

# Treasury Targets Chinese Drug Kingpins Fueling America's Deadly Opioid Crisis

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## *FinCEN Advisory Alerts Financial Sector to Fentanyl Trafficking schemes*

**Washington** – Today, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Treasury's Financial Crimes Enforcement Network (FinCEN) announced coordinated actions to bring additional financial pressure upon those who manufacture, sell, or distribute synthetic opioids or their precursor chemicals.

OFAC identified Chinese national Fujing Zheng (Zheng) and the Zheng Drug Trafficking Organization (DTO) as significant foreign narcotics traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act). OFAC also designated one additional Chinese national, Guanghua Zheng, for his support to the Zheng DTO's drug trafficking activities, as well as one Chinese entity, Qinsheng Pharmaceutical Co. Ltd., for being owned or controlled by Fujing Zheng. OFAC is also identifying Xiaobing Yan (Yan) as a significant foreign narcotics trafficker pursuant to the Kingpin Act.

"The Chinese kingpins that OFAC designated today run an international drug trafficking operation that manufactures and sells lethal narcotics, directly contributing to the crisis of opioid addiction, overdoses, and death in the United States. Zheng and Yan have shipped hundreds of packages of synthetic opioids to the U.S., targeting customers through online advertising and sales, and using commercial mail carriers to smuggle their drugs into the United States," said Sigal Mandelker, Under Secretary for Terrorism and Financial Intelligence. "OFAC and FinCEN's coordinated action with U.S. law enforcement leverages Treasury's authorities to confront the deadly synthetic opioid crisis plaguing America."

Also today, FinCEN issued an advisory to alert financial institutions to financial schemes related to the trafficking of fentanyl and other synthetic opioids. Information in the advisory will assist them in detecting and reporting related criminal activity.

"The Bank Secrecy Act data that FinCEN collects, analyzes, and disseminates provides tremendous insight into the illicit financial networks and individuals fueling America's deadly

opioid crisis,” said FinCEN Director Kenneth A. Blanco. “We are making the financial sector aware of tactics and typologies behind illicit schemes to launder the proceeds of these fatal drug sales, including transactions using digital currency and foreign bank accounts. Financial institutions must be on alert to red flags and other indicators of the complex schemes fentanyl traffickers are employing so that financial institutions can report and share relevant information with law enforcement, and ultimately help save lives.”

### **OFAC Action Targets Massive Narcotics Trafficking Network**

In August 2018, the U.S. Attorney’s Office for the Northern District of Ohio unsealed a 43-count indictment in federal court in Cleveland, Ohio, charging Fujing Zheng and his father Guanghua Zheng with operating a conspiracy that manufactured and shipped deadly fentanyl analogues, cathinones, and cannabinoids to at least 37 U.S. states and 25 countries.

Directed by Fujing Zheng, the Zheng DTO manufactures and distributes hundreds of controlled substances, including fentanyl analogues such as carfentanil, acetyl fentanyl, and furanyl fentanyl. Zheng created and maintained numerous websites to advertise and sell illegal drugs in more than 35 languages. The Zheng DTO touted its ability to create custom-ordered drugs and avoid detection from customs and law enforcement officials when shipping the drugs through express mail and the U.S. Postal Service. The Zheng DTO also used its chemical expertise to create analogues of drugs with slightly different chemical structures but the same or even more potent effect. The Zheng DTO even agreed to manufacture adulterated cancer medication, creating counterfeit pills that replaced the active cancer-fighting ingredient with dangerous synthetic drugs. The Zheng DTO laundered its drug proceeds in part by using digital currency such as bitcoin, transmitted drug proceeds into and out of bank accounts in China and Hong Kong, and bypassed currency restrictions and reporting requirements.

In September 2017, the U.S. Attorney’s Office for the Southern District of Mississippi indicted Xiaobing Yan on two counts of conspiracy to manufacture and distribute multiple controlled substances, including fentanyl, and seven counts of manufacturing and distributing the drugs in specific instances. Yan and his network manufacture and distribute synthetic opioids, cathinones, and cannabinoids, selling directly to U.S. customers in multiple cities across the United States. Yan has tried to evade prosecution by modifying the chemical structure of his synthetic analogues based on his monitoring of legislation and law enforcement activities in the United States and China. Both Zheng and Yan are known to use digital currency (bitcoin), and OFAC is also identifying bitcoin addresses associated with these two drug traffickers to maximize disruption of their financial dealings.

