

# Expect U.S. Enforcers' Cartel Crackdown to Continue

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It has been over a year since the Trump administration took the unprecedented step of designating eight drug cartels as Foreign Terrorist Organizations.<sup>1</sup>

The move unleashed dramatic U.S. legal powers to counter Latin America-based organized crime, fentanyl production, human trafficking and other threats facing the U.S. from its southern border. The designations also demonstrated the Trump administration's acute focus on cartel-related activity.

Labeling cartels as terrorists gave the U.S. government certain authorities under the Anti-Terrorism Act and otherwise to prosecute entities and individuals who provide material support to the designated parties. Corporate actors can be both criminally and civilly liable for providing support to FTOs. Importantly, the conduct at issue needs no significant jurisdictional link to the U.S.

In addition to the ATA, companies operating throughout Latin America that have interactions with FTOs can face liability under various other U.S. laws, including the Foreign Corrupt Practices Act, economic sanctions laws and anti-money laundering laws. As a result, companies can easily find themselves in the enforcement crosshairs.

Since January 2025, the U.S. Department of Justice, the Office of Foreign Assets Control and the Financial Crimes Enforcement Network have taken various coordinated and extraordinary steps to target cartel-related activity throughout Latin America, an effort that has continued in 2026.

## 2025 Policy Developments

On Feb. 20, 2025, the U.S. Department of State announced the designation of eight cartels as FTOs. The FTO designations reflected one part of the Trump administration's larger policy aimed at the total elimination of cartels and transnational criminal organizations, or TCOs, first articulated in a memorandum published by former U.S. Attorney General Pam Bondi on Feb. 5, 2025.

In May 2025, the DOJ announced its new white collar enforcement policy, which affirmed the DOJ Criminal Division's commitment to pursuing the total elimination policy. It directed prosecutors to prioritize 10 areas, three of which relate to cartels and TCOs.

The list included "material support by corporations to [FTOs]... including recently designated Cartels and TCOs."

<sup>1</sup> Since then, the Trump administration has continued to designate additional gangs and cartels as FTOs. In total, the Secretary of State designated 26 organizations as FTOs during the course of 2025.



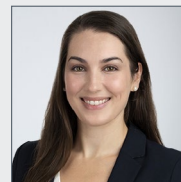
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Also in May 2025, the DOJ revised its whistleblower awards pilot program to include new subject areas for which whistleblowers may be eligible for awards, including corporate violations related to cartels and TCOs, and material support for terrorism.

Finally, in June 2025, the DOJ issued new FCPA enforcement guidelines, which identified priority areas for foreign bribery cases. One such priority area includes cases where foreign bribery has facilitated or is otherwise linked to the criminal operations of a cartel or TCO.

## Related Enforcement Actions

In 2025, the DOJ began translating these policy developments into enforcement action by (1) announcing a total of 40 convictions, arrests, guilty pleas and civil forfeitures involving allegations of material support to a designated FTO; (2) charging almost 200 individuals for cartel-related activity and (3) transferring dozens of alleged cartel leaders from Mexican jails to U.S. jails.

At the same time, during 2025, the U.S. Department of the Treasury designated and placed 235 Latin American individuals and entities on OFAC's Specially Designated Nationals list. The majority were sanctioned because of ties to cartels. On Jan. 21, the DOJ announced it had accepted another transfer of 37 alleged Mexican cartel leaders.

It has since broadened the reach of its FTO-related extraditions to Guatemala and Chile. On Jan. 30, Wenshen Xu was extradited from Guatemala to the U.S. to face charges of conspiracy to provide material support to Cartel de Jalisco Nueva Generación.

Additionally, on March 11, the U.S. arrested Rafael Enrique Gamez Salas at the request of Chile, which requested his extradition in order to prosecute him for a variety of crimes relates to his alleged role as a leader of Los Piratas, a Chilean organization related to Tren de Aragua.

