



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Black Market
Peso Exchange
Update**

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Issue 12

This advisory provides banks and other depository institutions with additional information concerning the Black Market Peso Exchange system.

Overview - FinCEN Advisory Issue 9

FinCEN Advisory Issue 9 (November 1997) discussed in detail a large-scale, complex money laundering system that is used extensively by Colombian drug cartels to launder the proceeds of United States narcotics sales. The system is called the Black Market Peso Exchange (BMPE) because its purpose is to facilitate “swaps” of dollars owned by the cartels in the United States for pesos already in Colombia, by selling the dollars to Colombian businessmen who are seeking to buy United States goods for export.

As explained in greater detail in Advisory Issue 9, the Black Market Peso Exchange system operates through brokers who purchase narcotics proceeds in the United States from the cartels and transfer pesos to the cartels from within Colombia.

- The dollars are placed — that is, “laundered” — into the United States financial system by the peso broker without attracting attention;
- The dollars are then “sold” by the brokers to businessmen in Colombia who need dollars to buy United States goods for export; and
- Goods ready for export are often actually paid for by the peso broker, using the purchased narcotics dollars, on behalf of the Colombian importer.

This underground financial and trade financing system is a major—perhaps the single largest avenue for the laundering of the wholesale proceeds of narcotics trafficking in the United States. It also reflects the desire of Colombian importers (who may otherwise be legitimate businessmen) to avoid paying extensive Colombian import and exchange tariffs by smuggling goods into Colombia. Finally, this system exploits United States exports in the recycling of narcotics dollars. The U.S. Customs Service believes that the



“United States exports that are purchased with narcotics dollars through the BMPE system often include household appliances, consumer electronics, liquor, cigarettes, used auto parts, precious metals, and footwear.”

Continued Treasury Concern

The BMPE system is thus a subject of major concern to federal law enforcement agencies. Treasury’s Office of Enforcement has created a multi-agency task force to study the system and develop strategies for countering its operation.

Because the peso brokers operate at the intersection of the United States financial and trading systems, attention is being directed both to the international trade community and to the financial community. Thus, the U.S. Customs Service is issuing a “Trade Advisory” concerning “Black Market Peso Brokering” to United States exporters. FinCEN is updating its earlier Advisory to help depository institutions respond appropriately to potential misuse of their services by money launderers.

Possible Peso Exchange Activity - Unusual Money Transmission Transactions

The operation of the peso exchange system depends upon the ability of the money brokers who serve as intermediaries to the cartels, to place funds in the United States financial system without attracting law enforcement interest. FinCEN Advisory Issue 9 outlined several possible indicators of the structuring of cash deposits destined for the peso exchange system into banks. Use of banks for this purpose continues.

Money launderers also place funds by using non-bank money transmitters. The majority of non-bank money transmitters in the United States are legitimate and law-abiding businesses. However, in recent years, there has been an upsurge in the misuse of some money transmitters by money launderers with, in some cases, the cooperation of a small part of that industry.

Treasury officials believe that a large percentage of the funds “placed” by launderers through non-bank money transmitters may actually be destined for peso exchange transactions. In such situations, the launderers, in effect, engage in two layers of misrepresentation. First, structured funds delivered to individual transmitter points of sale are further broken down on the transmitter’s books to appear to represent a number of smaller ostensibly

“normal” money transmission transactions, for example, a series of transfers of funds from the United States to individuals in Colombia. Second, the dollar/peso broker actually orders the transmitter not to send the funds to Colombia at all, but instead, to send them either to a middleman in another country or, perhaps in some cases, directly to a United States exporter of goods, as payment for those goods.

Banks and other depository institutions, as well as money transmission firms that operate through a wide network of agents, should be aware of the possibility that certain unusual transactions may be connected with BMPE operations. For example, a particular money transmitter usually sends funds through a bank to individuals in one or a limited group of nations; in particular cases, however, the same money transmitter asks the bank to send funds to industrial or consumer sales companies or distributors in other nations (that is, nations to which it does not routinely send funds) in large amounts as payment for goods. These latter requested transfers could be BMPE transfers and may thus require further examination. The fact that the funds are sent to companies in the United States for this purpose, and are used to pay for resaleable goods, such as appliances, consumer electronics, auto parts, liquor, cigarettes, and footwear, are also relevant.

The BMPE system is a particularly sophisticated example of money launderers’ ability to adopt the protective covering of legitimate transaction patterns. Thus, FinCEN and the Department of the Treasury welcome a continued dialogue with financial institutions concerning BMPE.

The Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a reportable suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for the reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

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James F. Sloan
Director

FinCEN Advisory is a product of the Financial Crimes Enforcement Network, U.S. Department of the Treasury, 2070 Chain Bridge Road, Vienna VA 22182, (703) 905-3773. For more information about FinCEN's programs, visit the FinCEN web site at <http://www.fincen.gov>

Questions or comments regarding the contents of the FinCEN Advisory should be addressed to the Office of Communications, FinCEN.

Information may also be faxed to (703) 905-3885.