk of Being Exploited for Illegality

RISK ASSESSMENTS (con't)

“The scope and frequency of the testing **shall be commensurate with the money laundering and terrorist financing risks posed** by the products and services provided by the casino”

31 C.F.R. §1010.210(b)(2)(ii)

RISK ASSESSMENTS (con't)

“Casinos are required to implement **risk-based** anti-money laundering programs . . .”

FinCEN Guidance – FIN-2008-GOO7 – August 1, 2008

“A casino . . . is required to develop and implement a **bsa compliance program that adequately addresses the risks posed by its products, services, customer base, and geographical location . . .**”

FinCEN Guidance – FIN-2010-GOO3 – June 30, 2010

RISK ASSESSMENTS (con't)

32 “General Business Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

1. Overall physical layout of gambling establishment
2. **Types of gambling offered (table or ard games, slots, sports book, pari-mutuel wagering on horse or dog races);**
3. Types of specific games offered;
4. **Types of financial services offered at the cage** (e.g., deposit accounts, credit/marker accounts, account access cards, check cashing accounts, currency exchange services), **any limitations on financial services, and other types of payment methods accepted** (e.g., credit cards, debit instruments, wire transfers);

RISK ASSESSMENTS (con't)

32 “General Business Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

5. Types of negotiable instruments accepted for cashing, credit, deposit, and purchase of gaming instruments
6. Business and personal check cashing dollar limits; Whether customers can wire funds domestically or internationally through a domestic depository institution for deposit or payment of markers into their personal casino accounts;
7. Whether a third-party contractor provides check cashing or money transmitting for customers on the premises;

RISK ASSESSMENTS (con't)

32 “General Business Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

8. Whether a third-party contractor provides race and sports book wagering within a casino, and the extent to which a casino conducts such customer transactions on behalf of a third-party contractor;
9. Types of financial transactions that a casino "host" can conduct on behalf of customers;
10. Whether customers are allowed to conduct transactions through chip runners and the types of transactions that can be conducted;
11. Whether the casino or card club is located in a High Intensity Financial Crime Area or a High Intensity Drug Trafficking Area

RISK ASSESSMENTS (con't)

32 “General Business Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

12. Proximity of property to a town or city center, or in a more remote location; near a U.S. land border crossing; or near interstates;
13. Business clientele model and profile (what is combination of number of customers and relative amount they gamble);
14. Customer base (number of accountholders versus estimated number of non-accountholders, organized casino tours/junkets, estimated number of local customers versus estimated number of travelers or tourists).

RISK ASSESSMENTS (con't)

16 “Customer Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

1. Higher risks based on type of account, account activity, types of products and services used, location, or player ratings, etc.;
2. Customers that engage in a relatively high level of spending;
3. Customers engaged in high value gambling that are inconsistent with a casino or card club's information about levels or sources of assets or incomes, or inconsistent with information about occupations in casino credit/marker account records (*e.g.*, credit/marker applications) or other records;
4. Customers using deposit accounts for non-gambling purposes;

RISK ASSESSMENTS (con't)

16 “Customer Risk Indicators” To Identify

FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

5. Customers observed borrowing money from non-conventional sources, including other customers;
6. Customers conducting transfers of significant or unusual amounts of funds through depository institutions;
7. Customers using domestic or international money orders in amounts just below the threshold for recordkeeping requirements, traveler's checks denominated in foreign currency, domestic wire transfers in amounts just below the threshold for recordkeeping requirements, debit cards, and prepaid access (stored value) cards either in significant numbers or with significant total monetary value;

RISK ASSESSMENTS (con't)

