

United States Senate

WASHINGTON, DC 20510

May 29, 2024

Rahul Gupta
Director
Office of National Drug Control Policy
1800 G Street, NW
Washington, DC 20006

Anne Melissa Milgram
Administrator
Drug Enforcement Administration
Lincoln Place-West
600 Army Navy Drive
Arlington, VA 22202

Dear Director Gupta and Administrator Milgram:

We are writing to express our ongoing concerns about the role of cryptocurrency in the international fentanyl trafficking trade and to seek an update on the Biden Administration's actions to crack down on drug traffickers' exploitation of crypto to grow their business and launder their ill-gotten gains.

The number of overdose deaths from opioids has dramatically increased in recent years, rising nearly four-fold from approximately 21,000 in 2010 to more than 81,800 deaths in 2022.¹ This sharp increase is attributed to the rapid proliferation of illicitly produced fentanyl.² Fentanyl, a synthetic opioid that is pharmaceutically approved for treating severe pain,³ has been illegally manufactured and distributed through clandestine drug markets in the form of counterfeit tablets, resembling commonly misused prescription medicines or other illicit drugs.⁴ Overdose deaths specifically involving fentanyl and its analogs increased over 56% from 2019 to 2020⁵ and have overtaken suicide, cancer, and motor-related accidents as the leading cause of death for those aged 18-45 in the United States.⁶

¹ National Institutes of Health, "Drug Overdose Death Rates," May 14, 2024, <https://nida.nih.gov/research-topics/trends-statistics/overdose-death-rates#:~:text=Opioid%2Dinvolved%20overdose%20deaths%20rose,with%2080%2C411%20reported%20overdose%20deaths.>

² U.S. Department of Health and Human Services, "U.S. Surgeon General's Advisory on Naloxone and Opioid Overdose," April 8, 2022, <https://www.hhs.gov/surgeongeneral/reports-and-publications/addiction-and-substance-misuse/advisory-on-naloxone/index.html>.

³ Centers for Disease Control and Prevention, "Fentanyl," <https://www.cdc.gov/overdose-prevention/about/fentanyl.html#:~:text=Phamaceutical%20fentanyl%20is%20a%20synthetic,can%20be%20diverted%20for%20misuse.>

⁴ *Id.*; U.S. Department of Health and Human Services, "U.S. Surgeon General's Advisory on Naloxone and Opioid Overdose," April 8, 2022, <https://www.hhs.gov/surgeongeneral/reports-and-publications/addiction-and-substance-misuse/advisory-on-naloxone/index.html>.

⁵ Centers for Disease Control and Prevention, National Center for Health Statistics, "Drug Overdose Deaths in the United States, 1999 – 2020," December 2021, <https://www.cdc.gov/nchs/products/databriefs/db428.htm>.

⁶ Families Against Fentanyl, "Fentanyl Poisoning is Now #1 Cause of Death in Adults 18-45 in the U.S.," December 15, 2021, <https://www.familiesagainstoffentanyl.org/press-releases/fentanyl-poisoning-is-now-1-cause-of-death-in-adults-18-45-in-the-us#:~:text=In%20an%20analysis%20of%20CDC,%2C%20Covid%2D19%20and>

The manufacturing of fentanyl involves a global network that often requires the purchase of precursors—the chemical substances used in the illegal manufacture of drugs—that typically originate outside of the United States. The Drug Enforcement Administration (DEA) has identified China as the leading producer of fentanyl precursors.⁷ Drug cartels based in Mexico then use the precursors to manufacture their own fentanyl to be sold in the United States.⁸ Chinese financial firms have also been found to play an important role in laundering Mexican cartels’ funds.⁹

