



BULLETIN

Panama, the Dominican Republic, and Ecuador: Key Placement Areas for U.S. Drug Proceeds Flowing Into Latin America

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U. S. D E P A R T M E N T O F J U S T I C E

Executive Summary

(LES) The National Drug Intelligence Center (NDIC) assesses with high confidence that Mexico will remain the leading Latin American^a country in which illicit U.S. dollars are placed^b (deposited) into the financial system. However, bulk cash smuggling to Panama, the Dominican Republic, and Ecuador will continue and may increase because of rising efforts to stem the flow of U.S. cash to Mexico.

(LES) Illicit U.S. cash, totaling billions of dollars, is transported by drug trafficking organizations (DTOs) in bulk shipments annually to many Latin American countries, where it is placed into the financial system. Intelligence reporting and Federal Reserve data indicate that although Mexico is the primary destination for illicit bulk cash smuggled out of the United States, large amounts are also flowing into Panama, the Dominican Republic, and Ecuador for placement. Although reasons for using Panama, the Dominican Republic, and Ecuador as placement areas for illicit U.S. cash vary (DTOs may be attracted by the countries' geographic locations, dollarized economies,

limited financial regulations, etc.), the use of these countries ultimately helps Colombian DTOs facilitate Black Market Peso Exchange (BMPE) activity (see text box on page 2).

(LES) NDIC assesses with moderate confidence that illicit U.S. cash placed in Latin American countries, including Panama, the Dominican Republic, and Ecuador, is smuggled out of the United States and Mexico primarily by maritime conveyances. Three ports (Miami, Florida; Fort Lauderdale, Florida; and Manzanillo, Mexico) have been identified as departure points for these maritime cash shipments. Some of the cash shipments destined for Latin American countries, including Panama and Ecuador, likely transit Colombia, Honduras, and Venezuela.

(LES) The large-scale placement of U.S. drug proceeds in Panama, the Dominican Republic, and Ecuador greatly benefits Colombian DTOs by supporting their BMPE system, which furthers their drug trafficking operations in the United States. Moreover, placement of illicit U.S. cash in these countries creates greater difficulty for law enforcement agencies and policymakers. To combat this threat, officials are forced to monitor multiple conveyances and transportation routes to several countries and to coordinate with multiple sovereign governments.

- a. (U) For the purposes of this report, Latin America refers to that part of the Western Hemisphere south of the United States, in Mexico, Central America, the West Indies (Caribbean), and South America.
- b. (U) Placement involves depositing illegal proceeds in the form of cash into the financial system, either in the country of origin or in another country. Placement is the stage at which the money laundering process is most vulnerable to detection.

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(U) The Black Market Peso Exchange

The Black Market Peso Exchange is a system in which Colombian traffickers purchase clean Colombian pesos located in Colombia in exchange for illicit U.S. drug dollars located in the United States or bulk-smuggled to Latin American countries such as Mexico, Panama, the Dominican Republic, and Ecuador. Peso brokers facilitate this swap by purchasing the U.S. drug dollars and selling them at a discounted exchange rate to Colombian merchants, who purchase the U.S. dollars with Colombian pesos. Under this system, the Colombian trafficker receives Colombian pesos in Colombia, and the U.S. dollars are used to purchase goods on behalf of Colombian merchants. The goods are then smuggled into Colombia and sold on the black market.

Key Placement Areas in Latin America

(LES) Although Mexico remains the leading Latin American country for illicit U.S. cash placement, Panama, the Dominican Republic, and Ecuador have also become significant countries for illicit cash placement.^c The prominence of Panama, the Dominican Republic, and Ecuador as illicit cash placement countries is evidenced by the significant disparity between Federal Reserve payments and receipts^d (see Table 1 on page 3). While this data set does not differentiate between licit and illicit dollars sold back to the United States, the disparity is a strong indicator of illicit cash

c. (LES) NDIC analysis of the money laundering situation in Mexico has revealed several key indicators common to the illicit placement of U.S. dollars. These indicators include bulk cash smuggling, the placement of U.S. dollars into the local financial system, and BMPE activity, resulting in a disparity—unexplained by legitimate economic conditions—between Federal Reserve payments and receipts. When the indicators obtained from analysis of the money laundering situation in Mexico were applied to other Latin America countries, Panama, the Dominican Republic, and Ecuador emerged as significant areas for illicit placement.

d. (U) Federal Reserve data cannot differentiate between licit and illicit cash sold back to the United States. NDIC has consulted with the Federal Reserve, and both parties agree that these numbers are merely indicators of possible financial inconsistencies that may be indicative of illicit placement.

placement, because no known legitimate economic conditions would support or suggest its presence. Supporting the findings revealed in the Federal Reserve data are intelligence and law enforcement reports (including reporting from confidential informants¹) of bulk cash smuggling and significant BMPE activity in these countries.

