

FinCEN increasingly focused on money laundering networks tied to Mexico-based cartels and certain Chinese nationals

How to protect your organization from regulatory, legal and headline risks

■ ■ ■
The better the question.
The better the answer.
The better the world works.

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow chevron shape pointing to the right.

Shape the future
with confidence



Introduction

On 28 August 2025, the Financial Crimes Enforcement Network (FinCEN) released an advisory, alongside a Financial Trend Analysis, on the integration of what it termed as “Chinese Money Laundering Networks (CMLN)”¹ with Mexico-based transnational criminal organizations (cartels) to facilitate the laundering of illicit funds.

According to US government reports, law enforcement advisories, and regulatory communications, this collaboration poses a significant challenge for global financial systems – including financial institutions, non-bank financial entities, digital asset organizations and money services businesses – and law enforcement agencies as these professional money launderers employ sophisticated tactics to obscure the origin of funds and quickly move across multiple international jurisdictions. US agencies such as the Department of the Treasury, the Drug Enforcement Administration (DEA), and the FinCEN have highlighted these risks in recent public statements and advisories.

For example, cartels source chemicals essential for certain drug production from foreign suppliers, using funds laundered through CMLNs². CMLNs facilitate this by employing informal value transfer systems and trade-based money laundering, allowing cartels to convert drug sale cash into usable funds while avoiding regulatory scrutiny. Additionally, recent designations of Mexican cartels as Foreign Terrorist Organizations (FTOs) have introduced new legal frameworks for combating their operations. This designation allows for the freezing of assets and enhanced surveillance to disrupt their financial networks supporting the cartels. As the cartels continue to adapt their strategies, understanding their financial mechanisms is essential for organizations to understand as they develop effective countermeasures. This article does not make any statements or judgments regarding the actions of any country or entity.

CMLNs role in cartel operations¹

According to FinCEN analysis, this mutually beneficial relationship rose out of local currency controls in place in both Mexico for US dollar deposits and China for caps on annual foreign currency conversions.

The three overarching typologies for money laundering that CMLNs employ:

1. **Mirror transactions:** When a US-based CMLN receives US dollars (USD) from the cartel, it coordinates with Mexican counterparts to transfer an equivalent amount of pesos to the cartel's accounts, circumventing bulk cash smuggling risks and deposit restrictions. CMLNs may also use convertible virtual currency (CVC) to sell USD to certain Chinese buyers, evading currency control laws and further obscuring the funds' origins.
2. **Money mules:** CMLNs often recruit certain US-based Chinese nationals, including students, as money mules, who may be unaware of their illegal involvement and attracted by promises of easy income.¹ These individuals frequently report low-income occupations and may present counterfeit Chinese passports, with CMLNs depositing funds into mule accounts and transferring them via wire, automated clearinghouse (ACH) or peer-to-peer (P2P).
3. **Trade-based money laundering (TBML):** CMLNs employ TBML techniques to obscure the origins of illicit funds and generate revenue, making it an ever-evolving challenge. Goods purchased through money mules are funneled through shell or front companies for resale or export, often leveraging online marketplaces or direct sales to cartel-owned companies in Mexico. Additionally, CMLNs collaborate with "daigou" buyers – individuals who purchase goods on behalf of others – further complicating the laundering process.

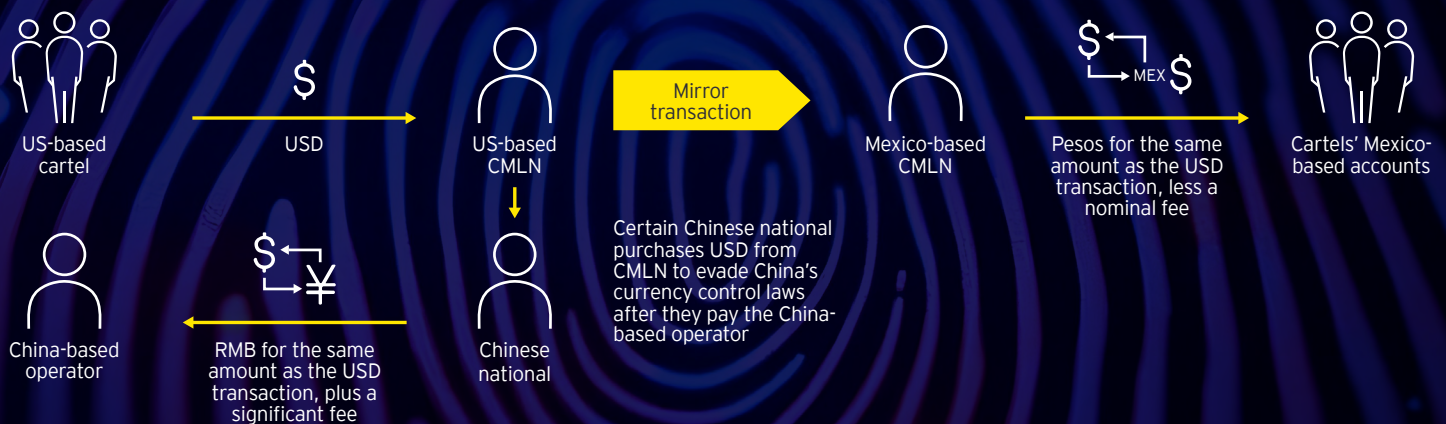
Advancing your compliance program to protect against CMLN and Mexican cartel activity

