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TRAFFICKING AND MONEY
LAUNDERING IN CHICAGO

A REPORT
OF THE
SELECT COMMITTEE ON NARCOTICS
ABUSE AND CONTROL
NINETY-FIFTH CONGRESS
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LIST OF WITNESSES

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Vernon Meyer, Regional Director of the Drug Enforcement Administration.
Mitchell Ware, deputy police superintendent, city of Chicago.
Michael Spiotto, deputy police superintendent, city of Chicago, on behalf of James M. Rochford, superintendent, Chicago Police Department.
Robert L. Klunk, sergeant, Chicago Police Department.
Paul Perito, consultant to the Task Force on Financial Institutions, Select Committee.
Russ McDougall, special agent, Drug Enforcement Administration.
Simon Ander, part-owner of 26th & Kedzie Currency Exchange, Chicago, Ill.
Irving Slutzky, attorney for Simon Ander.
Richard Barr, owner of 18th & Halsted Currency Exchange, Chicago, Ill.
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Herbert Dolowy, president of Lincoln National Bank, Chicago, Ill.
Edward Piser, attorney for Herbert Dolowy.
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Timothy Sack, special agent, Drug Enforcement Administration.
Abraham L. Azzam, Deputy Regional Director, Chicago, Drug Enforcement Administration.

INTRODUCTION

The Select Committee on Narcotics Abuse and Control was created by the House of Representatives by House Resolution 1350, which passed overwhelmingly on July 29, 1976. Among other things, H.R. 1350 authorized and directed the Committee:

(1) To conduct a continuing comprehensive study and review of the problems of narcotics abuse and control, including, but not limited to, international trafficking, enforcement, prevention, narcotics-related violations of the Internal Revenue Code of 1954, international treaties, organized crime, drug abuse in the Armed Forces of the United States, treatment and rehabilitation, and the approach of the criminal justice system with respect to narcotics law violations and crimes related to drug abuse; and

(2) To review any recommendations made by the President, or by any department or agency of the executive branch of the Federal Government, relating to programs or policies affecting narcotics abuse or control.

The Committee was unanimously reconstituted by House vote on January 11, 1977, with the above stated mandate remaining intact.

The Select Committee, chaired by Congressman Lester L. Wolff, has examined the mechanics of heroin trafficking during the past year. It has studied the many components of trafficking, ranging from the growth of opium throughout the world to the intricate heroin distribution system within American cities.

The Committee is aware that the Mexican Government, with American assistance, has attempted for the last several years to eradicate the growth of opium. A measure of its success is that traffickers have been forced to seek out other areas, such as Southeast Asia, for their heroin supplies. Despite these developments, however, Mexican brown heroin, originating in the State of Durango and other areas, has continued to flow in significant amounts into the United States, particularly to Chicago, Ill., where it is consumed locally and distributed nationally.

The Committee held hearings in Chicago on September 30 and October 1, 1977, to study the organization and structure of this heroin trafficking, the problems encountered by Government agencies, and whether new legislative or administrative initiatives might remedy the current unsatisfactory situation.

The Committee began its study in Chicago during June 1977 in order to establish a factual record of the Mexican heroin trafficking, "laundering" of proceeds, and the Government's efforts to prevent these transactions. The initial investigation revealed that this city has become a major distribution center for Mexican heroin, primarily to east coast centers, and that several Mexican-American families control the heroin supply. The largest of these families is the 1,000-member Herrera family, whose members are primarily located in Durango, Mexico, and Chicago, Ill.

During the following weeks, the Committee conducted many interviews and further investigated all aspects of the Chicago heroin problem. On July 26, 1977, Sgt. Robert L. Klunk of the Chicago Police

Department, briefed the Committee in considerable detail concerning the drug trafficking patterns between Mexico and Chicago, including the manner in which heroin profits are made and returned to the Herrera family in Durango, Mexico. The Chicago Police Department provided the Committee with copies of 11 money orders totalling \$33,500, which were purchased at the currency exchange located at 18th and South Halsted Streets, and were eventually deposited in a bank in Durango, Mexico.

The Committee continued its investigation, under its task force on Financial Institutions, chaired by Congressman Morgan F. Murphy, focused on the "laundering" of narcotics proceeds through currency exchanges and other financial institutions. Since Chicago has over 650 financial institutions, including almost 500 currency exchanges, the Committee was not able to conduct a comprehensive examination of all of these businesses. The Committee had, however, during its investigation, received information from various sources that certain currency exchanges were involved in money "laundering" operations. The Committee selected several exchanges, including the exchanges located at 18th and Halsted, and 26th and Kedzie, and subpoenaed money orders and other documents issued by these exchanges over the last several years, to determine whether there were irregularities in their issuance or use.

The results of this analysis were astonishing. They revealed that one small, storefront exchange, the 18th & Halsted Currency Exchange, had sold to traffickers \$625,906 in money orders for cash between June 1976 and July 1977, and that the 26th & Kedzie Currency Exchange sold \$1,253,076.23 in money orders for cash between January 1975 and June 1977. These money orders were issued for large amounts (up to \$20,000 per money order) and were ultimately deposited in Mexican banks to highly suspect accounts. They were frequently deposited at one bank, usually located in the State of Durango, the home base of the Herrera family. The Herreras control 95 percent of the heroin transported from Mexico to Chicago.

The Committee also obtained evidence that traffickers were using other financial avenues such as Western Union wire telegraphs, money orders and cashier's checks from Chicago area banks, and drafts drawn on New York City banks. The Committee concluded, based on this cumulative evidence, that there were strong indications that narcotics traffickers were using Chicago's financial institutions on a massive scale to "launder" proceeds from their narcotics trafficking.

The Committee conducted its hearings in order to establish a factual record of the Mexican heroin trafficking, "laundering" of proceeds, and the Government's efforts to prevent these transactions. The hearing record will be a base to be used to determine how the Government law enforcement and regulatory agencies can achieve greater success in the future.

During its investigation, the Committee met with representatives of the Department of Financial Institutions of the State of Illinois, Drug Enforcement Administration, Chicago Police Department, Internal Revenue Service, Customs Service, and other law enforcement agencies. The Committee wishes to express its gratitude to all the involved agencies for their tremendous assistance and support.

The Committee, during the course of its investigation and hearings, has received outstanding cooperation from the local, State, and Federal agencies. The Committee intends to continue its oversight of the problems presented at the hearings, and anticipates that these agencies will increase their efforts to expose and prosecute heroin trafficking organizations.

SCOPE OF HEROIN ABUSE IN CHICAGO

The Committee's investigation and hearings revealed that the Metropolitan Chicago area has become the primary distribution center for Mexican heroin entering the United States (p. 60). Chicago's large Mexican-American population, the city's central location, and a variety of transportation facilities have contributed to this development (pp. 31-32).

Mexican heroin (known as Mexican "mud") is brown in color, and originates primarily in the State of Durango, Mexico (pp. 31-32). Law enforcement authorities have found very little white Southeast Asian heroin in Chicago (p. 53).

There are an estimated 35,000 to 47,000 addicts living in Chicago (pp. 61, 250), the equivalent of 677 addicts for every 100,000 persons in the city. These statistics indicate that Chicago has the third worst drug abuse problem in the Nation.

These addicts consume 20 percent of the Mexican heroin that is smuggled into Chicago each year (p. 27), causing an average of 400 deaths annually, primarily among the young, in Cook County, Ill. (p. 36). In 1976, there were 200 deaths from heroin and heroin derivatives in the Chicago area alone.

The Drug Enforcement Administration (DEA) and the Chicago Police Department differ in their estimates of the availability of heroin. DEA representatives contend that there is less heroin available in the United States today than there was a year ago (p. 14), and that heroin abuse and supply in Chicago is on a downward trend. They cited statistics to prove that the purity of heroin samples analyzed in DEA laboratories during the past year, has declined from 14 percent to 5 percent. They believe further, that the recent increase in the price for heroin is an additional indication of a decreased supply (pp. 15, 31).

The Chicago Police Department disagrees with this conclusion. It believes that not only was there no decrease in the street availability of heroin during the past few years, but that traffic in illegal drugs has actually continued at epidemic levels (pp. 36-37). It further contends that it is almost impossible to seize an amount which would seriously diminish the supply (p. 38). Mr. Michael Spiotto, Deputy Police Superintendent of the Chicago Police Department, requested assistance from the Federal Government in this area of enforcement. He admitted that Chicago, alone, does not have the resources nor the jurisdictional authority to effectuate a major impact on narcotics trafficking (p. 39).

HEROIN TRAFFICKING FROM MEXICO

I. THE HERRERA ORGANIZATION

The Committee took testimony from several knowledgeable witnesses who described the operations of the Mexican trafficking families. The witnesses agreed that the Herrera family, based in Durango, Mexico, is the largest single trafficker in Mexican heroin. This family, with approximately 1,000 members (p. 261), has received little public attention, although it has been actively involved in narcotics trafficking in the United States for nearly 20 years.

Following the vacuum created as a result of the absence of Turkish heroin imports from France, the Herrera family emerged as a major source of Mexican heroin. It has increased its operations in recent years, and now imports 0.37 ton of pure heroin and 7.4 tons of 5 percent heroin per year into the United States (p. 287).

The Herrera family has now captured one-third of the lucrative Chicago market where it obtains an estimated net profit of \$60 million per year. The organization is currently expanding to other cities such as Boston, Detroit, Cleveland, New York, Baltimore, Philadelphia, and Miami.

The Herrera organization is actually a group of six related families. DEA describes these families as follows:

1. *Herrera-Diaz Family*.—Manuel Herrera-Herrera is the head of this family. He owns several farms and opium conversion laboratories in Los Herreras, Durango, Mexico. He recently lived in the Roseland community in Chicago's far south side, and has now returned to Mexico.

2. *Herrera-Nevarez Family*.—Reyes Herrera-Nevarez, Jr. and several of his brothers control the Chicago operations and are based in the Roseland community in Chicago. Jose Ramon Herrera-Nevarez controlled the Chicago area trafficking until 1974, but is now engaged in narcotics operations in Guadalajara, Mexico.

3. *Herrera-Herrera Family*.—Adalberto Herrera-Medina is the head of this family. The family formerly owned the Camelias Club at 2351 South Whipple in Chicago which was a meeting area for the major narcotics traffickers in Chicago.

4. *Herrera-Venegas Family*.—Heliodoro Herrera-Medina heads this family. He is also the brother of Adalberto Herrera-Medina, who is head of the Herrera-Herrera family. The Herrera-Venegas family is believed to be trafficking in narcotics in Aurora, Ill.

5. *Herrera-Medina Family*.—Jose Herrera-Manquero is head of this family whose center of operations is the 3000 N. Kenmore area of Chicago. This family is related to the Herrera-Herrera and Herrera-Venegas families.

6. *Herrera-Villanueva Family*.—This family controls the Principal Club at 392 East Kensington in the Roseland section of Chicago. This club is often visited by major narcotics traffickers.

Law enforcement authorities experience considerable difficulty in securing intelligence concerning the Herreras, since a Herrera's last name will be an incorporation of his father's predominant last name, and his mother's maiden name. DEA illustrated the difficulty that this creates by stating that in the Chicago area, there are 26 combinations of Herrera names in their files. In 1976, the Immigration and

Naturalization Service of the Department of Justice stated that there were 659 legal aliens living in Chicago who had the last name of Herrera.

There are two distinct groups within the families and organization. The senior Herreras, who control the organization, reside in Durango, Mexico. These elders are responsible for planting the poppy fields, buying the opium gum, converting and refining the opium into heroin, and transporting the narcotics into the United States. They control the city of Durango, Mexico, in the same manner that major corporations have controlled company towns in the United States. Thus, the center of the family's activities is located outside the jurisdiction of the United States. The senior Herreras, although millionaires, live modestly (p. 260). They buy ranches and apartment complexes with much of their profits, but DEA is unable to determine the destination of the bulk of their money (p. 284).

The other half of the family consists of younger Herreras who are responsible for trafficking in American cities. They live in concentrated Mexican-American areas of Chicago such as Roseland and Pilsen. They usually live in a non-ostentatious manner, and frequently manage or own neighborhood restaurants, bars, and other small businesses.

The Herrera family is involved in all phases of narcotics trafficking, and structurally resembles an international conglomerate corporation (p. 62). It has at least 25 executive officers, the equivalent of a board of directors. The organization has field offices in various cities in the United States which maintain frequent contact with the home office in Durango through telephone communications, correspondence and personal visits (p. 260).

II. HEROIN SMUGGLING

The amapolo poppy which is refined into heroin and smuggled into the United States is grown chiefly in the rugged Sierra Madre Mountain range in the State of Durango. A farmer who grows this illegal poppy on several acres must harvest the crop two or three times per year and for his efforts he can earn \$4,000 annually. If the farmer grew a legal crop, his annual earnings would not exceed \$400. In order to harvest the poppy, the farmer must first cut the plant, and collect on the following day the gum that oozes from it. A middleman collects the poppy gum which is left at a predesignated spot. He then takes it to a laboratory on the outskirts of the city of Durango to be refined. These laboratories are makeshift operations which can be disassembled very quickly and relocated elsewhere.

The chemists need 10 pounds of opium gum in order to produce 1 pound of heroin. The opium is usually not completely refined. Due to the remaining impurities, the resulting heroin is brown. This purity level is much lower than that of the famous French white heroin. In Marseilles, France, the refiners sought a 100-percent purity level since it was so difficult to smuggle the heroin into the United States. Today, the Mexican smugglers are able to bring heroin into the United States so easily, they do not feel that it is necessary to refine the heroin to a high level (p. 274).

After the heroin leaves the laboratory, Mexican aliens or Mexican-Americans drive the heroin into the United States in a "load car."

These courier vehicles often are Galaxies, Monte Carlos, Chevrolets, or trucks, since they all have large gas tanks where heroin can be concealed. Heroin is also frequently hidden in drive shafts, door panels, and under seats.

The drivers attempt to avoid detection at ports of entry by changing license plates or vehicles, by dropping caches along the border, and by having couriers carry the narcotics on their person. They drive 49 hours from Durango to Chicago, and usually neither stop overnight nor deliver heroin at interim locations (pp. 277, 281). These drivers usually do not have criminal records, and are paid between \$800 and \$1,000 for every kilo of heroin that they deliver to their Chicago contact (pp. 33, 277).

The contact, who is a member of the Herrera family, sells the heroin to a retailer. The profits then are brought to a "safe" location, which is the home or business of an individual who is not otherwise involved in the heroin trafficking. It is the responsibility of this person to return 75 to 80 percent of this currency to Mexico.

A large part of this cash is counted, packed, and returned by car to Mexico in much the same manner as the heroin is smuggled into Chicago. In recent years, a great deal of money has been lost in transit due to "slippage." Consequently, during the past several years, traffickers have started to send this money in the form of negotiable instruments.

These negotiable instruments can be purchased at a number of financial institutions in Chicago (p. 63). They are usually money orders that require final payment when they return to the bank from which they are drawn in Chicago. The money orders, after deposit in a Mexican bank, are transferred through several Mexican and American correspondent banks, and are ultimately returned when paid to the original financial institution that issued the money order (p. 64).

The amount of American currency that is returned to Mexico is impossible to accurately determine, but DEA believes that \$80 to \$200 million is returned annually to Mexico from Chicago alone. This money remains untaxed by the American and Mexican Governments (pp. 63-64).

III. WHOLESALE AND RETAIL HEROIN TRAFFICKING PROFITS

The Committee sought to determine the amount of profits that traffickers received from their narcotics sales. Witnesses testified that enormous profits from heroin trafficking exist on both the wholesale and retail levels. The wholesaler converts the heroin to a lesser purity level and transports it to Chicago, while the retailer sells the heroin on the street.

