

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK**

IN THE MATTER OF:)
)
)
) **Number 2006-6**
DEPREZ'S QUALITY)
JEWELRY AND LOANS, INC.)
LOUISVILLE, KENTUCKY)

ASSESSMENT OF CIVIL MONEY PENALTY

I. INTRODUCTION

Under the authority of the Bank Secrecy Act and regulations issued pursuant to that Act,¹ the Financial Crimes Enforcement Network has determined that grounds exist to assess a civil money penalty against Deprez's Quality Jewelry and Loans, Inc., Louisville, Kentucky ("Deprez Jewelry"). To resolve this matter, and only for that purpose, Deprez Jewelry has entered into a CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY ("CONSENT") without admitting or denying the determinations by the Financial Crimes Enforcement Network, as described in Sections III and IV below, except as to jurisdiction in Section II below, which is admitted.

The CONSENT is incorporated into this ASSESSMENT OF CIVIL MONEY PENALTY ("ASSESSMENT") by this reference.

II. JURISDICTION

Deprez Jewelry is a money services business that has operated in Louisville, Kentucky since 1983. The entity has one location and three employees in addition to the Chairman and President, Robert B. and Pauline M. Deprez, respectively. Deprez Jewelry offers check cashing services, but does not engage in wire transfers or money order sales. Occasionally, Deprez Jewelry would cash relatively large checks, in excess of \$30,000, for customers. The Internal Revenue Service, Small Business/Self-Employed Division examines Deprez Jewelry for compliance with the Bank Secrecy Act and its implementing regulations.

At all relevant times, Deprez Jewelry was a "financial institution" and a "money services business" within the meaning of the Bank Secrecy Act and the regulations issued pursuant to that Act.²

¹ 31 U.S.C. § 5311 *et seq.* and 31 C.F.R. Part 103.

² 31 U.S.C. § 5312(a)(2) and 31 C.F.R. § 103.11.

III. DETERMINATIONS

A. Summary

Deprez Jewelry failed to register in a timely manner with the Financial Crimes Enforcement Network, as required by 31 U.S.C. § 5330 and 31 C.F.R. § 103.41. Deprez Jewelry failed to establish and implement an adequate anti-money laundering program reasonably designed to prevent the money services business from being used to facilitate money laundering. Deprez Jewelry's reckless disregard towards the anti-money laundering program requirements of the Bank Secrecy Act led, in turn, to structured transactions on the part of Deprez Jewelry to evade the currency transaction reporting requirements of the Bank Secrecy Act.³

B. Failure to Timely Register as a Money Services Business

The Bank Secrecy Act and its implementing regulations required money services businesses to register with the U.S. Department of the Treasury by December 31, 2001.⁴ Deprez Jewelry failed to timely register as a money services business and only filed its initial money services business registration in April 2004, after instruction by the Internal Revenue Service in October 2001 and November 2003.

C. Violations of the Requirement to Establish and Implement an Anti-Money Laundering Program

The Financial Crimes Enforcement Network has determined that Deprez Jewelry violated the requirement to establish and implement an effective anti-money laundering program. Since July 24, 2002, the Bank Secrecy Act and its implementing regulations have required money services businesses to develop, implement and maintain effective anti-money laundering programs.⁵ An effective program is one that is reasonably designed to prevent the money services business from being used to facilitate money laundering and the financing of terrorist activities.⁶ The regulation requires money services businesses to implement a written anti-money laundering program that, at a minimum: (a) incorporates policies, procedures and internal controls reasonably designed to ensure ongoing compliance; (b) designates an individual responsible for coordinating and monitoring day-to-day compliance; (c) provides training for appropriate personnel; and (d) provides for independent review to monitor and maintain an adequate program.⁷

Deprez Jewelry failed to establish and implement a written anti-money laundering program, in violation of 31 U.S.C. § 5318(h)(1) and 31 C.F.R. § 103.125 of the Bank Secrecy Act. As of August 2004, Deprez Jewelry had not prepared a written anti-money laundering program. In fact, management did not begin to establish or implement a written anti-money laundering program until October 2004, after being informed by the Internal Revenue Service that the examination would be expanded. Furthermore, the written program provided in October

³ 31 C.F.R. § 103.63(c).

