

Challenges: Seizure, detention and realisation

Initial thoughts

- What challenges do you foresee in relation to seizing criminal property in the form of cryptocurrencies?

Discuss in your breakout groups and record your thoughts on the following form:

<https://forms.gle/uNKuGFgGy3HKJhJB8>

Planning: Central Coordination Team

- To assist with enforcement aspects of Operation S*****d featuring cryptocurrency, a central coordination team run by NCCU Op Support will be deployed.
- This team will focus on providing officers at scene with:
- Tactical advice on aspects relating to cryptocurrency search and seizure.
- Technical assistance in gathering evidence relating to cryptocurrency e.g. rebuilding wallets.
- Obtaining necessary legal authorities.
- Providing seizure infrastructure for cryptocurrency assets e.g. NCA controlled addresses.
- It is acknowledged that this subject can be complex and the medium used to provide assistance can be important. As such Telephone, Messaging and Video calling facilities will look to be utilised as required.

Planning: Cryptocurrency Officer

- It is advised for each enforcement team to designate a cryptocurrency officer prior to the date of the operation and inform NCCU Op Support of the contact details for this individual. This officer will act as the primary contact for the central coordination team.
- Further to a telephone number being provided, this officer should also have the Signal app installed on their works mobile to allow for messaging/video calling. Access to a standalone/open source laptop would also be beneficial to this officer.
- At the scene the cryptocurrency officer will be responsible (if necessary) for managing the following:
 - First response (see following slide)
 - Recovery seeds found
 - Hardware wallets identified
 - Mobile cryptocurrency applications accessible on devices
 - Desktop applications accessible on devices
 - Sending cryptocurrency assets to addresses provided by the central coordination team.
 - Capturing transaction histories
- The cryptocurrency officer will not be expected to complete relevant processes without extensive input from the central coordination team. Further to this they will not be responsible for seeking senior officer approval in regards to the legal process used for seizure.

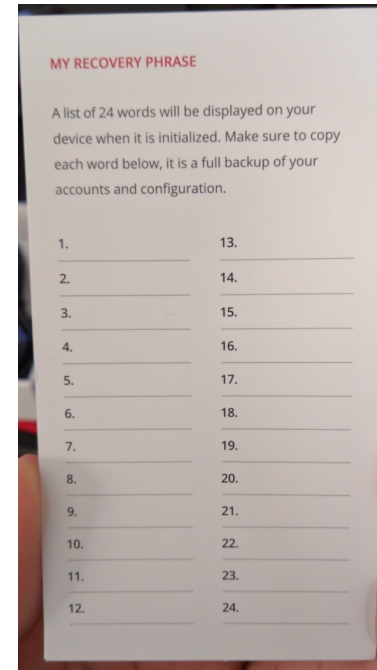
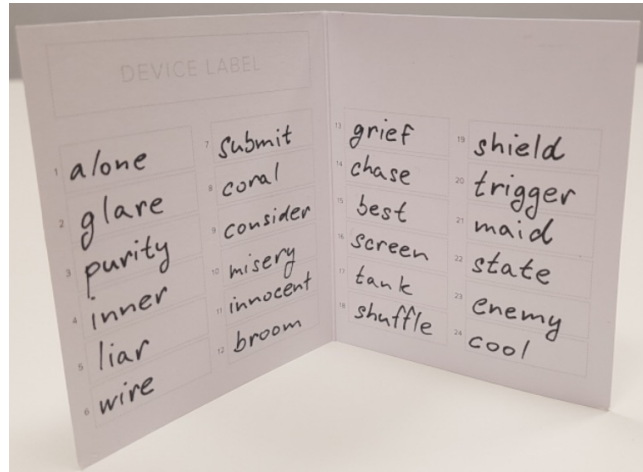
What to look for



TX ID: RKRT27
Time: 19.01.2019
12:25:36
Price: 520.00 GBP
Crypto: 0.163506 BTC
Rate: 1 BTC =
3180.311426 GBP
Destination:
19tvVbAEkpwzjAehCA7
sHPgmGJJWQZHBxi

Keep this receipt!

