


Terrorist drug trafficking organizations

*Understanding
and countering
the threat*

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SYNTHETIC OPIOIDS, primarily fentanyl, are responsible for the deaths of more than 52,000 Americans each year,¹ with drug overdoses being the leading cause of death for those aged 18-44 years old.² In 2024, U.S. financial institutions (FIs) reported approximately \$1.4 billion in suspicious transactions potentially linked to fentanyl-related activities, including precursor chemical procurement, fentanyl trafficking, and associated money laundering.³ Moreover, the trade in fentanyl and other illicit drugs drives violence, criminality, bribery, and corruption globally.

The Trump Administration has made combating the illegal production and trafficking of fentanyl a top priority. It has declared a national emergency with respect to the threat posed by drug cartels and implemented a policy of “total elimination” of their presence in the United States.⁴ In February 2024, the State Department designated six Mexican drug cartels as Foreign Terrorist Organizations (FTOs)⁵ and the Treasury Department, Drug Enforcement Administration (DEA), Homeland Security Investigations (HSI), Federal Bureau of Investigations (FBI), Customs and Border Protection (CBP), and Department of Justice have coordinated on a “whole-of-government” effort to use all available tools to relentlessly target the cartels and their support networks.⁶

FIs have a vital role to play in this effort. This article provides background on designated cartels — their geographic reach, how they raise and move money, the risks they pose to financial institutions, and common red flags that may help identify suspicious activity.

The big two: Sinaloa and Jalisco Cartels

According to the DEA, the two most important FTOs are the Sinaloa and Jalisco Cartels: they are at the heart of the fentanyl crisis and have a presence in almost every state in America.⁷ In Mexico, they are based out of the states from which they derive their names (Sinaloa and Jalisco) but they exercise control and influence beyond those areas, including at multiple maritime ports, to help facilitate their shipments and raise revenue. In addition, the “big two” cartels operate extensive global supply chains, from precursor chemicals to production facilities, and direct complex networks that include international shippers, cross-border transporters, corrupt officials, tunnel builders, shell companies, and money launderers.

- The Sinaloa Cartel does not have a leader. Instead, the cartel “umbrella” covers four separate but cooperating criminal organizations. One of the four organizations is directed by “Los Chapitos” — the collective name of four sons of Joaquin “El Chapo”, who was the most powerful drug trafficker in the world until he was extradited to the United States and sentenced to life in prison in 2019.⁸
- The Jalisco Cartel (a.k.a. Cartel Jalisco Nueva Generacion, or CJNG) was formed in 2011 out of the remnants of a Sinaloa Cartel affiliate and has risen to be one of Mexico’s most powerful and ruthless criminal organizations. It operates under a franchise business model overseen by Ruben “El Mencho” Oseguera-Cervantes, and maintains a financial arm known as “Los Cuinis” that leads its diverse network of money laundering operations.⁹

The Northeasterners: Gulf and Northeast cartels

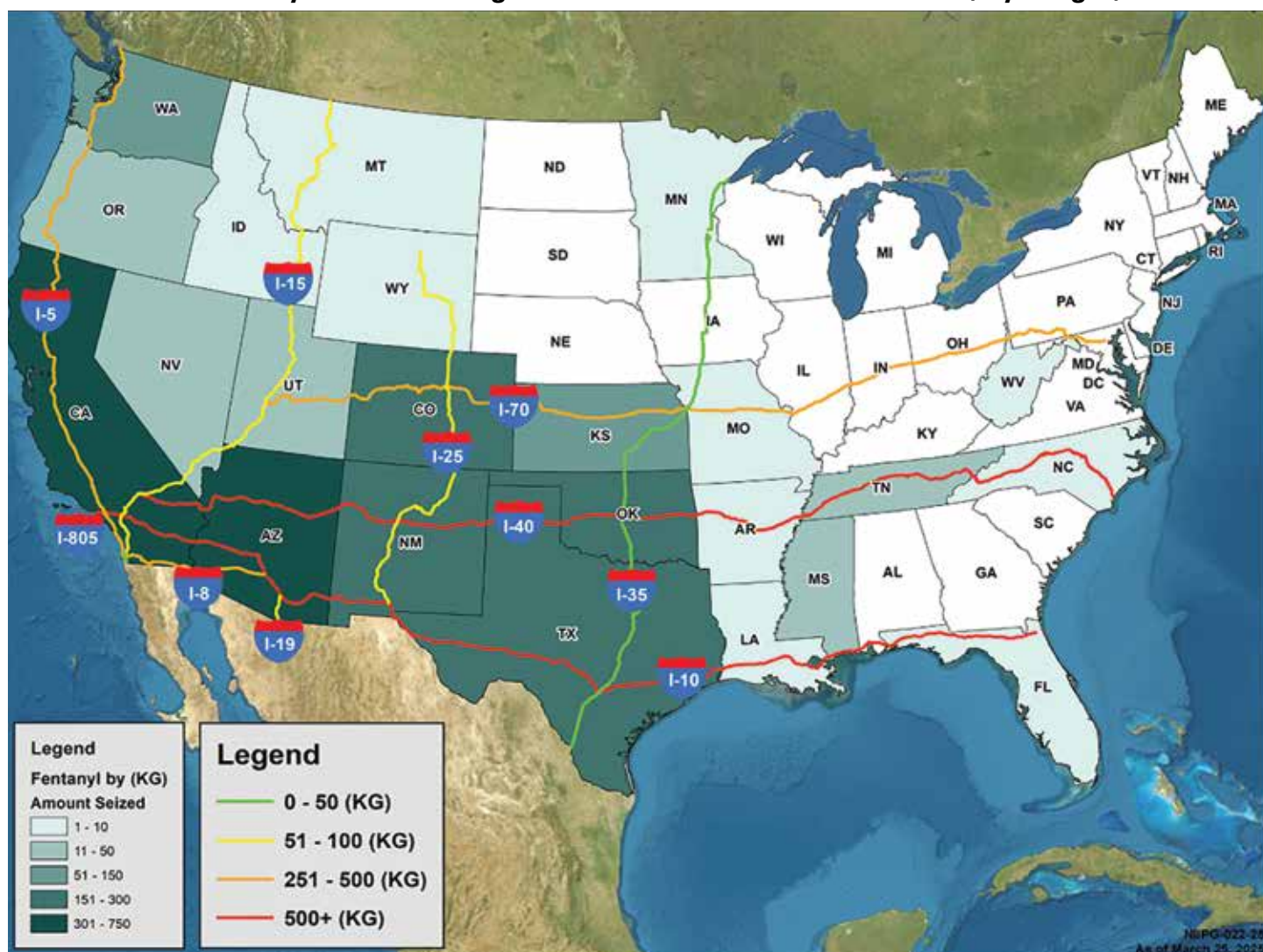
The Gulf Cartel and the Northeast Cartel are both based in the Mexican state of Tamaulipas, which is in the northeastern corner of Mexico bordering Texas.

