



THE 2001 NATIONAL MONEY LAUNDERING STRATEGY

Prepared by

The Office of Enforcement, U.S. Department of the Treasury,
in consultation with the U.S. Department of Justice

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FOREWORD

On behalf of the President, we are pleased to submit the national strategy for combating money laundering and related financial crimes for the year 2001. The goals, objectives, and priorities of the *2001 National Money Laundering Strategy* provide the framework to deter and destroy large-scale money laundering organizations and systems.

The *2001 Strategy* recognizes that money laundering is an integral component of large-scale criminal enterprises. Drug trafficking, firearms smuggling, international bank and securities frauds, bribery, intellectual property theft, and other specified unlawful activity generate illicit proceeds that criminals must conceal. Criminals often employ professionals such as lawyers, bankers and accountants to disguise their unlawful monies as legitimate income by developing ingenious, high-tech, multinational schemes that abuse legitimate financial institutions. Once criminals successfully disguise their illicit proceeds, they then can reinvest them in their criminal organizations, expand their operations, and profit from their crimes.

The goal of the *2001 Strategy* is to disrupt and dismantle large-scale money laundering organizations and prosecute money launderers to the fullest extent of the law. The *Strategy* concentrates law enforcement's resources in high intensity financial crime areas, and provides for the structure, training, and supervision of specialized money laundering task forces within these areas that will ensure inter- and intra-agency coordination. The *Strategy* mandates our continued cooperation and involvement at the international level, and seeks to prevent money laundering through necessary regulatory controls.

However, we cannot determine the effectiveness of our law enforcement efforts without measured evaluation. We need evidence that our efforts are producing the desired results. Therefore, the *Strategy* mandates the creation of a uniform system of measurement that includes quantitative and qualitative indicators to evaluate our results against our goals. Our government must perform in a way that can be measured by the American people.

President Bush has ordered law enforcement to aggressively enforce our nation's money laundering laws with coordination and accountability. Accordingly, we pledge to supervise with vigor the implementation of this *Strategy*; we will concentrate law enforcement resources on dismantling major money laundering operations; and we will raise standards of performance and create a basis for measuring success.

Paul H. O'Neill
Secretary of the Treasury

John Ashcroft
Attorney General

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Glossary of Abbreviations

AFMLS	Asset Forfeiture and Money Laundering Section, Department of Justice
APEC	Asia Pacific Economic Cooperation
APG	Asia Pacific Group on Money Laundering
ATF	Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury
BJA	Bureau of Justice Assistance, Department of Justice
BSA	Bank Secrecy Act
BMPE	Black Market Peso Exchange
C-FIC	Financial Crime-Free Communities Support Program
CFTC	Commodity Futures Trading Commission
CHFI	Committee on Hemispheric Financial Issues
CMIR	Currency or Monetary Instrument Report
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration, Department of Justice
EOUSA	Executive Office of United States Attorneys, Department of Justice
FATF	Financial Action Task Force on Money Laundering
FBAR	Foreign Bank Account Report
FBI	Federal Bureau of Investigation, Department of Justice
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve Board
FinCEN	Financial Crimes Enforcement Network, Department of the Treasury
FIU	financial intelligence unit
FSF	Financial Stability Forum
GCC	Gulf Cooperation Council
GTO	Geographic Targeting Order
HIDTA	High Intensity Drug Trafficking Area
HIFCA	High Intensity Money Laundering and Related Financial Crime Area
IEEPA	International Emergency Economic Powers Act
ILEA	International Law Enforcement Academy
INCSR	International Narcotics Control Strategy Report
IFI	international financial institution
INL	Bureau for International Narcotics and Law Enforcement Affairs, Department of State
IRS-CI	Internal Revenue Service -- Criminal Investigations, Department of the Treasury
IMF	International Monetary Fund
MLCA	Money Laundering Control Act of 1986
MLCC	Money Laundering Coordination Center, U.S. Customs Service, Department of the Treasury
MLSA	Money Laundering Suppression Act of 1994
MOU	memorandum of understanding
MSB	money services business
NCCTs	non-cooperative countries or territories
NCUA	National Credit Union Administration
OAS	Organization of American States
OCC	Office of the Comptroller of the Currency, Department of the Treasury

OCDETF	Organized Crime Drug Enforcement Task Force
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control, Department of the Treasury
OFC	offshore financial center
OGBS	Offshore Group of Banking Supervisors
OJP	Office of Justice Programs, Department of Justice
ONDCP	Office of National Drug Control Policy
OTS	Office of Thrift Supervision, Department of the Treasury
PDD 42	Presidential Decision Directive 42
SAR	Suspicious Activity Report
SARC	Suspicious Activity Report for Casinos
SAR-S	Suspicious Activity Report for Securities Brokers and Dealers
SEC	Securities and Exchange Commission
SOD	Special Operations Division, Department of Justice
USPIS	United States Postal Inspection Service

INTRODUCTION

President Bush recently stated, “We will aggressively enforce our money laundering laws with accountability and coordination at the Federal, State, and international levels. Our goal is to disrupt and dismantle large-scale criminal enterprises and prosecute professional money launderers including corrupt lawyers, bankers, and accountants.”

The new administration brought with it a new law enforcement agenda that guided the Goals, Objectives, and Priorities of the *2001 National Money Laundering Strategy*.¹ In accordance with the President’s mandate, this year’s *Strategy* responds to the challenges of anti-money laundering enforcement by providing a comprehensive plan to disrupt and dismantle criminal enterprises and prosecute professional money launderers through aggressive enforcement, measured accountability, preventative efforts, and enhanced coordination.

