

ABSTRACT

The research explored the patterns of money laundering in the United States by comparing suspicious activity reports (SARs) filed in border states along the U.S.–Mexico and U.S.–Canada borders with those in central states. Money laundering causes serious threats to economic balance and public safety by allowing organized crime, drug trafficking, and terrorism to operate within and across national borders. Using a quantitative research design, this study utilized Financial Crimes Enforcement Network (FinCEN) SAR data from the years of 2020-2024 to analyze geographic differences in reported suspected financial crimes. A t-test analysis is conducted to determine whether financial institutions in border states file more SARs than those in central states. The study found that the number of SARs filed regarding money laundering are significantly higher in states bordering Mexico than interior states and those bordering Canada. The research aims to raise understanding of how geographic and economic factors affect financial crime patterns, providing helpful insights for future studies, informing financial standards, and addressing border-related challenges.

INTRODUCTION

- Money laundering enables drug trafficking, organized crime, and terrorism to profit and grow undetected
- FinCEN collects Suspicious Activity Reports (SARs) to detect financial crime patterns
- Border states are more vulnerable due to high trade volumes, cash-based businesses, and cartel activity
- Money laundering across the U.S.-Mexico and U.S.-Canada borders is harder to stop because different countries have different laws and enforcement methods, requiring complex cooperation between agencies
- SAR filings rose significantly from 2020-2024, highlighting rising concern in financial institutions

Research Gap:

- U.S. geography’s impact on financial crime is understudied compared to money laundering and international crime.
- Few studies compare SAR patterns across U.S. border and interior states over time.
- Using FinCEN SAR data (2020-2024) to reveal regional differences in suspicious activity.

Significance of a Study:

- Assists academic researchers in expanding the discussion on regional crime patterns and economic vulnerabilities
- Raise awareness of emerging threats in interior states, not just along borders.

Purpose Statement and Hypothesis:

- To examine how geographic location specifically proximity to international borders influences the number of Suspicious Activity Reports (SARs) filed, using FinCEN data from 2020-2024.
- Mexico-border states will show significantly higher SAR filings than interior or Canada-border states due to their cross-border trade volume, cash-based economies, and organized crime presence.

METHODS

Research Design:

- Quantitative approach analyzed regional trends in money laundering (2020-2024)
- Suspicious Activity Reports (SARs) from the Financial Crimes Enforcement Network database
- SARs were entered into an Excel database by state and report type; data validated for accuracy

Regions Analyzed:

- U.S. border states (with Mexico and Canada)
- U.S. central/interior states

Statistical Test:

- Two-sample t-test to compare SAR volumes between regions.

