

Reluctant casinos get clear warning

September 29, 2013

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Las Vegas Review-Journal

As she made her way through the Sands Expo Center, the most dangerous woman in Las Vegas easily passed for one of the thousands of attendees at last week's behemoth Global Gaming Expo convention.

In a town where showgirls and Celine turn heads, straight-talking Jennifer Shasky Calvery in her business attire blended into the crowd.

It's what Shasky Calvery, the director of the Department of Treasury's Financial Crimes Enforcement Network (FinCEN), had to say Tuesday that should have captured the convention's undivided attention. The message she delivered should shake up the casino industry far more than the latest gambling gadget or double-jointed tumbling act.

In a speech at G2E, Shasky Calvery called for nothing less than a cultural change inside elements of the corporate casino industry when it comes to financial compliance. The fact she did this not in a missive on the FinCEN website, but in the middle of the gaming industry's annual trade show, ought to be taken as a sign by even the casino industry's most tone deaf titans.

FinCEN is the Treasury Department's financial system watchdog. It works to ensure that banks and other financial institutions — that includes casinos — aren't being used as money laundries and for other illicit purposes by organized crime, drug cartels, and even terrorist networks. It does this by collecting, analyzing and disseminating financial intelligence that is used by IRS Criminal Investigation and other federal law enforcement to build criminal cases.

For her part, Shasky Calvery has spent most of her career involved in tracking and prosecuting transnational criminal organizations and money laundering. She also is an expert on the misuse of anonymous shell corporations, something Nevada still recklessly markets to the business world.

FinCEN is capable of identifying and rooting out the financial movement of international drug cartels and terrorist networks. But it's only as effective as the accuracy of the data, documents and intelligence it gathers.

When casinos fail to properly comply with the law, the system suffers and some consummately evil people can benefit.

Casinos have long reaped profits from what can politely be described as plausible deniability when it comes to identifying the source of their large cash customers' income. Although casino bosses love to service their biggest players' every hedonistic whim, the marketing mavens' attention to detail gets downright sketchy when it comes to noticing what financial experts call suspicious activity.

Suspicious, indeed. The prolific casino play and financial movements of Chinese-Mexican businessman Zhenli Ye Gon certainly qualified as that and more. He is the former Strip high roller and Sinaloa drug cartel associate who was known as "Mr. Ye" from 2004-2007, when he was considered the biggest cash player in Las Vegas.

Although he gambled at several casinos, Mr. Ye favored The Venetian, where according to the government he dropped \$84 million of the \$125 million he lost here before being arrested on drug trafficking-related charges. He has been charged in Mexico with drug trafficking and is awaiting extradition.

The Las Vegas Sands in August paid \$47.4 million to settle a federal money-laundering investigation linked to Ye Gon's play at The Venetian. The company finally admitted it had failed to sufficiently scrutinize his suspicious cash transaction activity.

Although the case of Ye Gon was particularly egregious, such shoddy examples of compliance aren't unique to The Venetian.

Without mentioning names, or acknowledging the undeniable irony of delivering her address while standing inside the Sands Expo Center, Shasky Calvery deftly raised the issue of professional compliance in an era that finds many other industries using computer analytics to track their customers.

"Something that we often hear from some casinos is that your primary product is entertainment rather than a traditional financial service, and that this is something that you want us to take into consideration when we compare the casino industry to other industries that we regulate," she said.

"We do take that into consideration. But whether a company is in the business of helping people invest and protect their money, or using that money for the purpose of entertainment, both are at risk. Both can serve as the vehicle for the use and movement of ill-gotten gains. And just like everyone else, casinos are responsible for reporting suspicious activity when they suspect that the money being brought to them for gaming derives from an illegal source."

Then Shasky Calvery held a mirror up to the gambling crowd.

"I want to talk a little about the culture of your industry and institutions, because, as we have seen in some of the recent enforcement actions, the culture of an institution is key to its ability to comply with our regulations," she said.

“When some casinos say that they are in the gaming industry and not really in the business of providing financial services, I get the impression that they are saying that they should not have as much responsibility in the AML (anti-money laundering) context as those financial institutions whose business it is to receive, move, and protect money. And when some casinos say that probing their customers about their activities outside of the casino will drive customers away, I sense that they feel that it is not their responsibility to protect their institutions, and our financial system as a whole, from being used by illicit actors.

“I fear there may be a culture within some pockets of the industry of reluctant compliance with the bare minimum, if not less. I hope that together we can make a cultural change.”

The most dangerous woman in Las Vegas made it sound like a suggestion, but the Vegas kings would be wise to take her very seriously.

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