OFAC closely coordinated today's action with the U.S. Attorney's Office for the Northern District of Ohio, the U.S. Attorney's Office for the Southern District of Mississippi, the Department of Justice's Criminal Division, the Drug Enforcement Administration's (DEA) Cleveland and Gulfport offices, and DEA's Special Operations Division.

As a result of today's action, all property and interests in property of these individuals and entities that are in the United States or in the possession or control of U.S. persons must be blocked and reported to OFAC. OFAC's regulations generally prohibit all dealings by U.S. persons or within (or transiting) the United States that involve any property or interests in property of blocked or designated persons.

Since June 2000, more than 2,200 individuals and entities have been named pursuant to the Kingpin Act for their role in international narcotics trafficking. Penalties for violations of the Kingpin Act range from civil penalties of up to \$1,503,470 per violation to more severe criminal penalties. Criminal penalties for corporate officers may include up to 30 years in prison and fines up to \$5 million. Criminal fines for corporations may reach \$10 million. Other individuals could face up to 10 years in prison and fines pursuant to Title 18 of the United States Code for criminal violations of the Kingpin Act.

### **FinCEN Advisory Highlights Typologies of Fentanyl Traffickers**

Fentanyl is sold in the United States in many forms, all of which can be deadly. Fentanyl can be purchased alone; mixed with heroin, cocaine, or methamphetamine; or pressed into pill form and falsely sold as prescription opioids, often being ingested by unsuspecting victims.

FinCEN's advisory highlights the primary typologies and red flags derived from sensitive financial reporting which are associated with the (i) sale of these drugs by Chinese, Mexican, and other foreign suppliers; (ii) methods used by Mexican and other transnational criminal organizations (TCOs) to launder the proceeds of fentanyl trafficking; and (iii) financial methodologies associated with the sale and procurement of fentanyl over the Internet by purchasers located in the United States.

The FinCEN advisory is being published as a part of a coordinated set of advisories issued by the U.S. Government to address the manufacturing, marketing, movement, and monetary aspects of the trafficking of illicit fentanyl and synthetic opioids. Specifically, the *21st Century Drug Trafficking: Advisories on Fentanyl and Other Synthetic Opioids* contains a **manufacturing advisory**, focusing on the production of illicit fentanyl, which is aimed primarily at companies

and businesses that manufacture precursor chemicals, synthetic pharmaceuticals and their support infrastructure.

A **marketing advisory** further focuses on the use of websites, including social media and darkweb platforms, to market synthetic fentanyl products for sale. The advisory lists red flags, such as web hosting platforms known to host large volumes of this activity and street names commonly used for fentanyl, and gives instructions for reporting any suspected fentanyl marketing activity to law enforcement.

Finally, the **movement advisory** is directed towards supply chain companies that explains how fentanyl products enter the United States and move domestically to their end users. The most common distribution medium is via the U.S. Postal Service.

These advisories, combined with the FinCEN advisory, which also serves as the monetary advisory on the financial aspects of the illicit trafficking of fentanyl and synthetic opioids, provide information relevant for financial institutions to gain a more comprehensive understanding of the fentanyl crisis and take action to protect the homeland from this deadly threat. The comprehensive *21st Century Drug Trafficking: Advisories on Fentanyl and Other Synthetic Opioids* can be viewed [here](#) .

When filing a suspicious activity report (SAR), financial institutions should provide all pertinent available information in the SAR form and narrative and reference this advisory using the following key term: “FENTANYL FIN-2019-A006”

Resources:

- [Identifying information on the individuals and entities designated today.](#)
- [The Kingpin Act chart on individuals and entities designated today.](#) 
- [Information about the Kingpin Act.](#) 
- [FinCEN Advisory](#) 
- [White House Press Release](#)

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