

AML Review

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Special Issue: Drug Trafficking

About this Issue

This Special Topics Bulletin focuses on issues related to money laundering from drug trafficking, with an emphasis on the trafficking of fentanyl and other synthetic opioids.

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INTRODUCTION

Welcome to *AML Review*, your resource for staying up to date with developments in anti-money laundering (AML) efforts, including scholarly outputs, government reports, and case law.

This issue of *AML Review* focuses on issues related to money laundering from drug trafficking, with an emphasis on the trafficking of fentanyl and other synthetic opioids. Drug trafficking remains one of the top predicate offenses for money laundering globally. In recent years, synthetic opioids, which are man-made drugs that mimic the effects of natural opioids to reduce the feeling of pain and produce feelings of euphoria, relaxation, and sleepiness, have become increasingly popular in the drug trade. Synthetic opioids, particularly fentanyl, are up to 100 times stronger than natural opioids and can be illegally manufactured, sold by organized criminals, and used to lace street and counterfeit drugs. These drugs are highly addictive resulting in misuse and abuse. In addition, they are extremely potent, with small amounts possibly leading to overdose or death due to respiratory depression. For example, in Canada, between 2012 and 2024, over 50,000 deaths from fentanyl have been reported such that a state of emergency has been declared. Furthermore, fentanyl trafficking to the United States has been used as an impetus for the recent tariffs imposed on Canada, as well as other countries, and resulting economic turmoil.

Addressing the ability to profit from the fentanyl and other illegal drugs is one way to address the drug crisis. The goal of this special issue is to bring awareness to issues related to the trafficking of drugs and inform strategies for effective financial investigations into the proceeds of this activity. This special issue features an article by Berry, Salinas, M., & Gundur (2023) which examines the different methods of money laundering used among the sellers of illicit drugs. Also featured in this special issue is an article by Caulkins and Reuter (2022) which presents a computational model for estimating the scale of money laundering associated with a specific drug market using the opioid market in British Columbia, Canada as an example. Another article included in this special issue by Caulkins, Schicker, Milward, & Reuter (2024) explores the selling of fentanyl using the dark web. Last, included in this special issue is a 2022 report from the Financial Action Task Force developed to assist authorities in carrying out effective financial investigations and prosecutions related to the proceeds from the trafficking of fentanyl and other synthetic opioids.

We hope that *AML Review* will continue to be a valuable resource for you to develop your expertise in AML. If you have an idea for a future bulletin or have materials you would like to share, please contact CIFA-BC@rcmp-grc.gc.ca.

Sincerely,

Dr. Catherine Shaffer-McCuish
Editor, *AML Review*
Counter Illicit Finance Alliance of British Columbia Intelligence Hub

INCLUDED DISSEMINATIONS

Academic Articles

Berry, M., Salinas, M., & Gundur, R. V. (2023). Financial risk management strategies of small to medium illicit drug enterprises: Considering low-level money laundering. *Trends in Organized Crime*. Advanced online publication, 1-23.

Caulkins, J. P., & Reuter, P. (2022). How much demand for money laundering services does drug selling create? Identifying the key parameters. *International Journal of Drug Policy*, 103, 1-7.

Caulkins, J.P., Schicker, P. C., Milward, H. B., & Reuter, P. (2024). A detailed study of a prominent dark web fentanyl trafficking organization, *Global Crime*, 25, 50-71.

Government Reports

Financial Action Task Force (2022). *Money laundering from fentanyl and synthetic opioids*. FATF.

ACADEMIC ARTICLES

Project and Scholarly Work

Berry, M., Salinas, M., & Gundur, R. V. (2023). Financial risk management strategies of small to medium illicit drug enterprises: Considering low-level money laundering. *Trends in Organized Crime*. Advanced online publication, 1-23.

Abstract

The illicit drug trade generates billions of dollars in revenue per year, much of which comes from wholesale and retail sales late in the supply chain. Yet, the methods retailers and low-level wholesalers use to launder this revenue remain poorly understood. Using in-depth interviews with illicit drug entrepreneurs in the United States and the United Kingdom, this article analyses laundering strategies among such market actors. The findings indicate that a significant proportion of their illicit proceeds are disposed of through relatively small-scale 'everyday' cash transactions (< \$1,000) that are effectively untraceable. For those generating more substantial revenues, a variety of accessible and uncomplicated laundering strategies are employed, such as reporting such revenues as taxable income, using proxies to launder funds, and using revenues as investment capital within small-scale legal enterprise. Ultimately, the authors identify uncomplicated, yet largely effective, methods of laundering criminal proceeds amongst their sample of low- to medium-level illicit drug sellers. Though the sums at an individual level are relatively trivial, the 'mass of minor offences' of this nature likely accounts for a significant share of laundered drug revenues in Western consumer drug markets.

