

Money Laundering in New Jersey: A Preliminary Assessment



**Department of Law
and Public Safety**

**Division of Criminal
Justice**

Money Laundering In New Jersey: A Preliminary Assessment

Table of Contents

Executive Summary	i
I. Introduction	
A. The National Context	1
B. New Jersey's Environment	1
C. The 1998 Money Laundering Report	2
D. New Jersey's Money Laundering Statute	3
E. New Jersey Crime/Arrest Statistics	5
F. Previous Assessments or Strategies	6
II. The Potential for Money Laundering Through New Jersey Check Cashers	
A. Introduction	9
B. The New Jersey Check Casher Law	9
C. Indicators of Money Laundering in Check Cashers	10
D. Conclusions	11
III. The Potential for Money Laundering Through New Jersey Casinos	
A. Introduction	12
B. Casinos and Money Laundering	12
C. Bank Secrecy Act Forms Filed by New Jersey Casinos	13
D. Casino Money Laundering Methods and Indicators	14
E. Conclusions	16
IV. The Potential for Money Laundering Through New Jersey Ports and Airports	
A. Introduction	17
B. Methods of Currency Smuggling	17
C. Conclusions/Recommendations	19
V. The Potential for Money Laundering through New Jersey Money Remitters	
A. Introduction	20
B. Money Remitters in New Jersey	20
C. Money Remitting by Destination	21
D. Comparison of Remitting to Different Countries	21
E. Reporting Requirements by Money Remitters	22
F. Laundering Indicators in Money Remitters	23
G. Conclusions	23

VI. The Potential for Money Laundering through New Jersey Banks	
A. Introduction	24
B. BSA Reporting Requirements	24
C. Indicators and Methods of Money Laundering Through Banks	25
D. Conclusions	26
VII. Other Methods of Laundering Money	
A. Purchasing Assets with Cash	27
B. Purchasing Goods for Resale Overseas	28
C. Conclusions	28
VIII. Measuring the Threat	29
IX. Existing Controls	30
X. Recommendations	32
Appendices	
A. BSA Report Statistics	33
B. State-Level Complaints, Indictments and Convictions 1995 - 2001	34
C. Contributing Agencies/Acknowledgments	36

August 2001

Executive Summary

A. Summary

In the twenty-two months since the release of the Attorney General's Working Group on Money Laundering *Report*, money laundering has been seen as prevalent, profitable and problematic. Some effective methods have been initiated which assist law enforcement anti-money laundering efforts. While it is doubtful that money laundering could ever be eradicated in New Jersey or any other state, there are additional steps which could be taken to deter, curtail or contain money laundering in New Jersey.

The Attorney General's Money Laundering *Report* called for the Division of Criminal Justice to issue periodic reports on money laundering trends and activities in New Jersey. This is the first of those reports and shows the threats that various forms of money laundering pose to the state. It combines research into currency movements through Bank Secrecy Act data with other information on money laundering in New Jersey. It was undertaken to provide a baseline of research information into money laundering in the State. Its goal is to increase awareness of the seriousness of the money laundering problem here and to increase the effectiveness of law enforcement's efforts against it.

The assessment identifies five primary systems used to launder money in New Jersey. They are check cashers, casinos, ports and airports, money remitters and banks. This assessment also enumerates some existing controls to prevent laundering and recommends additional improvements.

Check Cashers

The potential for money laundering through check cashing concerns in New Jersey has been documented for more than a decade. As a result of state regulation, the Division of Criminal Justice reviews all Currency Transaction Reports submitted. This ongoing review has shown that check cashing businesses are vulnerable to and

involved in money laundering.

Casinos

Casino money laundering comes in several forms, from local residents "washing" drug proceeds to international organized crime groups using casinos to turn dirty money into clean. Casinos are required to submit Currency Transaction Reports to both state and federal authorities. State legislation, signed in 2000, requires the submission of Suspicious Activity Reports to the State Division of Gaming Enforcement. The large volumes of cash involved in casino play and the casinos' access to varied non-traditional banking systems worldwide continue to make casinos particularly vulnerable to money laundering.

Ports, Airports and Transportation

New Jersey has earned a reputation for being a conduit to the major markets of the world. As the primary gateway to New York City, and as an international seaport and airport, it serves 60 million consumers in the area. Additionally, non-residents drive, ride, or fly through New Jersey, with Newark Airport alone having over 30.9 million passengers in 1997. Over \$4 million in currency was seized from people attempting to smuggle money through New Jersey ports in 1999.

Money Remitters

Money Remitters, as part of the non-bank financial system, have been a chosen conduit for the movement of some illegal profits, particularly those from narcotics distribution. The El Dorado Task Force in New York City investigated this phenomenon and the resulting Geographic Targeting Order cut money remitting to drug source and transit countries such as Colombia and the Dominican Republic significantly. New Jersey remitters have filed few Currency Transaction Reports federally or locally and the dollar amounts being remitted would seem to warrant filings. Suspicious Activity Report filings by all money service businesses will be in effect in

2002.

Banks

Although it is reported that money launderers have moved their operations to non-bank financial institutions, there remains concern regarding money laundering in New Jersey banks. Bank Currency Transaction Reports filed are voluminous in nature and it is difficult to identify promising leads. Bank Suspicious Activity Reports (SARs) are less frequently submitted but have a way to measure money laundering through the specifics of the report. Forty-three percent of the SARs filed in New Jersey in 1999 were reported as possibly indicating money laundering. The dollar amount reflected in these reports was over \$202 million in 1998.

Controls

In the past six years, a number of controls have been put into place through statute, regulation and the emphasis of law enforcement and regulators. These controls included the passage of a State money laundering law, the revision of regulations regarding check cashers, casinos and money remitters, the increase in federal requirements relating to suspicious transactions and the instituting of money laundering initiatives in New Jersey law enforcement. Within the Division of Criminal Justice, a Financial Investigations Unit and Financial Analysis Group were begun in 1998 and have been involved in varied activities supporting state and local anti-money laundering efforts. Joint State/Federal activities have included participation in SAR task forces and the creation of the New York/New Jersey High Intensity Financial Crime Area, announced March 8, 2000.

B. Conclusions

It is apparent that New Jersey has a significant money laundering problem. The combination of access to the largest financial center in the world and to major ports and airports makes New Jersey attractive to money launderers from several states. The thriving money service business industry and the Atlantic City casinos provide even more opportunities for money

launderers and their clients.

The genesis of New Jersey's laundered funds includes narcotics trafficking, fraud, corruption and other crimes. There are some indications that certain types of criminal profits are more likely to be seen in particular money laundering systems. For example, narcotics profits may be more likely laundered through bulk systems designed to move the money out of the United States, such as currency smuggling and money remitter services.

C. Recommendations

1. New Jersey should continue to expand its multi-disciplinary, Anti-Money Laundering Working Group.

This policy level group should explore ways in which agencies within New Jersey can and should work together to help curtail money laundering. Two important agenda items could be passage of a state law requiring concurrent filing of IRS form 8300 with the state and the creation of a public/business awareness campaign against money laundering.

2. New Jersey should expand the focus of the Division of Criminal Justice money laundering initiative

The pro-active approach found productive in check casher CTR review should be applied to casino and money remitter transactions. A partnership should be initiated to investigate and, if warranted, prosecute illegal activity found.

I. Introduction

“While estimating the flows of illegal money around the world is a highly uncertain business, it is safe to say that hundreds of billions of dollars a year are laundered globally.”¹

A. The National Context

Money laundering is the disguising or concealing of illicit income in order to make it appear legitimate.² The national *Money Laundering Strategy 2000* notes that “The consequences of money laundering often far exceed the dollar value of specific money laundering violations. Money laundering investigations and prosecutions...serve to disrupt the illicit financial system that supports organized criminal activity, and safeguard the integrity of the financial system.”³ Global money laundering has been estimated at \$2.85 trillion a year, heavily concentrated in Europe and North America.⁴

Federal legislation, including the Bank Secrecy Act of 1970, has supported federal-level anti-money laundering enforcement and prosecution. Most states have enacted laws addressing money laundering. These laws differ in the definition of the offense, the acceptable underlying crimes, the defendant’s knowledge and intention and the penalties imposed. Accordingly, each state approaches the task of money laundering investigations a bit differently.

New Jersey has been particularly aggressive in its fight against money laundering. In 1998, the Attorney General’s Working Group on Money Laundering released its *Report* (also called the *White Paper*) which presented an overview of money laundering, identified some common money laundering methodologies, provided a summary of money laundering cases and provided a comprehensive plan designed to aid law enforcement in its efforts to combat money laundering.⁵

B. New Jersey’s Environment

“New Jersey, because of its...close proximity to New York and Pennsylvania, its shipping and air access, is a natural place for money laundering to occur and though it is not the kingpin of money laundering, it does fit in the chain in many cases.”⁶

“It remains apparent that the investigation and prosecution of money laundering is a critical component of New Jersey’s comprehensive crime and drug enforcement strategy.

¹ U.S. Department of the Treasury and U.S. Department of Justice. September 1999, p. 1.

² Government Accounting Office. October 1992, p. 2.

³ U.S. Department of The Treasury and U.S. Department of Justice.. March 2000, p. 16.

⁴ John Walker, p. 1.

⁵ Attorney General’s Working Group on Money Laundering, p. 2.

⁶ Former U.S. Attorney Michael Chertoff, quoted in New Jersey State Commission of Investigation, July 1994, p. 16.

Criminals are...reaping huge profits from their illegal trade...Money continues to flow from the streets and communities in New Jersey to the drug lords in Colombia and Central and South America...”⁷

Many consider New Jersey to be a prime area for money laundering. The factors contributing to this environment include its demographics, its central location as a transportation corridor, its crime levels, its regulation of money service businesses, the casinos in Atlantic City, its ports and airports, and its proximity to a major international center, New York City.

One of the recommendations of the Attorney General’s *Report* on Money Laundering was that a Financial Investigations Unit, comprised of investigators, attorneys and analysts, be “charged with maintaining information regarding trends in money laundering and providing periodic updates to county prosecutors so that the law enforcement community could keep pace with increasingly sophisticated criminal organizations.”¹² The purpose of this assessment is to assess the potential and reality of money laundering activity in New Jersey as a first effort upon which later bulletins and trend reports can be based.

C. The 1998 Money Laundering Report

In September 1998, the *Report by the Attorney General’s Money Laundering Working Group* was submitted to former Governor Christine Todd Whitman. The *Report* provided basic information about money laundering and its presence in New Jersey, reviewed then-current laws and activities designed to curtail money laundering and proposed a comprehensive plan designed to combat money laundering.

The *Report* noted that:

“criminal enterprises generate vast profits for themselves and often times seek to gain legitimacy and use their criminal proceeds to insulate their conduct from scrutiny. They generate millions upon millions of dollars for the members of the enterprise and allow their associates to live lavish lifestyles that have been forged from the misery and despair that their criminal activity produces. Moreover, vast sums of money in the hands of a corrupt few can have serious consequences for our nation’s economic well-being...In short, when criminal enterprises are able to enjoy the fruits of criminal ventures, the world market can be destabilized, leaving some countries vulnerable to persuasion and interference by corrupt organizations”.¹³

The *Report* defined money laundering as “an activity aimed at concealing the unlawful source of sums of money.”¹⁴ Schemes and methods used by money launderers were noted, including currency smuggling, structuring of cash transactions, assets purchased for re-sale, assets purchased for goods, conversion through casinos and other methods.¹⁵ It noted that New Jersey had passed a money laundering statute in 1994

⁷ Attorney General’s Working Group on Money Laundering, *Op. Cit.*, p. 19.