Location: Nincomsoup,
satoshipoint.com, 020
3026 6037



Decentralized Finance (DeFi) Ecosystem

Wallet & Asset Management



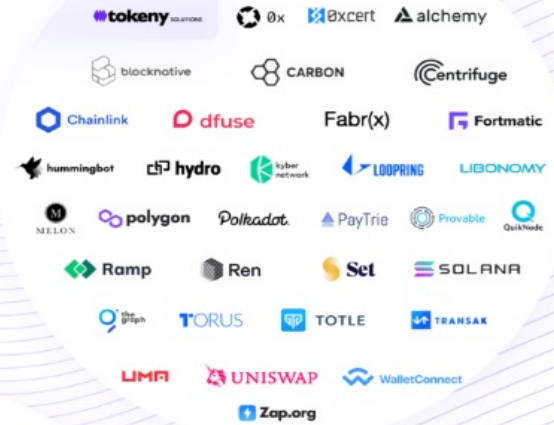
Prediction Markets



Lending



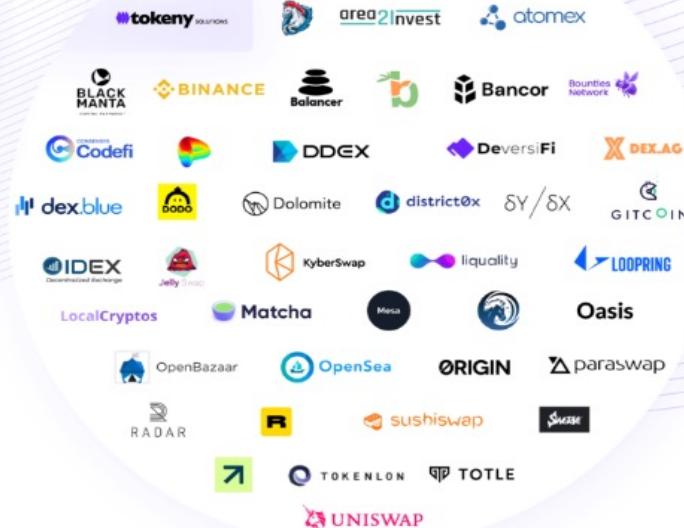
Infrastructure



Assets Tokenization



Marketplaces & Liquidity



Stablecoins



Compliance & Identity



Payments



Seizure challenges

- Two factor authentication
- Address whitelisting
- Asset time locks (both technical and via financial applications)
- Passphrases
- Technical details (Hardware wallets, Shamir Secret sharing, multi signature, fees, privacy coins, unlocking funds held in DeFi)
- Nuances of coins e.g. need base asset to send second layer or tokens
- Derivation paths and nuances of applications
- Second layer assets
- Seizure equipment available including that necessary for audit trail
- Trained staff (Financial investigators in particular, who lawfully can make the seizure?)
- Time pressures / Hostile environment

Internal security

- What devices are being used to secure the asset?
- Where are they being stored?
- Is a third party provider being utilised instead/or for long term storage?
- What are the terms of the contract in respect of a third party?
- How can the asset be accessed?
- Who is responsible for handling the asset?
- How is the recovery seed being handled?
- Is there any insurance policy in place to cover loss of the asset?
- How is this process going to be audited?
- Who is handling the long-term legal process for maintaining possession of the asset? Is there a need to give evidence in respect of this?

Realisation

- At what point is the criminal benefit figure determined?
- What liability is in place in respect of the value of items seized by law enforcement?
- Can cryptocurrency be accepted as payment for proceeds of crime orders?
- What process would be in place for converting into fiat currency? (Auction, sale to an exchange, alternative?) Is there any need to do this covertly? (could move the market if significant figures involved) Does due diligence need to be done on the buyer?
- What legal process is place to allow the conversion of cryptocurrency into fiat currency?
- What costs are involved in long term storage of cryptocurrency in it's raw form?
- What costs are involved in converting into fiat currency?
- How will this process be audited?

Conclusion

- There is a lot to consider in relation to the seizure, detention and realisation of cryptocurrency. It needs to be a collaborative effort involving the relevant personal to complete the task lawfully and appropriately.
- Unfortunately, this training only covers the basics. The rate of growth within the cryptocurrency space is breath-taking. The nuances of seizure processes will inevitably grow, and the relevant policies will need reviewing regularly require a constant monitoring.
- Establishing work groups or online forums to share knowledge between investigators is a great way of keeping track of what is happening. The OECD is a unique forum for this but there are others such as Interpol and Europol.
- Practice sessions and engagement with colleagues is also a good foundation for dealing with such matters. You can utilise testnet coins which cost nothing or purchase small amounts of cheap cryptocurrencies (e.g. Dogecoin or Digibyte are low-cost networks.)