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Western Union Admits Anti-Money Laundering and Consumer Fraud Violations, Forfeits \$586 Million in Settlement with Justice Department and Federal Trade Commission

Company also Agrees to Implement Anti-Fraud Program and Enhanced Compliance Obligations in Agreements with Federal Authorities

The Western Union Company (Western Union), a global money services business headquartered in Englewood, Colorado, has agreed to forfeit \$586 million and enter into agreements with the Justice Department, the Federal Trade Commission (FTC), and the U.S. Attorney's Offices for the Middle District of Pennsylvania, the Central District of California, the Eastern District of Pennsylvania and the Southern District of Florida. In its agreement with the Justice Department, Western Union admits to criminal violations including willfully failing to maintain an effective anti-money laundering (AML) program and aiding and abetting wire fraud.

Acting Assistant Attorney General David Bitkower of the Justice Department's Criminal Division; FTC Chairwoman Edith Ramirez; U.S. Attorney Bruce D. Brandler of the Middle District of Pennsylvania; U.S. Attorney Eileen M. Decker of the Central District of California; Acting U.S. Attorney Louis D. Lappen of the Eastern District of Pennsylvania; U.S. Attorney Wifredo A. Ferrer of the Southern District of Florida; Inspector in Charge David W. Bosch of the U.S. Postal Inspection Service (USPIS) Philadelphia Division; Assistant Director in Charge Deirdre Fike of the FBI's Los Angeles Field Office; Chief Richard Weber of Internal Revenue Service-Criminal Investigation (IRS-CI); Special Agent in Charge Marlon V. Miller of U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI) Philadelphia; and Special Agent in Charge Stephen Carroll of the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB-CFPB OIG) Eastern Region made the announcement.

"As this case shows, wiring money can be the fastest way to send it – directly into the pockets of criminals and scam artists," said Acting Assistant Attorney General Bitkower. "Western Union is now paying the price for placing profits ahead of its own customers. Together with our colleagues, the Criminal Division will both hold to account those who facilitate fraud and abuse of vulnerable populations, and also work to recoup losses and compensate victims."

"Western Union owes a responsibility to American consumers to guard against fraud, but instead the company looked the other way, and its system facilitated scammers and rip-offs," said Chairwoman Ramirez. "The agreements we are announcing today will ensure Western Union changes the way it conducts its business and provides more than a half billion dollars for refunds to consumers who were harmed by the company's unlawful behavior."

"The U.S. Attorney's Office for the Middle District of Pennsylvania has a long history of prosecuting corrupt Western Union Agents," said U.S. Attorney Brandler. "Since 2001, our office, in conjunction with the U.S. Postal Inspection Service, has charged and convicted 26 Western Union Agents in the United States and Canada who conspired with international fraudsters to defraud tens of thousands of U.S. residents via various forms of mass marketing schemes. I am gratified that the deferred prosecution agreement reached today with Western Union ensures that \$586 million will be available to compensate the many victims of these frauds."

“Our investigation uncovered hundreds of millions of dollars being sent to China in structured transactions designed to avoid the reporting requirements of the Bank Secrecy Act, and much of the money was sent to China by illegal immigrants to pay their human smugglers,” said U.S. Attorney Decker. “In a case being prosecuted by my office, a Western Union agent has pleaded guilty to federal charges of structuring transactions – illegal conduct the company knew about for at least five years. Western Union documents indicate that its employees fought to keep this agent – as well as several other high-volume independent agents in New York City – working for Western Union because of the high volume of their activity. This action today will ensure that Western Union effectively controls its agents and prevents the use of its money transfer system for illegal purposes.”

“Western Union’s failure to comply with anti-money laundering laws provided fraudsters and other criminals with a means to transfer criminal proceeds and victimize innocent people,” said Acting U.S. Attorney Lappen. “Western Union has agreed to forfeit \$586 million, the largest forfeiture ever imposed on a money services business, and has agreed to take specific steps to ensure that it complies with the law in the future. This office will continue to vigorously enforce the anti-money laundering laws and regulations, which are necessary to prevent those engaged in fraud, terrorism, human trafficking, drug dealing and other crimes from using companies like Western Union to further their illegal activity.”

“Western Union, the largest money service business in the world, has admitted to a flawed corporate culture that failed to provide a checks and balances approach to combat criminal practices,” said U.S. Attorney Ferrer. “Western Union’s failure to implement proper controls and discipline agents that violated compliance policies enabled the proliferation of illegal gambling, money laundering and fraud-related schemes. Western Union’s conduct resulted in the processing of hundreds of millions of dollars in prohibited transactions. Today’s historic agreement, involving the largest financial forfeiture by a money service business, makes it clear that all corporations and their agents will be held accountable for conduct that circumvents compliance programs designed to prevent criminal conduct.”