The wholesaler can usually purchase a kilo of heroin from the laboratories for approximately \$4,500. He then pays a chemist \$200 to "step-on" (convert) the heroin to a 5 or 10 percent purity and an additional \$800 to ship the heroin to Chicago, for a total cost of approximately \$5,500. The wholesaler can usually sell the kilo of heroin for up to \$40,000, but generally sells it in the range of \$27,000. However, he takes the risk of transporting the heroin to Chicago. The Mexican wholesalers are generally satisfied to receive a \$17,000 return for every kilo sold in Chicago, regardless of its ultimate profitability

from street sales (p. 41). They supply approximately 18,000 kilograms of heroin to the 35,000 to 47,000 addicts in Chicago each year and their annual profit ranges from \$80 to \$300 million (pp. 62-65).

It is obviously difficult to ascertain the proceeds from retail heroin sales. DEA and Chicago police authorities estimate that this amount is between \$300 million and \$1 billion per year (pp. 27-28, 51, 61). They obtain this figure by noting that the Chicago police seized \$50 million worth of heroin during the first 9 months of 1977, and project that these seizures represent approximately 10 percent of the total amount that is sold in Chicago during this period of time. There are conflicting reports concerning whether the Herrera family is actively engaged in retail sales.

The annual net profit from retail sales is estimated to be at least \$150 million. This figure indicates that heroin retailers in Chicago do more business than major legitimate businesses such as the May Company and Walgreen's.

MONEY "LAUNDERING" OF HEROIN PROCEEDS

The investigation and hearings revealed that the heroin traffickers converted their heroin proceeds into negotiable instruments at many of the financial institutions in Chicago. They conducted these illegal transactions with apparently little concern for any legal consequences.

I. CURRENCY EXCHANGES¹

The most blatant "laundering" operation that the Committee uncovered was the trafficker's abuse of currency exchanges. At these exchanges, a person would walk in with enormous amounts of currency (up to \$100,000) in paper bags, and convert this cash into money orders. These transactions occurred, despite State regulations that prohibited the issuance of money orders for amounts in excess of \$500, except in four limited circumstances. The purchasers used fictitious names for the payer and payee, since the tellers never checked the identity of the customers (p. 63).

The currency exchange owners continually denied having any knowledge that their exchanges were being used to "launder" money in this manner. They professed that they had no idea of the identity of the customers who came in with large sacks of money, and further, often were not aware of these transactions by their tellers until the end of the day.

The law enforcement witnesses at the hearings stated that heroin traffickers unquestionably were transferring these money orders to Durango, Mexico and depositing them into accounts at local Mexican

¹ Currency exchanges started in Chicago, Ill. during the depression when nearly 90 percent of Chicago's banks were closed and many areas of the city without banking facilities. The currency exchanges provided many services that were formerly supplied by banks.

Illinois began regulating currency exchanges in 1943 by passing the Currency Exchange Act which required that each exchange be licensed, bonded, and examined annually. The State could only issue a new license if a clear "community need" for a currency exchange existed in the area. The Auditor of Public Accounts regulated the exchanges and determined whether a "community need" existed.

This law stabilized the currency exchange business. The cutthroat competition that existed prior to the law was eliminated since each exchange was granted a limited monopoly for its services in the community.

There has still been a considerable growth in the number of currency exchanges. Currently there are 614 community currency exchanges licensed in the State of Illinois, and 481 of these exchanges are located in the city of Chicago. There are 578 exchanges that are also members of the Community Currency Exchange Association, a trade association. The currency exchange owners are operators of a liability insurance company organized by themselves and controlled by them.

banks. Sgt. Klunk, a narcotics officer who is thoroughly familiar with the narcotics "street" situation in the Mexican-American communities of Chicago, identified a series of money orders purchased by a number of individuals with Hispanic surnames. He testified that the majority of these names were aliases, and that he has seen similar negotiable instruments in the possession of traffickers who were arrested as they were departing Chicago (pp. 54-55).

Sgt. Klunk also stated that smuggled money orders are usually issued for large sums of money. An informant told him that during a period of 6 months, he had obtained \$80,000 worth of money orders at the 21st & Ashland and 26th & Kedzie Exchanges. The money orders were to be hand-carried or mailed to a "Luis Diaz" in Mexico. The informant also told Sgt. Klunk that on one occasion, \$320,000 of U.S. currency was "laundered" at currency exchanges during a 1 week period (pp. 41-42).

Mr. Mitchell Ware, Deputy Police Superintendent of the Chicago Police Department, confirmed the fact that currency exchanges were being used to "launder" heroin money (p. 53). Mr. Peter B. Bensinger, Administrator of the Drug Enforcement Administration, similarly testified that millions of dollars are funneled through currency exchanges on a daily basis (pp. 20-21).

The Committee investigated the transactions of several currency exchanges in order to determine if there were illegal transactions at these businesses. The Committee reviewed a large number of paid money orders, and noted instances where there were violations at the 26th & Kedzie Currency Exchange, owned by Simon and Alan Ander, and the 18th & Halsted Currency Exchange owned by Richard Barr, among others.

The investigation revealed that during the last several years, large amounts of money orders (each in excess of \$500) were purchased at these currency exchanges and deposited in banks in Mexico.

The following represents the patterns and results of some of these transactions. There are many specific names of individuals, banks, bank accounts, and towns available to the Committee, but which have been deleted at the request of the Drug Enforcement Administration and the Justice Department.

Exhibit A

The following represents the total transfers of money orders in excess of \$500 to Mexican banks from two Chicago exchanges (out of a total of 600):

Currency exchange	Transaction dates	Amount
18th & Halsted.....	July to December 1976.....	\$118,241.00
Do.....	January to July 1977.....	507,065.00
Subtotal.....		625,306.00
26th & Kedzie.....	January to December 1975.....	358,218.23
Do.....	January to December 1976.....	891,748.00
Do.....	January to June 1977.....	3,110.00
Subtotal.....		1,253,076.23
Total.....		1,878,382.23

Exhibits B, C

Exhibit B represents the total transfers of money orders in excess of \$500 to banks in the State of Durango, Mexico.

Currency exchange	Transaction dates	Amount
18th & Halsted.....	Jan. 4, to May 3, 1977.....	\$351,650
26th & Kedzie.....	Apr. 5, 1975 to Dec. 16, 1976.....	270,680
Total.....		622,330

Exhibit C (appendix) is a listing of the actual money orders used for exhibit B.

Exhibits D, E

Exhibit D represents examples of large daily purchases of money orders in excess of \$500 that were deposited in Mexico.

Currency exchange	Date	Number of money orders	Amount
26th & Kedzie.....	Feb. 27, 1976	4	\$49,400
Do.....	Apr. 5, 1976	7	70,000
Do.....	Apr. 13, 1976	12	105,500
Do.....	Apr. 24, 1976	11	145,500
Total.....			370,400
18th & Halsted.....	Mar. 16, 1977	12	45,000
Do.....	Mar. 17, 1977	7	28,000
Do.....	Mar. 19, 1977	1	900
Do.....	Mar. 21, 1977	16	74,150
Total.....			148,050

Exhibit E (appendix) is a listing of the actual money orders used for the above totals.

Exhibits F, G

Exhibit F represents money orders issued at the 26th & Kedzie Currency Exchange that were deposited into several accounts at various branches of two banks. All of the accounts in this exhibit belong to one individual (bank and branch names and account numbers have been deleted).

Bank	Account No.	Transaction dates	Amount
A. [Deleted]			
Branches:			
1. [Deleted]	[Deleted]	Mar. 24, to Apr. 17, 1975.....	\$6,000
2. [Deleted]	[Deleted]	Mar. 24, 1975 to June 10, 1976.....	354,700
3. [Deleted]	[Deleted]	Apr. 24, to June 10, 1976.....	172,500
B. [Deleted]		November 1976.....	13,000
Total.....			546,200

Exhibit G (appendix) lists the actual money orders used for the above totals.

Exhibits H, I

Exhibit H represents the amount of money orders that were deposited during two periods into one account in a Mexico City bank.

Currency exchange	Transaction dates	Amount
18th & Halsted.....	July 6, 1976.....	\$10,900
Do.....	Apr. 12-29, 1977.....	62,475
Total.....		73,375

Exhibit I (appendix) lists the actual money orders used for the above total.

Exhibits J, K

Exhibit J represents the transfers of money orders in excess of \$500 that were deposited into one account of a Durango branch of a major bank.

Currency exchange	Transaction dates	Amount
18th & Halsted.....	Jan. 4 to Mar. 21, 1977.....	\$307,400
26th & Kedzie.....	Mar. 15, 1976.....	5,000
Total.....		312,400

Exhibit K (appendix) is a listing of the actual money orders used for the above total.

A. 26th & Kedzie Currency Exchange

Mr. Simon Ander testified on behalf of the 26th & Kedzie Currency Exchange. He stated that he is the full-time managing partner and secretary-treasurer of the exchange, and has been there since the business started in 1972. His exchange is also a depositor at Lincoln National Bank (p. 104).

He testified that the exchange is 25 feet long, has six employees, of which five are tellers, and that a large part of its business is to cash checks, write money orders, and handle State and city license applications.

Mr. Ander admitted that he issued a large number of personal money orders for amounts over \$500 in the past. However, he stated that he was unaware that these transactions were illegal until he was notified of that fact by the State of Illinois sometime between October 1976 and January 1977 (pp. 83-84, 88). He stated that he was also unaware of the Federal reporting requirements of the Bank Secrecy Act of 1975 until he was notified by agents of the Federal Government in April 1977 (p. 88). Mr. Ander testified that when he started his business, he was not advised that there are certain rules and regulations that govern currency exchanges. He further stated that he never received a copy of these laws (pp. 83-84). Mr. Ander claimed that since he received notification, he has not issued any money orders in excess of \$500 to any individual (p. 88).

There are approximately \$200,000 worth of money orders issued at Mr. Ander's exchange per month (pp. 96-97), and he receives a profit of 75 cents per hundred dollars on the sale of these money orders (p. 80). His exchange is located in an economically depressed, Hispanic neighborhood. The majority of the population in the neighborhood is poor and money orders are purchased for very small amounts. Yet, Mr. Ander testified that his curiosity was not aroused when a person walked into his currency exchange with \$10,000 in a

small bag (p. 94), nor was he suspicious when a customer brought in \$140,000 to convert to money orders in 1 day (p. 101). He stated, "I am in the business and somebody comes in and wants a money order written; they give you the American funds and you give them the money order that they want" (p. 101).

He further stated that he never requested an ID card (p. 94), and also never inquired about the identity of the purchaser (p. 95), the source of the money (p. 82) nor its destination (p. 85).

Mr. Ander testified that he recalled the instance on April 24, 1976, when a "Luis Lopez" purchased 10 consecutively numbered money orders from \$5,500 to \$20,000 each, totalling \$135,500 and payable to a man named "Luis Gomez" (exhibit E).

Mr. Ander stated that this transaction and one where a "Pedro Rodriguez" purchased seven consecutively numbered money orders for \$10,000 each, were the only transactions of this magnitude at his exchange (pp. 81-83) (exhibit E). However, the Committee produced further evidence (pp. 92-93) that indicated the following series of transactions on April 13, 1976 (exhibit E):

Apr. 13, 1976	\$10,000
Do	10,000
Do	10,000
Do	10,000
Do	10,000
Do	10,000
Do	10,000
Do	10,000
Do	2,000
Do	10,000
Do	10,000
Do	3,500

Mr. Ander hesitatingly admitted that these transactions were not in the normal course of his business (p. 93).

Mr. Ander asserted that he was unaware of the type of bag or container that was used to transport the large amounts of cash to his exchange (pp. 81-82). Yet, he later testified firmly that the money was transported in a brown paper bag (p. 102). There is also incongruity concerning Mr. Ander's statement that he was not familiar with the individuals that brought these huge sums to his exchange nor with his good customers (p. 96). Yet, he was convinced that, following these large transactions, they never returned (p. 95), and he never saw them again (p. 101).

The 26th & Kedzie Currency Exchange is also a subagent for Western Union. Under this arrangement customers can pay at the exchange for the telegraph transfer of money. The exchange then requests Western Union to transfer the money and the exchange deposits the telegraph fee into the Western Union account at Lincoln National Bank. The Committee learned that from May 1976 to December 1976, customers transferred \$1,027,403.37 in this manner, and that during the first 7 months of 1977, \$979,629.35 was transferred, for a total of \$2,007,032.72 (pp. 86-87) (exhibit M), an astonishing total for this kind of business.

In May 1976, there were \$90,940 worth of money orders and only \$11,199.24 worth of Western Union money orders issued from the exchange and deposited in Mexico. During the following months the amount of suspect money orders decreased rapidly, while the telegraph accounts increased and have remained at a high level (exhibits

L, M). The Committee expressed concern that the Western Union telegraph accounts may have emerged as an alternative method for traffickers to transport money to Mexico. This aspect is being further studied.

B. 18th & Halsted Currency Exchange

Mr. Richard Barr, owner of the 18th & Halsted Currency Exchange, was subpoenaed to testify regarding the operations of his exchange. Mr. Barr stated only his address and refused to answer further questions on the basis of his rights under the fifth amendment of the U.S. Constitution and article I, section 10 of the Illinois Constitution. Ralph Barr, Richard's father, voluntarily appeared before the Select Committee in Washington, D.C., and provided a detailed description of the currency exchange industry in Illinois.

The Committee's investigation revealed that this exchange issued large amounts of money orders that were deposited in banks in Mexico. For example, on March 16, "Jose Garza" sent "Manuel Romero" 12 money orders totalling \$45,000. On March 17, 1977, "Jose Garza" sent to "Manuel Romero" a set of five money orders, totalling \$20,000. On March 21, 1977, "Jose Garza" sent "Hector Romero" 14 money orders totalling \$65,400.

The enormous sums of money that were frequently deposited in banks in the State of Durango were often deposited into the account of one individual.

Mr. Russ McDougall, Special Agent and Financial Analyst for the Drug Enforcement Administration, testified that he had personal knowledge that money orders worth \$324,900 that were deposited in one account at one branch bank in Durango (exhibits J; K), were the proceeds from heroin transactions in the streets of Chicago.

Mr. McDougall also testified that the \$62,475 that was deposited in one account in a Mexico City bank (exhibits H, I) fit the same pattern for transporting narcotics money from Chicago to Mexico. The money orders had numerous remitters, were payable to various payees, were sometimes endorsed by the payee, and were all deposited in one account.

In one particular transaction, five money orders, totalling \$20,475 were deposited in one account. An examination of the transaction codes on the back of the checks indicated to Mr. McDougall that there were at least 15 other unknown items that were simultaneously deposited into the account. He concluded that the few checks that the Committee obtained were only a small part of the laundering during one huge transaction. The other deposits could be from other negotiable instruments that were obtained at Mr. Barr's exchange or another financial institution.

II. LINCOLN NATIONAL BANK ²

The Committee, during its investigation, was frequently told by law enforcement personnel and informants that narcotics traffickers purchase negotiable instruments from banks with the proceeds from

² The relationship between the Lincoln National Bank and the currency exchange business dates back to 1947. At that time, the banks serving currency exchanges began increasing the rates charged the currency exchanges for handling their accounts.

As a result, several currency exchange owners decided to pool their resources and purchase a bank that would provide the needed services at a reasonable rate. Irwin Marcus (one of the original incorporators of the Chicago Currency Exchange Association), David Maslowsky, and several other currency exchange owners purchased a controlling interest in Lincoln National Bank. The bank currently has 301 currency exchange depositors, and 3 members of its 10 person board of directors have interests in currency exchanges.

heroin sales. The Committee subpoenaed the President of Lincoln National Bank and certain bank records in order to determine if there were questionable transactions being conducted through banks.

