

MOVING FORWARD- CURRENT US/CANADA ATF TOBACCO INITIATIVES

- Jeff Cohen
- ATF Associate Chief Counsel

CURRENT TRAFFICKING TRENDS

- Trafficking from low tax to high tax State.
- Illegal Internet sales.
- Smuggling of Counterfeit Cigarettes.
- Master Settlement Agreement Escrow Fraud.
- Cigarette Trucks are High Jacked.
- Illegal sales from Native American Reservations.
- Trafficking in OTP, “Other Tobacco Products” including trafficking in smokeless tobacco from Pennsylvania to other States.
- ATF working on large scale international cigarette smuggling cases.
- Cigarette trafficking associated with Organized Crime and Terrorism.

STATUTORY TOOLS

- CCTA 18 USC 2342 et. seq.
- Jenkins/PACT Act, 15 USC 375
- Wire/Mail Fraud Statutes, 18 U.S.C. 1341, 1343
- Money Laundering, 18 USC 1956/1957
- RICO 18 USC 1962
- Internal Revenue Code, 26 USC 5701 et. seq.
- As of 3/09 US Federal taxes on cigarettes rose to \$1.01 a pack.

CIGARETTES AND TERRORISM



CIGARETTES AND TERRORISM

THE HAWALLAH NETWORK

- The transferee/customer enters a Hawallah broker's office (usually set up through a front company such as a travel agency or grocery store) to request a transfer.
- Stage 2-The broker makes a telephone call to another broker well known to him at or near the delivery location.
- Stage 3-The transfer is made between brokers.
- Stage 4-The broker on the delivery end accepts the transaction.
- Stage 5-The recipient presents a code word and accepts delivery of funds.
- Stage 6-The brokers settle their debts between incoming and outgoing funds by smuggling diamonds or cash from debtor to creditor.

PACT Act



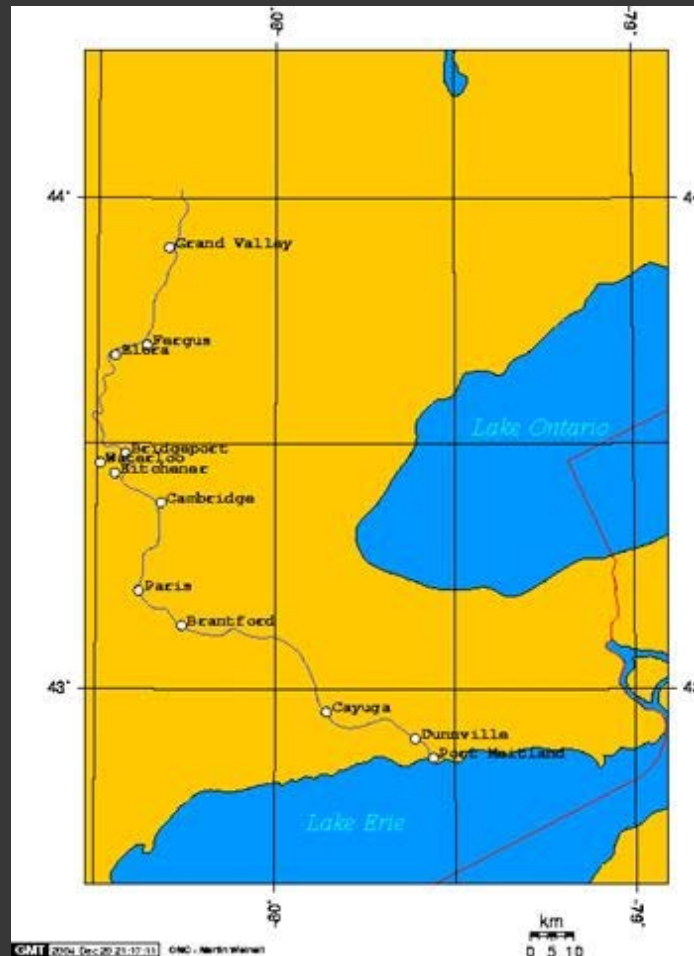
PREVENT ALL CIGARETTE TRAFFICKING ACT (PACT ACT)

- Makes cigarettes nonmailable
- Makes Jenkins Act a felony
- Give ATF inspection authority for certain individuals specified in the Contraband Cigarette Trafficking Act
- Went into effect in June 29, 2010