Project and Scholarly Work

Caulkins, J. P., & Reuter, P. (2022). How much demand for money laundering services does

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drug selling create? Identifying the key parameters. *International Journal of Drug Policy*, 103, 1-7.

Abstract

Background: The illegal drug trade is often, and plausibly, asserted to be the largest illegal market, globally and in many individual countries. It is also claimed that a large share of its revenues is laundered, though there are no estimates of that volume. The authors provide rough estimates of that proportion and its primary determinants. **Method:** This paper presents a model of a multi-tiered drug distribution network that is parameterized with data based on one typical, well-studied case, namely British Columbia's market for illegal opioids, supplemented by a corresponding economic interpretation of what determines the share of drug trade revenues that need to be laundered. Sensitivity with respect to key parameters is analyzed. **Results:** The authors suggest that less than half and perhaps no more than a quarter of revenues from established drug markets need laundering. Key parameters governing this proportion include the price mark-up across distribution levels, transaction volumes at each market level, and the capacity of market participants to spend cash on daily living expenses. **Conclusion:** This model permits estimation of the scale of money laundering associated with a particular drug market. It suggests that there are limits on money laundering controls as a way of reducing drug supply – although money laundering investigations may still be an effective way to identify and investigate high-level drug traffickers.

Project and Scholarly Work

Caulkins, J.P., Schicker, P. C., Milward, H. B., & Reuter, P. (2024). A detailed study of a prominent dark web fentanyl trafficking organization, *Global Crime*, 25, 50-71.

Abstract

Overdose deaths in North America have soared, primarily because of the spread of illegally

manufactured fentanyl. This paper uses detailed qualitative and transaction-level data to analyse an early and prominent dark web fentanyl-selling operation. The data record the date, drug, quantity, and selling price for 5,589 transactions comprising 872,659 items sold for a little over \$2.8 million through AlphaBay. Findings include that the organisation sustained an impressive sales growth rate of approximately 15% per week, compounded. Increasing order sizes by a factor of ten reduced the price per pill by approximately 25% for Oxycodone and 50% for Xanax. Those steep quantity discounts imply large price markups when selling further down the distribution chain. Such high growth rates and price markups suggest that it might be difficult to constrain supply by shutting down individual organisations, since any remaining organisations may be able to quickly grow to fill unmet demand.

Project and Scholarly Work

Mostyn, B. (2025). Chasing the financial success of drug traffickers: Australia's role in the development of the 1988 UN Drug Convention's financial provisions. *Current Issues in Criminal Justice*. Advance online publication, 1-21.

Abstract

The history of money laundering regulation is closely linked with the global War on Drugs. Anti-money laundering legislation proliferated in the 1980s in response to surging global drug markets. Due to the inability of governments and the UN to make any meaningful dent in global drug trafficking and global drug consumption, they attempted to target financial institutions. This article looks at the origin of money laundering and asset forfeiture provisions in the 1988 UN Convention Against Narcotics Illicit Traffic in Narcotic Drugs and Psychotropic Substances ('the Convention'). Applying a historical institutionalist approach, the article looks at whether the institutions involved were able to consider a new approach—regulating

the drug trade—or whether they simply were looking at more tools in their arsenal for the War on Drugs. The article is an important contribution to the role of the Convention in undermining integral human rights protections such as the presumption of innocence and the right to silence. The article finds that rather than questioning assumptions on drug prohibition, governments and diplomats considered how to increase their own powers to target financial crimes and how to seize the profits of drug traffickers.

Government Reports

Report

Financial Action Task Force (2023). *Money laundering from fentanyl and synthetic opioids*. FATF.

Abstract

This report aims to (1) assist law enforcement and other operational authorities in carrying out effective financial investigations and prosecutions related to the proceeds from the trafficking of illicit synthetic opioids and to (2) raise awareness and contribute to the existing literature regarding the devastating impact of synthetic opioids trafficking. Based on lessons learned, this report will assist law enforcement authorities and relevant stakeholders by providing risk indicators and recommendations to detect and tackle the financial flows from synthetic opioid trafficking. The report provides operational and policy options and tools to detect, investigate and disrupt the finance that supports organised criminal groups and related professional money launderers. The findings for this report are based on case studies and good practices from 40 countries, alongside information and analysis gathered from the project team's consultations with law enforcement and civil society.