



FSCNY Statement on the Indictment of John Drago

August 10, 2018

On Wednesday, August 1, 2018, the owner of a number of Long Island check cashing businesses was charged with multiple criminal violations of the Bank Secrecy Act and other federal statutes. Included in the eight-count indictment is failure to file required currency transaction reports (“CTRs”) for customers cashing more than \$10,000 in checks. John Drago, owner and compliance officer of Kayla Check Cashing Corp., several other check cashing companies, and a management company called Hogwarts, Inc., was arrested yesterday and released on \$500,000 bond.

Financial Service Centers of New York (FSCNY), the trade association representing licensed check cashers across the state, condemns the unlawful actions alleged in the indictment. For more than six decades, FSCNY has promoted full compliance with laws such as the Bank Secrecy Act and other legislation and regulations that govern the check cashing industry. We are committed to helping licensed check cashers understand and comply with their legal and ethical obligations.

FSCNY promotes compliance across the industry through comprehensive training for check cashing employees, regular communications regarding policy developments and enforcement actions, and access to a wide range of informational resources. We also strive to work closely with our state regulator, the New York State Department of Financial Services (DFS), to address issues as they arise, while consistently updating strategies to promote a culture of compliance across the industry. Check cashers are money services businesses (MSBs), and the value of the reporting that they provide has been recognized by DFS and the federal Financial Crimes Enforcement Network (FinCEN). We are deeply disappointed to learn of the accusations against Drago. In a highly regulated industry that engages in billions of dollars of consumer and commercial transactions each year, there can be no tolerance for criminal activity.

FSCNY stresses that Drago’s alleged conduct is not representative of the check cashing industry.¹ This vibrant sector provides essential financial services to communities that would not otherwise have access to them, delivering these services with transparency, professionalism, and respect. FSCNY impresses upon its members and the industry at large the importance of doing so in accordance with the law. It is our belief that our industry is a compliant one, but that our standards must always evolve to meet new challenges confronting the financial services sector. We will continue to work with members of the industry to meet our common goal of compliance.

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¹ We also note that Drago’s companies are not members of FSCNY.