Panama

(LES) Panama—particularly the Colón Free Trade Zone—is a primary area for the placement of illicit drug dollars because of the presence of numerous import/export companies that deal in U.S. dollars. This environment has facilitated large-scale BMPE activity in Panama for decades. Other factors contributing to the prominence of Panama as an illicit U.S. dollar placement area include the following:

- Panama has a dollarized economy, which offers ease of placement for U.S. dollars.
- Panama's Free Trade Zone willingly accepts payments in U.S. dollars, facilitating easy placement of drug proceeds into import/export companies.
- Federal Reserve data indicate that the Federal Reserve sold approximately \$570 million to Panama from January through October 2009 and received a surplus of \$2.2 billion in U.S. dollars the same year (see Table 1 on page 3). These U.S. dollars entered the financial system in Panama, despite the modern-day business practice of paying for goods via wire transfer.
- Informants indicate that Panama is the primary placement area for illicit drug dollars leaving the United States and Mexico.²
- Intelligence reporting and informants indicate that any merchant operating in the Free Trade Zone must participate in the Black Market or suffer unprecedented business losses because of competitors who are willing to participate.³

Table 1. (LES) Federal Reserve Data Tracking U.S. Dollar Banknote Flows in Millions of Dollars, 2008–October 2009

Country	Payments 2008— October 2009	Receipts 2008— October 2009	Payments in 2008	Receipts in 2008
Argentina	9,415	186	8,341	175
Aruba	2	117	0	108
Bahamas	130	94	158	95
Bermuda	55	13	59	17
Bolivia	223	354	195	423
Brazil	839	36	1,023	18
Cayman Islands	19	14	13	22
Chile	87	727	114	888
Colombia	0	67	0	126
Costa Rica	0	205	60	219
Curaçao	38	15	37	96
Dominican Republic	4	1,434	4	1,422
Ecuador	503	1,139	819	1,220
El Salvador	287	806	248	679
Guatemala	5	862	0	685
Haiti	0	322	0	368
Honduras	0	452	0	491
Jamaica	0	448	0	445
Mexico	21	7,921	63	9,593
Nicaragua	0	340	0	260
Panama	570	2,242	718	2,373
Paraguay	0	565	0	888
Peru	225	387	91	556
Venezuela	322	0	212	0

Source: Federal Reserve.⁴

The Dominican Republic

(LES) The Dominican Republic is a major placement area for illicit currency connecting into the BMPE, as indicated by an unexplained disparity in Federal Reserve payments and receipts, all-source reporting, and the country's status as a known transit point for illicit drugs. In addition, the Dominican Republic's proximity to Puerto Rico makes it particularly attractive as a placement area. Individuals

leaving the U.S. mainland destined for Puerto Rico are not required to file a Report of International Transportation of Currency or Monetary Instrument (CMIR)^e as they would be if destined for a foreign country. In addition, any mail parcel moving from the mainland to Puerto Rico falls under

e. (U) The U.S. Customs Service requires all persons entering or departing the United States to file a CMIR if they are carrying cash or other negotiable monetary instruments valued at \$10,000 or more.

U.S. jurisdiction, making it nonreportable under the CMIR requirement and unable to be opened without a search warrant. It is unknown how money that arrives in Puerto Rico is transferred to the Dominican Republic; however, this money is likely transported through maritime conveyance, potentially including a passenger ferry that routinely runs between Puerto Rico and the Dominican Republic. Indicators of the Dominican Republic's leading role as a placement area for illicit U.S. dollars include the following:

