

## **SUMMARY**

The United States/Mexico border is the epicenter for smuggling humans, narcotics, weapons, and currency. These crime problems disrupt the quality of life and economies of the Southwest Border States and our neighbors in Mexico. The United States and Mexico are responding to unprecedented levels of violence that plague Mexico and threaten the United States. The violence is of utmost concern to officials along the SWBA. As a major world consumer of illegal drugs, the United States is the destination point for the narcotics produced in or shipped through Mexico.

The drug cartels in Mexico generate an estimated \$35 to \$40 billion from narcotics trafficking each year. Most of this currency moves through the SWBA on its way back to the cartels. The cartels use a variety of methods to process or “launder” profits that are earned in the United States. The most common include bulk cash transportation, money transmitters, U.S. banking systems, the “Black Market Peso Exchange,” and other trade-based methods.

In response to the alarming increase in border crime, the Attorneys General of Arizona, California, New Mexico, and Texas formed a unique alliance with the Superintendent of the Arizona Department of Financial Institutions, the Director of the Arizona Department of Public Safety, and the Chief of the Phoenix Police Department. This alliance was achieved through the efforts of the Arizona Attorney General and was memorialized in the February 2010, *Settlement Agreement* entered into by the State of Arizona and Western Union Financial Services. The *Settlement Agreement* provides for the creation of the Southwest Border Anti-Money Laundering Alliance (“Alliance”), further described in the *Southwest Border Anti-Money Laundering Alliance Governing Agreement*. The same seven partners comprise an Executive Board (“Board”) that manages the Alliance.

The Alliance will have access to resources to support enforcement and prosecution efforts throughout the Southwest Border Area (“SWBA”), which includes the area near both sides of the entire border. These resources will fund SWBA investigations, initiatives, and programs that meet criteria established by the Board. The Board will award funding based on a Strategy focused on civil enforcement, criminal investigations, prosecutions, and money laundering training and education in the SWBA.

## **PROBLEM STATEMENT**

Law enforcement officers and prosecutors frequently lack specialized expertise and resources to effectively deal with money laundering and the criminal activity that drives it. Money laundering crimes are complex, dynamic, and often multi-jurisdictional. Narcotic, human, and weapons traffickers routinely move the proceeds of their criminal activity from one location to another by electronically transferring funds through money transmitters. Beginning in 2001, the Arizona Attorney General’s Office began analyzing transaction data generated by Western Union and other money transmitters. This analysis and ensuing investigations reflected that this method of money laundering is not limited to Arizona, but is regional in scope. It was apparent that anti-money laundering efforts could never fully succeed without addressing the problem along the entire border between the U.S. and Mexico, including into Mexico. Based upon this, it was determined that the Alliance should bring to the SWBA intelligence-driven investigations and prosecutions that had previously either gone undetected or were obfuscated by the difficulties authorities encountered in financial investigations.

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## **GOAL STATEMENT**

The goal of the Alliance is to provide law enforcement with resources to effectively investigate and prosecute organizations using all criminal and civil remedies to impact the profit-motivated component of narcotics, weapons, and human traffickers or smugglers.

The Alliance will provide assistance to investigators, analysts and prosecutors in their efforts to disrupt criminal organizations and dismantle their operations by providing resources, expertise, meaningful data analysis, training, and organizational collaboration.

The Alliance will leverage the resources of this project with those of federal law enforcement agencies, the Financial Crime Enforcement Network, High Intensity Drug Trafficking Area initiatives, other task forces such as BEST task forces, and counterpart agencies in Mexico. It will provide law enforcement, prosecutors, and the private sector community with training regarding money laundering, asset forfeiture, financial investigations, and the importance of Bank Secrecy Act compliance.

## **MANAGEMENT PLAN**

The Alliance intends to operate through Alliance-Appointed Staff (“Staff”), which will provide three core activities: First, it will collect intelligence from analysts in each of the Alliance States, and from federal agencies, and gather money transmitter and other data to better identify and respond to money laundering risks in the SWBA. Second, it will assist grant applicants in preparing grant applications, provide the Board with information it can use to evaluate applications, and, after grant applications are approved, will assist the grantees in executing approved initiatives, including by providing an audit function. Third, it will provide anti-money laundering and related training in all Alliance States and in Mexico and will organize annual Alliance conferences.

