

May 2026

Follow us on [LinkedIn](#)

Compliance Update

Caught in the Cartel Crossfire: Rising US Corporate Enforcement Risks for Companies and Financial Institutions

By [Leo Tsao](#), [Corinne A. Lammers](#), [Braddock J. Stevenson](#), [Daniel A. Holman](#), [Andrew E. Sterritt](#) and [Olivia Tyndall](#)

On April 29, in a remarkable escalation in the United States' war against drug cartels, the U.S. Department of Justice (DOJ) charged the sitting governor of the Mexican state of Sinaloa, along with other current and former Mexican government officials, with conspiring with the Sinaloa Cartel to import massive amounts of fentanyl and other narcotics into the U.S. This news follows on the heels of other reports that U.S. agents recently conducted covert anti-narcotics operations in Mexico.

While dramatic, these actions are only one part of a series of steps the U.S. government has taken as part of its campaign to achieve the "total elimination" of cartels and transnational criminal organizations (TCOs). All of these steps have substantially increased the enforcement risks for companies doing business in Mexico and elsewhere in Latin America where the cartels operate.

Since January 2025, these steps have included an [executive order](#) resulting in cartels being [designated](#) as global terrorists, a DOJ [memorandum](#) calling for their "total elimination," and actions by the Financial Crimes Enforcement Network (FinCEN) [designating](#) several Mexican financial institutions as primary money laundering concerns, cutting off their access to the U.S. financial system. The focus on cartels has not lessened, with the president [stating](#) in March that "[c]riminal cartels and foreign terrorist organizations in the Western Hemisphere should be demolished to the fullest extent possible consistent with applicable law."

Companies whose business operations touch cartels and TCOs, either knowingly or unknowingly, face substantially increased risks of enforcement actions by U.S. law enforcement. The dust has far from settled on what these policies will ultimately mean for corporate prosecutions, but in the year-plus that has passed since these priorities were enacted, certain points have become clearer on how the DOJ will pursue cartel-related crimes.

This client alert walks through key events that brought us to this point, how the DOJ has focused on cartel-related crimes and what steps companies doing business in cartel-related jurisdictions should be considering to mitigate those risks.

Escalating US Government Actions Against Cartels

Through a combination of executive actions, DOJ enforcement priorities and FinCEN regulatory measures, the U.S. government has pursued an aggressive, multifront campaign against drug cartels and TCOs. The actions have significantly expanded the legal and compliance risks for individuals and companies that may potentially interact with cartels or their financial networks.

A Focus on Cartels and TCOs. Throughout his campaign and on his very first day in office, the president announced that the U.S. government would be focused on combatting the flow of illegal drugs into the United States. In one of his first actions on Jan. 20, 2025, he signed an executive order declaring that certain drug cartels would be designated as Foreign Terrorist Organizations (FTOs) or Specially Designated Global Terrorists (SDGTs). Importantly, the executive order declared the threat posed by cartels and TCOs a matter of national security concern. On Feb. 20, 2026, the U.S. State Department designated eight drug cartels as FTOs and SDGTs, causing them to be added to Office of Foreign Assets Control's (OFAC's) Specially Designated Nationals (SDN) List. As a result of these designations, U.S. financial institutions were required to block all transactions and property associated with the organizations, and it became a serious crime to provide material support or resources to them.

DOJ Memo on "Total Elimination of Cartels and Transnational Criminal Organizations". On Feb. 5, 2025, the DOJ began implementing the executive order by issuing a memorandum directing the department to refocus its attention and resources on the prosecution of cartels and TCOs. Among other things, the memorandum required prosecutors to pursue serious criminal prosecutions against cartel members and removed certain internal approval requirements for bringing such cases. Notably, the memorandum required the DOJ's Criminal Division to prioritize foreign corruption and money laundering cases that involve criminal operations of cartels and TCOs.