CHALLENGES OF ANTI-MONEY LAUNDERING ENFORCEMENT

Law enforcement faces enormous challenges in its efforts to combat money laundering. Money laundering is often committed by professionals such as lawyers, bankers and accountants who develop ingenious schemes to conceal the movement of criminal proceeds and create the appearance that they are derived from legitimate sources. For example, criminals deposit monies generated from narcotics trafficking, firearms smuggling, diverse fraud schemes and other racketeering activity into bank accounts established in the name of fictitious shell corporations and sham businesses, and transfer these funds through multiple financial institutions. Law enforcement officers often lack the high-level training needed to effectively investigate these complex money laundering operations.

Money laundering is also a problem of global concern.² Criminals target foreign jurisdictions with liberal bank secrecy laws and weak anti-money laundering regulatory regimes as they transfer illicit funds through domestic and international financial institutions often with the speed and ease of faceless internet transactions. The international nature of money laundering requires international law enforcement cooperation to successfully investigate and prosecute those that

¹ Congress requires the Department of the Treasury to submit a national money laundering strategy each year. See 31 U.S.C. § 5341(a)(1) (“The President, acting through the Secretary [of the Treasury] and in consultation with the Attorney General, shall develop a national strategy for combating money laundering and related financial crimes.”).

² Measuring the magnitude of the money laundering problem has proven difficult. Some organizations have attempted to estimate the magnitude of global money laundering based on models of tax evasion, money demand, and ratios of official GDP and nominal GDP. These studies, however, do not accurately describe the magnitude of global money laundering, often indicating windows of variance. For example, former IMF Managing Director Michel Camdessus estimated the global volume of laundering at between two and five percent of the world’s gross domestic product, a range which encompasses sums between \$600 billion and \$1.8 trillion.

instigate these complex criminal schemes. Although past law enforcement efforts have resulted in successful anti-money laundering investigations, such as *Operations Casablanca*, *Dinero*, *Greenback*, *Polar Cap*, and *Green Ice*, the fact remains that money laundering is seldom the primary focus and objective of the criminal investigation. Our efforts must ensure that money laundering is not simply a “tag-along” count added to an indictment charging the defendant with the underlying offense that generated the illicit funds. Further, we do not have a system in place that objectively evaluates which strategies have proven to be the most effective. Without objective means to measure our enforcement efforts, law enforcement cannot articulate measurable goals or be held accountable for its efforts and results.

The *2001 Strategy* sets forth a comprehensive action plan that responds to the challenges that money laundering presents. We will target and attack large-scale criminal enterprises, professional money launderers, and their high-tech global schemes, and we will bring accountability to law enforcement through measured evaluation.

AGGRESSIVE ENFORCEMENT

The first goal of the *2001 Strategy* is to focus law enforcement’s efforts on the prosecution of major money laundering organizations and systems. The *2001 Strategy* recognizes that we must concentrate our resources in high-risk areas and target major money laundering systems. To focus our resources, the *Strategy* provides for the organization, supervision, and training of specialized money laundering task forces located in High Risk Money Laundering and Related Financial Crimes Areas (HIFCAs). However, unlike past strategies, the HIFCAs will be operational in nature rather than principally intelligence gathering. HIFCA Task Forces will be composed of, and draw upon, all relevant federal, state, and local agencies, and will serve as the model of our anti-money laundering efforts. The Departments of the Treasury and Justice will jointly supervise the HIFCA Task Forces, and the *2001 Strategy* primarily tasks the Federal Law Enforcement Training Center (FLETC) and Justice’s Asset Forfeiture and Money Laundering Section to develop an advanced money laundering training program to enhance the HIFCA Task Forces’ ability to investigate sophisticated money laundering schemes.

An aggressive anti-money laundering attack requires that law enforcement utilize all available statutory authorities to dismantle large-scale criminal enterprises. The *2001 Strategy* mandates an emphasis on federal asset forfeiture laws in conjunction with money laundering investigations and prosecutions to strip criminals of their ill-gotten gains and dismantle criminal organizations by attacking their financial base. The Departments of the Treasury and Justice will also work together to support the implementation of anti-money laundering legislation, which will address and correct deficiencies in current federal money laundering statutes.

The *2001 Strategy* recognizes that money laundering investigations and prosecutions are the tip of the law-enforcement sword, because they not only uncover the sophisticated schemes put on by professional lawyers, bankers, and accountants, but they make it possible to dismantle entire criminal enterprises by disrupting the financial operations of these illicit organizations.

MEASURED ACCOUNTABILITY

To raise our standards of performance, we must measure the effectiveness of our efforts. For too long, federal law enforcement has not been subject to accountability through measured evaluation. Goal Two is dedicated to changing that, and mandates that we create and implement a uniform system that measures the government's anti-money laundering results. In short, emphasis will be placed on measured results, rather than the level of law enforcement activity.

The *2001 Strategy* establishes the formation of a system to collect reliable information that will provide law enforcement with an accurate picture of its anti-money laundering programs. Once we institutionalize these databases, we can begin to meaningfully evaluate the success of our strategies. Our measurement methods will include an examination of:

- *quantitative factors*, such as the number of money laundering investigations, prosecutions, and convictions, which will provide a numerical snapshot of our efforts from year to year;
- *qualitative factors* – each investigation, prosecution, or conviction will be assigned a weighted value to mirror the case's complexity, importance, and scope of impact;
- *forfeiture and seizure data* related to money laundering activity that will represent a monetary value of our efforts; and
- *the criminal marketplace price of laundering money* that will help determine whether our anti-money laundering efforts are making it more expensive and more difficult for criminals to launder their illicit proceeds.

Goal Two will ensure accountability and raise our standards of performance, expectation, and success. Measured evaluation will identify money laundering “hot spots,” indicate areas where law enforcement must enhance or prioritize its investigations and prosecutions, and allow law enforcement to articulate measurable goals.

