In a rare move targeting an in-house compliance officer, the former Chief Compliance Officer of MoneyGram International Inc. has been assessed a $1 million civil penalty by the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") for failing to implement and maintain an effective anti-money laundering ("AML") program and for failing to file suspicious activity reports ("SARs") with FinCEN, as required under the Bank Secrecy Act.

The U.S. Attorney's Office for the Southern District of New York has filed a complaint to enforce the civil penalty and to enjoin the former CCO from employment in the financial industry. According to the complaint, certain MoneyGram agents induced victims to send monies to fictitious payees through MoneyGram's money transfer system, purportedly to claim lottery winnings or other prizes. The perpetrators then transferred the victims' monies among themselves, thereby laundering the illegal proceeds, before dividing the proceeds among themselves. In 2012, MoneyGram entered into a deferred prosecution agreement with the Justice Department and agreed to forfeit $100 million. In doing so, MoneyGram admitted that it failed to maintain an effective AML program. Thomas E. Haider, who was MoneyGram's Chief Compliance Officer from 2003 to 2008, was responsible for supervising MoneyGram's AML compliance department and fraud department. Haider is alleged to have *willfully* violated the Bank Secrecy Act for reasons such as the failure to implement a policy for disciplining outlets suspected of engaging in fraud, and the failure to terminate MoneyGram's relationship with high-risk outlets. Haider is claimed to have rejected policies proposed by MoneyGram's fraud department, and to have received notice, through MoneyGram's internal reporting, that the company lacked a process to restrict agents involved in fraudulent transfers. Despite the fact that certain outlets had accumulated high numbers of consumer fraud reports, only a small percentage of these high-risk outlets were terminated under Haider's watch. According to the complaint, almost all of the high-risk outlets would have been terminated during Haider's tenure had he implemented the discipline policies proposed by the fraud department. Haider is also alleged to be responsible for MoneyGram's failure to file timely SARs despite having been advised by an external AML compliance consultant that MoneyGram's AML compliance office should receive information about suspected criminal activity in order to take appropriate action, including the filing of SARs. Haider is being held responsible for having failed to remedy "information silos" within the organization and for not providing appropriate direction to staff concerning the filing of SARs. Haider's other alleged failures include the failure to adequately train MoneyGram's auditors, and the failure to conduct sufficient due diligence of prospective/existing agents seeking to open outlets. FinCEN's $1 million penalty against Haider sets precedent for compliance officers throughout the financial industry. The penalty is particularly significant because FinCEN has deemed Haider's violation of the Bank Secrecy Act as "willful," and many directors and officers insurance policies exclude coverage for willful violations of law. The monetary penalty, coupled with the possibility of injunction from employment in the financial industry, would be a high price to pay for any compliance officer, who must navigate the complex and ever-changing compliance landscape.

Explore more in

White Collar & Investigations
Blog series

White Collar Briefly

Drawing from breaking news, ever changing government priorities, and significant judicial decisions, this blog from Perkins Coie’s White Collar and Investigations group highlights key considerations and offers practical insights aimed to guide corporate stakeholders and counselors through an evolving regulatory environment.

View the blog