

FORFEITING ASSETS AND THE BLACK MARKET PESO EXCHANGE (BMPE)

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Introduction

- Background of the BMPE
- Typical BMPE Scheme
- Detecting BMPE Activity
 - Seizure and forfeiture for law enforcement
 - Better SAR filings and detection for the financial industry

Introduction

- El Dorado Task Force
- Attacking the systems that enable narcotics and other illegal activity

BMPE

- Largest money laundering scheme in the world and principal way in which the proceeds of cocaine sales are laundered.
- Two people, two problems.
 - Colombian citizens
 - Narcotics dealers

BMPE History

- Coffee boom in 1950s brings influx of foreign exchange to Colombia
- Capital flight concerns lead to passage of Decree Law 444 in 1967
- Decree Law 444 largely repealed in 1991
- However cocaine boom in the 1970s keeps the BMPE operating
 - BMPE affords the participants anonymity

BMPE History

- Why use a BMPE Broker?
 - Colombian bank will charge official rate, which is always higher than BMPE rate
 - Surtax for foreign exchange
 - Must pre-pay 16% sales tax
 - Customs duty of 5%-25%

BMPE History

- No financial footprint in Colombia
 - Smuggle goods in through Panama free trade zone or other locals
 - Undervalue the goods for tax purposes
 - Bribery
 - Still have some restrictions in foreign investment/capital flight

Typical BMPE Transaction

1. Peso Broker contracts with Colombian business to pay \$100k to a Miami based exporter of electronics equipment. Peso Broker also contracts with a drug trafficking organization (“DTO”) to pick up \$100k in the U.S. and deliver it in pesos in Colombia.
2. Low level employee of the Broker in the U.S. (“Smurf”) picks up the narcotics money.
3. Smurf makes structured payments, at the direction of the Broker (structuring lists), to the Miami based exporter for the credit of the Colombian business. Smurf will then send deposit slips back to Broker as proof of deposit.
4. Electronics are shipped to Colombia
5. Broker takes the pesos given to him from the Colombian business and turns it over to the DTO, minus his fees.

Typical BMPE Transaction

- Placement of the drug money into the financial system is when the scheme is at its most vulnerable.
- Three typical way to place the funds:
 - 1. Pass through accounts
 - 2. Funnel accounts
 - 3. Depositing the funds directly into the U.S. exporter's account or makes structured payments on Colombian businesses' behalf

Typical BMPE Transaction

- Pass through and funnel accounts
 - Money comes in and is quickly moved out via wire transfer or ATM withdrawal
 - Opened up in nominee names
 - » Look for absence of personal expenses (payroll, drug store, supermarket etc.)
 - » Documents used to open the account include passport
 - » Personal account doing business type activity
 - Controlled by broker's outside of the country
 - » Look at IP addresses

Typical BMPE Transaction

- Pass through and funnel accounts
 - Worth seizing?
 - Please file SARs on these after they are closed
 - » Please note if you informed the account holder of the reason you are closing the account or sent them a structuring letter

Red Flags

■ Structuring

- Micro structuring

- » Multiple same or consecutive day deposits
- » Deposits over several different bank accounts controlled by the same parties
- » Look for teller-pull backs and other anecdotal evidence
- » Structuring letters (please note in SAR)
- » Prior closed bank accounts

Red Flags

■ Structuring cont'd

- Structured money orders

- » Sequentially numbered
- » \$500 , \$900, \$1000 denominations and never purchased for more then \$3000
- » Return address does not exist
- » Payee information missing or stamped or different handwriting on the money order



INTERNATIONAL
MONEY ORDER

09/10/01

75-53
919

96526758350

TravelersExpressMoneyGram

030008988 3187 3190

9652675835

28 FEB - 05 - 01

PAY TO THE
ORDER OF:

CAPITAL SOLUTIONS LIMITED

IMPORTANT - SEE BACK BEFORE CASHING

X/B/7/5/0/9/9

SEVEN HUNDRED **
FIFTY DOLLARS **
00 CENTS *****

PURCHASER,
SIGNER FOR DRAWER:

PURCHASER, BY SIGNING YOU AGREE TO THE SERVICE CHARGE AND OTHER TERMS ON THE REVERSE SIDE

ADDRESS:

Payable Thru
WF National Bank South Central
Faribault, MN

ISSUER/DRAWER:

TRAVELERS EXPRESS COMPANY, INC.

THIS AMOUNT
937502291070029
0374241253124835

+1:091900533:965 26758350

90

0000075000

Red Flags

- Business allows customers to deposit cash directly into the business's bank account
 - Geographically disparate deposits
 - Different activity at home branch
 - Large amount of counter deposits
 - Different handwriting on counter deposits
 - Third party payments are suspect

Red Flags

- No Form 8300s despite extensive cash activity
- Is company receiving the money legit?
 - Registered with the Secretary of State
 - Physical address
 - » Residential
 - » PO Box
 - » Does it even exist?
 - Yellow pages/internet listing

Physical Surveillance

- Do a drive-by

- Retail store

- » Customers present?

- » Are they open when they should be?

- » Signage on mail box or front of building?

Red Flags

- Types of goods sold
 - Electronics
 - Other durable goods
- Florida/New York
- Dun and Bradstreet
- Tecs data
- Do owners travel to Colombia or South America frequently

Red Flags

- Wires
 - Mexico
 - Panama, Guatemala, El Salvador
- Payments match up location of customers?

Questions?



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