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And earlier this year, the DOJ also announced developments in several new cases against individuals affiliated with FTOs, and charged more than 60 individuals for crimes involving cartel ties.<sup>2</sup>

For example, on March 24, two Chinese companies — Shandong Believe Chemical Company Pte Ltd. and Shandong Ranhang Biotechnology Co. Ltd. — and one individual, Hanson Zhao, were indicted in the Southern District of Ohio for violating the ATA by knowingly providing material support and resources to Cartel del Golfo, a designated FTO.

So far this year, the Department of Treasury has designated 77 additional Latin American individuals, entities and vessels. For example, on Feb. 19, OFAC sanctioned Kovay Gardens, along with five related individuals and 17 related companies, based on allegations that the Nayarit, Mexico, timeshare was operating as a fraudulent network under the direction of Cartel de Jalisco Nueva Generación.

On April 14, the State Department, OFAC, and the Treasury each announced the U.S. government's imposition of sanctions on three Mexican casinos and three of their senior operatives for enabling *Cártel del Noreste's* "money laundering, drug trafficking, and human smuggling activities." And on April 23, OFAC announced it had sanctioned another "23 individuals and entities that comprise a sophisticated synthetic opioid procurement network with ties to the Sinaloa Cartel.

This year, OFAC has also begun to resolve enforcement actions targeting transactions with sanctioned cartel members. On Feb. 12, OFAC announced a \$1.72 million settlement with IMG Academy, a Florida boarding school and sports academy, for accepting tuition payments from cartel-associated parents, demonstrating that no industry is immune from OFAC scrutiny when it comes to transactions with sanctioned cartel members.

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<sup>2</sup> The 2026 enforcement statistics are current through April 16, 2026.

## U.S. Agency Coordination

Perhaps most notable is the lockstep coordination U.S. agencies have shown around the so-called total elimination of cartels, in a way unparalleled by prior administrations. The DOJ, the Treasury, the State Department, and several other agencies all appear acutely focused on the same policy goals: eliminating cartels.

In May 2025 several agencies, including FinCEN and OFAC, issued coordinated red flag guidance related to a type of cartel fuel theft known in Mexico as huachicol. Since then, similar cross-agency guidance has been issued relating to time-share tourism, agriculture, and gambling.

## Foreign Policy Efforts

Foreign policy initiatives have also underscored the Trump administration's focus on cartels. Most dramatically, on Jan. 3, U.S. authorities captured Venezuela's President Nicolás Maduro, based on his purported links to FTOs. Maduro is currently in custody awaiting trial on charges of narco-terrorism and drug-trafficking.

Using the threats of tariffs and other leverage, the Trump administration has pushed Mexico's President Claudia Sheinbaum toward a level of cooperation that had not been seen before.

In February 2025, the Mexican government started sending the first of tens of thousands of troops to its northern border. And, after a June 2025 announcement that FinCEN had identified and prohibited certain financial transactions with three Mexico-based financial institutions — CIBanco S.A., Intercam Banco S.A. and Vector Casa de Bolsa S.A. — for "being of primary money laundering concern in connection with illicit opioid trafficking," the Mexican government intervened to manage the companies, and ultimately oversaw the liquidation of CIBanco's assets to ensure the sales did not create additional money laundering risk.

Coordinated efforts between the U.S. and Mexico continue. For example, on Jan. 20, Mexico transferred 37 cartel-linked parties to U.S. custody, as noted above. And FinCEN has credited the Mexican government for its collaboration in identifying transactions between 10 Mexican casinos, sanctioned in April, and the Sinaloa Cartel as part of a money laundering scheme.

On Feb. 22, the Mexican government killed the leader of Cartel de Jalisco Nueva Generación, sparking a violent reaction from the cartel. Starting in the state of Jalisco, cartel members clashed with security forces and engaged in violent acts, such as setting businesses and vehicles on fire. The violence ultimately spread across many other Mexican states, and there were violent repercussions in other countries in Latin America, such as Ecuador.