“The U.S. Postal Inspection Service has been at the forefront of protecting consumers from fraud schemes for many years,” said Inspector in Charge Bosch. “When private businesses participate in the actions that Western Union was involved in, it makes it easier for criminals to victimize innocent citizens. Our commitment to bringing these criminals to justice will not waiver, and we look forward to facilitating compensation to victims.”

“Los Angeles-defendant Wang’s company was considered to be among the largest Western Union agents in the United States as over \$310 million was sent to China in a span of five years, half of which was illegally structured and transmitted using false identification,” said Assistant Director in Charge Fike. “Rather than ensuring their high volume agents were operating above-board, Western Union rewarded them without regard to the blatant lack of compliance and illegal practices taking place. This settlement should go a long way in thwarting the proceeds of illicit transactions being sent to China to fund human smuggling or drug trafficking, as well as to interrupt the ease with which scam artists flout U.S. banking regulations in schemes devised to defraud vulnerable Americans.”

“As a major player in the money transmittal business, Western Union had an obligation to its customers to ensure they offered honest services, which include upholding the Bank Secrecy Act, as well as other U.S. laws,” said Chief Weber. “Western Union’s blatant disregard of their anti-money laundering compliance responsibilities was criminal and significant. IRS-CI special agents – working with their investigative agency partners – uncovered the massive AML compliance failures and is proud to be part of this historic criminal resolution.”

“Today’s announcement of this significant settlement highlights the positive result of HSI’s collaboration with our partner agencies to hold Western Union accountable for their failure to comply with bank secrecy laws that preserve the integrity of the financial system of the United States,” said Special Agent in Charge Miller. “As a result of this settlement, Western Union now answers for these violations. I thank the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau for their partnership in this investigation.”

According to admissions contained in the deferred prosecution agreement (DPA) and the accompanying statement of facts, between 2004 and 2012, Western Union violated U.S. laws—the Bank Secrecy Act (BSA) and anti-fraud

statutes—by processing hundreds of thousands of transactions for Western Union agents and others involved in an international consumer fraud scheme.

As part of the scheme, fraudsters contacted victims in the U.S. and falsely posed as family members in need or promised prizes or job opportunities. The fraudsters directed the victims to send money through Western Union to help their relative or claim their prize. Various Western Union agents were complicit in these fraud schemes, often processing the fraud payments for the fraudsters in return for a cut of the fraud proceeds.

Western Union knew of but failed to take corrective action against Western Union agents involved in or facilitating fraud-related transactions. Beginning in at least 2004, Western Union recorded customer complaints about fraudulently induced payments in what are known as consumer fraud reports (CFRs). In 2004, Western Union's Corporate Security Department proposed global guidelines for discipline and suspension of Western Union agents that processed a materially elevated number of fraud transactions. In these guidelines, the Corporate Security Department effectively recommended automatically suspending any agent that paid 15 CFRs within 120 days. Had Western Union implemented these proposed guidelines, it could have prevented significant fraud losses to victims and would have resulted in corrective action against more than 2,000 agents worldwide between 2004 and 2012.

Court documents also show Western Union's BSA failures spanned eight years and involved, among other things, the acquisition of a significant agent that Western Union knew prior to the acquisition had an ineffective AML program and had contracted with other agents that were facilitating significant levels of consumer fraud. Despite this knowledge, Western Union moved forward with the acquisition and did not remedy the AML failures or terminate the high-fraud agents.

Similarly, Western Union failed to terminate or discipline agents who repeatedly violated the BSA and Western Union policy through their structuring activity in the Central District of California and the Eastern District of Pennsylvania. The BSA requires financial institutions, including money services businesses such as Western Union, to file currency transaction reports (CTRs) for transactions in currency greater than \$10,000 in a single day. To evade the filing of a CTR and identification requirements, criminals will often structure their currency transactions so that no single transaction exceeds the \$10,000 threshold. Financial institutions are required to report suspected structuring where the aggregate number of transactions by or on behalf of any person exceeds more than \$10,000 during one business day. Western Union knew that certain of its U.S. Agents were allowing or aiding and abetting structuring by their customers. Rather than taking corrective action to eliminate structuring at and by its agents, Western Union, among other things, allowed agents to continue sending transactions through Western Union's system and paid agents bonuses. Despite repeated compliance review identifying suspicious or illegal behavior by its agents, Western Union almost never identified the suspicious activity those agents engaged in in its required reports to law enforcement

Finally, Western Union has been on notice since at least December 1997, that individuals use its money transfer system to send illegal gambling transactions from Florida to offshore sportsbooks. Western Union knew that gambling transactions presented a heightened risk of money laundering and that through at least 2012, certain procedures it implemented were not effective at limiting transactions with characteristics indicative of illegal gaming from the United States to other countries.