¹² *Ibid.*, p. 28.

¹³ *Ibid.*, pp. 5-6.

¹⁴ *Ibid.*

¹⁵ *Ibid.*, pp. 8 - 13.

(N.J.S.A. 2C:21-25 et seq.) and outlined other responses to money laundering, from the creation of a Money Laundering Review Committee within the Division of Criminal Justice to the forging of a task force alliance among federal, state and local law enforcement on Casino SARs.

The money laundering *Report* proposed that law enforcement's approach to money laundering in New Jersey include the following measures:

- Establish a financial investigation unit within the Division of Criminal Justice;
- Encourage counties to train financial investigators;
- Improve access and review of Suspicious Activity Reports (SARs) so that financial transactions related to possible money laundering offenses are thoroughly investigated;
- Improve access to federal information available to law enforcement, including improved access and dissemination from the Financial Crimes Enforcement Network (FinCEN);
- Prepare and disseminate an assets seizure checklist for use by law enforcement during the course of financial crimes investigations;
- Propose legislative initiatives to enhance the money laundering act;
- Establish liaison with banking community;
- Identify emerging high-technology trends and consider their effect on money laundering .¹⁶

D. New Jersey's Money Laundering Statute

1. Introduction

In 1994, former Governor Whitman signed P.L. 1994, c. 121, which codified New Jersey's prohibition against money laundering and illegal investment. New Jersey's money laundering act provides a potent statutory weapon to combat criminals and criminal enterprises who profit from their illegal enterprises then undertake to enjoy the illicit proceeds that flow from their criminal activity or direct those illicit profits back into the unlawful enterprises. With the enactment of the 1994 law, the Legislature expressly recognized the need to establish both criminal and civil remedies to "deter and punish those who are converting the illegal profits, those who are providing a method of hiding the true source of the funds, and those who facilitate such activities". N.J.S.A. 2C:21-23.

2. The Money Laundering Statute

The statute itself is modeled in part on the federal money laundering law, with some important distinctions. N.J.S.A. 2C:21-25, which establishes the elements of the crime, provides in pertinent part:

[A] person is guilty of a crime if the person:

- a. Transports or possesses property known to be derived from criminal activity; or
- b. Engages in a transaction involving property known to be derived from criminal activity
 - (1) with the intent to facilitate or promote the criminal activity; or
 - (2) knowing that the transaction is designed in whole or in part
 - (a) to conceal or disguise the nature, location, source, ownership or control of the property derived from criminal activity; or
 - (b) to avoid a transaction reporting requirement under the laws of this State or any other state or of the United States; or

¹⁶ *Ibid.*, pp. 27 - 50.

c. directs, organizes, finances, plans, manages, supervises, or controls the transportation of or transactions in property known to be derived from criminal activity.

N.J.S.A. 2C:21-25 includes three different types of money laundering offenses, any one of which constitutes a violation of the statute. The common denominator among the three provisions is “property known to be derived from criminal activity.” The statute explicitly provides that “property is known to be derived from criminal activity if the person knows that the property involved represents proceeds from some form, though not necessarily which form, of criminal activity. . . .” N.J.S.A. 2C:21-25d.

The first category of conduct prohibited by the statute is “transportation or possession of property known to be derived from criminal activity.” N.J.S.A. 2C:21-25a. Subsection b sets forth two “transactional” provisions. The first, N.J.S.A. 2C:21-25b(1), prohibits transactions involving property known to be derived from criminal activity with the intent to promote or facilitate the criminal activity. The second transactional provision prohibits transactions involving property known to be derived from criminal activity, knowing that the transaction is designed in whole or in part to conceal or disguise the nature, location, source, ownership or control of the subject property or to avoid a currency transaction reporting requirement. N.J.S.A. 2C:21-25b(2)(a), -25b(2)(b).

The third category of conduct is directed to those who direct, organize, finance, plan, manage, supervise or control the transportation of or transactions in property known to be derived from criminal activity. N.J.S.A. 2C:21-25c.

Unlike the federal money laundering provisions, New Jersey’s money laundering law does not require that the criminal proceeds be derived from a specified unlawful activity. Compare 18 U.S.C. §1956(a)(1), -(a)(2); 18 U.S.C. § 1957. Instead, the focus of our statute is on “property known to be derived from criminal activity.” The statute specifically provides that “the property is known to be derived from criminal activity if the person knows that the property involved represents some form, though not necessarily which form of criminal activity.” N.J.S.A. 2C:21-25d. This provision is beneficial in at least two ways: 1) Proceeds that derive from criminal activity that violates federal law or the law of a state other than New Jersey meet the requirements of the New Jersey money laundering statute; and 2) N.J.S.A. 2C:21-25d allows for a conviction in circumstances in which the State cannot prove exactly what type of criminal activity generated the proceeds that were the object of the laundering activity. As a further weapon in the prosecutor’s arsenal, N.J.S.A. 2C:21-26 expressly provides that knowledge of criminal activity may be inferred in circumstances in which “the property is transported or possessed in a fashion inconsistent with the ordinary or usual means of transportation or possession of such property and where the property is discovered in the absence of any documentation or other indicia of legitimate origin or right to such property. . . .” N.J.S.A. 2C:21-26. This tool has the potential to be extremely useful in cases arising under the transportation or possession provision, because such cases are likely to involve seizures of cash under suspicious circumstances prior to any investigation into the source and origin of the cash. N.J.S.A. 2C:21-25a.

The “intent to promote” language in N.J.S.A. 2C:21-25b(1) and the “conceal or disguise” language of N.J.S.A. 2C:21-25b(2), closely track similar provisions in the federal money laundering statute. Given the similarity in the statutory language, New Jersey courts can be expected to look to federal court decisions for guidance in construing similar language in our statute. The substantial body of federal decisional law construing those provisions should be consulted and used to support and defeat challenges to N.J.S.A. 2C:21-25.

Offenses under the money laundering statute are graded in accordance with the amount involved in the laundering activity. Effective February 16, 1999, the Legislature amended the Statute to provide first degree sanctions (with a sentencing range of 10-20 years) where the amount involved is \$500,000 or more.

The Legislature further mandated that a person convicted of first degree money laundering shall be sentenced to a period of parole ineligibility fixed at or between one-third and one-half of the sentence imposed. A money laundering offense involving at least \$75,000 but less than \$500,000 is classified as a second degree offense. The sentencing range for a second degree conviction is 5 - 10 years. For amounts less than \$75,000, money laundering is classified as a third degree offense. Notwithstanding the provisions of N.J.S.A. 2C:43-3, money laundering convictions are subject to a fine up to \$500,000. The legislature also included a provision in the statute that precludes the merger of a conviction for a money laundering offense with a conviction for the criminal conduct that generated the criminal proceeds. The 1999 amendments to the statute also included a provision requiring that sentences imposed upon violations of the money laundering statute be served consecutively to any sentence imposed for a conviction of the offense giving rise to the criminal proceeds. N.J.S.A. 2C:21-27c.

The February 16, 1999 amendments also included an Anti-Money Laundering Profiteering Penalty. N.J.S.A. 2C:21-27.1 In addition to any other disposition authorized by the Code of Criminal Justice, the sentencing court must, upon the prosecutor's application, sentence a person convicted of money laundering to pay a monetary penalty. Prior to imposing the penalty the sentencing court must hold a hearing in which the prosecutor is required to establish by a preponderance of the evidence that the defendant was convicted of a violation of the money laundering statute. Where the prosecutor has met that burden, the court must assess a monetary penalty. The penalty prescribed by N.J.S.A. 2C:21-27.2 is \$500,000 for a first degree conviction, \$250,000 for a second degree conviction, \$75,000 for a third degree conviction or an amount equal to three times the value of any property involved in the money laundering activity. N.J.S.A. 2C:21-27.2a,-b.

The anti-money laundering profiteering penalty is modeled after the Anti-drug Profiteering Act signed into law in 1997 (see N.J.S.A. 2C:35A-1 et seq.). The law provides a powerful new sentencing tool that can be used as an adjunct to civil forfeiture proceedings. The penalty, which must be imposed upon the prosecutor's application and showing that certain predicate conditions have been met, establishes an *in personam* debt against the defendant that can be satisfied by levying execution against any property owned by the defendant and not just property that was used directly in furtherance of criminal activity or derived from the defendant's money laundering activities. This new remedy will enable the law enforcement community to attack the profit motive underlying the criminal activity, even in cases where the defendants use sophisticated techniques to hide or conceal their assets, or where it would otherwise be difficult for prosecutors to establish that a given asset was directly linked to the defendant's criminal activity.

E. New Jersey Crime/Arrest Statistics

1. Overall Figures

The Promis-Gavel system was used to obtain statistics on money laundering complaints, indictments and convictions at the county level. Those data are summarized in Figure 1.

Figure 1
New Jersey Money Laundering Charges at the County Level

	1995	1996	1997	1998	1999	2000	Totals
Complaints	83	74	79	95	42	39	412
Indictments	32	36	47	22	66	46	249
Convictions	9	10	20	13	7	22	81

a. Complaints

A total of 412 complaints were filed on money laundering charges at the county level between 1995 and 2000. The two highest years for money laundering complaints were 1995 and 1998. Charges decreased by nearly 10 percent between 1995 and 1996 and increased slightly from 1996 to 1997. There was a nearly 17 percent increase in complaints between 1997 and 1998; however, there was a significant decrease (56 percent) between 1998 and 1999.

b. Indictments

A total of 249 indictments that contained at least one money laundering count were returned 1995 and 2000. The first two years were relatively stable, followed by an increase of nearly 30 percent in 1997. There was over a 50 percent decrease between 1997 and 1998. That was followed by an over 200 percent increase between 1998 and 1999. The number decreased by 30 percent between 1999 and 2000.

c. Convictions

A total of 81 convictions were obtained on money laundering charges between 1995 and 2000. The first two years were relatively stable with an increase of approximately 100 percent in 1997. There was a steady decline in 1998 and 1999 followed by an increase of 214 percent in 2000. This year showed the highest number of convictions since the passage of the money laundering statute.

F. Previous Assessments or Strategies

Three published reports have addressed New Jersey specific money laundering problems. They are: *Public Hearing Report and Recommendations by the State of New Jersey Commission of Investigation on the Subversion by Organized Crime and other Unscrupulous Elements of the Check Cashing Industry, Money Laundering*, and the *New Jersey Project*. The first two were published by the New Jersey State Commission of Investigation and the third by FinCEN. The second one by the SCI and the FinCEN report were both done immediately prior to New Jersey's passage of a money laundering statute in 1994.