PREVENTATIVE EFFORTS

A comprehensive money laundering strategy must include an effective regulatory regime that denies money launderers easy access to the financial sector. The *2001 Strategy* continues previous efforts to expand and implement proposed suspicious activity reporting requirements to financial institutions that are particularly vulnerable to money laundering activity.

Our principal focus will be to ensure that law enforcement fully utilizes reported information. To this end, law enforcement must seek to receive only those reports that have law enforcement value. In 2000, the Financial Crimes Enforcement Network (FinCEN) received and processed twelve million Currency Transaction Reports (CTRs), thirty percent of which should not have been filed due to mandatory reporting exemptions. The *2001 Strategy* requires law enforcement

to work with the private sector to ensure compliance with current regulatory reporting exemptions and seek to expand the exemptions to other low-risk transactions.

Effective utilization also requires that law enforcement evaluate the usefulness of reported currency transactions. The *Strategy* requires law enforcement agencies that use CTR or Suspicious Activity Report (SAR) information to provide operational feedback to FinCEN. FinCEN will use the feedback to evaluate or change its database programs to fit the needs of law enforcement.

ENHANCED COORDINATION

The *2001 Strategy*, as have past strategies, underscores the importance of federal, state, local, and international coordination. However, this *Strategy* will create levels of unprecedented coordination by creating structured, inter-agency, operational task forces, providing supervision and accountability, and increasing cooperation-based incentives.

HIFCA Task Forces will be the driving force that unites federal, state, and local law enforcement agencies. To ensure coordination, HIFCA Task Forces will regularly brief Treasury and Justice officials on the progress of major money laundering investigations as well as the involvement of state and local law enforcement agencies in the HIFCAs. Similarly, the Department of the Treasury will conduct evaluations of existing Financial Crime-Free Communities Support Program (C-FIC) grant recipients to ensure that local officials are including HIFCA Task Forces in their efforts. Further, the *Strategy* strongly encourages U.S. Attorneys in each judicial district to create SAR Review Teams, which will incorporate state and local officials whenever possible.

At the international level, the *Strategy* seeks first to remove all barriers that inhibit international cooperation. The Departments of State and Justice will review key existing extradition and mutual legal assistance treaties and recommend that coverage of money laundering offenses be considered an important objective in assessing future treaty negotiations. The *Strategy* mandates increased use of the international asset-sharing program, which will provide incentive for international cooperation. Further, the Departments of the Treasury and Justice will explore the feasibility of establishing model international financial task forces to plan and coordinate significant multilateral money laundering investigations. The United States will continue to actively participate within the Financial Action Task Force (FATF), and seek to revise the Forty Recommendations to reflect new issues and concerns.

CONCLUSION

The Secretary of the Treasury, in consultation with the Attorney General, is proud to deliver the *2001 National Money Laundering Strategy*. The *Strategy* represents the combined input and approval from more than twenty federal agencies, bureaus, and offices. The Department of Justice provided especially valuable contributions to the *Strategy*, and the Department of the Treasury looks forward to working in conjunction with Justice and others to implement the *Strategy's* Goals, Objectives, and Priorities.

GOAL 1:

**FOCUS LAW ENFORCEMENT EFFORTS ON
THE PROSECUTION OF MAJOR MONEY
LAUNDERING ORGANIZATIONS AND SYSTEMS.**

The top priority of the *2001 Strategy* is to focus enforcement efforts on the investigation, prosecution, and disruption of major money laundering organizations. Because federal law enforcement resources are limited, they must be concentrated where they will have the greatest impact. It is therefore imperative to focus enforcement efforts on large-scale investigations and prosecutions that disrupt and dismantle entire criminal organizations and enterprises.

To focus our resources against major money laundering organizations, this *Strategy* mandates that law enforcement (1) establish inter-agency task forces in High Intensity Money Laundering and Related Financial Crimes Areas (HIFCAs), (2) intensify use of federal criminal and civil asset forfeiture laws, (3) enhance intra-agency, inter-agency, and international coordination of money laundering investigations, (4) expand efforts to dismantle the Black Market Peso Exchange (BMPE), and (5) recommend legislation necessary to correct deficiencies in current money laundering laws, thereby strengthening law enforcement's ability to fight money laundering organizations.

*** OBJECTIVE 1: FOCUS MISSION OF HIGH INTENSITY MONEY LAUNDERING AND RELATED FINANCIAL CRIME AREA (HIFCA) TASK FORCES.**

HIFCA Task Forces occupy the flagship role in our efforts to disrupt and dismantle large-scale money laundering systems and organizations. The HIFCA Task Forces are the model for drawing on intelligence for targeting and working in a task force approach to develop high-impact investigations and prosecutions, and the *2001 Strategy* provides for their structure, training, supervision, and expansion. HIFCA Task Forces, however, are only one part of what must be an all agency, all regions effort. The *2001 Strategy*, therefore, enlists all federal anti-money laundering law enforcement components, including the Organized Crime Drug Enforcement Task Force (OCDETF); High Intensity Drug Trafficking Areas (HIDTA); the Money Laundering Control Center (MLCC); and the Special Operations Division, Money Laundering Section (SOD-MLS) to work together, and with their state and local counterparts, to target, arrest, and prosecute professional money launderers and forfeit their assets.

Priority 1: Design organizational structure of HIFCA Task Forces, and focus their enforcement efforts on large-impact cases, professional money launderers, and the financial systems they exploit.

Lead: Assistant Secretary for Enforcement, Department of the Treasury;
Assistant Attorney General, Criminal Division, Department of Justice.

Goals: Initiate targeted federal money laundering investigations led by recently created or newly designated HIFCA Task Forces. In October 2001, the Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, in conjunction with the field law enforcement bureau components and the United States Attorney's Offices, will meet to design the organizational structure of HIFCA Task Forces, and designate regional HIFCA Task Force directors. By January 2002, assembled HIFCA Task Forces will submit action plans that detail (i) how they will focus resources to target large-scale money laundering activities, and (ii) specific priorities and dates for accomplishing these activities.

