

**Questions for the Record from Senator Sheldon Whitehouse  
U.S. Senate Caucus on International Narcotics Control  
“The \$150 Billion Drug Market: A Dive into the Economics of Cartels”  
Submitted on March 10, 2022**

**March 24, 2022 Responses from Celina Realuyo**

***1. You have vast and diverse experiences working partner nations on a host of issues, including narcotics trafficking and illicit finance.***

***• Which countries are the most effective partners for the U.S. in combatting the narcotics trade and drug-related money laundering?***

Colombia through Plan and now Peace Colombia has been the most reliable partner in the fight against cocaine trafficking and money laundering, taking down several high value target leaders of narc-cartels and identifying and prosecuting the financial networks that support drug trafficking organizations. However, as global demand for cocaine and purity and quality of cocaine coming from Colombia increase, the U.S. should provide even more foreign assistance to Colombia to enhance their effectiveness in combating drug trafficking.

***• How can the U.S. bolster bilateral or regional cooperation on financial crime matters?***

The U.S. through its foreign assistance programs can continue to provide training and technical assistance to its partners in Latin America and the Caribbean to enhance their ability to fight money laundering and terrorist financing. Several countries, like Panama still lack the legal framework for asset forfeiture that the Financial Action Task Force requires for effective anti-money laundering and counterterrorist financing regimes and the ability to manage seized assets. As illicit networks such as cartels, trafficking and terrorists increasingly use cryptocurrencies to engage in their criminal activities, the U.S. should raise awareness of this growing threat and include cryptocurrencies and fintech in foreign assistance programming.

Separately, the U.S. can engage in more intelligence and information sharing with partner institutions in cross-border financial crime investigations and expand MLATs (mutual legal assistance treaties) to detect and prosecute the financiers of illicit networks.

***2. In your March 4, 2020 testimony submitted to the House Financial Services Committee, you wrote that “detecting, disrupting and deterring the financing and income generated by drug trafficking continue to be important tools to pursue Mexican cartels...” In your 2021 article in Americas Influx and in your oral testimony last week, you referred to money as the “oxygen for transnational criminal organizations” and underscored the importance of leveraging financial intelligence to detect and disrupt the narcotics trade and other illicit activities. I strongly agree with your observations.***

***• Sections 6106 and 6108 of the Fiscal Year 2021 National Defense Authorization Act created two new programs that allow the Treasury Department to deploy U.S. financial experts as Attachés and Foreign Financial Intelligence Unit Liaisons to***

***partner countries such as Mexico. What expertise should these U.S. officials have to help allied countries combat narco-financing?***

These new attaches should not only bring technical AML/CFT expertise with them but also strong language and cultural sensitivity skills that will allow them to build constructive and collaborative relationships with their host country counterparts. In the case of Mexico and other Latin American countries, they might be met by suspicion due to strained bilateral relations and will have to build trust with counterparts to gather important information for their financial investigations.

- ***Are there any counter illicit finance programs from the Mérida Initiative that should be transferred to the U.S.-Mexico Bicentennial Framework?***

The U.S. and Mexico should continue to strengthen the ties between FINCEN and Mexico's Financial Intelligence Unit through more intelligence sharing and even professional exchanges. The training of Mexican FIU analysts should continue and now include more information on cryptocurrencies and fintech to keep them abreast of financial innovations on the part of illicit networks.

- ***What additional steps can the U.S. take to support partner nations in tackling narcotics-related finance?***

U.S. foreign assistance programs should expand their activities with legislatures that need to update or write new laws to tackle the evolving methods of money laundering and terrorist financing in the digital economy. While the executive branch of a country might have the political will to combat illicit financial flows, the country might not have the legal frameworks that provides executive agencies the authority to pursue financial criminals and bring them to justice. The U.S. should also export model laws like FCPA and the Anti-Money Laundering Act of 2020 to other jurisdictions to shore up our partner countries' anti-money laundering regimes. The U.S. should also share its best practices in beneficial ownership transparency with other countries to further combat the abuse of shell companies used for money laundering and terrorist financing. Similarly, the U.S. should also expand programing for foreign counterpart banking and other financial sector regulators.

