



JOINT CHIEFS OF GLOBAL TAX ENFORCEMENT

Sky Global executive and associate indicted for providing encrypted communication devices to help international drug traffickers avoid law enforcement

March 13, 2021

SAN DIEGO – A federal grand jury today returned an indictment against the Chief Executive Officer and an associate of the Canada-based firm Sky Global on charges that they knowingly and intentionally participated in a criminal enterprise that facilitated the transnational importation and distribution of narcotics through the sale and service of encrypted communications devices.

Jean-Francois Eap, Sky Global's Chief Executive Officer, and Thomas Herdman, a former high-level distributor of Sky Global devices, are charged with a conspiracy to violate the federal Racketeer Influenced and Corrupt Organizations Act (RICO). Warrants were issued for their arrests today.

According to the indictment, Sky Global's devices are specifically designed to prevent law enforcement from actively monitoring the communications between members of transnational criminal organizations involved in drug trafficking and money laundering. As part of its services, Sky Global guarantees that messages stored on its devices can and will be remotely deleted by the company if the device is seized by law enforcement or otherwise compromised.

The indictment alleges that Sky Global installs sophisticated encryption software in iPhone, Google Pixel, Blackberry, and Nokia handsets. Sky Global device users communicate with each other in a closed network, and Sky Global routes these communications through encrypted servers located in Canada and France.

There are at least 70,000 Sky Global devices in use worldwide, including in the United States. The indictment alleges that for more than a decade, Sky Global has generated hundreds of millions of dollars in profit by facilitating the criminal activity of transnational criminal organizations and protecting these organizations from law enforcement.

According to the indictment, Sky Global's purpose was to create, maintain, and control a method of secure communication to facilitate the importation, exportation, and distribution of heroin, cocaine and methamphetamine into Australia, Asia, Europe, and North America, including the United States and Canada; to launder the proceeds of such drug trafficking conduct; and to obstruct investigations of drug trafficking and money laundering organizations by creating, maintaining, and controlling a system whereby Sky Global would remotely delete evidence of such activities.

The indictment alleges that Sky Global employees used digital currencies, including Bitcoin, to facilitate illegal transactions on the firm's website, to protect its customers' anonymity, and to facilitate the laundering of the customers' ill-gotten gains. According to the indictment, Sky Global employees also set up and maintained shell companies to hide the proceeds generated by selling its encryption services and devices.

In 2018, the principals of another communications encryption company, Phantom Secure, were indicted in the Southern District of California for their roles in providing encrypted devices to criminal groups.

Phantom Secure's chief executive, Vincent Ramos, pleaded guilty and admitted that he and his coconspirators facilitated the distribution of narcotics around the world by supplying encrypted communications devices designed to thwart law enforcement.

As alleged in today's indictment, Sky Global instituted an "ask nothing/do nothing" approach toward its clients shortly after the takedown of Phantom Secure. This policy allowed for Sky Global to claim plausible deniability from the activities of their clients that they knew or had reason to know participated in illegal activities, including international drug trafficking.

"The indictment alleges that Sky Global generated hundreds of millions of dollars providing a service that allowed criminal networks around the world to hide their international drug trafficking activity from law enforcement," said Acting U.S. Attorney Randy Grossman. "Companies who do this are perpetuating the deadliest drug epidemic in our nation's history. This groundbreaking investigation should send a serious message to companies who think they can aid criminals in their unlawful activities. I want to thank the prosecutors on this case, Meghan Heesch and Joshua Mellor, as well as our federal law enforcement partners at the FBI, DEA, IRS and the U.S. Marshals Service, for their excellent work on this case."

"This case is another example of IRS-CI working closely with our international partners to follow the money and bring significant criminal activity to light," said Special Agent in Charge Ryan Korner of the IRS-Criminal Investigation (IRS-CI) Los Angeles Field Office. "The indictment alleges that Sky Global's network facilitated international crime across the world, but just as criminals know no borders, neither does federal law enforcement. The combined efforts of the Joint Chiefs of Global Tax Enforcement (J5) ensure that these types of illicit behavior are identified, tracked, and ultimately prosecuted on a global scale."

"The indictment of Sky Global's CEO and main distributor is another major strike against transnational crime," said Suzanne Turner, FBI Special Agent in Charge of the San Diego Field Office. "Eap and Herdman allegedly provided a service designed to allow criminals to evade law enforcement to traffic drugs and commit acts of violent crime without detection. Similar to our 2018 investigation of encrypted service provider Phantom Secure, the San Diego FBI targeted this Canadian company who also exploited encryption to go dark on law enforcement around the globe."

With these highly impactful cases, we have shown that the FBI focuses on investigating international criminal organizations from the top so we can shut down entire illicit operations—and the associated technological infrastructure. Today, the FBI has removed what we allege to be another illicit secret communications network used by criminals in the US, Canada, and worldwide." SAC Turner added, "I want to thank our partners at the Department of Justice, as well as our Canadian law enforcement partners, for their incredible work on this case."

"DEA maintains an evolving global reach and combined with strong foreign law enforcement partnerships, is committed to searching out the most significant organized criminal groups facilitating sophisticated narcotics trafficking networks," said DEA Los Angeles Field Division Special Agent in Charge Bill Bodner. "The joint effort to pursue these individuals who hide behind encrypted communication platforms shows that even the use of advanced technology will not enable suspects to conceal their criminal activities from law enforcement."

The international operation to seize Sky Global's infrastructure involved cooperation and efforts by law enforcement authorities in the United States and Canada. In addition, on March 10, 2021, Europol announced that judicial and law enforcement authorities in Belgium, France and the Netherlands had wiretapped Sky Global's servers and monitored hundreds of millions of messages by Sky Global's users.

The European investigation resulted in hundreds of arrests, the seizure of thousands of kilograms of cocaine and methamphetamine, hundreds of firearms, and millions of Euros.

"With technological advancement comes increased levels of criminal sophistication, but also new tools for police to combat crime," says Assistant Commissioner Dwayne McDonald, BC RCMP Criminal Operations Officer for Federal, Investigative Services and Organized Crime. "The RCMP will continue to adopt new technologies and strategies to keep our communities safe. Collaboration with our international policing partners, such as in this case with the FBI and DEA, has become an integral part in the ever-evolving fight against organized crime."

This case is the result of ongoing efforts by the Organized Crime Drug Enforcement Task Force (OCDETF), a partnership that brings together the combined expertise and unique abilities of federal, state and local law enforcement agencies. The principal mission of the OCDETF program is to identify, disrupt, dismantle and prosecute high-level members of drug trafficking, weapons trafficking and money laundering organizations and enterprises.

IRS Criminal Investigation special agents worked this case under the umbrella of the Joint Chiefs of Global Tax Enforcement, or J5.

The J5 was formed in 2018 after a call to arms from the OECD Taskforce on Tax Crime and has been working together to gather information, share intelligence and conduct coordinated operations, making significant progress in each country's fight against transnational tax crime. The J5 includes the Australian Taxation Office (ATO), the Canadian Revenue Agency (CRA), the Dutch Fiscal Information and Investigation Service (FIOD), Her Majesty's Revenue and Customs (HMRC) from the UK and the Internal Revenue Service Criminal Investigation Division (IRS-CI) from the US.

For more information about J5, please visit www.irs.gov/J5.