Reframing third-party risk in a heightened anti-cartel enforcement environment

Strategic compliance imperatives for multinational corporations and U.S. domestic companies with global operations

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The heightened anti-cartel enforcement environment

On January 20, 2025, Executive Order Number 14157 announced a process to designate drug cartels as Foreign Terrorist Organizations (FTOs) and Specially Designated Global Terrorists (SDGTs).[1]

The following month, the U.S. Attorney General issued a strategy for "aggressive prosecution" of cartels and transnational criminal organizations,[2] and the U.S. Department of State formally designated eight drug cartels as FTOs and SDGTs.[3] Individuals associated with these organizations have since been added by the Office of Foreign Assets Control (OFAC) to its Specially Designated Nationals (SDN) list.[4]

In a heightened anti-cartel enforcement environment, organizations, including their general counsels, risk officers and compliance officers, must adapt to a new set of multifaceted risks. This is particularly true at multinational organizations and domestic companies with global operations, where business relationships previously perceived as presenting reputational or governance risks can now lead to civil or criminal liability under U.S. counterterrorism laws.

What's at stake:
Risk in real terms

Shifting enforcement priorities require a new risk calculus.

Potential criminal exposure. The designation of cartels as FTOs brings into sharper focus federal material support statutes. 18 U.S.C. § 2339A bans provision of material support to terrorists,[5] and 18 U.S.C. § 2339B bans provision of material support to FTOs.[6] Criminal penalties for violation of either statutes include fines and imprisonment, in some cases up to life. Under these laws, companies that pay protection money to cartels could face criminal liability and corporate officers could face personal criminal charges.[7]

Real-world example:
Lafarge cement plant in Syria

In 2022, Lafarge, a multinational cement company, settled a criminal plea agreement with the DOJ to conspiring to provide material support to FTOs by paying protection money to operate a plant in Syria.

This landmark case[8] illustrates how corporate payments to criminal organizations — even under duress — can result in severe criminal liability under U.S. counterterrorism laws. The Lafarge case underscores the importance of robust compliance frameworks and proactive risk assessments in high-risk jurisdictions.

Potential civil exposure. According to the Anti-Terrorism Act, codified at 18 U.S.C. § 2333, terror victims can pursue civil remedies against "any person who aids and abets" a FTO by "knowingly providing substantial assistance."[9] If a victim of cartel violence sues a company under this statute and points to a weak compliance program that enabled a cartel to access goods or services and cause injury, this can create costly litigation risk.

Sanctions violations. The designation of cartels as SDGTs complicates a company's legal risk in the context of sanctions compliance. For example, under the OFAC 50 Percent Rule, "any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person."[10] Fortune 100 companies conducting business in Latin America, especially in logistics, extractives or agriculture, are particularly exposed, given the volume of touch points with cartel-affiliated entities. A case in point is the Mexican avocado industry, which is reportedly targeted by drug cartels.[11]