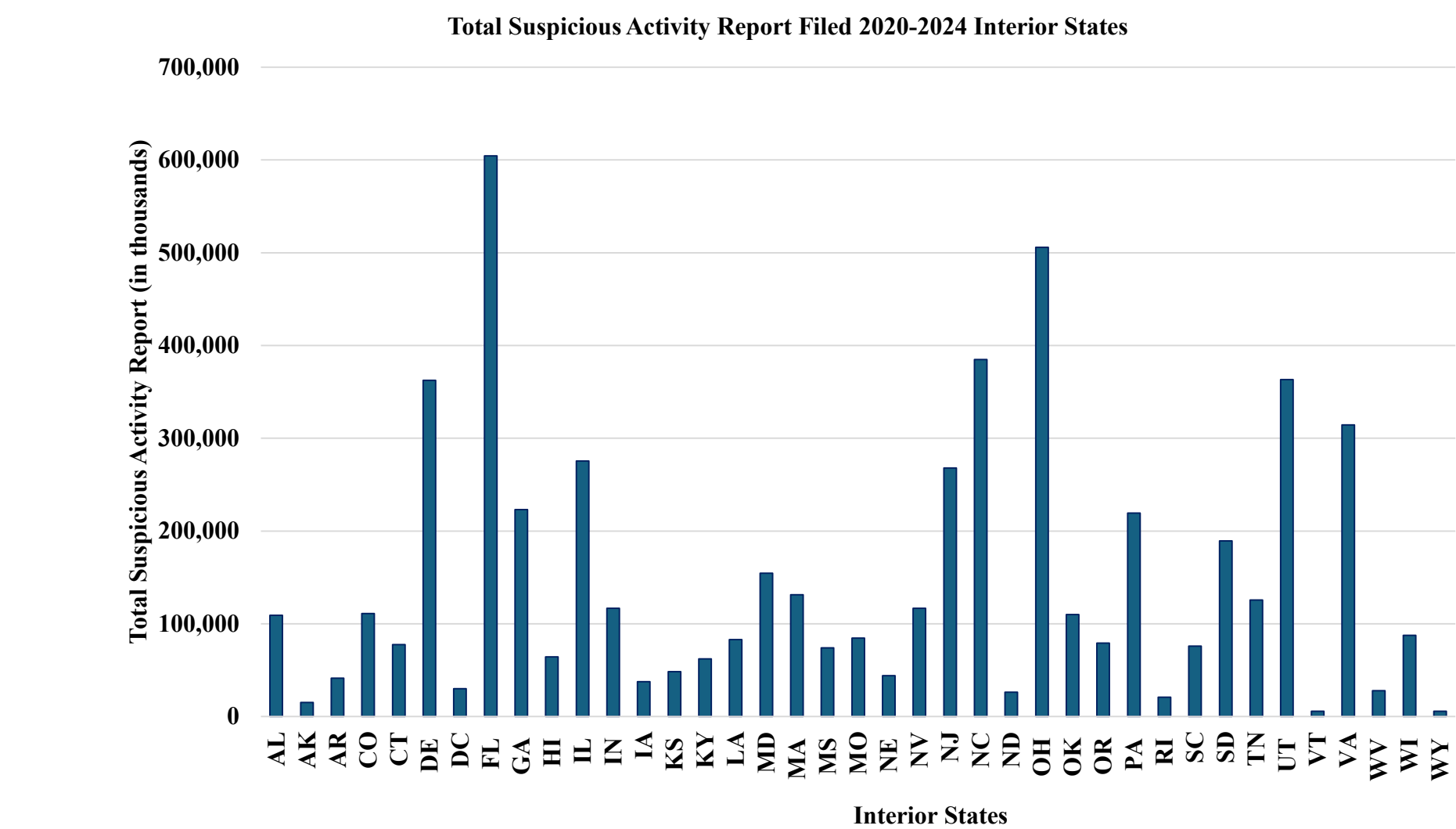
Geographical Comparisons:

- Border states vs. Central states
- Mexico-border states vs. Canada-border states

