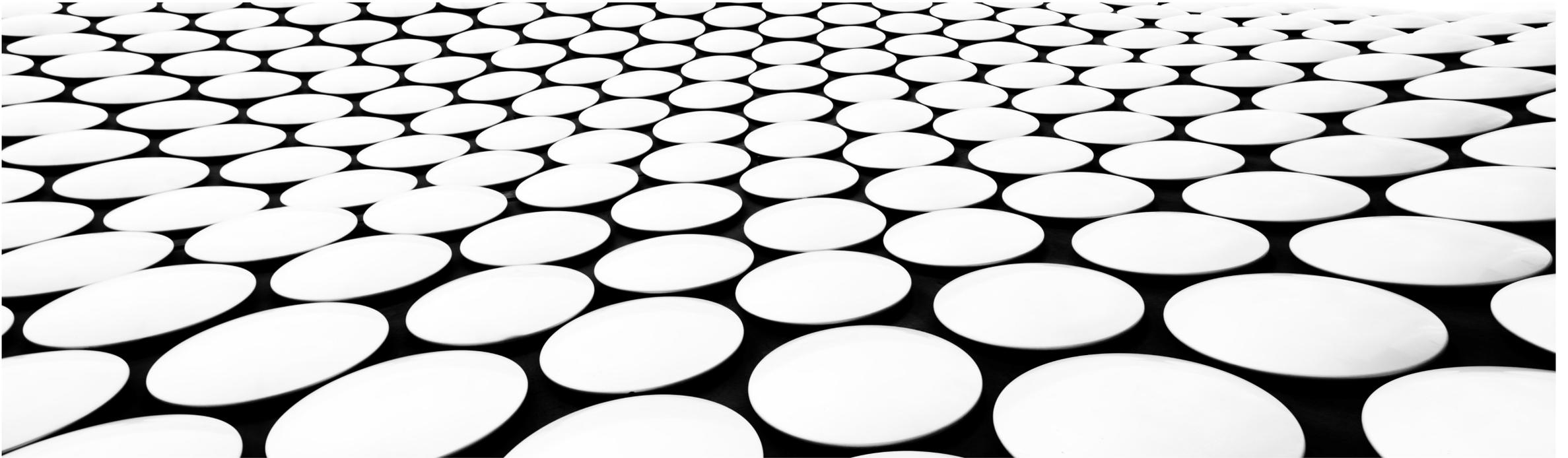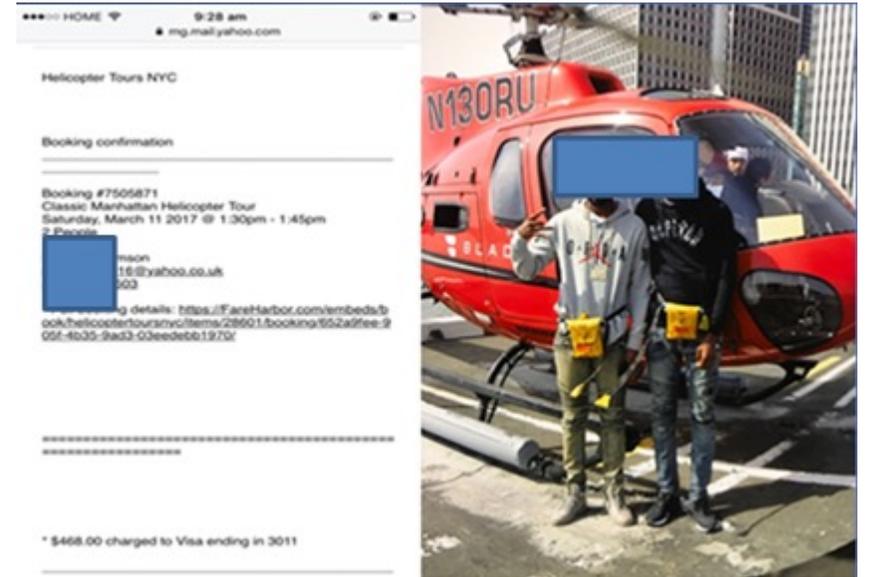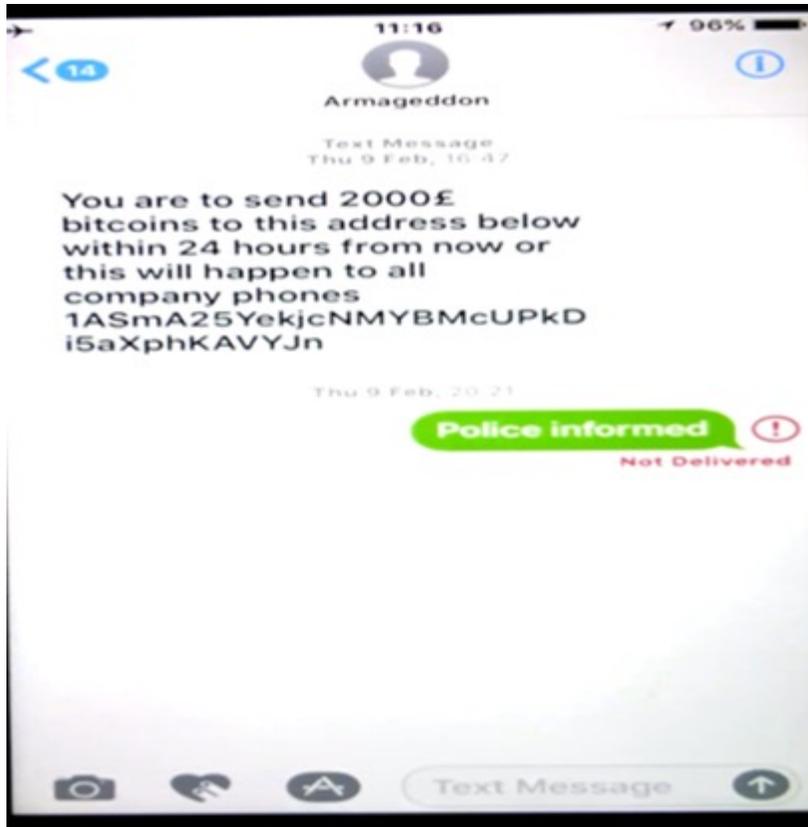# CRYPTOCURRENCIES AND MONEY LAUNDERING: "OLD WINE, NEW BOTTLES"

