



# Bureau of Justice Statistics Special Report

*Federal Justice Statistics Program*

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# Money Laundering Offenders, 1994-2001

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During 2001, 1,477 defendants were charged in U.S. district courts with money laundering as the most serious offense filed. These defendants comprised 1.8% of all cases filed in U.S. district courts.

Of cases concluded in 2001, 1,243 defendants were convicted of a money laundering offense.<sup>1</sup> Federal defendants sentenced for money laundering in 2001 were convicted of laundering amounts ranging from less than \$2,000 to more than \$100 million.<sup>2</sup> About 20% of the cases involved over \$1 million.

Offenders convicted of money laundering face prison terms of up to 20 years, fines up to \$500,000 or twice the value of the property involved, and possible criminal and civil forfeiture related to the value of the property or funds involved.

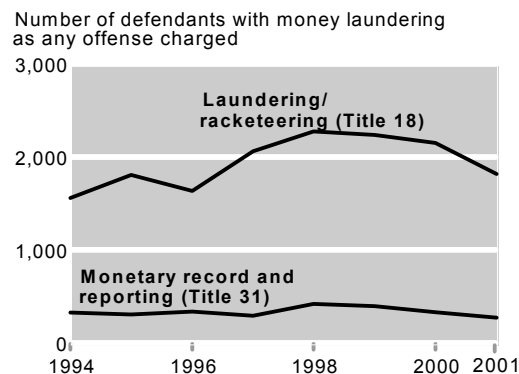
Federal money laundering statutes differentiate between *monetary record and reporting offenses* requiring financial institutions to maintain reports and records of financial transactions

<sup>1</sup>Money laundering is defined as "the process by which criminals or criminal organizations seek to disguise the illicit nature of their proceeds by introducing them into the stream of legitimate commerce and finance." *2000-2005, Strategic Plan*. U.S. Department of the Treasury, page 1.

<sup>2</sup>Monetary instruments include U.S. or foreign coins and currency, travelers' checks, personal checks, bank checks, money orders, investment securities and negotiable instruments (18 U.S.C. § 1956 (c)(5)).

## Highlights

**From 1994 to 2001 almost 18,500 defendants faced a money laundering-related charge filed in a U.S. district court**



Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

- Between 1994 and 2001 about 18,500 defendants were charged in U.S. district court with money laundering as any charge. Over this same 7-year period, 10,610 were charged with money laundering as the most serious offense filed; 9,169 money laundering defendants were convicted.

- Nearly half of all Federal money laundering matters were referred in the six geographic areas defined as High Intensity Financial Crimes Areas by the U.S. Departments of Treasury and Justice.

- About 60% of laundering/racketeering (Title 18) offenses prosecuted involved an underlying property

offense (embezzlement or fraud); about 17% involved drug trafficking; and about 7% involved racketeering or violations of customs laws.

- About 9 in 10 defendants prosecuted for money laundering were convicted, with 9 in 10 convictions occurring by guilty plea. Nearly 3 out of 4 convicted defendants received a prison term, with the average sentence of just over 4 years.

- In 2001 the 22 commercial defendants charged with money laundering included auto dealerships, grocery stores, banks, furniture stores, construction firms, and beauty shops. They represented a small fraction of money laundering defendants.

## Selected Federal money laundering statutes

Money laundering offenses in this report are defined according to Title 18 (Chapter 95, Racketeering) and Title 31 (Chapter 53, Monetary Transactions) of the Federal criminal code:

### Title 18 statutes (Laundering/racketeering)

**Laundering of monetary instruments** (18 U.S.C. § 1956) involves intending to transport or transfer monetary funds knowing that property represents the proceeds of unlawful activity.

**Engaging in monetary transactions in property derived from specified unlawful activity** (18 U.S.C. § 1957) involves knowingly engaging in a monetary transaction involving criminally derived property valued at more than \$10,000.

**Prohibition of unlicensed money transmitting businesses** (18 U.S.C. § 1960) involves failing to comply with Treasury regulations (that is, business registration and other required information) pertaining to money transmitting businesses (that is, currency dealers and exchangers, check cashers, and money transmittal businesses).

### Title 31 statutes (Monetary record and reporting)

**Reporting on exporting and importing monetary instruments** (31 U.S.C. § 5316) involves the failure to file a Report of International Transportation of Currency or Other Monetary Instruments (CMIR) when conveying such instruments of more than \$10,000 at one time out of, into, or through the United States.

**Structuring transactions to evade reporting requirement** (31 U.S.C. § 5324) involves causing a domestic financial institution to fail to file a required report or to file a report that contains an omission or misstatement of fact, or to structure any transaction. *Structuring* involves conducting financial transactions with the purpose of evading reporting requirements (that is, "breaking down a single sum of currency exceeding \$10,000 into smaller transactions to evade reporting requirements"). See 31 C.F.R. 103.11.

**Failure to file a currency transaction report (CTR) on cash transactions involving more than \$10,000** (31 U.S.C. § 5313) .

involving more than \$10,000 (originating from the 1970 Bank Secrecy Act)<sup>3</sup> and *laundering/racketeering offenses* in which financial transactions involve the proceeds of specified unlawful activities (originating from the Money Laundering Control Act of 1986).<sup>4</sup> The monetary record and reporting statutes focus on tracking illicit assets via financial institution reporting requirements while the laundering/racketeering statutes focus on the conversion of illicit assets and their use to promote additional crimes.

The bulk of Federal money laundering enforcement focuses on the underlying criminal offenses that produce the funds to be laundered. Law enforcement uses a "follow-the-money" approach to trace illicit proceeds from such crimes as drug trafficking, health care fraud, and terrorism.<sup>5</sup> U.S. attorneys may apply the laundering/racketeering statutes when a financial transaction involves the proceeds and/or concealment of the source of proceeds for any of over 250 offenses or "specified unlawful activities" (SUA's).<sup>6</sup>

This report uses data from the Federal Justice Statistics Program (FJSP) to describe the criminal case processing of money laundering offenders in the Federal criminal justice system. Unless indicated otherwise, the designations "lead charge"<sup>7</sup> and "primary" or "most serious filing offense"<sup>8</sup> describe money laundering violators across prosecution, adjudication, and sentencing. The exception to these designations occurs where money laundering is described as any offense filed in U.S. district court. (See *Highlights* figure.)

During 2001 the laundering/racketeering statutes comprised the bulk of defendants charged with a money laundering offense as the most serious offense (84%). Three in five of these Title 18 money laundering violations were associated with property-related SUA's such as bank embezzlement, fraud, transportation of stolen property, and counterfeiting (63%). Drug trafficking offenses were the second most common SUA's (16%), followed by public-order (7%) (including racketeering, witness tampering, customs laws,

and other offenses) and violent offenses (4%).<sup>9</sup>

In 2001 monetary record and reporting offenses made up the remaining 16% of defendants charged with a money laundering offense. Monetary record and reporting offenses do not require a specified unlawful activity or underlying offense. Rather, these Bank Secrecy Act (BSA) statutes, by requiring records of currency transactions, provide a paper trail which enables enforcement agencies to uncover the illicit concealment of monetary instruments. In addition to financial institutions, BSA reporting requirements apply to securities brokers and dealers, casinos, and money exchange businesses.<sup>10</sup>

### Referrals to U.S. attorneys for prosecution

During 2001, 1,437 suspects were referred to U.S. attorneys with money laundering as the lead charge (down 34.4% from 2,191 referrals in 1994). These suspects comprised 1.2% of the total 121,818 referred. Money laundering included 1,073 defendants investigated for laundering/racketeering

<sup>3</sup>31 U.S.C. §§ 5311-5332.

