



OPERATIONAL ALERT:

Laundering the proceeds of

**ILLICIT SYNTHETIC
OPIOIDS**



Project Guardian partners

This Operational Alert, which was developed by FINTRAC, furthers the efforts of Project Guardian, a public-private partnership on the money laundering of proceeds from illicit synthetic opioids. Project Guardian includes, but is not limited to, the following members:



Royal Canadian Mounted Police Gendarmerie royale du Canada



Canada Border Services Agency Agence des services frontaliers du Canada



Homeland Security Investigations



Financial Transactions and Reports Analysis Centre of Canada

Centre d'analyse des opérations et déclarations financières du Canada

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Purpose

The purpose of this Operational Alert is to support reporting entities in recognizing financial transactions suspected of being related to the trafficking of synthetic opioids, including fentanyl.

Through financial transaction reports, FINTRAC is able to assist the detection, prevention and deterrence of all stages of money laundering (placement, layering and integration), the financing of terrorist activities and sanctions evasion by providing actionable financial intelligence disclosures to law enforcement and national security agencies. This publication replaces the 2018 Operational Alert: *Laundering the proceeds of fentanyl trafficking* and provides new client risk factors and indicators of synthetic opioid trafficking and production. This new information is derived from the analysis of financial intelligence disclosures, financial transactions, publications and law enforcement reporting.

This Operational Alert was developed by FINTRAC in collaboration with domestic and international partners in the context of the North American Drug Dialogue and in support of the Government of Canada's actions to address the overdose crisis and help save lives.¹ These indicators can be used by other jurisdictions to help detect, disrupt and prevent the escalation of this crime.

Background

The illicit **production**² and distribution of synthetic opioids, particularly fentanyl, poses a serious security and public health threat by exacerbating the opioid overdose crisis both domestically and internationally. According to public health officials: "the trafficking of fentanyl is fuelling an overdose epidemic and claiming around 80,000 lives a year"³ in North America. These sobering numbers correlate with the COVID-19 pandemic, where the rate of opioid-

Project Guardian

is a public-private partnership initiative led by the Canadian Imperial Bank of Commerce (CIBC), supported by Canadian law enforcement agencies, international partners and FINTRAC. Launched in 2018, Project Guardian targets illicit synthetic opioid activities by focusing on the money laundering aspect of the crime. The objective of the project is to increase the awareness of the crime domestically and internationally, and to improve the detection of the laundering of proceeds from synthetic opioid trafficking. FINTRAC has produced almost 1000 tactical financial intelligence disclosures in support of Project Guardian and continues to lead and engage with international partners to combat the cross-border financing of illicit synthetic opioid production and distribution.

¹ [Federal actions on the overdose crisis](#)

² In this context, production refers to the synthesis of precursor chemicals into fentanyl and in some cases the pressing of fentanyl powder into pills for distribution and consumption.

³ Financial Action Task Force: "[Money Laundering from Fentanyl and Synthetic Opioids](#)"

related overdoses increased significantly.⁴ While the prevalence of illicit drugs and substance use is not new, the lethality and addictive nature of fentanyl has had devastating public health impacts on the opioid overdose crisis in North America.

Project Guardian and the North American Drug Dialogue

The North American Drug Dialogue is the main vehicle through which Canada, the United States, and Mexico address law enforcement and public health issues related to drugs. Established in 2016 at the North American Leaders Summit, the Presidents of the United States and Mexico and the Prime Minister of Canada agreed to host the dialogue annually to facilitate trilateral collaboration in tackling the inter-continental drug crisis affecting North America. In this forum, and as reconfirmed in the 2023 [Joint Statement on the North American Drug Dialogue Public Health Summit](#), member countries coordinate policy interventions, exchange information on current and emerging drug trends, and develop tactical and actionable responses to help protect citizens from drug-related harms and drug trafficking. To support these initiatives, FINTRAC, the Financial Crimes Enforcement Network and the Unidad de Inteligencia Financiera, have formed the North American Drug Dialogue Illicit Financing Working Group to target the illicit financing component of synthetic opioid trafficking. This group works to develop and expand money laundering indicators related to drug trafficking to provide guidance to their respective private sector partners; increase information sharing related to money laundering typologies, trends, and best practices; and instigate/support law enforcement investigations that are related to the dialogue’s objectives. This updated Operational Alert is a key output of this working group, which resulted in enhanced collaboration between financial intelligence units and benefited from the invaluable feedback from our private sector and international law enforcement partners. As part of its own efforts, FinCEN has also produced an Advisory and a supplement on fentanyl manufacturing and trafficking. This trilateral cooperation and FINTRAC’s Operational Alert support the Prime Minister’s commitment to the overall objectives of the dialogue, and help to ensure that the federal government’s response to the overdose crisis supports the overall objectives of the Dialogue and helps to address the opioid crisis in Canada and more broadly in North America.

⁴ Federal, provincial, and territorial Special Advisory Committee on Toxic Drug Poisonings. Opioid- and Stimulant-related Harms in Canada. Opioid- and Stimulant-related Harms in Canada. Ottawa: Public Health Agency of Canada; December 2024. <https://health-infobase.canada.ca/substance-related-harms/opioids-stimulants/>

What are synthetic opioids?

Synthetic opioids are a class of drugs that have pain-relieving properties. While some synthetic opioids, including fentanyl, have approved medical uses, the psychoactive nature of synthetic opioids can make these substances addictive. Other synthetic opioids, such as nitazenes, do not have approved medical uses. Under the [Controlled Drugs and Substances Act](#), synthetic opioids are scheduled substances. It is illegal to produce, sell, or import/export these drugs outside of legal channels (e.g. as a street drug from a drug dealer). Illicit fentanyl is of specific concern due to its significant role in driving overdose deaths and harms in Canada. Between January and June 2024, fentanyl was involved in 79% of all accidental apparent opioid toxicity deaths in Canada.

