

# 5 Notable Anti-Money Laundering Actions From 2024

By **Michael Beckwith** (December 12, 2024)

Several gauntlets were thrown down this year, establishing a renewed interest by regulators in anti-money laundering, or AML, efforts. Winter is coming, and so are the regulators.

Government focus on compliance with the Bank Secrecy Act — or BSA, the nation's primary AML law — increased significantly in 2024. The U.S. Department of the Treasury's latest "Money Laundering Risk Assessment" highlighted three industries — banking, cryptocurrency and gaming — as problematic due to BSA compliance deficiencies.



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This assessment was supported by the U.S. Departments of Justice, Homeland Security and Interior, as well as state agencies such as the Nevada Gaming Control Board. To regulators, BSA compliance deficiencies pose a critical gap in the existing AML regime.

Due to national security concerns — such as foreign money laundering, terror financing and sanctions violations — this regulatory focus is likely to persist.

## 1. TD Bank

The number of enforcement actions in the banking industry increased for the second year in a row. Many of those actions were related to AML and BSA compliance.

According to S&P Global Market Intelligence, as of September 2024, regulators had announced nearly 50 enforcement actions, surpassing a total of 43 enforcement actions in all of 2023.

TD Bank stands out among AML enforcement examples from 2024. In October, TD Bank agreed to a \$3.1 billion penalty — about \$1.8 billion to the U.S. Department of Justice and \$1.3 billion to the U.S. Department of the Treasury — to resolve two enforcement actions.

The bank became the largest bank in U.S. history to plead guilty to BSA violations and the first U.S. bank in history to plead guilty to conspiracy to commit money laundering. TD Bank paid the largest-ever penalty under the Bank Secrecy Act.

Notably, this was the first time a daily fine was leveled against a financial institution because, as Lisa Monaco, the deputy attorney general of the U.S., noted, "Time and time again, TD Bank failed to meet its obligations — day after day, year after year."

TD Bank, a Canadian entity, agreed to restructure the compliance program of its U.S. bank, which is the 10th largest in the U.S. The bank also agreed to a three-year independent monitorship.

The \$1.3 billion civil settlement for violations of the BSA was the largest penalty against a depository institution in the history of the Treasury Department's Financial Crimes Enforcement Network.

The Justice Department also prosecuted over 20 individuals for their involvement in money laundering schemes that moved over \$670 million in illicit funds through TD Bank. Two TD Bank employees were also charged. The criminal investigations into individual employees at every level of TD Bank are still active.

Several TD Bank executives knew of problems with their AML program, but failed to invest sufficient time, money and managerial resources in compliance efforts. For example, TD Bank had an automated transaction monitoring system designed to generate alerts on suspicious activities, but that system was deemed woefully inadequate.

At bottom, TD Bank's AML staffing and resourcing was not proportionate to its size, risk profile and ongoing compliance concerns, according to the settlement.

The BSA requires banks to maintain a robust AML program, report suspicious activity and train employees to defend against money laundering.

TD Bank's AML program did not meet BSA compliance standards, as it lacked adequate transaction monitoring, risk-based training for employees, independent testing, and internal controls due to a siloed governance structure, according to regulators.

According to regulators, despite rising profits, TD bank starved its compliance program of the resources it needed.

TD Bank is required to hire an independent consultant to perform a historical analysis of the bank's transaction data — commonly known as a suspicious activity report, or SAR, lookback — under the supervision of FinCEN's monitor.

Additionally, TD Bank is required to have the monitor conduct a comprehensive, independent review of its AML program. This marks the first instance in which FinCEN is enforcing accountability and data governance assessments.

The requirements of an independent consultant and a FinCEN monitor indicate that the Treasury Department wants banks to thoroughly address and rectify their AML shortcomings, rather than merely pay financial penalties.

When it comes to compliance, modern regulators feel there are really only two options: Invest now, or face severe consequences later.

## **2. KuCoin**

The Treasury Department's 2024 "Money Laundering Risk Assessment" highlighted virtual currency, which includes cryptocurrencies, as problematic, noting that entities transacting in these currencies struggle with BSA compliance deficiencies.

In March, federal authorities released a criminal indictment charging KuCoin, the global cryptocurrency exchange, and two of its founders, Chun Gan and Ke Tang, with, among other things: conspiring to operate an unlicensed money transmitting business; and conspiring to violate the BSA by willfully failing to maintain an adequate AML program, maintain reasonable procedures for verifying the identity of customers, and file SARs.

The Commodity Futures Trading Commission filed a civil complaint as well, alleging that KuCoin violated the Commodity Exchange Act and related regulations.

KuCoin solicited U.S. customers for its trading platforms, according to the indictment. Since 2017, KuCoin has become one of the largest cryptocurrency exchange platforms in the world, now claiming more than 30 million customers in over 200 countries and billions of dollars' worth of cryptocurrency in daily trading volume.

KuCoin is a money transmitting business, or MTB. As such, it is considered a financial institution under the BSA and required to register with FinCEN.

As an MTB with customers in the U.S., KuCoin is required to comply with the BSA provisions requiring maintenance of an adequate, risk-based AML program, including know-your-customer processes.

KuCoin's KYC process applied only to new customers, not to millions of existing customers. KuCoin never filed SARs, never registered with the CFTC, and failed for years to register with FinCEN as an MTB, according to the indictment.

The indictment alleges that KuCoin transmitted over \$4 billion in suspicious and criminal proceeds due to its failure to maintain the required AML and KYC programs.