<sup>4</sup>18 U.S.C. §§ 1956, 1957, and 1960.

<sup>5</sup>See Lester M. Joseph, "Money Laundering Enforcement: Following the Money," *Economic Perspectives: An Electronic Journal of the U.S. Department of State*, 6, 2, 2001, and R.T. Naylor, *Follow-the-Money Methods in Crime Control Policy*, Nathanson Centre of Organized Crime and Corruption, York University, Toronto, 1999.

<sup>6</sup>See *Money Laundering Statutes and Related Materials*, Asset Forfeiture and Money Laundering Section, U.S. Department of Justice, April 2002.

<sup>7</sup>"Lead charge" is the substantive statute that is the primary basis for investigation by U.S. attorneys and is not necessarily the charge with the greatest potential sentence.

<sup>8</sup>"Most serious offense" is the filing offense that yields the statutory maximum penalty. See the methodology section in the *Compendium of Federal Justice Statistics, 2000* (NCJ 194067).

<sup>9</sup>Title 18 money laundering counts generally involve a SUA. Information on SUA's was missing in 10% of cases due in part to sting cases in which an associated unlawful activity does not apply (18 U.S.C. § 1956(a)(3)) and/or instances in which information was not recorded during court processing.

<sup>10</sup>31 C.F.R. 103.

## Targeting money laundering enforcement efforts

High Intensity Financial Crimes Area (HIFCA) designations were enacted as a part of the Money Laundering Strategy Act of 1998, (P.L. 105-310) to prioritize law enforcement efforts in areas where money laundering and related financial crimes present a greater need.

To date, the Secretary of the Treasury and the Attorney General have named six HIFCA's:

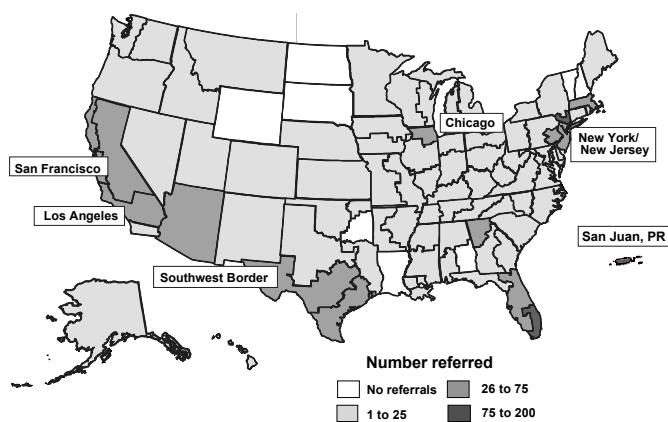
- New York/New Jersey
- San Juan/Puerto Rico
- Los Angeles
- the southwestern border including Arizona and Texas
- the Northern District of Illinois (Chicago)
- the Northern District of California (San Francisco).

Of the 1,437 matters referred to U.S. attorneys where money laundering was the lead charge, 625 (44%) were referred from judicial districts associated with an HIFCA designation.

Related to HIFCA's are the High Intensity Drug Trafficking Areas (or HIDTA's). Congress established the HIDTA program to operate under the direction of the Office of National Drug Control Policy (ONDCP) by the Anti-Drug Abuse Act of 1988 (P.L.100-690) and the ONDCP Reauthorization Act of 1998. HIDTA's were created to counter drug trafficking in areas

where drug enforcement needs are greatest to include the money laundering-drug trafficking nexus. All six HIFCA's were also designated as HIDTA's.

## Matters referred to U.S. attorneys with money laundering as most serious charge, by Federal judicial district, 2001

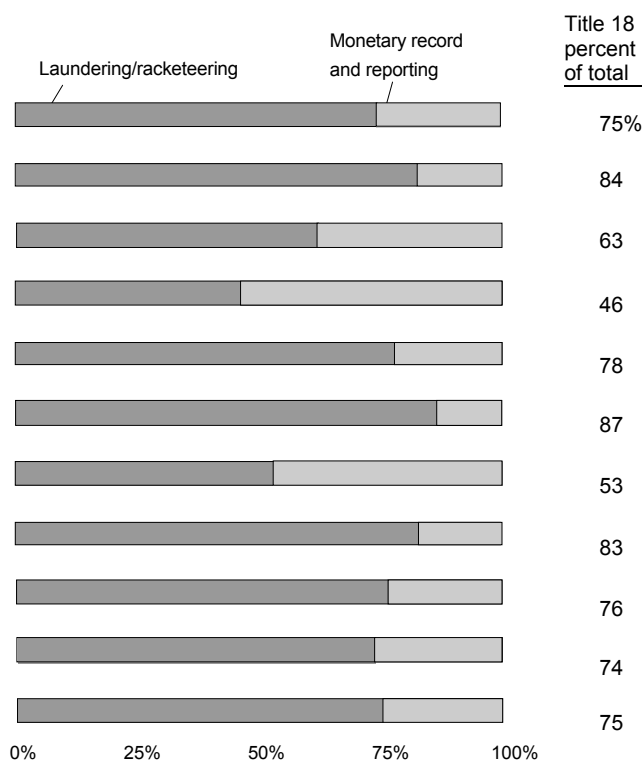


Source: Executive Office for the U.S. Attorneys, central system file

## 10 Federal judicial districts with largest number of matters referred with money laundering as most serious charge, 2001

Judicial district	Total number of matters referred	Number of money laundering matters referred	Money laundering matters as a percent of all matters referred
Southern District of Florida	3,880	106	2.7%
Southern District of New York	3,160	83	2.6
District of Puerto Rico	1,724	78	4.5
Eastern District of New York	2,838	71	2.5
Southern District of Texas	6,075	64	1.1
Middle District of Florida	3,237	55	1.7
District of Arizona	5,099	53	1.0
District of New Jersey	1,537	52	3.4
Central District of California	3,433	49	1.4
Northern District of California	1,769	45	2.5
All Federal districts	121,818	1,437	1.2

## Percent of money laundering matters referred by offense type



(down 33% from 1994) and 364 for record and reporting offenses in 2001 (down 37% from 1994).

Half the money laundering-related referrals to U.S. attorneys in 2001 were from 10 judicial districts. The U.S. attorney in the Southern District of Florida received the most referrals (106), followed by the Southern District of New York (83), Puerto Rico (78), and the Eastern District of New York (71).