UNITED STATES V. MONTOUR



US V. MONTOUR



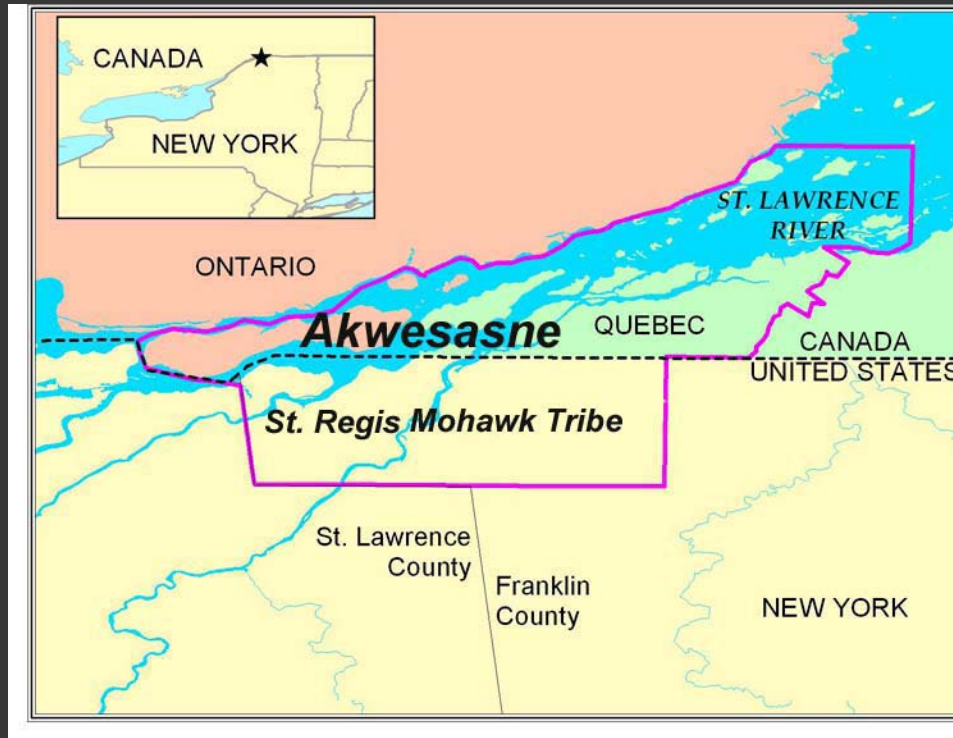
US V. MONTOUR

- Grand River Enterprises located on the 6 Nation territory in Canada manufactures Seneca cigarettes.
- The cigarettes are imported into the US by Native Wholesale Co., an FTZ in the Buffalo area which is operated by former Seneca Counselor Art Montour.
- The cigarettes were then being sold, on paper, to Turtle Island, a company in New Mexico, but were actually being shipped to another FTZ, in Las Vegas.
- The cigarettes were then shipped, after Federal taxes were paid, into Washington State, without payment of Washington State taxes to the Blue Stilly smoke shop.

US V. MONTOUR

- Native Wholesale Supply and Art Montour and Peter Montour and Kenneth Hill of Grand River Enterprises were indicted for violations of the CCTA.
- On April 6, 2010 the WD of Washington denied their Motion to Dismiss and held that their actions constituted potential CCTA violations.
- The case went to trial earlier this month.
- A Federal District Court Jury found Hill not guilty on all 16 counts, while there was a hung jury regarding the charges relating to Art “Sugar” Montour and Native Wholesale Supply.
- Eventually case was resolved through payment of 1 million \$ and a plea to corporate felony

NORTHERN BORDER ISSUES



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- Illegal manufacture of cigarettes continues on St. Regis Mohawk Reservation.
- Canada losing 2 Billion a year in taxes.
- Smugglers are trading cigarettes for marijuana and ecstasy.
- Untaxed (Rollie)cigarettes are also being sold in US.
- NDNY sought to bring Native American Manufacturers into Compliance with Federal law
- 2006 ATF settled with Native Trading for 2 million \$
- 2010 ATF/TTB settled with Tarbell, an illegal manufacturer for 1.75 million \$.
- There are additional manufacturers who are willing to come into compliance with Federal law. .

CURRENT ATF PROSECUTORIAL EFFORTS

- Multiple seizures of Tobacco
- Multiple prosecutions of suppliers
- Proposed prosecutions of Native American Traffickers who do not come into compliance
- Financial Actions (seizure of Bank Accounts) where feasible.

INCREASED US/CANADA COOPERATION

- JOINT INTELLIGENCE SHARING
- JOINT INVESTIGATIONS
- POSSIBLE REINVIORATION OF US/CANADA
CROSS BORDER CRIME FORUM
- JOINT TRAFFICKING SEMINARS
- STREAMLINING THE MLAT PROCESS

PAST SUCCESSFUL POLITICAL EFFORTS

- 1990s – JOINT POLITICAL EFFORTS between Canadian Ministers and US Attorney General
- US-CANADA CROSS BORDER CRIME FORUM Begins in 1996
- MULTIPLE SUCCESSFUL PROSECUTIONS
- SUCCESS IN DECREASING SMUGGLING and other Crimes

*Any
Questions?*