- Federal Reserve data show that the Federal Reserve sold \$4 million to the Dominican Republic from January through October 2009 but received \$1.4 billion in physical U.S. dollars from the Dominican Republic during the same period. These data show the return of physical U.S. dollars to the United States, some of which likely arrived in the Dominican Republic in the form of bulk cash.
- Currency movement from the Dominican Republic to the United States is significantly greater than movement from the United States to the Dominican Republic, as evidenced by CMIR and Currency Transaction Report (CTR)^f filings.⁵ The CTR data in Table 2 and the CMIR data in Table 3 further substantiate the imbalance in the physical currency flows between the Dominican Republic and the United States. This imbalance is indicative of illicit placement activity.
- Intelligence reporting indicates that remittance businesses in the Dominican Republic are poorly regulated and are used to place illicit dollars destined for the Black Market.⁶
- According to information obtained from foreign law enforcement reporting, known BMPE-related remittances historically have been sent from the Dominican Republic to Asia to pay for goods on behalf of Colombian businessmen.⁷

Table 2. (LES) CTR Cash To and From the Dominican Republic—Bank Data Only

Transaction Year ⁱ	Cash From the Dominican Republic	Cash to the Dominican Republic
2000	\$1,583,571,370	\$0
2001	\$1,509,191,445	\$243,398
2002	\$1,414,380,905	\$1,014,031
2003	\$1,681,292,936	\$2,683,809
2004	\$1,853,575,904	\$2,912,000
2005	\$1,805,838,769	\$5,492,453
2006	\$1,362,119,377	\$3,370,142
2007	\$1,278,169,024	\$400,104
2008	\$1,699,162,455	\$31,705
2009	\$771,504,100	\$0
Totals	\$14,958,806,285	\$16,147,642

Source: Financial Crimes Enforcement Network.⁸

i. (LES) Additional 2009 CTR data are possible as a result of filings that occurred after the data were retrieved in early January 2010. The number of additional filings should be minor, since the filers are large banks filing electronically, thereby reducing lag time.

Table 3. (LES) CMIR Data: U.S. Currency Movement To and From the Dominican Republic January 2000–September 2009

Year ⁱ	Cash Exported From the Dominican Republic to the United States	Cash Imported to the Dominican Republic From the United States
2000	\$604,583,449	\$7,135,535
2001	\$461,641,541	\$11,215,794
2002	\$215,547,281	\$25,445,323
2003	\$389,684,130	\$40,884,835
2004	\$343,274,673	\$50,376,390
2005	\$664,428,375	\$63,669,130
2006	\$25,158,704	\$42,730,003
2007	\$245,562,152	\$50,038,128
2008	\$161,592,268	\$82,747,166
2009	\$13,998,372	\$67,042,854
Totals	\$3,125,470,945	\$441,285,158

Source: Financial Crimes Enforcement Network.⁹

Note: CMIR data for 2009 are from January through September 2009.

f. (U) A CTR must be filed by banks and all financial institutions on cash transactions of \$10,000 or more.

i. (LES) There are no known conditions to explain anomalies in 2006 and 2009.

Ecuador

(LES) Ecuador is a major placement area for illicit drug dollars because Ecuador's dollarized economy and proximity to Colombia with access through the Pan American Highway make it an attractive venue for peso brokers to place illicit drug dollars. Colombian DTOs have the smuggling networks readily available to move illicit currency within a short distance of the Ecuadorian border. Federal Reserve data show that the Federal Reserve sold \$503 million to Ecuador from January through October 2009 and received \$1.1 billion in physical U.S. dollars in return. These data show the return of physical U.S. dollars to the United States, a portion of which likely arrived in Ecuador in the form of bulk cash.

The Movement of Illicit Dollars for Placement in Latin America

Transportation to Significant Placement Areas

(LES) NDIC assesses with moderate confidence that maritime smuggling is the primary conveyance used to move illicit dollars from the United States and Mexico to placement areas in Latin America. (See [Map 1 in the Appendix.](#)) The location of each departure port of entry (POE) for illicit dollars moving out of the United States and Mexico via maritime conveyance is unknown. Nevertheless, confidential informants, as well as seizure information, identify three departure POEs: Miami, Fort Lauderdale, and the Mexican port of Manzanillo.¹⁰ The use of maritime conveyances in shipping bulk cash to Latin American countries is evidenced by information in law enforcement and intelligence reports, including the following:

- Informants indicate that illicit dollars leave the port of Miami via containerized cargo. Much of this cargo is destined for Venezuela and is subsequently transported to Panama via air conveyances.¹¹