### Federal agency referral of matters evaluated for prosecution

Multiple Federal agencies are involved in investigating money laundering violations and referring matters to U.S. attorneys for prosecution.<sup>11</sup> In fiscal year 2001 U.S. attorneys evaluated 1,573 suspects for prosecution for alleged money laundering violations, representing 1.3% of the 118,977 Federal matters concluded by U.S. attorneys in 2001. More than 30 Federal, State, and local agencies provided referrals, with the majority coming from agencies of the Departments of Treasury or Justice (table 1).

#### Referrals by agencies of Treasury

During 2001 the Treasury Department referred 896 (57%) suspects to U.S. attorneys in matters with money laundering-related charges. Treasury referred more than three-quarters of monetary record and reporting suspects.

From 1994 to 2001 the total of Treasury referrals decreased 46% from 1,645. The largest part of the decrease occurred in monetary record and reporting violations (down 59% from 663 matters referred in 1994 to 274 in 2001).

Of all referring agencies, the U.S. Customs Service (USCS) had the most referrals for monetary record and reporting offenses during 2001 (54%

<sup>11</sup>The provisions of the Homeland Security Act of 2002 (P.L. 107-296), transferred the Treasury Department's Bureau of Alcohol, Tobacco and Firearms to the Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice. Treasury's Secret Service became a part of the Department of Homeland Security.

**Table 1. Matters concluded by U.S. attorneys with money laundering as lead charge, by investigating agency, 2001**

Referring law enforcement agency <sup>a</sup>	Total	Laundering/racketeering		Monetary records and reporting	
		Number	Percent	Number	Percent
All agencies	1,573	1,220	77.6%	353	22.4%
Department of Treasury	896	622	69.4%	274	30.6%
U.S. Customs	376	184	48.9	192	51.1
Internal Revenue Service	444	368	82.9	76	17.1
All other Treasury <sup>b</sup>	76	70	92.1	6	7.9
Department of Justice	614	560	91.2%	54	8.8%
Federal Bureau of Investigation	423	376	88.9	47	11.1
Drug Enforcement Administration	139	132	95.0	7	5.0
All other Justice <sup>c</sup>	52	52	100.0	0	--
Other <sup>d</sup>	63	38	60.3%	25	39.4%

--Less than 0.5%.

<sup>a</sup>Reflects agency designations prior to the Homeland Security Act of 2002.

<sup>b</sup>Includes Alcohol, Tobacco and Firearms, Secret Service, and joint State/local task forces.

<sup>c</sup>Includes Immigration and Naturalization Service, U.S. Marshals Service, and joint State/local task forces.

<sup>d</sup>Includes U.S. Postal Service, Food and Drug Administration, Securities and Exchange Commission.

Data source: Executive Office for U.S. Attorneys, central system file.

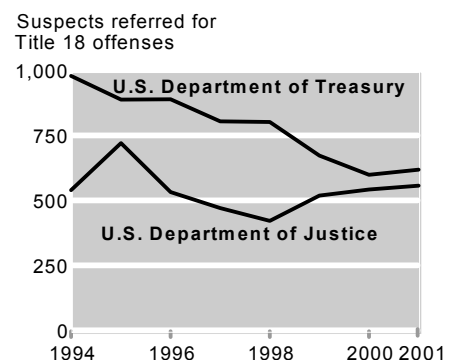
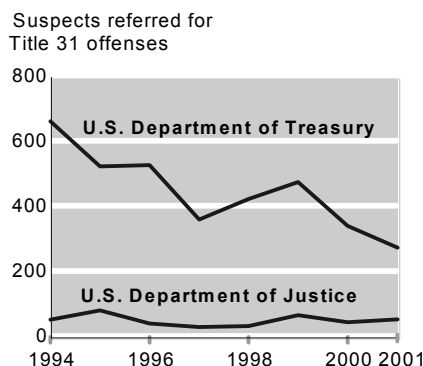
or 192). Money laundering matters referred to U.S. attorneys comprised 4.2% of all matters referred by the USCS (not shown in table). Charged in part with enforcing money laundering laws at U.S. borders, the USCS accounted for the bulk of importing/exporting monetary instrument violations (31 U.S.C. § 5316) referred for prosecution in 2001. Of 178 matters concluded in which importing/exporting monetary instruments was charged, the USCS had referred 96% (171).

The Financial Investigations Division of the USCS conducts undercover drug money laundering operations. Since

the terrorist attacks of September 11, 2001, the division has coordinated "Operation Green Quest" to "identify and dismantle" the financial structure used to fund terrorist activity (*U.S. Customs Service Annual Report, Fiscal Year 2001*).

The Internal Revenue Service (IRS) referred 28% of suspects with a money laundering-related charge in matters concluded during 2001. IRS investigators deal with complex financial crimes (including money laundering and tax evasion and asset forfeiture). Money laundering comprised 21% of all matters referred by the IRS in 2001

**From 1994 to 2001 the number of Treasury referrals declined 59% for record/reporting violations (Title 31) and 37% for laundering/racketeering violations (Title 18)**

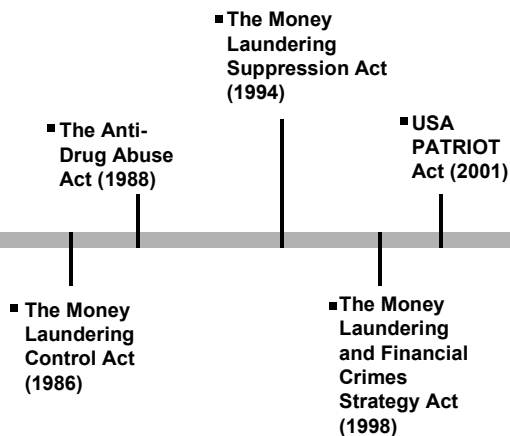


Note: The money laundering referral was the lead charge.  
Source: Executive Office for U.S. Attorneys, central system file.

Figures 2 and 3

## Money Laundering and Related Federal Legislation

▪ **Bank Secrecy Act (1970)**



**The Money Laundering and Financial Crimes Strategy Act of 1998** focused on counter-money laundering support at the State and local levels. The act created the following:

- The National Money Laundering Report. Treasury, together with Justice, set forth a national plan for all levels of government to coordinate anti-money laundering activities. The 2002 objectives included enhancing law enforcement of money laundering organizations and systems, improving State and local law enforcement efforts, and measuring the effectiveness of anti-money laundering activities.
- Designation of areas at a high risk for financial crimes/money laundering activity (High Intensity Financial Crime Areas)
- Financial Crime-Free Communities support programs that provide “seed money” of up to \$300,000 to State and local programs to counter money laundering.

### **The Strengthening America Act by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001**

toughened accountability of U.S. banks in their dealings with foreign correspondent banks, strengthened laws responding to the problem of terrorist financing and its connection with money laundering, and strengthened asset forfeiture laws in matters involving funding of terrorist activities.

In addition, the USA PATRIOT Act created a new money laundering statute: Bulk cash smuggling (18 U.S.C. § 5332). The new statute prohibits the concealment and transfer of more than \$10,000 across the border with the intent to evade reporting requirements. Convicted defendants are subject to a greater sentence than a reporting violation (that is, 18 U.S.C. § 5316) and all property involved in bulk cash smuggling is subject to criminal and/or civil forfeiture.