The *2001 Strategy* seeks to focus and implement the mission of the HIFCA program – to concentrate law enforcement efforts at the federal, state, and local level, and combat money laundering in designated high intensity money laundering zones. HIFCA Task Forces will lead the investigation of complex, transnational money laundering schemes perpetrated by professional money launderers and the systems they utilize and exploit by drawing upon the data, resources, training, and expertise of various enforcement agencies. Further, HIFCA Task Forces will share information with the Office of Foreign Assets Control to assist its investigative efforts of the Narcotics Sanctions¹ and Foreign Terrorist Programs.²

The Assistant Secretary for Enforcement, Department of the Treasury, and the Assistant Attorney General, Criminal Division, Department of Justice, in conjunction with the field law enforcement bureau components and the United States Attorney's Offices, bear ultimate responsibility for implementation and supervision of each HIFCA Task Force. The HIFCA Task Forces will:

- be composed of all relevant federal, state, and local enforcement authorities; prosecutors; and federal financial supervisory agencies as needed;
- work closely with the HIDTA and OCDETF Task Forces within the HIFCA area³;
- focus on collaborative investigative techniques, both within the HIFCA and between the HIFCAs and other areas;
- attend OFAC briefings on Narcotics Sanctions Programs and OFAC Foreign Terrorist Programs;
- attend FinCEN briefings to ensure meaningful and effective utilization of FinCEN information and expertise;

¹ OFAC's Narcotics Sanctions Programs include the Foreign Narcotics Kingpin Designation Act Program (authorized under 21 U.S.C. § 1901-08 and 8 U.S.C. § 1182) and the Colombian Specially Designated Narcotics Traffickers (SDNT)-International Emergency Economic Powers Act (IEEPA) (50 U.S.C. § 1701-06, Executive Order 12978). OFAC's Foreign Terrorist Programs encompass the activities of the Foreign Terrorist Asset Tracking Center, the Specially Designated Terrorists program under IEEPA, and OFAC's participation in the Foreign Terrorist Organization designation process.

² See 21 U.S.C. § 1901-08; 8 U.S.C. § 1182.

³ To ensure systematic coordination of overlapping targets and investigations, HIFCA drug-based money laundering investigations will be initiated as OCDETF investigations.

- attend briefing by the Executive Office of Asset Forfeiture (Treasury), the Asset Forfeiture and Money Laundering Section (DOJ), and law enforcement training components on the use of federal civil and criminal forfeiture laws, with specific emphasis on changes effected by the Civil Asset Forfeiture Reform Act of 2000;
- ensure a more systematic exchange of information on money laundering between HIFCA participants; and
- attend advanced money laundering and asset forfeiture courses conducted by the Federal Law Enforcement Training Center, in conjunction with the Asset Forfeiture and Money Laundering Section (DOJ) and law enforcement training components.

To pursue the goals and objectives of this year's *Strategy*, inter- and intra-agency coordination is key. The HIFCA Task Forces must be the driving force to unite our law enforcement agencies, and draw upon all available relevant information to conduct successful investigations and prosecutions.

Priority 2: Coordinate and review the progress of each HIFCA Task Force.

Lead: Assistant Secretary for Enforcement, Department of the Treasury;
Assistant Attorney General, Criminal Division, Department of Justice.

Goals: Coordinate investigations and monitor progress of investigative targets within and between HIFCAs. By March 2002, representatives from each HIFCA Task Force will brief the Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, on HIFCA Task Force activities and coordination efforts. The briefing will detail the involvement and participation of state and local law enforcement agencies in the HIFCAs. The Assistant Secretary for Enforcement and Assistant Attorney General, Criminal Division, will thereafter host meetings every four months with federal law enforcement bureau heads or senior executives with full decision-making authority, to monitor and resolve coordination issues within the HIFCAs.

The *2001 Strategy* mandates that members of the Treasury and Justice Department law enforcement agencies engage in inter-agency and intra-agency coordination, especially in HIFCAs, where Task Forces rely on the expertise of Treasury and Justice law enforcement agencies, U.S. Attorneys' Offices, federal financial supervisory agencies, and state and local enforcement officials to investigate and prosecute major money laundering schemes and organizations.

The Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, are responsible for coordinating inter- and intra-agency efforts and ensuring that Treasury and Justice enforcement components are engaged in the work of the HIFCA Task Forces. Beginning January 2002, the Assistant Secretary for Enforcement and Assistant Attorney General, Criminal

Division, will meet with federal law enforcement bureau heads or senior executives with full decision-making authority to monitor and resolve coordination issues within the HIFCAs.

Every four months, the manager and other HIFCA Task Force representatives will brief Treasury and Justice officials on the HIFCA's actual and projected activities and targets, and the actual and proposed involvement that state, local, and federal law enforcement and regulatory agencies have in the HIFCA Task Force mission. The Assistant Secretary for Enforcement and the Assistant Attorney General, Criminal Division, will coordinate efforts between HIFCA Task Forces, and will meet as necessary to ensure that cooperation issues are resolved expeditiously.

Priority 3: Develop and provide advanced money laundering training for HIFCA Task Force participants.

Lead: Director, Federal Law Enforcement Training Center (FLETC);
Chief, Asset Forfeiture and Money Laundering Section, Criminal
Division, Department of Justice.

Goals: Deliver advanced money laundering training to HIFCA Task Force participants to ensure that federal, state, and local enforcement agents have the necessary training and expertise to investigate and prosecute major money laundering schemes and organizations. By December 2001, FLETC, the Asset Forfeiture and Money Laundering Section (DOJ), and law enforcement training components will develop a new series of advanced money laundering training modules for HIFCA Task Force participants. The training package will focus on the operational experiences of veteran investigators, and will educate the HIFCA Task Force members on the full range of inter- and intra-agency capabilities available to fight money laundering operations. By January 2002, FLETC will schedule training session dates with each existing HIFCA Task Force.