In 1988, the *Check Cashing Industry* report expressed anecdotal concern that check cashers were associated with organized crime figures and that check cashing establishments were being used to launder criminal proceeds. The State Commission of Investigation concluded that "...certain check cashers, licensed and unlicensed, were being utilized for nefarious purposes--including...laundering of cash obtained from

gambling, narcotics, embezzlement, extortion, loan sharking and other illegal activities.”¹⁷

It made several recommendations including that it should be illegal to cash a check payable to other than a natural person; that a criminal money laundering statute should be enacted; that licensed check cashers keep books and records including copies of Currency Transaction Reports (CTRs) for five years; and that copies of the CTRs should be filed with the N.J. Division of Taxation.¹⁸ It was not until 1994 that New Jersey passed a money laundering statute. Check cashers are now required to keep books and records for five years and to submit CTRs not only to the federal government, but to the Department of Law and Public Safety.

In 1993, the New Jersey State Commission of Investigation held a two-day public hearing on money laundering and then published its *Money Laundering* report in July of 1994. Some of the recommendations of the report, which reflected this consensus, were:

1. New Jersey should enact a state money laundering statute
2. A uniform law to deal with “shadow banking” or non-banking financial institutions as well as financial fraud should be enacted.
3. Check cashers should be prohibited from cashing checks made to other than a natural person.
4. Legislation should allow law enforcement and taxation personnel to access financial transaction reporting information.
5. A task force on money laundering should be created including federal, state and local agencies.¹⁹

Within the five years following the release of the *SCI Money Laundering* report, several laws were passed that implemented recommendations one, two and four. A law was proposed to limit checks cashed at money service businesses, but failed to gain sufficient support for passage through the legislature. Several State/Federal task forces regarding money laundering are now in effect.

In 1994, the Financial Crimes Enforcement Network (FinCEN) developed a money laundering threat assessment for New Jersey which included the following facts and observations:

- The “New York Connection” is a significant element in nearly all money laundering cases in New Jersey. Most activity is related to cocaine groups in Queens.
- The Port of New York/New Jersey has the largest international airport (JFK) in the U.S. and largest containerized seaport (Newark) on the East Coast.
- The New Jersey Turnpike is connected to the East Coast’s I-95 “drug pipeline.”
- New Jersey is a banking and financial center, with large amounts of money handled routinely.
- Colombian and Dominican groups in northeastern New Jersey communities are involved in the cocaine trade.
- Money remitters have proliferated in northeastern New Jersey ethnic communities and present a major money laundering problem. Money transmitters owned by Colombians have also increased in Atlantic City.
- BSA research revealed at least 17 New Jersey or New York residents or companies with over \$1 million in CTRCs filed at New Jersey casinos from 1991 to 1993. Three had CTRCs over

¹⁷ New Jersey State Commission of Investigation. 1988, p. 1.

¹⁸ *Ibid.*, pp. 99 - 100.

¹⁹ New Jersey State Commission of Investigation, *Op. Cit.*, 1994, pp. 48-56.

- \$10 million and one New Jersey business over \$38 million.
- The Philadelphia Federal Reserve Bank (FRB) showed a significant continuing trend changing from a \$165 million currency deficit with member banks in 1989 to a \$610 million currency surplus in 1992.
- South Jersey banks ran a \$1.7 billion surplus with the Philadelphia FRB in 1990, nearly all of which involved only two Atlantic City area banks. These same two banks ordered \$783 million in \$100 bills from the Philadelphia FRB in the first nine months of 1993, about 3/4 of their total payments from the FRB.²⁰

That report concluded that money laundering was a serious law enforcement problem in the state. The principal identified threats were drug trafficking, including “the movement of currency within and outside the U.S.; the structuring of financial transactions to avoid currency reporting requirements; and the utilization of money transmitter and remittance businesses...Some other cash intensive businesses, such as check cashers, liquor stores and jewelry stores, may be used...Possible money laundering activity in the casino are...revealed by FinCEN statistical research.”²¹

²⁰ Financial Crimes Enforcement Network. 1994. pp. 5-6

²¹ *Ibid.*, p. 109.

II. The Potential for Money Laundering Through Check Cashers

A. Introduction

According to one source, New Jersey check cashers “operate essentially free of meaningful federal and state regulation, oversight and enforcement.”¹ This makes the check cashing system an easy way for people to launder money.

Check cashing is very big business. A summary of New Jersey check casher activity from 1995 through 1998 is shown in Figure 2. Over \$1.1 billion in checks were cashed, resulting in over \$166 million in fees to New Jersey check cashers.

New Jersey check cashers serve not only local patrons but those from New York as well. Due to restrictions imposed on New York check cashers by state law, a substantial amount of the checks cashed by North Jersey check cashers are from New York companies and individuals.

In 1986, \$205 million, or 19 percent of the \$1.1 billion in checks cashed at check cashers in New Jersey were from out of state.² At that time, there were about 80 licensed check cashers in New Jersey cashing more than 4 million checks worth more than \$1 billion.³

B. The New Jersey Check Casher Law

The Check Cashers Regulatory Act of 1993 (N.J.S.A. 17:15A-30 et seq.) requires any person who cashes checks for a fee or any other type of consideration to have a license from the Department of Banking. Licensees are allowed to charge a maximum fee of two percent of the face value of any check they cash, although lesser fees (1 1/2 percent) are mandated for Aid to Dependent Families and Social Security checks.

The Act also requires licensees to set up and maintain a separate record system on checks written to corporations or other business entities. (N.J.S.A. 17:15A-44 l.) Amendments to this subsection signed January 14, 2000 require that a photograph, photostat, duplicate or any other reproduction of the front and back of the fully endorsed check be kept and that the record keeping system shall be made available to any state or federal law enforcement agency upon written request without necessity of subpoena. The law also prohibits the cashing of a check made payable to a payee other than a natural person (e.g., a corporation) unless the licensee has on file documentation indicating that the entity (corporation) has authorized the presentment of a check on its behalf and has the federal tax identification number of the entity. (N.J.S.A. 17:15A-47a)

¹ Neely, Dave. p. 31.

² New Jersey State Commission of Investigation. *Op. Cit.*, 1988, p. 2.

³ *Ibid.*

Figure 2
Licensed New Jersey Check Cashers - Summary of Activity Totals
1995 - 1998 ¹

	1995	1996	1997	1998
Total # Checks	7,685,226	8,320,092	8,760,341	8,727,743
Dollar Amounts	\$2,642,432,157	\$2,688,473,736	\$3,055,093,170	\$3,136,048,433
Fees Collected	\$35,200,100	\$39,558,800	\$45,295,236	\$47,573,522
Number of Licensed				
Check Cashers	128	136	156	172
Average # Checks				
Per Cashier	60,041	61,177	56,156	50,743
Average Dollar				
Amt. Per Check	\$344	\$323	\$349	\$359
Average Dollar				
Amt. Per Cashier	\$20,644,001	\$19,768,189	\$19,583,931	\$18,232,840
Average Fees Collected				
Per Cashier	\$275,001	\$290,874	\$290,354	\$276,590

Licensees must also file with the Attorney General of New Jersey a duplicate copy of any report the licensee is required to file regarding business conducted in this state pursuant to 31 U.S.C. 5311 *et seq.* and 31 C.F.R. 103 *et seq.*, the Bank Secrecy Act. (N.J.S.A. 17:15A-44m).

The January 2000 amendments to the law also make it a crime to cash checks for consideration without a license. Previously, such conduct was a regulatory violation punishable by fine, depending on the face value of the check. It is now either a disorderly persons offense or a third or fourth degree crime and carries a maximum \$30,000 fine. (N.J.S.A. 17:15A-49 a.)

C. Indicators of Money Laundering in Check Casher Transactions

The Division of Criminal Justice's investigations into money laundering from 1998 through early 2001 have primarily resulted from the pro-active review of check casher CTRs. Some of the types of transactions which reflect money laundering are listed below. All transactions noted generate CTRs, that is, they involve cash of \$10,000 or more coming in or going out.

- Frequent transactions by the same transactor
- Multiple businesses having transactions by the same transactor
- Large (over \$25,000) transactions
- Multiple transactions on the same day
- Round transactions (in thousands, tens, or hundreds of thousands)

¹ New Jersey Department of Banking, January 2000.

- Use of multiple check cashers by one transactor
- Use of multiple Social Security Numbers by one transactor
- Use of multiple dates of birth by one transactor
- Use of check casher greater than 10 miles from home.
- Use of check casher by occupation or business which normally deals in checks and has banking relationship.
- Use of unusual forms of identification (passport, boat license, etc., rather than Social Security Number or driver's license).
- Having a check cashed and then converting that check into an outgoing monetary instrument (money orders or wire transfers).
- Being involved in other BSA-reported activity (casino reports, bank reports, currency movement reports, etc.)¹

D. Conclusions

Investigation has shown that some New Jersey check cashers have been involved in cashing checks with illegal sources. Recent amendments to the Check Cashers' Act require check cashers to keep copies of the front and back of the endorsed checks and make those available to law enforcement without a subpoena, which assists investigations.

¹ Wagg, August 3, 1999.

III. The Potential for Money Laundering through New Jersey's Casinos

A. Introduction

New Jersey's casino gaming industry represents the second largest casino market in the country, surpassed only by Nevada. Specifically, in 1997, patrons wagered \$88.6 billion in Atlantic City casinos alone.¹ It is estimated that \$500 billion a year is legally wagered at all casinos in the United States.²

B. Casinos and Money Laundering

Casinos are vulnerable to money laundering for several reasons. They are fast-paced, cash-intensive enterprises which provide a wide array of financial services to customers, including deposit and credit accounts, wire transfers, currency exchange, and check cashing.³ These are all aimed at allowing a patron to obtain funds with which to gamble.

With the availability of such a wide variety of transactions, criminals can mask the true nature of funds, oftentimes through structuring and the use of nominees. The Attorney General's money laundering *Report* stated that "New Jersey is particularly susceptible to smurfing⁴ activity by virtue of the presence of our gambling industry."⁵

Conservative estimates place Atlantic City's annual cash flow at \$30 billion, or 10 times its \$3 billion gross revenues.⁶ The size of these revenues makes Atlantic City casinos "a convenient locale to exchange large sums of money without drawing undue attention to the person exchanging funds, and can allow criminals to convert proceeds undetected."⁷

On January 14, 2000, the New Jersey Legislature enacted a law requiring casino licensees to file a report of any suspicious transaction with the Director of the Division of Gaming Enforcement.⁸ The regulations following this law went into effect in October 2000. New Jersey's legislation has preceded the

¹ Thomas Zambito, December 29, 1998.

² U.S. Department of the Treasury, Financial Crimes Enforcement Network. January 28, 1998.

³ U.S. Department of the Treasury, Financial Crimes Enforcement Network. July 1998, p. 3.

⁴ Smurfing is breaking down larger sums of money into sums which fall under the currency transaction reporting requirement (generally \$10,000).

⁵ Attorney General's Working Group on Money Laundering, *Op. Cit.*, p. 11

⁶ *Ibid.*

⁷ Attorney General's Working Group on Money Laundering, *Op. Cit.*, p. 13.

⁸ State of New Jersey 298th Legislature Senate Committee Substitute for Senate Nos. 1196, 1197 and 1221. Approved January 14, 2000, p. 2.

adoption of a federal requirement for reporting suspicious casino transactions.

