

LEGAL UPDATES

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DOJ Doubles Down on Trade Fraud Enforcement: What the Recent Priority Memo Signals for Importers

Earlier this month, the Department of Justice (DOJ or the Department) sent another clear message that global trade fraud sits at the top of its enforcement agenda. Following the release of an August 2026 memo and rule that created the National Fraud Enforcement Division (NFED or Division) and described its priorities, Assistant Attorney General Colin M. McDonald issued a follow-on directive on October 1, 2026. The DOJ's October memo sharpens and formalizes how trade and customs fraud will be investigated and prosecuted going forward, particularly where corporations are involved. Read together with the Department's recent announcement that its cross-agency Trade Fraud Task Force (Task Force) with the U.S. Department of Homeland Security has already surpassed \$1 billion in recoveries and charged losses in under a year, the message to importers, customs brokers, and supply-chain participants is unmistakable. Trade fraud is no longer a back-burner compliance risk, nor is it confined to the realm of civil and monetary penalties. Trade compliance is now a top civil and criminal enforcement priority for the DOJ and its partners.

NFED's Mandate: Trade Fraud Joins the DOJ's Core Mission

When the NFED launched in August, its founding priorities memo (August Memo) set out five pillars of focus: public trust and financial integrity, healthcare, internal revenue, global trade and commerce, and corporate misconduct. The August Memo frames global trade and commerce as central to American economic security, explaining that when corporations or individuals engage in trade fraud and customs evasion, they undermine American industry, deprive the public of vital external revenue, fund foreign adversaries, and compromise national values. The August Memo designates the cross-agency Trade Fraud Task Force as the vehicle for targeting systemic,

high-impact noncompliance. Further, the August Memo specifically flags illicit transshipment schemes, country-of-origin fraud, undervaluation of imported goods to evade duties, sanctions evasion, and foreign forced labor schemes as priority areas for investigation and prosecution.

The August Memo also made clear that trade compliance is not a symbolic priority. The NFED has quickly built a nationwide footprint since its launch, and the DOJ has been reorganizing substantial resources from other components into the Division, pushing headcount toward approximately 500 attorneys and staff by late August 2026, with plans for continued growth over the following two years. Trade enforcement got its own dedicated infrastructure within that build-out: the NFED's organizational chart includes a standalone Global Trade & Commerce Enforcement Section.

The October NFED Memo: Formalizing Corporate Accountability for Trade Fraud

DOJ memo issued on October 1, 2026 (October Memo), captioned "Corporate Enforcement in the Fight Against Fraud," builds directly on the August Memo's priorities by providing rules for how the Division's attorneys will handle corporate investigations generally, and trade fraud is explicitly named as one of the core categories. The directive instructs NFED prosecutors to prioritize opening and conducting corporate investigations involving, among other things, fraud schemes involving tariff evasion, importation of goods or services, or forced labor. The memo places trade fraud on equal footing with healthcare, government procurement, and tax fraud as a top-tier corporate enforcement target for the DOJ.

The October Memo does not stop at identifying priority subject areas. It also sets out the aggravating factors prosecutors must weigh heavily when deciding whether to bring charges or how to resolve a corporate case, several of which map onto the fact patterns common in trade fraud matters: knowledge of or involvement in the fraud by corporate management; efforts to conceal the scheme from government agencies or auditors or to obstruct oversight; conduct lasting three years or more; conduct that threatens the safety or security of Americans, including military readiness; conduct causing substantial financial hardship to a taxpayer-funded program or affecting multiple such programs; conduct spanning three or more federal districts; conduct causing financial harm to 25 or more victims or \$25 million or more in loss; conduct involving the exfiltration of American dollars to support foreign adversaries; and conduct involving immigration offenses. For companies engaged in cross-border trade, many of these triggers, such as multi-district conduct, multi-year schemes, and dollar thresholds well below the size of a typical large importer's annual duty exposure, are easy to hit.

At the same time, the October Memo reaffirms that voluntary self-disclosure, cooperation, and remediation remain meaningfully rewarded. The directive is explicitly designed to appropriately incentivize disclosure of misconduct, reward cooperation, hold individuals and corporate criminals accountable, and promote recovery of fraudulent proceeds, while also guarding against overbroad enforcement that could interfere with legitimate business operations. The Division is also being

directed to expand whistleblower incentives: Division leadership has been instructed to design and implement policies that encourage whistleblowers, including those who participated in the underlying conduct, to come forward with credible fraud information, and to provide public transparency about those programs. To that end, McDonald explained that, even as it aggressively pursues corporate fraud, the Division will “firmly guard against overbroad corporate enforcement—rightly dividing between shades of corporate malfeasance—lest we interfere with legitimate business operations.”

