



Know Your Customer

Diversion Control Division

Chemical Investigations Section

July 2025

Disclaimer



The contents of this presentation do not have the force and effect of law and are not meant to bind the public or DEA in any way. This presentation is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.





The requirements described in this presentation apply to listed chemicals, which are:

- Specified by DEA in regulations and
- Used in manufacturing a controlled substance

This presentation does not discuss “Know Your Customer” and suspicious order reporting requirements applicable to *controlled substances*, which are slightly different.



Know Your Customer: Applicable Laws and Regulations



United States Code

- ▶ 21 U.S.C. § 830(a)(3) – Record of Regulated Transactions

Code of Federal Regulations

- ▶ 21 C.F.R. § 1310.07 – Records & Reporting of Listed Chemicals and Machines – Proof of Identity



Know Your Customer (Proof of Identity)



Each regulated person must:

- Identify the other party to the regulated transaction
- For domestic transactions, this may be accomplished by such methods as checking the telephone directory, the local credit bureau, the local Chamber of Commerce or the local Better Business Bureau, or, if the business entity is a registrant, by verification of the registration
- For sales to individuals or cash purchasers, documents and other evidence of proof must consist of at least a signature of the purchaser, a driver's license and one other form of identification





Regulated person:

- means any individual, corporation, partnership, association, or other legal entity who manufactures, distributes, imports, or exports a listed chemical, a tableting machine, or an encapsulating machine, or who acts as a broker or trader for an international transaction involving a listed chemical, tableting machine, or encapsulating machine (21 C.F.R. § 1300.02)



Know Your Customer (Proof of Identity) – Verification Methods, Failure to Identify



Identifying Your Customer:

- DEA's regulations provide options for methods: verification “may be accomplished *by such methods as...*” 21 CFR 1310.07(b). This phrase is intended to “provide flexibility to firms in meeting the requirement based upon normal business practices, but maintaining the need for the clear and provable establishment of the identity of the other party.” 54 FR 31657, 31659 (1989).
- Other methods of verification might also be suitable and adequate.
- However, “any regulated person who fails to adequately prove the identity of the other party to the transaction may be subject to ... penalties.” 21 CFR 1310.07(d).
- Records of regulated transactions must include “the type of identification used by the purchaser.” 21 CFR 1310.06(a)(5).





Taminco US, Inc:

- In 2010, failed to obtain required identification of its customers who ordered six loads of methylamine, each totaling 16,800 kgs
- In 2012, six drums of methylamine from Taminco found in a self-storage warehouse in Arizona
- Drums were destined to an unverified customer located in Mexico
- **Civil fine of \$475,000 along with a combined criminal penalty and forfeiture totaling \$860,374**



Know Your Customer (Proof of Identity) – Additional DEA Guidance



United States Department of Justice
Drug Enforcement Administration
Office of Diversion Control



www.DEAdiversion.usdoj.gov



Chemical Handler's Manual

A Guide to Chemical Control Regulations

Revised 2022¹

¹ This manual replaces all previous editions of the Chemical Handler's Manual issued by the Drug Enforcement Administration, both hard copy and electronic.



Know Your Customer (Proof of Identity) – Additional DEA Guidance



“Know Your Customer” Policy

It is fundamental for handlers of listed chemicals to take reasonable measures to verify the identity of their customers, understand the normal and expected transactions typically conducted by those customers, and, consequently, detect those transactions that are suspicious in nature. 21 CFR 1310.05(a)(1), 1310.07.

A regulated person who engages in a regulated transaction must identify the other party to the transaction. For domestic transactions, this is accomplished by having the other party present documents that would verify the identity, or registration status if a registrant, of the other party to the regulated person at the time the order is placed. For export transactions, this is accomplished by good faith inquiry through reasonably available research documents or publicly available information that would indicate the existence of the foreign customer. No proof of identity is required for foreign suppliers. 21 CFR 1310.07(a). Chemical handlers are cautioned, however, that the granting of a DEA registration is not a confirmation of proper ongoing business practices and does not relieve the chemical handler of the responsibility to evaluate each transaction.



Know Your Customer (Proof of Identity) – Non-Binding International Guidelines



Role and responsibilities of chemical industry participants:

“The “know-your-client” principle should be applied when developing the company’s policy for implementing the code. This requires that the sale of precursor chemicals and equipment be limited to only those clients regarded as bona fide in that they are involved in legitimate activity that requires the chemicals and are known to handle them in a lawful and responsible manner.”

*This is not a DEA document and is not binding under U.S. law.



INTERNATIONAL NARCOTICS CONTROL BOARD

Guidelines
for a voluntary code of practice
for the chemical industry



Suspicious Orders: Applicable Laws and Regulations



United States Code

- ▶ 21 U.S.C. § 830(b)(1) – Recordkeeping and Reports of Regulated Transactions

Code of Federal Regulations

- ▶ 21 C.F.R. § 1310.05(a) – Reports





Each regulated person must:

- Report any transaction involving an extraordinary quantity of a listed chemical, an uncommon method of payment or delivery, or any other circumstance that the regulated person believes may indicate that the listed chemical will be diverted.



Suspicious Orders - Case Examples



Uncommon method of delivery: Hydriotic acid delivered by the registrant to a warehouse using a contract carrier, held outside the warehouse, then picked up by a person that the registrant does not know and loaded into a rental truck. Alfred Khalili, Inc. 64 FR 31289, 31293 (1999).

Receiving, processing, and distributing orders containing List I chemical products directly from a freight facility, an unregistered location. OTC Distribution Company, 68 FR 70538, 70543 (2003).

Uncommon method of payment: Accepting \$70,000 cash as part of a transaction for List I chemicals. OTC Distribution Company, 68 FR at 70543.

Accepting \$50,000 cash for sale of pseudoephedrine. Branex, Inc., 69 FR 8682, 8688 (2004).



Suspicious Orders - Case Examples



Other circumstances: Extremely large quantity of listed chemical sold to a retail outlet unlikely to be able to sell that quantity lawfully. Branex, Inc., 69 FR at 8694.

Individuals bought 12,000 and 8,800 dosage units; registrant believed them to be re-selling these large quantities through “Tupperware parties” and “door to door,” indicating “a disturbing willingness ... to turn a blind eye toward diversion.” Indace, Inc.; c/o Seegott Inc.; Malladi, Inc., 69 FR 67951, 67961 (2004).

Payment in cash with progressively larger quantities ordered. United States v. Akhtar, 95 F. Supp. 2d 668, 672 (S.D. Tex. 1999).



Suspicious Orders: Historical Reference - Suspicious Orders Task Force



- ▶ Not a current DEA document
- ▶ Mandated by the Comprehensive Methamphetamine Control Act (MCA) of 1996
- ▶ The TF comprised of 21 industry, Federal, state and local law enforcement, and regulatory officials which held 4 meetings open to the public
- ▶ Developed proposals for identifying indicators of suspicious orders in various segments of industry
- ▶ Considered payment practices and unusual business practices in attempting to identify prima facie suspicious orders

U.S. Department of Justice
Drug Enforcement Administration
Office of Diversion Control



**Report to the U.S. Attorney General
by the Suspicious Orders Task Force**
(Comprehensive Methamphetamine Control Act of 1996)
AND
**Supplemental Report to the
Attorney General**

Washington, D.C.
February, 1999



Combating precursor chemical diversion and trafficking on a global scale



NO CHEMICALS...NO DRUGS

