

# The Currency Transaction Report: Controversial To Some—Essential To All



Safeguarding America Through  
Financial And Trade Investigations

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Cornerstone is U.S. Immigration and Customs Enforcement's (ICE) comprehensive investigative initiative for fighting financial crime, trade fraud and intellectual property crime.

The Cornerstone Report is a quarterly bulletin highlighting key issues related to ICE financial and trade investigations.



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\$4.7 million in seized smuggled currency—some still in their Federal Reserve wrappers. BSA reporting requirements force criminals to use risky and vulnerable methods to move and store their proceeds.

The Bank Secrecy Act (BSA) of 1970 introduced a number of monetary transaction reporting requirements designed to prevent criminal organizations from exploiting the U.S. financial system by moving and stockpiling their illicit funds. These reporting requirements are invaluable tools for law enforcement and are the backbone of the United States' anti-money laundering program. Each reporting requirement provides a layer of defense, and the Currency Transaction Report (CTR) is the first line of that defense.

The August 2005 *Cornerstone Report* focused specifically on Suspicious Activity Reports (SARs). In this article, we will explore from a law enforcement perspective the value of CTRs and their role in preventing and detecting illicit financial transactions. While this article will only provide a snap shot of how CTRs are used by ICE and benefit the United States, we feel it is important.

Financial institutions are required to file a CTR for cash transactions of more than \$10,000. The placement of funds into the financial system is recognized by law enforcement as the criminal's most vulnerable stage of the money laundering process, and CTR reporting requirements

play a major role in combating the infusion of illicit proceeds into our legitimate financial system. Drug dealers, arms traffickers, alien smugglers and countless other criminal organizations know about CTR reporting requirements—forcing them to operate outside of legitimate business practices which raise “red flags” in the financial and law enforcement communities, making them vulnerable to detection.

To avoid these red flags, criminal organizations sometimes establish cash-intensive businesses in an attempt to legitimize the filing of CTRs by financial institutions on their illegitimate cash transactions. However, once law enforcement becomes aware of these criminal organizations through sources of information or other investigative leads, these CTRs become invaluable and establish a trail that documents the movement of their illicit funds. Being able to follow the trail of illegal money helps law enforcement discover criminals they might not have otherwise known about. Required financial reporting also unveils the wider range of illegal activities in which known criminals may be engaged, as well as others who may also be criminally associated.

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# Drug Traffickers Launder Profits Through Casinos

Nine members of the Gabriel Gomez drug trafficking organization were exposed and convicted largely through evidence collected pursuant to the Bank Secrecy Act (BSA) and other financial records.

Charles Roybal was known as the “money-man” of the Gomez drug trafficking organization and was responsible for laundering the group’s illegal proceeds from drug sales. He was a known gambler, but a modest one. That is until Gomez hired him to launder the group’s profits. Both the money Gomez paid Roybal for his services, and the large sums of money put into his possession to be laundered, allowed him to trade in his low-budget gambling style for that of a high roller.

Roybal would recruit third parties at the casino to purchase or cash in chips for him, paying them a nominal fee to do so. Presumably unbeknownst to them, the

chips were being purchased with illegal drug profits. After spending some time gambling, Roybal would cash some of the chips back out again, claiming they were his gambling winnings, and thereby fabricating a source for the Gomez group’s revenue other than drug trafficking, successfully “laundering” the money.

But every time he cashed-out more than \$10,000 in chips, his activities were being recorded on Currency Transaction Reports-Casinos (CTRCs). According to those CTRCs, Roybal’s total chips purchased equaled approximately \$117,000, and total chips redeemed, \$430,000, a difference of \$313,000. When this amount was compared to the recorded winnings in the pit area, the numbers did not add up.

The reports provided other evidence in support of money laundering charges against Roybal and his group. Twenty-four of the CTRCs recording his activities revealed the use of aliases and multiple social security numbers. On numerous

information relating to asset identification. The identification and seizure of a criminal organization’s assets can be devastating to the organization and is an important tool for law enforcement.