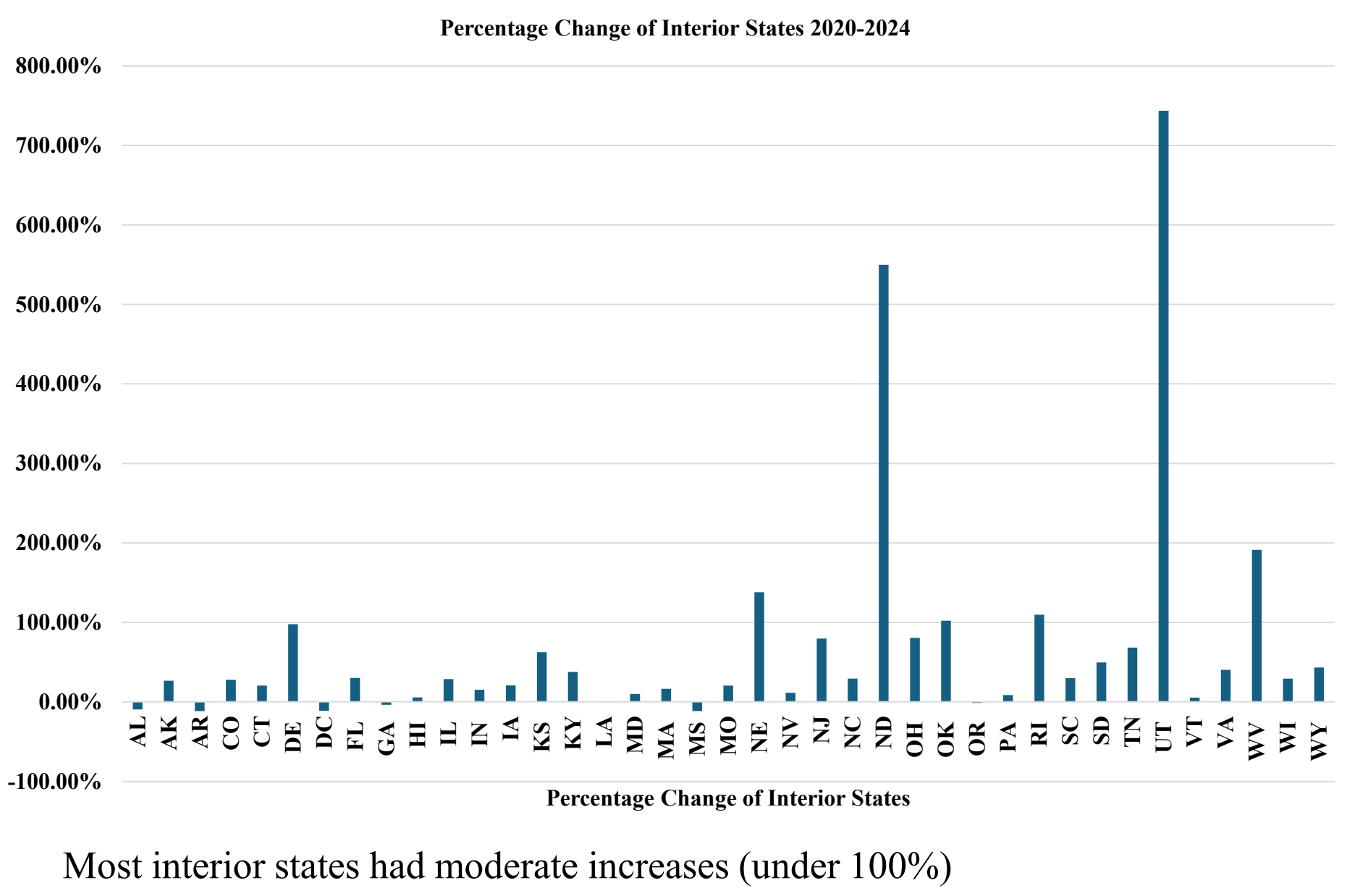
Goal:

- To identify how location and economic context influence money laundering activity

