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RECENT SIGNIFICANT DEVELOPMENTS

FinCEN Releases Issue 17 of SAR Activity Review

The Financial Crimes Enforcement Network (FinCEN) released Issue 17 of *SAR Activity Review – Trends, Tips & Issues*. This edition focuses on the casino and gaming industry, but also addresses several noteworthy topics that relate to other industries. Articles in the Trends & Analysis section include an assessment of SARs filed by casinos and card clubs by FinCEN's Office of Regulatory Analysis as well as an analysis of casino calls to the Regulatory Helpline by FinCEN's Office of Outreach Resources.

According to the latest edition of the *SAR Activity Review*, the most common red flags prompting the filing of a Suspicious Activity Report by Casinos and Card Clubs (SAR-C) fall under several categories, including:

- *Structuring*—Sixty percent of the sampled narratives reported individuals structuring their transactions to avoid the filing of a Casino CTR (CTR-C). Most of the structuring involved the cash-out of chips, jackpots or checks followed by structured cash buy-ins and payments on markers.
- *Minimal or No Casino Play*—Thirty percent of the sampled narratives reported patrons conducting a series of transactions that involved minimal or no casino play.
- *Misuse of Identification*—Two percent of the reviewed sampled narratives reported subjects misused or attempted to misuse identification by providing false, expired, stolen or altered personal identifiers or identification credentials, mainly SSNs and drivers' licenses.
- *Fraud against the Casino*—One percent of the sampled narratives indicated fraud or attempted fraud committed against the casinos through checks, counterfeit currency, advance fee scams or misuse of player's club points. [Download SAR Activity Review—Trends, Tips & Issues.](#)


FinCEN Deputy Director Charles M. Steele discussed the latest edition of the *SAR Activity Review* in his testimony before the House Committee on Ways and Means on May 19. In his testimony, Steele stressed the importance of BSA data in detecting and reporting suspicious transactions in the gambling industry. "FinCEN remains committed to protecting the financial system from abuse by criminals, and we will continue to engage the gambling industry not only by providing useful information and guidance to help them focus their compliance efforts against actual risks, but to continue our ongoing and coordinated educational efforts to better inform the industry..." Steele said. [Read the Deputy Director's testimony.](#)

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On May 20, the Board of Governors issued SR 10-11, the *Interagency Examination Procedures for Reviewing Compliance with the Unlawful Internet Gambling Enforcement Act of 2006*. The Exam Procedures are urgently needed because the regulation will become effective in less than two weeks on June 1, 2010. Originally slated to become effective on December 1, 2009, the agencies delayed implementation for six months. No further delays are expected to extend the deadline beyond June 1, 2010. [Read the Interagency Exam Procedures.](#)

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Updated ABA Staff Analysis of the 2010 FFIEC BSA/AML Exam Manual

Last Tuesday, May 18, ABA hosted a telephone briefing for our members to review the revised FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual. Representatives from the federal banking agencies discussed the changes and updates to the manual released at the end of April. Following the briefing, ABA updated the staff analysis of the changes to the manual that were posted on our website to incorporate information from the telephone briefing. [Download the updated ABA Staff Analysis](#) .

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Director Freis Discusses Challenges Ahead for FinCEN, Financial Industry

The Financial Crimes Enforcement Network (FinCEN) Director James H. Freis, Jr. discussed the challenges that lie ahead for FinCEN and the financial industry at a speech before the Institute of International Bankers' International Banking Anti-Money Laundering Seminar in New York on May 20. Director Freis said that three years ago, anti-money laundering/counter-terrorist financing (AML/CFT) issues were among the primary topics in financial industry discussions. "I predict that unlike certain other areas of financial regulation, the changes in the foreseeable future with respect to AML/CFT regulation likely are more to be in the nature of evolution, maturation, and integration than any type of radical break with the past" Freis said. "One commonality to expect together with other regulatory areas - either old or new - is a focus on effective implementation." He added, "[t]he primary reason that I believe the focus on AML/CFT issues will continue is that the principle I espoused here three years ago is no less true today: combating abuses of financial crime is a part of promoting financial stability." Director Freis also stressed that FinCEN acts within the evolving framework of financial regulation. "...[I]n a dynamic world, one constant is FinCEN's interest in working with the financial industry to promote efficient implementation of government and industry resources in promotion of our shared goal of promoting the integrity of the financial system." [Read more.](#)

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RECENT INTERNATIONAL DEVELOPMENTS