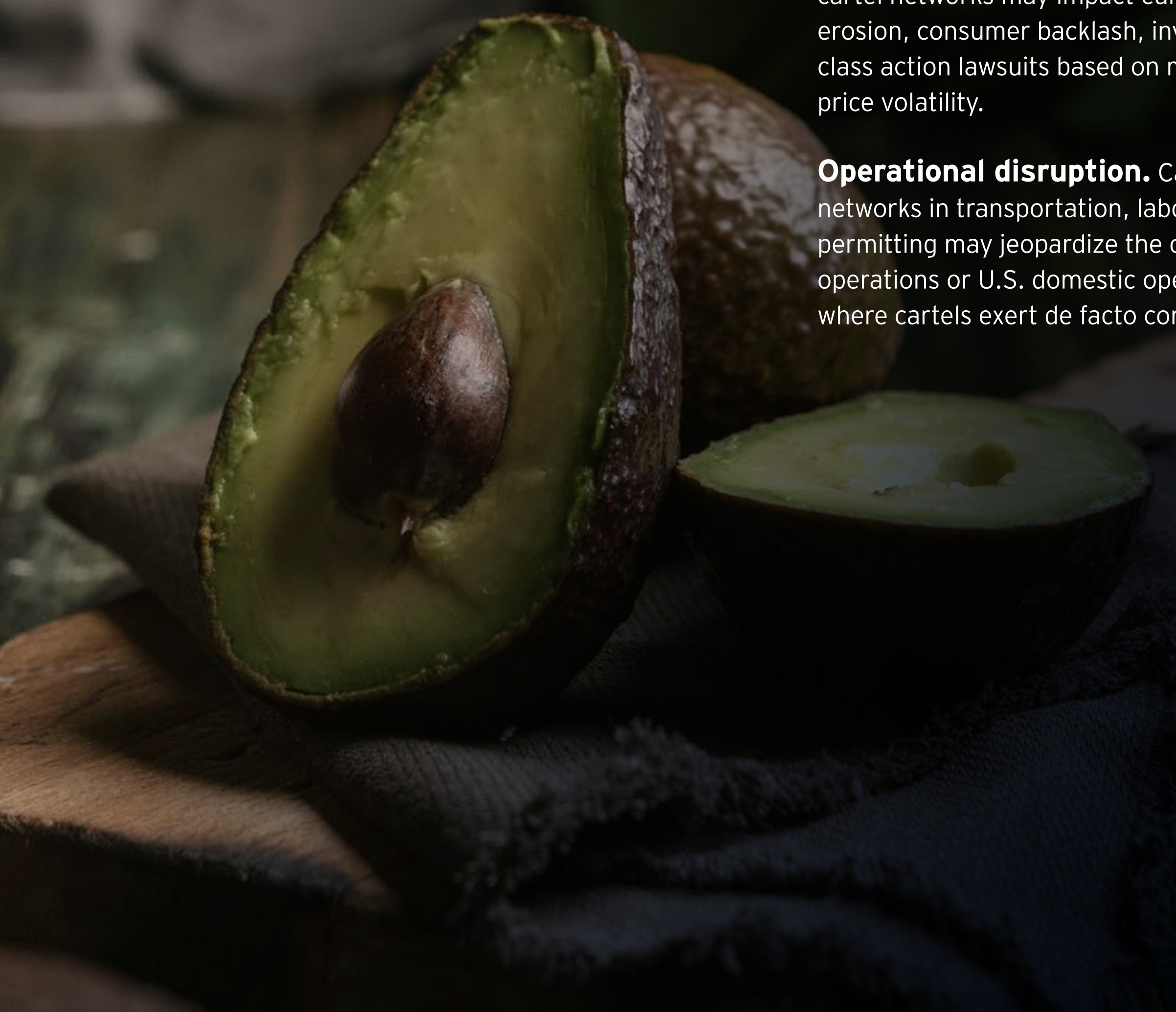
Real-world example:
Mexican avocado industry

The Mexican avocado industry has been targeted by drug cartels, exposing agricultural companies to sanctions and operational disruption.

Anti-cartel compliance is a cross-sector imperative, not limited to financial services. Logistics, extractives and agriculture sectors are vulnerable due to frequent touch points with cartel-affiliated entities.

Reputational costs. The court of public opinion may be swifter than regulatory action. In the current environment, any alleged level of corporate involvement with criminal cartel networks may impact earnings per share, lead to brand erosion, consumer backlash, investor scrutiny and potential class action lawsuits based on mismanagement and stock price volatility.

Operational disruption. Cartel influence and established networks in transportation, labor, financing and local permitting may jeopardize the continuity of multinational operations or U.S. domestic operations in foreign regions where cartels exert de facto control.



Compliance as strategy in a cartel-oriented enforcement environment function

In today's anti-cartel enforcement environment, corporate compliance must anticipate and adapt to avoid costly missteps. Compliance professionals in forward-looking organizations should prioritize the following five actions:

1

Redefine risk assessment frameworks

Traditional third-party risk models must be recalibrated to include terrorism financing and narco-terrorism indicators. Higher-risk geographies — especially Latin America and U.S. border states — should be prioritized for immediate reassessment. Risk should be evaluated not just at the entity level, but across full networks of ownership, influence and transactional flow. This may require a forensic investigation of actual ownership among related entities, shells and trusts.

2

Elevate beneficial ownership mapping

Shell entities are primary conduits for cartel-linked activity. Accordingly, organizations should deploy enhanced due diligence protocols that include multi-jurisdictional corporate registry analysis, nominee identification and adverse media screening to identify and block transactions with cartel-affiliated entities. Technology-enabled network mapping tools can provide visibility into hidden affiliations and beneficial ownership risk.