The **Bank Secrecy Act of 1970 (BSA)** gave Treasury authority to require monetary record and reporting by financial institutions. The intent was to prevent criminals from using financial institutions to conceal or launder money generated from crime. (See 31 U.S.C. §§ 5311-5332.) Initially used to deter tax evasion and money laundering by organized crime, the BSA statutes are applied in the investigation of an array of offenses ranging from drug trafficking to financing terrorist acts.

BSA regulations enable the detection of criminal, tax, and regulatory violations by providing a paper trail that follows the flow of money. Financial institutions are required to report transactions involving —

- currency of more than \$10,000 (Currency Transaction Report)
- transportation of more than \$10,000 in currency into or out of the United States (Currency or Other Monetary Instruments Report)
- suspicious activity that may indicate a law has been broken (Suspicious Activity Report).

**The Money Laundering Control Act of 1986** criminalized money laundering,

creating the first Federal money laundering laws (18 U.S.C. §§ 1956, 1957). The offenses included knowingly helping to launder money from criminal activity, knowingly engaging in a monetary transaction of more than \$10,000 with property derived from criminal activity, and structuring transactions to avoid BSA reporting requirements. The act also enumerated SUA's.

**The Anti-Drug Abuse Act of 1988** enhanced reporting requirements (stricter identification and record keeping when using cash to buy monetary instruments) and expanded criminal and civil penalties against money laundering. It also provided the Treasury with authority to require geographically targeted currency transaction reports.

**The Money Laundering Suppression Act of 1994** created more stringent requirements on the procedures used by financial institution examiners and expanded examiner training to improve detection of laundering in financial institutions.

(not shown in table). The number of suspects whom the IRS referred for money laundering offenses decreased 59% from 1,077 in 1994 to 444 in 2001. Reduction in referrals was greater for monetary record and reporting violations (-83%) than for laundering/racketeering offenses (-41%).

The Secret Service investigates financial fraud schemes and currency counterfeiting. During 2001 the Secret Service referred 8 money laundering matters, down from 19 in 2000. The

Bureau of Alcohol, Tobacco and Firearms referred 26 money laundering matters to U.S. attorneys during 2001.

### *Referrals by Justice agencies*

During 2001 law enforcement agencies of the Department of Justice referred 614 (39%) money laundering suspects to U.S. attorneys, the bulk of which were for laundering/racketeering offenses with specified unlawful activities (91%). The number of Justice referrals with a laundering/racketeering

violation peaked in 1995 with 725 referrals and decreased in 1998 (425) before increasing to 650 during 2001.

The FBI was the source of the largest number of Title 18 referrals (31%). The FBI has primary or dual jurisdiction over most of the specified unlawful activities listed under the money laundering statutes. The FBI's Money Laundering Unit uncovers money laundering schemes which are a part of drug trafficking, organized crime, violent crime, and white collar crime.

## Reporting of suspicious activity

From 1997 to 2001 the number of Suspicious Activity Reports submitted increased 206%. States with the highest suspicious activity reporting rates per 100,000 persons in the general population were New York, Nevada, and California (derived from FinCEN, *SAR Activity Report, 2002*).

The New York metropolitan area had more than an estimated 14,000 Suspicious Activity Reports filed in fiscal years 1998 and 1999, with a reported aggregate amount of over \$33 billion (National Drug Intelligence Center, 2001). In the same period, Los Angeles had the second highest number, 5,171, with an aggregated value of more than \$7 billion.

## Suspicious Activity Reports filed for money laundering violations, 1997-2001

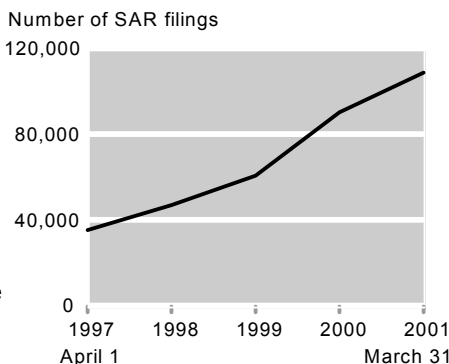
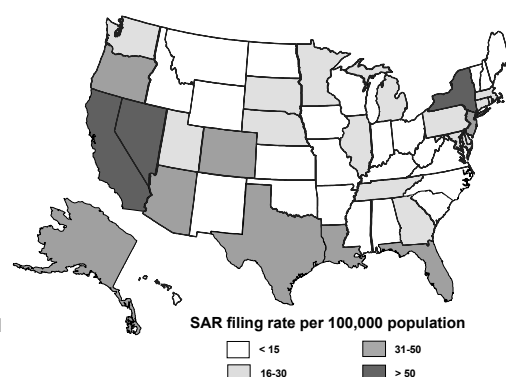


Figure 4 Source: Financial Crimes Enforcement, U.S. Department of the Treasury, *The SAR Activity Review*, 3.

## Suspicious Activity Reports filed for money laundering violations per 100,000 State residents, 2001



Of the 30,708 total matters referred by the FBI for prosecution during 2001, 1.4% had money laundering as the lead charge.

The Drug Enforcement Administration (DEA) often works in conjunction with other agencies in investigating money laundering as it pertains to drug offending. During 2001 the DEA referred to U.S. attorneys 139 matters with money laundering as the lead charge. These comprised about 1% of the 16,844 DEA referrals.

### Referrals by other agencies

As a money service business, though a non-banking institution, the U.S. Postal Service (USPS) is required to comply with the Bank Secrecy Act reporting requirements. The USPS also investigates the illicit use of postal financial products to include money laundering. The USPS referred 25 money laundering matters to U.S. attorneys for prosecution (less than 1% the 4,010 referrals for all matters referred by the USPS).

### Matters prosecuted

Of money laundering matters concluded during 2001, 54% were declined for further prosecution. Forty percent of laundering/racketeering matters were prosecuted in U.S. district court, and 64% of monetary record and reporting violations were prosecuted. (Exporting/importing monetary instruments had the highest prosecution rate

**Table 2. Defendants charged in U.S. district court with a money laundering offense, by most serious offense charged, 2001**

Most serious offense charged	Total	Percent
<b>Total<sup>a</sup></b>	1,477	100.0%
<b>Laundering/racketeering offenses (Title 18 offenses)</b>	1,245	84.0%
Laundering of monetary instruments (18 U.S.C. § 1956)	1,100	74.5
Specified unlawful activity (SUA) associated with money laundering		
Violent	24	1.6
Property	693	47.1
Drug	175	11.8
Public-order	75	5.1
Unknown/not reported <sup>b</sup>	133	8.9
Engaging in transactions using property derived from specified unlawful activities (18 U.S.C. § 1957)	140	9.5
Specified unlawful activity (SUA) associated with money laundering		
Violent	42	2.8
Property	39	2.6
Drug	2	--
Public-order	40	2.7
Unknown/not reported <sup>b</sup>	17	1.2
Illegal money changing business (18 U.S.C. § 1960)	5	--
<b>Monetary record and reporting offenses (Title 31, Bank Secrecy Act offenses)</b>	232	16.0%
Exporting/importing monetary instruments (31 U.S.C. § 5316)	135	9.1
Structuring monetary transactions (31 U.S.C. § 5324)	94	6.4
Failure to file Currency Transaction Report (CTR) (31 U.S.C. § 5313)	3	--

--Less than 0.5%.

