

Chinese Money Laundering Networks

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Introduction

Illicit financial activity involving what the U.S. government terms Chinese Money Laundering Organizations or Networks (CMLOs or CMLNs) is an issue that has increasingly attracted congressional attention.¹ Although the money laundering methods employed by CMLNs are not necessarily unique, compared to the activity of other money laundering organizations, CMLNs have emerged as a U.S. foreign policy concern due to their (1) prominent role in evading currency controls imposed by the government of the People's Republic of China (PRC or China); and (2) ability to launder vast sums of illicit proceeds for Mexican transnational criminal organizations (TCOs) implicated in fentanyl production and trafficking.

U.S. government reports appear to use the terms CMLOs or CMLNs to refer to third-party money laundering networks with links to the PRC.² These networks may operate, at least in part, in the PRC, among other countries. They may also involve PRC citizens or other non-PRC nationals with kinship or cultural ties to the PRC. Such laundering networks leverage PRC ties to specialize in providing informal and black-market financial services, such as currency exchange brokerage, to a variety of actors, including wealthy PRC nationals seeking access to foreign currency beyond the PRC's currency control limits. The terms CMLO and CMLN do not appear to imply a relationship between the money launderers or laundering activity and the government of China or its ruling party, the Communist Party of China (CPC, also known as the Chinese Communist Party, or CCP).

Like many other money laundering organizations, CMLNs reportedly provide money-laundering services to a range of criminal actors engaged in drug trafficking, human trafficking, and other fraud schemes. While CMLNs may operate in many parts of the world, U.S. interest in such money laundering organizations has grown with reports that Mexican TCOs, such as the Sinaloa Cartel, Jalisco New Generation Cartel (CJNG), and Gulf Cartel, reportedly benefit from CMLN activity.³ These groups are among the Mexican TCOs that Secretary of State Marco Rubio designated in February 2025 as Foreign Terrorist Organizations and that the Drug Enforcement Administration (DEA) has described as among the key actors in illicit production and trafficking of the synthetic opioid fentanyl.⁴ According to the DEA and others, CMLNs have also supported

¹ While described in some U.S. government documents as “Chinese Money Laundering Organizations” (CMLOs) prior to 2025, the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) reported in August 2025 that “Treasury and some law enforcement agencies have moved to characterizing them [CMLOs] as ‘networks’ due to their horizontal structure and decentralized nature.” See FinCEN, “FinCEN Advisory on the Use of Chinese Money Laundering Networks by Mexico-Based Transnational Criminal Organizations to Launder Illicit Proceeds,” FIN-2025-A003, August 28, 2025, p. 1; and Drug Enforcement Administration (DEA), *National Drug Threat Assessment* (NDTA), May 2025, p. 6. Several congressional hearings have brought attention to CMLNs, including most recently a hearing held by the Senate Caucus on International Narcotics Control on December 9, 2025, entitled “Dirty Money: Chinese Organized Crime in Latin America.”

² As described by the Financial Action Task Force (FATF), “third-party” money laundering refers to “the laundering of proceeds by a person who was not involved in the commission of the predicate offense.” See FATF, *Professional Money Laundering*, July 2018, p. 10.

³ See for example DEA, NDTA, May 2025, pp. 6, 10; and FinCEN, “FinCEN Advisory on the Use of Chinese Money Laundering Networks by Mexico-Based Transnational Criminal Organizations to Launder Illicit Proceeds,” FIN-2025-A003, August 28, 2025.

⁴ Secretary of State Marco Rubio, “Foreign Terrorist Organization Designations of Tren de Aragua, Mara Salvatrucha, Cartel de Sinaloa, Cartel de Jalisco Nueva Generacion, Carteles Unidos, Cartel del Noreste, Cartel del Golfo, and La Nueva Familia Michoacana,” Department of State Public Notice 12672, in 90 *Federal Register* 10030, February 20, 2025; DEA, NDTA, May 2025, pp. 7, 9.

what U.S. law enforcement agencies refer to as “Chinese TCO” activity linked to the cultivation and distribution of illicit marijuana in the United States, as well as other crimes.⁵