ICE conducts approximately 1 million record checks of BSA data each year; CTRs are routinely queried at the initiation and throughout an investigation. With current data mining technology and techniques, law enforcement agencies can now utilize CTRs in powerful ways to identify trends and patterns, and to identify individuals operating outside of these legitimate business practices. For example, ICE utilizes CTRs to identify trade-based money laundering schemes that can be used to launder millions in illicit proceeds, which can adversely impact the United States economic security, and devastate the economy of our international trading partners.

## SARs and CTRs

The CTR requirement is part of a process which limits the criminal’s options to



## Red Flag Indicators

- Unknown casino customer purchasing/ redeeming large amount of chips.
- High-dollar casino customer refusing to provide identification at tables (refusal of comps).
- Customer’s sudden/unexplained change in gambling habits (traditionally low or moderate gambler placing high-stakes bets).

other CTRCs, he had refused to provide a social security number.

In addition to money laundering, he was charged with Structuring Transactions to Avoid Reporting Requirements.

In the face of the evidence against them, eight of the nine defendants in this case pleaded guilty to a 68 count superseding indictment charging distribution of marijuana, money laundering and structuring transactions to avoid reporting requirements. Criminal forfeitures in the case included \$15 million in bank accounts, multiple properties and automobiles. §

## Bank Secrecy Act Of 1970, continued

### The CTR As Evidence

CTR queries have long been a routine investigative tool utilized by ICE. They help investigators detect illegal activity, develop leads and expand existing investigations. CTR databases are readily accessible to law enforcement and provide a wealth of identifying information related to a subject, including full name, address, date-of-birth, social security number, passport number, driver’s license information, alien registration number, primary and secondary bank account information, and related businesses and business addresses—information investigators can use to help identify subjects.

ICE special agents utilize CTRs to establish links between individuals and businesses, and to identify co-conspirators and potential witnesses. This information is often utilized to meet the “probable cause” requirement necessary to obtain search, arrest and seizure warrants. CTRs also provide critical

move and store their illicit funds. Individuals and businesses conducting legitimate transactions have no reason to avoid the filing of CTRs. However, criminals are forced to make a choice between appearing to be a legitimate customer, thereby exposing their assets and money movements through BSA reporting requirements, or engaging in risky, illegal actions to conceal the movement of their funds. Suspicious attempts to avoid the filing of a CTR by structuring cash deposits (making a series of deposits just under the \$10,000 reporting threshold over a number of days) is a significant red-flag indicator of criminal activity and one of the most frequent triggers for the filing of a SAR. With the development of a world economy and the move to a cashless society, the importance of the CTR will continue and grow, not just for the banking community but for ICE and their law enforcement partners. §

## Two Americans Convicted In China For DVD Piracy First Joint Undercover Investigation Between ICE And Chinese Law Enforcement

A Chinese court convicted Randolph Hobson Guthrie III, 38, and Abram Cody Thrush, 30, on criminal charges of illegally selling and distributing more than \$840,000 worth of pirated motion picture DVDs via the Internet to buyers in more than 20 nations, including the United States. Two Chinese accomplices were also recently convicted and sentenced in the case. Chinese authorities also located and destroyed three warehouses that were being used to store those DVDs.

Guthrie and Thrush were arrested in Shanghai in July 2004. Chinese prosecutors maintained that, since October 2002, Guthrie had illegally sold some 180,000 pirated DVDs around the globe via the Internet. The Motion Picture Association of America believes that Guthrie was the largest distributor of pirated DVDs in the world. This investigation represents the first joint Intellectual Property Rights (IPR) investigation by ICE agents and Chinese authorities.



### Red Flag Indicators

#### For IPR Industry

- Subject selling products not sanctioned by copyright holder.
- Subject selling products not presently authorized for sale (DVD movies still in theatres).

#### For Consumers

- Prices significantly below market value.
- Seller making disclaimers on product seized by law enforcement.