MENAFATF Plenary Discusses Mutual Evaluation Report of Saudi Arabia

The Middle East & North Africa Financial Action Task Force (MENAFATF) held a plenary meeting in Tunisia from May 3 through May 5, 2010. The Plenary adopted the mutual evaluation report of Saudi Arabia made jointly with the FATF. The report discussed Saudi Arabia's AML/CFT regime and the country's compliance with international AML standards. A copy of the report will be published on the MENAFATF website. The Plenary also adopted six follow-up reports for Qatar, Mauritania, United Arab Emirates, Yemen, Syria, and Morocco. The follow-up reports show progress made by the six countries in developing their AML/CFT systems. [Read more.](#)

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QUOTE OF THE WEEK

FinCEN remains committed to protecting the financial system from abuse by criminals, and we will continue to engage the gambling industry not only by providing useful information and guidance to help them focus their compliance efforts against actual risks, but to continue our ongoing and coordinated educational efforts to better inform the industry so that gambling interests have the latest information they need to comply with the BSA, and ultimately, help law enforcement identify and stop illicit activity.

[Charles M. Steele](#)

FinCEN Deputy Director

Testimony Before the House Committee on Ways and Means

May 19, 2010

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TERRORISM AND MONEY LAUNDERING CASES

Former Mexican Governor Extradited for Conspiring to Import Cocaine, Money Laundering Charges

Mario Ernesto Villanueva Madrid, the former governor of Quintana Roo in Mexico, was extradited to the United States for accepting millions of dollars in bribes from the Juarez Cartel, in exchange for assisting in the importation of over two hundred tons of cocaine into the United States. Villanueva Madrid is also charged with laundering nearly \$19 million in drug proceeds through accounts at Lehman Brothers in New York and elsewhere. Following his arrest, he was prosecuted by Mexican authorities and convicted in a Mexican court on organized crime and corruption offenses. He was serving his Mexican sentence when he was extradited. If convicted, he faces a mandatory minimum sentence of ten years in prison and a maximum sentence of life in prison on the narcotics charges, and a maximum sentence of 20 years in prison on each of the fourteen money laundering counts. [Read more.](#)

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Al Qaeda Supporter Pleads Guilty to Bank Fraud and Money Laundering

Khalid Ouazzani of Kansas City, Missouri, pleaded guilty to supporting al Qaeda and to charges of bank fraud and money laundering, a U.S. Immigration and Customs Enforcement news release reported May 19. Ouazzani admitted providing more than \$23,000 to al Qaeda and performed other tasks for the benefit of the group. The bank fraud charge stems from false financial information Ouazzani submitted to Union Bank to obtain a \$175,000 line of credit commercial loan. Part of the Union Bank loan was used to purchase an apartment in the United Arab Emirates which was later sold for a profit of \$17,000—the amount Ouazzani paid al Qaeda, in addition to a contribution of \$6,500 he sent al Qaeda in 2007. The money laundering charge is for Ouazzani's wire transfer of \$112,830 to a bank in the United Arab Emirates for the purchase of the apartment. At sentencing, Ouazzani faces up to 65 years in federal prison without parole, plus a fine up to \$1 million and an order of restitution. [Read more.](#)

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Bulgarian National Pleads Guilty for Role in International Money Laundering Scheme

Georgi Boychev Georgiev, a Bulgarian national, pleaded guilty in U.S. District Court in the District of Columbia for his role in laundering money for a transnational criminal group based in Eastern Europe, a Department of Justice news release reported May 13. According to the news release, Georgiev and others posted fraudulent ads on eBay and other websites offering sale of items they did not possess. The victims were instructed to wire transfer payments through "eBay Secure Traders," an entity which has no affiliation with eBay. The victims' funds were then wired directly into bank accounts in Hungary, Slovakia, the Czech Republic and Poland that were controlled by Georgiev and others. The fraudulent scheme netted more than \$1.4 million from U.S. victims. Georgiev's co-conspirators, Ivaylo Vasilev Pletnyov and Nikolay Georgiev Minchev were sentenced to prison on December 2, 2009. Sentencing for Georgiev is scheduled for July 23, 2010. He faces a maximum sentence of 20 years in prison at sentencing. [Read more.](#)

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Taiwanese Pleads Guilty to Exporting to Iran

A Taiwanese exporter, Yi-Lan Chen, pleaded guilty in Miami federal court to charges of conspiring to illegally export dual-use commodities capable of enhancing military or nuclear potential from the United States to Iran, a U.S. Immigration and Customs Enforcement news release reported May 13. Exporting and attempting to export U.S. commodities to Iran is in violation of the International Emergency Economic Powers Act (IEEPA) and the United States Iran Embargo. Chen facilitated the purchase and export of various dual use goods from the U.S. to Iran by way of Taiwan and Hong Kong, a Department of Justice [press release](#) reported in February, when Chen was arrested in Guam. Chen's sentencing is scheduled for July 30 where he faces a maximum statutory term of 20 years in prison and a maximum fine of \$1 million. [Read more.](#)

