

Congress of the United States
Washington, DC 20515

July 13, 2018

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street NW
Washington, D.C. 20548

Dear Mr. Dodaro:

In our modern economy, there are more opportunities for criminal organizations to launder the proceeds of their illicit activities than ever before. Trade-based money laundering, which involves disguising the origin of criminal proceeds through the import or export of merchandise and financial transactions, is a primary method for drug trafficking organizations to move and launder their illicit funds. For example, the U.S. Treasury Department recently announced sanctions on five Chinese nationals involved in a trade-based money laundering scheme to traffic fentanyl and other synthetic opioids into the United States and launder the proceeds.¹ Also worrisome is the fact that transnational criminal organizations and terrorist activities often overlap. For example, Hezbollah in Latin America uses trade-based money laundering to finance its terrorism.

Unfortunately, trade-based money laundering may be the most complicated and least understood method of laundering illicit funds. As you know, Congress enacted the Bank Secrecy Act to require financial institutions to assist the federal government in its efforts to detect and prevent money laundering. As the administrator for the Bank Secrecy Act, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) issues advisories to financial institutions specifically identifying the risks of trade-based money laundering to the financial system. FinCEN also delegates examination authority to financial regulators, such as the prudential banking regulators, and coordinates with various other federal and state agencies.

As we seek to improve the coordination and communication between federal agencies in their efforts to combat trade-based money laundering, we request that the GAO examine the following issues and report its findings to us.

1. What is known about trade-based money laundering in the United States?
2. What are the roles and responsibilities of FinCEN and other federal agencies, including federal financial regulators, in combating trade-based money laundering?
3. What role do shell companies play in facilitating trade-based money laundering? What challenges do regulators and law enforcement face when trying to determine ownership of shell companies?

¹ Department of the Treasury, "Treasury Sanctions Chinese Fentanyl Trafficker Jian Zhang." Press release, April 27, 2018.

4. What steps have FinCEN and other federal agencies taken to address trade-based money laundering?
5. What level of attention is given to combating trade-based money laundering by the different agencies? Is TBML a priority or isolated cases that agencies learn about when going after the money, drugs, or criminals? To what extent do FinCEN and other federal agencies collaborate and share information related to detecting and deterring trade-based money laundering, including the sharing of data?
6. To what extent do FinCEN and other federal agencies collaborate with trading partners to combat trade-based money laundering, including the collection and sharing of data related to trade-based money laundering?
7. What best practices from other countries or international organizations, such as the European Union, could be used to improve federal agencies' efforts to combat trade-based money laundering?
8. Do federal agencies have the proper tools to use data analytics to combat trade-based money laundering?
9. Are there statutory or regulatory impediments preventing agencies from better identifying and combatting trade-based money laundering?

Lastly, we ask that GAO provide any additional information regarding ways in which federal agencies can more effectively combat trade-based money laundering, which federal agency should lead the federal government's efforts, and potential regulatory or legislative action to address identified deficiencies.

Thank you for your prompt attention to this request. If you have any questions, please contact Maria Sierra on Senator Cassidy's staff or Ches Garrison on Senator Whitehouse's staff.

Sincerely,



Senator Bill Cassidy, M.D.
Ranking Member
Committee on Finance



Senator Sheldon Whitehouse
Subcommittee on Crime and Terrorism
Committee on the Judiciary