From importation to production and distribution

Threat actors find ways to circumvent laws put in place to combat the procurement, production and distribution of illicit opioids. Prior to 2020, North America was primarily a consumer and destination continent for illicit-market opioids, specifically fentanyl. Fentanyl was imported directly and largely from China by consumers and dealers, typically using darknet marketplaces. In more recent years, trafficking networks have increased the production of fentanyl and other synthetic opioids as well as their distribution both domestically and internationally from North America, including Canada, the United States and Mexico. This trend, from consumer to producer, is also expected to appear in other international markets, such as Europe, Australasia, and South America, which are currently primarily importers of fentanyl. New **analogues**⁵ have also appeared in the drug supply and are contaminating other established illicit drug markets in Canada. According to [Canadian public health officials](#), 79% of all accidental apparent opioid toxicity deaths occurring in Canada between January and June 2024 involved fentanyl.

Organized crime groups and jurisdictions of concern

The increase in supply and demand for fentanyl and other synthetic opioids in North America has been facilitated by the growing involvement of organized crime groups. These groups are importing or diverting **essential**⁶ and **precursor**⁷ chemicals and lab equipment from China and other Asian countries to North America for the production of synthetic opioids. According to Canadian law enforcement officials, several domestic groups are suspected of playing an increasing role in the fentanyl market in Canada, with the majority operating in British Columbia as producers and distributors and with the majority of fentanyl precursor shipments being destined for that province. Operations in British Columbia have led to the province being a producer of fentanyl and possibly a supplier for other provinces. Private sector partner reporting also indicates that organized crime groups are using illicit laboratories in Canada for the production of fentanyl due to their ability to produce high-quality finished products.⁸

⁵ Analogues are illicit alterations of drugs. They have a different but similar chemical structure that imitates the same pharmacological effects of the original drug. For fentanyl, analogues of note include but are not limited to carfentanyl, methylfentanyl, acetylfentanyl, butyrylfentanyl, and crotonyl fentanyl.

⁶ Essential chemicals refer to non-active chemicals used as additives and that are essential for the synthesis of synthetic opioids, such as dyes, fillers, and binders.

⁷ Precursor chemicals are the foundational and active chemicals that fentanyl and other synthetic opioids are made of. While precursors have legitimate uses in a range of consumer industries and can be imported legally, they are often used to produce synthetic opioids illegally. Common precursors for opioid production include but are not limited to NPP (1-Phenethyl-4-piperidone); ANPP (4-azido-2-nitrophenyl Phosphate) and Norfentanyl (N-phenyl-N-piperidin-4-ylpropanamide).

⁸ [Fentanyl super labs in Canada pose new threat for U.S. opioid epidemic - The Washington Post](#)

Law enforcement reporting identifies the presence of fentanyl originating from Mexican organized crime groups in the Canadian drug supply. Specifically, Canadian intelligence suggests that fentanyl is sometimes smuggled alongside cocaine and methamphetamine from Mexico to Canada in commercial motor vehicles. However, the magnitude and nature of this criminal incursion into Canada is not fully understood.

Although the opioid overdose crisis began in North America, sources suggest that organized crime groups within Canada, the United States and Mexico are working to entice consumers in markets outside of North America to use opioids as a means of increasing their illicit profits. In the Canadian context, a law enforcement roundtable in 2021 indicated that criminal groups have succeeded in this venture by supplying illicit opioids to various countries.^{9 10} Note that destination countries and exported volumes will vary over time based on organized crime's strategies for maximizing profit and power.

Virtual currencies

Darknet marketplaces and the increased use of virtual currencies have supported the procurement of both precursor chemicals and finished opioids, and have made the international distribution of fentanyl and other synthetic opioids easier and more common. Illicit fentanyl producers transacting with chemical brokers through online marketplaces (both on the darknet and Internet) will often use virtual currencies—like Bitcoin, Ethereum, Tether, and USD Coin—as payment to transfer value across borders while avoiding the oversight of the traditional financial system. Lower-level or “micro-traffickers” have been able to leverage the darknet to sell finished opioid products internationally to a wider and more geographically dispersed consumer base through the use of postal and courier services in exchange for virtual currency.

Overview of FINTRAC's analysis

FINTRAC analyzed a sample of approximately 5,000 suspicious transaction reports related to fentanyl and synthetic opioids that were filed between 2020 and 2023. The majority of the reports involved the suspected distribution of synthetic opioids domestically. Suspicious transaction reports also identified the suspected importation of precursor chemicals, essential chemicals, and equipment from China—and to a lesser extent India—for the domestic production of synthetic opioids. Additionally, FINTRAC analyzed data from other financial intelligence units that are members of the [Egmont Group](#), assessments from domestic and foreign government and non-government organizations, and open source information to enhance and corroborate suspicious trends, patterns, and indicators.

General money laundering methods associated with synthetic opioid trafficking

Overall, cash transactions, bank drafts, wire transfers and email money transfers were the primary transactions observed in suspicious transaction reports. Identified money laundering methods included **cash smurfing**,¹¹ trade-based money laundering, flow-through account activity and those related to underground banking. These accounts were often primarily funded by incoming email money transfers and were rapidly depleted by outgoing email money transfers to seemingly unrelated third parties, often within a few hours of receiving the funds. Subjects or their associates also made frequent small cash deposits below reporting thresholds. These accounts appeared to be used for the layering of funds, with little typical activity (e.g., payroll deposits or payments for daily expenses) and a high volume of funds transfers between different accounts located at multiple financial institutions.