3

Strengthen contractual and operational controls

Review and revise third-party contracts to include anti-terrorism, sanctions compliance, continuous monitoring and immediate termination clauses for any links to designated cartels, FTOs and SDGTs. Establish protocols for expedited suspension of business with flagged partners. Implement independent reviews for any financiers, transporters or suppliers operating in higher-risk jurisdictions.

4

Enhance monitoring and response mechanisms

Introduce real-time sanctions screening across onboarding, payments and procurement functions. Establish external intelligence feeds and consider law enforcement partnerships to stay abreast of designations and enforcement priorities. Develop crisis response policies and procedures to plan for extortion, facility threats or employee targeting in cartel-influenced or controlled regions.

5

Invest in a culture of compliance and protection

The heightened anti-cartel enforcement environment underscores the necessity of a compliance culture backed by executive sponsorship. Train frontline managers, finance personnel, logistics officers, procurement officers and legal teams to recognize cartel-related red flags and escalate concerns internally without fear of retribution. Reinforce ethical decision-making under pressure — particularly in regions where the cost of doing business includes facilitation payments, informal "fees" or cartel imposed taxes — to protect your corporate reputation and to avoid costly enforcement or private legal actions.

The strategic upside: Resilience, readiness and reputation

While the risks are substantial, so is the present opportunity.

Failure to be proactive may be costly. However, organizations that take decisive action now will not only mitigate potential legal exposure and reputational costs, they will also build more resilient operating models, demonstrate reasonable, thoughtful and responsible leadership to regulators, and signal integrity to markets.

Technology solutions for risk mitigation

Collectively, these technological solutions form a comprehensive defense, enabling organizations to proactively identify, manage and mitigate cartel-related risks across all facets of their operations.

The following capabilities illustrate how organizations can operationalize that defense framework in practice, using targeted tools to strengthen visibility, accelerate detection and support more effective risk response.

- **Network mapping tools:** Provide visibility into hidden affiliations and beneficial ownership structures, helping organizations identify and block transactions with cartel-linked entities.
- **Real-time sanctions screening:** Automated screening across onboarding, payments and procurement functions enables immediate detection of sanctioned parties.
- **External intelligence feeds:** Integrating law enforcement and third-party intelligence sources enables companies to stay ahead of new designations and enforcement priorities.
- **Forensic data analytics:** Advanced analytics can uncover patterns of suspicious activity, enabling early intervention and disruption of illicit networks.

Organizations that act decisively now will not only reduce potential legal risks and reputational costs, but also improve the resilience of their operating models and demonstrate responsible leadership to regulators and markets. By integrating advanced technologies, robust compliance frameworks and sector-specific insights, companies can proactively detect and disrupt illicit networks — safeguarding their integrity and resilience in an evolving risk landscape.

Endnotes

1 Executive Order No. 14157: "Designating Cartels And Other Organizations As Foreign Terrorist Organizations And Specially Designated Global Terrorists" (January 20, 2025), available at: https://www.federalregister.gov/documents/2025/01/29/2025-02004/designating-cartels-and-other-organizations-as-foreign-terrorist-organizations-and-specially.

2 Office of the Attorney General, "Memorandum for All Department Employees: Total Elimination of Cartels and Transnational Criminal Organizations" (February 5, 2025), available at https://www.justice.gov/ag/media/1388546/dl.

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5 18 U.S.C. § 2339A, available at https://uscode.house.gov/view.xhtml?req=(title:18%20section:2339A%20edition:prelim).

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8 https://web.archive.org/web/20221018161508/https://www.nytimes.com/2022/10/18/nyregion/lafarge-cement-isis-terrorism.html.

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11 U.S. Department of the Treasury, "Treasury Takes Decisive Action Against Violent Mexican Cartels" (August 14, 2025), available at: https://home.treasury.gov/news/press-releases/sb0224.

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ED None

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Contributors

Natasha Guinan
Managing Director
Forensic & Integrity Services
Ernst & Young LLP
+1 202 327 7185
natasha.guinan@ey.com

Christine St Pierre
Senior Manager
Forensic & Integrity Services
Ernst & Young LLP
+1 212 360 9600
christine.st.pierre@ey.com

Rajdeep Jolly
Manager
Forensic & Integrity Services
Ernst & Young LLP
+1 703 747 1690
rajdeep.jolly@ey.com