



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Mexican Bank
Drafts and
Factored Third
Party Checks**

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This Advisory is of special interest to banks at which Mexican institutions maintain correspondent accounts. However, the Advisory is being distributed to all banks.

Mexican bank drafts have long been used to facilitate trade and commerce within the United States/Mexican border region. These drafts are issued in U.S. dollars by Mexican banks and are payable from correspondent accounts held at U.S. banks. The promise of payment by a U.S. bank makes them easy to sell or deposit.

Correspondent banking relationships are a vital part of the banking system, both domestically and internationally. However, like other aspects of the system, they are vulnerable to manipulation and misuse by money launderers. In this case, Mexican bank drafts have provided excellent tools for the facilitation of money laundering activities.

Banks and other financial institutions should give enhanced scrutiny to deposits or the presentation for collection of U.S. dollar-denominated bank checks or other drafts drawn by Mexican banks on their dollar accounts in U.S. banks. Enhanced scrutiny should also be given to the presentation for collection at U.S. banks by Mexican currency exchange and other businesses of multiple third party checks or drafts endorsed to the order of the business presenting the checks for payment.

Recycling Funds

A crucial part of the money laundering cycle is the re-entry into the United States of funds derived from criminal activity; the smuggling of those funds out of the country is intended to "launder" them for re-entry with an apparently foreign origin. Cross-border commerce between the United States and Mexico provides an especially attractive cover for attempts to reintegrate criminally-derived funds into the U.S. economy.

Two techniques for recycling funds along the border have been identified by law enforcement officials.



Mexican Bank Drafts

One technique is the use of smuggled currency in Mexico to purchase a "Mexican bank draft," that is, a dollar-denominated draft drawn by the Mexican bank to the order of the bank draft's purchaser, on that own bank's dollar account with a correspondent bank in the United States. The draft is then carried into the United States and negotiated, or perhaps endorsed to a third party who negotiates the draft at the United States correspondent institution. It may also be endorsed to a third party in Colombia, Panama, or elsewhere, as part of a more complicated scheme to purchase goods for conversion ultimately to laundered funds; in any event the draft ultimately finds its way back to the U.S. banks on which it's drawn.

Factored Third Party Checks

The second technique involves what might be called the "factoring" by currency exchange houses and other financial intermediaries of bank checks drawn on a single U.S. institution; the currency exchange house or other middleman buys the checks from smaller Mexican banks. The purchase price is paid with smuggled currency, and the bundled "factored" checks are sent by the purchaser to the U.S. bank for collection; the funds delivered upon collection are then rerouted to the launderers.

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Although the use of dollar-denominated bank drafts by Mexican institutions and the factoring of bank checks can serve legitimate commercial purposes, increased indications that the instruments are being used to move criminally-derived funds necessarily raise questions about the purposes of unusual transactions involving such instruments. Banks and other institutions subject to the United States Bank Secrecy Act should examine available facts relating to any transactions that involve persons with no apparent business basis for presenting such drafts, or bundled groups of third-party checks, for payment or deposit, especially in the case of persons not known to engage in substantial commerce with Mexico, persons who have no fixed address or persons who have no separate business address.

Particular attention should also be paid to periodic surges in the numbers and dollar volume of instruments of these sorts sought to be presented for payment. Finally, particular attention should be paid to accounts that are apparently used to concentrate cash generated by the deposit of such instruments prior to the wiring of funds to other parts of the United States or to locations outside of the United States (especially to narcotics source or transit countries).

Suspicious Transaction Reporting

Unless examination of the facts underlying such transactions, in each case, reveals that the transactions possess an independent lawful business purpose and are the sort in which the customer involved would normally be expected to engage, institutions subject to the suspicious activity reporting rules (31 CFR 103.21) should report such transactions as provided in those rules. Institutions subject to the Bank Secrecy Act, but not yet subject to specific suspicious activity reporting rules, should consider their obligations to report such transactions either under other applicable law or on a voluntary basis.

The Treasury Department will consider any report relating to a transaction described above to constitute a report of a suspicious transaction that may not be disclosed by the reporting institution to the parties involved, and to which the statutory protections against liability for reporting apply. The prohibition against disclosure and the protection against liability for reporting are contained, respectively, in 31 U.S.C. 5318(g)(2) and (g)(3).



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