The Departments of Treasury and Justice offer a substantial amount of fundamental, advanced, and specialized training to task forces, agencies, investigators, and prosecutors through components such as the Office of Legal Education (OLE), the Asset Forfeiture and Money Laundering Section (AFMLS), FBI-Quantico, DEA-Quantico, the Federal Law Enforcement Training Center (FLETC), and the Executive Office of Asset Forfeiture (EAOF). By the end of FY 2001, for example, the OLE and AFMLS alone, will have conducted 32 different financial investigations, money laundering, and asset forfeiture courses, reaching 3,000 federal law enforcement agents and AUSAs; participated as trainers in over 140 federal and state money laundering and asset forfeiture conferences; and distributed over 150,000 publications and training materials

The *2001 Strategy* mandates that the Department of the Treasury and Justice build on this training expertise, and expand the scope of existing and planned training to include a comprehensive training program that is tailored to address the needs and the mission of HIFCA Task Forces. The FLETC, in close coordination with the AFMLS, will lead our efforts to design and provide HIFCA Task Forces with specialized programs that draw from the experiences of successful large-scale money laundering investigations and prosecutions such as Operations

Casablanca, Dinero, Greenback, Polar Cap, and Green Ice. These programs will utilize a “lessons learned” approach to educate HIFCA Task Force members about ideal methods to set up, operate, investigate, and prosecute major money laundering schemes and operations.

Priority 4: Designate new HIFCAs.

Lead: Assistant Secretary for Enforcement, Department of the Treasury; Assistant Attorney General, Criminal Division, Department of Justice.

Goals: Designate additional HIFCAs as appropriate. Review applications for HIFCA designations, and make timely recommendation to the Departments of the Treasury and Justice for decision.

The 1998 Strategy Act requires the *National Money Laundering Strategy* to designate HIFCAs.⁴ The statute provides a list of factors to be considered in designating a HIFCA: (1) demographic and general economic data; (2) patterns of BSA filings and related information; and (3) descriptive information that identifies trends and patterns in money laundering activity and the level of law enforcement response to money laundering in the region.⁵ The statute does not mandate that enforcement personnel designate HIFCAs solely in geographic terms; HIFCAs also can be created to address money laundering in an industry, sector, financial institution, or group of financial institutions.

The HIFCA Working Group⁶ will select future HIFCAs from applications received. A prospective applicant must submit an application to FinCEN that includes:

- a description of the proposed area, system, or sector to be designated;
- the focus and plan for the counter-money laundering projects that the HIFCA designation will support;
- the reasons such a designation is appropriate, taking into account the relevant statutory standards; and
- a point of contact.

HIFCA Designations for Year 2001

Based on the recommendation of the HIFCA Working Group, the *2001 Strategy* designates two new HIFCAs: the Northern District of Illinois (Chicago); and the Northern District of California

⁴ See 31 U.S.C. §§ 5341(b)(8) & 5342(b).

⁵ See *id.*

⁶ The HIFCA Working Group is comprised of representatives from DOJ’s Asset Forfeiture and Money Laundering Section, the Office of Enforcement of the Treasury Department, the Financial Crimes Enforcement Network, the U.S. Customs Service, the Internal Revenue Service, the Secret Service, the Federal Bureau of Investigation, the Drug Enforcement Administration, the U.S. Postal Inspection Service, the Executive Office for U.S. Attorneys, the Executive Office for the Organized Crime and Drug Enforcement Task Forces, and the Office of National Drug Control Policy.

(San Francisco). These new HIFCAs will develop task forces that build upon existing interagency resources in their communities.

1. Northern District of Illinois (Chicago)

A. Demographic/Economic Information

According to the Census Bureau, Chicago is the third largest city in the United States with a population of nearly 3 million people. The greater Chicago metropolitan area is made up of six counties with a combined total population of 8 million. Chicago is a major financial center with more than 300 banks and 30 U.S. branches of foreign banks. The city is home to the Federal Reserve Bank of Chicago, the seventh largest U.S. bank, and five of the top fifty banks by total assets in the nation.

Chicago is also a major international transportation center. O'Hare International Airport remains the commercial aviation capital of the world; international carriers offer direct service to 60 cities outside of the United States. Chicago is also a major railroad center, and has an international port that handles large amounts of cargo.

B. BSA Filings

From 1998-99, Chicago area banks filed 800,615 Currency Transaction Reports (CTRs), with an aggregate value over \$30 billion. Chicago's number of CTRs exceeds the combined total of CTRs filed in Los Angeles and San Juan, and approaches the 878,460 filed in the New York/New Jersey area. The value of the CTRs exceeds the value of those filed in Los Angeles for this period. Chicago banks also filed nearly 5,000 Suspicious Activity Reports (SARs), compared to the 5,171 SARs filed in Los Angeles and 566 in San Juan during the same period.

C. Law Enforcement Activity

Law enforcement staffing levels and money laundering-related cases are similar to other HIFCAs. The FBI reports a large number of active investigations involving significant money laundering transactions. Further, Chicago not only serves as the core city for the Great Lakes Organized Crime Drug Enforcement Task Force (OCDETF), but is also designated as a High Intensity Drug Trafficking Area (HIDTA).

2. Northern District of California (San Francisco)

A. Demographic/Economic Information

According to the Census Bureau, the San Francisco Consolidated Metropolitan Statistical Area (San Francisco/Oakland/San Jose) is ranked fifth in the United States. The area has the highest concentration in the United States for technology exports and the greatest access to the internet of any U.S. region. San Francisco is a major financial center, and is home to numerous national banks, a Federal Reserve Bank, and the Pacific Stock Exchange.

