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

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

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

Plaintiff, the Federal Trade Commission ("FTC"), moves this Court pursuant to Local Rule 37.1, Part XII of the Stipulated Order for Permanent Injunction and Final Judgment entered by the Court in this matter on October 21, 2009 ("2009 Order" or "Order"), and the Court's inherent authority, to enter the attached Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction. Defendant, MoneyGram International, Inc. ("MoneyGram"), has agreed to the entry of the Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction, and has represented to the FTC that it does not oppose this motion. In support of the motion, the FTC states the following:[1]

I. BACKGROUND

MoneyGram offers money transfer services to consumers worldwide through a network of approximately 350,000 agent locations in more than 200 countries and territories. Consumers

[1] Because the FTC and MoneyGram have reached a resolution of the allegations in this motion, the FTC is not filing any affidavit or evidence in support of this motion. MoneyGram neither admits nor denies any of the FTC's allegations set forth in this motion.

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 afforded anonymity when receiving money though MoneyGram, including, in some instances, by having the ability to pick up transfers without presenting identifications ("IDs") or by using fake names, addresses, and IDs.

On October 21, 2009, the Honorable John F. Grady entered the 2009 Order (Dkt. No. 13) against MoneyGram, which resolved the allegations in the FTC's Complaint (Dkt. No. 1). The Complaint alleged that, between at least 2004 and 2008, MoneyGram had assisted fraudulent telemarketers by failing to take timely, appropriate, and effective measures to address fraud-induced money transfers in its system. The 2009 Order prohibits MoneyGram from, among other things, failing to: establish, implement, and maintain a comprehensive anti-fraud program that is reasonably designed to protect U.S. and Canadian consumers (Section I); conduct thorough due diligence on prospective agents and ensure its written agreements require agents to have effective anti-fraud policies and procedures in place (Section II); adequately monitor its agents by, among other things, providing appropriate and ongoing training, recording all complaints, reviewing transaction activity, investigating agents, taking disciplinary action against problematic agents, and ensuring its agents are aware of their obligations to detect and prevent fraud and to comply with MoneyGram's policies and procedures (Section III); and share consumer complaint information with the FTC for inclusion in the Consumer Sentinel Network,

a database of consumer fraud complaints maintained by the FTC and available to law enforcement (Section IV).[2]

As a result of the 2009 Order, MoneyGram has made some enhancements to its agent oversight and anti-fraud program, but as this motion demonstrates, it has not been in full compliance with the terms of the 2009 Order. By agreeing to a Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction, MoneyGram has committed to address deficiencies in its anti-fraud program, as well as to improve and expand its program to protect consumers worldwide from consumer fraud involving its money transfer system.

II. MONEYGRAM FAILED TO FULLY COMPLY WITH THE TERMS OF THE 2009 ORDER

For years, MoneyGram failed to take all of the steps necessary—and required by the 2009 Order—to detect and prevent consumer fraud over its money transfer system.[3] As a result, MoneyGram's system continued to be used by fraudsters around the world to obtain money from their victims. In some cases, MoneyGram failed to adopt and implement anti-fraud policies and procedures consistent with the Order, while in other cases, it failed to properly train its agents, to promptly investigate agents that were the subject of fraud complaints, to take the required disciplinary actions against all of the problematic agents, and to conduct the required background checks to avoid installing agents that might become involved or complicit in frauds. It also

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[2] In November 2012, MoneyGram also entered into a five-year Deferred Prosecution Agreement ("DPA") with the Department of Justice, in which MoneyGram admitted that it had criminally aided and abetted wire fraud and failed to maintain an effective Anti-Money Laundering ("AML") program relating to consumer fraud from 2004 through 2009. As part of the DPA, MoneyGram also agreed to implement enhanced compliance obligations with respect to its anti-fraud and AML programs. The five-year term of the DPA was scheduled to expire in November 2017, but it has since been extended multiple times. *United States v. MoneyGram Int'l Inc.*, No. 12-CR-00291 (M.D. Pa. Nov. 9, 2012).

[3] MoneyGram's anti-fraud program is designed, implemented, and administered primarily within the United States.

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.3-4.) MoneyGram is required to complete an investigation within 14 or 30 days, depending upon which threshold triggered the investigation. If the investigation is not completed within the required time, then MoneyGram must suspend the agent location until the investigation is completed.

In some instances, MoneyGram failed to conduct the reviews required by the 2009 Order of agent locations that satisfied these thresholds, or to suspend agents when investigations were not completed on time. For example, from approximately March 2015 until at least March 2016, MoneyGram did not conduct the required individual reviews of agent locations for certain large chain agents that met the review thresholds and did not even consider whether any type of disciplinary action was necessary at those locations. By failing to conduct individual reviews of all locations meeting the Order's thresholds, MoneyGram violated Section III.B of the Order.

2. MoneyGram's Failure to Promptly Discipline Certain Agents

In many instances, MoneyGram also failed to promptly discipline certain agent locations as required by the terms of the 2009 Order. This was especially the case with individual locations of large chain agents.

Under the Order, MoneyGram is required to terminate, suspend, or restrict locations that have failed to take appropriate steps to prevent fraud-induced money transfers. It also is required to terminate locations that "may be complicit" in fraud-induced money transfers. (Section III.B.5.b.) Nevertheless, MoneyGram failed to promptly terminate, suspend, or restrict certain agent locations that had high levels of fraud and that had failed to take appropriate steps to prevent fraud, including recording required information (such as consumers' IDs and biographical information), training and overseeing employees, monitoring money transfer activity, and refusing to pay out suspicious transfers that likely were fraud-induced. In some instances, MoneyGram had agent locations that likely were complicit in frauds, but MoneyGram did not adequately comply with the Order's prompt termination requirement.

Although MoneyGram often took disciplinary actions, including terminations, against lower volume, "mom and pop" agents with high fraud levels, it treated large chain agents

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