Mr. Herbert Dolowy, president of the Lincoln National Bank, located at 3959 North Lincoln Ave., Chicago, Ill., testified regarding the operations of his bank. He stated that Lincoln National Bank was created in 1944, and was purchased several years later by a group of currency exchange owners. There are approximately 300 currency exchanges (half the total number) that are depositors, and 100 exchanges have telegraph accounts at his bank (p. 113). The currency exchange business accounts for 15 to 20 percent of the bank's gross business each month. A significant amount of the bank's cash is sent daily to the currency exchanges for their operations (p.115).

There are two owners and one part-owner of currency exchanges on the 10-person board of directors. These directors are Ralph Barr, the father of Richard Barr, Michael Leavitt, Luis Richtiger. The Community Currency Exchange Association, a currency exchange trade association, is a tenant at the bank's building and also is a depositor at the bank. The Committee's investigation revealed that traffickers converted hundreds of thousands of dollars annually into money orders at currency exchanges which have deposits at Lincoln National Bank. The money orders were often deposited into Mexican banks, and the money was sent to these banks by Lincoln upon receipt of the returned money orders. The money orders were ultimately paid and returned to the currency exchanges. Mr. Dolowy had been aware of the local media's investigations that revealed the abuses by currency exchanges and the flow of heroin from Mexico to Chicago by the Herrera family. He also knew that the name of Richard Barr and Lincoln National Bank were mentioned in the newspaper accounts (p. 135).

Despite this notice, he never questioned personnel at his bank concerning possible "laundering" by traffickers nor did he request revisions of any banking procedures to ensure that his bank was not being used for any illegal purposes. He stated that he never mentioned any of these concerns at the board meetings, nor did any board member comment on the sizeable transfers of moneys from the Lincoln National Bank to Mexican accounts (p. 114).

Mr. Dolowy stated that his bank has no correspondent Mexican bank (p. 133), and that prior to the Committee's hearings, he had no knowledge of current transactions through his bank to Mexican banks (p. 135). He stated that it would be difficult for the bank to review the cancelled money orders of tens of thousands of checks each day to determine where they were cashed, since the money orders, like checks, are pre-encoded and are sent directly to the proof department without any special handling. They are then returned to the currency exchanges (p. 114). There was skepticism expressed by Chief Counsel Nellis concerning Mr. Dolowy's ignorance of the significant sums of money that were flowing from his bank to banks in Mexico. He stated that "(It) is almost inconceivable to me that you wouldn't know something about that."

Congressman Burke suggested that DEA obtain audits on various bank accounts to determine if there was ongoing money "laundering." DEA agreed with the idea, and also suggested the involvement of the U.S. Attorney's Office, the Comptroller of the Currency and other regulatory agencies (pp. 24-25).

Another banking procedure that is used to transfer funds to Mexico is the use of New York drafts (p. 63) which are checks drawn on a New York bank (pp. 117-118). It is the normal procedure at Lincoln National Bank that if customers indicate that they desire to send money to another country, the bank suggests that they use a New York draft as the negotiable instrument. The New York draft can be purchased by cash or charged against an account. It is, however, unusual for a person to arrive with an amount such as \$5,000 in cash, and purchase a New York draft (p. 137). All of the New York drafts are handled by two tellers who are located at one window.

The Committee discovered that there were a significant number of New York bank drafts that were sent to Mexico. The chief counsel read to Mr. Dolowy a list of 13 New York bank draft transactions out of Lincoln National and over \$5,000 that were sent to Durango, Mexico, between December 16, 1976 and June 16, 1977 (exhibit R). The amounts totalled \$61,200 and each draft had individual Hispanic payers and remitters. Mr. Dolowy denied knowledge of either the bank drafts or the customers (p. 117). He further stated that "It (bank drafts) would not come to my attention normally and it has not in this case." Mr. Dolowy then stated that "it is hard to see that transactions of \$5,000 would come in over a period of this many months in cash and not be brought to my attention ultimately and I don't know how in the world this would have taken place."

Congresswoman Cardiss Collins informed Mr. Dolowy that the transactions during many months were not in proper order by serial numbers, and wondered whether some of the drafts might have been removed or detained by some individual (pp. 120-121). Mr. Dolowy was not able to explain this discrepancy, but suggested that the tellers might be working from different books. He then stated that there are three internal auditors that periodically check the record, an annual audit by Peat, Marwick, Mitchell & Company, and audits by bank examiners from the Comptroller's Office (p. 121).

Mr. Dolowy testified that his bank is required to inform the Internal Revenue Service of currency transactions of \$10,000 or more and that Customs must be informed of a transaction of more than \$5,000 if the bank reasonably believes that the currency is leaving the country. Mr. Dolowy stated that he has never received any notice from the auditors that there had been an omission in those procedures (pp. 122, 132).

The chief counsel suggested to Mr. Dolowy that it may not be coincidental that the recent surge in New York drafts sent to Mexico occurred at the same time, that there has been considerable adverse publicity concerning the "laundering" of money orders by currency exchanges. Mr. Dolowy informed the Committee that following the hearings, he intended to commence corrective action to ensure that his bank is not being used to transport illegal heroin proceeds to Mexico.

GOVERNMENT EFFORTS TO PREVENT MONEY LAUNDERING

The key element in the Mexican heroin pipeline is the enormous profits produced from this billion dollar industry. The hearings revealed that 75 to 80 percent of the Chicago wholesale profits are returned to Durango, Mexico, some of which are used to finance further narcotics operations. Since the transport of cash by couriers is

risky and inefficient, the traffickers have been "laundering" these large sums through Chicago-area financial institutions.

Chicago has 650 such institutions, including 100 commercial banks and approximately 500 currency exchanges. All types of financial institutions are used to transfer heroin profits to Mexico. The sampling of money "laundering" that the Committee uncovered through its investigations was described at the hearing as ". . . a scratch in the tip of the iceberg" (pp. 63, 73).

With this realization the Committee examined the activities, efforts, and successes of the Federal, State and local agencies authorized to enforce laws governing financial institutions. The results indicated a general lack of awareness on the part of these agencies of their integral function in halting the "laundering" of heroin profits. This inaction existed even though the Chicago communications media had publicized the Mexican heroin pipeline and the general abuse of currency exchanges for at least a year prior to the Committee's hearings.

I. STATE REGULATION

The Committee first examined the activities of the Currency Exchange Division of the Illinois Department of Financial Institutions, the State agency empowered to regulate currency exchanges. The rules and regulations of this agency, based on the Illinois Currency Exchange Law, prohibit a currency exchange from issuing a money order for more than \$500, except in four limited circumstances. Each year the Currency Exchange Division is required to examine and audit each exchange to determine whether it is in compliance with these rules and regulations (p. 139). This examination is conducted on a "spot-check" basis, so that the owners are unable to anticipate the date of the audit.

If the audit reveals that an exchange is in violation of the \$500 limit or other applicable law, the State is empowered to initiate revocation hearings, and if successful, revoke the currency exchange license. The Committee believes that if these procedures had been responsibly followed, the traffickers would not have been able to systematically subvert these institutions to their benefit.

Representatives of the Currency Exchange Division of the Illinois Department of Financial Institutions, Mr. Michael Fryzel, Supervisor, and Mr. James Montana, Special Counsel, testified that prior to the current State administration, regulation of the currency exchange business was rather lax. When the current administration became aware of the abuses of currency exchanges by narcotic traffickers, it immediately audited several exchanges and on August 16, 1977, it initiated hearings to revoke the license of the 18th & Halsted Currency Exchange owned by Richard Barr.

The Department has also instituted a policy of surprise audits in random months, so that the currency exchange owners are no longer able to anticipate the date of their "spot-check" audit as was the case in the past. The Department is also attempting to increase and improve its enforcement effort by seeking additional staff and funding from the State government.

II. FEDERAL REGULATION—THE BANK SECRECY ACT

The Committee, after obtaining information that currency exchanges and banks were being used to launder large sums of money, sought to determine the degree to which the Federal Government was enforcing the Currency and Foreign Transactions Reporting Act, 31 U.S.C. Sections 1051 et seq. (hereafter referred to as the Bank Secrecy Act).

Enacted on October 26, 1970, in response to a recognition that the United States was being deprived of hundreds of millions of dollars in tax revenues by taxpayers who concealed their income through accounts in foreign financial institutions, this Act requires the maintenance of records and the submission of reports. Evidence provided by these records and reports are valuable in criminal, tax, and regulatory investigations and proceedings.

The Bank Secrecy Act contains several important disclosure provisions which, if effectively enforced, could impede the flow and increase the risk of money "laundering."

A. Report of transactions over \$10,000

Section 1081 of the Bank Secrecy Act (through 31 C.F.R. 103.22), requires every domestic financial institution to record the identity of persons involved in currency transactions exceeding \$10,000, and to report to the Internal Revenue Service (IRS) on Form 4789, the details of such transactions within 45 days. These reports are subsequently used for investigation by IRS and other Federal law enforcement agencies.

The Committee, after finding money orders in excess of \$10,000 written by currency exchanges, closely examined the efforts of the IRS to enforce Section 1081. The Committee found that the IRS, for various reasons, did not have a vigorous enforcement record.

Mr. Charles F. Miriani, Chicago District Director for IRS, testified that since 1974, his agency has alerted 700 currency exchanges, coin dealers, etc. to their responsibilities under Title 31, and has actually visited the exchanges to determine if they have followed the notification requirements. Upon further inquiry, Mr. Miriani stated that it was his intention to contact the exchanges, and later added that 200 exchanges were contacted on a "very extensive spot basis" (p. 192).

Investigations by the IRS have revealed that 59 financial institutions, throughout the country, have not fully complied with the recordkeeping or reporting provisions of the Act, during the period October 1, 1974, to December 31, 1976.

The Committee questions the thoroughness of the compliance check, since its investigation of the 26th & Kedzie Currency Exchange revealed that on April 24, 1976, a Luis Lopez purchased four \$20,000 money orders. According to Mr. Ander, the owner of that exchange, Federal agents visited his exchange in April 1977, but only advised him of his reporting requirements.

Mr. Miriani further informed the Committee that he believes that the \$10,000 reporting requirement should not be uniformly applied to all financial institutions as defined by the Act. He believes that this amount may be too high for currency exchanges and should be lowered.

The Drug Enforcement Administration (DEA), which is also authorized to investigate narcotics profits "laundering" cases, stated to the Committee in investigations preceding the hearing that one problem it has encountered in its law enforcement efforts is the inability of the Federal Government to regulate domestic branches of foreign banks. These banks are required to adhere to the reporting requirements of the Bank Secrecy Act, but that the State not the Federal Government, regulates and supervises these banks. The States, however, are unable to coordinate their supervision of multi-State foreign banks, and consequently, there is no central authority that routinely inspects these banks to ensure compliance with Federal recordkeeping requirements.

B. Reports of over \$5,000 leaving the country

The second key provision of the Bank Secrecy Act that impacts on money laundering is Section 1101(a) (see also 31 C.F.R. 103.23), which requires an individual to file a report (Form 4790) with the Customs Service, if the person knowingly transports monetary instruments of more than \$5,000 (aggregate amount) in or out of the United States. Mr. Thomas E. Sloan, Regional Director of Investigations for the Customs Service, testified that the Customs Service has the sole responsibility for enforcement of this section and investigations into failures to comply. A violation of this statute can result in felony, misdemeanor, and forfeiture penalties.

The Committee's investigation and hearings revealed that, for several reasons, the Customs Service has had limited success in enforcing this provision. Its national record since 1974 indicates 787 seizures, 134 indictments, and 96 convictions.

A major obstacle encountered by Customs in its enforcement attempts is that an individual is not in violation of this provision until the individual has actually left the United States. In two recent cases, charges against couriers who had failed to report transportation of funds outside the country were dismissed for this reason. *United States v. Gomez*, 422 F. Supp. 519 (S.D. N.Y. 1976), *United States v. Centeno*, No. 75-660 Cr-JE (So. Fla. 1976). There is an obvious problem with a law that precludes enforcement until the offending party is outside the jurisdiction of the enforcement body.

A second obvious, and often insurmountable obstacle to the effectiveness of this provision, is that a person carrying over \$5,000 in unreported monetary instruments has not violated the law unless the individual was aware or was on sufficient notice of the requirements of this law. It seems rather unlikely that a person, charged with violation of the reporting requirement, would admit to knowledge of this provision.

A third problem is that Customs interprets Section 1101(a), together with Section 1105 of the Act, as a grant of authority to search for contraband merchandise, but not for unreported currency. Customs contends that Section 1105 requires a search warrant before a person can be searched for unreported currency. This procedure involves the time-consuming process of applying to a court of competent jurisdiction and establishing probable cause in order to obtain the warrant (p. 166). Consequently, Customs officials only prosecute an individual in violation of the Bank Secrecy Act if they "stumble"

on the currency during a search for contraband merchandise. Congressman Billy Lee Evans queried Mr. Sloan whether the additional authority was actually needed since a Customs agent should always be searching for contraband, and unreported currency could be found as a result of a routine search for contraband (p. 165). Mr. Sloan reiterated his belief that there was a need for a search warrant.

Finally, even if all the above problems are resolved, and Customs seize the unreported currency, the violator can then easily avoid criminal penalties simply by completing Form 4790.

Form 4790 is routinely sent by Customs to IRS, which then determines whether it should initiate an investigation for income tax evasion. IRS may be unable, however, to prevent the money from being returned to the suspect. Its initial action is to determine whether the suspect has a tax liability. If there is a liability, the money is attached and applied to the outstanding liability. A tax liability, however, is rare since the suspect usually uses a fictitious name. If there is no liability, IRS then can conduct a major tax investigation to determine whether the money is in jeopardy of leaving the country. If the money is in jeopardy, IRS can assess and seize the money. If it is unsuccessful in establishing this jeopardy assessment, it is required to return the money. The *Duane Watson* conspiracy case illustrates this problem. In this case, the two narcotics defendants owned a home in Beverly Hills (for which they paid \$330,000 in cash), 10 mink coats, a Rolls-Royce, a Jaguar, and had \$110,000 in cash in their bedroom. After their arrests, DEA seized the assets, but IRS failed to prove a tax liability jeopardy or assessment. As a result, even though DEA believes the money was derived from illegal narcotics trafficking, it had to be returned by law (pp. 18-19). Similarly, Customs seized approximately \$218,000 from Manuel Cano de Jesus Herrera, but no jeopardy assessment followed, the Committee was told in Chicago.

GOVERNMENT EFFORTS TO PREVENT NARCOTICS TRAFFICKING

Throughout the investigation and hearings, the Committee examined the effectiveness of the Federal and local law enforcement agencies in enforcing the law against the Herrera family and other drug traffickers in the Chicago area. Although the Chicago Police Department, Drug Enforcement Administration, Internal Revenue Service, and Customs Service differ in their approach and authority, they have the same ultimate objective in their narcotics enforcement programs

I. CHICAGO POLICE DEPARTMENT

The witnesses representing the Chicago Police Department testified that the involvement by the Herrera family with heroin trafficking was relatively unknown to them prior to 1973.

In June 1973, the Unit Commander of the Gang Crimes Investigation Division decided that a total commitment should be undertaken towards locating the source of the heroin that was available to young people. By October 1973, they had targeted the primary sources of heroin in Chicago as a tavern at 336 East Kensington, a restaurant and apartment at 338 East Kensington, and a house at 135 East 118th Street.

On October 17, 1973, the Chicago police raided these locations and arrested 36 persons, including many members of the Herrera family. They also seized 14 pounds of heroin, 3 pounds of cocaine and thousands of dollars of U.S. currency. This event first focused police and public attention on the Herrera family (p. 39).