Just as the White House recently issued an executive order to study the impact and implications of cryptocurrencies, the U.S. should encourage partner countries to do the same to better understand the threat posed by cryptocurrencies in money laundering and threat financing activities.

***3. In your 2017 report, Follow the Money Trail, you detail the case of Colombian drug traffickers who moved at least \$7 million in drug profits back to Medellin, Colombia, using prepaid cards in about three months. It's because of such cases that Senators Grassley, Feinstein, and I urged the Treasury Department, in a letter on March 14, 2011, to issue a rule that would subject prepaid cards and other stored value cards to cross-border reporting requirements. In response, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued a notice of proposed rulemaking on October 17, 2011. The***

*Department, however, did not move forward with the rulemaking, so the Caucus urged the Department to do so again in its 2013 anti-money laundering report. The rule has still not been finalized.*

- *If FinCEN were to revisit this rule, what updates should it make?*

FINCEN should issue the rule to subject prepaid cards and store of value card to cross-border reporting requirements but also explore similar requirements for emerging digital cross-border payments.

**Questions for the Record from Senator Charles E. Grassley  
U.S. Senate Caucus on International Narcotics Control  
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***1. The average American may not understand how cartels and money laundering organizations affect them. But they’ve undoubtedly fueled our current drug crisis by creating and trafficking drugs, humans, and facilitating illicit activities.***

***• Can you help explain how the actions of cartels and money laundering organizations impact our daily lives and their influence is a kitchen table issue?***

Opioid overdose/poisoning is the number one cause of death of American males aged 18-45 and over 104,000 American overdose deaths occurred last year. Demand and trafficking of synthetic drugs is at record levels in the U.S. and has broad implications on American society well beyond its consumers and their families. These drugs come from abroad and are trafficked into the U.S. predominantly from Mexico across the southern border by dangerous transnational criminal organizations. The rise in violent crime across U.S. cities has been attributed to drug abusers who are not receiving treatment they need to address addiction. In addition, rivalries between drug traffickers have also resulted in violent confrontations in our communities. The cost of drug demand and supply reduction is borne by every taxpayer in the U.S. through government prevention, treatment, rehabilitation and drug interdiction programs in the U.S. and abroad through U.S. foreign assistance. The illicit income from drug trafficking enriches and empowers drug trafficking organizations and other transnational criminal organizations engaged in other crimes that contribute to citizen insecurity in our communities. Money laundering undermines the integrity of our financial system and the economy at large. We need to raise awareness of the continued scourge of drug consumption and trafficking that is a threat to our personal and community security and prosperity. Whole of society efforts are necessary to reduce the demand and supply for illicit drugs.

***2. China supplies the vast majority of precursor chemicals to Mexican cartels to create deadly synthetic drugs, like fentanyl analogues.***

***• What recommendations do you have on how to counter the collaboration between China and Mexico?***

Through bilateral relations with China and Mexico respectively, the U.S. must pressure these governments to regulate and control pre-cursor chemicals especially dual-use materials necessary to manufacture synthetic drugs like fentanyl, identify and dismantle drug laboratories and prosecute illicit drug manufacturers and traffickers to the fullest extent of the law.

***3. You testified at the hearing that Chinese banks and Chinese operators are extending and expanding their money laundering networks to circumvent law enforcement, and that “this is an area we need to focus on, in terms of gathering evidence ... going after the brokers, and the actual traffickers that are involved.”***

- ***Can you expand on how Congress can focus on this issue and any suggestions on how to address this expansion of Chinese power and influence?***

The Defense Authorization Act requires investigation and reporting that would examine the extent and effect of illicit finance risk related to the Chinese government and Chinese companies, including financial institutions; illicit finance risks emanating from China; and whether such risks have been enabled directly or indirectly by the Chinese government through weak regulatory oversight.<sup>1</sup> The U.S. Congress should require the U.S. government to provide an annual report on Chinese money laundering operations in the U.S. and design a dedicated strategy for combating the various Chinese money laundering schemes in the U.S.

