Department of the Treasury
Financial Crimes Enforcement Network

Advisory

FIN-2012-A006
Issued: July 18, 2012
Subject: Update on U.S. Currency Restrictions in Mexico

The Financial Crimes Enforcement Network (FinCEN) is issuing this Advisory to remind financial institutions of previously-published information concerning regulatory restrictions imposed on Mexican financial institutions for transactions in U.S. currency. In 2010, FinCEN issued an Advisory (2010 Advisory) informing financial institutions of then-recently enacted restrictions.[1]

Since the issuance of the 2010 Advisory, FinCEN has been working with law enforcement, regulatory, and international partners, as well as monitoring trends in Bank Secrecy Act (BSA) data, to identify changes to illicit actors' methodologies when moving funds. While the initial restrictions were applied to Mexican banks, on September 9, 2010, similar restrictions were issued for exchange houses (casas de cambio) and brokerages (casas de bolsa). For additional information, financial institutions may wish to visit the Mexican Ministry of Finance's website to find the regulatory text and any further updates.[2]

Currency Flows Between Mexico and the United States

As previously highlighted, the U.S. cash restrictions in Mexico are likely having a direct impact on illicit funds being moved through U.S. financial institutions. To assist financial institutions with monitoring how these changes could impact illicit funds in U.S. institutions, this Advisory provides examples of activity commonly seen prior to the Mexican regulatory changes to establish a baseline for future monitoring purposes, as well as recently observed activity. Financial institutions should be mindful of changes in transaction patterns based on their customers, products and services, and geographic locations. FinCEN previously released an Advisory on narcotics and currency transfers; financial institutions may find this Advisory useful when researching whether their geographic region is in a narcotics or bulk currency corridor that begins or ends at the United States/Mexico border.[3]

Financial institutions have reported shifts in techniques utilized by potentially illicit actors since the Mexican regulatory change, in addition to continuations in traditional

---

[1] Financial Crimes Enforcement Network, "Newly Released Mexican Regulations Imposing Restrictions on Mexican Banks for Transactions in U.S. Currency." FIN-2010-A007, (June 21, 2010), *available at* http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2010-a007.pdf
[2] http://www.shcp.gob.mx/english/Paginas/default.aspx
[3] Financial Crimes Enforcement Network, "Information on Narcotics and Bulk Currency Corridors," FIN-2011-A009 (April 21, 2011), *available at* http://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2011-A009.pdf.

methodologies. In the past, bulk currency was smuggled into Mexico across the United States/Mexico border and deposited into Mexican financial institutions. Thereafter, wire transfers were made to the Mexican institution's correspondent accounts at U.S. financial institutions, and surplus dollar banknotes were repatriated to the United States. Following implementation of the cash restrictions in Mexico, wholesale U.S. dollar banknote repatriation from Mexico declined significantly and the traditional currency flows between the United States and Mexico are changing.

"Funnel Account" or "Interstate Cash" Activity

Funnel account activity often involves a customer structuring currency deposits into an account in one geographic area, with the funds subsequently withdrawn in a different geographic region with little time elapsing between deposit and withdrawal. The rapid flow of funds may also span a large geographic area between the deposits and withdrawals, including instances where the deposit location is thousands of miles away from the withdrawal location. In some instances, these disparate deposits have been consolidated into a single account and withdrawn from the consolidated account. The currency deposits and withdrawals often have no apparent lawful or business purpose and do not reflect the stated occupation of the account holder.

Funnel account activity, or interstate cash, has become an increasingly relied-upon method for the movement of potentially illicit funds between disparate geographic areas. Specifically, FinCEN has received information that suggests southern California has become a focal point for currency withdrawals, the end point of funnel account activity.

Additional Methodologies and Potential Red Flags

Financial institutions may also wish to consider the following red flags when identifying suspicious activity:

- Multiple wire transfers initiated, with payments in U.S. currency, by casas de cambio that direct U.S. financial institutions to remit funds to jurisdictions outside of Mexico that bear no apparent business relationship with that casa de cambio. If a U.S. financial institution has historically provided financial services to the remittance originator, there may be a change in the manner in which funds are requested to move from the transactions occurring before the currency restrictions came into place.)

- Unusual currency deposits into U.S. financial institutions, followed by wire transfers to Mexico in a manner that is inconsistent with expected customer activity. This may include sudden increases in cash deposits, rapid turnover of funds, and large volumes of cash deposits with unknown sources of funds.

- Increased attempts to "legitimize" the source of large currency deposits into U.S. accounts by showing completed Report of International Transportation of Currency or Monetary Instruments (CMIR) forms to financial institution employees. Financial institutions should consider the existence of a CMIR as irrelevant to the classification of a transaction as suspicious activity.

- Deliveries of U.S. currency to domestic financial institutions made by armored car or courier services traveling from Mexico, followed shortly after by wiring funds to separate financial institutions or accounts, often in Mexico. Currency flow analysis has demonstrated notable increases in cash imports from Mexico at certain border locations, particularly in Southern California, following implementation of the cash restrictions in Mexico.

- When customer accounts opened near the border are closed due to suspicious activity, those former customers begin transacting on behalf of new customers who have account access at the financial institution as a means to continue their activities. There are often frequently-occurring, currency-intensive transactions on both the new and previously-closed accounts

FinCEN will continue to monitor SARs that identify “MX Restriction” and report findings and emerging trends in future advisories and guidance as appropriate.[4] As more information becomes available on evolving trends by illicit actors, FinCEN will continue outreach to financial institutions so as to assist with customer and transaction monitoring.

Guidance

If a financial institution knows, suspects, or has reason to suspect that a transaction conducted or attempted by, at, or through the financial institution involves funds derived from illegal activity or an attempt to disguise funds derived from illegal activity, is designed to evade regulations promulgated under the Bank Secrecy Act (“BSA”), or lacks a business or apparent lawful purpose, the financial institution may be required to file a SAR.[5] Financial institutions that receive or offer services in connection with bulk cash shipments should have policies and procedures that mitigate the risks of those services. While the transactional activity that U.S. financial institutions may experience as a result of the Mexican restrictions may not be indicative of criminal activity, U.S. financial institutions should consider this activity in conjunction with other information, including transaction volumes and source of funds, when determining whether to file a suspicious activity report (SAR).

Financial institutions should continue to be alert to the possible use of alternative methods to move funds linked to laundering of criminal proceeds. Additionally, FinCEN continues to request financial institutions to include “MX Restriction” in the narrative portion of Suspicious Activity Reports.

---

[4] The original June 21, 2010 Advisory, FinN-2010-A007, advised financial institutions to include “MX Restriction” so FinCEN and law enforcement may better identify activity related to this issue. http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2010-a007.pdf

[5] *See e.g.* 31 CFR § 1020.320.

Questions or comments regarding the contents of this advisory or the June 2010 Advisory should be addressed to the FinCEN Regulatory Helpline at 800-949-2732. ***Financial institutions wanting to report suspicious transactions that may relate to terrorist activity should call the Financial Institutions Toll-Free Hotline at (866) 556-3974 (7 days a week, 24 hours a day).*** The purpose of the hotline is to expedite the delivery of this information to law enforcement. Financial institutions should immediately report any imminent threat to local-area law enforcement officials.