⁹ [Fourth Law Enforcement Roundtable on Drugs](#)

¹⁰ [Fifth Law Enforcement Roundtable on Drugs](#)

¹¹ “Cash smurfing” is a technique that involves breaking down a large amount of criminal proceeds into smaller less detectable transactions

Suspected traffickers were also observed using nominees to funnel proceeds of crime, launder funds, or conceal beneficial ownership. Nominees were often family members or friends of the subject, typically romantic partners or spouses, and were primarily used as intermediaries to funnel funds to the subject and open accounts controlled by the subject. These accounts were mostly funded by third party email money transfers from the suspected sale of synthetic opioids. Nominees were also used to disguise the beneficial ownership of other assets such as homes and vehicles.

FINTRAC assesses that online gambling platforms and associated payment processors are possibly being used to launder proceeds from fentanyl trafficking and production. As observed in suspicious transaction reports, known fentanyl traffickers frequently sent funds received from multiple incoming email money transfers to gambling sites and received payments in return from associated payment processors based in Malta, Canada and the United Kingdom. It is suspected that individuals are depositing and withdrawing funds at online casinos, using these platforms to disguise proceeds from fentanyl and opioid trafficking as wagers and winnings from online gambling.

For example, an individual received a few hundred high-value email money transfers from a payment processor closely aligned with online gambling. The individual then remitted a similar amount of outgoing email money transfers to the same payment processor and separate online gambling sites. This particular payment processor is known to make deposits and withdrawals from online casinos easier for individuals by using e-transfers as the main deposit and transfer method. In essence, these payment processors send email money transfers on behalf of individuals who deposit and withdraw funds from online casinos. As a result, users are able to bypass a possible rejection of transactions from financial institutions due to their association with online casinos. Transactions appear as an e-transfer from the processor rather than a transfer from the online gambling platform. These transactions were deemed suspicious by the reporting entity due to the client's tendency to transact with individuals linked to fentanyl trafficking. General indicators also suggest that underground banking may be used to launder related illicit funds (see [General money laundering indicators](#)).

Illicit production of synthetic opioids

Transactions suspected of being related to the illicit production of fentanyl and other synthetic opioids include wire transfers to individuals located in high-risk jurisdictions for the procurement and diversion of precursor and essential chemicals. These high-risk jurisdictions include China, specifically the Hebei and Hubei provinces, Eastern Europe, and India. Wire transfers to these jurisdictions were often routed through intermediary jurisdictions like Singapore, South Korea and Hong Kong to avoid detection.

As observed in suspicious transaction reports, China is the primary country used by actors based in Canada for sourcing precursor chemicals and lab equipment, such as industrial pumps and pill presses. Key adulterants commonly mixed with fentanyl at the street level, like xylazine and benzodiazepines, are also often imported from China by producers. Producers of fentanyl primarily used cash deposits or funds sourced from third parties to send wire transfers and issue bank drafts payable to China-based chemical brokers to acquire the necessary supplies for their production scheme. Virtual currency was also used to procure precursors. Reporting entities observed lower-dollar value transactions (under \$1000), which reflect the low-cost of precursors, along with high-dollar value transactions (above \$10,000), which suggest the bulk purchase of chemicals. Suspected fentanyl producers were also often signatories or owners of laboratories associated with health supplements, pharmaceuticals and other legitimate applications. Operating as either legitimate or front companies, producers may be using the nature of these businesses as a cover for the importation and diversion of chemicals and lab equipment to covertly manufacture illicit opioids (see [Appendix](#) for model outlining the various actors and components involved in the illicit production of synthetic opioids).

Third parties, specifically freight forwarders, have become key players in concealing the flow of precursors between senders and receivers. Freight forwarders are paid by criminal actors to act as importers within the e-commerce

continuum by consolidating packages, both licit and illicit, from numerous online businesses as a means to further conceal the flow of drugs. These entities, specifically those based in China, have been known to attempt to transport illegal exports, such as weapons, drugs, contraband tobacco and precursor chemicals. Oftentimes, forwarders fail to meet reporting requirements and provide little information for the packages they are transporting, making it difficult for officials to identify the true nature of a shipment. In some cases, freight forwarders may import to a warehouse or storage location in Canada for further distribution, which makes it difficult to identify the ultimate destination and true importer or exporter.

Additionally, some reporting indicates the use of homestay services and rental trucks as clandestine drug labs. Producers may use short or long-term rentals within the same geographic area in which they reside as a base for their production scheme. For homestays, reservations are often held with one large transaction for a few months and are accompanied by frequent payments for rideshare and food delivery services made to the address of the rental. Criminals also use rental properties, or purchase properties, located in remote and rural areas as potential clandestine drug labs.

Many of the individuals who were named in suspicious transaction reports were also known to send email money transfers to illegal online cannabis dispensaries. It is likely that transactions made to illegal online cannabis dispensaries are for the purchase of hydroponic equipment. After such equipment is used in the initial production of illegal cannabis, some of it is reused to produce synthetic opioids. These transactions could also indicate the engagement of dispensaries in the trafficking of other controlled substances like methamphetamine and fentanyl.

Illicit distribution of synthetic opioids

Transactions related to the illicit distribution of fentanyl and other synthetic opioids involve email money transfers, wire transfers, cash withdrawals, money orders, pre-paid financial services, travel-related expenses, automated teller machine transactions and point-of-sale transactions. For large-scale distribution, these transactions often occurred within established poly-criminal transportation corridors associated with other crimes like human trafficking (see [Appendix](#) for model outlining the various actors and components involved in the illicit distribution of synthetic opioids).