C. Bank Secrecy Act Forms Filed by New Jersey Casinos

1. Currency Transaction Reports - Casino (“CTRC”)

Beginning in 1985, New Jersey casinos transacting more than \$1 million in business were required to file CTRCs (Form 8362) for any currency transaction in excess of \$10,000. All currency transactions occurring during the gaming day for the individual are aggregated on one form, including cage, table, and machine transactions.

A six-year history of CTRC filings in New Jersey is shown in Figure 3.

Figure 3
New Jersey CTRC Filings by Year ¹

<u>Year</u>	<u>Number Filed</u>	<u>Dollar Amount</u>
1995	37,567	\$791,411,729
1996	42,093	\$909,876,197
1997	45,602	\$1,021,374,452
1998	45,480	\$996,033,595
1999	49,582	\$1,067,135,895
2000	<u>66,624</u> ²	<u>N/A</u>
Six-Year Total:	286,948	\$4,785,531,868+

The amounts of cash going into the casinos versus leaving the casinos were analyzed. It was seen that, from 1995 to 1998, more cash went in the casinos than came out. In 1995, for example, 60 percent of the total money was cash in and 40 percent was cash out. In 1999, however, 48 percent of the total money was cash in and 52 percent was cash out. This could mean that there was less use of cash for casino deposits or that more people were requesting cash withdrawals than previously.

Casinos failing to comply with BSA requirements are subject to penalty. For example, in January 1998, FinCEN announced that Trump Taj Mahal Associates (TTMA) paid a civil penalty of \$477,000 for failing to expeditiously file CTRCs during 1990 and 1991. ³ This penalty represented the twelfth penalty

¹ Figures from Financial Crimes Enforcement Network, Office of Research and Analysis; varied statistical reports through Detroit Computing Center and “District 22 1998 and 1999 Currency Transactions Report by Casino” provided May 1, 2000.

² 2000 figures were taken from a search of the CBRS system on June 8, 2001 and may include some duplication.

³ It should be noted that the Trump Taj Mahal was one of the few casinos that voluntarily filed Suspicious Activity Reports.

assessed against an Atlantic City casino by the Department of Treasury over the five years ending January 1998. As a result, Treasury collected \$2.2 million in civil penalties from Atlantic City's 12 casinos.¹

2. Suspicious Activity Report by Casino (“SARCs”)

Prior to the New Jersey law making filing here mandatory, some casinos in New Jersey voluntarily reported suspicious transactions via U.S. Treasury form TD F 90-22.49 “Suspicious Activity Report by Casino” by filing those reports with the Division of Gaming Enforcement and FinCEN.

Unlike CTCRs, the filing of a SARC can be triggered by both cash or non-cash transactions or attempted transactions. Suspicious activity shown on the SARC form includes: bribery, check fraud, embezzlement, theft, money laundering, structuring, use of multiple accounts or monetary instruments, and large transactions with minimal gaming. A history of SARC filings in New Jersey is shown in Figure 4.

Some suspicious activities noted on SARCs from New Jersey have included: structuring; unusual wire transfers out; large transactions with minimal gaming; cashing large amounts of travelers' checks; cash for cash with no play; and large amounts of \$20 bills used.

**Figure 4
New Jersey SARCs Filed by Year**

<u>Year</u>	<u>Number Filed</u>	<u>Dollar Amount</u>
1997	1	\$ 50,000
1998	162	\$3,328,459
1999	112	\$4,599,063
2000	168	N/A
2001 1 st Q	<u>217</u>	<u>N/A</u>
Four Year + Total:	660	\$7,987,522 +

D. Casino Money Laundering: Methods and Indicators

The following are indicators that *individuals* may be using casinos for money laundering:

- large cash deposits followed by little casino play
- multiple individuals associating with each other and depositing currency in amounts just under the cash reporting requirement (“smurfing”)
- deposits of funds that are later wire transferred offshore
- use of cashier’s check to purchase chips or to make deposit for gaming with little corresponding play
- small bills in exchange for cashier’s check or large bills out
- incoming wire transfers of large amounts with little corresponding play
- deposit of casino checks in large amounts or high frequency, especially casino checks from

¹ U.S. Department of the Treasury, Financial Crimes Enforcement Network. January 28, 1998.

- other countries ¹
- large amounts of U.S. currency or negotiable instruments wagered or placed on deposit in foreign casinos. These items most likely originated from within the U.S. and thus were possibly smuggled out in violation of U.S. law. ²
- customer tries to influence, threaten, bribe, corrupt or conspire with a casino employee to not file CTRC or SARCs
- gambling tour company or junket operation asks a casino employee at the cage for a currency reimbursement in excess of \$10,000 and insists that a CTRC not be filed because the average “cash out” per individual on the tour is less than \$10,000
- customer asks about the time of day when a casino’s business or gaming day is concluded, possibly to structure currency transactions over that time span to avoid CTRCs being filed
- casino determines that a customer has provided conflicting identification information

The following are indicators that *individuals and/or casinos* may be involved in money laundering:

- issuance of casino checks in large amounts or high volume to the same individuals or members of the same organization
- cashing of casino checks using a check cashing company
- transfer of funds on account between related casinos in different states in large amounts for the same individual(s)
- failure to keep appropriate records regarding overseas wire transfers and other similar types of transactions associated with money laundering
- transfers of money for credit at an overseas casino from a personal or corporate bank account; money is collected as chips at the casino, which are cashed in, and the money is repatriated as legitimate gambling earnings ³

One known method of third-party money laundering involves the use of couriers, who feed small bills into slot machines, hit the payout buttons, and then cash in the coins for large bills. ⁴ In addition, what the industry refers to as “walking with chips” is another practice employed by money launderers. Walking with chips involves leaving a gaming table with chips that are not immediately redeemed by that individual. Although not against casino regulations, this frowned-upon practice makes it difficult for casino personnel to track individual gambling wagers and winnings, thus facilitating money laundering. Walking with chips often involves “smurfs” who do not own the money, but are working on behalf of others. This method of money laundering, while time consuming, is successful because it circumvents established reporting practices and is difficult to detect. ⁵

E. Conclusions

¹ New Jersey Division of Criminal Justice. October, 1999.

² FinCEN, April 1996, p. 44.

³ Wagg, p.7.

⁴ *Ibid.*

⁵ Robert Wallace, 1999.

The newly enacted law requiring suspicious activity reports be filed with the Division of Gaming Enforcement and shared with law enforcement agencies should result in more information on suspicious activity in the casinos becoming known to law enforcement and thus generate more investigations into suspicious casino activity.

It should, however, be noted that CTCs filed by New Jersey casinos have not been afforded the same scrutiny as casino suspicious activity reports, partly due to their large numbers (over 286,000 from 1995 through 2000) and the lower percentage that might be suspicious..

IV. The Potential for Money Laundering Through New Jersey Ports and Airports

A. Introduction

In 1998, New Jersey ranked ninth among the states in exports, having shipped over \$22 billion in goods.¹ The state has 12 commercial airports, including Newark International Airport and the nearby La Guardia and JFK airports which collectively handle more air cargo than any other airport system in the world. The Port of New York/New Jersey is the third largest port in North America and the largest on the east coast.²

This major shipping environment provides many opportunities for money launderers. Currency smuggling, one of the most basic forms of money laundering, uses air and sea ports to move criminal proceeds. Whether by boarding a passenger airline and carrying criminal proceeds across state and national borders, or by shipping internationally large quantities of cash hidden among containers of legitimate exports that pass through the port systems each day, currency smugglers consider international ports vital to their operations.

1997, more than \$13.5 billion in goods were shipped from New Jersey to ten different countries. The international market breakdown is presented in Figure 5. It should be noted that, with the exception of the Republic of Korea, each of these countries is described by the U.S. State Department as of “Primary Concern” relative to narcotics trafficking and money laundering.³

B. Methods of Currency Smuggling

Currency smuggling for the purpose of money laundering is intended to prevent government authorities from accurately linking money to its illegal source and/or final destination. The currency is hidden on an individual or in cargo, and then transported across the United States border to or from another country. In narcotics money laundering, the drug proceeds will often be taken to the country from which the narcotics originated. More complicated domestic money laundering schemes may involve the smuggling of the criminal proceeds across international borders, followed by the depositing of the funds into a foreign bank account, and ultimately the wire transferring of the money back to the American perpetrator’s domestic account. This type of financial “sleight of hand” makes it more difficult to identify criminal profits.

¹ New Jersey Commerce and Economic Development Commission website, www.state.nj.us/commerce/advntage.htm page 2

² *Ibid.*, p.1

³ That is, it has been judged as having a greater than normal amount of money laundering activity occurring there. Bureau for International Narcotics and Law Enforcement Affairs. March 2000, pp 20-149.

Figure 5
1997 New Jersey Shipment Destinations and Amounts by Destination ¹

<u>Destination</u>	<u>Amount Exported</u>
Canada	\$4,187,032,375
Japan	\$1,717,852,497
Republic of Korea	\$1,463,579,128
Netherlands	\$1,060,706,119
Mexico	\$ 993,198,472
United Kingdom	\$ 969,919,882
Germany	\$ 961,029,769
Israel	\$ 930,327,141
Brazil	\$ 666,215,098
France	\$ 610,890,422

Smuggling provides a viable alternative when other forms of money movement are shut down or reduced. After FinCEN created a “Geographic Targeting Order” limiting money remittances to \$750 unless detailed identification was produced by customers in the New York metropolitan area, currency seizures from JFK Airport rose by nine times over what they were during the same period in 1995 and continued high as the GTO remained in effect. ²

Individuals smuggling currency hide the money either on their person or in items which they are carrying or traveling with, such as handbags, knapsacks and purses. Although these money launderers are limited by the restrictions which clothing and luggage present due to their size, many utilize very clever techniques to conceal the currency which they are carrying. Stuffed animals are even used to conceal cash. ³ Some examples of smuggling methods used here have been:

- \$75,000 in \$20 and \$50 notes stuffed into a surfer’s wetsuit worn under layers of clothing. ⁴
- \$30,000 concealed between pairs of socks
- \$144,000 was found hidden within a computer box, a laptop computer case, and a pair of sneakers.
- \$165,000 hidden within boxes of popcorn and pancake mix.
- \$160,000 hidden in a stereo amplifier and an electric juicer. ⁵

The other major category of currency smuggling, typically done on a much larger scale than smuggling by an individual, is the use of bulk cargo transport. Methods of smuggling currency through cargo

¹ New Jersey Commerce and Economic Development Commission website, www.state.nj.us/commerce/trdfacts.htm

² U.S. Department of the Treasury, Financial Crimes Enforcement Network. December 23, 1996, p. 2.

³ Julie Fields. July 12, 1998, Internet archive copy, pp 4-5.

⁴ *Ibid.*, p. 1.

