

UNITED STATES CUSTOMS SERVICE

INTRODUCTION

Illegal narcotic sales in the United States generate an estimated \$57 billion annually, most of it in cash.

Efforts to legitimize or “launder” this cash by the Colombian drug cartels are subject to detection because of intense scrutiny placed on large financial transactions by U.S. banks. To avoid detection, the cartels have developed a number of money laundering systems that subvert financial transaction reporting requirements and manipulate facets of the economy unrelated to the traditional financial services industry. The intent of this brochure is to educate the manufacturing and import/export communities about one such form of money laundering – the Black Market Peso Exchange (BMPE).

The BMPE is a complex system currently used by the Colombian cartels to launder billions of dollars of drug money each year. This advisory will:

- Describe the BMPE process;
- Highlight BMPE red-flags — indicators of BMPE activity; and
- Provide the industry with a point of contact if they suspect BMPE-related transactions are taking place.

THE PROCESS

The BMPE is an underground financial system used to evade reporting and record keeping requirements mandated by the Bank Secrecy Act (31 USC 5311, et seq.), as well as Colombian foreign exchange and import laws and tariffs. The system works as follows:

1. The Colombian cartels export narcotics to the United States where they are sold for U.S. dollars.
2. In Colombia, the cartels contact a third party — a peso broker — to launder their drug money.
3. The peso broker enters into a “contract” with the Colombian cartel, wherein he agrees to exchange pesos he controls in Colombia for U.S. dollars the cartel controls in the United States. Once this exchange occurs, the cartel has effectively laundered its money and is out of the BMPE process. The peso broker, on the other hand, must now launder the U.S. dollars he has accumulated in the United States.
4. The peso broker uses contacts in the United States to place the drug dollars he purchased from the cartel into the U.S. banking system. The peso broker, still operating in Colombia, now has a pool of narcotics-derived funds in the U.S. to “sell” to legitimate Colombian importers.
5. Colombian importers place orders for items and make payments through the peso broker. Again, the peso broker uses contacts in the U.S. to purchase the requested items from U.S. manufacturers and distributors. The peso broker pays for these goods using a variety of methods, including his U.S. banking accounts.
6. The purchased goods are shipped to Caribbean or South American destinations, sometimes via Europe or Asia, then smuggled or otherwise fraudulently entered into Colombia. The Colombian importer takes possession of his goods, having avoided paying extensive Colombian import and exchange tariffs, and pays the peso broker for the items with Colombian pesos. The peso broker, who has made his money charging both the cartels and the importers for his services, uses those new pesos to begin the cycle once again.

U.S. exports that are purchased with narcotics dollars through the BMPE often include, but are not limited to, household appliances, consumer electronics, liquor, cigarettes, used auto parts, precious metals, and footwear.

RED FLAGS

Certain types of payment methods often provide “red flags” indicating that BMPE activity might be taking place. Examples of these red flags are as follows:

- Payments for outstanding invoices made in cash by third-party entities having no connection to the underlying transaction for which the payment is being made;
- Payments for outstanding invoices made with wire-transfers from third-party entities having no connection to the underlying transaction for which the payment is being made; and
- Payments for goods through checks, bank drafts, or money orders not drawn on the account of the entity that purchased the items.

If you suspect you are being asked to participate in a BMPE transaction, please contact your local U.S. Customs Service Office of Investigations or call 1-800 BE ALERT, or visit our website at www.customs.gov.



Black Market Peso Exchange

A Trade Based Money Laundering System

U.S. Customs Service