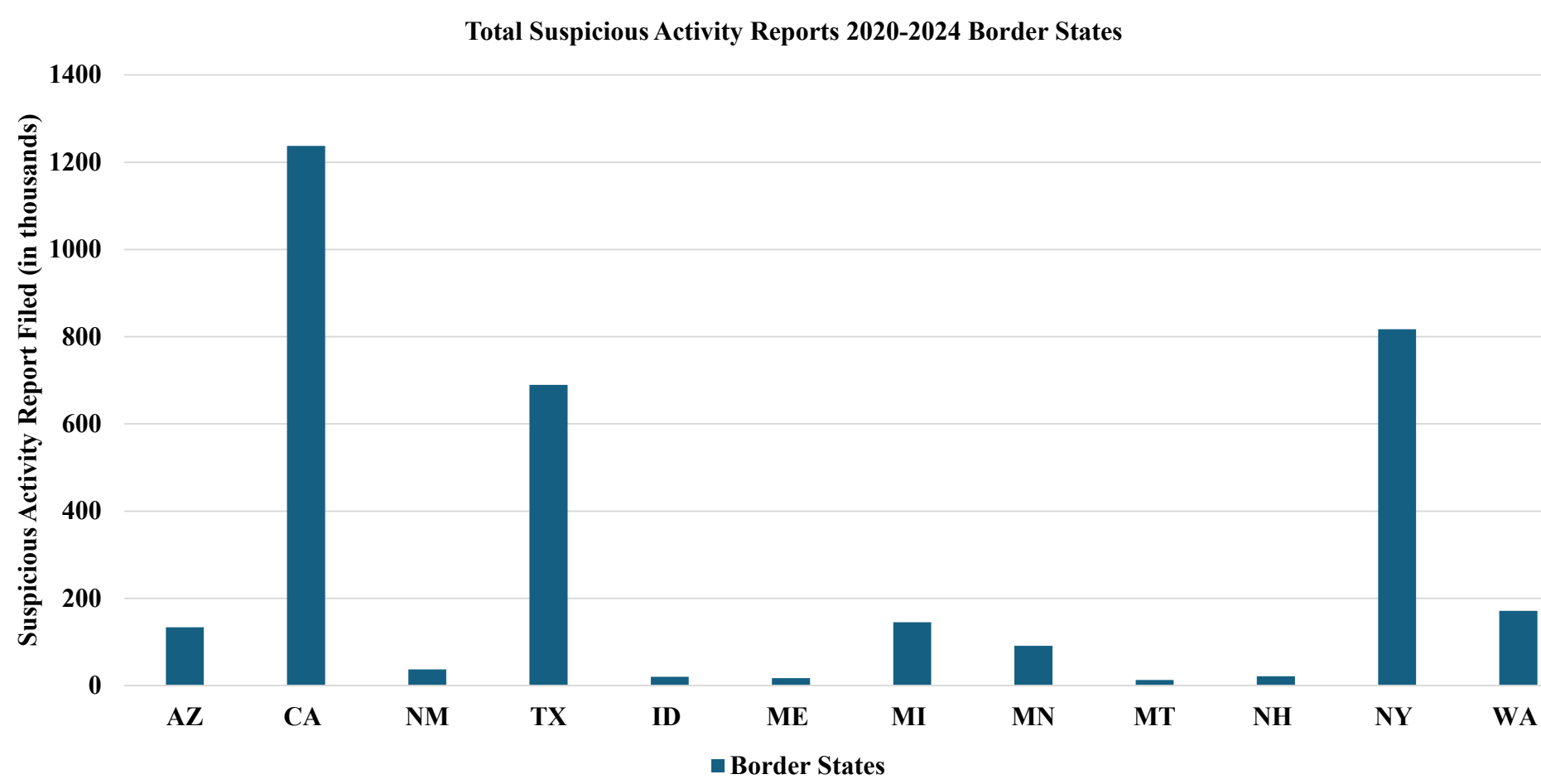
RESULTS



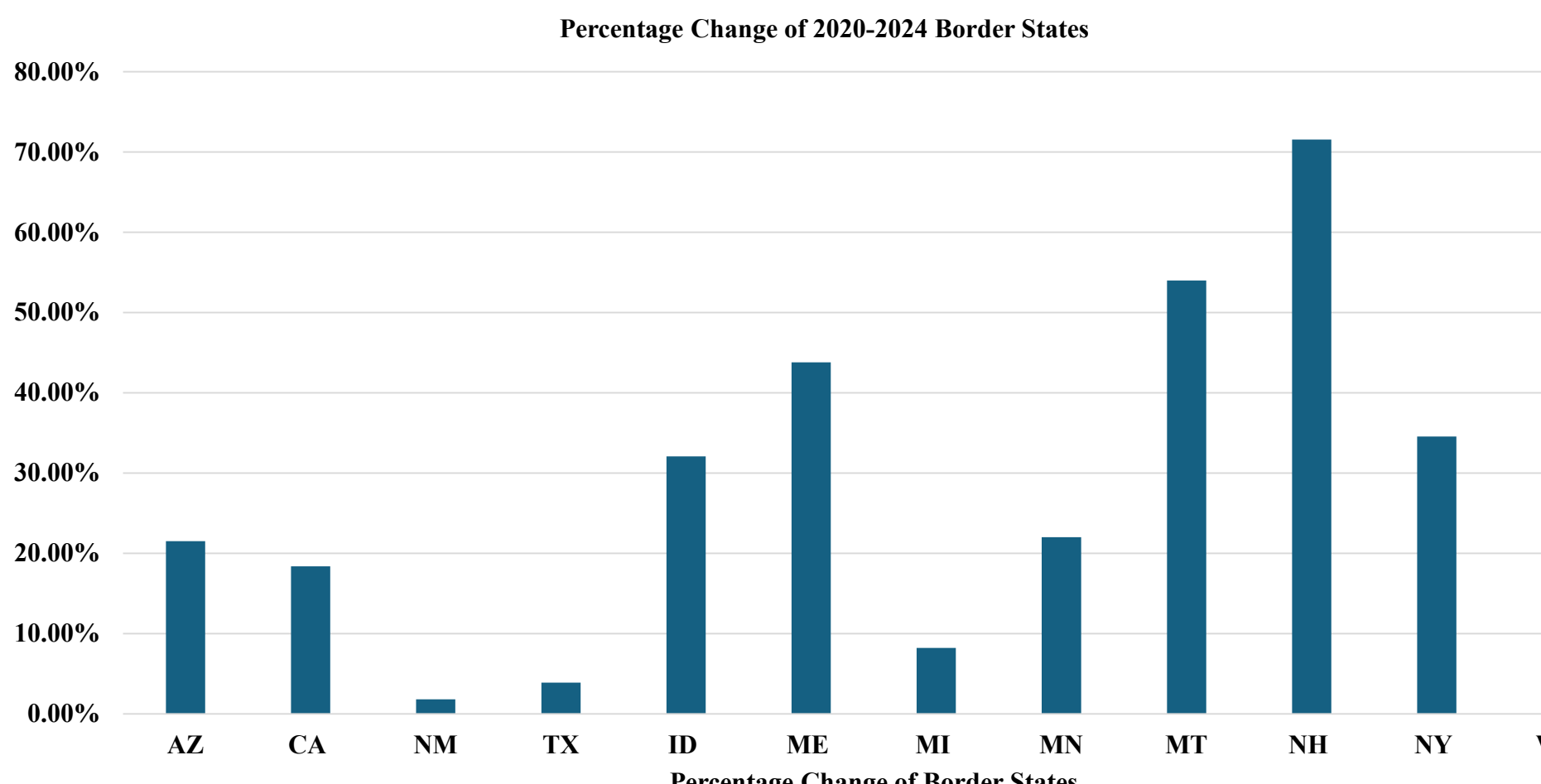
While some interior states showed high SAR counts, overall money laundering risk is generally lower than in U.S. border states.



Most interior states had moderate increases (under 100%)



Border States with urban centers and high-volume trade are more likely to report large numbers of suspicious transactions.



Several states experienced strong increases in the SAR

Table 1. Total Suspicious Activity Report

	2020	2021	2022	2023	2024	Total
Total Across Interior States	914,865	1,147,492	1,048,034	1,164,262	1,403,741	5,678,394
Total Across Mexican Border States	391,200	447,001	399,888	416,920	443,395	2,098,404
Total Across Canada Border States	217,043	281,765	248,998	257,370	291,991	1,297,158

Note: Total (SARs) across interior States, Mexican Border states, and Canada Border States.

