

BUSINESS INSIDER

These are the 2 classic ways Mexican cartels launder money



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Mexico is home to several drug trafficking organizations (DTOs): the Sinaloa cartel, La Familia cartel, Knights Templar cartel, Juarez cartel, and others.

Generally, these organizations buy cocaine processed in South America and smuggle it into the United States to sell. After that, however, they need a way to get the money back to Mexico — and secretly.

In a [recent money-laundering case](#) against 32 members of a Mexican cartel, special agent with Homeland Security Investigations (HSI) Jill Dennewitz explained how these organizations go about transporting their cash.



[Images_of_Money / Flickr](#)

While many cartels take the risk of smuggling profits back to Mexico in bulk, more sophisticated groups launder money to avoid seizures by border patrol. To do that, they use two basic methods: through financial institutions and trade-based money laundering.

Through financial institutions

First, if traffickers decide to launder their money through financial institutions, they need to deposit their "dirty money" at a bank.

Second, a process known as "layering" goes down. Traffickers will send drug proceeds through various wire transfers to different accounts in different names in different countries, all the while varying the amount of their deposits and withdrawals to make the paper-trail harder to follow. (Some traffickers even send drug profits back to Mexico in wire transfers disguised as payment for imported commodities, such as gold.)

Finally, the now-laundered money re-enters the mainstream economy, appearing to originate from a

perfectly legal transaction. For example, the trafficker could use its accounts to purchase over-valued items from a company the launderer already owns.

Using financial institutions, however, risks detection, especially because the [IRS requires banks report any deposits over \\$10,000](#). When cartels have millions to transport, any deposits less than that can grow tedious — and even then the IRS could start sniffing around. In 2010, for example, Europe's largest bank, [HSBC, was caught moving more than \\$881 million](#) in narcotics profits for the Sinaloa cartel, the world largest drug trafficking organization.



A HSBC private bank building is pictured in Geneva December 22, 2009.

REUTERS/Valentin Flauraud

Trade-based money laundering

When avoiding banks, drug traffickers first deliver drug proceeds directly to money launderers in a "money pickup." In one of these transfers, a broker associated with the cartel arranges for a US conspirator to call whoever has the drug profits. That individual will answer and wait for a code given to the conspirator by the broker. When the two are sure they're on the same page, the individual hands over the profits.

Then, the US conspirator would need to exchange the drug-related cash profits for high-value items, like gold or diamonds, or even textiles and toys. Then, they export and resell these commodities for Mexican pesos.

Finally, the trafficker would "invest" the profits from selling these commodities into a business.

In the end, the money comes out cleaner on the Mexican side of the border.

"I know that the use of trade-based money laundering has become increasingly popular with [drug trafficking organizations] due in part to the [new restrictions introduced in 2010](#) by the Mexican government to limit the use of US dollars in the country," Dennewitz testified.