- Informants indicate that pleasure craft (particularly sailboats) are loaded with illicit drug dollars in the port of Manzanillo, Mexico, and travel south toward Panama and Colombia.¹² According to confidential informants, illicit dollars have been moving out of the port of Manzanillo for some time.¹³
- Anecdotal information obtained from foreign law enforcement and informants indicates that Honduras may be a staging area for maritime shipments moving off the east coast of Central America to Panama and Colombia.¹⁴
- San Andres and Little Corn Island are a primary transit area for illicit currency movements leaving Honduras for Panama.¹⁵
- Organized Crime Drug Enforcement Task Force information indicates movement of go-fast vessels possibly carrying bulk cash leaving the Dominican Republic for Venezuela and Colombia.¹⁶

(LES) Although little information is available regarding the smuggling of currency to placement areas via private aircraft, intelligence does indicate the use of commercial airlines to move illicit currency in bulk, primarily from Mexico to Panama. (See [Map 2 in the Appendix.](#)) For example:

- A very reliable source indicates that multiple human couriers are moving illicit drug dollars via commercial airlines. The couriers are structuring the currency under standard customs reporting requirements (typically \$10,000). The couriers are originating in the United States and Mexico and are destined for primary placement areas such as Panama, where the funds are consolidated and laundered through the BMPE. Couriers are also moving larger amounts of illicit currency by falsifying documents to indicate legitimate trade purposes and claiming the funds at points of ingress and egress.
- According to informants, illicit currency entering Venezuela from Miami via containerized cargo is further transported from

Venezuela to Panama via small aircraft. The aircraft are flown daily to Panama loaded with fruits and vegetables.¹⁷

(LES) Illicit currency is also shipped from the United States through Mexico via privately owned vehicle and tractor-trailer along the Pan American Highway to Panama. (See [Map 3 in the Appendix](#).)¹⁸ Although this activity occurs, NDIC believes that land transit to placement areas in Central and South America may be more costly to DTOs and therefore occurs less frequently than maritime shipments for the following reasons:

- Payoff of border officials at various checkpoints through Central America is costly.
- Security has to be provided for the currency load to ensure its safe passage.
- The risk of law enforcement interdiction is higher on road networks than for maritime or air conveyance.

Transshipment Countries

(LES) NDIC assesses with high confidence that bulk cash from the United States and Mexico often transits Colombia (including San Andres Island), Honduras, and Venezuela for further placement within other Latin America countries. For instance, in September 2009, seizures of bulk cash leaving the port of Manzanillo destined for Buenaventura, Colombia, totaled nearly \$41 million. Although bulk cash is flowing to Colombia, there is no evidence that large amounts of these U.S. dollars are being deposited into Colombian banks. In fact, Federal Reserve data do not show large amounts of physical dollars being sold back to the United States from Colombia (see [Table 1 on page 3](#)). Additionally, strict financial laws imposed by the Colombian Government make it difficult to place excessive amounts of U.S. dollars because of the attention drawn to deposits of U.S. dollars made in bulk without proper documentation.¹⁹ The evidence of significant bulk cash flow to Colombia combined with data that show relatively few deposits strongly indicates that Colombia is only a transit

country for bulk cash destined for placement in other countries, such as Panama and Ecuador.

(LES) In both Venezuela and Honduras, the large flow of bulk cash smuggled to those countries but small amounts of U.S. dollars sold back to the United States (as tracked through Federal Reserve data) indicate that both countries are likely transshipment areas for money moving to significant placement areas.²⁰ Like Colombia, the Venezuelan Government enacted strict financial laws that make it too difficult to place large amounts of U.S. dollars in that country, and Federal Reserve data show that relatively few dollars are returned from Venezuela. However, according to intelligence reporting, large amounts of cash are being transported to Venezuela. Significant amounts of illicit cash are also shipped through Honduras, according to intelligence reporting; however, relatively few dollars are deposited into Honduran banks and returned to the United States, according to Federal Reserve data.

Implications for the United States

(LES) The ongoing large-scale placement of U.S. drug proceeds in Latin America, including Mexico, Panama, the Dominican Republic, and Ecuador, greatly benefits Colombian DTOs, enabling them to circumvent financial laws in Colombia and the United States. The ability of Colombian DTOs to place U.S. dollars in these countries, where placement into the financial system is simpler, supports the BMPE system and furthers their drug trafficking operations in the United States. This placement of U.S. dollars in numerous countries creates greater challenges for law enforcement agencies and policymakers, because to combat the threat, officials must identify and monitor multiple transportation routes and conveyances to several countries and coordinate with several sovereign governments.