<sup>a</sup>630 defendants were charged with a money laundering-related offense as a secondary offense.

<sup>b</sup>Not reported on indictment because cases were sting cases in which SUA did not apply or information was not recorded during court processing.

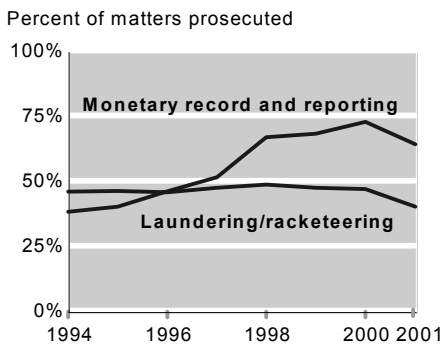
Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

of the component offenses that comprise money laundering: 87%.) From 1994 to 2001 the prosecution rate for monetary record and reporting offenses increased from 38% to 64% while the prosecution rate for

laundering/racketeering declined slightly (from 46% in 1994 to 40% in 2001).

- Of the 855 declinations for prosecution, 13% were prosecuted by other

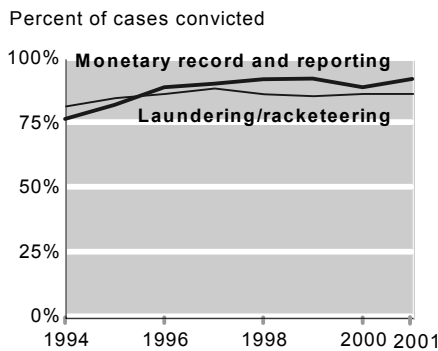
From 1994 to 2001 the percentage prosecuted of those suspected of monetary record and reporting offenses (as lead charge) increased from 38% to 64%. Prosecutions for laundering/racketeering declined from 46% to 40% of suspects considered.



Matters concluded in fiscal year.

Source: Executive Office for U.S. Attorneys, central system file.

In 1994, 77% of defendants adjudicated for monetary record and reporting were convicted; in 2001, 92% were convicted. The percent of laundering/racketeering defendants convicted rose from 81% to 87%.



Cases terminated in fiscal year.

Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

offense (for example, importing/exporting controlled substance and selling or distributing marijuana). Public-order offenses (for example, racketeering, bribery, and extortion) comprised 7% and violent offenses (includes kidnaping and bank robbery) 2% of cases in which money laundering was the most serious offense filed. Specified unlawful activities information was not indicated in 12% of cases.

Of the 140 defendants charged with engaging in monetary transactions using property derived from specified unlawful activity, the most common SUA's included bank robbery and kidnaping (30%) followed by public-order (29%) and property offenses (28%).

### Adjudication of money laundering defendants in U.S. district court

About 88% of 1,420 adjudicated defendants were convicted. Of the 1,243 convicted defendants, 91% had pleaded guilty, and 9% were found guilty at trial (table 3).

Of the 177 cases that did not result in a conviction, most (82%) were dismissed. Ninety-four percent of defendants adjudicated for exporting/importing monetary instruments were convicted, and of those convicted, 98% had pleaded guilty. Monetary reporting and recording offenses had a slightly higher conviction rate (92%) compared to laundering/racketeering offenses (87%).

Figures 5 and 6

authorities or prosecuted on other charges (not shown in table).

- 23% of matters were declined for lack of criminal intent, 19% due to insufficient or weak evidence, and 17% at the request of the referring agency (not shown in table).

### Cases filed in U.S. district court

During 2001, 1,477 defendants were charged with money laundering. Laundering/racketeering offenses comprised 84% (laundering of monetary instruments, 74.5% and engaging in monetary transactions using property derived from specified unlawful activity, 9.5%), and monetary

record and reporting 16% of cases (exporting/importing monetary instruments, 9%, structuring financial transactions, 6%) (table 2).

The principal money laundering statutes (18 U.S.C. § 1956 and 1957) apply in cases where transactions involved proceeds from a broad range of specified unlawful activities. During 2001, 1,100 defendants were charged with laundering of monetary instruments.

Of these defendants, 63% were also charged with a property offense (for example, bank fraud, embezzlement, and counterfeiting); 16%, with a drug

Table 3. Disposition of cases adjudicated in U.S. district court, by money laundering as most serious offense, 2001

Most serious offense filed	Total	Percent convicted	Number of defendants in criminal cases terminating during 2001 who were —					
			Convicted			Not convicted		
			Total	Guilty plea	Trial	Total	Dismissed	Trial
<b>Total</b>	1,420	87.5%	1,243	1,130	113	177	145	32
<b>Laundering/racketeering</b>	1,179	86.6	1,021	912	109	158	129	29
Laundering of monetary instrument	1,043	85.8	895	799	96	148	119	29
Engaging in transactions	130	92.3	120	107	13	10	10	0
Prohibition of money exchange	6	100.0	6	6	0	0	0	0
<b>Monetary record and reporting</b>	241	92.1	222	218	4	19	16	3
Exporting/importing monetary instruments	140	93.6	131	129	2	9	8	1
Structuring transactions	96	90.6	87	85	2	9	7	2
Failure to report currency transaction	5	80.0	4	4	0	1	1	0

Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

## Money laundering as a secondary offense

In addition to the 1,477 defendants charged with money laundering as the primary charge during 2001, money laundering was a secondary offense in 630 cases. Of these 630 cases, the most serious offense charged was drug-related (90%), followed by property (6%), public-order (4%), and violent offenses (1%).

Between 1994 and 2001 the number of defendants with any money laundering-related charges filed in U.S. district court reached a peak in 1998 at 2,712 cases (an increase of 42.5% from 1994), followed by a decrease to 2,107 cases in 2001 (but an overall increase of 10.7% in number of cases from 1994). The number of defendants with money laundering as a secondary charge increased 11%, and the number of defendants with money laundering as the most serious offense increased 10%.

Ninety-two percent of the 623 defendants adjudicated for money laundering as a secondary offense during 2001 were convicted. Of those convicted, 6% of convictions were obtained via trial verdicts. Drug trafficking had the highest rate of conviction (92%).

About 90% of defendants convicted of money laundering as a secondary offense received a prison sentence. Rates of imprisonment varied across the types of offenses (drug offenses, 90%; property offenses, 73%; and public-order offenses, 72%). Defendants with a drug offense as the most serious offense received prison terms with an average 97 months, compared to 44 months for property offenders. Prison terms for public-order offenses (including racketeering/extortion) had an average of 70 months.