It will conduct five types of activity:

1) Analysis-The Alliance Staff will include two or more Analysts in the central office and an additional Analyst (two in Texas) appointed by the Attorney General of each Alliance State and stationed either at the central office or in the appointing State, at the election of the appointing Attorney General. This group will welcome additional analysts from federal agencies that choose to participate, such as FinCEN and DEA. The Analysts will collect financial intelligence, including the full-SWBA money transmitter data provided for in the Settlement Agreement, and BSA data, particularly SARs, and provide law enforcement in the entire SWBA with specific reactive, investigation-driven analysis and with proactive risk, pattern, and target analysis. They will build a better understanding of the channels, amounts, and vulnerabilities of the flow of illicit money from source/consolidation areas to the SWBA and across the U.S./Mexico border.

2) Investigation-The Alliance Staff will include an Investigative Supervisor hired by the Alliance Board and a Field Investigator (two in Texas) appointed by the Attorney General of each Alliance State and stationed in the appointing State. The Investigators will assist the Executive Board in evaluating grant applications and, after grants have been awarded, will assist the grant awardees in accomplishing their goals. They will assist in communications between their state’s grantees and their state’s Attorney General and among other states’ Field Investigators, law enforcement, and all of the SWBA Initiatives, to better coordinate and effectuate the Alliance mission. They will also work with

the Auditor to perform program audits to assure fiscal responsibility and appropriate record-keeping and to promote Initiative success. Field Investigators will become familiar with money laundering, financial investigation, asset forfeiture, and prosecution resources and experts in their respective areas and throughout the SWBA and serve as points of contact to get officers in the field immediate advice and hands-on in-the-field assistance on money laundering cases at Alliance expense.

3) Training and conference organization-The Alliance will hire or contract with a Training Coordinator. The Staff will arrange anti-money laundering, racketeering, asset forfeiture, and financial investigation training in all Alliance States and in Mexico. It will create written, video, and web-based training materials, including state-specific manuals, condensed courses for roll call training, and separate short courses for outside audiences such as judges, legislators, and businesses. It will also organize two conferences each year. One annual conference will be an Alliance organization conference to keep Alliance-affiliated investigators, prosecutors, and analysts in touch with each other and with the changing money laundering challenges in the SWBA and to knit the Alliance Initiatives into a cohesive SWBA operation. The other will be a Southwest Border Money Laundering Conference addressing the issues and challenges of money laundering enforcement in the SWBA in conjunction with our industry partners and the court-appointed Western Union Monitor. The Training Coordinator will act as a clearinghouse for experienced trainers in the SWBA and coordinate Alliance training with OCDETF, HIDTA, and other training resources.

4) Auditing-The Alliance will hire or contract with an Auditor working with and through the Field Investigators. The Auditor will perform both program and fiscal audits to promote the success of all Initiatives and to assure fiscal responsibility in the use of Alliance Funds.

5) Administration-The Alliance will engage a Director, an Administrative Assistant and a secretary. These positions will oversee the Staff and provide support for their activities. The Director will assure that the Staff carries out the Board's directions and communicate the Staff's work, progress, ideas, and concerns to the Board. The Director will also coordinate Alliance activities with SWBA law enforcement such as HIDTA, BEST, OCDETF, and other task forces and agencies, including funding and asset sharing. The Director will oversee the training and conferences.

## **STRATEGY REVIEW PROCESS**

The annual Alliance organization conference will include open forum policy and planning review of the Strategy as an agenda item. All grant recipients may submit Strategy recommendations to the Board. All Alliance participants are invited to contribute recommendations to the review process.

## **ANNUAL PERFORMANCE REPORT**

The annual Alliance review will include an Annual Performance Report featuring a plan for the improvement of performance in the coming year.

**GOAL 1:**

**DISRUPT CRIMINAL ORGANIZATIONS THAT ENGAGE IN CROSS BORDER VIOLENCE**

Objective 1.1: The Alliance will support the investigation and prosecution of organizations that engage in cross border violence.

Objective 1.2: The Alliance will support the investigation and prosecution of individuals who provide material support for or otherwise facilitate organizations that engage in cross border violence.

Objective 1.3: The Alliance will promote the increased use of civil and criminal asset seizures and forfeitures from individuals/organizations that engage in or facilitate cross border violence.

Objective 1.4: The Alliance will foster international collaboration to identify, investigate, and disrupt the financial activities used to facilitate cross border violence.

Objective 1.5: The Alliance will foster multi-jurisdictional collaboration to identify, investigate, and disrupt financial activities that facilitate cross border violence.

**GOAL 2:**

**DISRUPT THE MOVEMENT OF WEAPONS THAT FLOW ACROSS THE SOUTHWEST BORDER INTO MEXICO**

Objective 2.1: The Alliance will increase the use of financial intelligence and information to proactively investigate persons engaged in weapons smuggling.