The San Francisco area has three major airports, with the Oakland International airport ranked 25th in the world for air cargo. The area has two major seaports. The Port of Oakland is the fourth largest in the country, and handles 98 percent of all containerized cargo that passes under the Golden Gate Bridge.

B. BSA Filings

In 1999, San Francisco-area banks filed over 1.5 million CTR filings, with an aggregate value totaling \$80 billion. These numbers exceed the combined total of CTR filings and amounts for Los Angeles and San Juan, and exceed the number of CTRs filed in New York/New Jersey. Further, area banks filed more than 18,000 SARs in 1999.

C. Law Enforcement Activity

The Financial Investigative Task Force (FITF) has been operating successfully in the Northern District of California for approximately seven years. Since 1993, the FITF has initiated 147 investigations, 20 of which developed into full money laundering investigations. The FITF will serve as the foundation of the new HIFCA Task Force. In addition, the area serves as the San Francisco Bay Area HIDTA, and home to the Pacific OCDETF.

*** OBJECTIVE 2: ENHANCE USE OF FEDERAL CRIMINAL AND CIVIL ASSET FORFEITURE LAWS.**

Congress has recognized that illegal proceeds are the lifeblood of large-scale criminal operations. Through forfeiture statutes, Congress has empowered law enforcement to attack criminal enterprises at their roots by seizing and forfeiting illicit proceeds involved in, and property traceable to, money laundering activity.

To enhance use of federal criminal and civil asset forfeiture laws directed at major money laundering activity, this year's *Strategy* proposes four priorities: (1) local HIFCA strategic planning; (2) large-scale asset forfeiture case training to federal, state, and local law enforcement; (3) aggressive investigations of assets designated by OFAC's Foreign Terrorist and Narcotics Sanctions Programs; and (4) measured evaluation of investigations and prosecutions that lead to asset forfeiture. These priorities will ensure that forfeiture is a top priority in our efforts to disrupt and dismantle major money laundering activities.

Priority 1: HIFCA Task Forces will submit action plans to intensify use of federal asset forfeiture laws.

Lead: Assistant Secretary for Enforcement, Department of Treasury;
Assistant Attorney General, Criminal Division, Department of Justice.

Goals: Implement HIFCA action plans and intensify use of federal asset forfeiture in money laundering prosecutions. By January 2002, HIFCA Task Forces will submit asset forfeiture action plans to the Treasury Assistant Secretary (Enforcement) and Justice Assistant Attorney General for review and approval.

To ensure effective utilization of federal forfeiture laws in dismantling major money laundering operations, each HIFCA Task Force will design a local asset forfeiture action plan to intensify the area's use of federal forfeiture laws. HIFCA Task Forces should consult with DOJ's Asset Forfeiture and Money Laundering Section and the Treasury's Executive Office of Asset Forfeiture to aid in design and implementation of their action plans. Each Task Force will submit its action plan to the Treasury Assistant Secretary for Enforcement and Justice Assistant Attorney General for review and approval.

Action plans provide customized strategies and funding options for each HIFCA Task Force, but plans and strategies do not fight crime. Task Forces *must implement* their strategies and administrators must review Task Force performance to ensure that forfeiture is a priority in our fight against money laundering. On a quarterly basis, each HIFCA Task Force will prepare reports that summarize the value of assets seized and forfeited.

Priority 2: Provide asset forfeiture training that emphasizes major case development to federal, state, and local law enforcement officials.

Lead: Director, Federal Law Enforcement Training Center (FLETC);
Chief, Asset Forfeiture and Money Laundering Section, Criminal
Division, Department of Justice.

Goals: Develop advanced asset forfeiture training programs. By September 2001, the Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, and Director, Executive Office of Asset Forfeiture, Department of the Treasury, will assess current forfeiture training programs. FLETC, in concert with the Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, and Director, Executive Office of Asset Forfeiture, will develop a new advanced asset forfeiture training program by January 2002.

This year's *Strategy* requires continued education of federal, state, and local investigators, analysts, and prosecutors concerning asset forfeiture statutory modifications and case law developments. In 2000, Congress enacted extensive changes to civil asset forfeiture law in the Civil Asset Forfeiture Reform Act of 2000 (CAFRA). The CAFRA altered the burden of proof in civil asset forfeiture cases, authorized appointment of counsel in certain circumstances, allowed for pre-trial release of property in certain circumstances, changed the requirements of the innocent owner defense, and codified *Bajakajian's* "grossly disproportional" test of excessive forfeitures under the Eighth Amendment's Excessive Fines Clause.⁷ Sweeping legislative modifications often have chilling effects on law enforcement efforts because investigators and prosecutors are uncertain of the application of the legislative changes and prefer to take the approach of "wait and see." Advanced asset forfeiture training programs, therefore, must inform law enforcement of significant statutory changes such as CAFRA, and instruct them how to investigate and prosecute successfully under the new provisions.

⁷ See *United States v. Bajakajian*, 524 U.S. 321 (1998).

Training programs must also reflect the *2001 Strategy*'s primary emphasis—to focus enforcement efforts against major money laundering organizations. Advanced asset forfeiture training will include extensive sessions that focus on the lessons learned from successful large-scale investigations and prosecutions such as Operations *Casablanca*, *Dinero*, and *Greenback*. Training programs will teach investigators, analysts, and prosecutors how to use federal forfeiture statutes to the fullest extent and strip major money launderers of their illicit proceeds.

Priority 3: Aggressively exploit OFAC-held information about blocked assets of foreign terrorist groups and agents and of those individuals and entities appearing on the OFAC Narcotics Sanctions Programs designation lists for potential forfeiture.

Lead: Director, Office of Foreign Assets Control, Department of the Treasury;
Office of the Deputy Attorney General, Department of Justice.

