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THE COIN LAUNDRY

IRS

As crypto industry expands, U.S. slashes office examining dirty money safeguards of cryptocurrency exchanges

The number of IRS staff assigned to oversee anti-money laundering practices at the firms dropped to its lowest level in nearly decade.

By Spencer Woodman

Image: Photo by Tasos Katopodis/Getty Images

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The IRS Building as seen on February 20, 2025 in Washington, DC. The agency laid off thousands of employees as the Trump administration pushed to downsize the federal workforce.

As cryptocurrency use in the United States surges, the number of federal investigators assigned to review safeguards against dirty money in the industry plummeted last year to the lowest level since at least 2017, according to federal data obtained by the International Consortium of Investigative Journalists.

The cuts weaken the anti-money laundering watchdog's office within the U.S. Internal Revenue Service, which is tasked with overseeing protections against dirty money in crypto exchanges and other firms registered as so-called money service businesses. Even before the recent reductions, the IRS struggled to oversee dirty money in the fast-growing crypto sector, according to experts. The cuts come amid the Trump administration's broader easing of oversight of crypto exchanges that now move trillions of dollars in value annually.

"The reduction in supervisory staff at the IRS matches a trend we've seen across [anti-money laundering] enforcement agencies," said Erica Hanichak, deputy director at the FACT Coalition, a Washington-based nonprofit group that advocates for strong safeguards against illicit financial flows. "This sends the signal that the US is open to dirty money. It undermines our national security and market integrity."

The IRS did not respond to requests for comment.

Even as the industry has sought mainstream acceptance, cryptocurrency has played a key role in recent money laundering scandals.

Last November, ICIJ collaborated with 37 media partners in 35 countries to publish The Coin Laundry, an investigation into dirty money in the cryptocurrency industry. The investigation revealed that as recently as July 2025, Huione Group, a Cambodian financial institution flagged by US authorities in May as a "primary money laundering concern," sent large sums of cryptocurrency to accounts at some of the world's largest cryptocurrency exchanges, including Binance and OKX. These fund flows continued even after US authorities found major problems relating to the firms' anti-money laundering protocols.

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Cryptocurrency exchanges allow users to set up accounts to buy, trade and deposit cryptocurrency. They also offer a fast offramp for converting crypto assets into standard currency, a key goal of many crypto-reliant money launderers.

U.S. regulators classify crypto exchanges in the same category as so-called money services businesses (MSBs) like Western Union. Even before last year's cuts, the IRS office tasked with overseeing these businesses struggled to adequately supervise cryptocurrency operations, according to the agency's inspector general.

In 2021, then-IRS commissioner Charles Rettig told Congress in a letter that the agency needed more staff to address the "rapidly evolving and expanding" cryptocurrency industry. That year, the IRS had 193 agents tasked with examining the anti-money laundering protocols of crypto exchanges and other MSBs, significantly more than in 2025, according to federal data.

"Conducting MSB examinations is an inherently laborious activity," Rettig said in the letter. "[Examiners] need reinforcements to conduct more examinations of both traditional and digital asset MSBs, especially money transmitter principals. Increased funding for personnel and expenses, such as travel and analytical tools, is also necessary to supervise MSBs."

The following year, in 2022, Congress awarded the IRS tens of billions of dollars in additional funding, and the agency began rapidly expanding its ranks and embarked on a push to modernize its systems. But, early last year, the Trump administration's cost-cutting stopped this effort in its tracks, rapidly firing many of the new hires as Republicans in Congress also clawed back much of the new funds awarded to the agency.

In April, the new administration also disbanded a Justice Department unit that investigated crypto-related crimes. In doing so, the department said it would still "pursue the illicit financing of these enterprises by the individuals and enterprises themselves, including when it involves digital assets, but will not pursue actions against the platforms that these enterprises utilize to conduct their illegal activities." The Trump administration also quickly dropped enforcement actions against more than a dozen cryptocurrency firms, and the president pardoned several crypto executives who had pleaded guilty to violating anti-money laundering laws.

> "***Cryptocurrency oversight is a very loosely knitted-together safety net.***"
>
> *— Alison Jimenez, an anti-money laundering expert*

In 2025, the number of IRS investigators assigned to oversee the dirty money defenses of crypto firms and other money transmitters fell 33 percent to 139 agents, down from 208 in 2024. The falling numbers do not necessarily equate to layoffs, but rather the number of agents assigned to examine anti-money laundering practices in so-called nonbank financial institutions, which include cryptocurrency exchanges and other MSBs. The 2025 number is the lowest in the dataset, which dates back to 2017. ICIJ obtained the data through a public records request. Some U.S. states also supervise anti-money laundering practices at MSBs.

