



Agency Priority Goal Action Plan

U.S.- Mexico Strategic Dialogue on Illicit Finance

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Overview

Goal Statement

- By September 2019, increase U.S. and Mexican effectiveness against transnational criminal organizations (TCOs), including drug trafficking organizations (DTOs), operating in the United States and Mexico through the Strategic Dialogue on Illicit Finance (SDIF) that focuses on taking enforcement actions, sharing key illicit finance information, safeguarding our financial systems against threats, and increasing the effectiveness and capacity of AML/CFT regimes.

Challenge

- Mexico's loss of key personnel because of austerity measures, including salary cuts, enacted by new administration
- Applying TFI's tools and authorities in the most strategic and effective way to identify, disrupt, and dismantle TCOs, including Mexican DTOs.
- Coordinating and collaborating with Mexican counterparts to track and disrupt criminal networks by addressing systemic AML/CFT issues. This effort requires Treasury to work with Mexican partners and the U.S. interagency to leverage diplomatic engagement, law enforcement, intelligence, and regulatory tools.
- Threats to the international financial system are constantly evolving, and it is imperative that the U.S. and Mexico address these increasing challenges to U.S. and Mexico national security.

Opportunity

- Treasury's Office of Terrorism and Financial Intelligence (TFI) has broad tools and authorities to address national security risks such as transnational criminal organizations and narcotics trafficking. We will focus our combined efforts on the disruption of illicit networks and protection of the international financial system through information sharing; targeted actions, including but not limited to sanctions; and other multilateral AML/CFT efforts.
- The Administration is leveraging the SDIF to address larger illicit finance concerns since it is an established mechanism agreed to by both the U.S. and Mexico, with leadership and working level partners in place to propose policies and best practices that reduce and prevent the flow of illicit proceeds
- This effort directly supports Treasury strategic objective 3.1: Strategic Threat Disruption; and 3.2: Anti-Money Laundering/Countering the Financing of Terrorism Framework.

Goal Structure & Strategies

Strategies

- **Strategy 1:** Strengthen U.S./Mexican cooperation on improving AML/CFT capabilities to prevent, combat, and sanction illicit finance activities associated with Mexican DTOs, transnational criminal organizations, and other illicit actors
- **Strategy 2:** Identify and evaluate emerging illicit finance threats, vulnerabilities, and trends
- **Strategy 3:** Promote best practices for the use of existing civil authorities to more effectively target illicit finance actors
- **Strategy 4:** Share operational information on illicit finance activities in the U.S. and Mexico

Key External Factors

- Geopolitical factors
- Emerging/evolving national security priorities

History

- Established in 2014, the SDIF was created in an effort to deliver greater economic growth and opportunity for the citizens of Mexico and the United States by safeguarding our financial systems against the threats of illicit finance. The co-chairs are the U.S. Department of the Treasury and the Secretaría de Hacienda y Crédito Público. Together these two entities work together to propose policies and best practices that reduce and prevent the flow of illicit proceeds within and between the United States and Mexico, while continuing to facilitate the flow of licit funds.

Summary of Progress – FY 19

- TFI has contributed to an NSC Mexico threat finance strategic framework, which includes the SDIF as a mechanism for illicit finance cooperation.
- The new Treasury attaché to Mexico has been selected and deployed.
- The Under Secretary for TFI traveled to Mexico in May 2019 to advance key SDIF priorities.
- TFI's Assistant Secretary co-chaired a principal-level SDIF in July 2019, which established two additional task forces within the SDIF and shared information on AML/CFT methodologies and sanctions evasion.
- The SDIF Deputies will meet in November 2019. Deputies will develop strategies for the two additional task forces and discuss methodologies related to financing of arms trafficking.

Key Milestones

Milestone Summary				
Key Milestone (associated strategy)	Milestone Due Date	Strategy Alignment	Milestone Status	Comments
Assist with U.S./Mexico domestic sanctions reforms	Ongoing	3	On Track	OFAC has shared best practices information with Mexican authorities on U.S. administrative petition regulations and procedures in domestic sanctions cases. Mexico is awaiting approval for proposed legislative reforms to their sanctions regime, tentatively expected prior to the end of 2019.
Provide additional information about illicit financial activities to Mexican officials for use in potential law enforcement operations	Ongoing	4	On Track	Treasury has shared information on specific illicit financial activity with Mexican authorities and received initial feedback from Mexico. Separately, Mexico has also shared information with Treasury on specific illicit finance concerns and with regard to particular investigations.
Participate in annual SDIF senior level meetings.	Q4 FY 19	3	On Track	Treasury co-chaired principal-level meeting in July 2019.
Participate in annual SDIF working level meetings.	Q4 FY 19	3	On Track	Treasury will participate in the deputies-level meeting scheduled for November 20, 2019.
Develop requirements for data matching and regulatory harmonization project.	Q3 FY 18	1	Delayed for FY 19	Treasury and Mexican authorities are looking at the potential to compare data on cash crossing the border.
Confirm mutual understanding of FY 2018 illicit finance trends and threats associated with Mexican DTOs.	Q4 FY 18	2	Completed	Jointly reviewed illicit finance trends and threats at June 2018 SDIF deputies meeting and at the July 2019 SDIF principals meeting.
Establish timeline for the data matching and regulatory harmonization project.	Q1 FY 19	1	TBD	See fifth milestone above.

Key Indicators

Due to the sensitive nature of this goal, OMB and Treasury will hold internal quarterly discussions to track measurable progress toward the desired outcomes.

APG Wrap-up

- The Strategic Dialogue on Illicit Finance (SDIF) remained a critical avenue in FY19 between the Government of Mexico (GOM) and the Treasury Department on combatting illicit finance activities that exist within and between our two countries. During this year, the two governments partnered together to address systemic anti-money laundering / countering the financing of terrorism (AML/CFT) issues, specific threats that affect both of our countries, and sharing best practices on the use of existing and new authorities available to each government. Within the SDIF, the Treasury Department has been on track in our key milestones of assisting with Mexico's domestic sanctions reforms, providing information to be used in investigations by Mexico's law enforcement, and confirming our mutual understanding of illicit finance trends associated with Mexican drug trafficking organizations. Also completed this year was Treasury and the GOM's annual principal-level SDIF, hosted at the Assistant Secretary level, and the planning for a SDIF deputies (to be held in November 2019). Principals committed the SDIF to forming and developing three task forces on human trafficking, trade based money laundering, and exchange houses. These milestones were accomplished despite Mexico's loss of key personnel and austerity measures that were enacted by the new Administration, as well as the disruption in scheduling and planning caused by the U.S. Government shutdown in January. In FY20, the Treasury Department will continue working with the GOM through SDIF on AML/CFT issues of concern.

Additional Information

Organizations:

- Department of the Treasury
- Department of Justice, Department of Homeland Security (HSI and CBP), Internal Revenue Service – CI, and the Department of State

Representative Authorities:

- Bank Secrecy Act
- Sanctions programs under the Foreign Narcotics Kingpin Designation Act (“Kingpin Act”), International Emergency Economic Powers Act (IEEPA)
- Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking (February 2017)