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Dismantling Transnational Criminal Organizations in the Americas

Chairman Risch and Ranking Member Shaheen, and distinguished members of this Committee, thank you for the opportunity to address you today on the important task of dismantling transnational criminal organizations ("TCOs") in the Americas.

While the United States has made significant headway in recent months in reducing the deadly flow of fentanyl and other dangerous drugs into the country from Mexico and elsewhere in the Americas, Mexican cartels and other TCOs represent a persistent threat to national security and public safety. In addition, Chinese Money Laundering Organizations ("CMLOs") continue to play a dominant role in laundering cartels' drug money and fueling the international drug trade. New authorities granted by Congress, and the Trump administration's vigorous use of existing authorities, are making a difference, but these efforts would be further enhanced by additional international engagement with, and cooperation by, Mexico, other countries in the Americas that are affected by TCOs, and China.

In the Americas, urgent efforts continue to be needed to dismantle TCOs, which have trafficked billions of dollars in fentanyl and other deadly drugs in the United States. TCO-linked opioids have killed hundreds of thousands of Americans, destabilized Mexico and other countries in the region, and adversely affected our nation's communities and its financial integrity.

I saw firsthand the damage done by the international trade in fentanyl and other deadly drugs during a 24-year career as an agent and executive with the U.S. Drug Enforcement Administration ("DEA"). I started off on the front lines targeting leaders of TCOs who were trafficking drugs into the United States and laundering crime proceeds through U.S. financial institutions. I also spent time abroad working with our international partners to increase international collaboration against TCOs and malicious state actors operating in those regions. I later led a team at the DEA's Special Operations Division ("SOD") that sought to understand, identify, and target CMLOs, which are transforming narcotics trafficking by offering dramatically lower rates, lower risk, and quicker return of funds than the networks that had laundered money for TCOs in the Americas previously.

My time at SOD led me to conclude that that the U.S. law enforcement community and the U.S. financial system needed significant new authority, guidance, and resources to understand and combat the threat posed by TCOs and CMLOs. My conclusions have been reinforced since joining Nardello & Co., a global investigative firm, where we advise financial institutions and other clients on how to address TCO-related risks.

Over the past six months, we have seen an intense, whole-of-government focus on targeting and working to dismantle TCOs. This level of effort has been aided immensely by authorities granted by Congress over the past year, including as recently as last week with the passage of the HALT

Fentanyl Act.[1] I previously testified before the Senate Committee on Banking, Housing, and Urban Affairs in support of the FEND Off Fentanyl Act ("FOFA") and was pleased to see that important piece of legislation become law last year. FOFA and related authorities, including the Fentanyl Sanctions Act, empower and encourage U.S. law enforcement to impose sanctions on TCOs and others involved in fentanyl trafficking. Moreover, FOFA authorizes U.S. authorities to designate financial institutions and other entities that facilitate fentanyl trafficking and the laundering of drug proceeds as being of "primary money laundering concern" – a determination that essentially cuts a designated entity off from access to the U.S. financial system.

Late last month, the U.S. Department of the Treasury issued the first designations under FOFA, concluding that three Mexican financial institutions were of primary money laundering concern.[2] While I am not familiar with the facts underlying those designations, I can report that the designations have had a significant effect on those institutions and on others that now have to come terms with their potential exposure to designation under FOFA. Mexican regulators are addressing lapses in internal controls that were identified by the designations, and financial institutions and entities with operations in Mexico are seeking to enhance their anti-money laundering ("AML") programs to avoid being designated themselves. These designations are thus enlisting in the fight against TCOs many organizations that otherwise might have remained on the sidelines.

Similarly, the Trump Administration's February 20, 2025 designation of several Mexican cartels and other TCOs operating in the Americas as foreign terrorist organizations ("FTOs") and Specially Designated Global Terrorists ("SDGTs")[3] is forcing businesses to make further enhancements to internal and AML controls, and to revisit their operations in Latin America. For example, cartels engage in the widespread practice of seeking "derecho de piso" or "floor rights" payments – *i.e.*, protection payments – from businesses operating in territory the cartels control. These payments, if made to a cartel now designated as an FTO, may constitute material support for terrorism and must cease. As a result, we are seeing many businesses operating in Latin America beginning to search their financial records and supplier networks for potential links to TCOs, and working to cut off funds that are the lifeblood of these criminal organizations.