## Between 1994 and 2001 defendants charged with money laundering as either a primary or secondary offense were most often charged with money laundering as their primary offense

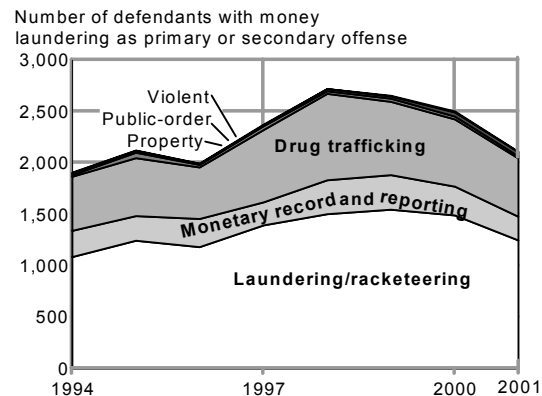


Figure 7

## Most serious offense of defendants adjudicated and sentenced with money laundering as a secondary offense, 2001

Most serious offense filed	Total adjudicated	Percent convicted	Number of persons sentenced to —			Mean imposed prison sentence (in months)
			Any prison	Probation only	Other	
Total	623	91.7%	512	41	18	93.5
Violent	4	100.0	4	0	0	--
Property	34	88.3	25	5	0	43.8
Drug	560	92.1	465	33	18	97.3
Public-order	25	84.0	18	3	0	69.5

Note: Detail excludes observations missing a particular characteristic.

--Not calculated, too few cases.

Source: Administrative Office of the U.S. Courts criminal master file, fiscal year.

## Case processing time

During 2001, the average processing time from filing to disposition was 17 months for money laundering defendants. Of money laundering cases adjudicated, trials took an average of

22 months (from case filing to disposition), compared to an average of 15 months for cases which were the result of a guilty plea (of the 1,420 criminal cases terminating in U.S. district courts in 2001). Laundering/racketeering offenses were processed on average within 18 months, 7 months longer than monetary records and report violations.

reporting offense were female (29%) and Hispanic (48%) than defendants convicted of laundering/racketeering offenses.

## The average prison term for a Federal money laundering offense increased from 44 months in 1994 to 48 months in 2001

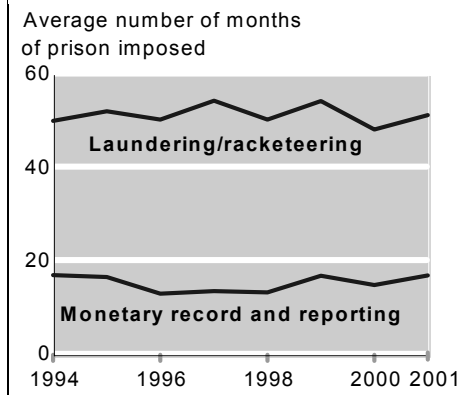
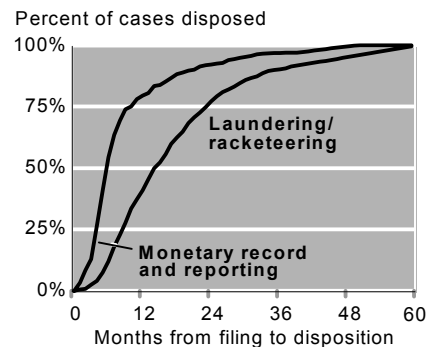


Figure 8

## Characteristics of defendants convicted of money laundering

Defendants sentenced for money laundering as the most serious filing offense were primarily male (80%), U.S. citizens (77%), over age 35 (70%), and white (52%) (table 4). One in three defendants convicted of money laundering had a prior adult conviction. Defendants with a monetary record and reporting filing offense were less apt to be U.S. citizens (52%) and comparatively less likely to have a prior criminal history (21%) than laundering/racketeering defendants. A greater share of defendants with a monetary record and

## During 2001, 80% of monetary record and reporting offenses and about 50% of laundering/racketeering offenses were disposed of in 1 year or less



Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

Figure 9



**Table 4. Characteristics of convicted money laundering defendants, 2001**

Defendant characteristics	Total		Laundering/racketeering (Title 18 offenses)		Monetary record and reporting (Title 31 offenses)	
	Number	Percent	Number	Percent	Number	Percent
<b>Total</b>	1,243	100.0%	1,021	100.0%	222	100.0%
<b>Gender</b>						
Male	912	80.0%	766	82.0%	146	70.9%
Female	228	20.0	168	18.0	60	29.1
<b>Race/ethnicity</b>						
White non-Hispanic	593	52.3%	521	56.1%	72	35.1%
Black non-Hispanic	186	16.4	162	17.5	24	11.7
Hispanic	292	25.8	193	20.8	99	48.3
Other	62	5.5	52	5.6	10	4.9
<b>Age</b>						
18-24 yr	55	4.9%	31	3.4%	24	11.8%
25-34 yr	286	25.3	231	25.0	55	27.0
35-44 yr	350	31.0	286	30.9	64	31.4
45-59 yr	335	29.7	289	31.2	46	22.6
60 or older	103	9.1	88	9.5	15	7.4
<b>Citizenship</b>						
U.S. citizen	867	76.6%	761	81.9%	106	52.2%
Non-U.S. citizen	265	23.4	168	18.1	97	47.8
<b>Prior criminal history*</b>						
No convictions	759	66.6%	596	63.8%	163	79.1%
Prior adult convictions	381	33.4	338	36.2	43	20.9

Note: Detail excludes defendants for whom a particular characteristic was not reported.

\*A criminal record is limited to prior adult convictions. For some defendants in this table, it is further limited to the portion that is relevant for calculating sentences under the Federal sentencing guidelines.

Source: Administrative Office of the U.S. Courts, criminal master file was merged with Pretrial Services Agency (PSA) and U.S. Sentencing Commission (USSC) data files. These latter two files contain information on characteristics of defendants.

**Sentencing outcomes**

During 2001, of the 1,243 defendants convicted for money laundering, 72% received a sentence to a prison term, and 24% received probation only (table 5). Defendants convicted of laundering/racketeering (79%) were more likely than defendants convicted of monetary record and reporting violations (40%) to receive a term of imprisonment. Eighty percent of defendants convicted of laundering of monetary instruments or of engaging in transactions from

unlawful activity received a sentence to prison. Imprisonment was less likely for defendants convicted of exporting/importing monetary instruments (41%) and structuring illegal financial transactions (38%).

The average prison sentence imposed for defendants convicted of money laundering was 48 months. The 712 defendants that received a prison sentence for laundering of monetary instruments received a longer prison term, on average, than for other money

laundering offenses (53 months). More than half of defendants convicted of structuring financial transactions received probation only as a sentence.

Probation terms imposed were greatest, on average, for laundering of monetary instruments (44 months) and least, for structuring financial transactions (31 months). A total of 256 defendants with money laundering as the most serious offense of conviction received an average fine of \$40,808. The median fine amount was \$2,750.