Distribution networks are typically concentrated in large cities that are hubs for the production of fentanyl and importation of precursors, essential chemicals and finished fentanyl. Canadian sources have also assessed that domestic commercial shipping methods, like the freight trucking industry, may be exploited for transporting fentanyl and other synthetic opioids from production and importation hubs along established drug corridors. In particular, shipping, freight forwarding and logistic companies that conduct a large portion of their business in cash are potentially using this method to knowingly transport illicit synthetic opioids. In Canada specifically, point-of-sale and automated teller machine transactions provided geographic indications that opioids primarily move inland from distribution hubs in Vancouver, British Columbia. From Vancouver, supplies are distributed to Calgary or Edmonton and then to Saskatchewan. Other distribution networks, such as those originating in Ontario, see the flow of opioids from Toronto to surrounding areas such as London and Hamilton, prior to being transported to Thunder Bay and Winnipeg. Law enforcement assesses that large exports of fentanyl are likely emanating from lower mainland British Columbia and Ontario, specifically the Greater Toronto Area, due to these jurisdictions being major production and distribution hubs. Exports often leave these jurisdictions by marine, air cargo and land passenger modes.

Low-level distribution of fentanyl and other illicit synthetic opioids was also observed in suspicious transaction reports. The account activity of individuals suspected of involvement in street-level dealing is marked by a high volume of incoming and outgoing email money transfers from individuals with no apparent relationship, as well as multiple cash deposits and withdrawals that are not commensurate with the subject's listed occupation. Email money transfers were the primary payment method used by suspected end-users. In some cases, individuals were

observed transacting with media-identified street gang members who are typically involved in the lower-level distribution of illegal synthetic opioids.

Though not explicitly identified in suspicious transaction reporting, law enforcement has identified the frequent exploitation of courier and mailing services by micro-traffickers as an indicator that may be observable in transactions. Law enforcement suggests it is likely that the majority of fentanyl exports originate from micro-traffickers, who are also often associated with online marketplaces that advertise and sell illegal synthetic opioids. These actors may be exploiting courier and mailing services to ship synthetic opioids, specifically fentanyl, in small quantities directly to individual consumers. Frequent purchases to postal or courier outlets for shipping services or mailing and packing supplies that are not in line with one's stated occupation, specifically when considered with an individual's ties to online marketplaces for synthetic opioids, likely indicates the exploitation of courier and mailing services by suspected micro-traffickers.

Common payment methods used by consumers include not only email money transfers, but also virtual currency. Most darknet marketplaces only accept virtual currencies and will provide escrow services that traffickers are able to leverage to facilitate the sale of synthetic opioids between vendors and buyers. These services will hold the funds for the customer purchasing synthetic opioids and release them to the seller on the delivery of the product. Once the escrow service releases the funds, the cryptocurrency will change hands and be deposited into the seller's cryptocurrency wallet. The trafficker will either keep these funds as cryptocurrency or exchange it to fiat at a cryptocurrency exchange or peer-to-peer lending scheme. In the latter instance, the trafficker may attempt to launder the funds through mixing services, Decentralized Finance protocols, peer-to-peer exchanges or other methods. In this instance, financial institutions will often see a significant amount of funds entering their client's account from cryptocurrency exchanges without seeing a proportional amount of outgoing funds, whereas virtual currency money services businesses will often have more visibility on the specific flow of funds through blockchain analysis.

Reasonable grounds to suspect and how to use indicators

How reporting entities determine whether to submit a suspicious transaction report to FINTRAC (for either a completed or attempted financial transaction) requires more than a "gut feel" or "hunch," although proof of money laundering or terrorist financing is not required. Reporting entities are to consider the facts, the context and money laundering indicators of a transaction. When these elements are viewed together, they create a picture that is essential to differentiate between what may be suspicious and what may be reasonable in a given scenario. Reporting entities must reach reasonable grounds to suspect that a transaction, or attempted transaction, is related to money laundering or terrorist financing before they can submit a suspicious transaction report (STR) to FINTRAC.

Indicators of money laundering can be thought of as red flags. Red flags typically stem from one or more characteristics, behaviours, patterns and other contextual factors related to financial transactions that make them appear inconsistent with what is expected or considered normal activity. On its own, an indicator may not initially appear suspicious. However, it could lead reporting entities to question the legitimacy of a transaction, which may prompt them to assess the transaction to determine whether there are further facts, contextual elements or additional money laundering or terrorist financing indicators that would increase their suspicion to the point where submitting an STR to FINTRAC would be required. Indicators and the reasoning for suspicion should be clearly included in section G of STR and attempted STR (A-STR) reports. (see [FINTRAC Guidance on Suspicious Transaction Reports](#)).

Money laundering indicators of synthetic opioid activity

Below are indicators related to the production and trafficking of synthetic opioids derived from FINTRAC's analysis. They reflect the types and patterns of transactions, along with contextual factors, which emphasize the importance of knowing your client.

These indicators should not be treated in isolation; on their own, these indicators may not be indicative of money laundering or other suspicious activity. They should be assessed by reporting entities in combination with what they know about their client and other factors surrounding transactions to determine if there are reasonable grounds to suspect that a transaction or attempted transaction is related to the commission or attempted commission of a money laundering offence.

Several indicators may reveal otherwise unknown links that, taken together, could lead to reasonable grounds to suspect that the transaction or attempted transaction is related to the commission or attempted commission of a money laundering or tax evasion offence. It is a constellation of factors that strengthen the determination of suspicion. These indicators aim to help reporting entities in their analysis and assessment of suspicious financial transactions.

