

**SCHWARTZ & BALLEN LLP**

1990 M STREET, N.W. • SUITE 500  
WASHINGTON, DC 20036-3465

WWW.SCHWARTZANDBALLEN.COM

**TELEPHONE**  
(202) 776-0700

**FACSIMILE**  
(202) 776-0720

**M E M O R A N D U M**

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To Our Clients and Friends

Re: FinCEN Penalty for Failure to Report Suspicious Activity

The Financial Crimes Enforcement Network (FinCEN) has assessed a \$1.5 million civil money penalty against the First National Community Bank of Dunmore, Pennsylvania for willfully violating the Bank Secrecy Act by failing to file suspicious activity reports for transactions involving illicit proceeds from a judicial corruption scheme that spanned five years.

The judicial corruption scheme involved two former Pennsylvania judges who profited from sending thousands of juveniles to detention facilities in which they held a financial interest. One of the judges was a member of the Bank's board of directors and controlled accounts at the Bank through the illegal proceeds were processed. FinCEN stated the bank ignored red flags on the judges' accounts indicating suspicious activity, including a 2007 law enforcement subpoena for information related to the judge, deposits involving large, round-dollar transactions, many of which often occurred on a single day, and an abnormal volume of activity compared to account balances. FinCEN stated that notwithstanding these red flags, the bank failed to conduct a further analysis or risk rate the accounts as required.

FinCEN's announcement can be found on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker, or Ben Gray at (202) 776-0700.