- The Gulf Cartel (a.k.a. Cartel del Golfo, or CDG) is one of Mexico’s oldest and most notorious criminal groups, but it has lost territory and influence in recent years and has splintered into several rival factions. The names of the different factions include Scorpions, Metros, Cyclones, Rojos, and Panthers.¹⁰
- The Northeast Cartel (a.k.a. Cartel del Noreste, or CDN), formerly known as the Zetas, originated as an enforcement arm of the Gulf Cartel formed by deserters from the Mexican Army’s elite special forces in 1997 and became one of Mexico’s most powerful and feared groups circa 2007-2012. Infighting and the loss of key leaders led to the Zetas’ decline, and CDN emerged as the most dominant splinter faction.¹¹

The Michoacanos: New Family Michoacana and United Cartels

The New Family Michoacana and United Cartels are based in the Mexican state of Michoacán and have been locked in an ongoing battle with the Jalisco Cartel to control drug trafficking routes running through the state and their share in local illicit economies, including drug production and the extortion of avocado producers.

- The New Family Michoacana Cartel (a.k.a. La Nueva Familia Michoacana, or LNFM) has splintered into several factions since the 2000’s, some of which have joined forces under the

FIGURE 1. Fentanyl Seizures along the 10 Most-Traveled U.S. Interstates, by weight, 2024

Source: El Paso Intelligence Center, National Seizure System

United Cartels banner. In addition to trafficking fentanyl and other drugs to the U.S., the group has engaged in acts of terror and violence in Mexico through kidnappings, killings, and extortion.¹²

- The United Cartel (a.k.a. Carteles Unidos, or CU) is a coalition of criminal networks and civilian defense groups that joined forces to resist the Jalisco Cartel's expansion into Michoacán and keep control of the state's drug trade. It is led by "El Abuelo" (Juan Jose Farias Alvarez), the leader of Cartel del Abuelo.¹³

To view detailed maps of fentanyl trafficking operations in Mexico by cartel, please see pages 8–16 of the *2025 National Drug Threat Assessment* published by the Drug Enforcement Administration. The full PDF is available at: dea.gov/sites/default/files/2025-05/2025%20National%20Drug%20Threat%20Assessment_Web%205-12-2025.pdf

For a visual overview, see **Figure 1** for 2024 fentanyl seizures along major U.S. drug trafficking corridors and **Figure 2** for 2024 domestic U.S. currency seizure locations. For details on cartel operations in both the U.S. and Mexico — including their areas of control, sources of funding, and money laundering methods — see **Figure 3**.