Background

In explaining why CMLNs have emerged in recent years as a favored Mexican TCO collaborator, the DEA and others have suggested that two complementary demands are at play: (1) PRC nationals’ demand for more foreign currency (e.g., U.S. dollars) than they can legally access, given PRC government limits on the amount of PRC currency that may be exchanged each year for foreign currency, and (2) TCO demand for access to laundered funds that obscures their illicit provenance from government authorities.⁶

Public U.S. government reports have tracked CMLN activity since at least 2017, when DEA’s *National Drug Threat Assessment* described a “Chinese money laundering organization” as having been utilized by “[s]everal Mexican TCOs.”⁷ In 2018, the Department of the Treasury (Treasury) reported in its *National Money Laundering Risk Assessment* that “[l]aw enforcement agencies have reported interconnectivity between Chinese money laundering organizations and Mexican drug cartels.”⁸

Two years later, in 2020, Treasury further noted “an increase in complex schemes to launder [illicit drug] proceeds” involving Mexican TCOs and CMLNs.⁹ The trend reportedly stemmed from: (1) PRC government foreign exchange conversion limits imposed in 2016, which limits PRC citizens from transferring larger sums of funds abroad; and (2) U.S. dollar deposit restrictions announced by Mexico’s government in 2010, which constrains Mexican TCOs from repatriating drug proceeds.¹⁰ Treasury’s 2022 *National Money Laundering Risk Assessment* also attributed the apparent growth in CMLN activity to their ability to offer cheaper and more reliable money-laundering services than other providers.¹¹

By 2024, Treasury reported that “CMLOs have become more prevalent and are now one of the key actors laundering money professionally in the United States and around the globe”—due in part to their ability to provide more efficient services, including “near real-time mirror

⁵ DEA, NDTA, May 2025, pp. 49-50. See also Sebastian Rotella et al., “Gangsters, Money and Murder: How Chinese Organized Crime is Dominating America’s Illegal Marijuana Market,” ProPublica and The Frontier, March 14, 2024; Leland Lazarus et al., “From Fujian to Flushing: Chinese Criminal Networks in the Americas and Beyond,” *Florida International University Research Publications*, December 2024; and House Committee on Homeland Security, Subcommittee on Oversight, Investigations, and Accountability, “Invasion of the Homeland: How China is Using Illegal Marijuana to Build a Criminal Network Across America,” September 18, 2025.

⁶ DEA, NDTA, May 2025, p. 64.

⁷ DEA, NDTA, October 2017, p. 15.

⁸ Department of the Treasury (Treasury), *National Money Laundering Risk Assessment* (NMLRA), December 2018, p. 17.

⁹ Treasury, *National Strategy for Combating Terrorist and Other Illicit Financing*, 2020, p. 24.

¹⁰ Treasury, *National Strategy for Combating Terrorist and Other Illicit Financing*, 2020, p. 24. See also FinCEN, Newly Released Mexican Regulations Imposing Restrictions on Mexican Banks for Transactions in U.S. Currency, June 21, 2010; and Department of State, 2024 Investment Climate Statements: China, <https://www.state.gov/reports/2024-investment-climate-statements/china/>.

¹¹ According to the Treasury, in addition to offering “services at lower fees than traditional money brokers,” “CMLOs will also provide insurance against losses, in that they will still pay out even if the funds are lost due to theft or interdiction by law enforcement.” See Treasury, NMLRA, February 2022, p. 23. The 2024 NMLRA reinforces this claim, noting that “CMLOs have been known to offer to absorb losses due to providing guarantees on any funds delivered” (p. 29).

transactions” and the ability to “handle large amounts of cash,” compared to other money laundering service providers.¹²

In August 2025, Treasury’s Financial Crimes Enforcement Network (FinCEN) reported that U.S. financial institutions filed some \$312 billion in “potential CMLN-related suspicious activity” over a five-year period between 2020 and 2024.¹³ Beyond the laundering of drug profits, FinCEN reported that CMLNs “also launder illicit proceeds from otherwise unrelated criminal networks involved in a range of illicit activities, including fraud schemes; human trafficking and smuggling; marijuana grow house operations; and tax evasion.”¹⁴

CMLN Money Laundering Methods

According to these and other reports, key CMLN methods include the following, often in combination:

