

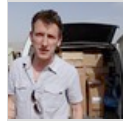


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L.A. Garment District Businesses Face Stricter Cash Reporting Rules

Federal Government Aiming to Halt Money Laundering by Drug Cartels

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By **ZUSHA ELINSON** **CONNECT**

Updated Oct. 2, 2014 8:43 p.m. ET



Law enforcement agents check a clothing store during a raid in the Los Angeles Fashion District on Sept. 10. AP

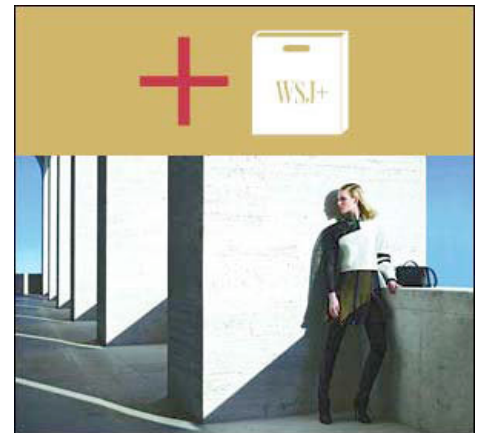
More than 2,000 businesses in the Los Angeles Fashion District will be subject to stricter cash-transaction reporting requirements in an effort to halt suspected money laundering by drug cartels, an arm of the U.S. Treasury Department said Thursday.

The wide-reaching measure comes three weeks after about 1,000 federal and local [law-enforcement agents raided businesses in the area](#), arresting nine people and seizing tens of millions of dollars as part of long-running probe into money laundering for Mexican drug cartels. Garment businesses were allegedly helping cartels get money from drug sales in the U.S. back to Mexico, according to court documents.

Lawyers for those charged have said they will fight the charges.

"The issue that we're all concerned about is the laundering of narcotics proceeds through that district and the businesses in that district," said Jennifer Shasky Calvery, director of the Financial Crimes Enforcement Network, which issued the so-called geographic targeting order.

Industry leaders from the 100-block area in downtown Los Angeles expressed concern over the far-reaching nature of the order.



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"Nobody wants to see money laundering, least of all to drug cartels, but the reality is that a geographic targeting order is a very blunt instrument," said Kent Smith, executive director of the LA Fashion District business improvement district. "The challenge for us as a district is it basically sends a message that every business in the area is involved in money laundering, and that is far from the case."

The order takes effect Oct. 9 and lowers the threshold for reporting cash transactions to the federal government from \$10,000 to \$3,000 for a period of 180 days, government officials said. A wide swath of businesses, including garment stores, travel agencies, perfume stores and lingerie shops are included in the order.

"Today's action not only helps collect more information so we can understand the scope of the problem. Hopefully, it will also serve as a message to the trades and businesses there that this is not appropriate activity," said Ms. Shasky.

Ms. Shasky said such targeting orders have been used in the past, but they aren't always made public.

Recent investigations found that some Los Angeles garment businesses allegedly accepted U.S. cash from drug cartels, then repaid the cartels in Mexican pesos through brokers after selling clothing in Mexico, according to court documents. Such a method serves the dual process of cleaning and transporting the money, officials said.

To be sure, not all of the businesses targeted in the order are accused of wrongdoing, authorities said. "By no means are we saying that all the businesses are involved in criminal activity, but the temptation is there," said Jere Miles, a deputy special agent in charge of U.S. Immigration and Customs Enforcement's Homeland Security Investigations unit in Los Angeles.

The businesses will be notified of the new restrictions by mail or by a visit from federal agents, officials said.

Stephanie Yonekura, acting U.S. Attorney for the Central District of California, said her office requested the order, which she said will affect "nearly every business" in the district. She called money laundering a "huge problem that has contaminated the Fashion District."

Some experts questioned whether the order would have the desired effect.

"It's a way to let them know you're under scrutiny, but if they're not going to abide by the \$10,000 reporting requirement, are they going to abide by the \$3,000 requirement?" said David B. Smith, a criminal-defense lawyer who served in the Justice Department's narcotics section.

—Tamara Audi
contributed to this article.

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