⁵ *Ibid.*, p. 2.

containers are often quite elaborate. Nearly any large item can be altered to hide currency; automobile parts, water heaters, even the shipping containers themselves can be physically altered to conceal currency. Money can be sealed within machines and contained within secret walls and false floors. For example:

- “In 1990, inspectors fished \$6.5 million in drug profits from drums of bull semen bound for South America.”
- Five water heaters were used to hide \$100,000 in an air cargo shipment bound for South America.¹
- \$7.1 million dollars was seized from containers which had been physically altered with a false container nose.²
- \$760,000 was discovered hidden in refrigeration units under the floor of a container. This money was linked to narcotics operation based in Florida.³
- In 1998, Customs Inspectors seized \$11 million from a container filled with used automobile parts. The currency was hidden inside truck transmissions, and was bound for Venezuela.⁴

In 1997, the United States Customs Service made 172 seizures of currency which criminals were attempting to smuggle across the border from New Jersey ports. Thirty-nine people were arrested in connection with these seizures. The total amount of money seized was \$7,951,294. In 1998, seizures dropped to 108, and arrests dropped to 30, but the total amount seized increased almost three times to \$23,416,761, including the \$11 million seizure detailed above. In 1999, the total number of seizures dropped to 68, and arrests totaled 17. The total amount seized fell to \$4,593,191.⁵

U.S. Customs emphasizes the effort to stop the flow of narcotics from entering the country far more than the effort to interdict the monetary proceeds of crime. “Some 200 inspectors scrutinize imported merchandise for concealed drugs. Fewer than 50 monitor exports for the contraband cash that fuels the drug trade.”⁶

C. Conclusions

New Jersey’s facilities for international travel and trade make it vulnerable to currency smugglers. With seaports and an international airport situated between the major metropolitan areas of New York City and Philadelphia, international trade is swelling in the Garden State. It is through this market that the proceeds from criminal activity may be shipped in or out of the United States.

¹ State of New Jersey Commission of Investigation, *Report on Money Laundering*, 1994, statement of Karen T. Connelly, Special Agent of the U.S. Customs Service, page 23.

² *Ibid.*, page 23.

³ *Ibid*, page 24.

⁴ U.S. Customs Agent William Carnathan, interview, March 22, 2000.

⁵ U.S. Customs Service official Ida Almeda Barbera, Interview, March 22, 2000.

⁶ State of New Jersey Commission of Investigation. 1994, p. 16.

V. The Potential for Money Laundering through Money Remitters

A. Introduction

A money remitter or transmitter is any non-bank financial institution with a global network through which it can transfer money.¹ Additionally, money transmitting service includes accepting the currency or funds of any country and transmitting such (or the value thereof) by any means through a financial agency or institution, a Federal Reserve Bank, or other facility of the Board of Governors of the Federal Reserve System, or an electronic funds network.² Money remitters are differentiated from check cashers in that they take cash and send it elsewhere (or sell checks or money orders in return for cash), whereas check cashers provide cash in return for checks or wire transfers coming in.

Wiring money is a quick and efficient method to send funds anywhere in the world. Although slightly more expensive than other methods of moving money (it can cost a customer as much as 15 percent of the amount transferred³), it remains popular in New Jersey, as well as across the country.

Money remitters may also be used by persons involved in less than legitimate businesses. It has been suggested, for example, that money remitters are the system of choice to move millions of dollars of narcotics profits per year. The El Dorado Task Force in New York conducted an investigation into the money transmission industry in the metropolitan area and its use by drug traffickers to return drug proceeds to narcotics source countries. It found that in 1995, remitters facilitated the transfer of \$800 billion from the New York metropolitan area to Colombia.⁴ Money remitters flourish in communities where particular ethnic groups--such as Dominicans, Colombians, or Mexicans--are prevalent.

B. Money Remitters in New Jersey⁵

From 1996 to 1998, over \$1 billion in U.S. funds were remitted from New Jersey through between 60 and 78 remitters. Figure 6 shows the total number of remitters, the total amount remitted in that year, as well as the difference from the previous year.

¹ Coopers & Lybrand. February 28, 1997, p. 5.

² John Madinger and Sydney A. Zalopany. 1999, p. 85. Also see N.J.S.A. 17:15C-2.

³ *Ibid.*, p. 14.

⁴ U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Proposed Amendment to the Bank Secrecy Act Regulations, p. 30.

⁵ All figures in this section were provided by the New Jersey Department of Banking and Insurance, Office of Consumer Finance.

Figure 6
Money Remitter Activity in New Jersey 1996 - 1998

Year	Total # of Remitters	Difference	Total Amount Remitted	Difference from prev. yr.
1998	78	0.0001	\$362,190,806	- 11%
1997	77	0.28	\$407,568,641	27%
1996	60	<i>n/a</i>	\$321,304,353	<i>n/a</i>
			\$1,091,063,800	

C. Money Remitting by Destination ¹

Another aspect of potential for money laundering is examining where the money goes that is transmitted from New Jersey. From 1996 through 1998, over \$1 billion in U.S. funds were sent from New Jersey money remitters to destinations in nearly 100 different countries.

Portugal had the highest dollar value of remittances over the three years with nearly 20 percent of all dollars remitted. Second and third were Mexico and Colombia. Combined, the three accounted for 49 percent of all money remitted from New Jersey over the three year period.

It is also interesting to note that three of the primary destinations of remitted money—Mexico, France and Brazil—were also primary destinations for bulk cargo shipped from New Jersey.

D. Comparison of Remitting To Varied Countries From 1996 - 1998

It is also worth noting the differences between rankings of countries in the ten most common destinations over 1996 through 1998. Figure 7 shows those rankings.

Mexico, ranked first in total dollars in 1998, rose to over 17 percent from about 13 percent in 1997 and less than four percent in 1996. France, on the other hand, dropped from over 12 percent in 1996 to approximately three percent in 1997 and 1998. Other countries did not change much in their rankings over the three year period, indicating a relatively steady stream of funds to those destinations.

Since both Mexico and France are considered of “Primary Concern” by the Department of State and have been known to be narcotics transit countries, the shift in their respective rankings could indicate some shift in New Jersey narcotics contacts or sources over the period.

It should also be noted that, according to Coopers & Lybrand, there has been a “rapidly growing demand for money transmission services to Mexico.”²

¹ *Ibid.*

² Coopers & Lybrand, *Op. Cit.*, p. 14.

Figure 7
Comparison of Licensed Foreign Money Remitters
Top Ten Destination Countries - 1996 to 1998

1996	1997	1998
Portugal	Portugal	Mexico *
Colombia *	Mexico *	Portugal
France *	Colombia *	Colombia *
Poland	Poland	Dominican Republic *
Brazil *	Dominican Republic *	Ecuador
Ecuador	Ecuador	Poland
Dominican Republic *	Philippines	Philippines
Peru	Brazil *	Brazil *
Mexico *	Peru	Peru
England *	France *	France *

*indicates of Primary Concern to Department of State.

E. Reporting Requirements for Money Remitters

Because they fall within the definition of a financial institution as a “money service business” in federal regulation, money remitters are required to file Currency Transaction Reports with FinCEN if they receive or disburse more than \$10,000 in cash. ¹ Money remitters are also required to keep on hand “each advice, request or instruction received or given regarding any transaction resulting in the transfer of currency...of more than \$10,000 to or from any person, account or place outside the United States.” ²

Moreover, if they transmit \$3,000 or more, they are required to keep the following information:

- “1. The name and address of the transmitter;
2. The amount of the transmittal order;
3. The execution date of the transmittal order;
4. Any payment instructions received from the transmitter with the transmittal order;
5. The identity of the recipient’s financial institution;
6. As many of the following items as are received with the transmittal order: (1) name and address of recipient; (2) account number of the recipient; and any other specific identifier of the recipient.” ³

Western Union and some other remitters are now requiring positive identification for smaller cash transactions (\$1,000 and more) as well.

The exact numbers of CTRs filed by New Jersey remitters is not known since the federal database which contains all the CTRs does not allow them to be retrieved by their filing source. Since some money remitters are also check cashers, some check and/or money order purchases and wire transfers are noted on CTRs filed by New Jersey check cashers.

¹ 31 *Code of Federal Regulations* Part 103.11(uu) (5)

² *Ibid.*, 103.33(b).

³ *Ibid.*, 103.33(f).

Beginning in 2002, the federal government will require money service businesses, including remitters, to file Suspicious Activity Reports.¹ The reporting threshold is set at \$2,000 for money service businesses and agents for transactions that:

- involve funds derived from illegal activity or intended or conducted to hide or disguise funds or assets derived from illegal activity;
- are designed to evade requirements of the BSA (Bank Secrecy Act); or appear to serve no business or apparent lawful purpose.²

A second threshold of \$5,000 will be in place for suspicious transactions identified by issuers of money orders or traveler's checks. In both instances, the supporting documentation is to be collected and maintained by the reporting business so that law enforcement and regulatory agencies may review it as needed.³

F. Laundering Indicators Relating to Money Remitters

The following are indicators that an individual/business may be laundering money through money remitters:

- Structuring transactions to avoid federal filing requirements.
- Wire large, even amounts of money.
- Wiring funds to drug source/transit countries (e.g., Colombia, Mexico, Pakistan).
- Wiring funds to countries with strict bank secrecy laws (e.g., Switzerland, The Bahamas, Israel).
- Transfer of funds to known money laundering centers (e.g., Antigua, Cayman Islands, Luxembourg).
- Purchase of negotiable monetary instruments, such as money orders, cashiers' checks, and travelers' checks, in large amounts and/or volume.
- Frequent use by corporations to wire money to individuals or other companies.
- Failure to keep appropriate records regarding overseas wire transfers and other similar types of transactions associated with money laundering.
- Multiple intermediate bank transactions for no apparent reason.⁴

G. Conclusions

The large volume of daily wire transfer transactions and the lack of suspicious reporting requirements have been major problems when investigating these systems. The addition of SAR filing requirements or money remitters in 2002 should result in more potential investigations into this activity.

¹ *Federal Register*, Tuesday, March 14, 2000. Part 103—Financial Record Keeping and Reporting of Currency and Foreign Transactions. Vol. 65, No. 50. pp. 13687.

² FinCEN, "Fact Sheet for the Industry on MSB Suspicious Activity Reporting Rule," at <http://www.ustreas.gov/fincen/msbsarfs.html>. p. 1.

³ *Ibid.*, p. 1.

⁴ U.S. Department of the Treasury, Financial Crimes Enforcement Network. 1993. p.8.

VI. The Potential for Money Laundering through New Jersey Banks

A. Introduction

Banks are the entity normally used for the “placement” stage of money laundering; that is, putting cash into the traditional banking system. If the money to be laundered is currency from narcotics transactions or other illegal activity, this is a necessary stage.¹ If the money to be laundered is the proceeds of investment fraud and already in monetary instrument form, then placement may not be necessary.

One technique used to place cash into banks is called “smurfing.” In this method, money launderers divide their cash into amounts less than the reporting requirement (\$10,000) in an effort to avoid that requirement and the associated disclosure of their activity.²

Banks are also used for the “layering” stage, especially in conjunction with shell companies and offshore activity. This may involve using multiple bank accounts, often in out-of-state or out-of-country locations, through which the money is moved in an attempt to create confusion along the path to its final destination.

B. BSA Reporting Requirements

Banks are required to submit both Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) to the federal government. There is no law in New Jersey requiring banks to submit reports to the state.

Approximately 1,681,800 CTRs were filed from New Jersey financial institutions from 1995 through 1998. These nearly 1.7 million reports reflected transactions involving \$91 billion for an average of over \$76,000 per filing.

