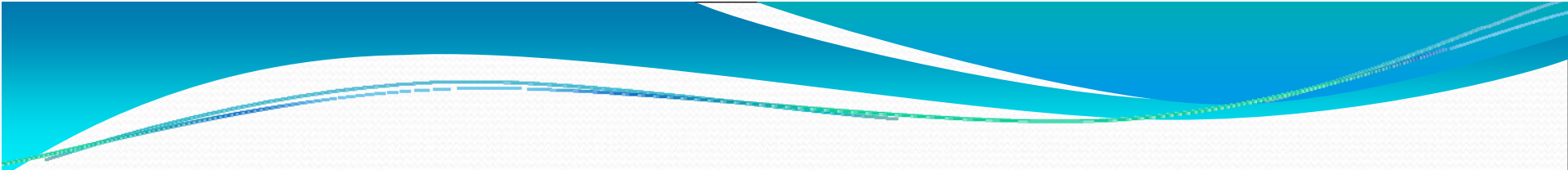


# Money Transmitting Businesses



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# What Is a Money Transmitting Business?

- Money transmitting businesses (or money remitters) receive money from customers to remit (or send) to the place or person designated by the customer
- The transmission can be domestic or foreign and can be sent through a variety of means

# Kinds of Money Remitters

- The **Big** Guys
  - Western Union
    - ~410,000 agent locations in ~240 countries & territories
  - MoneyGram
    - ~200,000 agent locations in ~190 countries & territories
- The Little Guys
  - “Ethnic” money remitters
  - May have one or more branches, usually operating in one or two states
  - Often send to only one or a few countries

# Agents

- Agents operate within terms of contract with licensee
- All transmissions must be performed by licensee
- Bank accounts
  - Deposits into dedicated accounts
  - Deposits into licensee's accounts
  - Deliveries to licensees

# Use of Bank Accounts

- Deposits made into dedicated accounts:
  - Account used solely for money transmission
  - Withdrawals made solely by licensee
- Deposits made into licensee's accounts:
  - Deposits made by agent into licensee's account
- Deliveries made to licensees:
  - Deposits made by licensee into its own account

# Money Remitters & Money Laundering

- 1. Money remitters can be in the business of laundering money themselves.
- 2. Money remitters can provide assistance to money launderers.
- 3. Money launderers can use the services of money remitters without the remitters' knowledge.

# Licensing of Money Transmitters

- State licensing requirements
  - Application process
  - Bond
  - Net worth
  - Periodic reports
- Agents of licensed money transmitters
  - Contractual relationship with licensee



## Money Remitters Are Required to:

- File currency transaction reports (CTRs)
- File suspicious activity reports (SARs)
- Obtain and retain identification for cash transactions over \$3,000



# Potential Criminal Activities

- Operating an “unlicensed money transmitting business,” 18 U.S.C. § 1960
- Failing to file CTRs, or filing false CTRs
- Failing to obtain required identification from customers
- Assisting structuring to avoid either CTRs or the identification requirement
- Laundering money

## Section 1960(a) – Statutory Language

- “Whoever knowingly conducts, controls, manages, supervises, directs, or owns all or part of an unlicensed money transmitting business, shall be fined in accordance with this title or imprisoned not more than 5 years, or both.”

## Definition of “Money Transmitting”

- 1960(b)(2) - “The term ‘money transmitting’ includes transferring funds *on behalf of the public* by any and all means
- Including but not limited to transfers within this country or to locations abroad by wire, check, draft, facsimile, or courier.”

