

UNITED STATES DEPARTMENT OF THE TREASURY



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## **FinCEN Assesses Money Penalty against Precious Metals Dealer for Violations of Anti-Money Laundering Laws**

WASHINGTON, DC – The Financial Crimes Enforcement Network (FinCEN) today announced the [assessment](#) of a \$200,000 civil money penalty against a Los Angeles precious metals business, as well as its owner and compliance officer. B.A.K. Precious Metals, Inc. (B.A.K.), its sole owner, Bogos Karaoglanyan, and its designated compliance officer, Arman Karaoglanyan, have admitted to willfully violating federal anti-money laundering (AML) laws, known collectively as the Bank Secrecy Act (BSA). This is FinCEN's first action against a dealer in precious metals, precious stones, or jewels.

“Gold and other precious metals are a highly concealable, transportable, and concentrated form of wealth that can be readily abused by criminals seeking to move and hide dirty money.” said FinCEN Director Jennifer Shasky Calvery. “Dealers in these precious metals must do their part to ensure criminals are not able to use their products and services for such nefarious ends.”

FinCEN has delegated to the Internal Revenue Service (IRS) the authority to examine dealers in precious metals, precious stones, or jewels for compliance with the BSA and its implementing regulations. B.A.K. was the subject of a BSA compliance examination in 2011 and again in 2013. B.A.K. did not have any AML program in place until 2011, five years after the business was established and only after the IRS examiners instructed it to implement one. And when the examiners returned in 2013, B.A.K.'s AML program was lacking in several material respects, and B.A.K., its owner, and its compliance officer often ignored the AML program.

B.A.K. failed to adequately assess its risks and did not conduct due diligence on its highest risk customers. In 2011, B.A.K. began dealing in large sums of gold with new customers, with transactions ranging between \$14 and \$23 million. This helped B.A.K. nearly double its total yearly volume, which reached \$120 million by the end of 2012. Despite this significant change in volume and customer base, B.A.K. chose not to require any documentation or identification prior to conducting business with many of these new, high-volume customers. Moreover, the purchase orders documenting these transactions, many of which were over \$100,000, contained

only the business name and included no identifying information on the underlying individuals. These failures presented great risks for criminal abuse.

In addition to the fine, B.A.K., Bogos Karaoglanyan, and Arman Karaoglanyan also agreed to several undertakings to extend through 2020, including retaining an external auditor, providing a comprehensive annual report to FinCEN outlining the implementation of its improved AML program, and annually providing a copy of, and certifying attendance and testing results of, B.A.K.'s AML training program.

FinCEN Director Jennifer Shasky Calvery expressed her appreciation to the Internal Revenue Service, Small Business/Self-Employed Division, which performed the 2011 and 2013 examinations, for its contributions to the investigation and for its strong partnership with FinCEN.

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*FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.*