**Table 5. Type of sentence imposed following a conviction for a money laundering offense, 2001**

Most serious offense filed	Total	Percent			Imposed prison sentence (in months)		Probation (in months)		Fine		
		Any prison	Probation only	Other	Mean	Median	Mean	Median	Total	Mean	Median
<b>Total</b>	1,243	72.0	23.7	4.3	48.4	36.0	38.5	36.0	256	\$40,808	\$2,750
<b>Laundering/racketeering</b>	1,021	79.0	18.0	2.9	51.9	37.0	42.6	36.0	190	53,109	3,000
Laundering of monetary instruments	895	79.6	17.3	3.1	53.2	50.8	43.6	36.0	157	58,386	3,000
Engaging in transactions	120	79.2	19.2	1.7	41.6	33.0	40.1	36.0	27	33,916	4,000
Prohibition of money exchange	6	0.0	100.0	0.0	--	--	24.0	--	6	1,417	--
<b>Monetary record and reporting</b>	222	39.6	49.5	10.8	17.0	12.0	31.8	36.0	66	5,397	2,000
Exporting/importing	131	40.5	46.6	13.0	19.6	47.5	32.6	36.0	25	2,694	2,000
Structuring transactions	87	37.9	54.0	8.0	13.4	10.0	30.9	36.0	41	7,044	2,500
Failure to report currency transaction	4	50.0	50.0	0.0	8.5	--	30.0	--	0	--	--

Note: Detail excludes observations for which a particular characteristic was not reported.

--Not calculated, too few cases.

Source: Administrative Office of the U.S. Courts, criminal master file, fiscal year.

## State activities against money laundering

In 1985 Arizona became the first State to adopt legislation against money laundering. Since then, 35 other States have adopted similar legislation.

States follow four models to some degree:

- the Federal statute (31 USC §§ 1956-1957) (used notably by New York)
- the President's Commission on Model State Drug Laws (1993), including money laundering, money transmitting, asset forfeiture, and related provisions
- the Money Transmitter Regulators Association, a State regulator group and publisher of a model statute
- the National Conference of Commissioners on Uniform State Laws, model statutes.

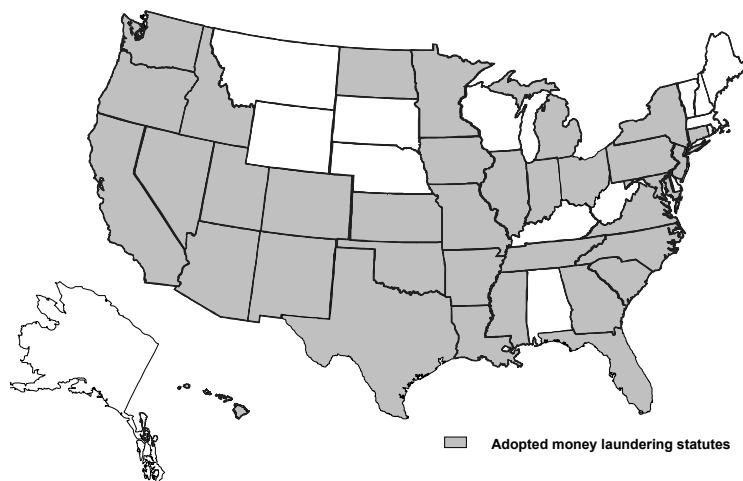
State legislation varies widely, covering a spectrum from specified unlawful activities, such as racketeering or corrupt activities and crime for profit, to any felony. The basis of culpability across States with statutes is a transaction

involving the proceeds of a statutorily defined unlawful activity.

Transactions involving criminal proceeds with the intent to conceal the source of the proceeds are frequently coupled with the requirement that the actor know that the proceeds were derived from specified unlawful activity. In some States the transaction has to have taken place in a bank; in others, any transaction qualifies. Transportation is included in some State statutes to criminalize the movement of proceeds without an intervening transaction.

Following the enactment of the USA PATRIOT Act, 10 States (Arizona, California, Florida, Illinois, Indiana, Maryland, Michigan, Missouri, New Jersey, and New York) adopted new or amended legislation to regulate the money transmitter industry. In fiscal years 2000 and 2001, 17 sites were awarded Financial Crime-Free Community grants from a total of \$2.9 million allocated. This money is used to enhance intrastate efforts against money laundering — to include developing capabilities to detect and prosecute money laundering.

### 36 States have adopted money laundering legislation since 1985



Defendants convicted of money laundering are also subject to criminal forfeiture (18 U.S.C. § 982). During 2001, 85 defendants convicted of a money laundering offense were also charged under the criminal forfeiture statute. All property may be forfeitable, even legitimate funds that were commingled with illicit assets.

All property associated with the money laundering offense is also subject to civil forfeiture. Civil (and criminal) forfeiture penalties can be assessed for monetary record and reporting

violations (for conduct violating 31 U.S.C. §§ 5313, 5316, or 5324)<sup>12</sup> and in violation of laundering/racketeering statutes (18 U.S.C. §§ 1956, 1957, or 1960).<sup>13</sup>

### Defendants sentenced under the U.S. Sentencing Commission's Money Laundering Guidelines

During 2001, 951 defendants were sentenced for money laundering under

<sup>12</sup>31 U.S.C. § 5317

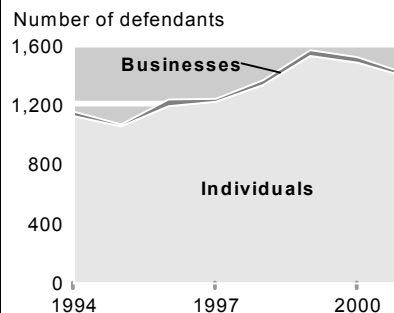
<sup>13</sup>18 U.S.C. § 981(a)(1)(A)

## Commercial defendants and money laundering

Businesses comprised less than 2% of all money laundering-related defendants adjudicated during 2001. The 22 businesses charged with money laundering as the most serious offense included auto dealerships, grocery stores, banks, furniture stores, restaurants, physicians' offices, construction firms, beauty shops, and research firms.

Of the 22 charged, 15 were convicted (68.2%); 13 received probation (with an average term of 38.8 months), and 8 were fined (an average of \$68,454).

### Individuals comprised at least 98% of defendants charged with money laundering offenses, 1994-2001



Money laundering was the most serious offense filed.

Source: Administrative Office of the U.S. Courts, criminal master file.

Figure 10

the three money laundering sentencing guidelines.<sup>14</sup>

Sixty-five percent of defendants were sentenced for laundering of monetary instruments. Thirteen percent were sentenced for engaging in monetary transactions using property derived from unlawful activities, and 22% were sentenced for exporting/importing monetary instruments, structuring transactions to evade reporting requirements, or failing to file a currency transaction report.

<sup>14</sup>The primary guideline at sentencing is used for reporting money laundering defendants sentenced. The Sentencing Guidelines were amended on November 1, 2001, effectively consolidating sections 2S1.1 (laundering of monetary instruments) and 2S1.2 (engaging in monetary transactions in property derived from unlawful activity) and more closely tying money laundering violations to the underlying offense.