Designation of Mexican Financial Institutions as Primary Money Laundering Concerns. In one of the most dramatic steps taken by the U.S. government to fight cartels, FinCEN issued orders on June 25, 2025, designating three Mexico-based financial institutions as primary money laundering concerns in connection with illicit opioid trafficking, thereby prohibiting U.S. financial institutions from opening or maintaining correspondent accounts for these institutions. This designation, taken pursuant to new authorities granted to FinCEN to impose special measures under the FEND Off Fentanyl Act, effectively imposed an "institutional death penalty" on the three Mexico-based financial institutions by cutting off their access to the U.S. financial system. In November 2025, FinCEN subsequently proposed to [designate](#) 10 Mexican casinos as primary money laundering concerns. FinCEN has made clear that it is not acting alone and is working closely with the Mexican government in making these designations.

U.S. Government's Focus on Corporate Crimes Related to Cartels

DOJ's Focus on Cartel-Related Corporate Crimes

Unsurprisingly, the DOJ has prosecuted numerous cartel members and the individuals who support them. Of note, last year the DOJ [obtained a guilty plea from](#) the co-founder of the Sinaloa cartel and also recently [charged](#) members of Chinese networks that laundered over \$92 million in illicit funds, including proceeds from the importation and distribution of illegal drugs into the United States primarily from Mexico. Most recently, as mentioned above, the DOJ charged the sitting governor of Sinaloa and others with conspiring with the Sinaloa Cartel to import narcotics into the U.S.

We have seen the first prosecutions highlighting links between corporations and cartels.

Companies are being targeted by DOJ. In addition to prosecuting individuals, the DOJ is also focused on corporate prosecutions. On April 16, news outlets reported that U.S. law enforcement raided the offices of a Texas-based fuel trader suspected of participating in fuel-smuggling operations benefitting the cartels. The raid followed a 2025 *Reuters* investigation alleging that a diesel shipment exported by the company was delivered to a Mexican company suspected of being a front for the Jalisco New Generation Cartel (CJNG).

In November 2025, the DOJ entered into a [deferred prosecution agreement](#) with a Guatemala-based telecommunications service provider to resolve an investigation into a long-running scheme to bribe government officials in Guatemala. The scheme featured monthly bribe payments to numerous Guatemalan members of Congress or members of their security teams, in exchange for, among other things, their favorable legislation. Notably, some of the cash used to pay bribes was the laundered

proceeds of narcotrafficking. The company agreed to pay \$60 million in criminal penalty and more than \$58 million in administrative forfeiture.

Previously, in May 2025, two family members operating a Texas-based crude oil business were charged with conspiring to materially support CJNG (an FTO), conspiracy to commit money laundering and related smuggling charges. Prosecutors alleged that the company facilitated almost 3,000 shipments of stolen crude oil smuggled from Mexico, funneling proceeds back to the cartel. The DOJ is seeking forfeiture of approximately \$300 million in assets, including the company's facility, barges and vehicles.

Companies are making voluntary self-disclosures. In late 2025, a Texas-based public oil and gas services company reported that it had conducted an internal investigation and found that payments likely were made to people associated with criminal cartel organizations that had been designated as FTOs and SDGTs. The company stated that the payments appeared to have been made to protect employees from threats of harm and to ensure access to work sites and characterized the total amount of the payments as not material. Importantly, the company voluntarily self-reported the matter to the DOJ, the Securities and Exchange Commission (SEC) and OFAC. The disclosure also stated that the company subsequently sold its operations and legal entities in Mexico.

Companies are being subjected to civil enforcement actions. In February 2026, a U.S.-based educational institution settled a civil action with OFAC for 89 apparent violations of counternarcotics sanctions. Specifically, the school admitted that between 2019 and 2025, it accepted and processed tuition payments from parents on OFAC's SDN List and associated with a sanctioned Mexico-based drug cartel. The two parents had been designated because they had provided financial support or services to a sanctioned Mexican drug trafficking organization or its leadership. The school agreed to pay a \$1.72 million penalty. Notably, the sanctioned parents used their real names, which would have produced an exact match on the SDN List. The school, however, failed to conduct sanctions screening checks because it did not have in place an OFAC sanctions compliance program during the relevant period.