Intelligence Gaps

(LES) The specific amount of U.S. drug proceeds placed and laundered in Latin America, including Panama, the Dominican Republic, and Ecuador, is unknown, and there are no existing data from which to derive an estimate.

(LES) The number and location of U.S. and Mexican departure POEs for bulk currency moving to placement areas via maritime conveyance are unknown.

(LES) Information regarding currency smuggling to placement areas via private aircraft is limited, therefore preventing full analysis of the use of this conveyance type in smuggling bulk cash.

(LES) The specific routes for bulk cash smuggling via maritime, air, and land conveyances from the United States and Mexico through transshipment countries and then to placement countries are unknown.

(LES) Information regarding networks responsible for transportation of bulk cash and preferred means of conveyance of each is unknown.

(LES) It is unclear at what point drug traffickers transfer control of the bulk cash to peso brokers for incorporation into the BMPE.

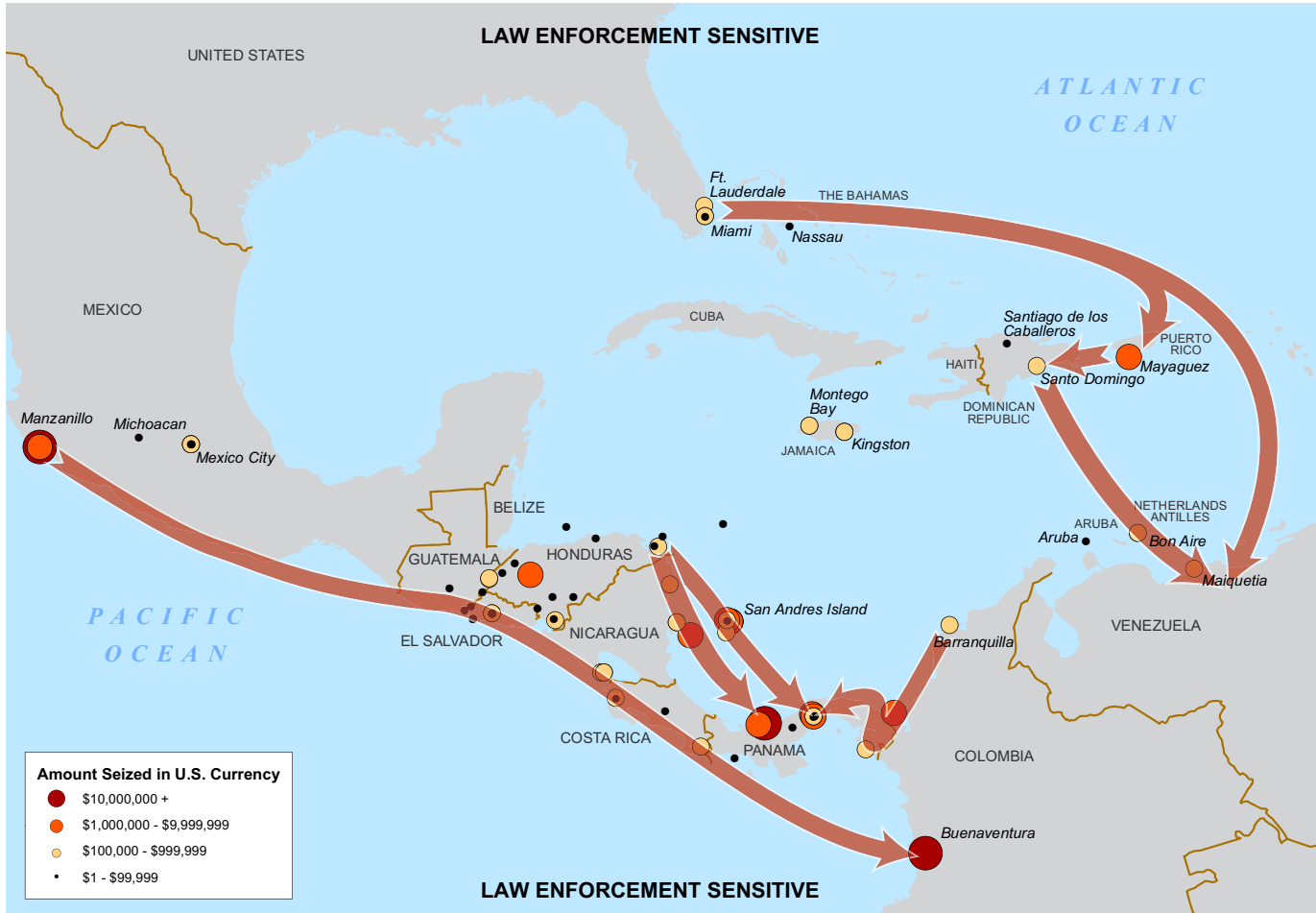
(LES) The level of public corruption and the extent to which it affects money laundering activities within Latin America are unknown.