**Table 6. Sentencing adjustment for money laundering defendants sentenced in 2001, by role in offense**

Role in offense	Sentenced defendants	
	Number	Percent
Total*	951	100%
No adjustment	794	83.6
Manager, organizer supervisor or leader	51	5.4
Manager of 5 or more participants	36	3.8
Leader or organizer of 5 or more participants	69	7.3

Note: In 2001, 951 defendants were sentenced with money laundering as the primary sentencing guideline. Detail excludes observations where a particular characteristic was not reported.

Source: U.S. Sentencing Commission, FY 2001 datafile.

The guidelines permit a longer sentence if a defendant organized, managed, or led the money laundering. Of defendants sentenced under the money laundering guidelines, 84% received no upward adjustment; 5% received a sentence adjustment for playing a role as manager, organizer, supervisor or leader; 4%, an adjustment for managing five or more participants (not specifically organizing or leading); and 7%, an adjustment for leading or organizing five or more people (table 6).

Of the 951 defendants sentenced under the money laundering guidelines, 51% were convicted for laundering less than \$200,000, 44% were convicted of laundering between \$200,000 and \$10 million, and 4% had laundered more than \$10 million (not shown in table).

## Methodology

The source of the data used in this report is the BJS Federal Justice Statistics Program (FJSP) database. The FJSP compiles comprehensive information on individuals and corporations processed through the Federal justice system from source files provided by the Executive Office of United States Attorneys (EOUSA), the Administrative Office of the United States Courts (AOUSC), the U.S. Marshals Service (USMS), the Drug Enforcement Administration (DEA), the United States Sentencing Commission (USSC), and the Federal Bureau of Prisons (BOP).

In this report, money laundering offenders were defined according to selected Federal criminal statutes. (See page 2.) For suspects in matters referred and concluded, the "lead charge" was used to describe money laundering suspects. This pool includes criminal referrals for which the assistant U.S. attorneys indicated a money laundering statute as the "lead charge" or primary basis for investigation and for which at least 1 hour of investigation time was spent.

The AOUSC provided U.S. district court data on money laundering defendants in criminal cases filed, adjudicated, and sentenced. The "most serious offense" is the filing offense with the statutory maximum penalty. Money laundering violations from all offenses filed for a particular defendant were also reported. Specified Unlawful Activities (SUA's) were aggregated to BJS offense categories as shown in *Appendix table 1* and reported in *table 2*.

Data from the USSC showing defendants with money laundering as the

primary sentencing guideline overlaps with, but does not represent the same pool of defendants described in the AO data. Both datasets include defendants for whom the offense of money laundering resulted in the longest sentence though differences arise as defendants could be sentenced under more than one guideline. Checks were made on the two data series for 2001, and money laundering defendants were found to share a comparable profile.

The Bureau of Justice Statistics is the statistical agency of the U.S. Department of Justice. Lawrence A. Greenfeld is director.

Mark Motivans, BJS Statistician, wrote this report under the supervision of Steven K. Smith. The following individuals reviewed this report and provided substantive comments: Stefan Cassella, Alice Dery, John Hyland, and Les Joseph of the Asset Forfeiture and Money Laundering Section of the Department of Justice; Julie Samuels and Clara Dunn of the Department of Justice Criminal Division; Lou Reedt, Courtney Semisch, and Paula Desio of the U.S. Sentencing Commission; and, Pragati Patrick and Marika Litras of the Administrative Office of the U.S. Courts. William Adams, Avi Bhati, Barbara Parthasarathy, and Juliet Scarpa of the Urban Institute verified this report. Thomas Judd, BJA consultant, and Carol Ferguson, of the Office of the Arizona Attorney General compiled the information on state money laundering statutes. Carolyn Williams and Tom Hester edited the report.

July 2003, NCJ 199574

**Appendix table 1. Detail of BJS offense categories used to group specified unlawful activities in table 2**

Violent offenses	Property offenses	Drug offenses	Public-order offenses
Bank robbery	Bank embezzlement	Marijuana-manufacture	Racketeering-liquor
Kidnaping	Embezzlement of public money	Marijuana-sell/distribute/dispense	Extortion-racketeering threats
	Bank fraud	Controlled substance-import/export	Racketeering-robbery
	Bankruptcy fraud	Controlled substance-manufacture	Intimidation of witnesses
	Postal-interstate wire-radio fraud	Controlled substance-sell/distribute/dispense	Obscene material
	Counterfeiting	Narcotics-import/export	Other Federal statutes
	Transportation of stolen property	Narcotics-substance-sell/distribute/dispense	Gambling-lottery-transmit wager
	Larceny and theft-bank		Trading with the enemy
	Other interstate commerce		Custom laws
			Bribery



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<p><b>Survey of State and Federal inmates</b></p> <p>Of the more than 55,000 drug offenders in Federal prison during 1997, 4% indicated they had been laundering drug money at the time of arrest, compared to 3% of the 217,000 drug offenders in State prison.</p> <p>Of State and Federal inmates serving time for a drug offense, about half (144,364) indicated that at the time of their arrest they were either selling to users or distributing drugs to dealers.</p> <p>About 11% of State and Federal inmates who reported having sold drugs at the time of arrest indicated that they had been involved in running drug money. (Thirteen percent of drug traffickers in Federal prisons and 11% of State traffickers reported having engaged in running drug money.)</p>	<p><b>Estimated percentage of drug offenders in State and Federal prisons reporting to have laundered and/or transported drug money</b></p> <p><i>Questions posed to a 1997 sample of State and Federal inmates serving a drug sentence:</i></p> <p><i>"At the time of your arrest were you laundering drug money?"</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Drug offenders</th> <th rowspan="2">Total</th> <th colspan="2">Laundered drug money</th> </tr> <tr> <th></th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td><b>All inmates</b></td> <td>272,770</td> <td></td> <td>3.2%</td> </tr> <tr> <td>Federal inmates</td> <td>55,742</td> <td></td> <td>4.4</td> </tr> <tr> <td>State inmates</td> <td>217,028</td> <td></td> <td>2.9</td> </tr> </tbody> </table> <p><i>(Of inmates arrested for distributing drugs to users and/or dealers)</i></p> <p><i>"At the time of your arrest were you a money runner?"</i></p> <table border="1"> <thead> <tr> <th rowspan="2">Drug traffickers</th> <th rowspan="2">Total</th> <th colspan="2">Transported drug money</th> </tr> <tr> <th></th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td><b>All inmates</b></td> <td>144,364</td> <td></td> <td>11.2%</td> </tr> <tr> <td>Federal inmates</td> <td>28,142</td> <td></td> <td>13.4</td> </tr> <tr> <td>State inmates</td> <td>116,222</td> <td></td> <td>10.7</td> </tr> </tbody> </table> <p>Source: Bureau of Justice Statistics, Survey of Inmates in State and Federal Correctional Facilities, 1997.</p>	Drug offenders	Total	Laundered drug money			Percent	<b>All inmates</b>	272,770		3.2%	Federal inmates	55,742		4.4	State inmates	217,028		2.9	Drug traffickers	Total	Transported drug money			Percent	<b>All inmates</b>	144,364		11.2%	Federal inmates	28,142		13.4	State inmates	116,222		10.7
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