Taken together, the two memos describe a Division that spent its first two months building out dedicated infrastructure for fraud investigations—with a focus on trade fraud. The NFED is now, as described in the October Memo, operationalizing how that infrastructure will actually be used against corporations: fast internal reporting, specialized oversight of every corporate fraud investigation, a defined set of aggravating factors that will shape charging and resolution decisions, and mitigating factors that incentivize self-reporting and voluntary compliance efforts.

Trade Fraud Task Force Recoveries Top \$1 Billion

The DOJ’s announced policy shift is not theoretical. In a July 14, 2026, press release issued to coincide with the Trade Fraud Task Force’s first anniversary, the DOJ detailed just how aggressively the joint DOJ-DHS initiative already has moved. The Task Force surpassed \$1 billion in combined civil and criminal recoveries, penalties, forfeitures, and publicly charged losses in less than a year, a milestone the DOJ describes as reflecting a fundamental shift from administrative fines toward criminal prosecution and civil False Claims Act (FCA) enforcement. McDonald framed the moment bluntly, stating that trade fraud actors have long treated customs violations as a mere cost of doing business, while the DOJ is making clear that trade fraud is a serious economic crime and a top priority. The Task Force’s stated enforcement targets include: (i) evasion of Section 301 tariffs, antidumping and countervailing duties; (ii) eradication of forced labor from supply chains; and (iii) prosecution of criminal violations involving imported goods that threaten public health and safety. The Task Force’s enforcement reach extends across the entire supply chain, from importers and customs brokers to downstream distributors and commercial end-users.

Three recent cases highlighted in the Task Force’s press release illustrate the range of conduct now squarely in the Task Force’s crosshairs:

1. Gold Jewelry Country-Of-Origin Fraud

Two criminal indictments demonstrate how the Task Force has focused on jewelry imports. In the first case, two individuals who operate gold jewelry import and wholesale businesses were charged with falsely declaring that imported gold jewelry originated in Singapore when it actually originated from India and the United Arab Emirates. From approximately August 2020 through May 2024, the scheme allegedly involved well over 500 import entries with an

estimated total value of more than \$693 million. By falsely designating the country of origin, defendants allegedly evaded approximately \$38 million in customs duties.

In the second case, another individual was criminally charged with falsely declaring the country of origin of imported gold jewelry as Oman or Singapore. The alleged misconduct spanned five years, covered nearly 250 entries valued at more than \$240 million, and resulted in the avoidance of more than \$13.6 million in customs duties.

2. FCA Settlement Related to Aluminum Extruded Products

An investigation led by the Department of Homeland Security (DHS) exposed a massive scheme to evade antidumping and countervailing duties on aluminum extrusions. Focusing on civil violations of the FCA, DHS's investigation resulted in the collection of \$549.5 million through a settlement announced on May 12, 2026. The Task Force touts this settlement as its single largest recovery and underscores how antidumping and countervailing duty evasion on industrial goods is a top enforcement target.

3. Section 301 Duty Evasion Through False Country-Of-Origin Claims

Another DHS-led investigation led to resolutions against a global plastic resin distributor and its former executive, announced December 12, 2025, concerning misrepresentations of the goods' country of origin made to avoid paying Section 301 duties. Alongside other matters highlighted by the DOJ in its press release, this case shows the Task Force pursuing both classic tariff-evasion fact patterns and adjacent consumer-protection and environmental-compliance theories under the same trade fraud umbrella.

What This Means for Importers Going Forward

For companies engaged in importing, customs brokerage, or downstream distribution of imported goods, the August and October Memos show that trade fraud investigations now sit alongside healthcare and tax fraud as top corporate enforcement priorities. Companies with cross-border supply chains should treat customs compliance, especially country-of-origin documentation, import tariff classifications, and forced-labor avoidance, as critical compliance focal points. Early self-disclosure and cooperation with law enforcement present the clearest paths to favorable outcomes, should an investigation begin. Investments in import risk assessments, enhanced compliance training and implementation of proper customs policies and procedures can also provide potential mitigation opportunities.

Contact Us

If you have questions about this alert or how the National Fraud Enforcement Divisions priorities may affect your international trade compliance program, please contact Cortney Morgan, Todd Gee, Cormac Connor, Dimitri Zografi, or your Husch Blackwell attorney.

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