INTRODUCTION

- Money laundering is the key threat emerging from the rapid mainstream adoption of cryptocurrencies/virtual assets. This is not restricted to digital crime.

- Investigations into acquisitive crime of almost every nature are encountering these assets.

- Focusing on purely "cyber crime" is too narrow a focus to effectively deploy LE capability.

- Almost every instance of criminal activity involving cryptocurrencies also encompasses other financial mechanisms.

- As a result it is vital to acknowledge that investigators need a full financial skillset.

- The full process of gathering evidence relevant to cryptocurrencies needs to be considered i.e. intelligence, evidence capture, presentation of evidence in court documents, expert witnesses.

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Thu 9 Feb, 20:21

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Booking confirmation

Booking #7505871
Classic Manhattan Helicopter Tour
Saturday, March 11 2017 @ 1:30pm – 1:45pm
2 People

16@yahoo.co.uk

Processing details: https://FareHarbor.com/embeds/book/helicoptertoursnyc/items/28601/booking/652a9fee-905f-4b35-9ad3-03eedebb1970/

* $468.00 charged to Visa ending in 3011

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DYNAMIC ADVERSARIES

- The ability of criminality to rapidly adapt and develop methodologies according to technological and environmental opportunities is well documented. Cryptocurrencies/virtual assets are no exception with a growing number of investigations identifying their presence in money laundering typologies.

- The technical nature of these assets is often perceived to be a barrier to effectively investigating relevant criminality. There is an argument that this is a flawed perception. This is based on the consideration that money laundering tactics are evolutionary. The strongest features remain and are built upon as criminality adapt to changes in their environment.

- This means that changes to money laundering methodologies are more often incremental and not revolutionary. For investigators many existing skillsets will still be relevant to investigations involving virtual assets as they will only be one aspect of a much broader money laundering strategy.

