

Feds' White Collar Crime Enforcement 'Retreat' Raises Alarms

By Phillip Bantz

Law360 (February 24, 2026, 7:13 PM EST) -- Money laundering-related fines and tax fraud investigations plummeted last year as President Donald Trump shifted federal agents away from combating financial crime to focus on the immigration crackdown, according to recent reports that have raised alarms among experts about the state of white collar enforcement in the U.S.

Last year, fines collected from anti-money laundering-related violations dropped by 54%, probes into tax schemes slipped 63% and about 25,000 federal agents, including career prosecutors and FBI and IRS agents who investigated white collar crimes, were diverted to immigration enforcement.

That's according to a money-laundering fines report released in January, along with two letters that same month from Democratic members of Congress calling for probes into the Trump administration's "retreat" from white collar crime enforcement.

"Having 25,000 fewer law enforcement personnel investigating and prosecuting white collar crime enables fraud, tax evasion, money laundering, and other crimes that hurt the American people," U.S. Rep. Dan Goldman, D-N.Y., one of the lawmakers who led the calls for investigations, said in a statement.

The diversion of enforcement resources, coupled with Trump's pardons of white collar offenders, represents an "extraordinary" development that goes beyond the typical priority shifts that come with a change in the presidential administration, according to Zorka Milin, policy director at the Financial Accountability and Corporate Transparency Coalition. FACT is a nonpartisan alliance of more than 100 state, national and international organizations.

"The overall impression is almost one of impunity," Milin recently told Law360.

The U.S. Department of Justice told Law360 that it remains "committed to protecting American citizens, whether that be safeguarding them from waste and fraud, protecting markets and investors, or holding accountable those that use fraudulent schemes to prey on innocent victims."

"Assisting partners with immigration enforcement has not deferred our ability to also successfully investigate and prosecute white collar crime to keep American citizens safe," a DOJ spokesperson said.

However, fines from anti-money laundering-related regulatory enforcement actions in the U.S. fell from

\$4.3 billion in 2024 to \$1.97 billion last year, according to a recent report from Fenengo. The compliance software provider based its findings on public data from the government, companies and news sources.



The drop in fines is likely attributable to a "change in approach from a new U.S. administration, coupled with a long period of inactivity due to the 43-day government shutdown during October and November," the report said.

Fenengo initially reported in mid-January that money laundering fines in the U.S. had dropped by 61%, but it has since revised that number after uncovering additional fines, according to a company representative. Globally, financial regulatory penalties dropped by 18% in 2025, according to the report.

This shift away from white collar enforcement is happening at a time when the "global threat environment has probably never been higher when it comes to financial crime," said Daniel Stipano, head of the anti-money laundering practice at Davis Polk & Wardwell LLP. He formerly served as deputy chief counsel and director of enforcement at the Office of the Comptroller of the Currency, which regulates U.S. banks.

The threat is largely "fueled by technology," Stipano said. For instance, he noted that cryptocurrency has become "much more mainstream, but it is unquestionably a magnet for criminals and criminal activity."

The acceleration of artificial intelligence also could fuel white collar crime in new ways, experts said.

The enforcement focus and resource shift also come as the U.S. faces the "biggest evaluation of the strength of its anti-money laundering standards" in a decade, noted Erica Hanichak, deputy director at FACT. She leads the group's engagement with federal policymakers.

Evaluators with the Financial Action Task Force, an international policymaking group that sets anti-money laundering and counter-terrorist financing standards, are assessing U.S. compliance measures this year as part of what Hanichak described as a "cloak-and-dagger, behind-closed-doors sort of

evaluation." The test marks the first full evaluation for the U.S. since 2016, and it's expected to wrap up in the fall, she said.

"When a jurisdiction is considered not compliant, it can be gray-listed such that it now has a big sign that says this is a risky place to do business. For correspondent banking and the general flow of transnational finance, it becomes a lot more burdensome to do business in that jurisdiction," Hanichak said.

"Gray-listed" countries are under "increased monitoring" while "actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing," according to the task force.

Hanichak added, "We'll see what FATF decides. But I think for an appropriate assessment, FATF should express concern about the state of enforcement in the U.S."

In late January, meanwhile, U.S. lawmakers raised alarms about the state of white collar crime enforcement in two separate letters, one to federal inspectors general and another to Treasury Secretary and acting IRS Commissioner Scott Bessent and IRS Criminal Investigation Chief Guy Ficco.

"When white collar criminal enforcement is neglected, the American public pays the price," a group of 27 Democratic members of Congress asserted in the letter. They urged inspectors general to investigate the "impact of the Trump administration's diversion of law enforcement resources away from white collar and corporate crime and in favor of immigration enforcement."

The lawmakers asserted that "many" of the 25,000 federal agents diverted to immigration enforcement since January 2025 "had been dedicated to combating white collar crimes — including fraud, tax evasion, money laundering and more."

"As a result of these diversions, white collar investigative teams are understaffed, under-resourced, and in some cases gutted," the letter said.

The lawmakers also stated that Trump's pardons of white collar offenders had erased about \$1.3 billion in restitution and fines.

They have requested a breakdown of exactly how many federal agents have been assigned to immigration enforcement, along with how many white collar crime cases have been opened, closed or suspended during the start of the second Trump administration.

In the separate letter to Bessent and Ficco, seven U.S. senators have sought details about why IRS probes into abusive tax schemes fell from 92 cases in 2024 to 34 last year, a 63% drop and "roughly 40% below every other year in the past decade," according to the IRS criminal investigation annual report released in December.

Attempts to speak with the lawmakers leading the calls for the investigations were unsuccessful. The DOJ did not respond when asked to comment on whether it had answered the lawmakers or planned to investigate their concerns.

"These are important questions to be answered," said Joe Whitley, who chairs the white collar defense and criminal investigations practice at Womble Bond Dickinson. He formerly served as acting associate attorney general, the third-highest ranking position at the DOJ, under Presidents Ronald Reagan and

George H.W. Bush.

"We took these communications really seriously when we got them, and we tried to pull together responses," Whitley said of letters from lawmakers seeking information from the DOJ.

Whitley and several other white collar criminal defense lawyers previously told Law360 that the shift in DOJ resources had shaken up their practices. Whitley, for instance, said he had started to handle more civil litigation cases. Others are spending more time advising clients on compliance and related matters rather than defending them in criminal probes and prosecutions.

While resources and priorities have shifted, white collar enforcement remains strong in some areas, including healthcare fraud and False Claims Act cases, according to experts and DOJ statistics.

"There's less enforcement activity than there was, but there are other types of work that takes up the slack," Stipano at Davis Polk recently told Law360.

But he and other attorneys also said they represent clients who were facing active white collar federal investigations that have stalled during Trump's second term in office, likely as a result of the DOJ staffing changes.

"We've seen it happen both with the DOJ and with regulators," Stipano said. "Sometimes that's marked by the departure of the key investigators. If the lead investigators depart, a lot of times the investigations just kind of wither on the vine — not a bad result for our clients."

White collar enforcement could regain steam in the near future, if the administration begins to shift resources away from immigration enforcement and the Justice Department is able to bolster its depleted ranks.

The DOJ's Criminal Division got a new chief, A. Tysen Duva, in December, and a Fraud Section chief, Lorinda Laryea, in January — a potential "sign of a bit more continuity and a stable reporting chain," said Alexander Kramer, a white collar partner at Crowell & Moring LLP and former senior official in the DOJ's Criminal Division.

"Maybe we'll see an increase in enforcement as we go forward," he said. "But you most certainly have to acknowledge that there has been a drop in the last year."

--Editing by Haylee Pearl.