

Donald Im Testimony
Senate Caucus on International Narcotics Control
Beneficial Ownership Information
April 9, 2024

Chairman Whitehouse, Co-Chairman Grassley, and members of the committee, I am pleased to appear before you here today to discuss critical challenges law enforcement faces in deterring fentanyl, heroin, cocaine, methamphetamine drug trafficking, narco-terrorism and other serious organized crimes. Denying the proceeds of illicit activities, is one of the most effective means to diminish criminal and terrorist organizations' ability to operate and benefit from their unlawful actions. However, identifying the true beneficial owners of their illicit wealth are difficult when these organizations are able to establish anonymous registered companies that conceal and protect their identities as well as their high value assets.

I retired from the Drug Enforcement Administration in late 2022 after 31 years conducting and supporting hundreds of money laundering, financial, narcotic and narco-terrorism investigations. And from my time as a DEA Special Agent and an Army Reserve Officer assigned to the US Special Operations Command, we always encountered businesses and bank accounts, many of which were either in the name of a "straw person...a proxy," a "front company," or even a registered Limited Liability Corporation (LLC), with no true person associated with the LLC, nor a physical presence.

Whether elements of the Medellin, Cali, Sinaloa Cartel, or Russian Organized Crime, Chinese Triads, Lebanese Hezbollah, Al Qaida, or the Taliban, each of these entities have used or continue to operate front companies in some form or fashion to conceal their operations and wealth. Many of these are protected and hidden behind a veneer of legitimate law firms and accounting firms in countries throughout the world.

In my last few years with the DEA Special Operations Division, we identified numerous online pharmacies shipping real pharmaceutical drugs stolen from thousands of break-ins, or counterfeit pharmaceutical drugs, repackaged and sold online and shipped through the US mail parcel system. Many of these fake online pharmacies had established either a shell company to open bank accounts as well as cryptocurrency wallets to receive payments. The challenges of identifying the true beneficiaries of those payments were difficult at best, especially, when such anonymous companies operate in both the open web and dark web.

From 2004 to 2016, the DEA Special Operations Division, with over 32 different agencies, was able to identify Lebanese Hezbollah drug money laundering operations and activities of used automobile dealership companies in the United States to Africa. Legitimate and front companies were used to establish various bank accounts that received and/or sent millions of dollars in drug profits throughout the world. Thousands of used vehicles were shipped in a false-invoicing money laundering scheme to Africa and Middle East, all the while, the Lebanese-Canadian Bank allowed tens of millions of dollars in drug proceeds to flow freely into various front companies and bank accounts controlled by Hezbollah. DEA undercover operations were able to successfully identify these entities in the United States, South America, Africa, the Middle East, Europe and Australia, ultimately, arresting key Hezbollah actors, drug cartel leaders and money brokers. Coordination with the Treasury's Financial Crimes Enforcement Network (FinCEN), ultimately, led to the shut-down of the Lebanese-Canadian Bank using 3-11 sanctions.

In June 2005, the Brazilian, Argentinian, Ecuadorian, Israeli, Paraguayan and German federal police agencies, supported by DEA, led to the arrest and dismantlement of the largest Hezbollah drug trafficking and terror finance operations in the Tri-Border Area of South America in a joint 2-year investigation called Operation Tamara. Numerous front trading import/export companies were identified shipping new and used vehicles from South America to the Middle East using the same Trade-Based Money Laundering (TBML) scheme.

Most criminal enterprises establish or buy front, shell, or shelf companies or a combined hybrid, to create subsidiary companies with tentacles in highly elaborate corporate structures that can also operate non-profit social/political organizations as a cover. Thereafter, the myriad of registered entities can access banking, investment, cryptocurrency, and other financial and shadow bank institutions that offer various financial instruments such as credit cards, debit cards tied to bank accounts with an unlimited slush fund, or bank and non-bank loans that obscure and conceal the true beneficiary or the illicit source of funds. Whether for tax evasion, drug/human/arms trafficking or other crimes, terrorist financing, fraud, or government corruption, we have always had difficulty tracing and identifying the principals behind these activities.

Pursuing leads to identify the true owners of bank accounts used to transfer funds through banks or investment firms for high value assets, have always been the most challenging, and if successful, the most rewarding. In the early 1990s', the DEA with the Colombian National Police conducted financial raids against the Cali Cartel, which led to the identification of legitimate corporations and front companies, owned by family members of the Rodriguez-Orejuela Brothers, Jose Santacruz-Londono and Pacho Herrera. In addition, these front companies were registered in the names of individuals (straw persons) that either existed but were unwitting in the Cali Cartel's financial structure. In 1995, with evidence revealing key individuals from financial corporate documents, we were able identify the true owners to submit over 165 individual names and companies to the Treasury Department's Office of Foreign Assets Control (OFAC), to implement the first ever Specially Designated Narcotic Trafficker Sanctions. And since then, OFAC sanctions have been an effective tool, if applied to the appropriate targets. However, criminals now use front or shell companies via third party entities to outsource and obscure their money laundering operations after successful DEA, HSI and IRS undercover money laundering investigations.

Recently, it has been disclosed that Chinese organized criminal networks and money laundering organizations have been successfully laundering billions of dollars of Colombian and Mexican cartel drug proceeds for the past two decades using legitimate, front and shell companies throughout the world. Currently, Chinese organized criminal networks are laundering billions of dollars' worth of marijuana cultivated throughout thousands of indoor grows and farms in the United States. Using Trade-Based Money Laundering and parallel funds and asset transfers, these drug proceeds ultimately, end up either as high value assets and investments for wealthy and Chinese government officials throughout North America, Asia and Europe, or bulk transported to Mexico or South and Central America, all the while, facilitating and amassing the Cartels' wealth that allows them to continue its deadly and destructive crimes and undermining the rule of law.

In conclusion, establishing laws and rules to help law enforcement identify the real beneficiary owners of bank accounts and companies, can be an effective tool; However, the effectiveness of beneficial ownership information collected by the FinCEN is only as good as law enforcement being able to access it in pursuit of its criminal investigations. Effective policies must consider various effects, outcomes and consequences-intended and unintended, in order to protect legitimate commerce and banking, all the while, helping implement critical tools to deter and prevent criminal, corruptive and terrorist activities and behavior in trade, banking and commerce.

Thank you and I welcome any questions you may have.