



Money Laundering

FEA Press Release June 18, 2024

Washington - The Justice Department announced a 10-count superseding indictment charging Los Angeles-based associates of Mexico's Sinaloa drug cartel with conspiring with money-laundering groups linked to Chinese underground banking to launder drug trafficking proceeds. During the conspiracy, more than \$50 million in drug proceeds flowed between the Sinaloa Cartel associates and Chinese underground money exchanges.

Following close coordination with the Justice Department, Chinese and Mexican law enforcement informed United States authorities that those countries recently arrested fugitives named in the superseding indictment who fled the United States after they were initially charged last year.

The multi-year investigation into this conspiracy—dubbed “Operation Fortune Runner”—resulted in a superseding indictment returned on April 4, 2021 and unsealed on June 17, 2024 charging a total of 24 defendants with one count of conspiracy to aid and abet the distribution of cocaine and methamphetamine, one count of conspiracy to launder monetary instruments, and one count of conspiracy to operate an unlicensed money transmitting business.

The superseding indictment alleges that a Sinaloa Cartel-linked money laundering network collected and, with help from a San Gabriel Valley, California-based money transmitting group with links to Chinese underground banking, processed large amounts of drug proceeds in U.S. currency in the Los Angeles area. They then allegedly concealed their drug trafficking proceeds and made the proceeds generated in the United States accessible to cartel members in Mexico and elsewhere.

Lead defendant Edgar Joel Martinez-Reyes, 45, of East Los Angeles, and others allegedly used a variety of methods to hide the money's source, including trade-based money laundering, “structuring” assets to avoid federal financial reporting requirements, and the purchase of cryptocurrency.

“Dangerous drugs like fentanyl and methamphetamine are destroying people's lives but drug traffickers only care about their profits,” said U.S. Attorney Martin Estrada for the Central District of California. “To protect our community, therefore, it is essential that we go after the sophisticated, international criminal syndicates that launder the drug money. As this indictment and our international actions show, we will be dogged in our pursuit of all those who facilitate destruction in our country and make sure they are held accountable for their actions.”

“Relentless greed, the pursuit of money, is what drives the Mexican drug cartels that are responsible for the worst drug crisis in American history,” said DEA Administrator Anne Milgram. “This DEA investigation uncovered a partnership between Sinaloa Cartel associates and a Chinese criminal syndicate operating in Los Angeles and China to launder drug money. Laundering drug money gives the Sinaloa Cartel the means to produce and import their deadly poison into the United States. DEA's top operational priority is to save American lives by defeating the cartels and those that support their operations. This investigation is the latest example, and there is more to come.”



“Drug traffickers generate immense amounts of cash through their illicit operations. This case is a prime example of Chinese money launderers working hand in hand with drug traffickers to try to legitimize profits generated by drug activities,” said Chief Guy Ficco of IRS Criminal Investigation. “We have made it a priority to identify, disrupt, and dismantle any money launderers working with drug cartels and we are committed to our partnerships with federal, state, and local law enforcement agencies to combat drug cartels and those who assist them in laundering drug proceeds.”

As part of this investigation, law enforcement has seized approximately \$5 million in narcotics proceeds, 302 pounds of cocaine, 92 pounds of methamphetamine, 3,000 Ecstasy pills, 44 pounds of psilocybin (magic mushrooms), numerous ounces of ketamine, three semi-automatic rifles with high-capacity magazines, and eight semi-automatic handguns.

Background

The Sinaloa Cartel is largely responsible for the massive influx of fentanyl into the United States over the past approximately eight years, and for the accompanying violence and deaths that have afflicted communities on both sides of the border. The cartel's activities generate enormous sums of U.S. currency in the United States that belong to the cartel in Mexico. Profits from the drug trade must be repatriated to Mexico for use by the cartel.

Chinese underground money exchanges in the United States assist the Sinaloa and other cartels to move their profits from the United States to Mexico by providing a ready market for U.S. currency in the United States.

Many wealthy Chinese nationals who live, work, or invest in China wish to transfer assets to the United States for various reasons but are barred by the Chinese government's capital flight restrictions from transferring the equivalent of more than \$50,000 per year out of China. These individuals seek informal alternatives to the conventional banking system to move their funds.

To transfer money to the United States, the China-based investor contacts an individual who has U.S. dollars available to sell in the United States. The seller of U.S. dollars provides identifying information for a bank account in China with instructions for the investor to deposit Chinese currency (renminbi) in that account. Once the owner of the account sees the deposit, an equivalent amount of U.S. dollars is released

to the buyer in the United States.

