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Diplomacy, Rule of Law, Security & Intelligence

Executive **report**

International Panel
"Confronting Terrorism: Comparative Experiences from Canada and the United States"

Organized by: *Nzaya | Diplomacy, Rule of Law, Security & Intelligence*
In collaboration with: *International Association for Intelligence Education (IAFIE)*
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Introduction

The second administration of President Donald Trump has heightened tensions in international governance and across strategic economic sectors by introducing abrupt changes to the mandates of key institutions through executive orders. These developments are shaping the manner in which the United States addresses economic, social, and security-related dynamics.

Although these executive orders do not constitute reforms to substantive law, they do require a reorientation of the operational focus of key institutions. Within this context, the forum — Confronting Terrorism: Comparative Experiences from Canada and the United States — explored executive orders issued by both the United States and Canada relating to the designation of Mexican cartels as Foreign Terrorist Organisations (FTOs), encompassing related directives concerning anti-money laundering (AML), counter-terrorism financing (CTF), and corporate integrity.

The following is the Executive Report summarizing the discussions led by **Marilyn B. Peterson**, renowned former intelligence official of the United States Department of Justice, and **John Pyrick**, former intelligence officer of the Canadian Security Intelligence Service.

Key Findings

1 Regulatory Changes and Emerging Risks

1.1 Designation of Mexican Cartels as Foreign Terrorist Organizations (FTOs)

The U.S. Department of the Treasury, through the Office of Foreign Assets Control (OFAC), recently designated six Mexican cartels as Foreign Terrorist Organizations (FTOs). This designation broadens the legal framework for prosecution beyond narcotics trafficking.

The measure criminalizes any form of “material support”, which may include logistical, financial, transportation, or technological services. This designation entails:

- Extraterritorial legal obligations for companies operating in Mexico.
- Risks of criminal or civil sanctions, asset forfeiture, and legal proceedings — even in cases of indirect or unintentional involvement.
- Increased scrutiny in areas under the control of designated groups.

Companies must review their compliance processes and develop stronger analytical capabilities to anticipate potential indirect links to complex criminal networks.

Key Findings

1 Regulatory Changes and Emerging Risks

1.2 Relaxation of the *Corporate Transparency Act en EE. UU.*

The temporary suspension of corporate transparency obligations allows companies to conceal their ultimate beneficial owners, which represents:

- A clear risk to financial traceability.
- A setback against international AML/CFT standards.
- Increased challenges for Latin American companies in validating the legitimacy of their U.S. counterparts.

Managing international counterparties becomes riskier and requires strengthening internal due diligence and validation of ultimate beneficial owners.

Key Findings

1 Regulatory Changes and Emerging Risks

1.3 Militarization of the U.S. Southern Border

The deployment of military forces along more than 3,500 km of border creates a high-risk environment for:

- Legitimate cross-border trade.
- Logistics companies, armored transport services, and financial institutions.
- Organizations operating in sensitive areas or regions with a high presence of criminal groups.

Strategic and logistical planning for companies must consider not only the legality of their operations, but also their exposure to geopolitical and criminal risks.

Key Findings

2 Typologies and Operational Modalities

During the event, **key typologies** were shared that are highly useful for compliance officers, prosecutors, and Financial Intelligence Units (FIUs). These modalities should be integrated into the early warning systems and risk matrices of both companies and government entities.

2.1 Trade-based money laundering (TBML).

- Use of high-value goods (watches, luxury vehicles, jewelry) as a means of transferring illicit value across jurisdictions.
- Invoice falsification or alteration, price or quantity manipulation to justify fictitious or inflated commercial transactions.
- Export/import transactions between related entities without genuine economic substance.

This phenomenon requires organizations to strengthen their ability to analyze commercial operations beyond accounting records and open-source information.

Key Findings

2 Typologies and Operational Modalities

2.2 Front Companies vs. Shell Companies

- **Front companies:** Legitimate businesses with a physical presence that mix lawful revenue with illicit funds. They are often operated through nominees or straw persons.

- **Shell companies:** Entities with no physical presence or real economic activity, typically used as vehicles to transfer funds with minimal regulatory oversight.

Operational differentiation between these schemes enables the design of targeted controls and alerts based on specific behaviors and structural characteristics.

Key Findings

2 Typologies and Operational Modalities

2.3 Red Flags in Company Operations

- Economic activity inconsistent with the company's declared business purpose (e.g., a toy importer making payments to chemical companies).
- Cash transactions that are disproportionate to the size or nature of the business.
- Structured payments designed to avoid regulatory thresholds (e.g., structuring or smurfing).

The event emphasized the importance of integrating contextual and intelligence-driven analysis into customer due diligence and transaction review processes.

Key Findings

3 Practical Recommendations for Compliance and Public Policy Agendas

3.1 Strengthening Enhanced Due Diligence (EDD)

- Integrate financial intelligence elements into KYC processes: supplier location, FTO areas of influence, links to sanctioned individuals, compliance history.
- Validate ultimate beneficial owners using public lists, commercial registries, and open-source intelligence (OSINT).
- Apply cross-verification mechanisms for counterparties involved in high-value transactions or operating within high-risk sectors.

Nzaya promotes an enhanced due diligence approach based on applied strategic intelligence, enabling companies to anticipate risks that are not visible through traditional compliance practices.

Key Findings

3 Practical Recommendations for Compliance and Public Policy Agendas

3.2 Integrating CTF into AML Risk Matrices

- CTF risk should be assessed not only based on the origin of funds, but also on their destination and intended use.
- Incorporate specific CTF indicators into sectoral, geographic, and transactional risk methodologies.
- Consider as an inherent risk any operations conducted in areas with a known presence of FTOs, or where extortion practices — commonly referred to as “*protection payments*” or *derecho de piso* — have been reported.

Integrating counter-terrorism financing into risk management systems transforms the traditional compliance approach toward a more comprehensive strategic surveillance model.

Key Findings

3 Practical Recommendations for Compliance and Public Policy Agendas

3.3 Training in Strategic Intelligence and Contextual Analysis

- Compliance officers and specialized units must go beyond regulatory checklists.
- They require training in pattern analysis, contextual interpretation, and the use of open-source intelligence (OSINT) to anticipate emerging threats.
- Strategic intelligence tools enable:
  - Proactive risk detection.
  - Mapping of hidden networks.
  - Enhanced regulatory reporting and internal alert systems.

Nzaya offers training programs that integrate law, strategic intelligence, and institutional cooperation, transforming compliance into a strategic function.

Key Findings

3 Practical Recommendations for Compliance and Public Policy Agendas

3.4 Interagency and International Coordination

- Promote formal channels of exchange with FIUs, prosecutors’ offices, and regulatory agencies.
- Align supplier evaluation standards with international criteria (FATF, Egmont Group, OECD).
- Foster public-private agreements or dialogue forums to share alerts and operational indicators.

Nzaya supports building communication bridges between public, private, and multilateral organizations to promote integrated, sustainable, and globally aligned responses to transnational threats.

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Nzaya reaffirms its commitment to developing strategic capabilities across the public and private sectors through specialized training, technical consulting, and multisectoral analysis forums.

The video recording of the forum will soon be available on our website.

www.nzaya.com

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