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FINANCIAL CRIMES

FBI Warns Consumers about Theft Scheme

The FBI is warning consumers about telephony denial-of-service (TDOS), a scheme that involves a large number of calls made on mobile or landline telephones to distract its victims while criminals transfer funds out of their victims' bank and online trading accounts. In TDOS, criminals will obtain account information of their victims and contact the financial institutions to change their victims' profile information. The purpose of the phone calls is to occupy the victim so that when financial institutions try to contact the victim to verify the changes and transactions, the institution is unable to reach the victim.

The FBI recommends passwords for online banking should be changed regularly and frequently. People should also obtain their credit report annually and review it for fraudulent activity. [Read more.](#)

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Florida Residents Charged in Mortgage Fraud Scheme

Florida residents Anson Joachin, John Fisher, Tracey Balli, and Delano McLennon, are charged with conspiracy to commit mail fraud and wire fraud for their roles in a multi-million-dollar mortgage fraud scheme in Broward and Palm Beach Counties, Florida. In addition, Balli and McLennon are charged with one count of making a false statement to a government agency. According to the Department of Justice news release, the individuals engaged in a scheme to enrich themselves by fraudulently causing real property to be bought and sold through straw buyers who obtained high value mortgages based upon fraudulent mortgage loan applications. The individuals charged in this case submitted fraudulent documents to various mortgage lenders across the United States, receiving approximately \$2.3 million in loans to the defendants and their

co-conspirators. If convicted of the conspiracy count, the mail fraud counts and the wire fraud counts, the defendants face a maximum statutory penalty of 20 years' imprisonment on each count. The false statement count carries a maximum penalty of five years' imprisonment. [Read more.](#)

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Movie Distributor Sentenced for Role in Fraud Scheme

Harel Goldstein, a movie distributor from California, was sentenced to 46 months in prison for his role in a fraudulent scheme related to the financing of independent films that caused Comerica Bank losses of more than \$7 million. According to the Department of Justice news release, Goldstein falsified documents to show that foreign distributors of independent films were willing to pay for distribution rights before the pictures were produced. Goldstein and others forged at least \$7 million worth of false documents, presented them to Comerica Bank, and as a result obtained more than \$35 million in loans to produce six films featuring actors such as Peter O'Toole, Casper Van Dien, Alicia Silverstone, Treat Williams, Natasha Henstridge and Leslie Nielsen. [Read more.](#)

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ENFORCEMENT ACTIONS

Royal Bank of Scotland N.V. to Forfeit \$500 Million for BSA Violation, IEEPA and TWEA

The Royal Bank of Scotland N.V., formerly ABN AMRO Bank N.V., agreed to forfeit \$500 million to the United States in connection with a conspiracy to defraud the United States, to violate the International Emergency Economic Powers Act (IEEPA) and to violate the Trading with the Enemy Act (TWEA), as well as a violation of the Bank Secrecy Act (BSA), a Department of Justice news release reported May 10. The BSA violations resulted from failure of ABN AMRO's New York branch to maintain adequate anti-money laundering procedures and processes. The IEEPA and TWEA violations relate to ABN AMRO conspiring to facilitate illegal U.S. dollar transactions on behalf of financial institutions and customers from sanctioned countries such as Iran, Libya, the Sudan, and Cuba. According to the news release, over a long period of time bank employees stripped or altered information in international wires to evade detection by automated filters designed to comply with OFAC mandates. "It is essential that financial institutions both large and small properly monitor the origins of funds flowing into our financial system" said Assistant Attorney General Lanny A. Breuer. "When financial institutions fail to do so, and, even worse, manipulate information in order to profit from prohibited transactions, they will be held accountable."

Since ABN AMRO provided prompt and substantial cooperation during the investigation and agreed to enhance its sanctions compliance programs, the Department of Justice agreed to recommend the dismissal of the information in one year, provided ABN AMRO fully cooperates with, and abides by, the terms of the deferred prosecution agreement. [Read more.](#)

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MSB UPDATES as of April 20, 2010

The MSB Registration List contains entities that have registered as Money Services Businesses (MSBs) pursuant to the Financial Crimes Enforcement Network's (FinCEN) Bank Secrecy Act regulations at 31 CFR 103.41. This new April 2010 List, which is current as of April 20, 2010, contains data on **42,202 registered MSBs**. This is an increase of 521 MSB registrations from the March 23, 2010 total of 41,681. For a copy of the updated list, [click here.](#)

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