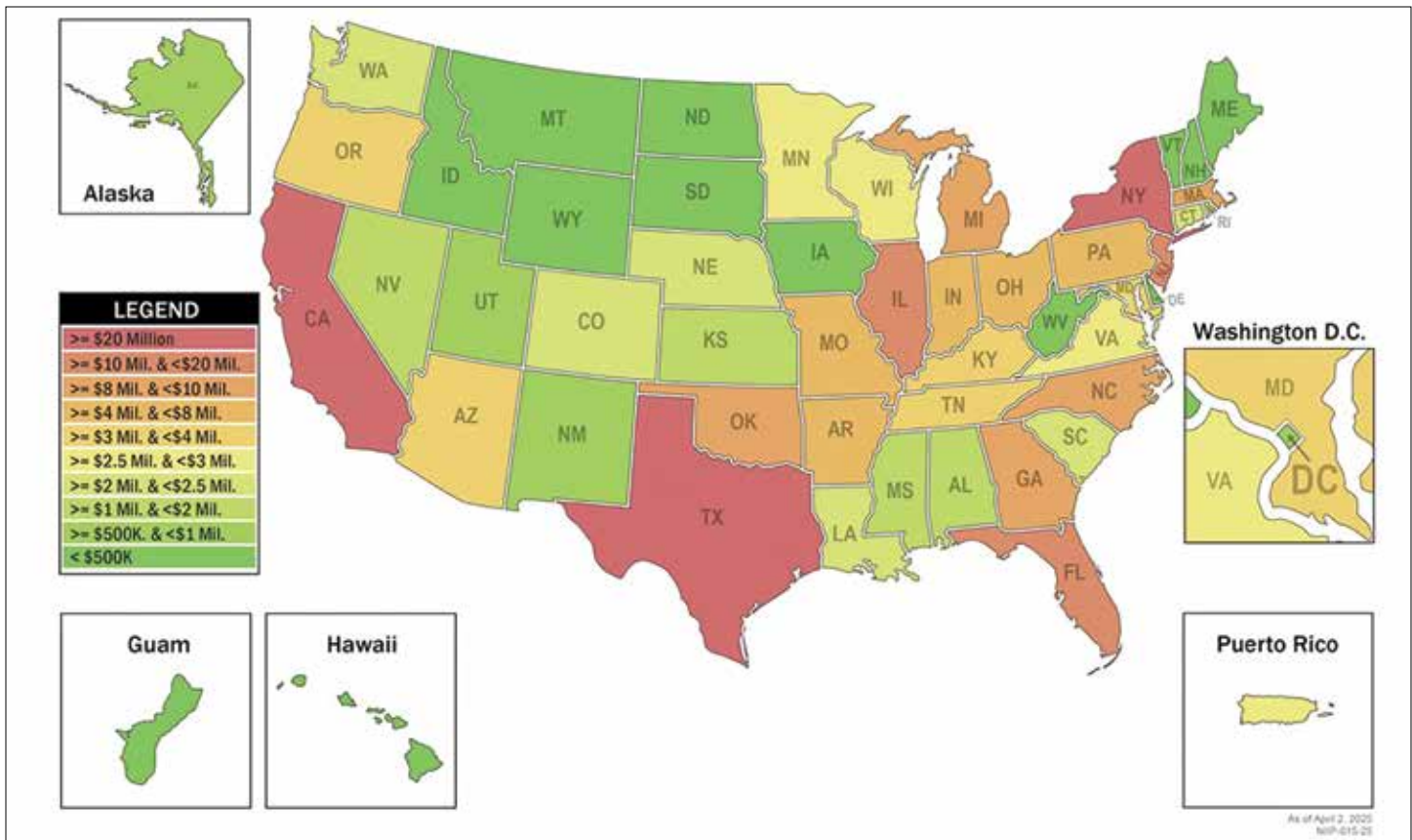
Treasury uses new powers to target cartel money laundering networks¹⁴

In June 2025, FinCEN issued historic orders under the FEND Off Fentanyl Act and the Fentanyl Sanctions Act, identifying three Mexico-based financial institutions — CIBanco, Intercam Banco, and Vector Casa de Bolsa — as primary money laundering concerns linked to fentanyl trafficking. These actions mark the first use of new authorities that allow the U.S. government to restrict access to the U.S. financial system for institutions involved in laundering cartel proceeds.

The three institutions were found to have processed millions of dollars in payments between Mexico and China, facilitating the purchase of precursor chemicals used in fentanyl production and laundering drug proceeds through complex cross-border schemes. FinCEN's action prohibits U.S. FIs from transmitting funds to or from these entities, including through cryptocurrency addresses. Covered financial institutions have until September 4, 2025 to implement the orders.

These institutions played a critical role in helping cartels move money and operate more efficiently, thereby making it easier for them to produce and distribute fentanyl. The U.S. is stepping up efforts to shut down these networks and block their access to the U.S. financial system.

FIGURE 2. Domestic U.S. Currency Seizures, 2024



Source: DEA, data retrieved April 2, 2025

Money laundering methods and risk indicators

Distribution and sale of narcotics in the United States generates significant volumes of cash for cartels, which they seek to launder and repatriate to the cartel in countries such as Mexico. Recently, Chinese Money Laundering Networks (CMLNs) have emerged as the leading “service provider” to launder these illicit funds. CMLNs service a growing demand from Chinese nationals to access U.S. dollars in the United States, which are otherwise restricted by the \$50,000 limitation imposed by the Chinese government to restrict capital flight. Capital flight from China was estimated at \$516 billion in 2024.¹⁵ The high volumes of cash generated by narcotics trafficking and other cartel activities, provide a key supply of USD cash. Cartels need to dispose of U.S. dollars and Chinese nationals want to acquire them. (See the sidebar: Mirror Transfers: A New Face of Trade-Based Money Laundering on page 10.)

Significantly, by using this method each currency stays within its own country: USD stay in the United States, RMB in China, and pesos in Mexico. The implication of using these “mirror transfers” is that they do not use cross-border payments — which are considered by many FIs as an indicator that can be used to identify “higher risk” activity. FIs must therefore ensure they consider other indicators to identify risks of cartel and CMLN activity.