Cryptocurrency has played an increasingly prominent role in the global fentanyl trade over the past decade, both in terms of facilitating the manufacturing and trafficking of fentanyl and in laundering drug cartels’ criminal proceeds,¹⁰ and has been recognized as a threat by administrations of both parties. In 2020, the Trump Administration’s Office of National Drug Control Policy noted that crypto has helped “creat[e] a favorable risk-reward structure that drug traffickers are now embracing to an even greater degree than ever before.”¹¹ In September 2022, the Biden Administration announced new steps to strengthen anti-money laundering enforcement in the crypto ecosystem in recognition that “digital assets have facilitated the rise of ransomware cybercriminals; narcotics sales and money laundering for drug trafficking organizations; and the funding of activities of rogue regimes.”¹² A 2021 Government Accountability Office (GAO) study found that crypto has “been central to the rise of drug sales in the U.S., specifically fentanyl and other synthetic opioids.”¹³

Although many crypto transactions are recorded on the public blockchain, “illicit actors involved in the sale of fentanyl and fentanyl precursor chemicals are often drawn to crypto due to its near-instant, cross-border, and pseudonymous features,” which make detection by law enforcement more difficult.¹⁴ This is particularly true of so-called “decentralized” crypto

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⁷ The Drug Enforcement Administration, “Fentanyl Flow to the United States,” January 2020, p. 2, https://www.dea.gov/sites/default/files/2020-03/DEA_GOV_DIR-008-20%20Fentanyl%20Flow%20in%20the%20United%20States_0.pdf.

⁸ Elliptic, “Chinese Businesses Fueling the Fentanyl Epidemic Receive Tens of Millions in Crypto Payments,” May 23, 2023, <https://www.elliptic.co/blog/chinese-businesses-fueling-the-fentanyl-epidemic-receive-millions-in-cryptocurrency-payments>.

⁹ Brookings Institution, “China’s role in the fentanyl crisis,” Vanda Felbab-Brown, March 31, 2023, <https://www.brookings.edu/articles/chinas-role-in-the-fentanyl-criis/>

¹⁰ *Id.*; Elliptic, “Chinese Businesses Fueling the Fentanyl Epidemic Receive Tens of Millions in Crypto Payments,” May 23, 2023, <https://www.elliptic.co/blog/chinese-businesses-fueling-the-fentanyl-epidemic-receive-millions-in-cryptocurrency-payments>.

¹¹ Office of National Drug Control Policy, “National Drug Control Strategy,” February 2020, p. 3, <https://trumpwhitehouse.archives.gov/wp-content/uploads/2020/02/2020-NDCS.pdf>.

¹² The White House, “Fact Sheet: White House Releases First-Ever Comprehensive Framework for Responsible Development of Digital Assets,” statements and releases, September 16, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/16/fact-sheet-white-house-releases-first-ever-comprehensive-framework-for-responsible-development-of-digital-assets/>.

¹³ U.S. Government Accountability Office, “Virtual Currencies: Additional Information Could Improve Federal Agency Efforts to Counter Human and Drug Trafficking,” December 2021, p. 22, <https://www.gao.gov/assets/gao-22-105462.pdf>.

¹⁴ Chainalysis, “Crypto and the Opioid Crisis: What Blockchain Analysis Reveals About Global Fentanyl Sales,” May 24, 2023,

exchanges, which “operate without a traditional central entity or administrator.”¹⁵ According to a 2022 GAO report that examined the role of crypto in drug and human trafficking, traffickers’ use of decentralized platforms creates “barriers to identifying illicit actors because no individuals or legal entity behind the platform collects and holds information on users’ identities.”¹⁶

A May 2023 investigation into 90 China-based companies that supply fentanyl precursors found that 90 percent accepted cryptocurrency payments.¹⁷ The same investigation found that cryptocurrency wallets used by these companies collectively received nearly \$30 million in crypto payments—enough to purchase the necessary precursors to produce a staggering \$54 billion worth of fentanyl pills.¹⁸ As the researchers note, this “amount of fentanyl would technically be sufficient to cause 8.6 billion people to suffer a fatal overdose from the drug.”¹⁹ The number of crypto transactions with these China-based companies has skyrocketed by more than 450 percent year-over-year.²⁰