16 “Customer Risk Indicators” To Identify

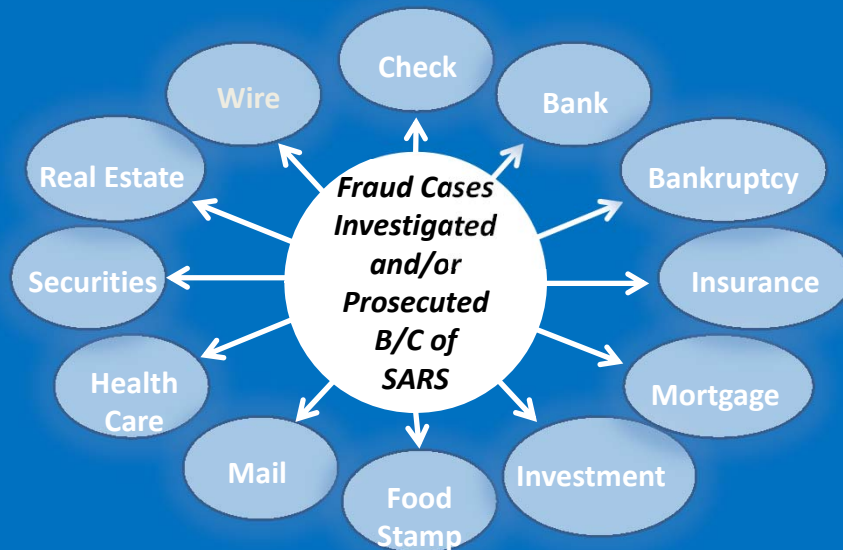
FinCEN Guidance - Fin-2010-G0002 –June 30, 2010

8. Customers conducting large transactions with minimal casino play;
9. Periodic review of FinCEN Form 102, Suspicious Activity Report by Casinos and Card Clubs ("SARCs") filed that are based on direct observation of customer activity and review of customer records;
10. Dollar value of intercompany transfers of funds from customers' accounts for front money deposit or marker redemption conducted between casinos in the United States and their affiliated casinos located in other countries.

**Dec. 2003 FinCEN Guidance:
Casino Suspicious Activity Reporting Guidance**

- **Must at “*minimum... have . . . a system of internal controls reasonably designed to prevent money laundering*”**
- **Casino required to use *ALL AVAILABLE* information to engage in due diligence designed to prevent money laundering**

SUSPICIOUS ACTIVITY REPORTS



Dec. 2003 FinCEN Guidance (con't)

What “makes a transaction suspicious”

- **Must file SAR if ‘know, suspect or have reason to suspect’ an activity or transaction is suspicious.**
- Proof of illegality/forming legal opinion not required.
- **Appropriate govt agencies responsibility to analyze SARs to investigate possible violations of the law.**

*****DOESN'T MEAN CASINO CAN'T TAKE THE MONEY*****

Some SAR Warning Signs

1. Successive deposits of cash in amounts less than \$10,000 over a period of days, weeks and/or months
2. **Customer is unable or unwilling to provide the information and documentation requested by the bank**
3. Customer's deposits are inconsistent with type of business or employment claimed by customer
4. **Wire transfers or deposit patterns that customer cannot explain or do not makes sense**

Some SAR Warning Signs

5. Customer wire transferring large amounts to overseas accounts on a continuing basis
6. **Aware that customer is under investigation or facing lawsuits**
7. Customer's negative reaction when informed of reporting requirement

**BOTTOM LINE USE YOUR COMMON SENSE
DON'T IGNORE THE OBVIOUS
SHARE INFORMATION**

Filed SAR

The image shows a screenshot of a Suspicious Activity Report (SAR) form. The form is titled "Suspicious Activity Report" and is divided into several sections. The visible sections include:

- Part I Suspicious Activity Information:** This section contains fields for the amount involved, the date or date range of the activity, and the cumulative amount. It also includes checkboxes for reporting requirements.
- Part II Suspicious Activity Information:** This section contains checkboxes for various types of suspicious activity, such as "Exchange small bills for large bills or vice versa", "Suspicion concerning the general condition of funds", "Suspicion concerning the source of funds", "Suspicion regarding the nature, ownership or use of assets", "Suspicion of IT user activities", and "Suspicion of change of customer".
- Part III Suspicious Activity Information:** This section contains checkboxes for various types of suspicious activity, such as "Exchange small bills for large bills or vice versa", "Suspicion concerning the general condition of funds", "Suspicion concerning the source of funds", "Suspicion regarding the nature, ownership or use of assets", "Suspicion of IT user activities", and "Suspicion of change of customer".
- Part IV Suspicious Activity Information:** This section contains checkboxes for various types of suspicious activity, such as "Exchange small bills for large bills or vice versa", "Suspicion concerning the general condition of funds", "Suspicion concerning the source of funds", "Suspicion regarding the nature, ownership or use of assets", "Suspicion of IT user activities", and "Suspicion of change of customer".

