IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FEDERAL TRADE COMMISSION,	)	
Plaintiff,	)	
v.	)	Civil Action No. 09-cv-6576
MONEYGRAM INTERNATIONAL, INC.,	)	
Defendant.	)	

FTC'S UNOPPOSED MOTION FOR ENTRY OF STIPULATED ORDER FOR COMPENSATORY RELIEF AND MODIFIED ORDER FOR PERMANENT INJUNCTION

Plaintiff, the Federal Trade Commission ("FTC")

wishing to send funds using MoneyGram's money transfer system may initiate a transaction in person, online, through a mobile device, or at a self-service kiosk located at a MoneyGram agent location. For many years, money transfers have been a preferred method of payment for fraudsters because the money sent through MoneyGram's system can be picked up quickly at many agent locations around the world, and consumers typically are unable to get their money back once the funds have been paid out. In addition, for many years, the perpetrators often have been afi/T-(o)- for arp ,vi sme

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failed to record, as well as to share with Consumer Sentinel, all consumer complaints it received about fraud-induced money transfers. Significantly, moreover, although MoneyGram implemented a new interdiction system in April 2015 that was supposed to enhance its ability to automatically hold and prevent the payout of money transfers that likely were fraud-induced, this interdiction system failed to function properly from approximately April 2015 through October 2016, thereby failing to prevent millions of dollars in fraud-induced money transfers.

Each of these violations of the 2009 Order is detailed below. Together, the violations caused significant consumer losses.

A. MoneyGram Failed to Promptly Investigate and then Discipline Agent Locations with High Levels of Consumer Fraud

In numerous instances, MoneyGram failed to promptly investigate and take the required disciplinary actions against some of its agent locations—especially large chain agents—that exhibited high levels of consumer fraud.

1. MoneyGram's Failure to Promptly Investigate Certain Agents

The 2009 Order requires MoneyGram to conduct timely consumer fraud investigations of any agent location that meets one of the following thresholds: (1) has received two or more fraud complaints in a thirty-day period; (2) has fraud complaints amounting to five percent or more of the location's total received transactions, in numbers or dollars, calculated on a monthly basis; or (3) has displayed any unusual or suspicious money transfer activity that cannot reasonably be explained or justified. (Section III.B-4.) MoneyGram is required to complete an investigation within 14 or 30 days, depending upon which threshold triggered the investigation. If

differently and sometimes failed to take the required

(7) flipping (shortly after receiving funds, a large portion of the money is sent to another recipient); (8) structuring of transactions; and (9) substantial transfers to high-risk countries known for fraud. Under the terms of the 2009 Order, these types of suspicious activities triggered a duty by MoneyGram to investigate and, depending on the findings, impose some type of disciplinary action.

In fact, MoneyGram established different standards for disciplinary actions involving large chain agents, even though that practice finds no support in the terms of the 2009 Order. As noted, the 2009 Order requires the termination of any agent location that "may be complicit" in fraud-induced money transfers. Consistent with that standard, MoneyGram's "Global Anti-Fraud Policy and Response Program" generally provides that if MoneyGram finds that the agent "may be complicit," it must be terminated. However, with chain agents, which MoneyGram has defined as agents with ten or more locations, MoneyGram's policy only requires termination "if the Chain Agent itself is complicit" in the fraud. (Emphasis added.) That is a different standard than the one in Sen fact in .28 -2.3 T4.5j [(M)-1III-6 (e-2 (nduc)-6 n (n .28 -2..004 Tw -37.16 -2d)-3 (e)-9

The written guidelines used by MoneyGram's Financial Intelligence Unit ("FIU"), which is the primary unit responsible for conducting consumer fraud investigations and (taking or recommending) disciplinary actions against agents in accordance with the 2009 Order, also demonstrate that MoneyGram established standards for disciplinary actions that did not comply with the 2009 Order's requirements. These guidelines, which were dated April 11, 2013, required agents to have unreasonably high fraud rates before they would be subject to suspension

induced money transfers, including recipients who had been the subject of one or more consumer fraud complaints, or who otherwise had engaged in suspicious activity or activity linked to fraud-induced money transfers. In some cases, these recipients were members of fraud rings who conducted numerous suspicious transfers at one or more agent locations within a particular geographic area. The money transfers also exhibited other suspicious characteristics indicative of fraud, such as multiple transfers at the same or different locations on the same day or within a short period of time, large-dollar amounts or structured money transfers, and suspicious biographical information, such as shared or fake addresses or IDs. By adequately monitoring this activity, MoneyGram should have been able to prevent these losses.

In addition, although MoneyGram's anti-fraud program is required to have the "administrative, technical, and physical safeguards appropriate to Defendant's size and complexity, and the nature and scope of Defendant's activities" (Section I.D), MoneyGram failed to maintain those technical safeguards for at least an eighteen-month period from April 2015 through October 2016. During this time, MoneyGram's interdiction system, which was supposed to block fraud-induced money transfers, experienced serious technical problems and was ineffective at blocking a substantial number of such transfers. As a result, MoneyGram allowed individuals that it knew, or should have known, were using its system for fraud to obtain the proceeds of their frauds

In response to the technical problems, MoneyGram failed to add individuals who had received, or were linked to, fraud-induced money transfers to its Internal Watch List, which is used for blocking fraud-induced money transfers in its system

C. MoneyGram Failed to Properly Train All Agents

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MoneyGram also failed to ensure that high-fraud agent locations that were required to conduct consumer fraud training as a remedial measure had promptly trained their employees to prevent future consumer fraud at those locations. In some cases, agents failed for months to conduct, or prove that they had conducted, the required consumer fraud

becoming involved or complicit in processing fraud-induced money transfers. MoneyGram also sometimes failed to maintain records demonstrating that it had conducted the required due diligence.