- “underground” banking (sometimes called the Chinese Underground Banking System, or CUBS);
- trade-based money laundering (TBML);
- transfers through banks and money services businesses (MSBs), often structured to evade reporting requirements;
- use of casinos, online messaging apps, and cryptocurrencies to facilitate laundering;
- recruitment of money “mules” (often targeted through social media and messaging apps) to open bank accounts and deposit funds (at times with the use of fraudulent identity documentation);
- exploitation of witting or unwitting straw buyers (sometimes called *daigou* buyers, meaning “buying on behalf of”);¹⁵ and
- use of front and shell companies as well as real estate purchases to hide the true source or ownership of the funds.¹⁶

Selected Case Studies

U.S. law enforcement cases and sanctions actions in recent years have highlighted the role of CMLNs in laundering illicit drug proceeds, an issue that the Trump Administration has prioritized in the context of its policy goal of achieving the “total elimination” of international cartels and other transnational organizations.¹⁷ For example:

¹² Treasury, NMLRA, February 2024, pp. 29-30. Mirror transactions refers to a scheme in which two seemingly unrelated transactions occur that mirror or balance each other. For example, as described in the NMLRA, “[o]nce the CMLO retrieves the criminal cash in the United States, a comparable sum of Mexican pesos is then released – almost immediately ... – to the cartel in Mexico... .”

¹³ In a description of its methodology, FinCEN stated that it “analyzed BSA reports pertaining to subjects with Chinese passports and containing keywords potentially indicative of CMLN activity. FinCEN used a combination of automated and manual review of the BSA reports to remove false positives.” See FinCEN, *Chinese Money Laundering Networks: 2020-2024 Threat Pattern & Trend Information*, August 2025, p. 3.

¹⁴ FinCEN, *Chinese Money Laundering Networks: 2020-2024 Threat Pattern & Trend Information*, August 2025, p. 4.

¹⁵ See United Kingdom, National Crime Agency, *Chinese Underground Banking and ‘Daigou’*, October 2019.

¹⁶ See FinCEN, “Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids,” FIN-2019-A006, August 21, 2019; “Supplemental Advisory on the Procurement of Precursor Chemicals and Manufacturing Equipment Used for the Synthesis of Illicit Fentanyl and Other Synthetic Opioids,” FIN-2024-A002, June 20, 2024; and “FinCEN Advisory on the Use of Chinese Money Laundering Networks by Mexico-Based Transnational Criminal Organizations to Launder Illicit Proceeds,” FIN-2025-A003, August 28, 2025. See also *Chinese Money Laundering Networks: 2020-2024 Threat Pattern & Trend Information*, Financial Trend Analysis, August 2025.

¹⁷ President Donald Trump, “Executive Order 14157 of January 20, 2025, Designating Cartels and Other Organizations as Foreign Terrorist Organizations and Specially Designated Global Terrorists,” in *90 Federal Register* 8439, January (continued...)

- In a case dubbed “Operation Fortune Runner,” the Department of Justice (DOJ) announced a superseding indictment in June 2024, charging 24 defendants with drug trafficking and money laundering.¹⁸ As described by DOJ, a California-based money laundering network with links to Chinese underground banking allegedly laundered proceeds from illicit drug sales in the United States for the Sinaloa Cartel. As alleged, the conspirators “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.”¹⁹ Illicit funds would also allegedly be laundered through cryptocurrency transactions and the formal financial system (i.e., banks) via the purchase of cashier’s checks and structured deposits below the thresholds for reporting suspicious financial activity. In July 2024, Treasury imposed sanctions on three of the defendants, including one Mexico-based individual and two PRC-based members of the CMLN.²⁰ More than \$50 million in illicit drug proceeds reportedly moved between the Sinaloa Cartel and that CMLN.²¹
- In a 2025 case that was part of “Operation Take Back America,” DOJ announced that members of a CMLN pleaded guilty to laundering “over \$92 million in illicit funds, including proceeds from the importation and distribution of illegal drugs into the United States, primarily through Mexico.”²² As part of the scheme, members of the CMLN, which included a mix of PRC and U.S. nationals, would move illicit funds through shell company bank accounts that had been opened in the United States with a combination of real and fake identities.
- In another 2025 case that was part of “Operation Take Back America,” DOJ announced that it had charged Zhi Dong Zhang, a PRC citizen, with multiple counts of drug trafficking and money laundering. Cases in the Eastern District of New York (EDNY) and Northern District of Georgia (NDGA) both link Zhang to trafficking of fentanyl, among other drugs. The EDNY case alleges the exploitation of “more than 100 shell companies that were used to launder at least \$77 million in narcotics proceeds,” while the NDGA case alleges that Zhang

29, 2025. See also DOJ, “Total Elimination of Cartels and Transnational Criminal Organizations,” departmental memorandum, February 5, 2025, and DOJ, “Focus, Fairness, and Efficiency in the Fight Against White-Collars Crime,” Criminal Division memorandum, May 12, 2025.