While the private sector is responding to FTO, SDGT, and FOFA designations, further engagement with authorities in Mexico and other countries in the Americas is required to truly dismantle the TCOs. In February 2025, Mexico handed over to the United States 29 leaders and managers of Mexican cartels, including the cartel leader who ordered the murder of DEA agent Kiki Camarena.[4] As we learned from our successful fight against cartels in Colombia, when cartel members understand that they will face justice for their crimes in the United States, instead of their country's judicial system, it drastically impacts their ability to operate. Mexico's handover of 29 leaders and managers sends a strong message to the cartels, yet hundreds of other potentially extraditable cartel leaders and managers in Mexico and other Latin American countries remain at liberty or incarcerated under conditions that allow them to continue committing crimes. Similarly, in my

[1] https://www.whitehouse.gov/articles/2025/07/president-trump-signs-halt-fentanyl-act-into-law/.
[2] https://home.treasury.gov/news/press-releases/sb0179.
[3] https://www.state.gov/designation-of-international-cartels.
[4] https://www.justice.gov/opa/pr/attorney-general-pamela-bondi-announces-29-wanted-defendants-mexico-taken-us-custody.

experience, many opportunities for international enforcement operations in Latin America against TCOs – using intelligence gathered by the United States through the criminal justice system and other sources – have been missed due to lack of trust and effective cooperation. The U.S. government's fight against TCOs in the Americas must secure full cooperation from Mexico and other countries to ensure success.

While the focus of this hearing is the fight against TCOs in the Americas, the U.S. government cannot be successful in that fight without targeting entities with operations in China – including CMLOs, Chinese financial institutions and apps, and manufacturers of fentanyl precursor chemicals – and without engaging with the Chinese government. Right now, CMLOs transfer huge amounts of funds with no money ever crossing borders by taking advantage of: the existence of Chinese capital controls; a global Chinese diaspora; and encrypted apps such as *WeChat*. Chinese financial institutions, as well as U.S. and Mexican financial institutions, facilitate the movement of funds. Chinese chemical manufacturers are believed to supply a large portion of the precursor chemicals that are used by the cartels to manufacture fentanyl and other opioids that are smuggled into the United States for sale.

The Chinese government can work effectively to combat fentanyl trafficking and CMLOs, but experience has shown that its willingness to engage in this fight is connected to the larger U.S.-China relationship. While those larger matters lie outside of my area of expertise, I have seen that when the Chinese government commits to the fight against drug trafficking, it can be extremely effective. In 2019, while I was at the DEA, international negotiations during the first Trump administration led China to officially regulate fentanyl and severely restrict fentanyl manufacturing, advertising, and shipment to the United States. Those measures essentially ended the large-scale direct flow of fentanyl from China into the United States.

Unfortunately, Chinese chemical manufacturers and brokers began adopting workarounds such as manufacturing and shipping precursor chemicals instead of finished fentanyl and shipping to Mexico and other Latin American countries instead of to the United States. Those workarounds enabled the cartels to solidify their control over the fentanyl trade and keep fentanyl flowing into this country. In late 2023, again as a result of international negotiations, the Chinese government committed to working with the United States to crack down on manufacturers of precursor chemicals.[5] The Trump administration has focused intensively on securing our southern border and adopted additional measures, including tariffs and sanctions, to deter opioid smuggling into the United States. All of these measures appear to be having an effect, judging from recent reductions in opioid overdose deaths, but further engagement is necessary to eliminate all Chinese precursor chemicals. Engagement with China on narcotics trafficking also should include collaboration on judicially authorized surveillance of *WeChat* – which is used by CMLOs and accessible to Chinese security services but not U.S. law enforcement – and to crack down on CMLOs' use of Chinese financial institutions to facilitate money laundering.

[5] https://www.fincen.gov/sites/default/files/advisory/2024-06-20/FinCEN-Supplemental-Advisory-on-Fentanyl-508C.pdf.

Congress can play a vital role by providing resources, incentives, and authority for the federal government to engage effectively with other nations while engaging in intensive enforcement operations to combat this threat.

Thank you for the opportunity to speak with you about this important issue.