Reporting entities should also consider that several or all of the listed transactional and contextual indicators play a key role in maintaining a strong compliance program when considered as risk factors in a money laundering and terrorist financing risk assessment of potential and current clients. Understanding and applying these indicators can help mitigate against the money laundering and terrorist financing exploitation of a reporting entity's business. Business-client relationship risk factors dynamically evolve over time and fall into the following categories:

- products, services, and delivery channels that create anonymity and obscure source or destination of funds
- geographical location of the client and their transactions related to high-risk jurisdictions
- new developments and technologies made available to clients
- client characteristics and the purpose of their relationship with a business that define expectations for what are normal or suspicious patterns of activity or transactions

Please see the following links for FINTRAC's risk assessment guidance and compliance requirements:

- [Risk assessment guidance](#)
- [Compliance program requirements](#)

General money laundering indicators

- Client deposits cash into a personal account and then immediately moves it through email money transfers, transfers between accounts, drafts or cheques, or withdraws it, often at multiple financial institutions.
- Client has funds coming in and out of their personal account through email money transfers more quickly than normal.
- Client receives payroll deposits out of line with the occupation or employment listed on his or her file, or has multiple deposits with no apparent purpose and that are inconsistent with the client's occupation, employment or income.
- Client frequently requests drafts payable to self or transfers funds to his or her personal accounts at other financial institutions.
- Client conducts atypical cash transactions given his or her profile.

- Client makes automated teller machine transactions for larger amounts than would normally be expected.
- Client lives beyond his or her apparent means, as evidenced by large credit card or other bills, or expenses for real estate or luxury goods.
- Client makes high volume and/or frequent purchases from his or her personal account to online gambling platforms and subsequent funds are received into that same client account from payment processors associated with online gambling platforms, which is an unusual pattern given the client profile.
- Client has funds deposited into his or her personal account in amounts below the reporting threshold from what appear to be multiple third parties located in many parts of a city, broader geographic area or several provinces.
- Client uses multiple financial institutions; their personal account sees significant cash flow-through; and they carry out little typical banking activity (such as paying household bills).
- Absence of payroll or sales tax transactions (or any other tax-related transactions) may be out of line with a client's stated purpose.
- Client is conducting transactions in jurisdictions that are known tax havens.
- Client's ultimate beneficial ownership of a business is unclear.
- Client sales/purchases/expenses are not in line with their business profile as a cash-heavy industry (laundry, restaurant, trades).
- Client appears to be involved in underground banking based on certain indicators (see [Project Athena indicators](#)).
- Client opens bank accounts for several businesses for no apparent economic reason.
- Client makes use of armored car services that are not in line with expectations.
- Client's identification documents have been forged and/or do not match the client's identity.
- Client's online storefronts have products or services listed at prices that do not match their typical or expected price.

General virtual currency indicators

- Client sends or receives virtual currency from an address that is known to be associated with a darknet marketplace (such as ASAP Market (formerly ASEAN), Mega Darknet Market, Blacksprut Market, and OMG!OMG! Market) or has direct or indirect exposure to darknet marketplaces.
- Client opens a virtual currency account along with suspicious account activity by an individual with negative media or known to be associated with organized crime and/or drug trafficking.
- Client sends or receives virtual currency to/from mixing or tumbling services that is unusual for their profile.
- Client makes cash purchases of virtual currency and makes immediate disbursement of funds to a private wallet or deposit address at an exchange, particularly those based in jurisdictions with less oversight and no government regulations on virtual currency transactions, and who host accounts for precursor chemical sources.
- Client sends or receives virtual currency to/from privacy enhancing smart contracts that are decentralized, non-custodial, and have no controlling person or entity.
- Client makes wire transfers to or from known cryptocurrency friendly banks.
- Client appears in searches of online forums such as Reddit, Bitcoin Talk, etc.

- Client transacts with an anonymous mailing service such as cryptostamps, btcpostage, etc.
- Client interacts with addresses on the blockchain that are known to be associated to illicit or suspicious services such as darkness markets, high-risk exchanges, sanctioned entities, mixing services, ransomware or fraud.
- Client sends or receives virtual currency to/from addresses with transactional behaviour that is suspicious or unusual for their profile.
- Client operates a chemical laboratory, supplement processing/packing business, or other chemical industry-adjacent business that advertises the acceptance of cryptocurrency as a form of payment for goods and services.

Indicators of synthetic opioid production

- Client routes virtual currency or wires through trading or freight forwarding companies located in intermediary jurisdictions such as Hong Kong, South Korea, and Singapore with destinations in China.
- Client makes virtual currency or wire transfers to chemical companies located in China, Eastern Europe, or India.
- Client makes virtual currency or wire transfers to individuals located in China who may be associated with the export of chemicals or pharmaceutical products possibly through shared phone numbers and email addresses.
- Client makes payment for a rental storage locker not commensurate with their overall client profile.
- Client makes long-term/short-term homestay rentals in the same geographic area in which the subject resides, often accompanied by travel and food transactions to/from this location (e.g. food delivery apps, ride share apps etc.).
- Client sends virtual currency or makes wire transfers to freight forwarding, logistic, or shipping companies accompanied by payments to chemical companies that are unusual for their client profile.
- Client transacts with pharmaceutical, agricultural, or chemical supply companies that are not aligned with their stated occupation.
- Client purchases industrial lab equipment with no obvious business need, for example pill presses and industrial pumps.
- Client uses payment processing services to purchase essential chemicals, precursor chemicals, pill press punch dies, pill press tablet machines, or other relevant manufacturing equipment or material.
- Chemical broker makes payments to legitimate but high-risk entities known to supply precursor chemicals.
- Client makes unusual cash deposits to a chemical company's accounts.
- Client leases a warehouse, a third-party logistics area, or a docking warehouse for a company that does not appear to require storage space.
- Client operates a chemical laboratory, storage facility, or supplement processing/packaging business whose transactions are out of the ordinary for their declared business.
- Client claims to operate a food or supplement manufacturing business, but purchases large amounts of toxic chemicals not associated with commercial food or beverage manufacturing.
- Client makes excessive transactions to payment processing companies that are not commensurate with the subject's financial profile.