The Chicago police stated that the Herrera family is so close and tight-knit, that it is extremely difficult to infiltrate the organization. Although the police lack adequate "buy-in" money, they do not feel that this is a large handicap since they believe that it is nearly impossible to "buy" into the family. Instead, the police use informants as the source of their intelligence (pp. 45-46).

The witnesses stated that current bail procedures are a major roadblock in convicting a Herrera. Under the current lenient bail policy, an arrested Herrera routinely posts a bond and flees into Mexico (pp. 49-50). As a result of this practice, there are only two members of the Herrera organization who have been convicted of drug charges and are currently in prison.

Congressman Evans noted that the bonding companies that post 10 percent of the bond set by the court must pay the full amount of the bond if the defendant does not appear at his trial. He suggested the idea that the defendants probably compensate the bonding companies so that the companies would not bother to look for them when they jumped bail (p. 165).

The Chicago police arrest and seizure records have increased during the last several years. Mr. Spiotto testified that in 1971, they seized 10 pounds of heroin, and arrested 2,800 persons for heroin violations. In 1976, seizures increased to 110 pounds, and 6,000 persons were arrested for the sale or possession of heroin and/or cocaine.

Violent crime associated with heroin trafficking and use has become a serious threat to the safety of the community. In 1976, Chicago police seized 656 pistols and 75 shotguns during narcotics raids (pp. 36-37, 52, 250). This type of violence has risen to such an extent that Governor James Thompson testified that the single most effective manner to reduce street crime in the Chicago Metropolitan area is to stop the supply of Mexican heroin (pp. 4-5).

II. DRUG ENFORCEMENT ADMINISTRATION

According to Peter B. Bensinger, Administrator of the Drug Enforcement Administration, his agency chiefly concentrates its resources on investigating and prosecuting major narcotic traffickers. They have recently concentrated most of their resources in the Chicago area, on the Herrera family and to a lesser extent on the five other Mexican-American families that are involved in heroin trafficking in Chicago (p. 283).

DEA has established a Centac conspiracy group to focus on the Herreras on a multi-region, multi-nation basis and to follow the narcotic distribution and laundering operations of the Herreras. Unlike the Chicago Police Department, this intelligence and investigatory group uses considerable amounts of money in attempting to obtain intelligence by "buying" their way into the various family organizations.

DEA has been working with Customs at points of entry to prevent heroin from coming into the United States. It works with Treasury

Department agents in the investigation of illegal money transactions, and has recently established a financial intelligence unit and headquarters. DEA has had discussions with other Federal agencies concerning sentencing and bail reforms. DEA has also conferred with the State Department concerning the revocation of both forged and legitimate passports of individuals who have been convicted of trafficking in narcotics (pp. 46-47). DEA also states that it has been working with increasing effectiveness with the Mexican Government in order to eliminate the production of heroin in Mexico.

DEA expressed the same frustrations concerning bail procedures as the Chicago police. It claims that after suspects are arrested, they often flee the country after being released on bail. The organization, however, remains intact, and the next day there is another person with a similar name who is selling narcotics in the same area (p. 50).

The trafficker usually remains unpunished in Mexico since the American and Mexican Governments do not have an extradition treaty. The State Department and Mexico have instituted a JANUS program where the Mexican Government will prosecute a drug trafficker who has fled the United States. Under this program, the Mexican Government will prosecute an individual if the United States provides sufficient evidence to indicate that this person can be convicted under Mexico's Napoleonic Code. There are currently 75 persons who are being prosecuted as a result of this program (p. 284).

DEA believes that the traffickers are almost exclusively Mexican Americans or illegal aliens. There were traffickers 10 years ago who were associated with organized crime figures (p. 38), but today traditional organized crime is not involved in heroin trafficking as deeply as before (p. 4). There has been some information, however, that in suburban Chicago, associates of known organized crime syndicates have had high-level contact with the traffickers (p. 54).

III. INTERNAL REVENUE SERVICE

The Internal Revenue Service signed a "Memorandum of Understanding" with DEA on July 27, 1976, and instituted a "High-Level Drug Leaders" program on August 4, 1976.

Under this program, IRS curtailed their "street-level" investigations and relied primarily on lists and intelligence of narcotics traffickers that DEA supplied to the IRS national headquarters. The IRS district offices were to supplement this information by contacting the district DEA offices and by developing their own intelligence on narcotic traffickers.

The hearings revealed that the IRS Chicago district office is not very successful in prosecutions of narcotic traffickers for tax evasion. Since 1971, the Chicago district has screened 47 cases (this number contradicts prior testimony where the figure 42 was given (p. 172)), prosecuted 14 cases, obtained 7 convictions, and currently has full-scale investigations pending in 4 cases (p. 174-175). During the last 2 years, IRS has only investigated 26 cases and initiated 2 prosecutions (pp. 178). DEA stated that the IRS has become increasingly reluctant to initiate action on cases that DEA refers to them after seizing large amounts of cash. DEA is currently undertaking a study covering the years from 1973 to the present in order to determine all of

the instances in which the IRS has been unable or has declined to initiate action following a large cash seizure by DEA (pp. 28-29).

The Committee believes that this study may reveal that DEA has not supplied IRS with sufficient cases that merit an investigation and prosecution. DEA has supplied the IRS Chicago District Office only 2 lists—a list of 20 names in August 1976, and a second list with 27 names in March 1977. The results of the first list are as follows:

Closed.....	2
Audited.....	7
Referred to collectors.....	8
Criminal investigations.....	3

One of the three criminal investigations has recently been closed since IRS was not able to find sufficient evidence that the suspect had unreported income.

The Committee, in its oversight capacity, has often observed that the demise of the narcotics tax traffickers program by the IRS seemed to indicate that IRS was deemphasizing its efforts to enforce its laws against undeclared, untaxed money that is obtained from narcotic trafficking. Mr. Miriani denied such a de-emphasis in his department. He stated that the 15 individuals are assigned to the narcotics trafficking program and that the manner of prosecuting violators has remained the same during the last few years (p. 178). Congressman Gilman inquired as to whether Mr. Miriani had received any policy directives from the IRS in Washington indicating that in the future the Service would increase its priorities with regard to narcotics trafficking and would devote more attention to narcotics traffickers. Mr. Miriani stated that he received a directive in 1976 from Mr. Donald C. Alexander, Commissioner of IRS, that required him to "vigorously pursue a narcotics violator to the extent that there is an implication . . ." Mr. Miriani indicated that the directive did not alter the policy in his department since narcotics enforcement has remained a separate and distinct program (pp. 177-178). But under further questioning from Congressman Gilman, Mr. Miriani stated that there had not been any change in conducting its investigations against narcotic violators in the past 2 years. Mr. Miriani stated that the dropping of the successful NTTP program did not deemphasize this program (pp. 174-175). Mr. Miriani did not reconcile his description of his agency's emphasis on narcotic traffickers with his department's record of only two prosecutions during the last 2 years.

IV. CUSTOMS SERVICE

Mr. Sloan discussed several investigations that were being jointly conducted by the Customs Service and DEA. The cases did not relate to heroin trafficking in Chicago, but did illustrate the flow of large amounts of money in drug smuggling operations.

One interesting example he gave was the Ashok Dass case. Ashok Solomon smuggled hashish into the United States and Europe from India and Pakistan. The profits were apparently laundered through the purchase of negotiable instruments, such as:

February 1976—\$100,000 bank drafts from a bank in Amsterdam.

April 1976—\$250,000 bank drafts from a bank in Amsterdam.

June 1976—\$600,000 Travelers checks from a bank in Amsterdam.

June 1976—\$250,000 bank drafts from a Dutch bank.

August 1976—\$60,000 transferred from a bank in Amsterdam and deposited in a Canadian bank.

August 1976—\$115,000 transferred from a bank in Amsterdam and deposited in a Canadian bank.

August 1976—\$45,000 bank draft from a Dutch bank.

October 1976—\$120,000 bank drafts purchased from a bank in Montreal.

October 1976—\$50,000 wire transfer from a bank in Amsterdam to an account in a bank in Minneapolis.

November 1976—\$68,000 bank draft purchased in Minneapolis.

November 1976—\$75,000 bank draft from a bank in Minneapolis.

January 1977—\$110,000 bank drafts purchased in Canada and deposited in Minneapolis.

In this case, the Customs agents had mailed the suspects an outline of the Bank Secrecy Act reporting requirements and the proper forms. They did this, so that if the traffickers were arrested crossing from Canada into the United States with large amounts of currency, they would not be able to successfully claim ignorance of the reporting requirements.

The Customs Service witness testified to the problems that the Service encountered in enforcing the Bank Secrecy Act. This information can be found in the section on Government Efforts To Prevent Money Laundering.

SCOPE OF HEROIN ABUSE IN CHICAGO

I. FINDINGS

1. Chicago is a principal American source city for illicit heroin from Mexico.

2. This Mexican heroin originates almost exclusively from the State of Durango, Mexico.

3. Southeast Asian heroin accounts for only a small percentage of the heroin in Chicago, the vast bulk of it coming from Mexico.

4. There are 35,000 to 47,000 addicts in Chicago or 677 addicts for every 100,000 persons.

5. Every year in Chicago, there are approximately 200 deaths from heroin or heroin derivatives and 900 cases of serum hepatitis. There are approximately 400 deaths per year in Cook County due to narcotics abuse.

6. DEA contends that heroin abuse and supply in Chicago is on the downward trend. This is contradicted, however, by the availability of this drug and the ongoing traffic that has continued at epidemic levels.

7. The Chicago police and city government alone have neither the resources nor jurisdictional authority to effectuate a major impact on narcotics trafficking.

II. CONCLUSIONS

1. The Committee concludes that Chicago is receiving virtually all of its heroin from Mexican sources, and that Chicago has a massive problem of heroin addiction.

2. The Committee concludes that the Chicago Police Department's depiction of the heroin availability and abuse of heroin is reliable. The

DEA estimates are chiefly based on projections, using samples of heroin purity and price as a base. The Committee's Interim Report (p. 69, Feb. 1977) recommended that DEA consider factors other than heroin purity and street price as indicators of heroin supply and abuse. The Committee suggested factors such as the number of heroin addicts, total amount of heroin available, crime statistics, etc. DEA has, however, continued to rely heavily on the purity and price indicia. In addition, the Committee believes that the Chicago police on the street have a firm grasp of local supply and usage. DEA, in contrast, concentrates its resources on the apprehension of major traffickers. As a result, the Committee concludes that the street supply of heroin in Chicago has not decreased appreciably and that there are no significant signs that heroin abuse is lessening in Chicago.

3. The Committee believes that local authorities do not alone have the resources nor jurisdictional authority to effectuate a major impact on narcotics trafficking. The Committee further believes that this underscores the necessity that Federal, State, and local law enforcement officials work in a coordinated, cooperative manner.

III. RECOMMENDATIONS

The Drug Enforcement Administration should consider factors other than the price/purity index in order to determine the availability of heroin and its degree of abuse in a particular area. As the Committee's Interim Report (p. 69, Feb. 1977) recommends, factors such as the number of heroin addicts, crime statistics and the number of new users should also be taken into account.

HEROIN TRAFFICKING FROM MEXICO

I. FINDINGS

1. The Herrera family, based in Durango, Mexico, is the largest single trafficker in Mexican heroin.

2. This family has approximately 1,000 members.

3. Although they have actively been involved in narcotics trafficking in the United States for nearly 20 years, they have not received much publicity.

4. They import approximately 0.37 ton of pure heroin and 7.4 tons of 5 percent heroin into the United States annually.

5. The Herrera family controls one-third of the Chicago heroin market and derives an estimated net profit of \$60 million per year.

6. This organization is currently expanding to other cities such as Detroit, Cleveland, Boston, New York, Baltimore, Philadelphia, and Miami.

7. The Herrera organization consists of the following six related families:

- (a) Herrera-Diaz.
- (b) Herrera-Nevarez.
- (c) Herrera-Herrera.
- (d) Herrera-Venegas.
- (e) Herrera-Medina.
- (f) Herrera-Villanueva.

8. There are two distinct groups within the six families of the Herrera organization. The senior family members reside in Durango, Mexico. They are responsible for planting the poppy fields, buying the opium gum, converting and refining the gum into heroin and transporting the narcotics into the United States. The younger members of the family are responsible for selling the drugs. Many of them live in concentrated Mexican-American areas in Chicago such as the Roseland and Pilsen communities.

9. The Herrera family is involved in all phases of narcotics trafficking, and it strongly resembles an international cartel.

10. This organization has field offices in various cities in the United States. They maintain frequent contact with their home office in Durango, Mexico, through telephone communications, correspondence, and personal visitations.

11. The State of Durango, Mexico, is a main location of Mexico's poppy fields and heroin laboratories.

12. Mexican aliens and Mexican-Americans deliver the heroin in "load cars" directly to Chicago from the laboratories in Durango.

13. These couriers receive \$800 to \$1,000 for every kilo of heroin that they deliver to Chicago.

14. The wholesaler in the United States returns 75 to 80 percent of the proceeds of his sales to Mexico.

15. The use of couriers to deliver this money to Mexico has decreased during the last several years. Instead, money has been transferred through the utilization of negotiable instruments.

16. Approximately 20 percent of the money sent back to Mexico is in the form of negotiable instruments.

17. These negotiable instruments usually consist of money orders which can be purchased from financial institutions throughout Chicago.

18. It is estimated that \$80 to \$200 million is annually returned to Mexico. This money is not taxed by the United States nor Mexico.

19. A wholesaler of Mexican heroin receives approximately \$17,000 profit for every kilo of heroin that is sold in Chicago.

20. The annual wholesale profit from Mexican heroin trafficking in Chicago is \$80 to \$300 million.

21. The annual retail profit from Mexican heroin trafficking in Chicago is approximately \$100 million.

II. CONCLUSIONS

1. The Herrera family is similar to traditional organized crime families as evidenced by the magnitude and complexity of its organized criminal activity. It also shares the common trait of having many of its members related by blood and by marriage.

2. In order to significantly reduce the supply of narcotics in Chicago, it is essential to eliminate or severely reduce narcotics trafficking by the Herrera family.

3. There is a large scale heroin operation in effect between Durango, Mexico, and Chicago, Ill. The heroin is produced in Durango and sent directly to Chicago. Most of the profits are then sent back to Mexico. Recently, negotiable instruments have been used to transfer these funds.

4. The enormous untaxed wholesale and retail profits that are made in the sale of heroin are the lifeblood of the narcotics business.
5. Successful enforcement efforts at stopping this financial pipeline will interrupt the steady flow of narcotics into Chicago.

III. RECOMMENDATIONS

1. The Chicago police and DEA should increase their efforts in infiltrating the Herrera organization and in gaining knowledge of their activities.

2. The Chicago police and DEA should strengthen their relationships with the leaders of the Mexican-American communities in Chicago. These leaders should be made aware of the activities of the Herrera family, and their assistance should be solicited to help deal with this problem.

3. It is necessary that DEA and the State Department encourage the Mexican Government to increase its opium eradication efforts in the State of Durango. It will indeed be difficult for the government to be as successful in this rugged and dangerous area as they have been in other areas of Mexico. The need, however, to interrupt the continuous supply of heroin from Durango is vital.

4. Mexico should be encouraged to provide banking laws that will regulate the influx of U.S. dollars from questionable sources. Ownership and control of Mexican banks should be regulated so as to deny their abuse by Mexican and American traffickers.

MONEY "LAUNDERING" OF HEROIN PROCEEDS

I. FINDINGS

1. Narcotic traffickers have converted heroin proceeds into negotiable instruments at many financial institutions in Chicago. These transactions were conducted with little apparent concern for legal consequences.