¹⁸ District Court for the Central District of California, *United States of America v. Edgar Joel Martinez-Reyes et al.*, 2:23-cr-524(A)-DMG, filed April 4, 2024, unsealed June 17, 2024. See also Dylan Tokar, Justin Baer, and Vipal Monga, “Bags of Cash from Drug Cartels Flood Teller Windows at U.S. Banks,” *Wall Street Journal*, May 14, 2025.

¹⁹ DOJ, “Federal Indictment Alleges Alliance Between Sinaloa Cartel and Money Launderers Linked to Chinese Underground Banking,” June 18, 2024.

²⁰ Treasury, “Treasury Sanctions Mexico- and China-Based Money Launderers Linked to the Sinaloa Cartel,” July 1, 2024.

²¹ FinCEN, “FinCEN Advisory on the Use of Chinese Money Laundering Networks by Mexico-Based Transnational Criminal Organizations to Launder Illicit Proceeds,” FIN-2025-A003, August 28, 2025, p. 7.

²² DOJ, “Three Members of a Prolific Chinese Money Laundering Organization Plead Guilty to Laundering Tens of Millions of Dollars in Drug Proceeds,” May 1, 2025, and “Final Three Members Charged in Prolific Chinese Money Laundering Scheme Plead Guilty to Laundering Tens of Millions in Drug Proceeds,” July 7, 2025. According to these DOJ press releases, “Operation Take Back America” is “a nationwide initiative that marshals the full resources of the Department of Justice to repel the invasion of illegal immigration, achieve the total elimination of cartels and transnational criminal organizations, and protect our communities from the perpetrators of violent crime.”

oversaw a money laundering scheme involving “150 companies, 170 bank accounts and approximately \$20 million in drug proceeds.”²³

- In 2022 Da Ying Sze, reportedly born in PRC, pleaded guilty to money laundering charges and admitted to playing a role in coordinating a \$653 million money laundering conspiracy that involved laundering cash proceeds of illicit drug revenue, bribing bank employees, using bank accounts in the names of shell companies, and wiring funds to “thousands of individuals and entities in the United States, China, Hong Kong, and elsewhere.”²⁴ The case contributed to an enforcement action against TD Bank, which pleaded guilty to deficiencies in its anti-money laundering compliance program and agreed to pay more than \$3 billion in penalties to DOJ (\$1.8 billion) and FinCEN (\$1.3 billion).²⁵

Policy Outlook

Policymakers have long incorporated a “follow the money” approach to addressing drug trafficking and other illicit activity. Current efforts to target CMLNs fit within this context. Such efforts draw on a broad range of Anti-Money Laundering (AML), sanctions, counternarcotics, and counterterrorism statutory authorities that are not necessarily specific to addressing CMLNs, but have been adapted in recent years to prioritize fentanyl-related trafficking.

For example, in June 2025, FinCEN invoked the FEND Off Fentanyl Act (Division E of P.L. 118-50; 21 U.S.C. 2313a) to identify three Mexico-based financial institutions as being “of primary money laundering concern in connection with illicit opioid trafficking”—a move that ultimately led all three institutions to cease operations.²⁶ According to Treasury, the three financial institutions facilitated Mexican TCO money laundering and processed funds transfers to or from China-based companies involved in the procurement of precursor chemicals that could be used to produce illicit opioids.²⁷

Sanctions targeting CMLNs draw on the Fentanyl Sanctions Act (Title LXXII, Division F of P.L. 116-92; 21 U.S.C. 2301 et seq.), which former President Joe Biden invoked in Executive Order 14059, “Imposing Sanctions on Foreign Persons Involved in the Global Illicit Drug Trade.”²⁸ The BUST Fentanyl Act (Subtitle B, Title LXXXIII, Division H of the National Defense Authorization Act for Fiscal Year 2026, P.L. 119-60) could be used to further bolster efforts to

²³ DOJ, “Drug Trafficker Zhi Dong Zhang, aka ‘Brother Wang,’ Returned from Mexico to Face International Narcotics and Money Laundering Charges in New York and Georgia,” November 19, 2025.