# “Business” That Transmits Money “On Behalf of the Public”

- These terms are not defined in the statute
- “Businesses” are generally intended to earn profits
  - Fees; commissions; currency exchange
- “Public” implies multiple clients
  - Not necessarily open to all, however
  - Services could be restricted to a single ethnic group or members of a particular organization, for example

# Definition of “Unlicensed Money Transmitting Business”

- 1960(b)(1): “The term ‘*unlicensed* money transmitting business’ means a money transmitting business which affects interstate or foreign commerce in any manner or degree and—”
- One of three alternative prongs

# First Prong

- (A) is operated **without an appropriate money transmitting license** in a State where such operation is punishable as a misdemeanor or a felony under State law, *whether or not the defendant knew that the operation was required to be licensed or that the operation was so punishable*

## Second Prong

- (B) Fails to comply with the money transmitting business **registration requirements** under section 5330 of title 31, United States Code, or regulations prescribed under that section

## Third Prong

- (C) Otherwise involves the transportation or transmission of funds that are **known to the defendant to have been derived from a criminal offense** or are **intended to be used to promote or support unlawful activity**

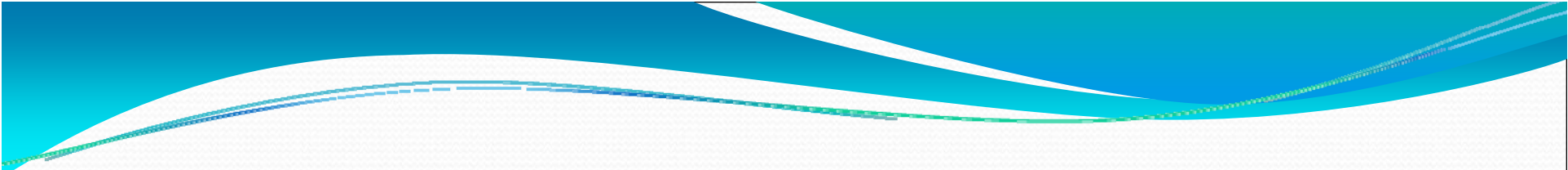


## Third Prong – Advantages & Disadvantages

- Applies to licensed & unlicensed money transmitting businesses
- Applies to funds derived from any “criminal offense”; does not require proof of SUA
- Applies to clean money intended to be used to support terrorism
  - Even domestic transportation or transmission
- 5-year statutory maximum
- Must involve money transmitting business

# Unit of Prosecution Under § 1960

- Conducting, controlling, managing, supervising, directing, or owning
- Can occur over time



# Finding Illegal Money Transmitting Businesses

- SARs
- Informants
- Regulators
- Tips From Legitimate Money Transmitting Businesses



# Sources of Evidence of Illegal Money Transmitting

- Informants
- Surveillance
- Trash
- Bank records
- Interception of faxes and emails
- Undercover operations
- Execution of search warrants