E. MoneyGram Failed to Record All Consumer Complaints

The Order requires MoneyGram to record all complaints relating to fraud-induced money transfers, and to share information about them with the FTC's Consumer Sentinel Network unless a consumer requests that the information not be shared with law enforcement.[4] (Sections III.B.1 and IV.B.) Despite these requirements, MoneyGram has, in some cases, failed to record, and ultimately share with the FTC, information that it has received about fraud-induced money transfers.[5] In addition, MoneyGram has failed to provide to Consumer Sentinel all of the complaints it received and recorded in its complaint database relating to U.S. and Canadian consumers. These failures to record and to share complaint information with Consumer Sentinel violate the Order.

III. CONSUMER COMPLAINTS ABOUT FRAUD-INDUCED MONEY TRANSFERS

MoneyGram maintains a database of complaints it receives about fraud-induced money transfers. Based on information in that database, between January 1, 2013 and April 30, 2018,

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scams, person-in-need scams, investment scams, romance scams, and lottery or prize scams. Approximately 77 percent of the complaints in the database are from U.S. consumers and approximately 6 percent of the complaints are from Canadian consumers.

Moreover, a discrete set of agents processed most of the transactions related to the consumer fraud complaints. In fact, based on MoneyGram's complaints, only approximately 3.71 percent of its agents worldwide (approximately 13,000 locations) have received five or more fraud complaints since January 1, 2013, yet those agents account for approximately 84.48 percent of all complaints to MoneyGram.

The complaints in MoneyGram's database represent only a small percentage of the actual fraud perpetrated through its system because most victimized consumers do not complain directly to MoneyGram. In addition, as noted above, MoneyGram has not included information in its database about all of the complaints it has received about fraud-induced money transfers. Therefore, MoneyGram's database understates the actual amount of fraud through its money transfer system.

Despite MoneyGram's obligations to implement and maintain adequate and effective anti-fraud and AML programs designed to detect and prevent consumer fraud pursuant to the 2009 Order and the DPA, between 2012 and 2016, consumer fraud complaints to MoneyGram more than doubled, from approximately 26,485 complaints in 2012 to approximately 75,628 complaints in 2016. During the FTC's investigation of MoneyGram's compliance with the 2009 Order, MoneyGram began taking more meaningful disciplinary actions against agents—especially large chain agents—and complaints went down significantly in 2017.

IV. RELIEF REQUESTED

Without admitting or denying the allegations described herein, and in order to resolve those allegations, MoneyGram has agreed to the entry of monetary judgment for compensatory relief in the amount of $125 million. Courts possess the inherent authority to enforce compliance with their orders. FTC v. Asia Pac. Telecom, Inc., 788 F. Supp. 2d 779, 789 (N.D. Ill. 2011). Obedience to judicial orders is a fundamental expectation of our legal system. In particular, injunctions issued by a court of competent jurisdiction must be obeyed until withdrawn or vacated. W.R. Grace & Co. v. Local Union 759, 461 U.S. 757, 766 (1983); APC Filtration, Inc. v. Becker, 2010 U.S. Dist. LEXIS 125871, at *3 (N.D. Ill. Nov. 30, 2010). Courts have "wide discretion in fashioning an equitable remedy for civil contempt." McGregor v. Chierico, 206 F.3d 1378, 1385 n.5 (11th Cir. 2000) (citing United States v. City of Miami, 195 F.3d 1292, 1298 (11th Cir. 1999)). Where consumers suffer losses as a result of the violation of an FTC injunction, compensatory relief is the appropriate remedy. FTC v. Trudeau, 662 F.3d 947, 950 (7th Cir. 2011); McGregor, 206 F.3d at 1388-89.

MoneyGram also has agreed to the entry of an order modifying the 2009 Order to include a broader range of relief, including a requirement to interdict (or block) the transfers of known fraudsters and provide refunds for non-compliance with certain policies or procedures. This relief is necessary to address MoneyGram's non-compliance with the Order, including deficiencies in its anti-fraud program. This Court has the power to modify the terms of its injunctions in the event that changed circumstances require a modification. See McGregor, 206 F.3d at 1386, n.9; United States v. Oregon, 769 F.2d 1410, 1416 (9th Cir. 1985). For the reasons

injunctive relief to ensure that MoneyGram is maintaining an adequate and comprehensive fraud program designed to protect consumers.

V. CONCLUSION

For the foregoing reasons, the FTC respectfully requests that the Court enter the Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction. MoneyGram has represented to the FTC that it does not oppose this motion.

Dated: November 8, 2018

Respectfully Submitted,

/s/ Karen D. Dodge
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