In general, FinCEN estimates that ten percent of CTRs reflect any type of illegal activity. In other words, approximately 168,180 CTRs reflecting illegal activity were filed in New Jersey between 1995 and 1998 on currency transactions of just over \$9 billion. Nonetheless, bank CTRs are not targeted for proactive use, partly because of the daunting task it would be to review 400,000 documents a year to cull out 40,000 for possible follow-up and investigation. They are, however, invaluable for getting the broader picture of all BSA activity by an individual or company.

Bank SAR data are available through FinCEN for 1997 through 2000. These reports were filed in much smaller numbers than the bank CTRs. Because the SAR form allows the filer to identify the type of activity suspected, one can focus in on only those SARs in which money laundering was noted.

It is interesting to note that the “average” SAR filed with money laundering suspected totaled \$137,171, which is nearly double the amount of the average CTR filing

¹ This is not to imply that banks are the only vehicle used at the “placement” stage; casinos have been used, as have money service businesses.

² *Money Laundering Alert*, Vol. 11, No. 5, March 2000, p. 1.

Figure 8
Bank SAR Filing
with Money Laundering Suspected

<u>Year</u>	<u># Filed</u>	<u>\$\$ Total</u>
1997	677	\$ 98,776,388
1998	1,131	\$202,597,256
1999	1,766	\$188,877,051
2000	<u>1,643 *</u>	<u>N/A</u>
Totals:	5,217	\$490,250,695 +

* as of 10/1/00

C. Indicators and Methods of Money Laundering Through Banks

Numerous agencies have provided indications of money laundering through banks. A short list follows.

- Multiple deposits of cash just under the reporting threshold
- Repetitive use of ATM machines to withdraw maximum cash allowed from account
- Purchase of large cashiers' checks
- Use of wire transfers to send money to another country with less effective money laundering enforcement
- Use of shell companies to establish bank accounts off-shore
- Cash deposits to a correspondent bank account by any means other than through an armored carrier.¹
- Cash shipments which appear large in comparison to the dollar volume of CTRs filed.
- Unreasonably high dollar limits on the list of the bank customers exempt from CTR filing requirements, with no information in the bank's files to support the limits set which are high compared to the type and location of the business.
- CTRs, when filed, are often incorrect or lack important information
- List of exempt customers seems unusually long.
- Increase in cash shipments that is not accompanied by a corresponding increase in the number of accounts.
- Cash on hand frequently exceeds limits established in security program and/or blanket bond coverage.
- Failure to keep appropriate records regarding overseas wire transfers and other similar types

¹ A correspondent bank is a bank in one country which uses a bank in another country (such as the United States) to do business in the latter country's currency. Thus, a Canadian bank, for example, might use a U.S. bank as correspondent so that a Canadian company can pay its U.S. suppliers in U.S. dollars. This can also work in the reverse, with U.S. money being converted to the other country's currency through the correspondent banking relationship.

of transactions associated with money laundering.¹

D. Conclusions

It is clear that while some money launderers may turn to money service businesses to launder funds, there continues to be significant money laundering schemes effected through banks.

¹ Wagg.

VII. Other Methods of Laundering Money

A. Purchasing Assets with Cash

One method used to hide the acquisition of assets is to purchase those items with cash. The use of cash eliminates the “paper trail,” which complicates efforts to trace the assets or link them to their owners. Purchasing assets with cash also allows the person with illegal proceeds to avoid a paper trail and circumvent the traditional banking system.

In some instances, buying assets with cash is coupled with the use of “nominees.”¹ This allows the person generating the money to control assets through friends, relatives, or the use of aliases, thereby hiding the source of the funds and the true ownership of the asset. One reason this is done is to prevent law enforcement officials from seizing assets that might otherwise be shown to be the fruits of a crime if they were in the perpetrator’s name.

In an effort to track cash payments, the Internal Revenue Service devised Form 8300 which is used for the purchase of any good or service with \$10,000 or more in cash. This is to be filed by the recipient of the funds, within 15 days of the transaction.

The FinCEN 1994 *New Jersey Report* noted that “A few automobile dealers are thought to be implicated in money laundering schemes, but it is not believed to be a widespread problem in the state so far. One dealership in Newark was found to have sold six luxury automobiles for cash to a group of Nigerians without filing the required 8300 forms.”²

1. Form 8300s Data

The Internal Revenue Service Form 8300 is returned to I.R.S. only and has not been a part of the FinCEN Currency and Banking Retrieval System for several years. Thus, this data is not available to local law enforcement agencies. Appendix A shows the number of 8300s which have been filed from New Jersey from 1995 through 1999. Compliance with filing 8300s is not checked by bank regulators as they have no jurisdiction over private businesses.

A report of 1998 state per capita 8300 filings showed that New Jersey ranked 6th in the nation, with 5,421 forms filed. Above it were New York, Connecticut, Florida, Nevada and Nebraska. It should be noted, however, that the filing of 8300s in New Jersey decreased overall between 1995 and 1998 as shown in Figure 9.

¹ A “nominee” is a relative, friend or acquaintance whose name is used as the owner of an asset or bank account in place of the true owner, thus shielding the true owner.

² FinCEN, 1994, p. 29.

Figure 9
New Jersey 8300 Filings 1995 - 1999

<u>Year</u>	<u>Filings</u>
1995	7,784
1996	6,301
1997	5,734
1998	5,421

B. Purchasing Goods for Resale Overseas

Some money launderers combine their desire to move or hide assets with a desire to make a profit on a business deal. In earlier years, real estate purchases would be made with crime profits, with the knowledge that the value of the property purchased would grow. Now, items are purchased in the United States which can be resold for a handsome profit overseas. One example of this is sports utility vehicles and other popular vehicles purchased here and resold at two and three times their original price overseas. A hypothetical Jeep Grand Cherokee, with a ticket price of \$36,000 in the Trenton area, might be purchased and shipped to a drug-source country. Its value in that country might be \$100,000. Thus, the Trenton area narcotics dealer has returned \$100,000 to the drug-source country which can be used to purchase additional drugs for shipment here.

In FinCEN's 1994 report, it noted that "Nigerian money launderers are often involved in laundering heroin money through shipment of expensive automobiles and trucks (often stolen) to Nigeria for resale."¹

Another example of purchasing goods was seen when a U.S. merchant paid large sums of money for goods from a merchant in a narcotics source country that were worth much less than their purchase price. The "payments" made were, in fact, narcotics proceeds being returned to the source of the narcotics, and the goods, when received, were either thrown away or sold cheaply. The trafficker was thus able to move his illegal proceeds out of the country under the cover of a payment for goods received. In other instances, cash proceeds have been used to purchase high-value items (automobiles, airplanes, yachts, etc.) which were subsequently exported to narcotics producing countries. This is generally referred to as "trade-based money laundering."

C. Conclusions

The lack of access to IRS 8300 forms is an impediment to the effective operation of money laundering and asset forfeiture investigations. Some states, including Florida, have passed legislation requiring merchants to file copies of the 8300 with the state concurrent to their filing with IRS.

¹ *Ibid.*

VIII. Measuring the Threat

A threat assessment needs to analyze the potential for harm to a jurisdiction from a particular criminal activity; in this case money laundering. One measurement of the threat might reflect the amounts potentially laundered here. Those figures are not known, but we can summarize the amounts known to be going through each system described above.

Check cashers, as discussed in section II, were involved in cash transactions involving \$3.1 billion of in 1998, the last year for which information was available. New Jersey casinos filed \$1,067,135,890 in CTRs for 1999. New Jersey money remitters sent over \$270,711,000 to countries designated of "Primary Concern" by the U.S. Department of State. Banks filed CTRs in 1998 for \$11,619,571,170. Further, 1998 bank SARs totaled \$202,597,256. During 1999, there were \$4,593,191 in currency seizures through New Jersey ports.

Money laundering represents two potential levels of corruption: that of the system it is using and that of the entity which regulates it or enforces the laws. Corruption of the system being used would mean that the people within the system were corrupted by the persons wanting to launder the money. One example of this might be a bank teller who did not fill out a CTR for a "regular" customer who deposited \$15,000. The degree of corruption could be seen in the level of collusion within the system itself.

External corruption would indicate the degree of corruption that might be seen in the governmental/regulatory system as influenced by the entity. An example could be a government official who allowed a bank to operate virtually without regulation in return for an interest-free loan.

The degree of societal harm which is realized through criminal activity may reflect the nature of the system which has been compromised. If the banking system, for example, is compromised, then society as a whole may be affected.

Thus, it is seen that the New Jersey systems described have a significant potential to be used by those who wish to launder money. The threat that this poses to the State is significant.

IX. Existing Controls

Along with the threat that a criminal activity poses to a jurisdiction, there are controls in that jurisdiction through which society hopes to deter, prevent, and contain criminal activity. Those controls are in the form of laws and regulations as well as the focus being placed on that criminal activity by the regulators and the law enforcers. The laws and regulations in place were discussed in the introduction and various sections. The current efforts to combat money laundering in New Jersey are summarized below.

In 1994, FinCEN noted that there was a “high level” of state-federal-local cooperation in New Jersey. It also noted that “no financial task force operates in New Jersey, but federal agencies from New Jersey cooperate in the El Dorado Task Force in New York.”¹ Since then, several partnerships have been formalized among agencies working on money laundering in New Jersey.

Two of these partnerships are SAR task forces initiated by the U.S. Attorney’s Office, District of New Jersey. The first task force reviews financial institution SARs (from banks and money service businesses) to assess if they appear viable for investigation and prosecution. The second task force focuses on casino SARs and was formed in 1996. These task forces are comprised of representatives from varied state and federal agencies including U.S. Customs, Internal Revenue Service, Drug Enforcement Administration, Federal Bureau of Investigation, U.S. Postal Service, U.S. Secret Service, Immigration & Naturalization Service, and the New Jersey Divisions of Criminal Justice, Gaming and State Police.

Another cooperative effort is a Financial Crimes Task Force undertaken by U.S. Customs which includes participants from several northern New Jersey counties.² The IRS also has several counties detail personnel to their offices for assistance in financial investigations.

Another control currently in progress is the creation of a New Jersey High Intensity Financial Crime Area (HIFCA). This consortium of federal, state and county agencies, will undertake significant money laundering investigations and prosecutions in the New York metropolitan area, which includes five counties in Northern New Jersey. This money laundering task force will include representatives from all the named agencies. This group will receive analytic support and software from FinCEN that will allow for significant mining of Suspicious Activity Report (SAR) forms data.

At the state level, a Financial Investigations Unit and a Financial Analysis Group were established within the Division of Criminal Justice in the fall of 1998. That group works with other bureaus of the Division, other divisions of the Department, the state Department of Banking and various federal agencies on money laundering investigations and prosecutions. A Supervising Deputy Attorney General was added to the Unit in March 1999 and a Deputy Attorney General joined the Unit in April 2000.

This initiative, now in place for 30 months, has worked on several fronts to control money laundering. These have included:

1. pro-active reviewing of BSA data to identify targets
2. supporting in-progress DCJ cases involving money laundering
3. initiating and conducting investigations involving money laundering
4. reviewing cases brought by other bureaus and the counties to recommend investigative and prosecutive steps to advance money laundering charges

¹ *Ibid.*, p. 30.

² The counties included Bergen, Essex, Hudson, Union, Passaic and Morris Counties.

