



## Agency Priority Goal Action Plan

# U.S.- Mexico Strategic Dialogue on Illicit Finance

**Goal Leader:** Marshall Billingslea, Assistant Secretary, Office of Terrorism and Financial Intelligence (TFI)

**Deputy Goal Leader:** Daniel Moger, Principal Deputy Assistant Secretary, TFI – Office of Terrorist Financing and Financial Crimes (TFFC)

# Overview

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## 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

- 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 - identify, disrupt, and dismantle priority threats to the U.S. and international financial system; and 3.2: Anti-Money Laundering/Countering the Financing of Terrorism Framework.

# Goal Structure & Strategies

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## 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 18

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- In June 2018, Treasury led a staff-level working meeting in Mexico City, which included updates from both sides on progress made on ongoing projects and a discussion of how to maintain momentum and policy continuity during the upcoming political transition in Mexico.
- Following the meeting, Treasury shared information on a financial institution and on several legal entities raising distinct illicit finance concerns with Mexican authorities, and separately, Mexican authorities shared information on five separate occasions about distinct illicit finance concerns.
- Treasury is tentatively planning to hold a principals level SDIF meeting in Mexico City in October 2018.

# 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 domestics sanctions cases.   |
| 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.  | Q3 FY 18<br>Q3 FY 19 | 3                  | On Track         | Treasury is coordinating potential dates with Mexican authorities.   |
| Participate in annual SDIF working level meetings.   | Q4 FY 18<br>Q4 FY 19 | 3                  | On Track         | Treasury held a SDIF working level meeting in June 2018 in Mexico City.  |
| Develop requirements for data matching and regulatory harmonization project.   | Q3 FY 18             | 1                  | On Track         | 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                  | On track         | Jointly reviewed illicit finance trends and threats at June 2018 SDIF deputies meeting; will repeat this exercise at the next principals meeting.  |
| Establish timeline for the data matching and regulatory harmonization project.   | Q1 FY 19             | 1                  | On track         | See fifth milestone above.   |
| Confirm mutual understanding of FY 2019 illicit finance trends and threats associated with Mexican DTOs.                               | Q4 FY 19             | 2                  | On track         |  |

# Key Indicators

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

# Additional Information

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## Contributing Programs

Organizations:

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

Regulations: Bank Secrecy Act

Policies: Sanctions under the Foreign Narcotics Kingpin Designation Act (“Kingpin Act”), Executive Orders, etc.

Other Federal Activities: Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking (February 2017)