



# Behind a FinCEN Red Flag: Screening for Fentanyl Precursors

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## COUNTERNARCOTICS

# Behind a FinCEN Red Flag: Screening for Fentanyl Precursors

By Sayari Analyst Team · Published February 2025

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Financial institutions monitoring drug-related money laundering have built programs around transaction red flags—structuring, unusual cash activity, rapid movement. But fentanyl's supply chain presents a different financial architecture. The risk isn't detecting proceeds flowing outward; it's upstream payments: wire transfers to Chinese chemical exporters for precursor purchases that look exactly like legitimate business-to-business commerce.

In 2024 alone, covered FIs submitted more than 1,200 Suspicious Activity Reports tied to fentanyl-related transactions, with a combined value exceeding \$1.4 billion. These aren't unusual transactions—they're the kind of cross-border payments for raw materials that happen thousands of times daily in legitimate supply chains. The difference between lawful chemical import and one funding cartel production lies not in the payment itself, but in context: who the buyer is, what they do, and whether their profile aligns with the chemicals they're importing.

Trade data changes the equation. When trade history connects to corporate registry information, an ordinary transaction becomes a detectable anomaly. FinCEN's 2024 red flag guidance makes this explicit. Financial institutions can now move beyond transaction monitoring alone to implement precursor-focused screening.

## The Fentanyl Supply Chain: Why the Money Moves, and Where

The fentanyl supply chain operates on jurisdictional arbitrage. After 2019, when China scheduled all fentanyl-related substances as a class, illicit fentanyl exports from China declined. Instead, Mexican cartels shifted to a precursor import model: they purchase chemical precursors from Chinese suppliers, import them into Mexico, and synthesize finished fentanyl in clandestine labs.

The financial footprint appears ordinary. A Mexican trading company orders industrial chemicals from a Chinese exporter, bills in U.S. dollars, and wires payment. No obvious red flag appears in the payment itself.

The concern emerges from the buyer's profile. If a toy importer, textile trader, or consumer goods distributor purchases sodium borohydride—a chemical with limited legitimate applications outside pharmaceutical manufacturing—that's an anomaly. When that buyer orders multiple shipments of methylformamide and tartaric acid from the same supplier, the pattern becomes a signal.

FinCEN's focus on precursor diversion reflects this structural insight. Covered institutions must verify the commercial logic of each transaction against the customer's known business profile.

## FinCEN's Red Flag Guidance: From Advisory to Operational Reality

In 2024, FinCEN issued advisory guidance identifying red flags for fentanyl precursor trafficking. The most actionable flag for financial institution screening: "A customer is a Mexican company that does not appear to be involved in the chemical manufacturing and pharmaceutical industries despite transactional activity indicating the procurement of fentanyl precursor chemicals and associated manufacturing equipment."

This operationalizes a simple principle: verify that customer's stated industry profile matches their procurement patterns. The challenge is practical. Most AML systems flag transaction characteristics: size, frequency, destination, velocity. Few cross-reference trade and corporate data against transaction flows in real time.

In late 2024, under the FEND Off Fentanyl Act, FinCEN designated three Mexico-based financial institutions as primary money laundering concerns. OFAC simultaneously sanctioned

Mexican individuals and companies identified as significant suppliers of fentanyl precursors to the Sinaloa Cartel. For banks with exposure to this activity, the regulatory environment has shifted from advisory to mandatory compliance.

The red flag is now a requirement. The question is how to implement it.

## Trade Data as Red Flag Detection: The Corporativo Y Enlace Ram Case

In May 2024, Corporativo Y Enlace Ram, a Mexican entity, began importing shipments of sodium borohydride from a Chinese chemical supplier. On its surface, no immediate concern existed. The entity was identified as a consumer goods trader focused on toys and sports equipment. Sodium borohydride is a legitimate industrial chemical. The transaction processed normally.

From May 2024 through January 2025, the entity imported at least five separate shipments of sodium borohydride. Sodium borohydride, designated to the DEA's Special Surveillance List in 2023, is a recognized fentanyl synthesis precursor. The entity also imported methylformamide and tartaric acid—both fentanyl precursors—from the same source.

The transactions appeared routine. The anomaly emerged only when transaction data was examined against the corporate profile and the known uses of the chemicals. A toy and sports equipment distributor had no commercial reason to import five shipments of borohydride and multiple precursor shipments. Once that mismatch was identified, the pattern became unmistakable.

This case illustrates FinCEN's red flag guidance. The red flag isn't in the transaction itself; it emerges when trade data, corporate registry information, and transaction records are synthesized. Effective precursor screening requires access to trade history and corporate data, not simply transaction monitoring infrastructure.

## Building a Precursor Screening Capability: What Financial Institutions Need

Implementing FinCEN's red flag guidance requires three components. First, establish a baseline profile for each customer with chemical or precursor procurement activity. This profile should document the customer's stated industry, types of chemicals they legitimately import, and their suppliers. For customers in unrelated sectors—retail, textiles, consumer goods—the presence of chemical procurement activity itself becomes a preliminary risk indicator.

Second, institutions need access to real-time or near-real-time trade data matched against customer transaction activity. When a customer initiates a wire transfer to a foreign supplier, the system should cross-reference the transaction against available trade records to verify an import order exists and that the shipment is consistent with the customer's historical patterns.

Third, institutions need context. A transaction to a Chinese chemical company representing a departure from a customer's historical patterns, or involving chemicals on the DEA Special Surveillance List, requires escalation and investigation.

Financial institutions must connect customer identity, corporate structure, trade history, and transaction activity. Institutions that rely on transaction monitoring without this broader context will continue processing precursor financing payments because those payments will appear routine. The institutions meeting FinCEN's expectations are those that overlay trade and corporate data onto their AML programs. For compliance officers, this is no longer a best practice—it is becoming an operational necessity.

Sayari's financial crime platform integrates over four billion trade transactions with corporate registry data across 190 countries, enabling financial institutions to cross-reference customer transaction activity against verified import records and corporate profiles. For teams building precursor screening capabilities, the platform provides the underlying data infrastructure to operationalize FinCEN's red flag guidance. Compliance officers looking to strengthen screening for fentanyl precursor financing can explore how trade data and corporate verification integrate into institutional AML programs by requesting a demo.

For more detail on FinCEN's guidance on precursor-related activity, review FinCEN's advisory resources. To understand how trade finance and compliance can work together, see Sayari's financial crime use case and law enforcement and regulatory capabilities.

Please visit [sayari.com](https://sayari.com) to learn more.

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