Prosecutors have powerful new tools for prosecuting companies. As we have previously analyzed, it is a crime under U.S. law to knowingly provide "[material support](#)" to a designated terrorist organization, which encompasses the provision of financial support, services, personnel, logistics and other resources. The criminal statute provides for extraterritorial application to allow prosecutions in the United States even for conduct occurring wholly outside of the country, giving prosecutors broad and powerful tools at their disposal to investigate FTOs. For example, in 2022, a French building materials manufacturer pleaded guilty to conspiring to provide material support to certain FTOs. The company paid the FTOs about \$6 million for permission to operate a cement plant in Syria in 2013-14, which enabled it to obtain approximately \$70 million in revenue. The resulting criminal fines and forfeiture totaled \$777.78 million. Notably, providing material support may also give rise to civil exposure. In June 2024, a major U.S. fruit and agricultural company was found civilly liable for the wrongful deaths of eight Colombians murdered by an FTO and awarded \$38.3 million in damages, with hundreds of additional claims still pending.

Compliance failures may be in the crosshairs. Companies also face exposure for compliance failures, including deficient anti-money laundering (AML) compliance programs, inadequate OFAC SDN screening and weak internal controls related to cartel risks. In one notable recent example, a major North American bank paid over \$3 billion in combined penalties to various U.S. regulators in 2024 after AML program deficiencies allowed hundreds of millions of dollars in cartel-linked drug proceeds to be laundered through its U.S. accounts. As a general principle, companies operating in cartel-affected regions should assume that their compliance programs will become the focus of a criminal investigation.

FinCEN's Focus on Cartel-Related Corporate Crimes

FinCEN has been an active and aggressive participant in the U.S. government's campaign against cartels, deploying a range of regulatory tools that go well beyond traditional AML enforcement. While much of FinCEN's focus to date has been on Mexican financial institutions and border-area money

services businesses, its expanding use of data collection, geographic targeting and special measures authorities signals a broader and more sophisticated enforcement posture.

Border-area money services businesses (MSBs) are being targeted by FinCEN. FinCEN is continuing to renew and expand its geographic targeting orders (GTOs) that require reporting of cash transactions along the U.S./Mexico border. In March 2026, FinCEN [announced](#) an operation to examine more than 100 U.S. MSBs operating along the southwest border for potential noncompliance with U.S. anti-money laundering regulations. This announcement builds upon FinCEN's prior implementation of a GTO that required certain financial institutions along the border to report cash transactions to FinCEN, which began in March 2025 and has been renewed and expanded every six months. FinCEN most recently renewed this GTO in March 2026, broadening the geographic scope even further. The GTO provides insight to FinCEN on cash transactions along the U.S./Mexico border and limits cartel access to covered financial institutions.

Banks may be required to collect citizenship information by the U.S. Department of the Treasury. Based upon the public statements of officials, the U.S. Department of the Treasury is exploring an executive order by the administration that would require banks to collect citizenship information on the beneficial owners of accounts at U.S. financial institutions. The Treasury Secretary confirmed in April 2026 that the order is "in process," citing concerns about FTOs accessing the U.S. banking system. The order had previously been delayed after banks called the proposal unworkable. The order could require new forms of documentation, such as a passport, to verify citizenship, from both new and existing customers.

FinCEN is building powerful data-driven targeting capability for U.S.-Mexico transactions. FinCEN's use of GTOs and other methods for collecting information increases the amount of financial intelligence available to FinCEN to analyze transaction flows between the U.S. and Mexico. FinCEN also has the ability to require U.S. banks to report all cross-border wire transfers involving Mexico or specific institutions in Mexico. While use of such authority is rarely made public, it is a very powerful tool allowing FinCEN to analyze data across the GTO reporting, SAR database, law enforcement information and wire transfer data to identify potential institutions of concern.