²⁴ DOJ, “Queens Man Admits Orchestrating \$653 Million Money Laundering Conspiracy, Operating Unlicensed Money Transmitting Business, and Bribing Bank Employees,” February 22, 2022; Christine Dobby, Ari Altstedter, David Voreacos, and Tom Schoenberg, “How TD Became America’s Most Convenient Bank for Money Launderers,” Bloomberg, March 18, 2025.

²⁵ DOJ, *United States of America v. TD Bank US Holding Company*, case summary, <https://www.justice.gov/criminal/case/united-states-america-v-td-bank-us-holding-company>, and FinCEN, “FinCEN Assesses Record \$1.3 Billion Penalty against TD Bank,” October 10, 2024. See also Dylan Tokar, Justin Baer, and Vipal Monga, “TD Bank Probe Tied to Laundering of Illicit Fentanyl Profits,” *Wall Street Journal*, May 2, 2024.

²⁶ Treasury, “Treasury Issues Historic Orders under Powerful New Authority to Counter Fentanyl,” June 25, 2025; “3 Mexican financial institutions cease operations after US money laundering claims,” *Mexico Daily News*, October 28, 2025; Michael O’Boyle, “US Finance Ban Takes Effect After Already Crippling Mexico Firms,” Bloomberg, October 20, 2025.

²⁷ Treasury, “Treasury Issues Historic Orders under Powerful New Authority to Counter Fentanyl,” June 25, 2025.

²⁸ President Joe Biden, “Executive Order 14059 of December 15, 2021, Imposing Sanctions on Foreign Persons Involved in the Global Illicit Drug Trade,” 86 *Federal Register* 71549, December 17, 2021.

target PRC individuals and entities involved in fentanyl trafficking; it also authorizes the imposition of fentanyl-related sanctions on agencies or instrumentalities of foreign states.

Potential areas of further policy debate may focus on prospects for (and limitations of) bilateral or trilateral cooperation on financial crime matters involving the United States, China, and Mexico—or unilateral pressure on China and Mexico. Prospects and limitations of cooperation and pressure were themes addressed by the prepared testimonies of all three witnesses at a December 9, 2025, hearing held by the Senate Caucus on International Narcotics Control, entitled “Dirty Money: Chinese Organized Crime in Latin America.”²⁹ Policy approaches may depend on whether evidence of foreign government complicity is a contributing factor in CMLN activity.

Other policy debates may focus on the domestic and international regulation of virtual assets, including cryptocurrencies, given their use in facilitating fentanyl trafficking transactions.³⁰ The GENIUS Act (P.L. 119-27) anticipates future AML rulemakings pertaining to payment stablecoin issuers. However, it remains unclear how, if at all, crypto-related AML regulations will change.

Broader changes to the U.S. AML regime may also be on the horizon, which could have an impact on the effectiveness of efforts to combat CMLN activity. In September, FinCEN Director Andrea Gacki testified before Congress on ongoing efforts at Treasury to explore ways to “streamline” financial intelligence collection and reporting from financial institutions—an objective that Congress directed Treasury to consider in the Anti-Money Laundering Act of 2020 (Section 6204 of Division F of P.L. 116-283).³¹ News reports further suggest that Treasury is contemplating broader AML proposals to change the relationship between bank regulators and FinCEN.³²

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²⁹ See Senate Caucus on International Narcotics Control, “Dirty Money: Chinese Organized Crime in Latin America,” hearing, December 9, 2025.

³⁰ See Financial Action Task Force, *Money Laundering from Fentanyl and Synthetic Opioids*, November 2022.

³¹ FinCEN Director Andrea Gacki, prepared statement for a hearing on “Evaluating the Financial Crimes Enforcement Network,” held by the House Financial Services Committee on September 9, 2025.

³² Dylan Tokar, “Treasury’s Bank Regulation Takeover Has a New Goal: Anti-Money-Laundering Rules,” *Wall Street Journal*, December 10, 2025.

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