On April 18, that case reached its conclusion when Guthrie and Thrush—both U.S. citizens—were convicted and sentenced in a Shanghai court. Guthrie was sentenced to a jail term of two years and six months in China, and a fine equivalent to approximately \$60,000. Thrush was sentenced to a jail term of one year in China, and a fine equivalent to approximately \$1,200. Both Guthrie and Thrush were expelled from China upon the completion of their sentences. Guthrie was re-arrested upon arrival in the United States, and currently faces an 18-count indictment for various U.S. charges, including criminal



Randolph H. Guthrie taken into custody by ICE agents following his extradition to the U.S.

copyright infringement and money-laundering violations.

Launched in Sept. 2003 by the ICE resident agent-in-charge office in Gulfport, Miss., the investigation grew to include the ICE offices in Beijing, China and Houston, as well as the National IPR Center in Washington, D.C. The case illustrates the truly global nature of IPR crime, which requires, in turn, a global response on the part of U.S. law enforcement agencies and their foreign counterparts. [S](#)

## ICE Gets Its Message Out To The Gaming Industry At The G2E Expo

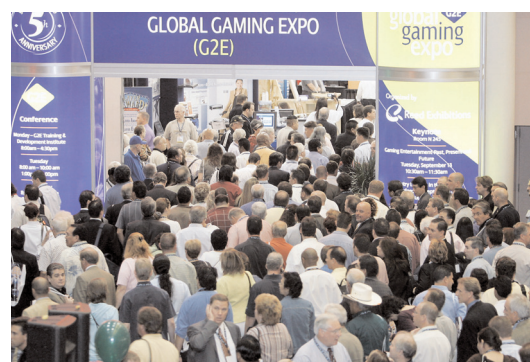
This September, the American Gaming Association held its 5th annual Global Gaming Expo (G2E) at the Las Vegas Convention Center. As in the four previous years, it was well attended by thousands of industry vendors, casino executives, gaming enforcement officials and the public at large. In all there were over 26,000 attendees from 99 countries. On display was everything one might expect at a gaming convention, from the latest slot machines and robotic card-dealers to high-tech security and cash vending systems. This year, however, there was a new exhibitor—U.S. Immigration and Customs Enforcement (ICE).

The G2E was attended by agents from the ICE Office of Investigations' Financial and Trade Investigations Division's Cornerstone Unit, as well as the ICE Office of Investigations' Las Vegas field office. ICE's

goal was to educate the international casino and gaming industry on the vulnerabilities of money laundering through casinos and the importance of strong anti-money laundering programs. Agents ran an information booth and interacted with the public.

ICE agents also participated in panel discussions and lectures, where they addressed ICE's mission in combating international financial and trade crimes, the effectiveness of Bank Secrecy Act reporting requirements in helping to identify criminal activity, and the Cornerstone initiative, a major private-sector outreach program of ICE.

By the conclusion of the Expo, ICE had made many new contacts with security and compliance personnel from the gaming



Opening day at 5th annual Global Gaming Expo

industry and gaming enforcement officials. Overall, ICE succeeded in getting its desired message out to the gaming community: Like other cash-based industries, casinos need to remain vigilant in the fight against exploitation by criminal organizations. And, since 2003, they have a dedicated ally in that fight—ICE. [S](#)



# ICE Dismantles International Money Laundering And Check Fraud Organization

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**I**CE Special Agent in Charge, New York (ICE SAC/NY) recently finished an 18-month investigation, entitled “Operation Cheque Mate”, that identified and dismantled a network of individuals in London, England and the United States who were partly responsible for the production of more than \$15,000,000 worth of counterfeit/forged and stolen bank checks seized by ICE SAC/NY, and the defrauding of securities firms of \$250,000. Operation Cheque Mate was successfully conducted in partnership and cooperation with the financial trading community, United Kingdom and Spanish law enforcement, INTERPOL, U.S. regulatory agencies and other industry organizations—including the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), Securities Industry Association (SIA), New York Stock Exchange (NYSE) and the National Futures Association (NFA).