- Client pays rent or makes real estate related transactions for multiple properties in rural or remote areas using different bank accounts.
- Client makes frequent remittances to multiple individuals with no obvious relation to the sender located in known high-risk jurisdictions for the trafficking of drugs and/or the production of synthetic opioids.
- Client purchases and/or sells heavy machinery/industrial equipment with no apparent business need.
- Client purchases and/or sells research chemicals that are precursor chemicals.
- Client makes large money transfers to illicit cannabis companies that could be for the purchase of lab equipment.
- Client makes purchases for the importation or delivery of heavy machinery that are inconsistent with their overall profile.
- Client makes purchases for the importation or delivery of heavy machinery and uses a residential address as their mailing address.

Indicators of synthetic opioid distribution

- Client employed in trucking/shipping/logistics frequently makes cash deposits beyond the financial means associated with their profile especially in addition to regular payroll. These cash deposits are made in multiple locations along known drug corridors (see section on [Illicit Distribution of Synthetic Opioids](#) for known corridors).
- Client frequently conducts point-of-sale transactions, electronic funds transfers, cash withdrawals, and/or makes travel related expenses at multiple locations along established/known drug corridors, often within the same day that is not in line with their stated occupation (see section on [Illicit Distribution of Synthetic Opioids](#) for known corridors).
- Client frequently conducts numerous transactions with vehicle rental companies that are not commensurate with their profile and occupation.
- Client makes frequent and bulk purchases of mailing materials made from post-offices and courier services, often disbursed between multiple outlets and that is not commensurate with their business activity.
- Client travels to locations known for illicit drug production or trans-shipment points.
- Client receives email money transfers with references to common street-names for drugs in memo section (e.g., fent, fenty, china girl, tango, dragon’s breath, bean, etc.).
- Client purchases multiple money orders addressed to different entities such as insurance companies.
- Client sends and/or receives packages destined to various locations including the US and Mexico.
- Client disguises items being shipped as low-risk goods with a description such as “action figure” or vague details.
- Client ships packages under the 1 kg weight.
- Client typically pays for purchases in cash and/or prepaid financial products.
- Client employed in trucking/shipping/logistics frequently makes cash deposits to reloadable prepaid cards that are beyond the financial means associated with their profile. These cash reloads are made in multiple locations along known shipping routes.
- Client employed in trucking/shipping/logistics frequently makes cash purchases on virtual currency at Bitcoin automated teller machines that are beyond the financial means associated with their profile. These cash

purchases are made in multiple Bitcoin automated teller machine locations along known drug corridors (see section on [Illicit Distribution of Synthetic Opioids](#) for known corridors).

- Client uses P.O. Box, drop shipping addresses/locations, long/short-term homestay or rental locations, or empty/abandoned homes as mailing addresses.
- Client is in the medical field and has unusual pattern of transactions (volume, value, frequency, etc.) that is not in line with the expected account profile.
- Client makes frequent payments made for large truck rentals that are unusual for the client's profile and occupation.

Reporting to FINTRAC

To facilitate FINTRAC's disclosure process, please include the terms #Guardian, #ProjectGuardian, and/or #fentanyl in Part G—Description of suspicious activity on the Suspicious Transaction Report. See also, [reporting suspicious transactions to FINTRAC](#).

Contact FINTRAC

Email: guidelines-lignesdirectrices@fintrac-canafe.gc.ca

Telephone: 1-866-346-8722 (toll-free)

Facsimile: 613-943-7931

Mail: FINTRAC, 24th Floor, 234 Laurier Avenue West, Ottawa ON K1P 1H7, Canada

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Resources

For more information on synthetic opioids as well as associated financial intelligence, please consult the following resources:

Canada

- Health Canada: "[Canada's Opioid Crisis \(fact sheet\)](#)"
- Health Canada: "[Date, surveillance and research on opioids and other substances](#)"
- Public Safety Canada: "[Reducing Opioid/Drug Smuggling](#)"
- Health Canada: "[Opioids and the opioid crisis – Get the facts](#)"
- Public Safety Canada: "[Illegal Drugs](#)"

International

- Financial Action Task Force (FATF): "[Money Laundering from Fentanyl and Synthetic Opioids](#)"
- United Nations Office on Drugs and Crime (UNODC): "[The Online Trafficking of Synthetic Drugs and Synthetic Opioids in Latin America and the Caribbean](#)"
- Financial Crime Enforcement Network (FinCEN): "[Advisory to Financial Institutions on Illicit Financial Schemes and Methods Related to the Trafficking of Fentanyl and Other Synthetic Opioids](#)"
- RAND Corporation: "[Commission on Combating Synthetic Opioid Trafficking](#)"