2. The most blatant "laundering" method has been the trafficker's abuse of currency exchanges for the past 5 or 10 years.

3. Traffickers converted enormous sums of money into negotiable instruments at these currency exchanges.

4. The purchasers of these money orders usually gave fictitious names for the payer and payee of the money order. Tellers do not check the identity of their customers.

5. The currency exchange owners denied having any knowledge that their exchanges were being used to "launder" money in this manner. They stated that they had no idea as to the identity of their customers who entered the exchanges with large sacks of cash. They stated further that they were often unaware of the actual transactions until the end of the day.

6. There were large sums of currency that were converted into money orders in excess of \$500 at the 18th & Halsted Currency Exchange which were eventually deposited into accounts at Mexican banks. The amounts of these money orders, time periods in which they were issued and destinations are as follows:

(a) The exchange issued money orders totalling \$1,253,076.23 between July 1976 and May 1977 that were deposited in Mexican banks.

(b) The exchange issued money orders totalling \$356,150 between January 1977 and May 1977 that were ultimately deposited in banks in the State of Durango, Mexico.

(c) The exchange issued money orders totalling \$148,050 between March 16, 1977 and March 21, 1977 that were ultimately deposited in Mexican banks.

(d) The exchange issued money orders totalling \$73,375 on July 6, 1976 and during April 1977. These money orders were deposited into one account in a Mexico City bank.

(e) The exchange issued money orders totalling \$324,900 between January 4, 1977 and March 21, 1977, which were ultimately deposited into one account of a Durango branch of a major bank.

7. There was also a large amount of money that was converted into money orders in excess of \$500 at the 26th & Kedzie Currency Exchange, and ultimately deposited in Mexican banks. The amounts of these money orders, time periods in which they were issued, and destinations are as follows:

(a) The exchange issued money orders totalling \$1,253,076.23 between January 1975 and June 1977, that were ultimately deposited in Mexican banks.

(b) The exchange issued money orders totalling \$276,880 between April 1975 and December 1976, that were ultimately deposited in banks in the State of Durango, Mexico.

(c) The exchange issued money orders totalling \$370,000 between February 27, 1976 and April 24, 1976, that were ultimately deposited in banks in the State of Durango, Mexico.

(d) The exchange issued money orders totalling \$546,200 between March 1976 and November 1976, that were ultimately deposited into various accounts at several branches of two banks. All of the accounts belong to one individual.

(e) The exchange issued money orders totalling \$5,000 on March 15 that were deposited into one account of a Durango branch of a major bank.

8. Mr. Richard Barr, owner of the 18th & Halsted Currency Exchange, refused to answer questions at the hearing on the basis of his constitutional rights under the fifth amendment of the U.S. Constitution and article 1, section 10, of the Illinois constitution.

9. Mr. Simon Ander, full-time managing partner of the 26th & Kedzie Currency Exchange, admits that he issued a large number of personal money orders for over \$500 in the past. He claims, however, that until recently, he was unaware of State regulations which prohibit this type of transaction and that he was also unaware of the reporting requirements of the Bank Secrecy Act.

10. Mr. Ander stated that his curiosity was not aroused when a person walked into his exchange with \$140,000 in currency to be converted into money orders. He further stated that he never inquired about the identity of the purchaser, the source of the money, nor its destination.

11. The 26th & Kedzie Currency Exchange is a subagent for Western Union. Under this arrangement, customers can pay at the exchange for a telegraph transfer of money. Between May 1976 and July 1977, there was \$2,007,032.72 worth of currency that was transferred to Mexico in this manner.

12. Narcotics traffickers are currently purchasing negotiable instruments, including New York drafts, with their proceeds from heroin sales. These instruments are often deposited in Mexico.

13. One-half of the currency exchanges in Chicago, including the 18th & Halsted and 26th & Kedzie Currency Exchanges, have their accounts at Lincoln National Bank.

14. Mr. Kenneth Dolowy, President of Lincoln National Bank, never questioned personnel at his bank concerning possible "laundering" by traffickers, nor did he request revisions of any banking procedures to ensure that his bank was not being used for illegal purposes, and Mr. Dolowy says that Lincoln National Bank has never received a notice from auditors or bank examiners stating that it has not complied with the reporting requirements of the Bank Secrecy Act.

II. CONCLUSIONS

1. During the last several years, narcotics traffickers have routinely converted trafficking proceeds from cash into money orders at the 18th & Halsted and 26th & Kedzie Currency Exchanges and at many other exchanges. They have also converted cash into New York drafts at the Lincoln National Bank and other banks.

2. These negotiable instruments were frequently deposited into accounts in banks in Durango, Mexico. The accounts usually belonged to a small number of individuals.

3. Based on the available evidence, the Committee cannot conclude that the owners or officers of financial institutions were involved in the "laundering" of heroin proceeds. For the reasons explained in the Money "Laundering" of Heroin Sales section of this report, the Committee remains skeptical that the currency exchange owners were unaware that their businesses were being used for these illegal purposes.

4. The Committee concludes that narcotics money "laundering" has been occurring on a massive scale in the city of Chicago, probably surpassing \$100 million annually.

GOVERNMENT EFFORTS TO PREVENT MONEY "LAUNDERING"

I. FINDINGS

1. Seventy-five to eighty percent of wholesale profits from heroin trafficking in Chicago, Ill. are returned to Durango, Mexico.

2. In Chicago, there are 650 financial institutions including 100 commercial banks and approximately 500 currency exchanges. All types of financial institutions are utilized to transfer heroin profits to Mexico.

3. The Currency Exchange Division of the Illinois Department of Financial Institutions is empowered to regulate currency exchanges.

4. The rules and regulations of this agency prohibit a currency exchange from issuing a money order for more than \$500, except in four limited circumstances. There has been no proceeding to enforce these rules, save one, in almost 40 years.

5. Representatives of the Currency Exchange Division of the Department of Financial Institutions stated that prior to the current

administration the Department's enforcement record was poor. Since taking office, the current administration has taken a number of steps to prevent narcotic traffickers from using currency exchanges to launder money.

6. The Bank Secrecy Act contains several important disclosure provisions that impact on the laundering of narcotics profits.

7. These key provisions are (a) Section 1081, which requires through 31 C.F.R. Section 103.22, that every domestic financial institution record the identity of persons involved in any currency transaction exceeding \$10,000 and report this information to the Internal Revenue Service (IRS) on Form 4789 within 45 days; and (b) Section 1101(a) (31 C.F.R. Section 103.22), which requires that a person complete and file Form 4790 with the U.S. Customs Service when knowingly transporting monetary instruments in amounts in excess of \$5,000 (aggregate amount) in or out of the United States.

8. IRS has the responsibility for the enforcement of the recordkeeping provisions of Section 1081. A nationwide investigation by the IRS during the period October 1974 through December 31, 1976 revealed 59 financial institutions that were not in full compliance with the recordkeeping or reporting provisions of the Act.

9. The Committee in its investigation of the operations of the 26th & Kedzie Currency Exchange learned that on April 26, 1976, a "Luis Lopez" purchased four \$20,000 money orders. This transaction was not reported to the IRS.

10. The Committee in its investigations found that most large money orders written by currency exchange operators were in the amounts of \$3,000 to \$5,000. IRS's Chicago District Director informed the Committee that he believes the \$10,000 reporting requirement should not be uniformly applied to all financial institutions as defined by the Act.

11. The Drug Enforcement Administration (DEA) also has the authority and responsibility to investigate financial "laundering" cases.

12. DEA has stated to the Committee that one problem it has encountered is the inability of the Federal Government to properly regulate domestic branches of foreign banks. Although these banks are required to adhere to the reporting requirements of the Bank Secrecy Act, the State is usually the regulating authority. The States are usually unable to properly supervise multi-State foreign banks.

13. DEA has stated that it has ongoing extensive financial investigations involving the flow of money from the United States to Mexico.

14. The Customs Service has sole responsibility for enforcement of the reporting requirements of Section 1101(a) of the Bank Secrecy Act and the investigations of failure to comply with this requirement.

15. Since 1974, Custom's enforcement record under the Bank Secrecy Act indicates that there have been 787 seizures, 134 indictments and 96 convictions.

16. Section 1101(a) of the Bank Secrecy Act has been interpreted to mean that no violation occurs until the person has actually left the United States.

17. Under section 1101(a), a person carrying over \$5,000 in unreported monetary instruments is not in violation of the provision

unless the individual was aware or was sufficiently notified of the requirements of that section.

18. Although Customs is free to search travelers for contraband merchandise, the Service has interpreted Section 1105 of the Bank Secrecy Act as requiring a search warrant to search for unreported currency.

19. When Customs apprehends a person with unreported currency, the violator can avoid criminal penalties by completing Form 4790.

20. After narcotics-related money is seized by Federal law enforcement officials and the case is turned over to the IRS, the Service, in many cases is unable to prevent the money from being returned to the suspected traffickers.

21. To prevent having to return suspected untaxed money, IRS seeks to determine whether there is a tax liability. If there is none, IRS conducts a tax investigation to determine whether the money is in jeopardy of leaving the country. If not, IRS must return the money to the individual.

II. CONCLUSIONS

1. The magnitude of untaxed dollars, generated from heroin trafficking and being returned to Mexico, requires a coordinated attack by Federal, State and local officials. The successful laundering of large amounts of money cannot be explained without concluding that law enforcement is not doing its job.

2. The past enforcement record of the Currency Exchange Division of the Illinois Department of Financial Administration can be characterized as poor.

3. The disclosure provisions of the Bank Secrecy Act, if effectively enforced, could impede the flow and increase the risk of money "laundering."

4. The \$10,000 reporting requirement of Section 1081 of the Bank Secrecy Act appears out of line with the realities of the Chicago currency exchange operations, where most large money orders are between \$3,000 and \$5,000.

5. The Internal Revenue Service's record of enforcement of the Bank Secrecy Act is bleak and could be greatly improved.

6. DEA's enforcement effort in narcotics profit "laundering" cases indicates that it is either unable to complete investigations and prosecute conspiracy cases involving money laundering or that this aspect of narcotics trafficking occupies a low priority in its narcotics enforcement efforts.

7. There is some doubt as to the significance of DEA's intelligence information regarding Mexican financial institutions. These doubts are exacerbated by the knowledge that DEA has no agent assigned to Durango, Mexico, the home base of the Herreras and other heroin-trafficking families.

8. The U.S. Customs Service has had limited success in enforcing Section 1101(a) of the Bank Secrecy Act.

9. A major obstacle encountered by the Customs Service in its attempt to enforce Section 1101(a) of the Bank Secrecy Act is that this provision has been interpreted to mean that no violation occurs until the person has actually left the United States.

10. A second problem in the effectiveness of Section 1101(a) is that a person carrying over \$5,000 in unreported monetary instruments is

not in violation of the provision unless the individual was aware or was sufficiently notified of the requirements of that section.

11. A third problem with Section 1101(a) is that although Customs is free to search travelers for contraband merchandise, the Service has interpreted Section 1101(a) as requiring a warrant to search for unreported money.

III. RECOMMENDATIONS

1. The Currency Exchange Division of the Illinois Department of Financial Institutions should undertake the enforcement of the State law in an active manner, using all available sanctions. An amendment to the State law requiring identification of the remitter and recipient of negotiable instruments in excess of \$500 would assist the enforcement efforts.

2. The Department of Treasury, Office of Law Enforcement, should undertake greater effort to monitor agency enforcement of the reporting requirements of the Bank Secrecy Act. The *Chemical Bank* case, frequently mentioned at the hearings, is one flagrant example of the result of failure to file Form 4789.

3. The Department of Treasury should reduce the dollar amount of domestic transactions that must be reported by currency exchanges from the present \$10,000 to a more reasonable amount.

4. IRS should undertake greater efforts to notify domestic financial institutions which are not otherwise federally regulated of the reporting and recordkeeping requirements of the Bank Secrecy Act.

5. Congress should increase the civil and criminal penalties for failure by a domestic financial institution to file reports of transactions of over \$10,000.

6. Congress should provide for the regulations of domestic branches of foreign banks by the Federal Reserve Board. Domestic branches of foreign banks should be subject to the same inspection requirements as are imposed on State-member banks of the Federal Reserve System to ensure that they comply with the recordkeeping requirements of the Bank Secrecy Act.

7. DEA should devote additional resources to investigate the use of financial institutions to "launder" narcotics trafficking proceeds.

8. The Committee encourages the use by DEA and the Department of Justice, Criminal Division, of letters rogatory (letter from one judge to another requesting him to examine a witness) to Mexican judicial authorities.

9. The Committee encourages the adoption of a mutual assistance treaty (similar to the one between the United States and Switzerland) between the United States and Mexico to assist in the exchange of banking records.

10. The Departments of State, Treasury and Justice should streamline the procedures that hamper the creation of treaties between the United States and Mexico relating to the exchange of information on the financial aspects of narcotics trafficking.

11. DEA, the Department of Treasury and the Organized Crime and Racketeering and Public Integrity Sections of the Criminal Division of the Department of Justice should undertake a coordinated attack on the laundering of narcotics money.

12. Congress should amend the Bank Secrecy Act to require that all persons who transport from the U.S. currency or monetary instru-

ments in excess of \$5,000 to report such transactions to Customs prior to leaving the United States.

13. Congress should amend Section 1105(a) of the Bank Secrecy Act to permit searches without warrants where probable cause exists.

14. Customs should undertake greater efforts to educate persons as to the need to file Form 4790.

GOVERNMENT EFFORTS TO PREVENT NARCOTICS TRAFFICKING

I. FINDINGS

1. Following a large narcotics raid in June 1973, the Chicago Police Department uncovered the involvement of the Herrera family with heroin trafficking.

2. The Herrera family is a close and tight-knit organization that is extremely difficult to infiltrate. The Chicago Police Department believes that it is nearly impossible to "buy" into the family. Consequently, the police use informants as their source of intelligence.

3. The Drug Enforcement Administration believes that they can obtain intelligence by "buying" narcotics from the Herrera family.

4. Both the Chicago police and DEA believe that current bail procedures are a major roadblock to the conviction of narcotics dealers. Under these procedures, arrested violators frequently post bond and flee into Mexico.

5. The State Department and the Mexican Government have created the JANUS program under which Mexico will prosecute a drug trafficker who has fled the United States. The United States, however, must provide sufficient evidence to indicate that the person can be convicted under Mexico's Napoleonic laws.

6. In 1971, the Chicago Police Department seized 10 pounds of heroin and arrested 28 persons for heroin violations. In 1976, seizures increased to 110 pounds, and 6,000 persons were arrested for the sale or possession of heroin and cocaine.

7. Between January 1974 and July 1977, the majority of heroin seized and purchased by DEA agents in Chicago was imported by the Herrera family. For this reason, DEA concentrates most of its resources in the Chicago area on the Herrera family.

8. DEA has established a Centac conspiracy group that focuses on the Herreras on a multi-region, multi-nation basis.

9. DEA has worked closely with Customs, the State Department, and the Mexican Government in order to prevent heroin from entering into the United States.

10. The narcotics traffickers are almost exclusively Mexican-Americans or illegal aliens. Illegal alien traffic is closely allied with other contraband trafficking, including drugs.

11. There is contact between the traffickers and organized crime syndicates in the Chicago suburbs.

12. The Internal Revenue Service signed a "Memorandum of Understanding" with DEA on July 27, 1976, and instituted the High-Level Drug Leaders Tax Enforcement Project on August 4, 1976.

13. Under this program, the IRS curtailed its "street level" investigations. The DEA now supplies to the IRS national headquarters intelligence information concerning narcotics traffickers.

14. Since 1971, the IRS district office in Chicago, has screened 47 cases, prosecuted 14 cases, obtained 7 convictions and currently has full scale investigations pending in 4 cases.