In response to the growing use of crypto in the illicit drug trade, the DEA, the Department of the Treasury, the Department of Justice (DOJ), and other federal agencies have implemented initiatives to combat the use of crypto in drug trafficking. These actions have had an immediate impact. In April 2023, Treasury sanctioned multiple individuals and businesses in China for supplying fentanyl precursors to drug cartels in Mexico for the production of fentanyl intended for the U.S.²¹ In September 2023, Treasury sanctioned several Sinaloa Cartel members for laundering the cartel’s proceeds from illegal fentanyl sales in the U.S. through crypto wallets held by the cartel’s leadership.²² In October 2023, the DOJ announced the indictment of eight “China-based companies,”—including several that “operate[d] a cryptocurrency wallet that accepts payment for ... sales of fentanyl precursors and opioid additives”—“with crimes relating to fentanyl and methamphetamine production, distribution of synthetic opioids, and sales resulting from precursor chemicals.”²³ Building on these cases, the Department of Justice announced a new counter-fentanyl strike force which will “identify additional disruption opportunities of key money laundering nodes in international fentanyl trafficking networks, especially those that rely heavily on cryptocurrency.”²⁴

<https://blog.chainalysis.com/reports/cryptocurrency-fentanyl-analysis-2023/>.

¹⁵ Government Accountability Office, “TRAFFICKING: Use of Online Marketplaces and Virtual Currencies in Drug and Human Trafficking,” report, February 2022, p. 44, <https://www.gao.gov/assets/gao-22-105101.pdf>.

¹⁶ *Id.*

¹⁷ Elliptic, “Chinese Businesses Fueling the Fentanyl Epidemic Receive Tens of Millions in Crypto Payments,” May 23, 2023, <https://www.elliptic.co/blog/chinese-businesses-fueling-the-fentanyl-epidemic-receive-millions-in-cryptocurrency-payments>.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ U.S. Department of the Treasury, U.S. Sanctions Suppliers of Precursor Chemicals for Fentanyl Production,” press release, April 14, 2023, <https://home.treasury.gov/news/press-releases/jy1413>.

²² U.S. Department of the Treasury, “Treasury Targets Sinaloa Cartel Fentanyl Trafficking Operations and a Colombian Cartel Leader,” press release, September 26, 2023, <https://home.treasury.gov/news/press-releases/jy1763>.

²³ U.S. Department of Justice, Office of Public Affairs, “Justice Department Announces Eight Indictments Against China-Based Chemical Manufacturing Companies and Employees,” press release, October 3, 2023, <https://www.justice.gov/opa/pr/justice-department-announces-eight-indictments-against-china-based-chemical-manufacturing>.

While these developments are welcome, we seek additional information about the steps your offices are taking to disrupt illicit drug actors' use of crypto. To that end, we request answers to the following questions by June 14, 2024:

1. What are your offices' current assessments of the role that cryptocurrency plays with regard to illegal drug trafficking in general, and opioids in particular?
2. What specific actions has the Administration taken with regard to crypto's role in fentanyl trafficking since the President released Executive Order 14059 in December 2021?
3. What new initiatives will be implemented by the Administration in the coming year?
4. What metrics are you currently using to measure success in fighting illicit use of cryptocurrency in fentanyl trafficking? What do these measures reveal?
5. What challenges do your offices face in their efforts to prevent cryptocurrency's use in illegal drug transactions?
6. What statutory limits do you currently face? Do you have any specific recommendations for Congress to implement to address this problem?

Sincerely,



Elizabeth Warren
United States Senator



Bill Cassidy, M.D.
United States Senator

²⁴ U.S. Department of the Treasury, "U.S. Treasury Launches Counter-Fentanyl Strike Force," press release, December 4, 2023, <https://home.treasury.gov/news/press-releases/jy1946>.