OPERATIONAL ALERT: Laundering the proceeds of ILLICIT SYNTHETIC OPIOIDS



Appendix

Figure 1. Illicit synthetic opioid production model

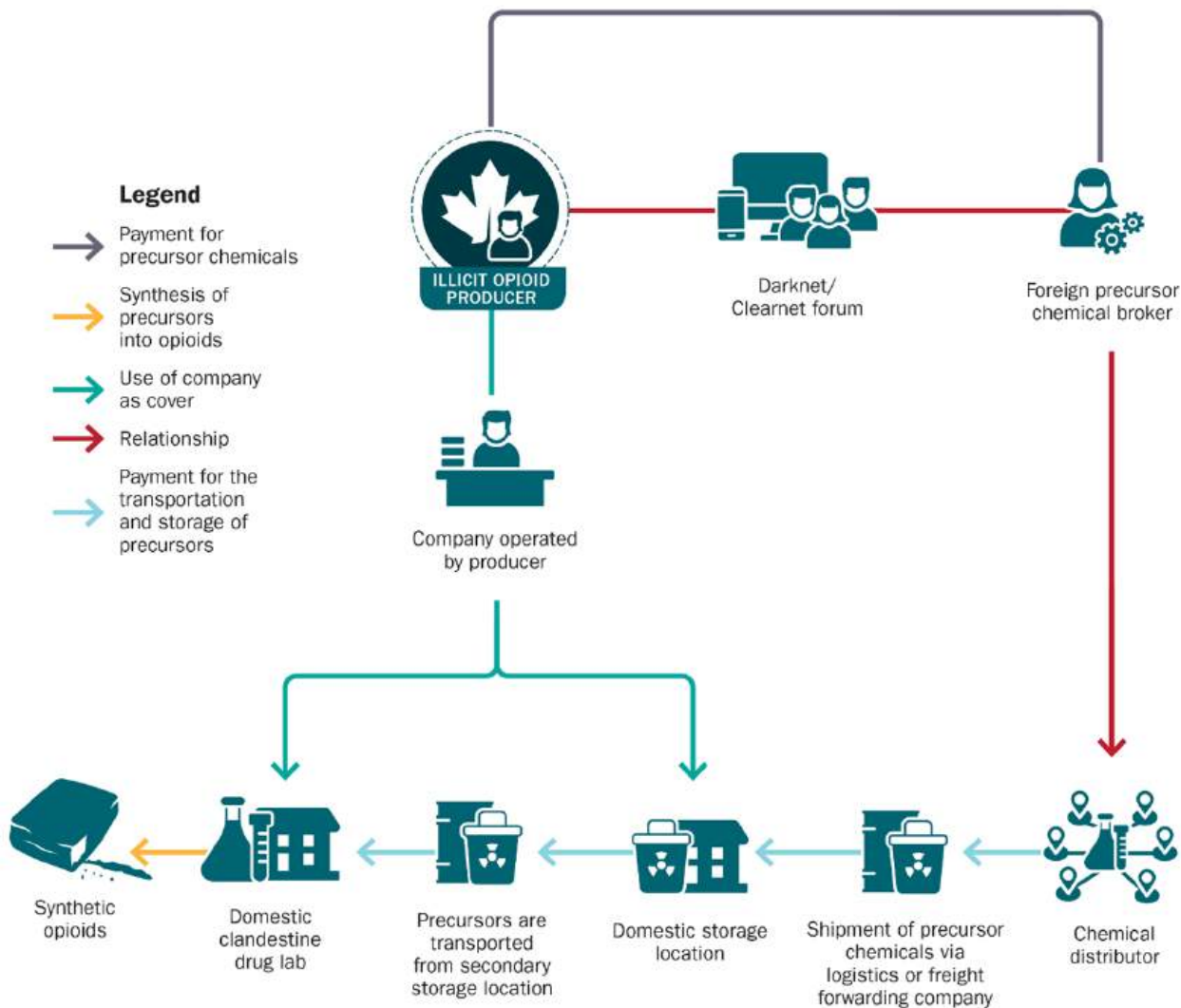
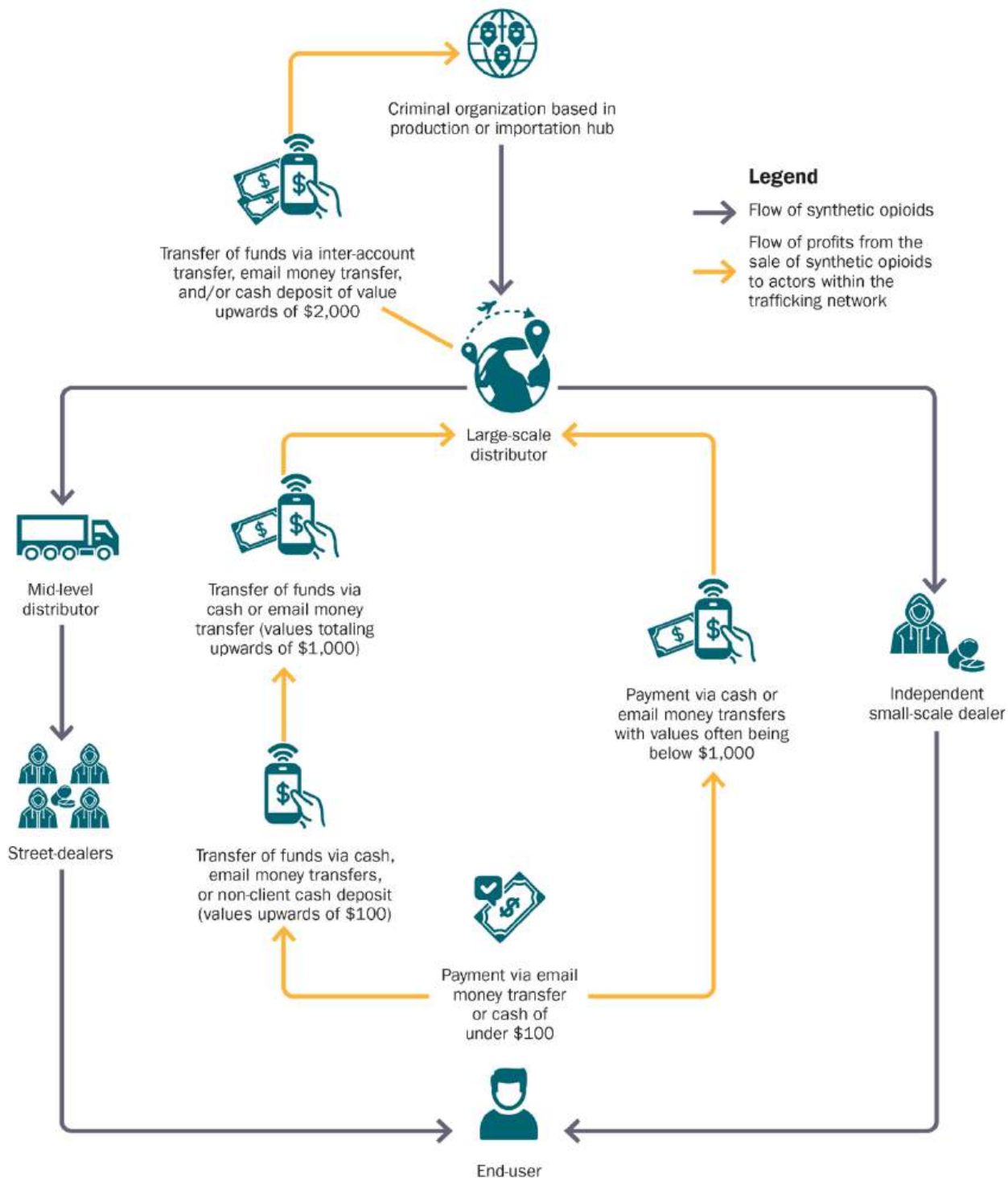


