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U.S. Task Forces Target Companies and Individuals Linked to China

The U.S. is ramping up cross-border enforcement with two new fraud task forces targeting non-U.S. entities, particularly those linked to China. These companies should proactively manage disinformation, coordinate legal and communications strategies, and review asset structures with experienced counsel to mitigate escalating risks.

The U.S. Securities and Exchange Commission (SEC) recently announced the creation of a **Cross-Border Task Force** to investigate and target fraud involving foreign-based entities. Notably, China was the only country explicitly mentioned in the SEC's press release, underscoring a particular focus on Chinese individuals and entities. This move reflects broader concerns about Chinese issuers in U.S. capital markets following a record surge in the number of Chinese companies going public on U.S. exchanges.

This announcement follows a similar initiative from the U.S. Department of Justice (DOJ) in collaboration with the Department of Homeland Security (DHS). They have recently established the **Trade Fraud Task Force**, which focuses on customs fraud and tariff evasion schemes involving foreign entities, such as misclassification, false country-of-origin declarations, and smuggling.

Together, these developments signal a new enforcement environment where non-U.S. entities face heightened scrutiny across their global operations—from capital markets to supply chains. Coupled with rising U.S. Foreign Corrupt Practices Act actions, these developments highlight growing cross-border enforcement risks, with the DOJ often launching inquiries based on media reports or tips from counterparty entities. Even unverified claims can trigger investigations, making early and proactive risk management essential.

Companies operating across borders can take the following steps to prepare for this increased scrutiny:

- **Act quickly to identify and respond to disinformation.** Effectively managing disinformation risks requires a vigilant team working closely with legal and communications professionals. Timely identification of falsehoods is critical, as inaccurate or defamatory claims can influence authorities, counterparties, and financial institutions. Monitor emerging content, establish clear response protocols, and engage stakeholders to correct the record. Early involvement of cross-border specialists can help contain the situation and shape a strategic response, potentially preventing years of costly scrutiny.

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- **Strategically manage U.S. cross-border enforcement.** Companies under investigation by the SEC or DOJ should approach these proceedings as part of a broader enforcement landscape. Inquiries from regulators can intersect with parallel disputes or reputational challenges. Effective defense requires strategies that account not only for legal risks but also for political and media considerations. Coordinated planning across litigation, communications, and regulatory engagement is essential to safeguard commercial interests.
- **Assess asset vulnerabilities against future government attacks.** Individuals and companies at risk of attack by the DOJ or other government authorities should consider a detailed examination of their asset structures—including those in jurisdictions such as the BVI, Cayman Islands, and Dubai—and explore lawful and appropriate preparatory measures that can be taken should an investigation be launched. Expertise in cross-border asset enforcement and navigating offshore complexities is critical to designing effective protections.

Recent developments from the SEC and the DOJ represent the latest efforts in a series of intensified enforcement initiatives by the U.S. government aimed at foreign entities with cross-border operations. Companies should proactively assess their enforcement exposure and engage experienced counsel to navigate these evolving risks.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations, often involving fraud and misconduct.

To preserve the assets, liberty, and reputation of global businesses and their principals and executives, our firm:

- Coordinates legal strategy and works closely with various stakeholders (including crisis communications and public relations firms) to formulate holistic strategies in court and out-of-court to preserve reputation and mitigate privacy concerns;
- Brings together former U.S. Department of Justice prosecutors stationed across the globe (including in EMEA and Asia) with specialists in key jurisdictions, including the BVI and Cayman Islands, Asia, EMEA, Latin America, and the United States;
- Takes a multidimensional approach to resolve business disputes and regulatory investigations, trace and recover misappropriated funds, defend against asset attacks, and acquire and strategically deploy information to provide a commercial advantage in disputes and investigations.