The sellers of U.S. currency in the United States obtain dollars in a variety of ways. Some of them accept cash from individuals engaged in criminal activity that generates large amounts of bulk currency, including drug trafficking. These U.S. currency brokers charge a percentage commission as a fee to the owner of the criminal proceeds to conceal the nature and source of the funds—typically far less for their services than their competitors. Drug traffickers increasingly have partnered with Chinese underground money exchanges to take advantage of the large demand for U.S. dollars from Chinese nationals.

The funds that are transferred in China are then used to pay for goods purchased by businesses and organizations in Mexico or elsewhere such as consumer goods or items needed to aid the drug trafficking organization to manufacture illegal drugs, such as precursor chemicals, including fentanyl.

The Superseding Indictment

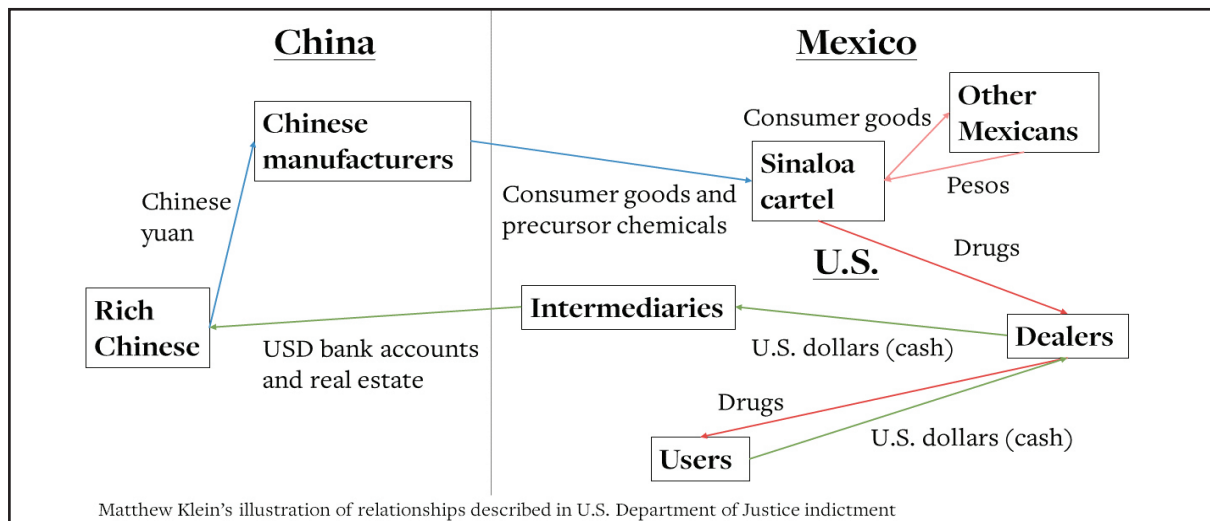
Members and operatives of the Sinaloa Cartel imported large quantities of narcotics, including fentanyl, cocaine, and methamphetamine, into the United States, generating huge sums of drug cash proceeds in U.S. dollars.

In January 2021, Martinez-Reyes allegedly traveled to Mexico to meet with Sinaloa Cartel members to strike a deal with money remitters with links to Chinese underground banking to launder drug trafficking proceeds in the United States. After the deal was struck, the Sinaloa Cartel—through their connections and associates—distributed cocaine, methamphetamine, and other narcotics, generating U.S. dollars as drug proceeds.

Martinez-Reyes and other conspirators allegedly then delivered the currency—frequently in amounts of hundreds of thousands of U.S. dollars in cash—to other members of the Chinese underground money exchange and remitting organizations to be laundered for a fee. The remitting organizations possessed large amounts of U.S. currency and could help wealthy Chinese nationals evade China's currency controls.

The money remitters allegedly disposed of the drug proceeds by either delivering United States currency directly to their money exchange customers or by purchasing real or personal property, including luxury goods and cars to be shipped to China. Additionally, the remitters also moved illicit drug proceeds through cryptocurrency transactions. They also allegedly used a variety of traditional methods to place the funds into the traditional banking system such as purchasing cashier's checks, or “structuring,” that is, depositing small amounts at a time into bank accounts opened for this purpose to avoid banks from reporting large cash deposits to the U.S. government.

The remaining seven counts charge individual defendants with crimes such as possession of pound quantities of cocaine and methamphetamine, structuring funds to avoid federal reporting requirements placed on banks, and one count of assault with a deadly weapon on a federal officer.



When you wanna fly private without a care call Plane Travel Air!

Air Carrier Certificate #R56A368K
Serving the public for over 20 years.



CALL US 24/7 @ (954) 593-1437

planettravelair.com