Christina Rea, a compliance specialist who advises crypto firms on IRS anti-money laundering examinations, says the agency appears to be struggling to keep pace with overseeing dirty money safeguards in cryptocurrency. Rea says a small and dwindling group of IRS agents who possess deep virtual currency experience are tasked with overseeing a booming and highly complex new financial sector.

"What's notable is that this contraction appears to be happening while the regulated crypto and fintech ecosystem has grown dramatically in scale, transaction volume, product complexity and risk exposure," Rea told ICIJ. "Compared to 2017 and 2018, today's firms are larger, more interconnected with traditional financial institutions, and operating far more sophisticated platforms, and yet examiner resources appear to have decreased rather than expanded."

Alison Jimenez, an anti-money laundering expert, told ICIJ that, compared with the federal overseers of big banks, the IRS's lighter oversight of nonbank financial institutions results in action being taken rarely, even when agents unearth significant problems.

"These are juggernaut financial institutions," Jimenez said. "They are larger than a lot of banks but they are not getting the frequency of examinations or the in-depth examinations that banks get. If there are violations found, there is often no formal action taken."

Jimenez said that fewer examiners overseeing crypto exchanges and other money transmitters could mean more problems with anti-money laundering safeguards will go undetected for longer and could eventually balloon into larger scandals that hurt consumers and damage the broader industry.

"Cryptocurrency oversight is a very loosely knitted-together safety net," Jimenez said. "Now it's just getting pulled farther apart."

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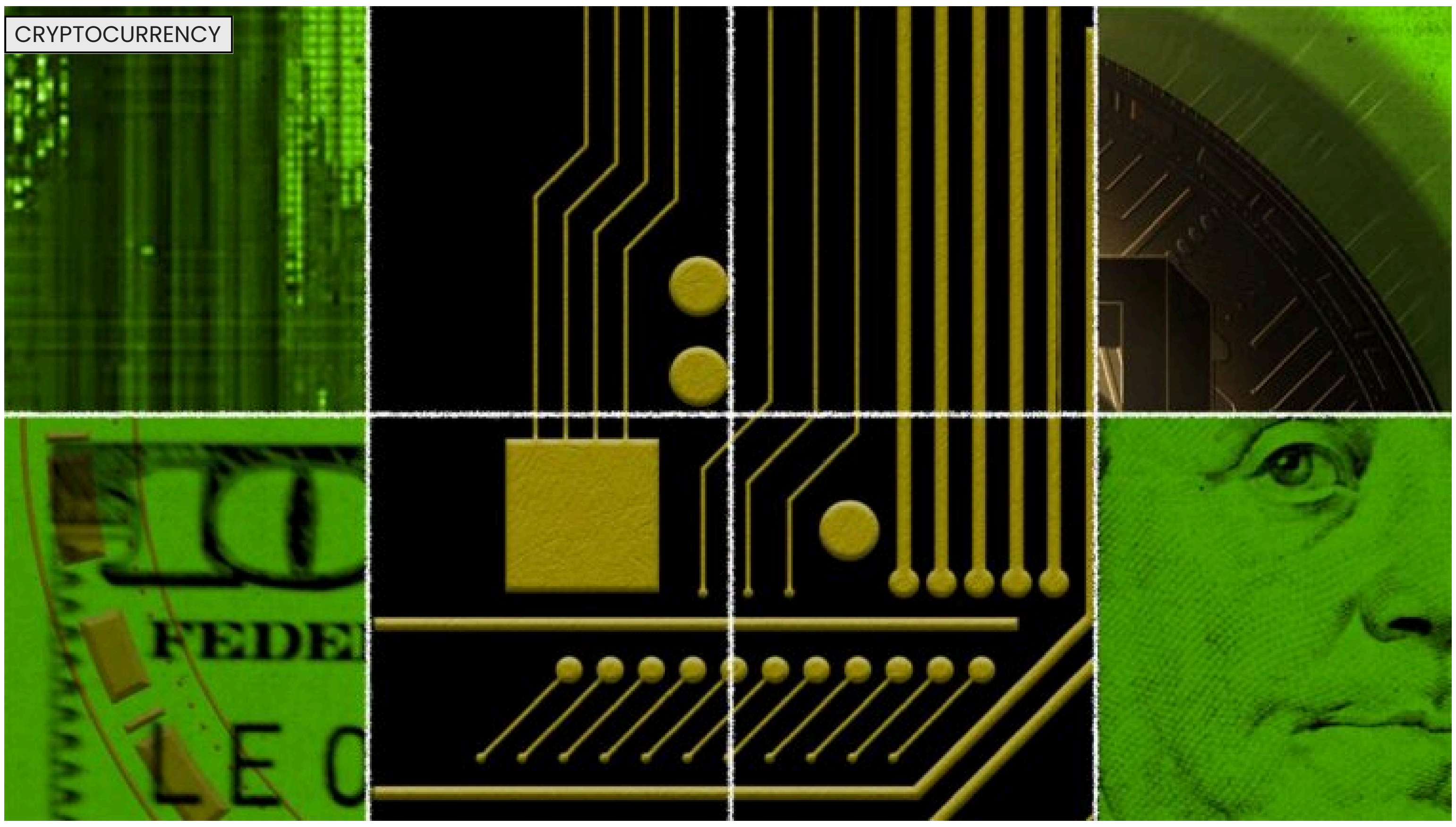