Western Union entered into a DPA in connection with a two-count felony criminal information filed today in the Middle District of Pennsylvania charging Western Union with willfully failing to maintain an effective AML program and aiding and abetting wire fraud. Pursuant to the DPA, Western Union has agreed to forfeit \$586 million and also agreed to enhanced compliance obligations to prevent a repeat of the charged conduct, including creating policies and procedures:

- for corrective action against agents that pose an unacceptable risk of money laundering or have demonstrated systemic, willful or repeated lapses in compliance;
- that ensure that its agents around the world will adhere to U.S. regulatory and AML standards; and
- that ensure that the company will report suspicious or illegal activity by its agents or related to consumer fraud

reports.

In a related case, Western Union agreed to settle charges by the FTC in a complaint filed today in the U.S. District Court for the Middle District of Pennsylvania, alleging that the company's conduct violated the FTC Act. The complaint charges that for many years, fraudsters around the world have used Western Union's money transfer system even though the company has long been aware of the problem, and that some Western Union agents have been complicit in fraud. The FTC's complaint alleges that Western Union declined to put in place effective anti-fraud policies and procedures and has failed to act promptly against problem agents. Western Union has identified many of the problem agents but has profited from their actions by not promptly suspending and terminating them.

In resolving the FTC charges, Western Union agreed to a monetary judgment of \$586 million and to implement and maintain a comprehensive anti-fraud program with training for its agents and their front line associates, monitoring to detect and prevent fraud-induced money transfers, due diligence on all new and renewing company agents, and suspension or termination of noncompliant agents.

The FTC order prohibits Western Union from transmitting a money transfer that it knows or reasonably should know is fraud-induced, and requires it to:

- block money transfers sent to any person who is the subject of a fraud report;
- provide clear and conspicuous consumer fraud warnings on its paper and electronic money transfer forms;
- increase the availability of websites and telephone numbers that enable consumers to file fraud complaints; and
- refund a fraudulently induced money transfer if the company failed to comply with its anti-fraud procedures in connection with that transaction.

In addition, consistent with the telemarketing sales rule, Western Union must not process a money transfer that it knows or should know is payment for a telemarketing transaction. The company's compliance with the order will be monitored for three years by an independent compliance auditor.

Since 2001, the department has charged and convicted 29 owners or employees of Western Union agents for their roles in fraudulent and structured transactions. The U.S. Attorney's Office of the Middle District of Pennsylvania has charged and convicted 26 Western Union agent owners and employees for fraud-related violations; the U.S. Attorney's Office of the Central District of California has secured a guilty plea from one Western Union agent for BSA violations, and the U.S. Attorney's Office for the Eastern District of Pennsylvania has secured guilty pleas for BSA violations of two other individuals associated with Western Union agents for BSA violations.

USPIS's Philadelphia Division's Harrisburg, Pennsylvania, Office; the FBI's Los Angeles Field Office; IRS-CI; HSI; FRB-CFPB OIG; Department of Treasury OIG; the Broward County, Florida Sheriff's Offices; and Department of Labor investigated the case. Trial Attorney Margaret A. Moeser of the Criminal Division's Money Laundering and Asset Recovery Section's Bank Integrity Unit, Assistant U.S. Attorney Kim Douglas Daniel of the Middle District of Pennsylvania, Assistant U.S. Attorney Gregory W. Staples of the Central District of California, Assistant U.S. Attorneys Judy Smith and Floyd Miller of the Eastern District of Pennsylvania and Assistant U.S. Attorney Randy Katz of the Southern District of Florida are prosecuting the case. Asset forfeiture attorneys in each U.S. Attorney's Office and the Money Laundering and Asset Recovery Section provided significant assistance in this matter. The department appreciates the significant cooperation and assistance provided by the FTC in this matter.

Persons who believe they were victims of the fraud scheme should visit the Department of Justice's victim website at <https://www.justice.gov/criminal-afmls/remission> for instructions on how to request compensation through the Victim Asset Recovery Program.

The Victim Compensation Program, operated by the Money Laundering and Asset Recovery Section, is composed of a team of experienced professionals, including attorneys, accountants, auditors and claims analysts. In hundreds

of cases, the Victim Compensation Program has successfully used its specialized expertise to efficiently convert forfeited assets to victim recoveries.

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