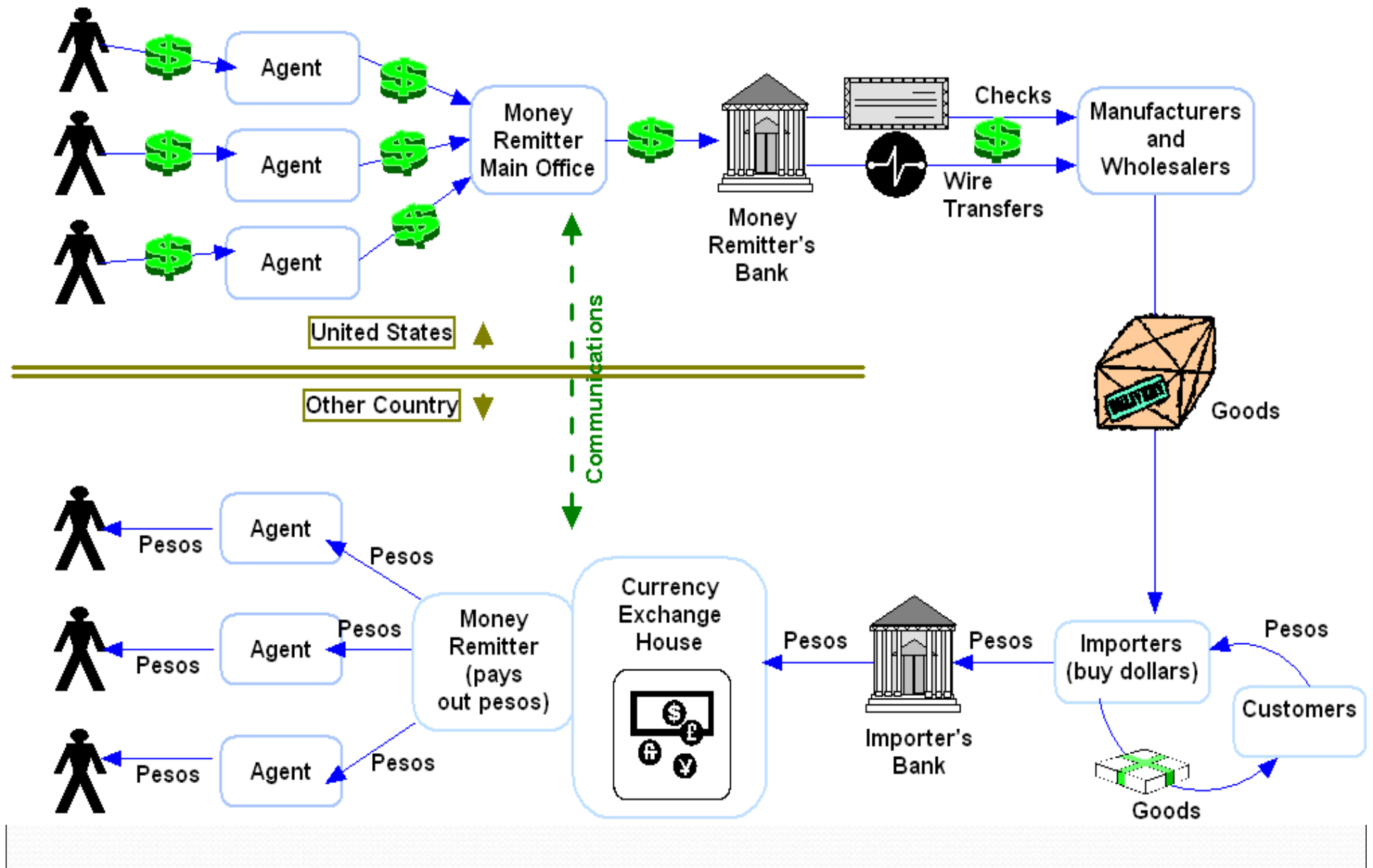
# Legitimate Agent? Unlicensed Business?

- Transmissions of funds must be performed by the licensee, not the agent
  - If the business does not have its own license, and
  - It's sending money on behalf of others itself,
  - It's acting illegally
- The bank accounts tell the story
  - Cash deposits +
  - Transmissions to another country that are not otherwise explained

# How Illegal Money Transmitting Businesses Work

- Lots of permutations
- E.g., wire money to a paying agent in the other country (a cambio, doleiro, etc.)
- Or wire money to bank accounts designated by the MSB in the other country
- Or use the black market currency exchange

# Money Remitting and the Black Market Peso Exchange



# Roots of the Black Market

- Foreign exchange restrictions in many countries
- Need for U.S. dollars to pay for goods
- Availability of U.S. dollars, especially narcotics proceeds
- Need to “clean” narcotics proceeds
- Industry available to handle conversion
  - Money remitters and money launderers in U.S.;
  - Money brokers in other countries



# Who Has U.S. Dollars to Sell?

- Launderers of narcotics proceeds
- Money remitters
  - Including both legitimate money
  - And criminal proceeds