Over 50 private sector companies assisted ICE SAC/NY during this investigation. This information exchange led to the indictment of the two foreign-based principals,

11 arrest warrants; the conviction of two individuals for bank fraud; and the seizure of banks checks, along with stolen identities from both U.S. and U.K. citizens.

## The Scheme

The U.K.-based organization managed by the aforementioned two principals, profited hundreds of thousand of dollars by establishing online trading accounts with numerous brokerage firms with either stolen, fictitious or their own identities. After establishing the online relationship, they mailed bulk packages containing fraudulent or forged checks ranging from \$61,000 to \$600,000 along with applications in pre-addressed envelopes to a U.S.-based operative, who would then forward the envelope from a domestic address, to attract less scrutiny than foreign correspondence. Soon after, the subjects requested wire transfers of trading profits to a foreign bank account. As a result, the firms were exposed to millions in losses after the checks returned as counterfeit.

## The Partnership

As part of the combined and coordinated effort, ICE worked with several organiza-



## Red Flag Indicators

- Customer providing identification that is unreadable, altered, poor quality copies or facsimiles.
- Customer requesting trading privileges prior to standard 10-day check verification period.
- Customer opening and closing investment account(s) in short period of time.

tions, associations, and brokerage firms to place alerts on their Web sites, warning potential investors and other firms about the fraudulent scheme. The alerts also included the name and contact number of the ICE case agent for the investigation. These postings resulted in numerous leads and significantly reduced the potential loss to the securities industry. Based on the alerts and industry cooperation, 14 financial Suspicious Activity Reports (SARs) were filed by affected brokerage firms that assisted in the investigation.

Fortunately, the losses sustained by the victim firms totaled just over \$250,000. Without the early detection and combined and coordinated efforts of law enforcement and the private sector, losses could have exceeded \$15 million.

## Cornerstone Calendar

Recent events include:

- **September 28, 2005**—OI Director Marcy M. Forman made two presentations at the Annual Institute for International Research (IIR) Money Laundering Compliance Forum concerning the investigation of Politically Exposed Persons (PEPs) and anti-money laundering investigative issues.
- **September 30, 2005**—Representatives from the Cornerstone Unit attended a conference of the International Association of Financial Crime Investigators (IAFCI) in Orlando, Fla., where they made presentations and ran an information booth, at which they interacted with financial investigators from various countries, presented literature and answered questions concerning the Cornerstone Initiative.
- **October 18, 2005**—Representatives from the Cornerstone Unit and Special Agent in Charge, New York representatives attended a round table discussion with JP Morgan Chase, Wachovia, Bank of America, Citi Group, Inc, Merrill Lynch, First Citizens, Royal Bank of Canada, Commerce Bank, Deutsche Bank, Corporate Risk International and other federal agencies. During the meeting, hosted by JP Morgan in New York, N.Y., senior representatives from law enforcement and the private sector discussed best practices and ways to collaborate to combat money laundering and other financial crimes.
- **October 27, 2005**—Cornerstone Unit Chief Jim Dinkins and Section Chief Joe Gallion presented at a conference sponsored by JP Morgan Chase in Columbus, Ohio, concerning international money laundering and bulk cash smuggling prevention.
- **November 1, 2005**—OI Director Marcy M. Forman presented at the annual American Bankers Association (ABA) conference held in Arlington, Va.
- Director Forman discussed ICE's financial investigations program, the Cornerstone Initiative and high-lighted successful ICE investigations relevant to the banking and financial communities. Cornerstone Program Managers also ran an information booth and interacted with members of the banking community.
- **November 9, 2005**—Deputy Assistant Director for Financial and Trade Investigations Kevin Delli-Colli presented at the International Association of Financial Crimes Investigators in Melbourne, Australia. He discussed bulk cash smuggling, money laundering and the Cornerstone program.
- **November 29, 2005**—OI Director Marcy M. Forman presented the keynote address at a human trafficking seminar in Washington, D.C., sponsored by Women in Federal Law Enforcement. Director Forman discussed ICE's use of financial and immigration authorities to dismantle criminal organizations.