Goals: Pursue investigative leads developed from exploitation of information concerning assets blocked pursuant to OFAC's Narcotic Sanctions Programs or Foreign Terrorists Programs. By October 2001, create a mechanism to develop investigative leads and evidence from exploitation of information concerning assets blocked pursuant to OFAC's Narcotics Sanctions or Foreign Terrorists Programs. FLETC will incorporate this mechanism into its advanced asset forfeiture training programs.

The President, through the promulgation of Executive Orders⁸ pursuant to the International Emergency Economic Powers Act (IEEPA),⁹ and Congress, through the enactment of other statutes,¹⁰ have established sanctions programs that prohibit named foreign terrorists, foreign drug kingpins, and their fronts and operatives from using their assets within U.S. jurisdiction or engaging in business or other financial activities with U.S. persons, including companies or individuals. Asset blockings are a valuable tool to fight foreign-origin threats to U.S. national security and foreign policy, including foreign criminal organizations. The *2001 Strategy* requires that law enforcement step beyond the sanctions programs and use the sanctions-based asset blockings as a "force multiplier" to pursue all foreign terrorist and narcotics program asset blockings as leads for potential forfeitures through money laundering prosecutions.

Inter- and intra-agency cooperation is essential to implement this priority. OFAC, the Executive Office of Asset Forfeiture, and bureau heads will cooperate to design a mechanism that identifies leads from OFAC-held information relating to blocked assets of foreign narcotics traffickers and terrorists, as well as from the relevant administrative record in support of a designation. Criminal investigative agencies will, thereafter, pursue these leads to determine if legal cause exists to civilly or criminally forfeit the assets.

Priority 4: Measure assets forfeited or seized pursuant to money laundering prosecutions.

⁸ See, e.g., Executive Order 12978.

⁹ See 50 U.S.C. § 1701-06.

¹⁰ See 21 U.S.C. § 1901-08; 8 U.S.C. § 1182.

Lead: Director, Executive Office of Asset Forfeiture, Department of the Treasury;
Chief, Asset Forfeiture and Money Laundering Section, Criminal Division, Department of Justice.

Goals: Design a reporting system to report forfeiture of assets related to money laundering activity. By October 2001, establish interagency working group to develop asset forfeiture reporting system. By March 2002, establish a new asset forfeiture reporting system and implement its usage throughout the United States.

Federal law enforcement must develop a method to measure the costs and benefits of asset forfeiture strategies so that future programs can allocate resources where they are most needed and productive. A comprehensive system of measurement must distinguish between seizures and forfeitures related to money laundering. Accurate measurements will allow federal law enforcement to quantitatively measure the benefits of anti-money laundering efforts, including all “criminal contributions” that underwrite enforcement programs in the form of civil and criminal asset forfeitures.

*** OBJECTIVE 3: ENHANCE INTRA-AGENCY AND INTER-AGENCY COORDINATION OF MONEY LAUNDERING INVESTIGATIONS.**

Priority 1: Coordinate and consolidate existing Suspicious Activity Report (SAR) Review Teams in every U.S. Attorney’s Office, and develop SAR Review Teams where they do not exist.

Lead: Under Secretary for Enforcement, Department of the Treasury;
Assistant Attorney General, Criminal Division, Department of Justice.

Goals: Implement SAR review teams where feasible. By December 2001, contact United States Attorneys and encourage them to create SAR review teams, where they do not exist, and increase the participation of additional federal agencies in existing SAR review teams. By January 2002, United States Attorneys should create SAR review teams where deemed appropriate, and report on the efforts of the new and existing SAR teams.

SARs provide valuable information that enables law enforcement to identify and target money launderers, other criminals, and forfeitable assets.¹¹ However, the evidence necessary to advance a money laundering investigation usually is not immediately evident in the SAR, and finding relevant information, as well as identifying the wider trends and patterns hidden in the SARs requires patient analysis.

SAR review teams evaluate all SARs filed in their respective federal district. Teams are composed of an Assistant United States Attorney and representatives from federal, state, and local law enforcement agencies. Various districts have successfully implemented SAR Review

¹¹ A Suspicious Activity Report can be viewed and downloaded at <<http://www.treas.gov/fincen/forms.html>>.

Teams that assess SARs to coordinate investigations, set and assess investigative strategies, and generate cases.

FinCEN and law enforcement agencies are currently developing and testing state-of-the-art data mining tools. These systems will allow investigators and prosecutors to streamline and enhance the SAR review process by identifying and linking investigative leads, trends, and patterns contained in SARs. Data mining technology provides an organized investigative window of money laundering and related financial crimes that allows the user to manipulate the data to identify proactive and reactive leads. FinCEN has current contracts with experts in the data mining field to design these advanced analytical tools, and will provide demonstrations of these systems to U.S. Attorneys and investigators as soon as the modules are developed.

Based on past SAR Review Team successes and FinCEN's technological advances, all United States Attorneys' Offices are strongly encouraged to implement standardized SAR Review Team programs to develop, realize, and utilize the full investigative value of SAR information.

*** OBJECTIVE 4: EXPAND EFFORTS TO DISMANTLE THE BLACK MARKET PESO EXCHANGE (BMPE) MONEY LAUNDERING SYSTEM.**

The Black Market Peso Exchange (BMPE) is the largest money laundering system in the Western Hemisphere. Colombian narcotics traffickers are the primary users of BMPE, repatriating up to \$5 billion annually to Colombia.