On April 29, the DOJ announced the indictment in the Southern District of New York of 10 current or former government and law enforcement officials, including the governor of Sinaloa, Ruben Rocha Moya, on drug trafficking charges in the U.S. Notably, the DOJ press release highlights cross-agency coordination between the Drug Enforcement Agency's Special Operations Division, Bilateral Investigations Unit and DEA offices in Mexico and Phoenix, Arizona, as well as assistance from the DOJ Criminal Division's Office of International Affairs and the government of Mexico.

These efforts demonstrate the active and ongoing coordination between Mexican and U.S. authorities on cartel-related matters.

The U.S. is similarly collaborating with Ecuador this year to address cartel-related activities. In early March, the U.S. Southern Command and the Ecuadorian president, Daniel Noboa, separately announced joint operations to address narco-terrorism in the country.

## What to Watch For

So far, U.S. enforcement efforts have affected companies, as opposed to the cartels themselves, in various and indirect ways. The increase in OFAC-designated entities means there is greater potential for companies to interact with sanctioned parties when doing business in Latin America, with a corresponding increased risk of committing sanctions-related violations.

The FinCEN orders against Mexican financial institutions have raised questions about how companies can transact with them in a compliant manner. Red flag guidance from the U.S. government means companies need to navigate new minefields in the region.

Given the sustained focus on cartels by various agencies, it is likely that FTO-related enforcement will continue increasing. The government's actions demonstrate momentum that does not appear to be slowing down.

The DOJ, while having lost many seasoned prosecutors, continues to indicate through press releases and in conversations with the defense bar that it will focus on cartel-related crimes, primarily by bringing additional enforcement actions that touch on cartel activity ranging from drug trafficking to material support cases.

To help mitigate the sustained compliance risks arising from this enforcement environment, companies operating in Latin America should consider enhancing their compliance programs in several ways.

### ***Risk Assessments***

Companies working in Latin America should retrench the nuts and bolts of their compliance programs. They should assess where FTO-related risk could arise within their operations by means evaluating new business lines and their broader operations for FTO ties, including union relationships, logistics operations and community engagement. Risk assessment results should then inform compliance program design and enhancements to ensure that companies are adequately addressing their FTO-related risk exposure.

### ***Due Diligence***

The universe of counterparties that should be vetted for FTO ties is broader than just third-party intermediaries with governments, which were already part of a standard approach to foreign bribery or FCPA risk management. Due diligence should extend to clients, service providers and supply chains.

Companies would be wise to develop methodologies to filter third parties and conduct deeper dives into the highest-risk third parties.

At the same time, the third-party due diligence process itself can be complex, since it is difficult to obtain the type of detailed intelligence showing that a cartel is actually behind a counterparty — more often companies are left with red flags but no conclusive results, complicating the decision-making effort. This reinforces the importance of ongoing monitoring in addition to conducting periodic due diligence screenings, as monitoring efforts may ultimately unearth additional information about the third party's ties.

### ***Training***

Actionable information on FTO risk frequently comes from whistleblowers who hear things, see things and know people in tight communities — they have information that others might not, related to where organized crime affects a company.

But for companies to benefit from this intelligence, their workforce should be equipped to identify and understand these new risks and the importance of escalating any relevant information. Companies should be training employees on compliance expectations and appropriate escalation procedures.

### ***Internal Investigations***

More generally, companies should take prompt steps to review and investigate potential support for FTOs. Indeed, the DOJ has repeatedly emphasized incentives for companies that identify misconduct, voluntarily disclose such conduct, cooperate fully and take appropriate remedial action.

Companies' internal investigations into potential material support violations and FTO-related transactions, however, often end with evidence that is probative but inconclusive. Nevertheless, companies should use available information to

consider appropriate remedial action and risk mitigation strategies, steps that position them for a more favorable outcome vis-à-vis U.S. authorities.

Developments in the early months of 2026 show that FTO-related enforcement remains a top priority for the Trump administration. Agencies throughout the U.S. government continue to focus on cartel-related activity, often in coordination with one another or in coordination with foreign governments.

The risk is particularly high in Latin America, where most of the recently designated FTOs operate. Companies operating in the region should carefully consider their risk exposure, evaluate their risk profiles and proactively implement risk mitigation measures.