Figure 1 illustrates the different components of synthetic opioid production and its domestic and international connections. The production of synthetic opioids begins with the importation of precursor and essential chemicals. An **illicit opioid producer** (top left icon – Canadian flag) will establish a relationship with and coordinate the purchase of precursors from a **chemical broker**, typically based in China, through a darknet or internet marketplace or forum.

Brokers, as the primary point of contact for the producer, are responsible for coordinating the acquisition of chemicals. To secure the chemicals and services, the producer will send payment to the broker through a wire transfer. In some cases, virtual currency is accepted as payment and is transferred from the producer to the broker. Virtual currency addresses are typically hosted on a centralized virtual currency exchange. Once the payment has been received, the broker will initiate the shipping of chemicals from a **chemical distributor** (bottom right icon) often based in China and with whom they have a relationship, or an agent within legitimate chemical companies that can divert chemicals. In some instances, chemical brokers and distributors are operated by the same individuals or entities. Once the chemicals have been acquired, they are shipped using a logistics, freight-forwarding, or shipping company either based in the country of residency or in another jurisdiction. Note that chemical brokers often advertise end-to-end services for the delivery of chemicals implying that they have some level of involvement at all levels of the shipping process, from the chemical broker in China to the receiving company in the destination country. Chemicals are often concealed as other products, such as pet food or cooking oil, to avoid detection by border officials. Shipments are typically sent to a warehouse, third-party logistics area, storage locker, or docking warehouse leased/rented through credit card payments, wire transfers, or email money transfers by a company associated with the local producer. The company can either be a legitimate or front company and usually operates as a lab, pharmaceutical company, or chemical company. Using a legitimate or front company as cover allows precursors to be stored and later transported to a clandestine drug lab to be synthesized into opioids by the producer.

Figure 2. Illicit synthetic opioid distribution model



As Figure 2 demonstrates, the illegal **distribution** of synthetic opioids often starts with an **organized crime group** (top icon) that operates in an import or production hub for synthetic opioids. Groups may produce the opioids that

they traffic. In other cases, groups may purchase them wholesale domestically from independent clandestine drug labs or import them wholesale from a transnational network located in a different jurisdiction. Once sourced or produced, a **large-scale distributor** employed by the organized crime group will transport large bulk quantities of synthetic opioids to distribution hubs located in major city centres. Distribution actors typically work in the trucking, shipping, or logistics industry and often use their work vehicles to transport illegal opioids. However, some large-scale distributors may instead rent or lease a vehicle as an alternative transport method. In distribution hubs, drugs are sold to **independent small-scale dealers** as well as distributed to **mid-level distributors**. Independent small-scale dealers are dealers who purchase smaller bulk quantities from large-scale distributors to independently re-sell to **people who use drugs**. These types of dealers are the sole beneficiaries of the profits obtained from sales and they move drugs further in-land from distribution hubs without the assistance of a larger network. **Mid-level distributors** are typically small groups of traffickers that move synthetic opioids farther in-land by coordinating the distribution and sale of opioids at a local or municipal level. These small groups may be other independent organized crime groups, like street-gangs, or a series of individuals who are employed by actors in the larger organized crime group running the trafficking operation. Under the direction of mid-level distributors, **street-dealers** are then enlisted to take orders for drugs and sell to people who use drugs. They are also responsible for transferring the profits from sales to mid-level distributors. Mid-level distributors will then transmit these funds to large-scale distributors who then consolidate the profits obtained from distributors and independent small-scale dealers for transfer to senior members of the organized crime group.