### **3. BitMEX**

In July in another standout crypto case, Bitcoin Mercantile Exchange, a global cryptocurrency exchange doing business as BitMEX, pled guilty to violating the BSA for willfully failing to establish, implement and maintain an adequate AML program.

Previously, the company's three founders and a longtime employee pled guilty to similar federal charges.

BitMEX operated in the U.S. and was required to implement an AML program that included a KYC component. However, BitMEX chose to downplay those requirements, requiring customers to provide only an email address to use its services.

Executives knew BitMEX's policies were only nominally in place. BitMEX also admitted that it lied to HSBC, a U.S. correspondent bank, about a subsidiary, allowing that company to move millions of dollars through the U.S. financial system.

The FBI noted, "BitMEX not only failed to comply with nationally required AML procedures designed to protect the U.S. financial markets from illicit actors and transactions, but did so to increase the business's revenue."

### **4. Resorts World**

This year saw the conclusion of six gaming investigations, numerous individual prosecutions and several enforcement actions.

The enforcement actions ran from small tribal operations in California, such as the Lake Elsinore Card Room, to major casinos in Nevada, such as the MGM and Cosmopolitan, and included online gaming platforms, such as DraftKings.

In August, the Nevada Gaming Control Board filed a complaint against Resorts World — one of the largest casinos in Las Vegas, employing over 5,000 people — alleging violations of state AML laws.

In alleged KYC failures, Resorts World welcomed illegal bookmaking, people with gambling-related felony convictions and individuals linked to organized crime, including Mathew Bowyer, the Southern California bookmaker who took bets from Ippei Mizuhara, the former interpreter for baseball star Shohei Ohtani.

Earlier this year, Bowyer pled guilty in federal court in California to running an illegal gambling business after receiving discounts, gifts and flights on Resorts World's private jet.

The complaint also alleged that Resorts World employees failed to report suspicious activities and violations of its AML program to their superiors.

Notably, the NGCB alleged in count 12 of the complaint that Resorts World's "culture" created a perception that it was "an avenue to launder funds derived from illegal activity" and to further criminal activity, which "caus[ed] damage to the reputation of the state of Nevada and Nevada's gaming industry."

This allegation applied Commission Regulation 5.011(1), which is essentially a "conduct unbecoming" offense for failure to "conduct gaming operations in accordance with proper standard of custom, decorum, and decency ... to reflect on the reput[e] or the State of Nevada and act as a detriment to the gaming industry." The more regular use of Regulation 5 may be in the offing.

The NGCB asked the Nevada Gaming Commission to fine Resorts World and take a rare action against Resorts World's gaming license.

The NGCB and the federal government are continuing to investigate. This joint effort may be indicative of other future partnerships between local, state and federal regulators. Such joint efforts might synergistically combine local knowledge, state law and federal resources.

## **5. Wynn Las Vegas**

Another important gaming case involved Wynn Las Vegas, also one of the largest casinos in Las Vegas.

In September, it agreed to forfeit over \$130 million to settle allegations that it conspired with unlicensed MTBs worldwide to transfer funds for the financial benefit of the casino. This settlement appears to be the largest forfeiture ever by a casino based on admissions of criminal wrongdoing.

First, Wynn admitted that it illegally used unregistered MTBs to circumvent the conventional financial system. Specifically, it worked with third-party agents acting as unlicensed MTBs to recruit foreign gamblers.

To repay debts or have funds available to gamble, the independent agents transferred the gamblers' funds through companies, bank accounts, and other third-party nominees in Latin America and elsewhere, and ultimately into a Wynn-controlled bank account in California.

Second, Wynn admitted it facilitated the unlicensed transfer of money through so-called human head gambling, which occurs when a person purchases chips and gambles as a proxy for another person. Wynn allowed this form of gambling without scrutinizing the true patron's funds, reporting the suspicious activity internally or filing SARs.

Third, Wynn facilitated the unlicensed transfer of money to and from China through a

method known as "flying money." A money processor, acting as an unlicensed MTB, collected U.S. dollars in cash from third parties in the U.S. and delivered that cash to a Wynn patron who could not otherwise access cash in the U.S.

The patron then electronically transferred the equivalent value of foreign currency from the patron's foreign bank account to a separate foreign account designated by the MTB. As with human head gambling, Wynn allowed this form of gambling without scrutinizing the source of funds, internal reporting, or filing SARs.

Finally, Wynn allowed and did not report transactions involving millions of dollars by an individual who, according to publicly available information, spent six years in prison in China for conducting unauthorized monetary transactions and violations of other financial laws.

As part of this investigation, and in connection with criminal penalties of over \$7.5 million, 15 individuals admitted to money laundering, unlicensed money transmitting and other crimes.

### **Connecting the Dots From 2024**

In 2024, renewed scrutiny of AML programs by regulators led to numerous enforcement actions and individual prosecutions. But this scrutiny from the regulators also included the establishment of a new federal whistleblower program sponsored by the Justice Department.

This program financially incentivizes employees to report AML violations and has supercharged investigative efforts.

Additionally, congressional focus on AML issues led to the Corporate Transparency Act, which became effective in 2024. Though currently mired in litigation, the CTA is aimed at identifying the beneficial owners of shell companies and other entities used to circumvent the BSA and its AML programs.

Together, these actions in 2024 signal a strong, renewed interest in AML and BSA compliance that is likely to persist.

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