⁴ 31 U.S.C. § 5330(a); 31 C.F.R. § 103.41(a).

⁵ 31 U.S.C. § 5318(h)(1) and 31 C.F.R. § 103.125(e).

⁶ 31 C.F.R. § 103.125(a).

⁷ 31 C.F.R. § 103.125(c) and (d).

2004 was deemed inadequate because it did not name a person, or persons, responsible for day-to-day compliance, or articulate and implement any measures reasonably designed to prevent structuring. Deprez Jewelry failed to establish and implement an adequate anti-money laundering program in violation of Section 5318(h)(1) of the Bank Secrecy Act and its implementing regulation, 31 C.F.R. § 103.125. Deprez Jewelry's lack of an effective anti-money laundering program resulted in structured transactions to evade the currency transaction reporting requirements of the Bank Secrecy Act.

D. Evasion of the Currency Transaction Reporting Requirements through Structured Transactions

The Bank Secrecy Act and its implementing regulations require money services businesses to file a report of each deposit, withdrawal, exchange of currency or other payment or transfer which involves a transaction in currency of more than \$10,000.⁸ The Bank Secrecy Act and its implementing regulations prohibit any person from structuring, assisting in structuring, or attempting to structure any transaction for the purpose of evading the requirements for reporting transactions in currency.⁹

Deprez Jewelry structured six transactions between October 2002 and September 2004, to avoid filing currency transaction reports as required by the Bank Secrecy Act. Not only was Deprez Jewelry aware of its duty to file currency transaction reports, but management specifically adopted a policy whereby Deprez Jewelry would purposely structure transactions to avoid the transaction in currency reporting requirement. Deprez cashed six checks ranging from approximately \$13,000 to \$33,000. When a customer presented a check over \$10,000, Deprez Jewelry would give the customer approximately \$9,000 in cash and write a business check drawn on Deprez Jewelry's business account for the balance of the check. This policy was adopted for the express purpose of evading the currency transaction reporting requirement.

IV. CIVIL MONEY PENALTY

Under the authority of the Bank Secrecy Act and the regulations issued pursuant to that Act,¹⁰ the Financial Crimes Enforcement Network has determined that a civil money penalty is due for violations of the Bank Secrecy Act and the regulations issued pursuant to that Act and described in this ASSESSMENT.

Based on the seriousness of the violations at issue in this matter, and the financial resources available to Deprez Jewelry, the Financial Crimes Enforcement Network has determined that the appropriate penalty in this matter is \$25,000.

V. CONSENT TO ASSESSMENT

To resolve this matter, and only for that purpose, Deprez Jewelry, without admitting or denying either the facts or determinations described in Sections III and IV above, except as to

⁸ 31 C.F.R. § 103.22(b)(1).

⁹ 31 C.F.R. § 103.63(c).

¹⁰ 31 U.S.C. § 5321 and 31 C.F.R. § 103.57.

jurisdiction in Section II, which is admitted, consents to the assessment of a civil money penalty against it in the amount of \$25,000.00.

Deprez Jewelry recognizes and states that it entered into the CONSENT freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever were made by the Financial Crimes Enforcement Network or any employee, agent, or representative of the Financial Crimes Enforcement Network to induce Deprez Jewelry to enter into the CONSENT, except for those specified in the CONSENT.

Deprez Jewelry understands and agrees that the CONSENT embodies the entire agreement between Deprez Jewelry and the Financial Crimes Enforcement Network relating to this enforcement matter only, as described in Section III above. Deprez Jewelry further understands and agrees that there are no express or implied promises, representations, or agreements between Deprez Jewelry and the Financial Crimes Enforcement Network other than those expressly set forth or referred to in this document and that nothing in the CONSENT or in this ASSESSMENT is binding on any other agency of government, whether federal, state, or local.

VI. RELEASE

Deprez Jewelry understands that execution of the CONSENT, and compliance with the terms of this ASSESSMENT and the CONSENT, constitute a complete settlement with the Financial Crimes Enforcement Network of civil liability for the violations of the Bank Secrecy Act and regulations issued pursuant to that Act as described in the CONSENT and this ASSESSMENT.

By: Robert W. Werner
Robert W. Werner, Director
FINANCIAL CRIMES ENFORCEMENT NETWORK
U. S. Department of the Treasury

Date: July 20, 2006