There are also other laundering methods used, including use of digital assets, trade-based money laundering using electronics and luxury goods, cross-border cash smuggling, and laundering through money services businesses and banks.¹⁶

“These institutions played a critical role in helping cartels move money and operate more efficiently, making it easier for them to produce and distribute fentanyl.”

Case study 1: Individual accounts

■ **Context:** Individuals may be used by CMLNs as “money mules,” meaning they are used to open bank accounts, deposit cash resulting from narcotics sales and other illicit activity, and engage in transactions to launder those funds.

■ **Case:** In September 2023, a Chinese national claiming to be a cook at a Chinese restaurant opened a checking account at a U.S. financial institution using a fraudulent Chinese passport. Between September and October 2023, the account holder purchased more than \$4 million in cashier’s checks made payable to various individuals and limited liability companies, including real estate companies located in major U.S. metropolitan cities. These negotiable instruments were funded either directly with cash or from recent cash deposits that had been made into the account. The funds were ultimately used to purchase real estate in the United States.¹⁷

FIGURE 3: Cartel operations

Foreign Terrorist Organization	Operational Areas in Mexico	Operational Areas in USA	Sources of Funding	Money Laundering Methods
Sinaloa Cartel 	<ul style="list-style-type: none"> Sinaloa Sonora Chihuahua Durango Others Port of Mazatlan 	Almost all 50 states, most notably: <ul style="list-style-type: none"> Arizona California Florida Georgia Illinois Texas 	<ul style="list-style-type: none"> Drug trafficking Fuel theft / Oil smuggling Extortion Human smuggling Prostitution Weapons trafficking Wildlife trafficking Prostitution 	<ul style="list-style-type: none"> Chinese money laundering networks Shell companies and front businesses, such as restaurants, real estate, and agriculture Bulk cash smuggling Cryptocurrency exploitation Trade-based money laundering Structuring
Jalisco Cartel 	<ul style="list-style-type: none"> Jalisco Colima Guerrero Michoacán Guanajuato Others Ports of Manzanillo, Lázaro Cárdenas, and Veracruz 	Almost all 50 states, most notably: <ul style="list-style-type: none"> California Colorado Florida Georgia Illinois Missouri Texas 	<ul style="list-style-type: none"> Drug trafficking Fuel theft / Oil smuggling Services fees at ports Extortion of farmers Human smuggling Weapons trafficking Real estate schemes 	<ul style="list-style-type: none"> Chinese money laundering networks Shell companies and front businesses Real estate investments Trade-based money laundering Cryptocurrency exploitation Money service businesses Structuring Bulk cash smuggling
Gulf Cartel 	<ul style="list-style-type: none"> Tamaulipas Nuevo Leon Coahuila Veracruz Mexico City Others Port of Altamira 	~16 states, including: <ul style="list-style-type: none"> California Nebraska New York Oklahoma Pennsylvania Texas Virginia Upper Midwest Southeastern US 	<ul style="list-style-type: none"> Drug trafficking Human smuggling Fuel theft / Oil smuggling Kidnapping Extortion Illegal fishing Arms trafficking Counterfeit products 	<ul style="list-style-type: none"> Bulk cash smuggling Shell companies and front businesses Money service businesses Trade-based money laundering Structuring Properties and vehicles Gas stations
Northeast Cartel 	<ul style="list-style-type: none"> Tamaulipas Nuevo Leon Zacatecas Mexico City Others 	<ul style="list-style-type: none"> Texas Georgia Oklahoma Upper Midwest 	<ul style="list-style-type: none"> Drug trafficking Human smuggling Kidnapping Extortion Fuel theft / Oil smuggling Vehicle theft Prostitution Armed robbery 	<ul style="list-style-type: none"> Shell companies and front businesses Trade-based money laundering Cash-intensive businesses Horse-racing business Extortion
New Michoacán Family 	<ul style="list-style-type: none"> Michoacán Guerrero Port of Lázaro Cárdenas (contested with Jalisco Cartel) 	~1/3 of US states, including: <ul style="list-style-type: none"> Texas New Mexico North Carolina Georgia 	<ul style="list-style-type: none"> Drug trafficking Kidnapping Extortion Human smuggling Illegal mining Weapons smuggling 	<ul style="list-style-type: none"> Shell companies and front businesses Trade-based money laundering, including through used clothing stores Bulk cash smuggling Money services businesses Extortion
United Cartel 	<ul style="list-style-type: none"> Michoacán, especially Tepalcatepec 	<ul style="list-style-type: none"> ~1/3 of US states 	<ul style="list-style-type: none"> Drug trafficking Illicit economies across Michoacán's Tierra Caliente region Extortion, primarily of lime and avocado farmers 	<ul style="list-style-type: none"> Unknown