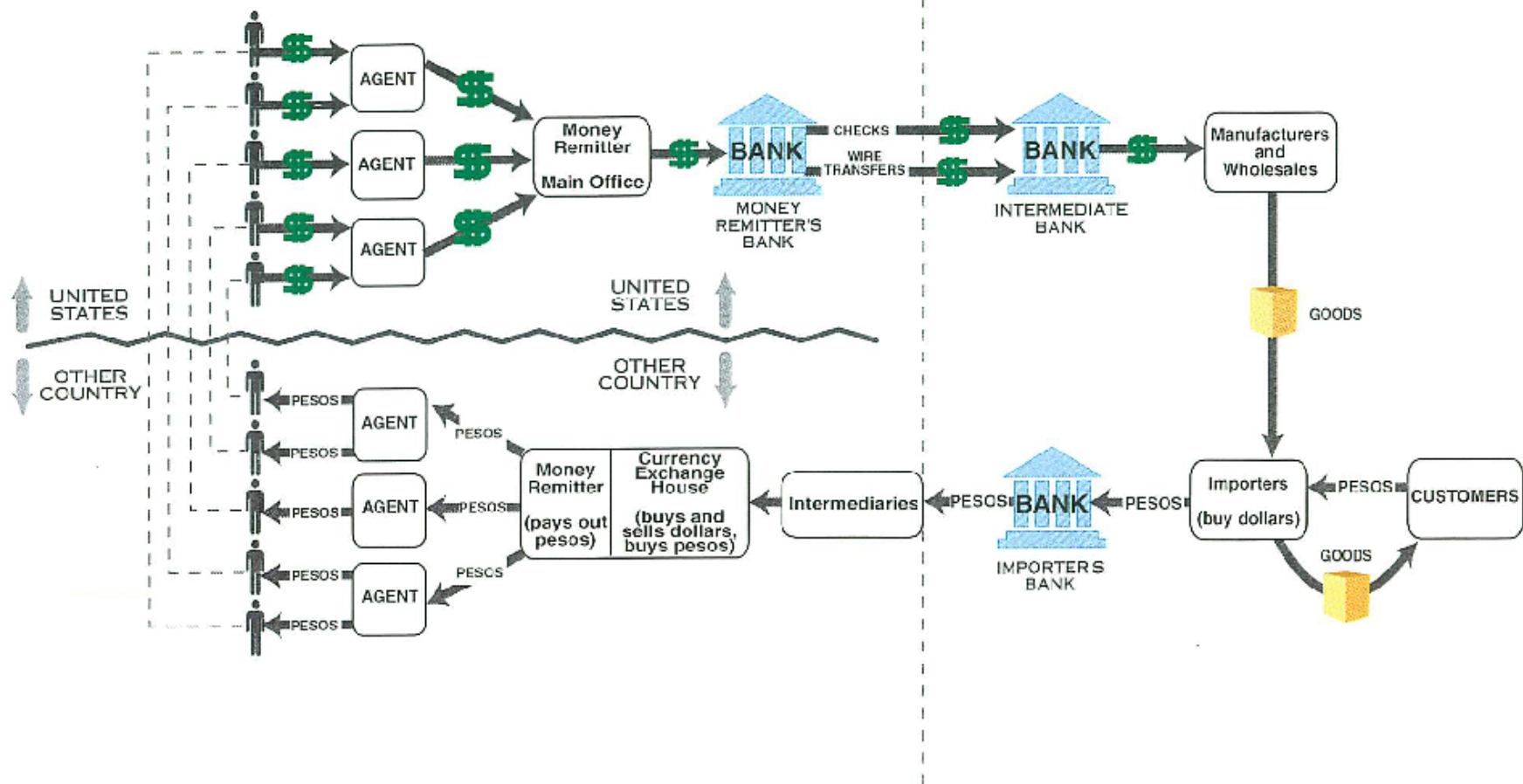
# Bank Accounts – Black Market Indicators

- Third party payments (no relationship between payor & payee)
- Payments to companies in the Colón Free Trade Zone
- Usually no legitimate business thru the accounts
- Relationship among accounts; “pooling” accounts
- Short-lived use of accounts
- Source – deposits of cash or transfers from other accounts

