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## Chinese Triads Expand Underground Banking With Cryptocurrency, TRM Labs Reports

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TRM Labs, a blockchain intelligence company, has issued a report revealing how Chinese Triad gangs are increasingly relying on cryptocurrency to operate vast underground banking systems and launder illicit proceeds. The report highlights how these networks, known in Chinese as “fei qian,” bypass traditional financial regulations, enabling activities such as drug trafficking, sanctions evasion, and large-scale fraud.

Historically, Chinese Triads controlled gambling junkets and smuggling networks in Hong Kong and Macau, using them to launder cash from criminal enterprises. According to TRM Labs, this model has now expanded across Southeast Asia, integrating physical and online casinos with cryptocurrency-based money laundering. Triad-affiliated operations include scam call centers, cyber-fraud hubs, and illegal online gambling platforms.

The COVID-19 pandemic accelerated the shift from land-based to online casinos, creating a digital infrastructure that criminal groups repurposed for scams such as “pig-butcher” romance fraud and investment cons. These schemes generate significant cryptocurrency profits that require laundering through complex channels.

A central component of this illicit economy is the fusion of casino operations with underground banking and crypto transactions. Triad-linked underground banks may accept criminal funds, convert them into gambling credits or cryptocurrency, and channel them through high-volume betting. By mixing illicit money with legitimate gamblers’ funds, the proceeds can later be withdrawn as casino winnings or reported as legitimate business revenue, masking their illegal origins.

The UN Office on Drugs and Crime warns that such casino-based networks allow criminal groups to move money in larger, more untraceable ways than before, complicating enforcement efforts. Trade-based money laundering is also common, with Triads purchasing high-value goods through front companies and exporting them to create seemingly legitimate profits. Cryptocurrency is increasingly used at multiple stages of this process, including payments to suppliers and cross-border value transfers.

TRM Labs notes that chemical manufacturers in China, especially those producing fentanyl and methamphetamine precursors, are also part of this network. An estimated 97 percent of over 120 surveyed companies are willing to accept cryptocurrency as payment. This allows Triad organizations to buy precursor chemicals with crypto, manufacture narcotics, and channel sales proceeds back into the underground banking system for laundering.

The report also outlines how Mexican cartels, including the Sinaloa Cartel, collaborate with Chinese underground bankers through a “mirror exchange” system. In this arrangement, a broker buys U.S. cash from cartel drug sales and provides the equivalent value in Mexican pesos to the cartel in Mexico. The broker then sells the U.S. dollars to wealthy Chinese clients seeking to move funds out of China, who pay in yuan domestically. The money never physically crosses borders, but its value is transferred. Cryptocurrency adds further

sophistication to this process. Brokers can deposit bulk cash into crypto ATMs or exchanges in the U.S., convert it into Bitcoin, and transfer it directly to wallets controlled by Chinese networks. This blockchain-based method is faster, more discreet, and harder for authorities to trace than traditional channels, reinforcing the resilience of these underground financial systems.