Institute for Financial Integrity analysis

FIGURE 4: AML Tools for Cartel and Fentanyl Threats

Organization	Publication	Description
HSI	Cornerstone (Ongoing)	Monthly newsletter produced by DHS's Homeland Security Investigations (HSI) to spread awareness about how criminals launder illicit proceeds. Often features case studies, trends, typologies, and red flags associated with cartel-related money laundering.
DEA	National Drug Threat Assessment (May 2025)	A comprehensive strategic assessment of illicit drug threats endangering the U.S., including detailed profiles of the terrorism-designated cartels and an overview on the methods by which their illicit proceeds are laundered. Note: The 2024 NDTA contains additional details on the Sinaloa and Jalisco cartels and their money laundering methods.
FinCEN	Financial Trend Analysis: Fentanyl-Related Illicit Finance (April 2025)	Analysis of over 1,000 BSA reports filed in 2024 that provides examples of suspicious activities identified by FIs associated with the suspected procurement of fentanyl precursor chemicals and the laundering of suspected fentanyl proceeds.
FinCEN	Alert on Bulk Cash Smuggling and Repatriation by Mexico-Based TCOs (March 2025)	Provides an overview of methodologies used by cartels to smuggle, launder, and repatriate bulk cash using Mexican business, usually with locations near the U.S. southwest border. Includes red flag indicators and SAR filing instructions.
FinCEN	Supplemental Advisory on Procurement of Fentanyl Precursor Chemicals and Manufacturing Equipment (June 2024)	Highlights the primary typologies and red flags associated with how Mexico-based cartels purchase fentanyl precursor chemicals, pill presses, die molds, and other manufacturing equipment primarily from companies in China, and includes SAR filing instructions.
Treasury	National Money Laundering Risk Assessment (February 2024)	Includes sections with case studies on money laundering threats involving proceeds generated from trafficking fentanyl and other illicit drugs, the Sinaloa and Jalisco cartels, and CMLNs
US District Court for the Central District of California	First Superseding Indictment No. 2:23-cr-524(A)-DMG USA v. Edgar Martinez-Reyez et al. (October 2023)	Indictment with detailed narrative explaining how money laundering organizations fueling the drug trade in the U.S. — including through traditional TBML and Chinese underground banking — and description of how a network of 24 defendants conspired to assist the Sinaloa Cartel conceal and launder their drug proceeds.
FATF	Money Laundering from Fentanyl and Synthetic Opioids (November 2022)	Report based on input from multiple jurisdictions including common money laundering typologies as well as examples based on investigation and prosecution case studies
Congressional Research Service	Mexico: Organized Crime and Drug Trafficking Organizations (June 2022)	Detailed report on Mexico's criminal and illicit drugs landscape and the evolution and profiles of the Mexican drug cartels
DEA	Emoji Drug Code: Decoded (December 2021)	Reference guide for how emojis are used in conjunction with illegal drugs (sometimes seen on financial transactions), based on common examples found in DEA investigations
FinCEN	Advisory on Illicit Methods Related to Fentanyl Trafficking (August 2019)	Highlights the primary typologies and red flags associated with the sale by foreign suppliers, the methods used by cartels to launder the proceeds, and financial methodologies associated with the sale and procurement over the Internet, as well as SAR filing instructions

Red flags

The red flags that can be identified by FIs in this case include:

- Counterfeit passports, visa stamps, or entry stamps are often used.
- The individuals state their occupation to be hospitality or food services workers, students, laborers, or delivery drivers but their account activity is inconsistent with that expected for that occupation — such as small dollar cash deposits (e.g. \$100) followed by large dollar cash deposits.
- Deposited funds are almost immediately withdrawn to purchase round-dollar cashier's checks payable to third parties not associated with the account holder.

Additional red flags that may indicate cartel and CMLN money mule activity include:

- The same photos are used for a passport and visa even though the issue dates are purportedly years apart.
- Sequential passport numbers are identified for apparently unaffiliated account holders.
- Multiple accounts are opened at the same institution using the same pass-

port number but different identities.

- Accounts are opened with different identities and passport numbers but the same address, phone number, or email address.
- There are “translators” (who are actually representatives of CMLN) present when an account holder makes cash deposits.
- An account holder is unable to explain the source of cash deposits.
- Checks are negotiated and used to pay for luxury goods, jewelry, or electronics.

Case study 2: Structuring

■ **Context:** “Structuring” is used in an attempt to avoid the mandatory requirement to file a Currency Transaction Report (CTR) for cash transactions over \$10,000, and therefore to minimize detection. Deposits of cash may be divided into multiple transactions of less than \$10,000 or may be deposited at automated teller machines (ATMs) at different locations or operated by different banks.

■ **Case:** Operation Fortune Runner, which was part of a U.S. Organized

Crime Drug Enforcement Task Forces operation, identified that more than \$50 million in drug proceeds were laundered by the Sinaloa cartel conspiring with CMLNs.¹⁸ The methods used included making multiple structured cash deposits into ATMs, a few hundred dollars at a time, often with only minutes between each transaction. These included:¹⁹

- Luis Blandria-Contreras made 24 cash deposits over a 1 hour 19 minute period, each of a few hundred dollars, into various ATMs in Downey California, and Long Beach, California. The total amount deposited was \$15,960.
- Guillermo Zambrano made 15 cash deposits over a 13 minute period, into a single ATM. The total amount deposited was \$19,900.

Red flags

The red flags that can be identified by FIs in this case include:

- Multiple cash transactions are made, each below \$10,000, within a short time period, potentially at different ATM or branch locations or into different accounts.

Additional red flags that may indicate structuring of illicit proceeds include:

- The account holder is unable to explain the source of the large cash deposits.
- Post-deposit activity on the account indicates funneling or other indicators of money laundering.