II. CONCLUSIONS

1. Law enforcement authorities disagree as to whether they can "buy" into the Herrera organization.

2. The current lenient bail procedures often enable defendants to post bond and flee into Mexico.

3. IRS has curtailed its "street level" investigations and primarily relies on lists and intelligence concerning narcotics traffickers that is provided to them by DEA.

4. The IRS district office in Chicago has not been very successful in prosecuting traffickers based on information given to it by DEA.

III. RECOMMENDATIONS

1. Congress should amend the Bail Reform Act to allow wider judicial discretion to deny bail to defendants arrested in narcotics cases.

2. IRS should review its current enforcement procedures. It is suggested that the IRS Chicago district office obtain a clarification of the 1976 "Memorandum of Understanding" with DEA. Both agencies should be completely aware of their respective responsibilities, as well as the type, quality, and amount of information that they can expect to receive from each other.

APPENDIX

EXHIBIT A

AGGREGATE AMOUNTS OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICAN BANKS

Currency exchange	Transaction dates	Amount
18th & Halsted	July to December 1976	\$118,241.00
Do	January to July 1977	507,065.00
Subtotal		625,306.00
26th & Kedzie	January to December 1975	358,218.23
Do	January to December 1976	891,748.00
Do	January to June 1977	3,110.00
Subtotal		1,253,076.23
Total		1,878,382.23

EXHIBIT B

AGGREGATE AMOUNTS OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO DURANGO BANKS

Currency exchange	Transaction dates	Amount
18th & Halsted	Jan. 4 to May 3, 1977	\$351,650
26th & Kedzie	Apr. 5, 1975, to Dec. 16, 1976	270,680
Total		622,330

EXHIBIT C

MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO DURANGO BANKS (USED FOR EXHIBIT B) 18TH & HALSTED CURRENCY EXCHANGE

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)
Z003391	\$5,000	Jan. 4, 1977	Jose Gonzalo	Ernes Perez.
Z003393	5,000	do	Jesus Lopez	Albert Sanchez.
Z003396	5,000	do	Ernesto Lopez	Jose Lopez.
Z003397	5,000	do	do	Do.
Z003398	5,000	do	do	Do.
Z003399	5,000	do	do	Do.
Z003400	5,000	do	do	Do.
Z003401	4,900	do	do	Do.
Z003402	5,000	Jan. 5, 1977	Jose Lopez	Ernest Lopez.
Z003405	5,000	do	Ernesto Lopez	Jesus Lopez.
Z003406	5,000	do	do	Do.
Z003407	5,000	do	do	Do.
Z003408	3,000	do	do	Do.
Z003414	5,000	Jan. 7, 1977	Jose Garcia	Jose Mezera.
Z003415	6,000	Jan. 8, 1977	Ernesto Lopez	Jesus Lopez.
Z003419	7,000	Jan. 10, 1977	Jose Gonzalo	Manuel Ruiz.
Z003423	6,000	Jan. 11, 1977	do	Do.
Z003424	5,450	do	do	Do.
Z003429	6,550	Jan. 12, 1977	Jose Garcia	Jesus Garcia.
Z003438	5,000	Jan. 15, 1977	Jose Gonzalez	Manuel Ruiz.
Z003445	7,000	Jan. 19, 1977	do	Do.
Z003446	7,000	do	do	Do.
Z003448	5,000	do	Jose Gonzalo	Do.

EXHIBIT C—Continued

MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO DURANGO BANKS (USED FOR EXHIBIT B)
18TH & HALSTED CURRENCY EXCHANGE

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)
Z003450	\$6,000	Jan. 20, 1977	Jose Gonzalez	Manuel Ruiz.
Z003451	5,000	do	do	Do.
Z003455	5,000	Jan. 21, 1977	do	Do.
Z003456	5,000	do	do	Do.
Z003457	6,000	do	do	Do.
Z003471	5,000	Jan. 28, 1977	Maria Elena Barragan	Maria Guerrero.
Z003472	5,000	do	Jose Rodriguez	Maria Ruiz.
Z003473	5,000	do	Raul Perez	Maria Barragan.
Z003474	5,000	do	do	Do.
Z003475	5,000	do	Jose Rodriguez	Maria Ruiz.
Z003476	5,000	do	do	Do.
Z003477	2,000	do	Raul Perez	Do.
Z003478	5,000	Jan. 29, 1977	Javier Garcia	Maria Barregan.
Z003603	4,000	Mar. 16, 1977	Jose Garza	Juana Barragan.
Z003604	3,000	do	do	Manuel Romero.
Z003605	4,000	do	do	Do.
Z003607	4,000	do	Manuel Romero	Jose Garza.
Z003609	4,000	do	Jose Garza	Manuel Romero.
Z003610	4,000	do	do	Do.
Z003611	4,000	do	do	Do.
Z003612	4,000	do	do	Do.
Z003613	4,000	do	do	Do.
Z003614	4,000	Mar. 17, 1977	do	Do.
Z003615	4,000	do	do	Do.
Z003616	4,000	do	do	Do.
Z003617	4,000	do	do	Do.
Z003618	4,000	do	do	Do.
Z003629	5,000	Mar. 21, 1977	do	Hector Romero.
Z003630	5,000	do	do	Do.
Z003631	5,000	do	do	Do.
Z002632	5,000	do	Hector Romero	Jose Garza.
Z003633	5,000	do	Jose Garza	Hector Romero.
Z003634	5,000	do	do	Do.
Z003635	4,500	do	do	Do.
Z003645	5,000	do	do	Do.
Z003646	5,000	do	do	Do.
Z003647	5,000	do	do	Do.
Z003648	5,000	do	do	Do.
Z003649	5,000	do	do	Do.
Z003650	5,000	do	do	Do.

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)	Mexican bank
Z003503	\$5,000	Feb. 7, 1977	Javier Garcia	Jacinto Trevino	Banco.
Z003504	4,000	do	do	do	Do.
Z003570	600	Mar. 5, 1977	Maximiliano Febela	Marcelina Lopez	Banco De.
Z003601	4,000	Apr. 16, 1977	Jose Garza	Manuel Romero (Luz Maria) (Diaz G.)	Do.
Z003638	4,000	Mar. 23, 1977	do	Jose Dominguez	Banco.
Z003639	4,750	do	do	do	Do.
Z003644	900	Mar. 21, 1977	do	Hector Romero	Do.
Z003658	4,000	Apr. 29, 1977	Gloria Rivera	Arnoldo Carrera	Do.
Z003703	4,000	Apr. 13, 1977	Juventino Carrera	Federico Garcia	Do.
Z003755	4,000	May 3, 1977	Ramon Rosales	Albarado Ramos	Do.
Z003756	4,500	do	Ramir Ramos	Concepcion Rosales	Do.
Z003758	4,500	do	Joel Martinez	Tomas Gonzales	Do.

26TH & KEDZIE CURRENCY EXCHANGE

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank
X011561	\$1,400	Apr. 5, 1975	Candalaro Alcantar	Nemecio Avila	Deleted.
X011883	1,325	July 1, 1975	Luis Rivas	Aurellas Rivas	Do.
X012463	700	Sept. 2, 1975	Jaime Chavez	Armando Chavez	Do.
X012474	800	do	Consolacion Santillanes	Pedro Santillanes	Do.
X012475	800	do	Josefina Corral	Jose R. Santillanes	Do.
X012495	1,275	Sept. 4, 1975	Ismael Vargas	Luis Gossia	Do.
X012672	2,000	Sept. 22, 1975	Mario Gurrula	Pedro Gurrula	Do.
X012709	800	Sept. 27, 1975	Lorenzo M. Lopez	Piedad Martinez	Do.
X012734	2,000	Sept. 30, 1975	Juan Vargas	Juan Jose Vargas	Do.
X012841	3,000	Oct. 13, 1975	Teresa Garcia	Enrique Garcia	Do.

26TH & KEDZIE CURRENCY EXCHANGE—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank
X012903	\$1,500	Oct. 20, 1975	Gregorio Melendez	Saul Eragozo (Elenorio Guerrero)	Deletad.
X012925	5,000	Oct. 24, 1975	Alfredo Garcia	Alicia Ibarra (Elenorio Guerrero Diaz)	Do.
X013081	1,000	Nov. 12, 1975	Hernando Batista	Consuelo Frogoso (Pedro Ibarro)	Do.
X013152	2,000	Nov. 20, 1975	Manuel Mendoza	Hilda Mendoza (Lux Ma, Diaz S)	Do.
X013232	5,000	Dec. 1, 1975	Jorge Cuentas	Laurencio Correion	Do.
X011245	3,500	Feb. 21, 1975	Fernando Carrasco	Luiz Diaz	Do.
X011437	3,000	Mar. 7, 1975	Beto Chardez	do	Do.
X011438	3,000	do	Manuel Diaz	Pepe Diaz	Do.
X011467	2,000	Mar. 10, 1975	Jorge Diaz	Elpidia Garcia	Do.
X011468	2,000	Mar. 20, 1975	Jose Perez	Francisco Rodriguez	Do.
X011497	2,000	Mar. 17, 1975	Jorge Garcia	Socorro Garcia	Do.
X011498	2,400	Mar. 24, 1975	Hector Rodriguez	Miguel I	Do.
X011533	3,000	Mar. 25, 1975	Jorge Garcia	Socorro Garcia	Do.
X011524	1,000	Apr. 22, 1975	Maria Cano	Margarita Cano	Do.
X011666	1,000	May 2, 1975	Manuel I	Esther Medina	Do.
X011692	5,000	May 12, 1975	Rudolph Medina	Rudolph Medina	Do.
X011758	7,000	July 4, 1975	Maria Miska	Antonio Garcia	Do.
X011778	3,400	July 9, 1975	Miguel Lopez	Vasquez I	Do.
X011779	1,500	July 7, 1975	Miguel Silvas	Pedro Ibarra	Do.
X011867	4,000	June 6, 1975	(*)	Juan Quinones	Do.
X011867	1,000	June 30, 1975	Antonio Ramirez	Ernesto Savala	Do.
X011868	5,000	do	Rodolfo Medina	Rodolfo Medina	Do.
X011928	2,000	July 7, 1975	Agustin Rocha	Jose Arroyo	Do.
X011946	2,000	July 8, 1975	Vargas I	Juan Jose Vargas	Do.
X011977	1,000	July 10, 1975	Francisco I	Eliseo Diaz	Do.
X011978	1,000	do	Francisco I	do	Do.
X012230	1,000	do	Isidro I	Jorengol Herrera G	Do.
X012231	1,000	do	Isidro I	do	Do.
X012232	2,000	Aug. 7, 1975	(*)	Jesus Barraza	Do.
X012238	5,000	do	Maria Garcia	Jose Garcia	Do.
X012349	3,000	Aug. 18, 1975	Jesus Perez	Otton Quinohez	Do.
X012378	3,000	Aug. 20, 1975	Carrera I	Eldio Diaz	Do.
X012379	1,000	do	(*)	Silverio Soto	Do.
X012380	4,000	do	Jesus I	Octaviano Carrasco	Do.
X012478	1,700	Sept. 3, 1975	(*)	Luis Garcia	Do.
X012477	2,500	do	(*)	Pedro Ramirez	Do.
X012506	700	Sept. 6, 1975	Pedro Moreno	Eva Aguirre	Do.
X012540	3,000	Sept. 9, 1975	Jesus Diaz	Luis Diaz	Do.
X012576	1,000	Sept. 13, 1975	Estrella Santellanes	Filiberto Santellanes	Do.
X012817	2,000	Oct. 9, 1975	Jose Pena	Angel Frazgoza	Do.
X013051	7,500	(*)	Saucedo I	Rosario I	Do.
X013271	4,000	Dec. 4, 1974	(*)	Rosario Saucedo	Do.
X013386	1,000	Dec. 12, 1975	Julian Guzman	Manuel Guzman	Do.
X013610	1,000	Jan. 1, 1976	Rosa Martinez	Angel Gragoso	Do.
X013735	5,000	Jan. 13, 1976	Jare C	Juan Garcia Silva	Do.
X013763	1,000	Jan. 14, 1976	(*)	Antonio Gambino	Do.
X013811	800	Jan. 17, 1976	Iseac Valdez	Maria Chaide	Do.
X014646	2,500	Feb. 21, 1976	Garcia I	Amicerio Garcia	Do.
X014716	3,500	Feb. 26, 1976	Juan Garcia	Jesus Garcia	Do.
X014773	1,000	Mar. 2, 1976	Jose Ramire	Esther Nevarez	Do.
X014816	9,000	Mar. 6, 1976	Luis Perez	Andrea I	Do.
X014846	1,000	Mar. 10, 1976	Salvador Reyes	Juana Martinez	Do.
X014860	1,000	do	Juan Sanchez	Manuel Sanchez	Do.
X014886	2,000	Mar. 13, 1976	Ricardo Garcia	Francisco Garcia	Do.
X014907	700	Mar. 16, 1976	Arabian Mieza	Tito Garcin	Do.
X015021	1,250	Mar. 26, 1976	Francia Loya	Carlota Loya	Do.
X015020	1,500	do	Ricardo Garcia	Felipe Garcia	Do.
X015051	820	Mar. 29, 1976	Margarita Perez	Petra Perez	Do.
X015176	1,000	Apr. 10, 1976	Ramon Fauela	Eloisa Flores	Do.
X015230	1,000	Apr. 13, 1976	Hector C	Antonio Navar	Do.
X015200	1,000	Apr. 12, 1976	Tony Martinez	Vicente Martinez	Do.
X015242	2,000	Apr. 14, 1976	E. Espargo	Julian Garcia	Do.
X015247	2,400	do	Rafael Aguirre	Rafael Aguirre	Do.
X015248	5,500	Apr. 15, 1976	Enjina Rodriguez	Juan Garcia	Do.
X015306	2,580	Apr. 20, 1976	Luis Cragon	Cornelio Carero	Do.
X015346	1,500	Apr. 23, 1976	Jesus Garcia	Raquel Diaz	Do.
X015409	1,500	Apr. 29, 1976	Ataues Chavez	Jose de Jesus Medina	Do.
X015580	3,000	May 19, 1976	Ruperto C	Satera Aragar	Do.
X015655	3,000	May 28, 1976	Jose Martinez	Satera Martinez	Do.
X015675	1,000	May 29, 1976	Manuel Valdez	Sylvia Olvera	Do.
X015669	5,000	June 10, 1976	Abel Herrera	Socorra Rodriguez	Do.
X015882	3,000	June 19, 1976	Javes Aguilera	Jesuseta Hernandez	Do.
X015883	10,000	July 18, 1976	Raul Luna	Jose Terrazas	Do.
X015862	2,000	June 26, 1976	Antonio Munoz	Luis Munoz	Do.
X016000	3,000	June 30, 1976	E. Choidex	Guadalupe Herrera	Do.
X016195	3,000	July 20, 1976	Javier Aguilera	Leopoldo Herrera	Do.
X016238	600	July 22, 1976	Ehrrro Choidex	Esther Galindo	Do.
X016246	600	July 23, 1976	do	do	Do.