Table 2. P-values from two Sample T-Tests Comparing Suspicious Activity Reports

Comparison	2020	2021	2022	2023	2024
Mexico-border vs Interior States	<0.001	0.001	0.001	0.002	0.007
Canada-border vs Interior States	0.727	0.679	0.736	0.865	0.977
Mexico-border vs Canada-border States	0.048	0.060	0.057	0.056	0.063

Note: Significant p-values < 0.05 are bolded

Mexico-border vs. Interior States:

- All p-values were below 0.05, indicating statistically significant differences each year.

Canada-border vs. Interior States:

- All p-values were greater than 0.05, meaning no statistically significant difference in SARs.
- Any observed differences are likely due to random variation, not a meaningful pattern.

Mexico-border vs. Canada-border States:

- 2020 only showed a statistically significant difference (p = 0.048).
- From 2021-2024, p-values were just above 0.05, suggesting a possible weak trend

CONCLUSION

- Mexico-border states consistently reported significantly more SARs than interior states, confirming the hypothesis that geographic proximity to Mexico correlates with higher money laundering activity.
- Canada-border states showed no significant difference compared to interior states, suggesting fewer financial crime risks or different enforcement/reporting mechanisms.
- Mexico-border states experience higher volumes of SARs
- Border states, whether Canadian or Mexican, with high populated urban areas also experience high volumes of SARs
- Study was limited by the data included in the Financial Crimes Enforcement Network database
- Future research could evaluate SARs filed by county to help law enforcement better focus their efforts

REFERENCES

- Financial Conduct Authority. (n.d.). *G416: Criminal conduct*. FCA Handbook. <https://www.handbook.fca.org.uk/handbook/glossary/G416.html>
- Financial Crimes Enforcement Network. U.S. Treasury. FinCEN advisory-*FIN-2014-A005*. (2014) <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2014-a005>
- Mahida, A. (2020 April). Cross - Border Financial Crime Detection - A Review Paper. *International Journal of Science and Research*. 9(4):1808-1813. DOI: 10.21275/SR24314131459
- National Drug Threat Assessment. (2009). National Drug Intelligence Center. U.S. Department of Justice. <https://www.justice.gov/archive/ndic/pubs31/31379/31379p.pdf>
- Olson, E.L., Shirk, D.A. & Selee, A. (2010). Shared Responsibility: U.S.-Mexico Policy Options for Confronting Organized Crime. *Woodrow Wilson International Center for Scholars*. <https://catcher.sandiego.edu/items/peacestudies/Shared%20Responsibility--Olson,%20Shirk,%20Selee.pdf>
- Scheider, S. (2020). Money laundering in British Columbia: A review of the literature. *The Cullen Commission of Inquiry into Money Laundering in British Columbia*https://library2.smu.ca/bitstream/handle/01/29486/Schneider_Stephen_report_2020.pdf?sequence=3&isAllowed=y6/Schneider_Stephen_report_2020.pdf?sequence=3&isAllowed=y
- Unger, B., Siegel, M., Ferwerda, J., de Kruijf, W., Busuioic, M., Wokke, K., & Rawlings, G. (2006). The amounts and effects of money laundering (Report for the Ministry of Finance, Netherlands). *Utrecht School of Economics & Australian National University*. https://www.researchgate.net/profile/Melissa-Siegel/publication/46667096_The_Amounts_and_Effects_of_Money_Laundering/links/5524f6f20cf2caf11bfcebd8/The-Amounts-and-Effects-of-Money-Laundering.pdf
- U.S. Department of State. (2001). The fight against money laundering. *Economic Perspectives*, 6(2). <https://web.archive-2017.ait.org.tw/zhtw/DOCS/ijee0501.pdf>

ACKNOWLEDGEMENTS

Faculty Mentor: Dr. Kendra Huff

McNair Scholars Program: Alejandra Amaya, Veronica Arellano

Research Mentor: Dr. Hector Vasquez