BSA Records “Critical” in Conviction of Money Launderer in Organized Retail Theft Case

In a case that is part of a large-scale investigation into organized retail theft (ORT) rings, a federal jury convicted an individual of multiple counts related to laundering the proceeds from the criminal activity. Investigators found Suspicious Activity Reports filed on the defendant very useful in the case. Moreover, multiple banks examined activity related to the defendant, determined that it was suspicious and filed SARs. The bank also closed the defendants’ accounts.

Evidence gathered in a joint investigation is credited with securing the conviction of a grocer on counts of failure to file currency transaction reports, conspiracy to commit money laundering, and money laundering. The grocer was convicted for his role in helping five ORT rings launder at least $69 million derived from the sale of stolen baby formula and health-and-beauty products. The conspiracy continued for 5 years and involved nearly 400 financial transactions.

In organized retail theft, street-level thieves, known as boosters, steal large quantities of over-the-counter drugs and health-and-beauty products from retailers. They sell the goods to repackagers who remove price tags and other markings indicating that the products are stolen. The stolen goods are then either sold directly to convenience stores or to wholesalers who mix the items with legitimately purchased products and sell them in large quantities to retailers and convenience stores.

Over the course of the conspiracy, the defendant accepted third-party checks for deposit and wire transfers to his business account from five different ORT rings. In turn, he provided cash to the organizations, minus his fee (of more than $600,000 in 5 years), generally paid through intermediaries. In an attempt to obscure transactions further, some of the ORT rings asked businesses purchasing their products to pay the defendant’s business directly by check or wire transfer. The defendant registered his grocery as a money services business, potentially as a means to justify large-dollar wire transfer, check, and cash transactions through his store accounts.

A federal agent closely involved with the investigation called SARs associated with the case “critical” in identifying bank information about the defendant’s business and in reporting some of the payments received by his business from some of the entities involved in the ORT. Several years earlier, a bank had filed a SAR noting that the defendant’s account activity was not consistent with a typical food market operation. The bank subsequently closed the account.

The next year, another bank opened and closed an account affiliated with the defendant. Based on financial activity associated with the account, the bank determined that the associated business was operating as a money services business. The bank requested supporting documents, such as a copy of the

MSB's license and anti-money laundering program. When the business could not provide the material, the bank closed the account.

The lack of CTRs documenting the cash the defendant's business paid to ORT rings triggered the counts of failure to file CTRs in the indictment. Additionally, the agent noted that the defendant had testified that he was unaware of his obligation to file CTRs when he provided large amounts of cash to ORT rings. This testimony was discredited by an examiner, who testified that he recalled instructing the defendant on BSA procedures related to the operation of an MSB as outlined in FinCEN provided MSB materials seized from the defendant's business.

Prosecutors are seeking $4.8 million in forfeitures and money judgments. The defendant is also likely to receive a sentence of 5 to 9 years in prison.

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