

UNITED STATES DEPARTMENT OF THE TREASURY



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FinCEN Issues Geographic Targeting Order Covering the Los Angeles Fashion District as Part of Crackdown on Money Laundering for Drug Cartels

'GTO' Impacts Most Businesses in L.A. Fashion District

WASHINGTON, DC –The Financial Crimes Enforcement Network (FinCEN) announced today the issuance of a [Geographic Targeting Order](#) (GTO) that imposes additional reporting and recordkeeping obligations on certain trades and businesses located within the Los Angeles Fashion District. The GTO will enhance law enforcement's ongoing efforts to identify and pursue cases against persons and businesses engaged in the illicit movement of U.S. currency to Mexico and Colombia on behalf of prominent drug trafficking organizations (DTOs).

The GTO, which will go into effect on October 9, was sought by the United States Attorney's Office for the Central District of California, which is working with the U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HSI) and the Internal Revenue Service's Criminal Investigation division (IRS Criminal Investigation) to fight money laundering schemes designed to allow international drug cartels in Central America and South America to reach drug proceeds generated in the United States.

Extensive law enforcement operations have revealed evidence that money laundering activities and Bank Secrecy Act (BSA) violations are pervasive throughout the Los Angeles Fashion District, which includes more than 2,000 businesses. Much of the money laundering is conducted through Black Market Peso Exchange schemes, also known as trade-based money laundering, in which drug money in the United States is converted into goods that are shipped to countries such as Mexico, where the goods are sold and money now in the form of local currency goes to the drug trafficking organizations.

On September 10, more than 1,000 federal, state and local law enforcement officials were in the Fashion District, where they executed dozens of search warrants and arrest warrants linked to

businesses suspected to be engaged in money laundering schemes and evasions of required BSA reporting. Criminal investigations have revealed evidence that many of these businesses are routinely accepting bulk cash as part of schemes involving black market peso exchange and trade-based money laundering on behalf of DTOs based in Mexico and Colombia. During the Sept. 10 enforcement action, HSI special agents seized what was ultimately determined to be more than \$90 million in currency. The cash was found at various residences and businesses stored in file boxes, duffel bags, backpacks and even in the trunk of a Bentley.

“This GTO illustrates that FinCEN will not shy away from using each and every one of its authorities to disrupt drug cartel activity,” said FinCEN Director Jennifer Shasky Calvery. “FinCEN’s expertise goes far beyond collecting the BSA data. Our own analysis of thousands of BSA filings played a critical role in the recent takedown, as well as ongoing law enforcement operations. And the additional information collected through FinCEN’s GTO will only increase our ability to track and dismantle these criminal organizations.”

“This order requires nearly every business in the Fashion District to report any instance in which they receive at least \$3,000 in cash, and failure to comply with the order could lead to a criminal indictment,” said Acting United States Attorney Stephanie Yonekura. “My office sought the unprecedented order from FinCEN with the goal of shutting down the flow of dirty money to foreign drug cartels – a huge problem that has contaminated the Fashion District.”

“Last month, in a matter of hours, HSI special agents seized tens of millions of dollars in cash from individuals with business interests in LA’s garment district. That’s a mindboggling amount of money and it makes it abundantly clear the scale of criminal activity we’re up against,” said Claude Arnold, special agent in charge for HSI Los Angeles. “International drug cartels generate billions of dollars a year in profits, but all that cash is virtually worthless unless traffickers can find a way to funnel it clandestinely back into the monetary system. Unscrupulous companies that help the cartels cover their financial tracks are contributing in a major way to the devastation wrought by the international drug trade and they will be held to answer for their actions.”

"Individuals who laundered money through the fashion industry will now be hard pressed to continue their criminal activities," said Richard Weber, Chief, IRS Criminal Investigation. "The issuance of this Geographic Targeting Order will assist law enforcement agencies in ferreting out money launderers from this trade industry and will help to preserve a strong local economy."

Businesses covered under today’s order include garment and textile stores; transportation companies; travel agencies; perfume stores; electronic stores (including those that only sell cell phones); shoe stores; lingerie stores; flower/silk flower stores; beauty supply stores; and stores bearing “import” or “export” in their name. Today’s order will take effect on October 9, 2014 and will remain in effect for 180 days. Affected businesses in the Los Angeles Fashion District should review the Order to understand their reporting obligations.

FinCEN previously issued a [GTO](#) in August 2014 that covered the U.S.-Mexico border at two California ports of entry. Information gathered pursuant to that GTO is providing U.S. law enforcement with an unprecedented ability to identify precisely who is moving money into and out of the United States using armored cars and other common carriers of currency.

Covered businesses with questions about today's order should contact the FinCEN Resource Center at 800-767-2825.

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FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.