Terrorist Designations & Corporate Risk: What General Counsels Need to Know

Summary of the webinar organized by GC Elite (July 21, 2026) with Diaz Reus attorneys Javier Coronado Diaz, Pedro Fragoso Pires, Isabela Hernandez-Perrdo and DRT investigator Brian Smith.

Before our panel spoke a single word on July 21, the audience had already told us something important.
Of the General Counsel, compliance leaders, and senior legal professionals who registered from across Latin America, the US, Europe, Africa and the Middle East, 75% reported having significant or limited operations in Latin America. Yet more than half (56%) described themselves as limited, not prepared, or simply unsure of their readiness to identify and mitigate FTO-related exposure. And when asked what their most pressing unanswered question was, 53% gave the same answer: we need to understand our OFAC and SDGT obligations in practice, not just in theory.
That is exactly what the webinar set out to address.

What Changed, and Why It Matters Now

Brian Smith, former DEA Special Agent and now with DRT Investigations, opened by framing the shift. FTO designations were historically reserved for ideologically driven terrorist organisations. What changed is the scope: the US government has now extended the framework to transnational criminal organisations whose defining characteristic is violence and criminal activity, including drug trafficking cartels operating in Latin America. The consequence is that OFAC and the full enforcement apparatus of the US government can now target these organisations, and anyone connected to them.

The material support doctrine is the critical concept for businesses. It is broad, it is interpreted expansively, and it extends to conduct occurring entirely outside the United States. Critically, it does not require intent. The concept of willful blindness, knowing a risk exists and choosing not to act on it, is sufficient to attract liability. As **Javier Coronado**, Partner at Diaz Reus, put it plainly: if your organisation has heard rumours about extortion payments being made and has not taken action, that may be enough to trigger an investigation.

Beyond Extortion Payments

The Chiquita Brands case is the case most GCs associate with material support liability, a company making protection payments to a designated organisation. **Javier Coronado's** message was that the framework has has reaffirmed this consequence while expanding its scope to address additional legal risks.

Prosecutors and investigators in the US are now pursuing material assistance cases connected to logistics, companies providing operational support to cartel activity without ever making a direct payment. Following the use of anti-fentanyl authorities against three of Mexico's largest financial institutions (resulting in their effective liquidation), the message to businesses is clear: FTO designations have consequences that cascade across the entire commercial ecosystem.

Civil Litigation Is the New Frontier

Venezuela already presented one of the most complex sanctions environments in the world. The FTO designations of Tren de Aragua and Cartel de los Soles have added a further layer of risk that many businesses have not yet absorbed.

Beyond criminal liability and OFAC enforcement, **Javier Coronado** highlighted a rapidly growing risk: civil litigation. Plaintiffs are now using anti-terrorism statutes to bring multi-million dollar claims against businesses deemed to have provided material assistance to cartel operations connected to the Venezuelan government. This is an area of exposure that traditional sanctions compliance programmes were not designed to address.

The Infiltration Problem

Pedro Fragoso Pires, Foreign Legal Consultant at Diaz Reus, described a challenge that sets Brazil apart: the PCC and Comando Vermelho have had sufficient time to become highly sophisticated, embedding themselves in legitimate commercial sectors in ways that are genuinely difficult to detect. The Carbono Oculto investigation, which revealed PCC control over fuel distribution networks, is a vivid illustration of how illegal activity can operate invisibly through legal business structures.

Brazil's domestic anti-terrorism law does not classify these organisations as terrorist organisations . But the extraterritorial reach of US FTO legislation means that any company with even minimal contacts with the US financial system, including dollar-denominated transactions or use of US-based email infrastructure, is potentially in scope.

What the Panel Recommends

The practical guidance from the panel converged on five areas:

1. Conduct a renewed risk assessment. Existing compliance programmes were not built with the FTO framework in mind. The starting point is a fresh assessment of suppliers, customers, payment flows, and counterparties in light of the new designations.

2. Update your compliance manual and contracts. Running names through a sanctions list is a necessary first step, but it is not sufficient. Compliance documentation, KYC procedures, and day-to-day commercial contracts need to be updated to include appropriate representations, warranties, and covenants.

3. Adopt a risk-based approach to due diligence. The level of diligence required is proportionate to your organisation's risk profile. A company in a high-risk sector operating in a high-risk geography will face higher expectations than one with limited exposure. Still, no company operating in Latin America can afford to treat this as someone else's problem.

4. Empower your compliance function. As **Pedro Fragoso Pires** noted in closing, compliance officers must have a direct line to senior management and the board, not simply report upward through a chain that can dilute urgency. Compliance teams that cannot speak independently cannot do their job.

5. Train your people. The risk does not live only in the compliance department. Business-side teams, procurement, sales, logistics, and finance need to understand what these designations mean for the decisions they make every day.

A Global Audience, A Global Risk

One of the most striking aspects of the July 21 webinar was its geography. Registrants joined from Mexico, Brazil, Colombia, Peru, Ecuador, the US, the UK, the Netherlands, Italy, Saudi Arabia, Kuwait, Nigeria, Kenya, Egypt, the Philippines, Romania, and beyond. The reach of US enforcement jurisdiction is not limited to companies operating in Latin America. As **Pedro Fragoso Pires** observed, any company that closes transactions in dollars or uses US-based digital infrastructure has minimum contacts with the US, and that is enough.

The question is no longer whether your organisation has exposure. It's whether you know where to look.

GGC Elite hosts regular webinars and briefings for General Counsel and senior in-house legal leaders worldwide. A recording of this webinar will be available shortly on the GC Elite YouTube channel. To join the community or enquire about future events, visit gcelite.com

For legal advice on FTO compliance, OFAC obligations, or risk assessments in Latin America, contact Diaz Reus.