5. working with the counties to provide better access to BSA data
6. providing training to state and county prosecutors, investigators and analysts
7. development of money laundering trends and indicators
8. working with various task forces and industry groups to support anti-money laundering efforts
9. working with FinCEN to better access and understand BSA data.

One outgrowth of the Division's work has been the creation of the Anti-Money Laundering Working Group (AMLWG). This began in December of 2000 and includes all 21 county prosecutors' offices, the Division of Criminal Justice, the Division of State Police, the Division of Gaming Enforcement, and the Division of Taxation-Criminal Division. It has established three sub-committees: legal initiatives, training and narco-dollar strategies. Each of these sub-committees has been active in 2001 to provide assistance to anti-money laundering efforts. Some of its initiatives include model jury charges, legislative recommendations, one-day and half-day training seminars; hosting longer training courses, and holding information-sharing meetings.

In addition to these controls, there are regulatory controls on all New Jersey banks and money service businesses. Some of these fall under one or more examination schedules, at the federal and state level.

Agencies in New Jersey continue to work closely with the Financial Crimes Enforcement Network. Three state-level agencies (Criminal Justice, Gaming and State Police) have direct access to FinCEN data through the Gateway Project, along with sixteen counties. As of May 1, 2001, New Jersey led the nation in making inquiries into the FinCEN database.

X. Recommendations

While New Jersey has made great strides in identifying money laundering activity here and has begun more cooperative efforts to attack it, the war is far from won. Rather, with a clearer picture of the extent of the problem, it becomes obvious that the resources employed and actions taken pale in comparison to the depth of the criminal actions present.

Following is a discussion of further actions that might be taken at the state and county level to help curtail money laundering in New Jersey.

1. New Jersey should continue and expand its multi-disciplinary, Anti-Money Laundering Working Group (AMLWG) including:

- a. Department of Law and Public Safety
 - (1) Division of Criminal Justice
 - (2) Division of State Police
 - (3) Division of Gaming Enforcement
- b. Department of Banking and Insurance
- c. Department of Treasury
- d. Division of Taxation

This policy level group should explore ways in which departments and divisions of state government can and should work together to combat money laundering. This should include, but not be limited to, what additional legislation is needed to deal with money laundering including regulatory and enforcement initiatives. One example is the need for access to IRS form 8300s at the state level. Legislation to require state filing of these forms could be the first order of business for this working group. A second task might be the development of training and educational materials to make financial institutions more aware of the indicators and harm of money laundering.

2. New Jersey should expand the focus of the Division's Money Laundering Initiative.

The pro-active work on check cashers' CTRs has proved the efficacy of following the money back to the criminal source. This approach should be applied to casino and money remitter transactions.

Regarding money remitters, the State should work with the Arizona Attorney General's Office in its effort regarding money being sent from this area to Arizona and then being smuggled across the border.

Appendices

A. BSA Report Statistics

Figure 10 represents the New Jersey submissions of Bank Secrecy Act (BSA) forms including Currency Transaction Reports (CTRs), Reports of Foreign Bank and Financial Accounts (FBARs), Transportation of Currency or Monetary Instrument Reports (CMIRs), Casino CTRs (CTRCs), Casino SARs (SARCs) and Reports of Sale of Over \$10,000 (Form 8300s). These figures were provided, primarily, by the FinCEN Office of Research and Analysis. Figure 11 is a composite of all included years.

**Figure 10
BSA Forms Submitted From New Jersey**

	1995		1996	
	<u>Volume</u>	<u>\$\$\$\$</u>	<u>Volume</u>	<u>\$\$\$\$</u>
CTRs	443,814	\$26,252,813,798	444,302	\$21,230,174,922
FBARs	4,548	N/A	4,709	N/A
CMIRs	322	\$12,034,827	290	\$9,218,745
SARs	N/A	N/A	N/A	N/A
CTRCs	37,567	\$791,411,729	42,093	\$909,876,197
SARCs	-----	-----	N/A	N/A
Form 8300s	7,784	N/A	6,301	N/A
Year Totals:	494,761	\$27,069,891,592	500,093	\$22,149,269,864

	1997		1998	
	<u>Volume</u>	<u>\$\$\$\$</u>	<u>Volume</u>	<u>\$\$\$\$</u>
CTRs	397,289	\$14,054,517,805	405,570	\$14,755,619,608
FBARs	4,785	N/A	4,307	N/A
CMIRs	325	\$17,824,552	377	\$17,709,258
SARs *	677	\$98,776,388	1,131 *	\$202,597,256
CTRCs	45,062	\$1,021,374,452	45,480	\$996,033,595
SARCs	1	\$50,000	162	\$3,328,459
Form 8300s	5,734	N/A	N/A	N/A
Year Totals:	440,416	\$15,192,543,197	457,027	\$15,975,288,176

	1999		2000 **		
	<u>Volume</u>	<u>\$\$\$\$</u>	<u>Volume</u>	<u>\$\$\$\$</u>	
CTRs	412,775	\$14,921,093,995	CTRs	1,086,211	N/A
FBARs	N/A	N/A	FBARs	N/A	N/A
CMIRs	218	\$11,617,440	CMIRs	1,493	N/A
SARs *	1,766	\$188,877,051	SARs *	1,643	N/A
CTRCs	49,582	\$1,067,135,895	CTRCs	66,624	N/A
SARCs	119	\$4,599,063	SARCs	168	N/A
Form 8300s	<u>N/A</u>	<u>N/A</u>	Form 8300s	<u>N/A</u>	<u>N/A</u>
Year Total	464,460	\$16,189,223,444	Year Total	1,156,139	N/A

* SAR figures only include those marked as possibly reflecting money laundering activity

** 2000 figures were downloaded from the Currency and Banking Retrieval System and may reflect some duplication of counting by the computer system.

Appendix B. State Level Complaints, Indictments and Convictions in New Jersey, January 1995 - April 2001

1995

Adolfo L. Trujillo-Andrade and three others were indicted on February 8, 1995 on two counts of second degree money laundering relating to narcotics. Two of the defendants pled guilty. One received a sentence of five years in prison; the other 364 days in a county facility and one year of probation. Another defendant is a fugitive.

Guillermo Revelo Vergara was indicted February 8, 1995 on two counts of second degree money laundering relating to narcotics. Vergara is a fugitive.

1996

Rafael Cintron, et al. were indicted on June 19, 1996 on two counts of second degree money laundering relating to narcotics. Cintron pled to two counts (the second as negotiated to a third degree count) and was sentenced on May 30, 1997 to two years probation. The other defendant is a fugitive.

Hector Santana, et al. were indicted June 19, 1996 for narcotics-related money laundering. Two defendants pled guilty; one is a fugitive and the charges against a fourth were dismissed. A consent judgment was signed forfeiting \$911,344 to the State of New Jersey.

1997

Patrick Malone (Pennsauken Landfill) was indicted May 28, 1997 on eight counts of second degree money laundering relating to environmental crime violations. The defendant pled guilty on July 6, 1999 to second degree money laundering and received a sentence of five years in prison.

Fausto Dionicio Diaz, et al. were indicted August 7, 1997 on two counts of second degree money laundering relating to narcotics. Diaz pled guilty to the money laundering counts on July 22, 1998 and received a nine year sentence. Another defendant received PTI.

Mohammad Javid, et al. were indicted September 26, 1997 on five counts of second degree money laundering relating to Medicaid fraud. Four of the defendants later pled guilty to second degree money laundering and received individual sentences ranging from 6 - 10 years imprisonment. Two corporate guilty pleas were taken to second degree money laundering and theft. One defendant was found guilty by trial of third degree money laundering in 1999 (first state money laundering trial in New Jersey).

1998

Alonso Eduard Espinosa was indicted June 24, 1998 on second degree money laundering charges relating to narcotics. He pled guilty to the charges and was sentenced to seven years on February 10, 1999.

1999

The Barron Athletic Association, Inc. indictment January 20, 1999 included numerous counts of second degree money laundering. The indictment was dismissed for misconduct before the grand jury but is on appeal.

Daniel Provenzano, et al. were indicted on May 26, 1999 for various crimes, including third degree money laundering relating to organized crime activity. Motions with oral arguments are scheduled for July, 2001 in Bergen County. Trial is anticipated in January 2002.

Mario Gonzalez, et al. were indicted April 28, 1999 on second degree money laundering charges relating to narcotics activity. Trial is set for 8/13/01 in Hudson County.

Clayton Ross Burkhart, et al. were indicted on two counts of second degree money laundering relating to narcotics activity. On March 30, 2000, the indictment was dismissed based on failure to bring certain dog sniff evidence to the attention of the Grand Jury. Burkhart entered into PTI by consent order.

Miguel Angel Ortega, et al. were indicted May 25, 1999 on second degree money laundering charges relating to narcotics. The search was ruled invalid and the evidence suppressed; the indictment was dismissed.

Carlos Arturo Botero, et al. were indicted August 4, 1999 on two counts of second degree money laundering relating to narcotics. The case is pending in court; two defendants are fugitives.

2000

Peter Lovaglio was indicted on August 1, 2000 on second-degree charges that he took more than \$650,000 from 22 victims by soliciting investments in two bogus brokerage firms and then laundered the money.

Jeffrey Burd, Kevin Bradley, John Vitale, Byron Jackman, Tina Kromer, Peter Stanley and Frank DeCicco were indicted December 12, 2000 on counts of theft by deception, conspiracy to commit money laundering, money laundering, filing fraudulent tax returns, misconduct by a corporate official, and failure to register a corporation. They allegedly defrauded 25 investors of over \$10 million in a 'Ponzi scheme' investment fraud.

2001

William Markakis was indicted January 25, 2001 on charges of theft by deception, securities fraud and first degree money laundering. Markakis pleaded guilty on February 8, 2001 to financial facilitation in the first degree. He promised to cooperate with authorities and on March 12, two additional men were indicted, Brian T. Strahl and Ilya Fikher, on charges of conspiracy, money laundering, theft by deception and securities fraud.

Peter Lovaglio, who was indicted in 2000, was charged in a second scheme and indicted on February 9, 2001 along with Tomas Cirillo. The five-count indictment includes conspiracy, impersonation or assume a false identity, financial facilitation, attempted theft by deception and forgery. Check cashers in Monmouth and Hudson Counties were involved in the money laundering of more than \$1.6 million.

Four individuals—George Scott, Sonia Harris, Yanko Amendola and Lisa Dumey--were indicted on April 6, 2001 on allegations they fraudulently bought and sold the same two real estate properties repeatedly and then hid the proceeds through money laundering, netting them nearly \$2 million.

C. Contributing Agencies/Acknowledgments

The following agencies made invaluable contributions to this strategic report.

**New Jersey Department of Law and Public Safety
Division of Gaming Enforcement
Division of State Police**

New Jersey Department of Banking and Insurance

New Jersey State Commission of Investigation

New York Department of Banking

Port Authority of New York/New Jersey

United States Customs Office - Newark

Financial Crimes Enforcement Network (FinCEN)

Office of Research and Analysis

Office of Investigative Services

This strategic assessment was prepared by the Financial Analysis Group, Division of Criminal Justice, Financial Investigations/Money Laundering Initiative.