Case study 3: Corporate accounts

■ **Context:** Corporate and business accounts are often used to launder proceeds of criminal activity or to purchase precursor chemicals and items used to manufacture narcotics. These companies are often shell or front companies — corporate entities with no significant assets or operations, or those that appear legitimate but are used to conceal illicit activity.

■ **Case:** In 2024, Luis Reinaldo Ramirez was sentenced to 10 years in prison for laundering \$16.5 million in narcotics proceeds for the Sinaloa cartel.²⁰ He paid for and facilitated the travel of bulk cash couriers to collect cash throughout the United States, including in Chicago, Omaha, Boston, New York City, Baltimore, Charlotte, and Philadelphia. The cash was deposited into shell company bank accounts opened at four different FIs. Then it was

Mirror Transfers Part 1: How Cartels and Chinese Money Laundering Networks Move Money Across Borders

Overview of key steps in part 1 correspond with detailed actions in part 2, on page 11.

Cartels and Chinese underground banking networks use “mirror transfers” — a form of informal value transfer — to move drug proceeds across borders quietly without using traditional wire transfers, minimizing the possibility of triggering financial reporting systems. Here’s how it works:

1. Cartel Cash Enters the U.S. Financial System

Drug cartels generate large amounts of U.S. dollar proceeds from narcotics sales and other criminal activity. Money mules working for Chinese money laundering networks (CMLNs) deposit this cash into U.S. bank accounts — often in small amounts to avoid detection.

2. CMLN Brokers Sell the Dollars

CMLN brokers in the U.S. connect with Chinese nationals who want access to U.S. dollars (e.g., to pay tuition, buy real estate, or cover living expenses in the U.S.). The brokers offer to sell them these cartel-originated dollars.

3. RMB Deposited in China

The Chinese national (or their representative) deposits the equivalent amount in Chinese yuan (RMB) into a bank account in China — usually held by someone working with the broker.

4–5. Confirmation of Deposit via Encrypted Apps

Using apps like WeChat, the broker confirms the RMB deposit has been made. This communication happens outside the formal financial system and is difficult for regulators to trace.

6. U.S. Dollars Delivered to Beneficiary

Once the RMB deposit is confirmed, the broker provides the agreed amount in U.S. dollars to the beneficiary in the U.S. nominated by the Chinese national. The dollars are now “clean” from the perspective of the recipient and can be used for everyday expenses or investments.

7. Cartels Gain Access to Funds in China

Meanwhile, the cartel — through its relationships with the broker — now has access to funds in China. These funds were never officially transferred, but the value was moved.

8. Purchase of Chemicals and Goods

The cartel uses these funds to purchase fentanyl precursors, lab equipment, or other goods from Chinese suppliers.

9. Goods Shipped to Mexico

The materials are exported from China to Mexico as commercial goods, with no indication that they are part of a money laundering scheme.

10. Drugs Produced and Sold

The chemicals are used to produce fentanyl or other narcotics in Mexico. Imported goods unrelated to fentanyl production are also sold to generate revenue as part of traditional trade-based money laundering schemes.

11. Drugs Trafficked into the U.S.

The finished drugs are smuggled into the U.S. and sold, restarting the cycle. No cross-border wire transfers occurred — only goods and informal settlements — making detection extremely difficult.

This system enables cartels to repurpose U.S. drug proceeds, fund further production, and meet demand from wealthy Chinese nationals for offshore currency — all while minimizing reliance on formal banking channels, wire transfers, and paperwork that would alert regulators. It’s a highly efficient, low-visibility method of laundering money across borders.

funneled and subsequently transferred to Mexico or used in trade-based money laundering schemes.

In this case, the shell companies were LLCs incorporated in Wyoming. The account for one of the shell companies, HFMV LLC, at one U.S. bank was funded by \$1,813,862 in cash deposits and subsequently debited by \$1,575,803 in wire transfers to Mexico-based individuals and entities. The HFMV LLC account at another U.S. bank was funded by cash deposits of \$200,000 and subsequently debited by \$199,862 in wire transfers to Mexico-based individuals and entities.

Red flags

The red flags that can be identified by FIs in this case include:

- Transactional activity indicates that the account is being used for funneling, such as similar value withdrawals and deposits, especially where the deposits are large volumes of cash.
- Transactional activity does not correspond with expected business activity, such as higher transaction volumes than would be expected for a new/small business or the absence of legitimate business activity on the account.

- Counterparties to transactions are located in geographies with a higher risk of cartel activity.

Additional red flags that may indicate use of shell or front companies by cartels and CMLNs include:

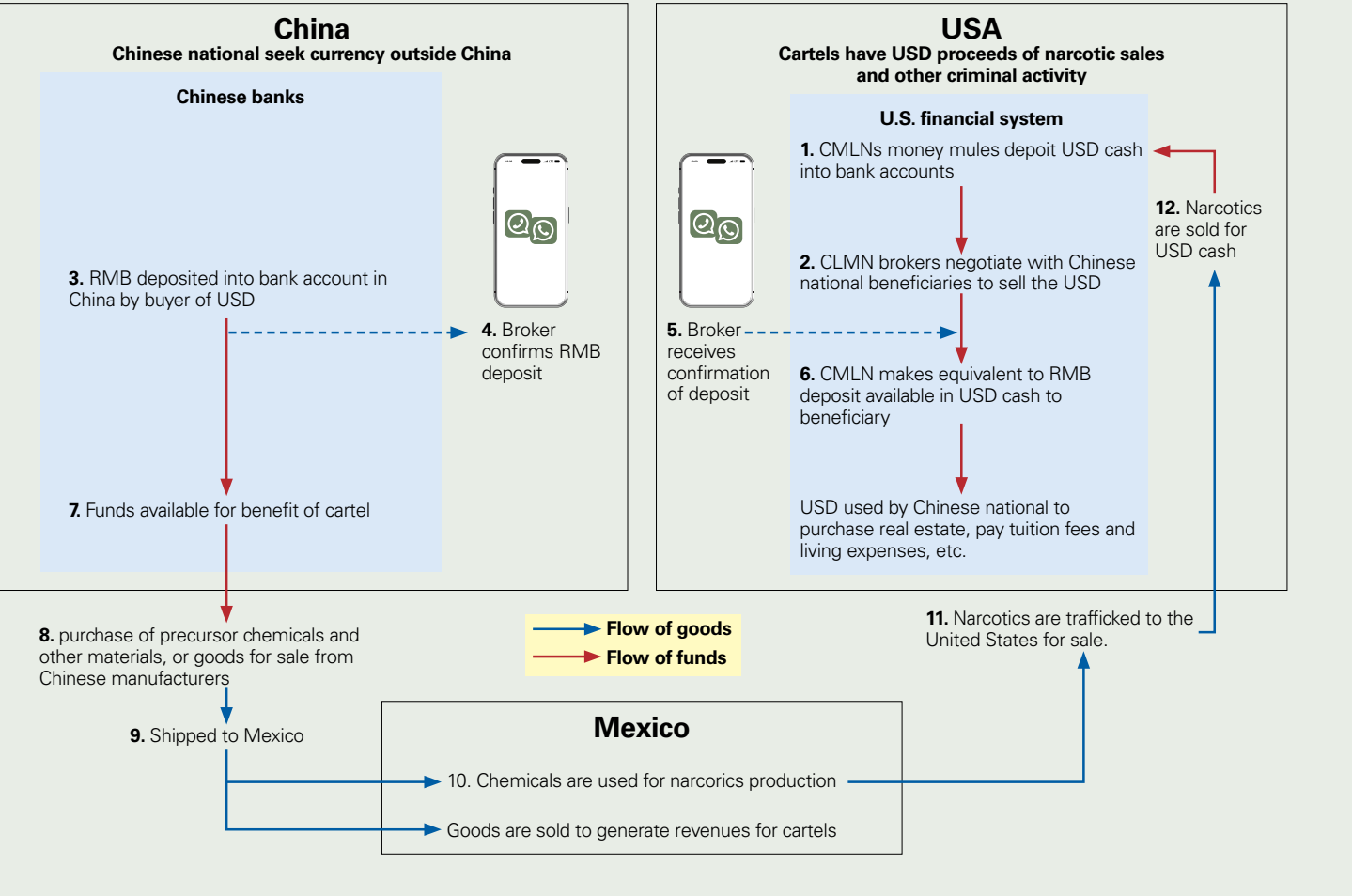
- Businesses that do not show legitimate business activity, for example the absence of a website or physical office premises.
- Contact information, such as telephone numbers, email addresses, or addresses, is shared between multiple apparently unrelated companies, especially those in industries/geographies associated with cartel and CMLN activity.
- Entities have complex corporate ownership structures, which may indicate attempts to obscure the identity or the owner.
- The business is incorporated in a “secrecy jurisdiction”.

Case Study 4: Precursor chemicals

- **Context:** China continues to be the primary source country for fentanyl precursor chemicals and related equipment such as pill presses.²¹ Individuals, shell and front companies may be used during the acquisition of materials for narcotics manufacture.

Mirror Transfers Part 2: Cartels and Chinese Money Laundering Networks Minimize Detection

Detailed actions below correspond to Part 1, on page 10.



“Cartels, CMLNs, and their destructive effects extend beyond any one country or region ... all FIs are vulnerable.”

■ **Cases:** An FI identified a Mexico-based company purporting to operate a chemical importation business. The company had been established only one year before and was transacting solely with a China-based chemical distributor.²² Another institution identified a Mexico-based company which previously sent payments directly to China, which were assessed as being for acquisition of precursor chemicals. Subsequently, the payments were changed to a U.S.-based company owned by a Chinese national, which was assessed as being a potential intermediary.²³

The red flags that can be identified by FIs from these cases include:

- Clients operate in high-risk industries and geographies, such as chemical and pharmaceutical companies in China, Hong Kong, or Mexico.
- Entities in unrelated industries in Mexico transact with Chinese chemical or pharmaceutical companies, or vice versa.
- Business characteristics indicate the use of shell or front companies, such as the absence of expected business activity (described above under Corporate Accounts).

Additional red flags that may indicate acquisition of precursor chemicals include:

- “Chemical Abstract Service Numbers” (chemical identifiers) are used in open-source advertisements associated with a client, or the numbers are listed in payment instructions or invoices provided by clients. For example, precursor 1-Boc-4-piperidone has identifier 79099-07-3 and 1-Benzyl-4-piperidone has identifier 3612-20-2.
- There are periods of account dormancy between 1 to 2 month periods of unusual chemical-related payments.
- Client contact information matches contact information on chemical company websites or e-commerce platforms.