The BMPE is a system that converts and launders illicit drug proceeds from dollars to Colombian pesos. For example, dealers sell Colombian drugs in the U.S. in return for U.S. dollars. The dealers thereafter sell the U.S. currency to a Colombian black market peso broker's agent in the United States. In return for the dealer's U.S. currency deposit, the BMPE agent deposits the agreed-upon equivalent¹² of Colombian pesos into the cartel's bank account in Colombia. At this point, the cartel has successfully converted its drug dollars into pesos, and the Colombian broker and his agent now assume the risk for integrating the drug dollars into the U.S. banking system. The broker funnels the money into financial markets by selling the dollars to Colombian importers, who then purchase U.S. goods that are often smuggled into Colombia to avoid taxes and customs duties.

In response to BMPE, the Treasury Department has formed the BMPE Working Group, which unites law enforcement, banking, and other agencies in an effort to dismantle the BMPE system. The BMPE Working Group continues to develop comprehensive plans to coordinate all available investigative, regulatory, and trade policy tools to form a multi-faceted attack against BMPE.

Priority 1: Work with the private sector to conclude and implement a comprehensive "best practices" BMPE anti-money laundering system.

Lead: Assistant Secretary for Enforcement, Department of the Treasury;
Deputy Assistant Attorney General, Criminal Division.

¹² The currency transaction rate is discounted because the broker and his agent must assume the risk of evading BSA reporting requirements when they later place the dollars into the U.S. financial system.

Goals: Implement the private sector's comprehensive "best practices" BMPE anti-money laundering compliance program. By January 2002, coordinate a workshop for industry leaders to finalize their anti-money laundering "best practices" compliance program and begin to develop an implementation strategy. By May 2002, the BMPE anti-money laundering "best practices" compliance program should be implemented.

The BMPE functions when peso brokers are able to facilitate the purchase of U.S. manufactured trade goods with illicit proceeds. A major step towards dismantling the BMPE is to restrict these transactions so that they cannot occur. Therefore, law enforcement must intensify its efforts to educate the business community about BMPE activity, especially those industries that are particularly vulnerable to BMPE.

In June 2000, the Departments of Treasury and Justice personnel briefed senior industry officials on the operations of the BMPE and discussed the vulnerability of the industries to the BMPE system. Treasury and Justice offered to host three workshops that would assist the industries to develop BMPE anti-money laundering compliance programs along with best practices guidelines designed to minimize the likelihood that their products will be sold on the black market in Colombia. Following the first two meetings, industry officials prepared and circulated a BMPE anti-money laundering compliance program draft. The *2001 Strategy* tasks the Assistant Secretary for Enforcement to continue these efforts by hosting the third private industry workshop to finalize the "best practices" document and to oversee and monitor the implementation of its provisions.

Priority 2: Identify and report patterns and trends in the BMPE.

Lead: Assistant Commissioner for Investigations, U.S. Customs Service.

Goals: Identify and track patterns and trends of suspected BMPE funds into the financial system, and focus enforcement efforts accordingly. By January 2002, prepare a report that outlines trends and patterns in BMPE, and prepare training programs to educate industry and enforcement officials accordingly. Conduct BMPE outreach and training to industries that may receive suspicious payments, and expand effort to reach out to and educate free trade zone merchants operating in the U.S. about the BMPE and due diligence to avoid involvement in money laundering operations.

In the BMPE, the peso broker must arrange for the placement of street currency into the financial system or for the bulk shipment of the currency out of the United States. The Money Laundering Coordination Center (MLCC), operated by the U.S. Customs Service, conducts strategic analyses of operational and financial intelligence to identify the most common methods for the placement of narcotics proceeds into the financial system. MLCC also identifies specific businesses and individuals that are suspected of participating in the BMPE, and refers the information to the appropriate field office for investigation.

The MLCC continues to track wire transfers of accounts that belong to suspected violators. Customs, the Financial Crimes Enforcement Network (FinCEN), United States Postal Inspection Service (USPIS), IRS-CI, DEA, FBI and other members of the BMPE Working Group¹³ will continue to analyze operational intelligence, postal money order data, SARs, and other BSA information in efforts to identify BMPE transaction patterns of money laundering organizations. The BMPE Working Group members will continue their outreach to alert both the business and banking industry of emerging trends in the BMPE and emerging money laundering systems.

Priority 3: Train law enforcement to identify, understand, investigate, and prosecute BMPE schemes.

Lead: Director, Federal Law Enforcement Training Center, (FLETC);
Director, Money Laundering Communications Center (MLCC), U.S. Customs Service.

Goals: Deliver BMPE training to law enforcement officials to ensure the complete investigation of these international schemes. By January 2002, FLETC will develop a training module on BMPE. The training will focus on schemes, culpable parties, and specific investigative techniques. By February 2002, FLETC will schedule its training sessions, with principal focus on the HIFCA Task Forces.

BMPE is a unique and complex scheme that utilizes legitimate United States companies to facilitate the transfer of drug proceeds from the U.S., where the profits are generated, to Columbia, where the cartel owners reside. Evidence exists that indicates that legitimate U.S. companies knowingly have sold goods to individuals and businesses involved in BMPE operations. Successful investigations should target all facets of the scheme, to include the drug dealer, the peso broker, money service businesses, and U.S. individuals and businesses, where appropriate.

Priority 4: Enhance website that promotes law enforcement's fight against the BMPE money laundering system.

Lead: Assistant Commissioner for Investigations, U.S. Customs Service.

Goals: Enhance and maintain a web site that: (1) promotes awareness of the BMPE money laundering system; (2) lists the Colombian financial institutions authorized to issue payments for U.S. trade goods; and (3) links users to the OFAC website's list of Specially Designated Narcotics Traffickers (SDNTs) of Colombia with which U.S. persons are prohibited from dealing. By November 2001, design and implement a BMPE web site.

Law enforcement must relay BMPE information and news to many small companies in addition to industry giants. Businesses and enforcement officials need up-to-date access to lists of Colombian companies that lawfully may engage in international commerce with U.S. businesses.

¹³ The BMPE Working Group is discussed and defined *supra* at Goal 1, Objective 4.