EVOLUTION NOT REVOLUTION

- Virtual assets can provide a means of re-investing in criminality but are not yet sufficiently adopted to provide for a circular economy. In most instances criminality still need to effectively place, layer and integrate proceeds of crime (POC) using legacy financial systems. Anti money laundering (AML) regulations apply to vast swathes of the virtual asset ecosystem and traditional financial institutions have a greater understanding of risks relating to these assets. As a result criminality must still attempt to legitimise funds regardless of the asset type.

- One key element of many money laundering methodologies is the use of money mules. Criminality have continued to use these with virtual assets developing international networks with cryptocurrency financial institutions spread all over the globe. The means of effectively utilising these entities has not changed. In many instances a "mule herder" controls the relevant accounts. Transactions are still structured in an attempt to bypass AML systems. The layering process can still consist of multiple intermediary and transnational transactions. These transactions involve banking networks, money service business networks and cryptocurrency networks.

- The tactic of layering POC through moving between different asset types has incorporated virtual assets. Professional money laundering operatives still utilise foreign exchange services for fiat currency but can now also use cryptocurrency exchanges to move between different virtual assets. The evolution of methodologies is apparent here as well. Money laundering through cryptocurrencies has moved into utilising stablecoins such as USDT. Whilst initially this was primarily on the Ethereum network, high fees have caused the methodology to evolve and begin to use stablecoins on alternative platforms such as Tron.

- The tactics for cash couriering and informal value transfer systems have been complemented, not replaced, by virtual assets. International settlement can be made quickly, stablecoins allow for volatility to be negated and entities get indirect access to the dollar system.

- Market manipulation has been used by criminality to exploit many commodities/assets, both for profit and money laundering opportunities. Virtual asset markets are not exempt from this. For example with Non Fungible Token's it is possible to simulate trade of the asset multiple times whilst the asset never actually leaves the initial entities control. The price can be manipulated during the simulations and pushed artificially higher.

- Another longstanding key aspect of money laundering methodologies has been the use of shell companies. Creating complex corporate structures, using offshore jurisdictions and engaging in trade based money laundering have all succeeded in laundering huge amounts of money. Criminality has not abandoned these tactics because of virtual assets, they have just incorporated them.

- For example creating digital payment services as a front company for nesting in a liquid cryptocurrency exchange and acting as an OTC broker for money laundering. It has even been identified that professional money laundering networks have created cryptocurrency projects and used them to place, layer and reintegrate criminal proceeds.

EXPLOITING EXISTING SKILLSETS

- As outlined earlier to enjoy the proceeds of crime it is still necessary in most instances to integrate into the traditional financial system. Given this a holistic analysis of financial lifestyle will identify key opportunities to develop an investigation regardless of technical cryptocurrency knowledge.

- Utilising Suspicious Activity Reports to identify use of virtual assets and effectively developing this intelligence does not require any in-depth knowledge of virtual assets. Research on individuals, associated companies, financial accounts, digital footprints and associates can all significantly progress an investigation involving virtual assets.

- Proactively utilising the Proceeds of Crime provisions for restraint orders can negate a number of concerns about dissipation and seizure of virtual assets. Exploiting civil processes such as Unexplained Wealth Orders could also provide opportunities to target those utilising virtual assets for money laundering.

- Reviewing digital forensic opportunities to identify communications relating to money laundering methodologies is not hampered by the presence of virtual assets. If anything the use of cryptocurrencies will leave a greater digital footprint and provide significant evidential opportunities.

HOW PROCEEDS OF CRIME ARE BEING TARGETED IN THE UK

- Criminal enforcement: Blockchain analysis, digital forensics, covert tactics, intelligence, Section 47C Proceeds of Crime Act (POCA), Section 41 POCA Restraint Orders and confiscation orders.

- Civil Enforcement: Property freezing orders, Unexplained Wealth Orders

- Multi agency cooperation: nationally and internationally for investigation and proactive targeting for criminal property/infrastructure.

- Private partnership: Exploiting data held by private parties engaged in surveillance of entities utilising cryptocurrency.