1. **“Completeness and accuracy are essential.”**
2. **“Make sure all the required fields are filled out as fully as possible and accurately.”**
3. **“Describe why the conduct of the person or the transaction itself caused the casino become suspicious.”**
4. **“Be specific.”**

Filed SAR (con't)

5. “The narrative section of the report is critical to understanding the nature and circumstances of the suspicious activity.”

6. “The care with which the narrative is completed may determine whether the described activity and its possible criminal nature are clearly understood by investigators.”

Filed SAR (con't)

7. “Be sure to include whatever details are known about the transaction, e.g., the type of monetary instrument deposited ..., the number on the monetary instrument, if applicable, account numbers and the banks upon which the monetary instruments are drawn.”

8. “Identify any other financial institutions or foreign countries through which the transaction is routed.”

Filed SAR (con't)

- Repetitive SARs not get out of jail free card
- Might need progressive SARs
- Have ongoing investigation plan/follow-ups
- SAR committee?
- SARs secured
- 314(b) info sharing
- Retain for 5 years from filing date or date not filed

Documentation/Investigation

- Must document facts/decision in AML program
- Sufficient detail to show IRS examiner/investigators what you do and how you do it
- Must provide evidence of facts supporting decisions and thought process, i.e., KYC, source of funds, source of wealth, minimal gaming, team play
- Don't know who or when someone may be looking at decisions
- Not documented = didn't happen

IRS Audit/Exam

- 2007: IRS authorized to conduct BSA AML compliance examinations of Nevada casinos
- **DAG's "5 Second Testing"**
 - Cage procedures compared to Title 31
 - Title 31 procedures as detailed as cage procedures
 - Title 31 includes cage, surveillance, and floor
 - Each dept has Title 31 procedures
- **Should pre-test before exam, aka practice exam**
- Plan to address findings of pre-test
- **Procedures applied consistently and detailed enough so anyone can grab them and run program**

Training

- **Who is being trained?**
- How are they being trained?
- **Do employees understand why?**
- Are employees being tested in between tests?
- **Is the training specific enough to the respective department or function?**
- Not revenue source, but critical to functioning program
- **Feedback from employees?**



2015 BSA CONFERENCE *BSA 101*

Questions?

Jeffrey B. Setness
Fabian and Clendenin, P.C.

Kevin Rosenberg
Lowenstein & Weatherwax, LLP

A
Renaissance
of **FRAUD**

Goran Bogicevic / Shutterstock.com

As a former IRS Criminal Investigation (CI) special agent, I was in the business of hunting down fraudsters, big-time white-collar swindlers and crooks. The sport was not for the financially sleuthing faint of heart. Those worthy of capture and prosecution camouflaged themselves well with guile, charm and a heavy veneer of bogus money trails. As dedicated hunters, we studied and attempted to predict their behavior, sought out their feeding grounds and patiently stalked them before they committed another financial crime. The prized trophy for bagging a big time fraudster was the personal satisfaction they would no longer victimize others.

Not to discount the horrific experience of being burglarized or mugged, but having your life savings pilfered by someone you thought you could trust often leaves a much deeper emotional scar. In my experience I have seen that these victims are haunted for the rest of their lives and rarely recover financially or psychologically.

Over the years as a special agent and later as a senior leader in the organization, I have become more attune to swindler activity. Like most in this line of work, you begin to develop a sixth sense. I say this to qualify what I am about to tell you: People can become jaded. I am not above being influenced by years of forcing certain optics. I readily admit I may have developed a bias toward labeling individuals as fraudsters. So, you be the judge if my observations are seen through skeptical lenses.