Outlook

(LES) NDIC assesses with high confidence that Mexico will remain the leading Latin American country in which billions of illicit U.S. dollars are placed into the financial system. Increasing pressure to block placement of bulk cash in Mexico through domestic interdiction and from initiatives within Mexico—particularly the Mexican government’s implementation of new regulations restricting cash deposits made in U.S. dollars—is expected to result in increased flows to areas in Latin America, including Panama, the Dominican Republic, and Ecuador. This would be consistent with money launderers’ response in 2007 to law enforcement actions against Casa de Cambio Puebla—some launderers temporarily increased bulk smuggling of U.S. banknotes to Latin America in order to absorb a cash surplus in Mexico.²¹ A similar response occurred in 2009, when Hong Kong and Shanghai Banking Corporation Mexico imposed restrictions on the deposit of foreign currency, including U.S. dollars, resulting in increased placement activity in Latin America, specifically Panama. A similar result is anticipated from the May 2010 decision of several other Mexican banks to voluntarily adopt similar standards restricting U.S. dollar deposits and the Mexican government’s implementation of new regulations restricting cash deposits made in U.S. dollars.

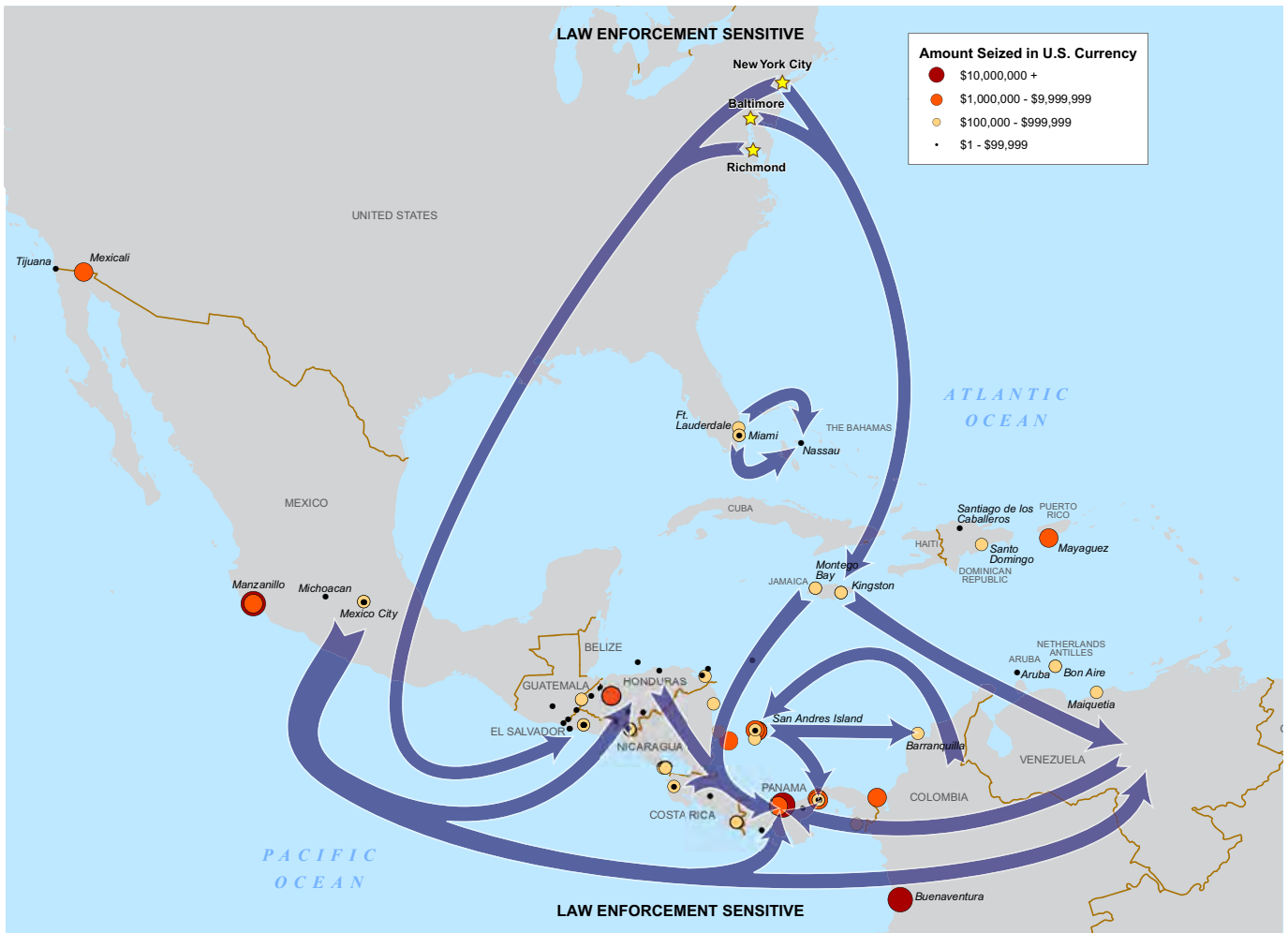
Appendix

Map 1. (LES) Bulk Currency Seizures and Flows—Maritime Map



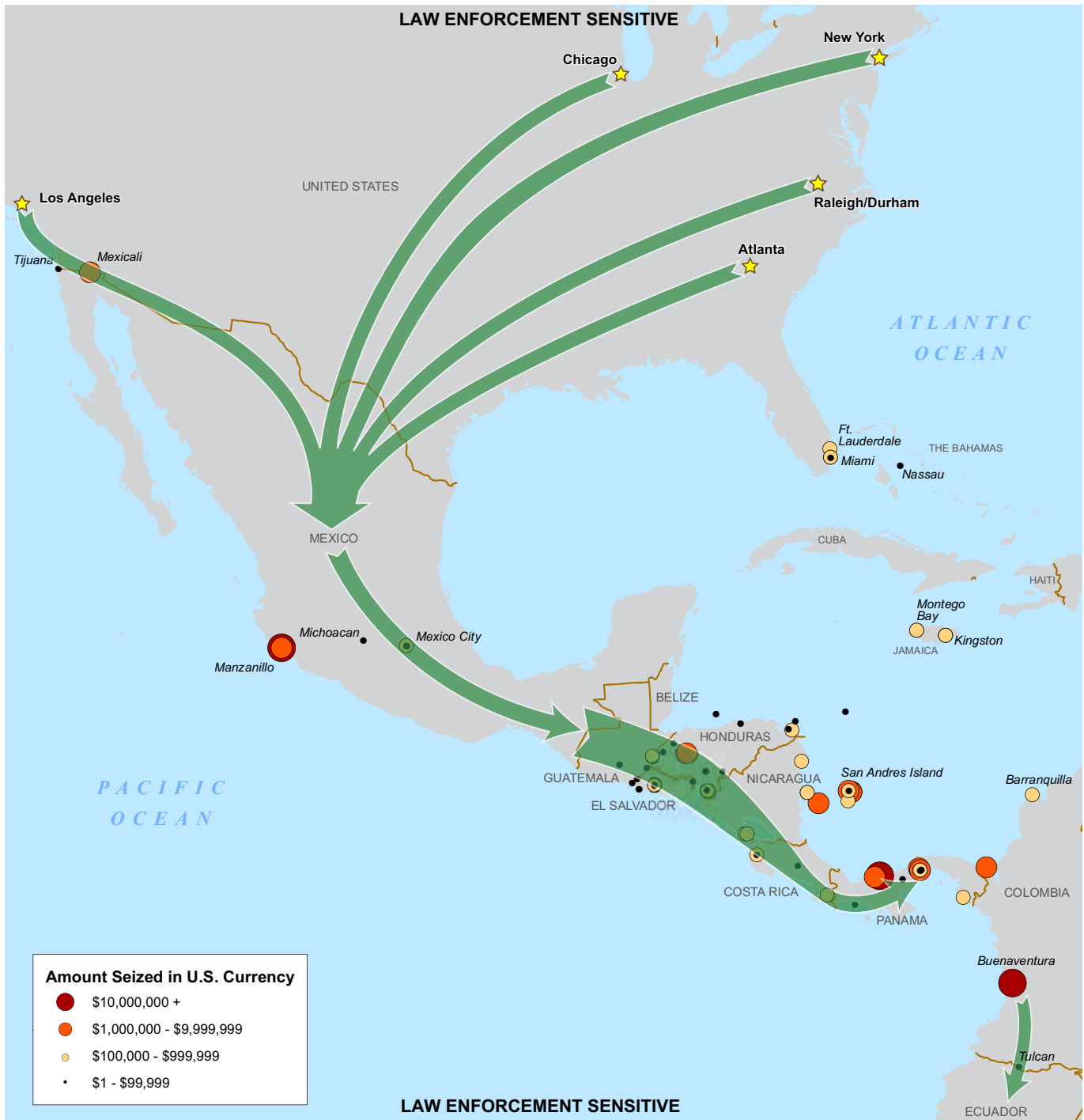
(LES) Note: The above map depicts maritime smuggling flows, not specific routes, to placement areas as derived from NDIC analysis of all source data; source of seizure data (which include maritime, air, and land seizures): Joint Interagency Task Force South (JIATF-S).