Actions by FIs

FIs play a crucial role in countering the threat posed by cartels and CMLNs by assisting law enforcement and other government authorities to identify and disrupt these networks, and preventing illicit actors from accessing and laundering illicit funds. To do so, FIs should take the following actions:

1. **Update and maintain the institutional risk assessment** to ensure it addresses how risks may manifest for their specific type of institution. For example, a retail bank should assess the risk of large or structured cash deposits at its branches, as well as the movement of larger financial flows that could be consolidated illicit funds moved via wire transfers. As with all illicit finance risk assessments, institutions should also consider exposures due to geographic regions/jurisdictions, client sectors, and products/services.
2. **Ensure controls and processes are well-designed and continue to operate effectively** as cartel and CMLN risks evolve. Cartel risks and



money laundering are not new, so an FI's processes and systems should already include controls such as client due diligence, screening, transaction monitoring, investigations, and use of data analytics to identify unusual activity. Many of these measures are not specific to cartel risks. For example, shell companies are used for sanctions evasion, export control evasion, and laundering proceeds from multiple types of illicit activities. The FI's controls should be reviewed and enhanced in response to new criminal typologies. For example, an institution should adapt its controls to recognize that “mirror transfers” may be used, rather than cross-border wires.

3. **Review regulatory guidance, threat assessments, and other key information sources for new trends, typologies, and red flags — and action them.** Advisories and alerts are regularly issued by the Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control (OFAC), such as FinCEN's recent financial trend analysis²⁴ on fentanyl-related illicit finance. Other important sources of information include DEA's annual National Drug Threat Assessment, press releases by the Departments of the Treasury and Justice, court documents, and profiles and analysis by non-profit organizations, academic institutions, and think tanks. Compliance teams should review these resources and incorporate them in relevant policies, processes, and organizational structures, across all three lines of defense. For example, when an alert with red flags is published, the FI should evaluate which ones are relevant to its business and how they will be applied within its controls. Some red flags may be suitable to be implemented as automated controls, whereas others may not be sufficiently distinctive and are instead of value during an investigation.

For more information on the resources to help FIs assess their exposure to cartel- and fentanyl-related money laundering risks, and to support the design and implementation of appropriate controls, see **Figure 4**.

4. **Deliver role-specific staff** to ensure that teams understand the risks they may encounter and respond appropriately. For example, branch staff should be trained to recognize signs that a customer may be acting as a money mule or trying to structure deposits to avoid reporting requirements. Compliance teams designing and configuring automated

controls should understand how “chemical abstract numbers,” which may be used in payment instructions, can be used to identify transactions relating to fentanyl precursors. And financial-crime intelligence analysts and investigators should be trained on money laundering typologies used by cartels and CMLNs.

5. Engage in public-private partnerships and information sharing initiatives such as bilateral relationships or formally established partnerships. For example, in 2024, FinCEN and the Internal Revenue Service Criminal Investigation Division (IRS-CI), the law enforcement arm of the IRS, convened ten information exchange meetings around the country with FIs and law enforcement agencies. These meetings, part of the FinCEN Exchange Program’s “Promoting Regional Outreach to Educate Communities on the Threat of Fentanyl” (PROTECT) initiative, focused on emerging trends and typologies associated with fentanyl-related money laundering. FinCEN has also encouraged the expansion of information sharing among FIs through registration and participation in its 314(b) Information Sharing Program to help identify, report, and prevent cartel money laundering activities.

Conclusion

Cartels, CMLNs, and their destructive effects extend beyond any one country or region. Within the United States, they operate across almost all states. Beyond this, China is closely associated with precursor chemicals and CMLNs are key enablers through the laundering services they provide. Other countries are also involved as sellers of precursors, markets for narcotics, or as alternative sources of illicit funds to drive CMLN activity and profitability. Cartel and CMLNs’ extensive, complex, and adaptable networks present formidable challenges across the financial sector. All FIs are vulnerable and must prioritize actions to counter cartel activity, money laundering, the criminality and violence they drive in the United States and globally, and the threats they present to national and collective security. ■

ABOUT THE AUTHORS

DANNY MCGLYNN is the President and Chief Integrity Officer of the Institute for Financial Integrity (IFI), a Washington, DC.-based entity dedicated to protecting the financial system from illicit use and combating threats to collective security through cutting-edge research, education, and training. Prior to IFI, Danny was a senior managing director at K2 Integrity’s DC office (formerly known as Financial Integrity Network) for nearly four years, responsible for leading the company’s online training business. Prior to joining K2 Integrity, Danny served for more than 20 years with the U.S. Department of the Treasury, where he held a variety of positions at the Office of Foreign Assets Control (OFAC) and the Office of Intelligence and Analysis (OIA), including as the Principal Deputy Assistant Secretary (PDAS) of OIA. He holds a J.D. from George Mason University School of Law and an M.A. in International Studies from Florida International University. Reach him at dmcglynn@finintegrity.org.

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Endnotes

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Staff Analysis: FinCEN’s Anti-Money Laundering Priorities
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FinCEN’s Financial Trend Analysis
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National Drug Threat Assessment
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