Objective 2.2: The Alliance will increase the collection, analysis, and dissemination of financial information acquired during weapons smuggling investigations.

Objective 2.3: The Alliance will establish objectively-verified empirical measurements of the amount and methods of U.S. weapon movement from the United States into Mexico.

Objective 2.4: The Alliance will foster increased use of civil and criminal asset seizures and forfeitures in prosecutions of weapons smuggling.

Objective 2.5: The Alliance will assist in increasing the number of state and federal criminal and civil prosecutions relating to weapons destined for Mexico.

**GOAL 3:**

**DEVELOP A SWBA INFORMATION SHARING NETWORK**

Objective 3.1: The Alliance will develop effective methods to collect, analyze, and disseminate financial information.

Objective 3.2: The Alliance will develop and implement dissemination of financial information through user-friendly web-based access, whether through existing mechanisms such as Gateway or otherwise, and will provide manuals and video/web training on access and use of this resource.

Objective 3.3: The Alliance will disseminate analytical products to include information consisting of threat assessments, strategic analysis, trend analysis, and target development.

Objective 3.4: The Alliance will foster the sharing of investigative information among U.S. law enforcement agencies and between Alliance participants and their counterparts in Mexico.

Objective 3.5: The Alliance will enhance collaboration and communication between the law enforcement community and its private sector partners, to include money services businesses, informal value transfer systems, and traditional financial institutions.

Objective 3.6: The Alliance will fully integrate its data analysis with Mexican analytical operations.

Objective 3.7: The Alliance will effectively monitor the use of new payment methods in SWBA money laundering, including stored value devices, electronic payment devices, and online services.

**GOAL 4:**

**PROVIDE TRAINING FOR LAW ENFORCEMENT, PROSECUTORS, AND PRIVATE SECTOR PARTNERS REGARDING MONEY LAUNDERING**

Objective 4.1: The Alliance will sponsor educational forums providing private sector partners with guidance to avoid their facilitating money laundering in the Border States.

Objective 4.2: The Alliance will provide training on key subjects including money laundering, bulk cash interdiction, weapons smuggling, money transmitter operations, emerging payment methods, and human trafficking/smuggling on both sides of the border in close coordination with other available training and resources.

Objective 4.3: The Alliance will assemble expert immediate investigative and prosecutive assistance resources in all states to provide investigators and prosecutors in the field an immediate point of contact for advice and assistance in money laundering and related cases.

**GOAL 5:**

**SUPPORT MULTI-JURISDICTIONAL DOMESTIC AND INTERNATIONAL MONEY LAUNDERING INVESTIGATIONS**

Objective 5.1: The Alliance will foster collaboration in the SWBA to develop and enhance intelligence-driven investigations and prosecutions of money laundering and the related crimes of smuggling humans, currency, drugs, weapons, and human trafficking.

Objective 5.2: The Alliance will promote the use of civil and criminal asset seizures and forfeitures in prosecutions of money laundering operations and the related crimes of smuggling humans, currency, drugs, weapons, and human trafficking.

Objective 5.3: The Alliance will increase the use of bulk cash interdiction activities in order to disrupt the placement of illicit proceeds into United States and Mexican bank or non-bank financial institutions, in coordination with OCDETF, HIDTA, BEST, and other operations.

Objective 5.4: The Alliance will support the Financial Crime Enforcement Network's mission to deter and detect criminal activity and safeguard United States financial systems and the FATF's Recommendations, fostering transparency in financial transactions throughout the SWBA.

Objective 5.5: The Alliance will support the Office of Foreign Asset Control's mission of imposing sanctions against international criminal organizations.

Objective 5.6: The Alliance will support the Department of Treasury and federal law enforcement agencies in determining whether the use of Geographic Targeting Orders or Section 311 of the USA PATRIOT Act are effective tools in disrupting money laundering networks in the SWBA.

Objective 5.7: The Alliance will establish objectively-verified empirical measurements of the amounts and methods by which proceeds of crime move from the United States into Mexico.

Objective 5.8: The Alliance will support risk-based compliance examinations of SWBA MSBs by state and federal examiners based on comprehensive and objective analysis of transaction data.

Objective 5.9: The Alliance will identify and prosecute illegal MSBs in the SWBA.

Objective 5.10: The Alliance will conduct successful intelligence-driven undercover operations focusing on businesses that facilitate criminal activity in the SWBA.

Objective 5.11: The Alliance will assist with coordination of Article 4 prosecutions in Alliance states.

Objective 5.12: The Alliance will expand the use of Article 4 investigations in Alliance states.

Objective 5.13: The Alliance will coordinate its Initiatives' program income to extend the scope and time frame of Alliance operations.