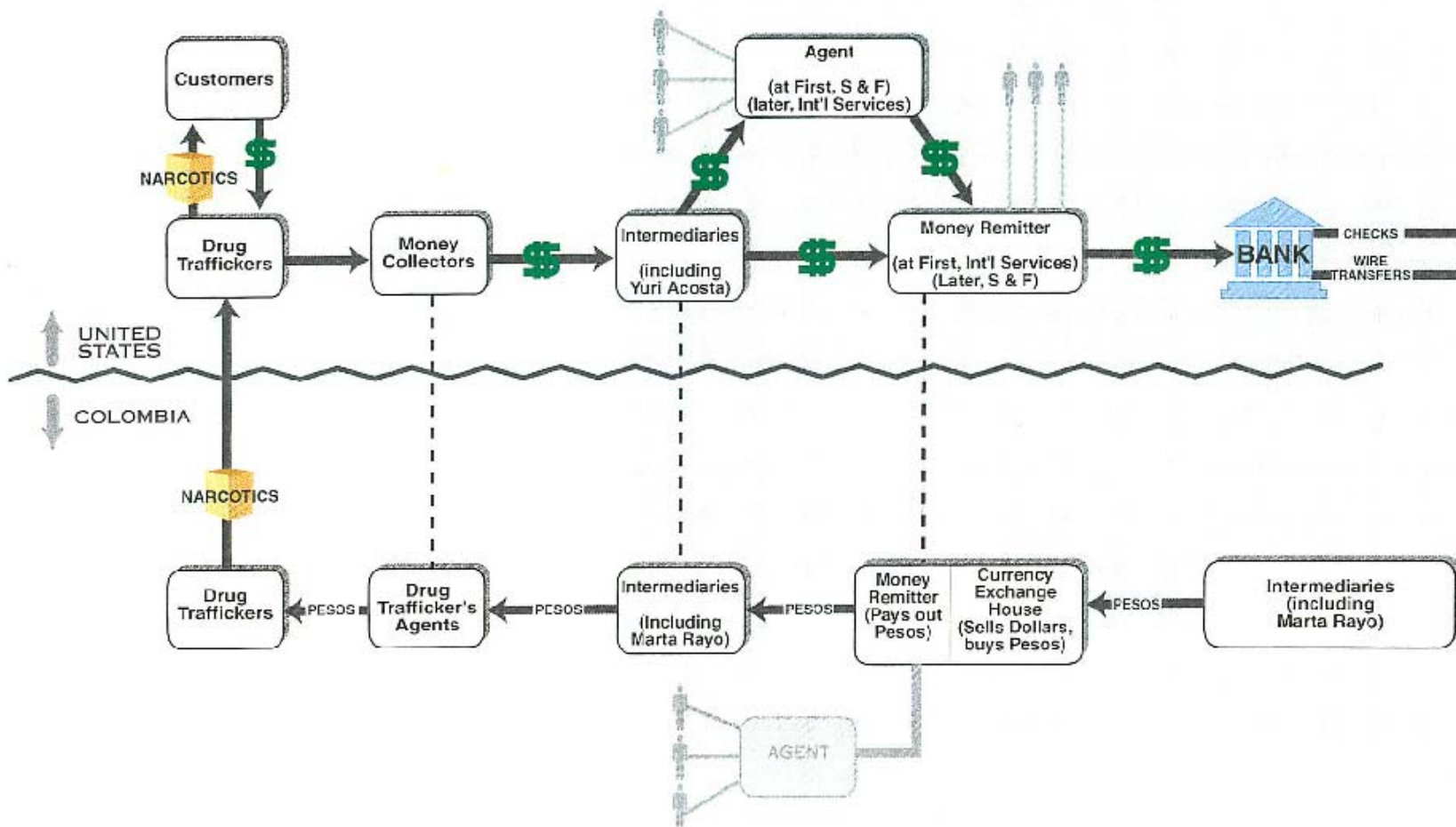
# Money Remitters and the BMPE

- Money remitters can use the BMPE to reduce expenses
- Money remitters are said to be the only source of U.S. dollars moved through the BMPE that *may* not be narcotics proceeds

# Money Remitting and the BMPE – Trial Diagram



# Overlay Diagram: U.S. v. Wert-Ruiz





*That's all, folks!*