Recently, I have become alarmed by several converging trends: First, the exponential advancement of opportunities that fraudster can feed and breed on; second, the explosive growth in the size and quantity of fraud criminal cases; and third, the rapidly shrinking resource pool of investigators and prosecutors tasked to combat sophisticated financial crimes. We are in a renaissance of fraud where it has never been easier to commit financial thievery and get away with it.

Opportunities abound

Leaving a cash register drawer unlocked clearly opens a business up to the crime of embezzlement. With fraud, sometimes our cash register drawers are left wide open by gullibility, greed or desperation. Where opportunities exist, committing fraud can be easier than you think. There was a case out of my office a while back where a man put an ad in the paper advertising that if you sent him \$50 he would send you an educational

package that would teach you how to make a \$1,000 a week. Several victims sent him checks and as promised, the crook sent them his secret to success: A brief letter telling them to put an ad in the paper asking people to send you \$50 like he did.

America has had a long history of swindlers peddling schemes and snake oil. Up to the late 1990s, these fraudsters had brick and mortar constraints that limited how far their scheme could propagate. For instance, the size of a telemarketing pump and dump scam was limited to the size of the boiler room; a mass mailer peddling a nonexistent pain cure was limited by the cost of mailing and corresponding and an infomercial hawking fake gold mines had a steep barrier to entry given the cost of production and air time.

But overall popularity of the Internet changed everything. Unimaginable opportunities now exist that make the transactional cost of duping victims much cheaper and it can be done in the anonymity of cyberspace. Plus, the traits of the fraudster (guile and charm) can be vastly extenuated. When it comes to the Internet, swindlers can look like a well-established business just with a little web design window dressing.

The Internet has allowed for the phenomena of *micro fraud* where it is now very cost effective to scam hundreds of thousands for small amounts. My office worked a case where the fraudster scammed hundreds of millions of dollars from many individuals who each lost between 25 to 150 dollars. Imagine the possibilities of the newspaper ad scam I discussed earlier, when transferring that scam into spam emails and using anonymizer websites. And with this new cyber-global presence, fraudsters can reach victims anywhere in the world from the convenience of their Internet café. With the Internet the world is their oyster.

Our zeal to make transactions convenient and seamless through technology has opened new opportunities that fraudsters are aggressively exploiting. Identity theft is a glaring example of this. In addition to credit card fraud, billions of dollars have been paid in recent years to crooks that steal the identity and social security number of unsuspecting taxpayers and then file online tax returns. It has become so lucrative that street gangs and other criminal groups have aggressively made it one of their core income streams. What makes it attractive and safer for the crooks is that the refunds can be received on prepaid debit cards so there is no banking money trail.



Zombie fraudsters attack

When I began my career, big cases were not handed to you on a silver platter. You had to work for it, dig deep and turn over a fair amount of financial rocks. Case development was the order of the day to become a good special agent.

But there has been a noticeable shift in recent years. Agents no longer need to forage constantly under deep embedded stones to find a quality lead. This is because big cases have been oozing up from under them lately.

Right before I retired, the aggregate value of investigations under my direction over the recent years approached a billion dollars. Many of these cases were well over \$10 million and there were more than a few over \$200 million. Inflation cannot explain the huge variance in inventory from a similar sized field office just a decade ago. All over the country, referrals, tips and passionate pleas from victims are coming to white collar criminal investigators much faster than they can intake. Call me jaded, but something is amiss on the financial highways of America. It is almost as if there is a fraudster zombie uprising.

Budget constraints at the local, state and federal level also play into this. There are fewer investigators and prosecutors experienced in sophisticated financial crimes than in years past. For instance, IRS CI is approaching 1970s staffing levels. This should be a large canary in the coal mine because IRS special agents are often relied upon by federal prosecutors to put together the most sophisticated financial investigations.