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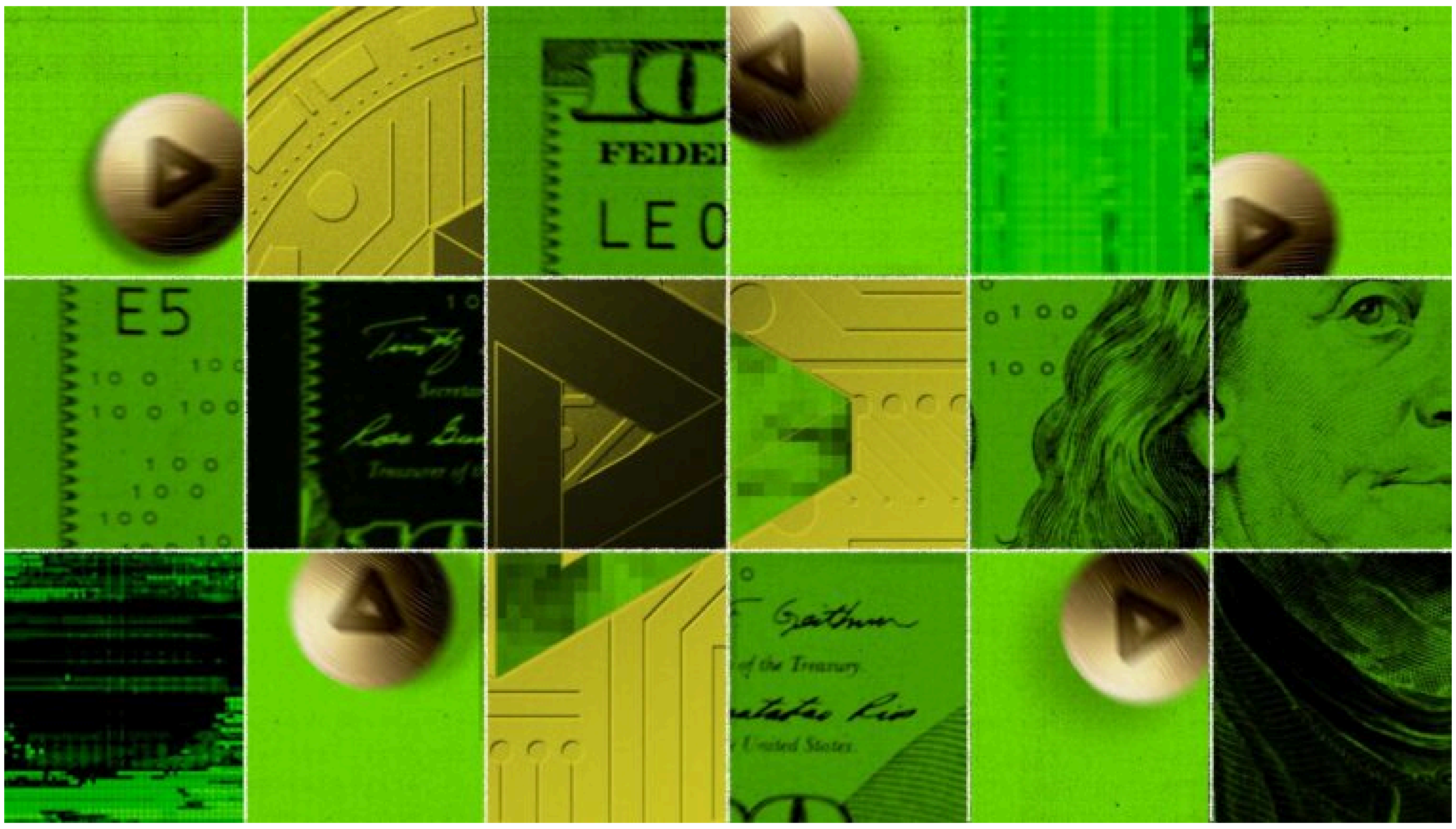

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