Organizations can proactively track and mitigate risks associated with CMLNs and cartel activities by enhancing their compliance programs. By recognizing specific red flags indicative of CMLN involvement and cartel financing, such as the examples below, organizations can better identify suspicious activities and strengthen their defenses against these illicit networks:

- Account holders with low-income occupations (e.g., students, housewives, laborers) exhibiting unexplained wealth and engaging in high-value transactions inconsistent with their stated employment.
- Payments made to businesses, such as real estate firms, using cashier's checks or large wire transfers that do not align with typical transaction patterns. Large wire transfers could potentially be structured to remain below applicable suspicious activity report (SAR) reporting thresholds to obscure the true nature of the transactions and may indicate an attempt to evade detection by regulatory authorities.
- Frequent deposits or withdrawals that are unrelated to the customers' payroll, living expenses or expected financial activity.
- Customer reluctance or refusal to provide adequate documentation regarding the source of funds for significant purchases, such as real estate or tuition payments.
- Incoming wire transfers from jurisdictions, such as Mexico, China Mainland, Hong Kong or the United Arab Emirates (UAE), directed to US-based small businesses in sectors like electronics or real estate that lack established ties to those regions.
- Elevated levels of cash activity at branches and ATMs, particularly in high-risk areas, which may indicate money laundering operations. High-risk areas include geographic locations that are identified as having a higher likelihood of criminal activity, due to factors such as elevated crime rates, presence of organized crime or known associations with illicit activities.
- Involvement with third-party entities that have potential connections to CMLNs or Mexican cartels, raising concerns about the legitimacy of transactions.

The graphic below illustrates a simplistic example of how funds flow between cartels and CMLNs.

Mirror-Transaction Money Flow³



Essential practices for effective AML compliance

Ongoing vigilance, technological advancements and international cooperation are essential to combat transnational crime. Review your compliance program to confirm you have the following:

- 1 Collaboration with law enforcement:** Establishing relationships with law enforcement agencies can facilitate information sharing and improve the effectiveness of compliance programs. Organizations should consider participating in industry groups focused on combating money laundering and sharing best practices.
- 2 Evaluate subjects of law enforcement inquiries and Patriot Act 314(b) requests by other financial institutions:** Any subject under investigation by other financial institutions and/or by law enforcement agencies should be considered a red flag for potentially illicit activity. Organizations should leverage 314(b) requests to obtain critical information about subjects under investigation from other financial institutions. By analyzing information gathered through 314(b) requests, organizations can enhance their understanding of potential connections to illicit activity and the subjects should be (re-)evaluated with a lowered risk appetite for any possible links to cartel activity.
- 3 Regular AML compliance program assessments:** Conducting regular audits of compliance programs can help organizations identify weaknesses and areas for improvement. These assessments should evaluate the effectiveness of existing controls and verify that policies are aligned with current regulatory requirements.
- 4 Increased transaction monitoring and enhanced due diligence:** Organizations should implement robust due diligence procedures to identify and verify the identities of customers, particularly those with connections to high-risk jurisdictions. This includes monitoring transactions for unusual patterns that may indicate money laundering activities.
- 5 Utilizing technology:** Leveraging and investing in advanced analytics and technology can enhance transaction monitoring capabilities and the ability to identify potential illicit activities.
- 6 Training and awareness:** Providing training for employees on the red flags associated with CMLN activities and cartel financing, emphasizing the importance of reporting suspicious activities.

How EY team can help:

The EY team has experience of providing high-impact results on cartel financing matters through the application of data analytics, execution of complex investigations and detailed risk assessments. As organizations navigate regulatory compliance challenges and adapt to the evolving landscape of cartel financing risks, compliance professionals should close compliance gaps and strengthen their overall compliance frameworks.

Sources

¹ <https://www.fincen.gov/system/files/2025-08/FinCEN-Advisory-CMLN-508.pdf>

² <https://www.dea.gov/press-releases/2024/10/24/china-based-chemical-manufacturing-companies-and-employees-indicted>

³ https://www.congress.gov/crs_external_products/R/PDF/R48786/R48786.1.pdf



Contributors



Jim Huvane
Principal
Forensic & Integrity Services
Ernst & Young LLP
+1 212 773 9909
jim.huvane@ey.com



Thomas Scazzafavo
Principal
Consulting
Ernst & Young LLP
+1 201 551 4252
thomas.scazzafavo@ey.com



Rodolfo E Islas Strassburger
Partner
Forensic & Integrity Services
Mancera, S.C. (Ernst & Young Mexico)
+52 55 5283 8613
rodolfo.islas@mx.ey.com



Brian Wolfe
Managing Director
Forensic & Integrity Services
Ernst & Young LLP
+1 312 892 3048
brian.wolfe1@ey.com



Julia DiMarco
Senior Manager
Forensic & Integrity Services
Ernst & Young LLP
+1 212 773 1732
julia.dimarco@ey.com



Lauren Morgado
Senior Manager
Forensic & Integrity Services
Ernst & Young LLP
+1 212 773 1148
lauren.morgado@ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2026 EYGM Limited.
All Rights Reserved.

EYG no. 000591-26GbI
US SCORE no. 30613-261US
CSG no. 2510-10737-CS
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com