Index

A

Acquiring Assets 3, 28
Airports i-ii, 2, 17, 19, 30
Antigua 23
Anti-Money Laundering Working Group ii, 1, 2, 32-33
Arizona Attorney General's Office 32
Arrest Statistics 5-6
Asset Seizure Checklist 3
Assets Purchased for Resale 3, 29
Atlantic City ii, 2, 8, 12, 14
Attorney General 10, 11
Attorney General's Working Group on Money Laundering i, 1, 2, 12f
ATM use 26
Auto dealers 28
Avoiding Reporting Requirements 15, 24
Awareness Campaign ii, 32

B

Bahamas 23
Banking Liaison 3
Banks i-ii, 24-26, 30
Bank SAR Task Force 28
Bank Secrecy Act (BSA) i, 1, 10-11, 14, 21, 23, 32-33
Bank Secrecy Countries 23
Bergen County 31, 36
Bergen *Record* 12f, 18f
Brazil 18, 21-23
Bribery 14
Bulk Currency Smuggling 19

C

Canada 18
Cargo Smuggling 18-20
Cash Businesses 8, 12
Cashier's Checks 15, 23, 25
Cashing Checks Without A License 10
Casinos i, ii, 2, 3, 8, 12-16, 25f, 30, 33
Casino SAR Task Force 3, 31
Cayman Islands 23
Central America 2
Check Cashing i-ii, 6-12, 15, 20, 27, 30, 33
Check Cashers Regulatory Act 9-10
Check Fraud 14,
Cocaine 7

Colombia i, 2, 7-8, 20-23
Connecticut 28
Containerized Shipping 17, 19
Controls ii, 31-32
Coopers & Lybrand 20-21
Correspondent bank account 26
Corruption ii, 2, 30
Couriers at Casinos 15
Criminal Charges 6
Criminal Proceeds 2, 4, 12, 19, 23
Currency Conversions 3, 11
Currency Exchanges 12, 14
Currency or Monetary Instrument Reports (CMIR) 34-35
Currency Seizures i, 18-19, 30
Currency Smuggling i-ii, 3, 17-20, 33
Currency Transaction Reports i, ii, 7, 22-25, 30, 34-35
Currency Transaction Reports Casino 8, 13-16, 34-35

D

Dominican Republic i, 7, 20, 22
Drug Enforcement Administration 31
Drug Pipeline 7
Drug Source Countries i
Drug Transit Countries i, 23

E

Ecuador 23
El Dorado Task Force i, 20, 31
Electronic funds transfers 20, 22
Embezzlement 7, 14
England 22
Environmental Crime 36
Essex County 31
Europe 1
Exemptions from CTR 26
Exports 17
Extortion, 7

F

Facilitation 3
False Identity 37
Federal Bureau of Investigation 31

Federal Reserve Bank 8, 20
Financial Analysis Group ii, 31
Financial Crimes Enforcement Network (FinCEN)
3, 6-8, 12f-15, 18f, 20f, 23f-25, 28-33
Financial Crimes Task Force 31
Financial Facilitation 3-4, 37
Financial Investigations Unit ii, 2-3, 31
Florida 28
Foreign Bank Account Report (FBAR) 34-35
Foreign Casinos 15
Form 8300 ii, 28-29, 33-35
France 18, 21-23
Fraud ii,

G

Gambling 7
Gambling Junkets 15
Gateway Program 32
Geographic Targeting Order i, 18
Germany 18
Government Accounting Office 1f

H

High Intensity Financial Crime Area (HIFCA)
ii, 31
High Technology Trends 3
Hudson County 31, 36-37

I

Identification Conflicts 15
Immigration & Naturalization Service 31
Indicators
in check casher transactions 10-11
in casino transactions 14-15
in money remitters 23
in banks 25-26
Indictments 6, 34-36
Intent to Promote 5
Internal Revenue Service 28, 31, 33
Investment Fraud 24, 37
Israel 18, 23

J

JFK Airport 7, 15, 17
Japan 18
Jewelry Stores 8

K

Korea (Republic of) 17-18

L

La Guardia Airport 15
'Large Transactions With Minimal Gaming' 14
'Layering' 24
Liquor Stores 8
Loansharking 7
Luxembourg 23

M

Medicaid Fraud 36
Mexico 18, 20-23
Model Jury Charges 32
Monetary Instruments 11
Money Laundering 1-9, 12, 14, 17, 24, 30-31,
34-36
Money Laundering Alert 25
Money Laundering Centers 23
Money Laundering Convictions 6
Money Laundering Indictments 6
Money Laundering Review Committee 3, 31
Money Laundering Statute 3-5
Money Orders 11, 20-23
Money Remitters i-ii, 7-8, 20-23, 30, 33
Money Service Businesses i-ii, 2, 7, 20-23, 27, 37
Monmouth County 37
Morris County 31
Multiple Identification Numbers 11, 14

N

Narcotics Trafficking i-ii, 7-8, 17, 19, 21, 25, 26,
34
Nebraska 28
Netherlands 18
Nevada 12, 28
Newark Airport i, 17
Newark Seaport 7
New Jersey Dept. of Banking & Insurance 10f,
21f, 31-32
New Jersey Division of Criminal Justice i, ii, 3,
31-32
New Jersey Division of Gaming Enforcement i,
12-13, 16, 28, 31-32
New Jersey Division of Taxation 7, 32
New Jersey State Commission of Investigation 2f,
6-7, 9f, 19f
New Jersey State Police 16f, 31-32
New Jersey Statute 3-5
New Jersey Turnpike 7

New York ii, 7-9, 19-21, 28, 31
New York City i, 1, 2,
Nigerian 28-29
Nominees 28
Non-Bank Financial Institutions (see Money
Service Businesses)

O

Organized Crime i, 1, 6, 35

P

Pakistan 23
Passaic County 31
Peru 22
Philadelphia 20
Philippines 22
Placement 24
Poland 22
Police Executive Research Forum 9f
Ponzi Scheme 37
Ports i-ii, 2, 7, 19-20, 30
Portugal 21-22
Pro-Active Targeting 10, 31
Profiteering Penalty 5

Q

Queens 7

R

Real Estate 26
Real Estate Fraud 37
Recommendations 32
Regulatory Corruption 30

S

Securities Fraud 37
'Shadow Banking' 7
Shell companies 24-25
Small Bills, paying with 14
'Smurfing' 12, 15-16, 22, 24
Societal Harm 30
South America 2
Specified Unlawful Activity (SUA) 4
Structuring 3, 8, 14-15, 23
Suspicious Activity Reports i, ii, 3, 23-27, 31, 34-
35
Suspicious Activity Reports Casino 13-16, 34-35
Switzerland 23

T

Task Force ii, 3, 7, 31
Theft 14
Theft by Deception 37
Threat Assessment 27
Trade-Based Money laundering 28
Training 3, 32
Transaction Reporting Requirement 4, 8
Transportation of Criminal Profits 4
Traveler's Checks 14, 22, 23
Trump Taj Mahal 14

U

Union County 32
United Kingdom 18
Unlicensed Check Cashing 10
U.S. Attorney's Office, District of New Jersey 31
U.S. Customs Service 19, 31
U.S. Dept. Justice 1f
U.S. Postal Service 31
U.S. Secret Service 31
U.S. Dept. of State 17f, 22, 27
U.S. Dept. Treasury 1f, 14

V

Venezuela

W

Wagg, Eric 11f, 15f, 27f
Walker, John 1f
'Walking with Chips' 16
Western Union 22
Wire Transfers 12, 14-15, 22-23, 26-27

Bibliography

- Attorney General's Working Group on Money Laundering, *Report to the Governor by the Attorney General's Money Laundering Working Group*, www.state.nj.us/lps/laundry.htm. Trenton, NJ. September 1998.
- Barbera, Ida Almeda, U.S. Customs Service, Interview, March 22, 2000.
- Bureau of International Narcotics and Law Enforcement Affairs. *International Narcotics Strategy Report, 1999*. U.S. Department of State, March, 2000.
- . *International Narcotics Strategy Report, 1997*. U.S. Department of State, 1998.
- Carnathan, William, U.S. Customs Service, Interview, March 22, 2000.
- Coopers & Lybrand. *Non-Bank Financial Institutions: A Study in Five Sectors*. February 28, 1997. Financial Crimes Enforcement Network. At www.ustreas.gov/fincen/cooply.html.
- Fields, Julie. "Drug barons billions pour out of U.S." *The Bergen Record*, July 12, 1998, Internet Archive copy, pp. 4-5. www.bergen.com.
- General Accounting Office. *Money Laundering State Efforts to Fight it Are Increasing But More Federal Help Is Needed*. October 1992.
- Maddinger, John and Sydney Zalopany. *Money Laundering A Guide for Investigators*. New York: CRC Press, 1999.
- Money Laundering Alert*, Vol. 11, No. 5, March 2000, p. 1.
- Neely, Dave. *State Money Laundering Initiatives*. Police Executive Research Forum, July 1993.
- New Jersey Commerce and Economic Development Commission website, www.state.nj.us/commerce/
- New Jersey Department of Banking and Insurance, Office of Consumer Finance. "Licensed Foreign Remitters 12 Months Ending 12/31/96, 12/31/97 and 12/31/98".
- . "Licensed Foreign Remitter Destination Countries 12 Months Ending 12/31/96, 12/31/97, 12/31/98"
- State of New Jersey, "Money Laundering Indicators." (Brochure) Division of Criminal Justice, October 1999.
- State of New Jersey Commission of Investigation. *Public Hearing Report and Recommendations by the State of New Jersey Commission of Investigation on the Subversion of Organized Crime and Other Unscrupulous Elements of the Check Cashing*

- Industry*, August 1988.
- . *Money Laundering*, July 1994.
- U.S. Department of the Treasury, Customs Service website www.customs.treas.gov
- U.S. Department of the Treasury, Financial Crimes Enforcement Network, *New Jersey Project*.
March 24, 1994.
- . *Louisiana Money Laundering Threat Assessment*. April 11, 1996.
- . *Investigative Guide to Wire Transfers*. 1993.
- . “FinCEN announces penalty against Trump Taj Mahal Associates.” News release.
January 28, 1998. www.treas.gov/fincen/tajnet.html
- . “Treasury acts against flow of dirty money to Colombia.” News release. December 23,
1996.
- . “Fact Sheet for the Industry on MSB Suspicious Activity Reporting Rule,” March 8, 2000 at
www.ustreas.gov/fincen/msbsarfs.html
- . *Suspicious Activity Reporting & Casinos*. July 1998.
- U.S. Department of the Treasury and U.S. Department of Justice. *The National Money Laundering
Strategy for 1999. Executive Summary and Goals, Objectives, and Action Items*. September
1999.
- . *The National Money Laundering Strategy for 2000*. March 2000.
- Wagg, Eric. *Indicators of Money Laundering. Handout for Financial Investigations and
FinCEN presentation*, Division of Criminal Justice, February 16, March 2 and August 3, 1999.
- Walker, John. “Modeling Global Money Laundering Flows - Some Findings” at
www.ozemail.com.au/~born1820/mlmethod.htm.
- Wallace, Robert. New Jersey Division of State Police, Intelligence Services Section,
Administration, Detective Sergeant First Class. Interview, December 10, 1999.
- Western Union website www.westernunion.com
- Zambito, Thomas. “Laundering laws are getting teeth.” *Bergen Record*, December 29, 1998.