

## Banking by Kathy Burdman

### A proliferation of hundred-dollar bills

*The favored denomination for illegal money launderers: large sums of the bills are held abroad.*

Treasury officials here have found a promising line of investigation for tracking the pathways of illegal money laundering in the U.S. banking system. The funds they are monitoring include revenues from illegal narcotics sales, currently estimated at a minimum of \$150 billion annually in the United States.

After law enforcement officials succeeded in entrapping several drug money operatives attempting to smuggle cash abroad, it became clear to the enforcement agencies that hundred-dollar bills were the favored denomination for moving cash earned from narcotics sales. Treasury then observed that the rate of growth of printing and circulation of bills with a \$100 face value is growing faster proportionately than other denomination.

During 1980, the Federal Reserve found \$4 billion in stockpiles of hundred-dollar bills held abroad in offshore banks or by foreign individuals.

At least one of the routes which cash held by major drug pushers takes within the U.S. banking system is the route which begins in Florida, the major entry point for Latin American cocaine and marijuana into the U.S. retail market.

Much of the cash earned from Florida state retail sales of drugs is deposited in Florida banks—at least \$4 billion, which is the registered cash surplus in the Florida banking system.

These deposits are frequently held in ten- and twenty-dollar denominations, the peculiar, documented form of the Florida cash surplus. Treasury reports, in addition, that the New York correspondent banks of the Florida banks have for some time been sending hundred-dollar bills down to Florida to their correspondent clients, indicating the New York banks have been helping the Florida retail drug market put its cash into a more easily laundered form. These hundred-dollar bills are the best form for the second phase of retail drug money laundering: namely, race-track betting, purchase of high-priced consumer goods, and storage in private vaults.

As a major entry point for drugs, however, Florida also has a substantial wholesale market for transport to other parts of the country. As a recent arrest in Florida of a Colombian travel agent documented, a significant portion of this cash is smuggled abroad by couriers, partly to Latin American foreign-exchange dealers who are running a vast "parallel" market in currencies throughout the continent.

As a wholesale market, the denominations of bills used in these transactions can be pre-arranged as part of the wholesale contract. These wholesale funds don't have to go through the Florida banking

system.

Treasury estimates of the size of the Florida drug market—\$8 to \$10 billion annually—reflect the state's own, as well as contiguous states', retail markets. The value of drugs passing through Florida, as shown by the size of the Latin American market in marijuana and cocaine, is from \$40 to \$70 billion.

In this more extensive, multibillion wholesale market, bills starting with a \$100 face value, going up are also favored. East Coast retail stores, including the biggest and best-known names in the department-store circuit, perform an important function for drug wholesalers who need to package their cash payments to their suppliers in denominations that are agreed upon in delivery contracts.

The margin of this wholesale cash smuggled abroad is much larger than the \$4 billion identified by the Federal Reserve. Treasury has found that large, undetermined sums of dollar cash are circulating particularly in Argentina and Brazil, where businessmen buy everything from houses to cars to land in dollar cash.

Wire transfers to the Cayman Islands, the Caribbean, and Bermuda, remain an important conduit for money laundering. But last year's tightening of the rules in the 1970 "Bank Secrecy Act," requiring banks to report \$10,000-and-up deposits to Treasury, have forced the drug launderers to rely on growing margins of cash transactions.

Throughout the Caribbean, offshore banks have been moving to expand their island "branch networks" to facilitate offshore depositing of these growing margins of smuggled cash.