

**April 26, 2023**

**Testimony of Mr. Christopher Urben  
House Committee on Oversight and Accountability  
Subcommittee on Health Care and Financial Services**

Chairwoman McClain, Ranking Member Porter, and distinguished members of this subcommittee, thank you for the opportunity to address you today on this important issue.

I saw Chinese organized crime's increased involvement in money laundering, firsthand, while serving as a Group Supervisor with the U.S. Drug Enforcement Administration ("DEA"). I spent twenty-four years working for the DEA, where I helped dismantle significant international drug trafficking and money laundering organizations.

In 2018, I was assigned to the DEA's Special Operations Division, where I supervised a team that focused on this new and evolving threat. We were receiving reports from the field that drug cartels were using Chinese organized crime networks ("Chinese OC") to launder their cash. This was a dramatic change in business operations. Chinese OC would charge only one to two percent of the amount they were laundering, could deliver funds to the traffickers in their home countries immediately, and could guarantee payment of laundered funds.

I knew from my prior experience that the most predominant laundering scheme that had been employed by the cartels, known as the Black-Market Peso Exchange ("BMPE"), was complex and dangerous, resulting in transaction costs of between seven and ten percent and delays of a week or more. Moreover, because of the BMPE connection to the cartels, laundering involved a constant risk of violence, theft, or law enforcement intervention.

My team focused on understanding and combating this new threat. Money is the lifeblood of the cartels, and the methods that Chinese OC was using enriched them and enabled them to traffic even more fentanyl and other deadly drugs into the United States. Moreover, this was adversely affecting the integrity of our nation's financial system.

The DEA seized hundreds of millions of dollars of crime proceeds that Chinese OC was generating; arrested and debriefed participants in the scheme; and persuaded some of them to cooperate. We also seized and searched phones and other records reflecting how Chinese OC was transforming money laundering. These enforcement actions provided the insight that allows me to explain how the network operates.

As reflected by the graphic in Exhibit 1 to my testimony, the current Chinese money laundering model involves participants in at least three countries – the United States, China and Mexico.

Here's how it works....

Every day in the U.S., Chinese money brokers pick up narcotics proceeds – from sales of fentanyl, heroin, cocaine, and methamphetamine – in the form of bulk U.S. cash. A drug distribution gang in New York that owes payment to the Mexican cartel delivers the bulk cash to the Chinese broker.

The Chinese broker then sells the U.S. dollars to Chinese customers who want to spend money in the U.S., acquiring real estate, paying college tuition, gambling, or making other investments. These Chinese customers pay in China for the cash they receive in the U.S. The proceeds in China are used to buy goods for export to Mexico or South America, where the goods are sold by the Chinese brokers in Mexico to recoup their funds. The Chinese brokers accomplish all of this with trusted electronic encrypted communications that allow all of this to happen instantly.

What makes this so effective and hard to detect?

- First, it minimizes movement of funds. Dollars don't leave the U.S., pesos don't leave Mexico, and RMB does not leave China.
- Second, it takes advantage of the huge and increasing volume of trade with China, and the existence of capital controls within China, by ensuring a constant stream of customers and making it harder to separate legitimate from illegitimate transactions.
- Third, it uses technology to its advantage, advertising the sale of dollars in Internet chat rooms and communicating primarily via WeChat, an encrypted network that is resistant to surveillance by U.S. law enforcement and that facilitates speed and trust within the Chinese organized crime network.

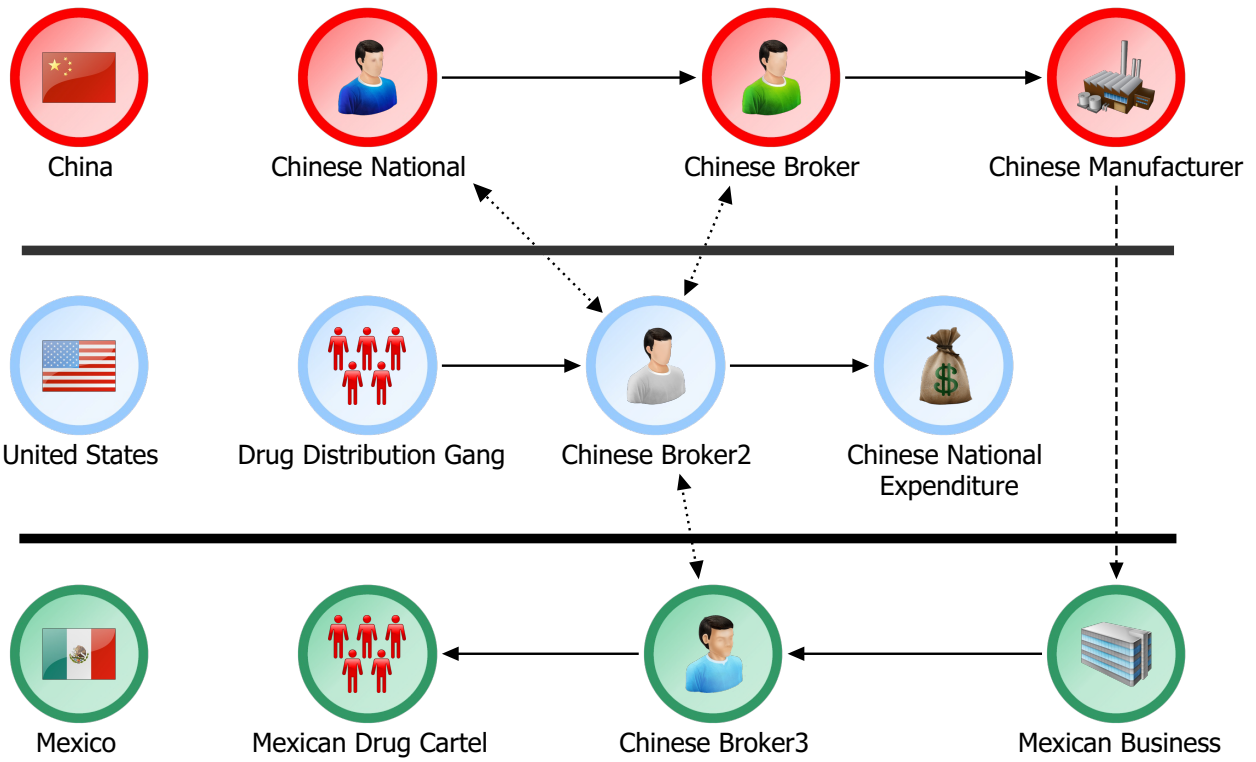
While the threat posed by Chinese OC is real and growing, much more can be done to combat it. More investigative resources such as translators, data scientists and experienced targeting analysts will enable law enforcement to have the tools needed to detect and investigate these networks where they operate. Additional investigative tools and rules addressing this money laundering scheme also can play an important role.

In the private sector, where I now work for Nardello & Co., the global investigative firm, I am also seeing greater awareness by the business community that it needs to understand this emerging threat and develop tools to address it. More investments in training and detection will facilitate private-sector organizations' compliance with anti-money laundering laws and help protect the integrity of the financial system.

Congress can play a vital role by providing resources, incentives, and authority for the government and the private sector to work together to combat this threat.

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

**EXHIBIT 1: Testimony of Christopher Urban**



SOLID ARROW = Cash Flow  
 DOTTED ARROW = Communications  
 DASHED ARROW = Shipment of Goods