***4. In your written testimony, you outline a number of recommendations. The first recommendation is to “[p]ermanently place fentanyl-related substances (FRS) into Schedule I of the Controlled Substances Act (CSA) to empower law enforcement’s ability to bring those involved in trafficking and producing of illicitly manufactured synthetic opioids to justice.***

- ***Can you explain how the permanently scheduling of these FRS would empower law enforcement?***

- ***Would permanently scheduling FRS undermine the Mexican cartel business model? If so, how? How would it impact Chinese criminal organizations?***

This measure would help investigate and bring criminal actions against individuals who manufacture, distribute or handle these deadly FRS drugs. “The permanent scheduling of all fentanyl related substances is critical to the safety and health of our communities,” said Anne Milgram, Administrator of the Drug Enforcement Administration (DEA). “Class-wide scheduling provides a vital tool to combat overdose deaths in the United States.” The CSA provides law enforcement with the tools they have said they need to respond to the trafficking and manufacture of illicitly manufactured synthetic opioids. Following the temporary class-wide scheduling of FRS in 2018, DEA National Forensic Laboratory Information System (NFLIS) data show that law enforcement encounters of fentanyl analogs that were not individually scheduled declined by almost 90%, when comparing total encounters from 2016 and 2017 to total encounters of uncontrolled fentanyl analogs from 2018 and 2019.<sup>2</sup> Mexican cartels and Chinese organized crime groups have demonstrated great ability to adapt and circumvent government countermeasures. It is not clear how and what the impact of permanently scheduling FRS would be at this time, but I am sure they will find a way to adjust their activities.

***5. Another recommendation you make is to “[a]ctively educate Americans of all age groups on the opioid epidemic and deadly dangers from fentanyl-laced counterfeit drugs and opioids.”***

- ***Do you believe there are gaps in current education and prevention efforts by the Federal Government – including the Office of National Drug Control Policy and the***

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<sup>1</sup> Lin Yang, “US Treasury Under New Mandate to Probe Chinese Money Laundering,” Voice of America, January 14, 2021, [https://www.voanews.com/a/east-asia-pacific\\_voa-news-china\\_us-treasury-under-new-mandate-probe-chinese-money-laundering/6200744.html](https://www.voanews.com/a/east-asia-pacific_voa-news-china_us-treasury-under-new-mandate-probe-chinese-money-laundering/6200744.html)

<sup>2</sup> The White House, *Biden-Harris Administration Provides Recommendations to Congress on Reducing Illicit Fentanyl-Related Substances*, September 02, 2021, <https://www.whitehouse.gov/ondcp/briefing-room/2021/09/02/biden-harris-administration-provides-recommendations-to-congress-on-reducing-illicit-fentanyl-related-substances/>

***Drug Enforcement Administration – on these issues? If so, how can these agencies improve these efforts and why is it important?***

Just as American society has dramatically reduced cigarette smoking in recent years, we should aim to decrease the demand for and use of illicit drugs and address the opioid epidemic. Government agencies must devise an aggressive public communications campaign to raise awareness of the threat from opioids and fentanyl-laced pills and the use of social media platforms and emojis and the expansion of online drug trafficking, transactions and payments through cryptocurrencies. Public service announcements and education initiatives should start with middle schoolers as consumers are getting younger and younger of synthetic drugs and be rolled out at the federal, state, local and tribal levels. The government should partner with private sector, academia, NGOs, and religious institutions that can share information about the deadly threat from synthetic drugs with their respective communities as a trusted messenger.

***• Do you have recommendations for Congress on how to address the influx and spread of illicit counterfeit pills?***

More funding for U.S. agencies responsible for programming to educate consumers and decrease demand for illicit drugs especially fentanyl and fentanyl-laced pills and interdiction by U.S. law enforcement agencies of incoming illegal substances. Congress should also consider increased regulation on online pharmacy operators that are selling fentanyl-laced drugs to unwitting consumers.