1 Not legible.

26TH & KEDZIE CURRENCY EXCHANGE—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank
X016261	\$5,000	July 26, 1976	Jose Rodriguez	Jose C. Monte	Deleted.
X016262	5,000	do	do	Ernesto Rojas	Do.
X016263	5,000	do	do	Juan Garcia	Do.
X016264	5,000	do	do	do	Do.
X016305	4,000	July 27, 1976	Salvador Garcia	Jose Garcia	Do.
X016661	2,000	do	Francisco Soles	Ignacia Soles	Do.
X016684	1,000	Aug. 30, 1976	Salvador Garcia	Jose Garcia	Do.
X016922	4,000	Sept. 24, 1976	Jose Pineda	Domingo Alanis	Do.
X016810	5,000	Sept. 13, 1976	Rafael Ortiz	Rogelio Ortiz	Do.
X016831	1,000	Sept. 15, 1976	Jose Luis Espanza	Juan Miranda M.	Do.
X016854	1,000	Sept. 17, 1976	Esther Chavez	Maria Aguilre	Do.
X016855	1,000	do	Jesus Garcia	Augustine Garcia	Do.
X016979	5,980	Oct. 1, 1976	Jesus Diaz	Luis Prado Huerta	Do.
X016986	800	do	Francisco Soles	Ignacia Soles	Do.
X016988	600	Oct. 2, 1976	Jesus Delazquez	Aida Nevarez	Do.
X016989	600	do	do	do	Do.
X017050	1,500	Oct. 9, 1976	Estella Galindo	Heliadora Herrera	Do.
X017071	2,000	Oct. 12, 1976	Javier Gallegos	Maria A. Garcia	Do.
X017072	2,000	do	Manuel Soto	Agustin Garcia	Do.
X017278	1,000	Nov. 3, 1976	Manuel Guzman	Carman Guzman	Do.
X017365	600	Nov. 15, 1976	Hector Angeles	Alejandrina Dominguez	Do.
X017529	1,000	Dec. 6, 1976	A. Gonzalez	Alejandrina Lopez	Do.
X017555	5,000	Dec. 8, 1976	Armando Lopez	Jesus Rodriguez	Do.
X017638	5,000	Dec. 16, 1976	Noel Montenegro	Maria Montenegro	Do.
X015663	1,000	May 29, 1976	Salvador Garcia	Rodolfo Gaytar	Do.
X015692	1,000	June 1, 1976	Jose Coral	Silvia Olvera	Do.
X015721	1,000	June 4, 1976	Eliseo Golnou	Rodolfo Gaitan	Do.
X015948	2,000	June 25, 1976	Juan Soto	Raul Soto	Do.

EXHIBIT D

AGGREGATE AMOUNTS OF SELECTED LARGE DAILY PURCHASES OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICO

Currency exchange	Date	Number of money orders	Amount
18th & Halsted	Mar. 16, 1977	12	\$45,000
Do.	Mar. 17, 1977	7	28,000
Do.	Mar. 19, 1977	1	900
Do.	Mar. 21, 1977	16	74,150
Total			148,050
26th & Kedzie	Feb. 27, 1976	4	49,400
Do.	April 5, 1976	7	70,000
Do.	April 13, 1976	12	105,500
Do.	April 24, 1976	11	145,500
Total			370,400

EXHIBIT E

EXAMPLES OF SELECTED LARGE DAILY PURCHASES OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICAN BANKS (USED FOR EXHIBIT D)

18TH & HALSTED CURRENCY EXCHANGE

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank in Mexico	Account No.
Z003388	\$4,000	1977 Jan. 4	George Cusellas	Leticia Romero	Deleted	Deleted
Z003391	5,000	do	Jose Gonzalo	Ernesto Ruez	do	Do.
Z003393	5,000	do	Jesus Lopez	Alberto Sanchez	do	Do.
Z003396	5,000	do	Ernesto Lopez	Jose Lopez	do	Do.
Z003397	5,000	do	do	do	do	Do.
Z003398	5,000	do	do	do	do	Do.
Z003399	5,000	do	do	do	do	Do.
Z003400	5,000	do	do	do	do	Do.
Z003401	4,900	do	do	do	do	Do.
Z003402	5,000	do	do	do	do	Do.
Z003405	5,000	Jan. 7	Jose Lopez	Ernesto Lopez	do	Do.
Z003406	5,000	do	Ernesto Lopez	Jesus Lopez	do	Do.
Z003406	5,000	do	do	do	do	Do.
Z003407	5,000	do	do	do	do	Do.

EXHIBIT E—Continued

EXAMPLES OF SELECTED LARGE DAILY PURCHASES OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICAN BANKS (USED FOR EXHIBIT D)—Continued

18TH & HALSTED CURRENCY EXCHANGE—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank in Mexico	Account No.
Z003408	\$3,000	Jan. 7	Ernesto Lopez	Jésus Lopez	Deleted	Deleted
Z003414	5,000	do	Jose Garcia	Jose Mejica	do	Do.
Z003415	6,000	Jan. 18	Ernesto Lopez	Jesús Lopez	do	Do.
Z003419	7,000	Jan. 10	Jose Gonzalo	Manuel Ruiz	do	Do.
Z003423	6,000	Jan. 11	do	do	do	Do.
Z003424	5,450	do	do	do	do	Do.
Z003427	800	Jan. 12	Thomas Madrigal	Umberto Herrera	do	Do.
Z003428	1,200	do	Antonio Rodriguez	Euatolia Camorina	do	Do.
Z003429	6,550	do	Jose Garcia	Jesús Garcia	do	Do.
Z003431	5,320	Jan. 13	Salvador Gutierrez	Maria de Los Angeles Hernandez	do	Do.
Z003432	1,200	do	Manuel Carranasco	Manuel Carrasco	do	Do.
Z003435	1,000	Jan. 14	Jose Romero	Manuel de Santiago	do	Do.
Z003438	5,000	Jan. 15	Jose Gonzalo	Manuel Ruiz	do	Do.
Z003440	800	Jan. 17	Raul Martinez	Manuela Mosqueda	do	Do.
Z003445	7,000	Jan. 19	Jose Gonzalo	Manuel Ruiz	do	Do.
Z003446	7,000	do	do	do	do	Do.
Z003448	5,000	do	do	do	do	Do.
Z003450	6,000	Jan. 20	Jose Gonzalez	Manuel Ruiz	do	Do.
Z003451	5,000	do	do	do	do	Do.
Z003455	5,000	Jan. 21	Jose Gonzalo	do	do	Do.
Z003456	5,000	do	do	do	do	Do.
Z003457	6,000	do	do	do	do	Do.
Z003467	700	Jan. 27	Daniel Alvarez	Teresa Alvarez	do	Do.
Z003470	5,000	Jan. 28	Maria Elena Barragan	Mario Guenero	do	Do.
Z003471	5,000	do	do	do	do	Do.
Z003472	5,000	do	Jose Rodriguez	Maria Ruiz	do	Do.
Z003473	5,000	do	Raul Perez	Maria Barragan	do	Do.
Z003474	5,000	do	do	do	do	Do.
Z003475	5,000	do	Jose Rodriguez	Maria Ruiz	do	Do.
Z003476	5,000	do	do	do	do	Do.
Z003477	3,000	do	Raul Perez	Maria Barragan	do	Do.
Z003478	5,000	Jan. 29	Jaula Garcia	Juana Barrigan	do	Do.
Z003489	800	Feb. 5	Cruz Castillo	Camilo Castillo	do	Do.
Z003503	5,000	Feb. 7	Javier Garcia	Jacinto Trevini	do	Do.
Z003504	4,000	do	do	do	do	Do.
Z003528	950	Feb. 17	Daniel Alvarez	Teresa Alvarez	do	Do.
Z003531	850	Feb. 19	Jose Zarco	Olivia Gutierrez	do	Do.
Z003541	800	Feb. 22	Juan Lopez	Paula Diaz	do	Do.
Z003543	700	Feb. 23	Manuel Carrasco	Manuel Carrasco	do	Do.
Z003560	1,900	Mar. 1	Tomar Madrigal	Julia Ramirez	do	Do.
Z003568	1,000	Mar. 4	Miguel Ibarra	Guadalupe Ibarra	do	Do.
Z003569	1,000	Mar. 5	Raul Gonzalez	Martha Quintero	do	Do.
Z003570	600	do	Maximiliano Fabela	Marcelina Lopez	do	Do.
Z003576	700	Mar. 7	Jose Aldano	Maria Isabel Rames	do	Do.
Z003583	640	Mar. 11	Jose Romero	Manuel de Santiago	do	Do.
Z003586	1,000	Mar. 12	Raul Martinez	Manuel Mosqueda	do	Do.
Z003589	1,200	do	Jesús Loera	Maria R. de Loera	do	Do.
Z003590	750	do	Jose M.	Mario Vaco	do	Do.
Z003595	1,000	Mar. 14	Pablo Perrez	Joselina Lopez	do	Do.
Z003601	4,000	Mar. 16	Jose Garza	Manuel Romero	do	Do.
Z003602	3,000	do	do	do	do	Do.
Z003603	4,000	do	do	do	do	Do.
Z003604	3,000	do	do	do	do	Do.
Z003605	4,000	do	do	do	do	Do.
Z003607	4,000	do	do	do	do	Do.
Z003608	3,000	do	do	do	do	Do.
Z003609	4,000	do	do	do	do	Do.
Z003610	4,000	do	do	do	do	Do.
Z003611	4,000	do	do	do	do	Do.
Z003612	4,000	do	do	do	do	Do.
Z003613	4,000	do	do	do	do	Do.
Total, Mar. 16	45,000					
Z003614	4,000	Mar. 17	Jose Garza	Manuel Romero	Deleted	Do.
Z003615	4,000	do	do	do	do	Do.
Z003616	4,000	do	do	do	do	Do.
Z003617	4,000	do	do	do	do	Do.
Z003618	4,000	do	do	do	do	Do.
Z003619	4,000	do	Josefina Rivera	Jorge Ruiz	do	Do.
Z003620	4,000	do	do	Guadalupe Romero	do	Do.
Total, Mar. 17	28,000					
Z003623	900	Mar. 19	Elba De Santiago	Manuel De Santiago	Deleted	Do.

EXHIBIT E—Continued

EXAMPLES OF SELECTED LARGE DAILY PURCHASES OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICAN BANKS (USED FOR EXHIBIT D)—Continued

18TH & HALSTED CURRENCY EXCHANGE—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank in Mexico	Account No.
Z003629	\$5,000	Mar. 21	Jose Garza	Hector Romero	Deleted	Deleted
Z003630	5,000	do	do	do	do	Do.
Z003631	5,000	do	do	do	do	Do.
Z003632	5,000	do	do	do	do	Do.
Z003633	5,000	do	do	do	do	Do.
Z003634	5,000	do	do	do	do	Do.
Z003635	4,500	do	do	do	do	Do.
Z003638	4,000	do	do	Jose Dominguez	do	Do.
Z003639	4,750	do	do	do	do	Do.
Z003644	900	do	do	Hector Romero	do	Do.
Z003645	5,000	do	do	do	do	Do.
Z003646	5,000	do	do	do	do	Do.
Z003647	5,000	do	do	do	do	Do.
Z003648	5,000	do	do	do	do	Do.
Z003649	5,000	do	do	do	do	Do.
Z003650	5,000	do	do	do	do	Do.
Total, Mar. 21.	74,150					

26TH & KEDZIE CURRENCY EXCHANGE

1976

X014600	\$5,000	Feb. 18	Pedro Rodriguez	Antonio Ramas	Deleted	Deleted
X014601	10,000	do	do	Angela Narvaez	do	Do.
X014602	5,000	do	do	Angel (not legible)	do	Do.
X014603	4,500	do	do	Ansira (not legible)	do	Do.
Total, Feb. 18.	24,500					
X014714	10,000	Feb. 26	Pedro Rodriguez	Antonio Ramirez	Deleted	Do.
X014715	6,000	do	do	Guillermo Soto	do	Do.
X014716	3,500	do	Juan Garcia	Jesus Garcia	do	Do.
X014727	6,000	do	Luis Perez	Andres Perez	do	Do.
Total, Feb. 26.	25,500					
X014732	20,400	Feb. 27	Pedro Rodriguez	Roberto Alvarez	Deleted	Do.
X014733	9,000	do	do	Teresa Gomez	do	Do.
X014734	10,000	do	do	Amados Lopez	do	Do.
X014735	10,000	do	do	do	do	Do.
Total, Feb. 27.	49,400					
X014781	5,000	Mar. 3	Luis Lopez	Andres Lopez	Deleted	Do.
X014782	5,000	do	do	do	do	Do.
X014783	8,000	do	do	do	do	Do.
X014785	7,000	do	Luis Perez	do	do	Do.
Total, Mar. 3.	25,000					
X015125	10,000	Apr. 5	Pedro Rodriguez	Maria R.	Deleted	Do.
X015126	10,000	do	do	Antonio Blanco	do	Do.
X015127	10,000	do	do	do	do	Do.
X015128	10,000	do	do	Armando Gonzales	do	Do.
X015129	10,000	do	do	Teresa Garcia	do	Do.
X015130	10,000	do	do	Pedro Acenedo	do	Do.
X015131	10,000	do	do	Tiofio Perez	do	Do.
Total, Apr. 5.	70,000					
X015214	10,000	Apr. 13	Pedro Rodriguez	Armado Roman	Deleted	Do.
X015215	10,000	do	do	do	do	Do.
X015216	10,000	do	do	do	do	Do.
X015217	10,000	do	do	do	do	Do.
X015218	10,000	do	do	do	do	Do.
X013219	10,000	do	Julio Arreola	Jose Louis Gonzales	do	Do.
X015220	10,000	do	do	do	do	Do.
X015221	10,000	do	do	do	do	Do.
X015222	2,000	do	do	do	do	Do.
X015223	10,000	do	Asuncion Flores	Homero Ayala	do	Do.
X015224	10,000	do	do	do	do	Do.
X015225	3,500	do	do	do	do	Do.
Total, Apr. 13.	105,000					

EXHIBIT E—Continued

EXAMPLES OF SELECTED LARGE DAILY PURCHASES OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE TRANSFERRED TO MEXICAN BANKS (USED FOR EXHIBIT D)—Continued

26TH & KEDZIE CURRENCY EXCHANGE—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank in Mexico	Account No.
X015343	\$10,000	Apr. 24	Pedro Luna	Luz Luna	Deleted	Deleted
X015359	10,000	do	Luis Lopez	Luz Gomez	do	Do.
X015360	10,000	do	do	do	do	Do.
X015361	10,000	do	do	do	do	Do.
X015362	10,000	do	do	do	do	Do.
X015363	10,000	do	do	do	do	Do.
X015364	20,000	do	do	do	do	Do.
X015365	20,000	do	do	do	do	Do.
X015366	20,000	do	do	do	do	Do.
X015367	20,000	do	do	do	do	Do.
X015368	5,500	do	do	do	do	Do.
Total, Apr. 24	145,500					
X015591	10,000	May 20	Jesus Bueno	Iton Bueno	Deleted	Do.
X015592	10,000	do	do	do	do	Do.
X015593	10,000	do	do	do	do	Do.
X015594	10,000	do	do	do	do	Do.
X015595	10,000	do	do	do	do	Do.
Total, May 20	50,000					

EXHIBIT F

AGGREGATE AMOUNTS OF MONEY ORDER TRANSFERS IN EXCESS OF \$500 FROM THE 26TH & KEDZIE CURRENCY EXCHANGE TO ONE INDIVIDUAL AT SEVERAL ACCOUNTS (DELETED) AT 2 BANKS (DELETED), LOCATED IN MEXICO

Bank	Branch	Account No.	Transaction dates	Amount
Deleted			Mar. 24 to Apr. 17, 1975	\$6,000
			Mar. 24, 1975 to June 10, 1976	354,700
			Apr. 24 to June 10, 1976	172,500
			November 1976	13,000
Total				546,200

EXHIBIT G

MONEY ORDER TRANSFERS IN EXCESS OF \$500 FROM THE 26TH & KEDZIE CURRENCY EXCHANGE TO SEVERAL ACCOUNTS (DELETED) AT 2 BANKS (DELETED), LOCATED IN MEXICO (USED FOR EXHIBIT F)

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)	Where deposited ¹
X013061	\$6,000	Nov. 10, 1975	Blank, not filled in	Homobono Lopez P.	
X013062	6,000	do	do	do	
X013063	2,000	do	Pablo Rodriguez	Jerardo Martinez	
X013064	3,000	do	Adrian Arana	Salvador Arana	
X013153	8,000	Nov. 21, 1975	Jorge Fuentes	Luis Rivas	
X011521	3,000	Mar. 24, 1975	Guillermo Hector Rodriguez	Pedro Herrera	
X011609	1,500	Apr. 17, 1975	Gerardo Herrera	Yolanda Martinez	
X011610	1,500	do	do	do	
X014634	5,800	Feb. 20, 1976	Adrean Bueno	Ernestina Sainus	
X014709	5,000	Feb. 24, 1976	Ruberto Garcia	Andres Melero	
X014715	6,000	Feb. 26, 1976	Pedro Rodriguez	Guillermo Soto	
XG14727	6,000	do	Luis Perez	Andrea Perez	
X014732	20,400	Feb. 27, 1976	Pedro Rodriguez	Roberto Alvarez	
X014733	9,000	do	do	Teresa Gomez	
X014734	10,000	do	do	Amador Lopez	
X014735	10,000	do	do	do	
X014775	7,000	Mar. 2, 1976	Luis Perez	Andres Perez	
X014776	7,000	do	do	do	
X014781	5,000	Mar. 3, 1976	Luis Lopez	Andres Lopez	
X014782	5,000	do	do	do	
X014783	8,000	do	Luis Perez	do	

¹ The deposits were made in several accounts at 2 banks.