Map 2. (LES) Bulk Currency Seizures and Flows—Air Map



(LES) Note: The above map depicts general flows, not exact flight patterns, of illicit currency to placement areas via commercial airlines, as derived from NDIC analysis of all source data; source of seizure data (which include maritime, air, and land seizures): JIATF-S.

Map 3. (LES) Bulk Currency Seizures and Flows—Land Map



(LES) Note: The above map depicts the flow (not the exact routes) of illicit currency by land to placement areas as derived from NDIC analysis of all source data; source of seizure data (which include maritime, air, and land seizures): JIATF-S.

Endnotes

1. (U) Analyst interviews with South Florida Money Laundering Strike Force, September 2009 and November 2009.
2. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
3. (U) Analyst interviews with Commander, South Florida Money Laundering Strike Force and Detective Sergeant, U.S. Immigration and Customs Enforcement (ICE) El Dorado Task Force.
4. (U) Federal Reserve International U.S. Dollar Banknote Report, October 2009, via e-mail dated December 4, 2009.
5. (U) Financial Crimes Enforcement Network (FinCEN) analysis of Bank Secrecy Act (BSA) data associated with the Dominican Republic.
6. (U) Analyst interview with Serious Organized Crime Agency (SOCA), Miami, Florida, September 2009.
7. (U) Analyst interview with SOCA, Miami, Florida, September 2009.
8. (U) FinCEN analysis of BSA data associated with the Dominican Republic conducted at NDIC's request.
9. (U) FinCEN analysis of BSA data associated with the Dominican Republic conducted at NDIC's request.
10. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
(U) Joint Interagency Task Force South (JIATF-S) reported money seizures August 2004 through September 2009.
11. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
12. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
13. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
14. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
(U) Analyst interview with SOCA, Miami, Florida, September 2009.
15. (U) JIATF-S reported money seizures August 2004 through September 2009.
16. (U) Information obtained through Organized Crime Drug Enforcement Task Force Management Information System Portal queries.
17. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
18. (U) JIATF-S reported money seizures August 2004 through September 2009.
19. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
(U) FinCEN, "Financial Information Report: Venezuelan Bond Swaps," June 2009.
20. (U) Analyst interview with South Florida Money Laundering Strike Force, November 2009.
(U) Analyst interview with SOCA, Miami, Florida, September 2009.
21. (U) South Florida Money Laundering Strike Force.

Sources

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Federal Reserve

U.S. Department of Defense

Joint Interagency Task Force South

U.S. Department of Homeland Security

U.S. Customs and Border Protection

U.S. Immigration and Customs Enforcement

El Dorado Task Force

U.S. Department of Justice

Criminal Division

Organized Crime Drug Enforcement Task Force

Drug Enforcement Administration

El Paso Intelligence Center

National Seizure System

U.S. Department of the Treasury

Financial Crimes Enforcement Network

Other

Serious Organised Crime Agency (United Kingdom)

South Florida Money Laundering Strike Force



Questions and comments may be directed to
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