To manage the overflowing financial crime inventory with smaller resources, many leads that might have been worked years ago are now passed up for even bigger ones. Prosecutors are forced to set higher dollar criteria as a means to ensure the most impactful criminals are adjudicated. The results are disconcerting. It is not uncommon for a

quarter million dollar fraudster to be thrown back into Swindler Lake — much too small of a catch in many major cities given the current financial investigator's fishing size limit. In some areas if the fraud is less than a million dollars there is a chance it probably would not be prosecuted if bigger fish have already been hauled up onto the boat.

Keep in mind, sophisticated white collar cases take much more time to reel in and mount on the prosecution wall. The effort is more akin to deep sea marlin fishing than quickly pulling up a catfish with a net. These big cases are huge resource drains often taking a team of agents and attorneys to bring it to trial. With a priority to ensure public safety, many smaller local and state police departments cannot fund adequate white collar investigative units capable of taking on big financial cases so they defer them to federal criminal agencies.

The Romans have a saying: *Money is like seawater. The more you drink, the thirstier you get.* Fraudsters vividly prove this axiom. Unlike violent criminals there is a high recidivism rate as fraudsters get older. They often become more egregious and rapacious in their financial thievery, attempting to quench their greed thirst. It is not uncommon to see Ponzi schemes being perpetrated by folks in their seventies and even some in their eighties.

Rationalization

What prevents most of us from committing fraud is our moral compass. It is revealing that studies on cheating show that more than an insignificant portion of us would stray ethically if we could rationalize the action. The significant factor in rationalization has to do with crowd mentality. If you perceive everyone is doing it, you feel more comfortable rationalizing it as acceptable behavior. The mortgage crisis hinged partly on the fact that a lot of people rationalized it was okay to submit a mortgage loan puffed up with financial fiction. In their mind everybody was doing it and nobody got in trouble for it. As more people get away with fraud, there will be those who rationalize that it is okay to follow the crowd, especially if their incentive is driven by financial desperation.

Rationalization is often enhanced if a person has no emotional attachment to the victim. This is where it gets scary. As I mentioned, the Internet has opened up tremendous opportunities not only for homegrown fraudsters but also for nefarious foreign

The IRS is doing yeoman's work combating the problem but they have never experienced such an epidemic of identity theft-related crimes. And all of this is primarily the result from elected officials expecting that refunds be conveniently paid as quickly as 24 to 48 hours. Also, the IRS is not the only government agency experiencing epic identity theft. Any local, state or federal government program that pays funds utilizing prepaid debit cards has been under attack by identity thieves. We brought down a small group of individuals who were able to obtain 4 million dollars in bogus state unemployment benefits all paid on prepaid cards.

In addition to technology and convenience considerations, changing demographics also opens new opportunities. As the population gets older, baby boomers are retiring with nest eggs smaller than they envisioned and out of desperation some seek more aggressive, unconventional investment opportunities. As people age they become more trusting and forgetful and this all plays out well for enhancing fraudsters' feeding grounds.

groups such as terrorists, transnational criminal organizations and kleptocracies, who could not care less about people's way of life. Our enemies are also engaged in financial warfare.

What does this mean for AML compliance?

With recent heavy fines in the hundreds of millions levied on financial institutions, the government has made it clear that their expectation of what AML programs should do is detect and report financial crimes — fraud. Law enforcement cannot keep up with the exponential growth of financial crime cases; therefore, financial institutions are being asked to do more in the fight against financial fraud. This will mean AML programs will have to be retooled and financial institutions will undoubtedly be faced with new challenges and expectations.

The Bank Secrecy Act (BSA) was created in the 1970s to monitor and report financial transactions occurring in the underground currency-based, non-banked economy. Much of the AML apparatus focuses on detecting traditional, currency base suspicious activity. The criminal world has vastly changed since then. Most significant financial crimes are non-currency based. Fraudsters often do not avail themselves to transactional currency-based money laundering techniques used by cartels and other drug trade organizations. For instance, financial intuitions are now suffering a wave of fraudsters attempting to clear credit or debit card transactions relating to a multitude of frauds schemes. And there are fraudsters that just use financial institutions simply to enjoy their non currency funds rather than launder their money.