EXHIBIT G—Continued

MONEY ORDER TRANSFERS IN EXCESS OF \$500 FROM THE 25TH & KEDZIE CURRENCY EXCHANGE TO SEVERAL ACCOUNTS (DELETED) AT 2 BANKS (DELETED), LOCATED IN MEXICO (USED FOR EXHIBIT F)—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)	Where deposited ¹
X015125	\$10,000	Apr. 5, 1976	Pedro Rodriguez	María Ruvaldinos	
X015126	10,000	do	do	Antonio Blanco	
X015127	10,000	do	do	do	
X015128	10,000	do	do	Armando Gonzalez	
X015129	10,000	do	do	Teresa Gomez	
X015130	10,000	do	do	Pedro Acondo	
X015131	10,000	do	do	Toefilo Perez	
X015214	10,000	Apr. 13, 1976	do	Amado Roman	
X015215	10,000	do	do	do	
X015216	10,000	do	do	do	
X015217	10,000	do	do	do	
X015218	10,000	do	do	do	
X015219	10,000	do	Julio Arreola	Jose Luis Gonzalez	
X015220	10,000	do	do	do	
X015221	10,000	do	do	do	
X015222	2,000	do	do	do	
X015223	10,000	do	Asuncion Flores	Homero Ayala	
X015224	10,000	do	do	do	
X015225	3,500	do	do	do	
X015343	10,000	Apr. 24, 1976	Pedro Luna	Luz Luna	
X015359	10,000	do	Luis Lopez	Luz Gomez	
X015360	10,000	do	do	do	
X015361	10,000	do	do	do	
X015362	10,000	do	do	do	
X015363	10,000	do	do	do	
X015364	20,000	do	do	do	
X015365	20,000	do	do	do	
X015366	20,000	do	do	do	
X015367	20,000	do	do	do	
X015463	10,000	May 4, 1976	Luz Avitia	Pedro Luna	
X015464	9,000	do	do	do	
X015591	10,000	May 20, 1976	Jesus Bueno	O. Bueno	
X015592	10,000	do	do	do	
X015593	10,000	do	do	do	
X015594	10,000	do	do	do	
X015595	10,000	do	do	do	
X015654	4,500	May 28, 1976	Jose Saucedo	Pedro Faveia	
X015759	4,000	June 9, 1976	Antonio Ochoa	Jose Ochoa	
X015771	5,000	June 10, 1976	Ramiro (not legible)	Gonzalo Carral	
X017321	5,000	Nov. 9, 1976	Sabino Martinez	Juan Saucedo	
X017327	6,000	Nov. 10, 1976	Abelardo Montenegro	Juan Sanchez	
X017332	2,000	Nov. 11, 1976	Ramon Ortega	Manuel Montenegro	
Total	546,200				

¹ The deposits were made in several accounts at 2 banks.

EXHIBIT H

AGGREGATE AMOUNTS OF MONEY ORDER TRANSFERS IN EXCESS OF \$500 FROM THE 18TH & HALSTED CURRENCY EXCHANGE TO 1 ACCOUNT (DELETED) AT 1 BANK (DELETED), AT A MEXICO CITY BANK

Currency exchange	Transaction dates	Amount
18th & Halsted	July 6, 1976	\$10,900
Do	Apr. 12-29, 1977	62,475

EXHIBIT I

MONEY ORDER TRANSFERS IN EXCESS OF \$500 FROM THE 18TH & HALSTED CURRENCY EXCHANGE TO 1 ACCOUNT (DELETED) AT 1 BANK (DELETED) AT A MEXICO CITY BANK

Money order No.	Amount	Transaction date	Exchange employee	Remitter	Payee	Negotiator(s)
Z003102	\$10,900	July 6, 1976	Deleted	Antonio Montez	Martha De Montez	Unidentified.
Z003695	4,000	Apr. 12, 1977	do	Alejandro Gonzalez	Gorge Masso	Masso.
Z003697	4,000	do	do	do	do	Do.
Z003716	4,000	Apr. 19, 1977	do	Juan Luna	Enrique Almobar	Do.
Z003717	4,000	do	do	do	do	Do.
Z003718	4,000	do	do	do	do	Do.
Z003719	4,000	do	do	do	do	Do.
Z003720	4,000	do	do	do	do	Do.
Z003721	4,000	do	do	do	do	Do.
Z003722	2,000	do	do	do	do	Do.
Z003734	4,000	Apr. 25, 1977	do	Jose Lopez	Sergio Martinez	Do.
Z003735	4,000	do	do	Juan Sanchez	Francisco Castillo	Do.
Z003736	4,000	do	do	Josefina Rivera	Alejandro Garcia	Josefina Rivera, un-identified, Masso.
Z003737	4,675	do	do	Manuel Ruiz	Arturo Masso Ruiz	Masso.
Z003745	4,000	Apr. 29, 1977	do	Maria del Refugio Ruiz	Carmon Martinez	Do.
Z003746	4,000	do	do	Hugo Lucero	Paulino Meraz	Do.
Z003747	3,800	do	do	Guadalupe Cervantes	Eneterjo Contreras	Do.

EXHIBIT J

AGGREGATE AMOUNTS OF MONEY ORDER TRANSFERS IN EXCESS OF \$500 TO 1 ACCOUNT (DELETED) AT THE DURANGO BRANCH OF A MEXICAN BANK (DELETED)

Currency exchange	Transaction dates	Amount
18th & Halsted	Jan. 4 to Mar. 21, 1977	\$307,400
26th & Kedzie	Mar. 15, 1976	5,000
Total		312,400

EXHIBIT K

MONEY ORDER TRANSFERS IN EXCESS OF \$500 TO 1 ACCOUNT (DELETED) AT THE DURANGO BRANCH OF A MEXICAN BANK (DELETED)

18TH & HALSTED CURRENCY EXCHANGE

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)
Z003391	\$5,000	Jan. 4, 1977	Jose Gonzalo	Ernes Perez.
Z003393	5,000	do	Jesus Lopez	Albert Sanchez.
Z003396	5,000	do	Ernesto Lopez	Jose Lopez.
Z003397	5,000	do	do	Do.
Z003398	5,000	do	do	Do.
Z003399	5,000	do	do	Do.
Z003400	5,000	do	do	Do.
Z003401	4,900	do	do	Do.
Z003402	5,000	Jan. 5, 1977	Jose Lopez	Ernest Lopez.
Z003405	5,000	do	Ernesto Lopez	Jesus Lopez.
Z003406	5,000	do	do	Do.
Z003407	5,000	do	do	Do.
Z003408	3,000	do	do	Do.
Z003414	5,000	Jan. 7, 1977	Jose Garcia	Jose Mezora.
Z003415	6,000	Jan. 8, 1977	Ernesto Lopez	Jesus Lopez.
Z003419	7,000	Jan. 10, 1977	Jose Gonzalo	Manuel Ruiz.
Z003423	6,000	Jan. 11, 1977	do	Do.
Z003424	5,450	do	do	Do.
Z003429	6,550	Jan. 12, 1977	Jose Garcia	Jesus Garcia.
Z003438	5,000	Jan. 15, 1977	Jose Gonzalez	Manuel Ruiz.
Z003445	7,000	Jan. 19, 1977	do	Do.
Z003446	7,000	do	do	Do.
Z003448	5,000	do	Jose Gonzalo	Do.
Z003450	6,000	Jan. 20, 1977	Jose Gonzalez	Do.
Z003451	5,000	do	do	Do.
Z003455	5,000	Jan. 21, 1977	do	Do.

EXHIBIT K—Continued

MONEY ORDER TRANSFERS IN EXCESS OF \$500 TO 1 ACCOUNT (DELETED) AT THE DURANGO BRANCH OF A MEXICAN BANK (DELETED)—Continued

Money order No.	Amount	Transaction date	Payer (purchaser)	Payee (paid to)
Z003456	\$5,000	Jan. 21, 1977	Jose Gonzalez	Manuel Ruiz.
Z003457	5,000	do	do	Do.
Z003472	5,000	Jan. 28, 1977	Maria Elena Barragan	Maria Guerrero.
Z003472	5,000	do	Jose Rodriguez	Maria Ruiz.
Z003473	5,000	do	Raul Perez	Maria Barragan.
Z003474	5,000	do	do	Do.
Z003475	5,000	do	Jose Rodriguez	Maria Ruiz.
Z003475	5,000	do	do	Do.
Z003477	5,000	do	Raul Perez	Maria Barragan.
Z003478	5,000	Jan. 29, 1977	Javier Garcia	Juana Barragan.
Z003603	4,000	Mar. 16, 1977	Jose Garza	Manuel Romero.
Z003604	3,000	do	do	Do.
Z003605	4,000	do	do	Do.
Z003607	4,000	do	Manuel Romero	Jose Garza.
Z003609	4,000	do	Jose Garza	Manuel Romero.
Z003610	4,000	do	do	Do.
Z003611	4,000	do	do	Do.
Z003612	4,000	do	do	Do.
Z003613	4,000	do	do	Do.
Z003614	4,000	Mar. 17, 1977	do	Do.
Z003615	4,000	do	do	Do.
Z003616	4,000	do	do	Do.
Z003617	4,000	do	do	Do.
Z003618	4,000	do	do	Do.
Z003629	5,000	Mar. 21, 1977	do	Hector Romero.
Z003630	5,000	do	do	Do.
Z003631	5,000	do	do	Do.
Z003632	5,000	do	Hector Romero	Jose Garza.
Z003633	5,000	do	Jose Garza	Hector Romero.
Z003634	5,000	do	do	Do.
Z003635	4,500	do	do	Do.
Z003645	5,000	do	do	Do.
Z003646	5,000	do	do	Do.
Z003647	5,000	do	do	Do.
Z003648	5,000	do	do	Do.
Z003649	5,000	do	do	Do.
Z003650	5,000	do	do	Do.
Subtotal	307,400			

26TH & KEDZIE CURRENCY EXCHANGE

Z014891	2,500	Mar. 15, 1976	Felipe Garcia	Andres Garcia.
Z014892	2,500	do	Juan Garcia	Socorro Garcia.
Subtotal	5,000			
Total	312,400			

EXHIBIT L

MONTHLY AMOUNTS OF MONEY ORDERS IN EXCESS OF \$500 THAT WERE ISSUED BY THE 26TH & KEDZIE CURRENCY EXCHANGE AND DEPOSITED IN MEXICO

1976:				
May				\$90,940
June				52,850
July				47,510
August				22,440
September				24,630
October				28,938
November				27,340
December				18,780
Total, 1976				313,428
1977:				
January				2,600
February				0
March				0
April				0
May				510
Total, 1977				3,110
Total				316,538

EXHIBIT M

MONTHLY AMOUNTS OF WESTERN UNION MONEY ORDERS ISSUED BY THE 26TH & KEDZIE CURRENCY EXCHANGE

1976:	
May	\$11,199.24
June	152,149.17
July	132,035.48
August	169,865.94
September	159,479.43
October	128,314.65
November	133,799.97
December	140,559.49
Total, 1976	1,027,403.37
1977:	
January	128,936.69
February	137,383.99
March	157,739.00
April	123,575.14
May	145,607.39
June	138,980.92
July	147,406.22
Total, 1977	979,629.35
Total	2,007,032.72

EXHIBIT N

Money order for \$5,000 issued at the 18th & Halsted Currency Exchange that contains the signature of "R. Barr."

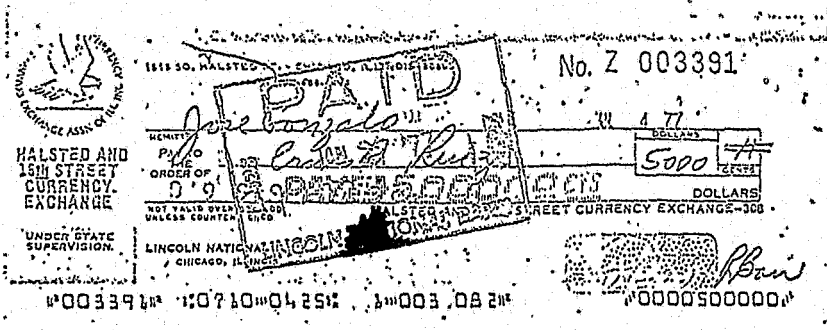


EXHIBIT O

NEW YORK DRAFTS FOR AMOUNTS OVER \$3,000 THAT WERE SENT TO MEXICO BETWEEN DECEMBER 1976 AND JUNE 1977

LINCOLN NATIONAL BANK

Draft No.	Amount	Transaction date	Payer (purchaser)	Payee (sent to)	Bank in Mexico
65279	\$5,000	Dec. 6, 1976	Jose Ruiz	Manuel Pena	Banco de Londres Y Mexico.
65473	5,000	Dec. 13, 1976	Carmen Garcia	Pedro Garcia	Banco Continental, Durango.
66069	5,000	Jan. 24, 1977	Simon Castro	Miguel Trueba	Do.
66095	5,000	Jan. 27, 1977	Jorge Ramirez	Ricardo Ramirez	Do.
66195	5,000	Feb. 4, 1977	Raul Cruz	Hector Cruz	Do.
66197	5,000	do	Carlos Navarro	Jose Navarro	Comercial Mexicano, Durango.
66586	5,000	Mar. 8, 1977	David Salazar	Gustavo Cabrera	Banco de Comercio, Durango.
67376	3,500	Mar. 22, 1977	Ricardo Cobos	Mariano Castaneda	Banco Continental, Durango.
66896	5,000	Apr. 15, 1977	Reno Gutierrez	Genaro Durango	Multibanco Comermex Papequiario, Durango.
67428	5,000	May 10, 1977	Manuel Rodriguez	Lorenzo Medina	Banco Continental, Durango.
67521	4,800	May 17, 1977	Efrain Cardenas	Aurora Pasillas	Banco Nacional de Mexico.
67782	3,900	June 10, 1977	Abigail Tavizon	Gonsalo Garcia	Banco de Londres Y Mexico.
67842	4,000	June 16, 1977	Rafael Lopez	Luis Saigado	Banco Continental, Durango.
Total	61,200				

END