What Companies Can Do to Mitigate Risk

Many companies operating in Mexico and elsewhere in Latin America spent 2025 assessing whether their operations, supply chains or business partners had any exposure to cartels or other designated organizations, and reviewing and updating their compliance programs and controls to mitigate those risks. Companies that have not yet done so remain particularly exposed to significant legal and regulatory risk.

Most notably, U.S. law enforcement and regulators appear to understand that, as a practical matter, it is likely impossible to do business in Mexico and elsewhere in Latin America without interacting with cartels, at least indirectly. Cartels have embedded themselves across wide swaths of the Mexican economy, with documented involvement in sectors including energy, agriculture, logistics, mining, real estate, construction and financial services. In many regions, they even function as quasi-governmental entities, controlling access to territory, labor and supply chains.

Therefore, when considering corporate targets of prosecution, the DOJ will most likely start with companies that are actively and knowingly working with and supporting the cartels. This focus is evidenced by the prosecutions of the small, Texas-based oil companies that facilitated fuel smuggling and money laundering. Next in line will likely be companies that have unknowingly interacted with cartels and designated organizations but have taken little to no steps to prevent interactions with cartels, either directly or indirectly. Companies that are willfully blind by ignoring well-documented cartel risks and have done nothing to assess or address their exposure are unlikely to receive leniency from DOJ prosecutors.

Companies doing business in Mexico and across Latin America can reduce the risk of prosecution by taking substantial steps to prevent and detect cartel interactions. And, if issues do arise, those same steps put companies in a stronger position to assert to U.S. enforcement agencies that any dealings

with cartels were inadvertent and to seek more favorable treatment from prosecutors. While such steps would not insulate companies from enforcement actions, it stands to reason that the DOJ will focus on the most egregious, heartland criminal cases.

Consistent with FinCEN's recent notice of proposed rulemaking ([and our recent client alert on that topic](#)), as well as the DOJ's [Evaluation of Corporate Compliance Programs](#) and OFAC's [Framework for Compliance Commitments](#), such steps include the following:

- Conduct a risk assessment to identify potential exposure to cartels through industries, geographies, products and people connected to known cartel activity, particularly as they may relate to supply chains.
- Conduct transaction monitoring that takes into account typologies that may be tied to cartels and fentanyl production in particular. Examples include touchpoints with precursor chemicals, equipment used to make pills, high-risk distribution channels and activity that does not comport with a customer's profile.
- Assess whether current due diligence processes are appropriately calibrated to screen for cartel risk, and if heightened cartel-related risks are present, conduct enhanced due diligence.
- Assess whether current hiring processes sufficiently screen for cartel connections.
- Review internal governance policies and structures — including tailored crisis response procedures — to ensure that frontline risks are properly identified and escalated so that the company can provide the appropriate review and response.
- Educate employees on potential cartel risks and related compliance procedures and controls.
- Appropriately document efforts to identify and mitigate cartel risks.

✧ ✧ ✧

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

Leo Tsao
+1-202-551-1910
leotsao@paulhastings.com

Daniel A. Holman
+1-202-551-1878
danielholman@paulhastings.com

Corinne A. Lammers
+1-202-551-1846
corinelammers@paulhastings.com

Andrew E. Sterritt
+1-202-551-1928
andrewsterritt@paulhastings.com

Braddock J. Stevenson
+1-202-551-1890
braddockstevenson@paulhastings.com

Olivia Tyndall
+1-212-680-4882
oliviatyndall@paulhastings.com

Paul Hastings LLP

Stay Current is published solely for the interests of friends and clients of Paul Hastings LLP and should in no way be relied upon or construed as legal advice. The views expressed in this publication reflect those of the authors and not necessarily the views of Paul Hastings. For specific information on recent developments or particular factual situations, the opinion of legal counsel should be sought. These materials may be considered ATTORNEY ADVERTISING in some jurisdictions. Paul Hastings is a limited liability partnership. Copyright © 2026 Paul Hastings LLP.