So, when it comes to detecting fraudsters it is mainly about due diligence protocols and attempting to keep abreast of the latest fraud schemes. There is a myth that many people harbor: Only the stupid, greedy and gullible fall for fraud schemes. Let me assure you, this is not my law enforcement career experience. Fraudsters are genetically coded to be uber-charmers, masters at spinning lies that appear to be etched in stone facts. I have seen doctors, lawyers, engineers and college professors collapse into their trickery. If these highly educated professionals can fall prey imagine how difficult it will be for AML personnel to detect their fraud?

There is a high level of subjectivity involved in assessing whether someone is engaged in fraud, especially if there is thick coat of sophistication. Moving forward, we have to

Most significant financial crimes are non-currency based

wrestle with the fact, we will not catch them all. The cracks in the chicanery wall may only become apparent late into the fraud scheme and often after there has been a public notification of conviction.

Even reaching out to victims to verify fraud might be less fruitful than you would think. It is not uncommon for a victim who lost significant funds to be in a state of denial even after they are told of a criminal investigation. As a coping mechanism, some refused to face and admit they were duped. I have seen this even with highly educated professionals. There are also times when the fraudster makes side deals with desperate victims. The victims agree to vouch on the merits of the investment in exchange for their money back.

It is not unheard of for wishful thinking investment entrepreneurs to *break bad* when faced with economic reality, especially if they are enjoying the high life. This often happens in economic downturn of the underlying investment. The mortgage crisis incubated a lot of breaking bad scenarios. People faced with having to tell investors they lost everything just continued to accept investment contributions. This situation can be particularly challenging for AML compliance because the initial due diligence would have yielded a legitimate profile.

You have to know the schemes to detect the schemes. Because technology has increased the creation velocity of new scams, AML departments are faced with the herculean challenge of how to effectively deliver training on emerging fraud trends. This is where law enforcement needs to step in and proactively provide fraud situational awareness. AML professionals are at a disadvantage in identifying fraud if they are not briefed on the detailed mechanics of current schemes. It is one thing to tell someone to assemble a clock; it is another thing to take it apart and show them how each piece fits together. This is already happening to some degree in many cities with Financial Fraud Task Forces reaching out to financial

institutions. Budget constraints dramatically hampered the ability of law enforcement to attend industry conferences to share their subject-matter expertise. To mitigate this, perhaps local ACAMS chapters could also serve as a platform to host local, state and federal law enforcement so they can profile recent cases and trends.

Conclusion

For the past year I have been engaged in reality checks with colleagues as a means to gauge my jadedness. Invariably my observation mirrors theirs: Many of us believe there has never been a time when the chances of you being a victim of fraud are so great. Given this, we all need to gain situational awareness of our financial surroundings, not only for ourselves but also for our family and friends, especially the elderly ones that might be more vulnerable. Financial sharks are stealth enough to swim into calm shallow waters without detection. This was painfully demonstrated to me recently.

Not long ago, I received a call from my cousin informing me that my elderly aunt had lost her entire retirement nest egg to a fraudster. The scheme entrapped thousands of elderly victims who lost their life savings to what they thought was a prudent, safe investment offering reasonable returns from someone they trusted for years. As I questioned my cousin on what happened, I painfully realized the fraudsters had played them well, covered their tracks and left little openings for a strong, quick encompassing prosecution. It was a scenario I have seen time and time again but now it hit home. The scheme turned out to be well over a half a billion dollars and probably the largest in the state.

My guess is that the same sophisticated subterfuge used on the victims to keep them at bay was also applied to the financial intuitions. The story profoundly embeds into me the belief that it could happen to anyone and to any financial institution. No matter how much we build our programs to detect financial fraud, the resourceful predator fraudsters will always find ways to swim through the nets. And so I become even more jaded; we may never be able to build the perfect fraudster mouse trap. 🦁

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