

CRYPTO MONEY-LAUNDERING

Case Studies



Colonel t.SPEF Giuseppe Lopez

GUARDIA DI FINANZA



Guardia di Finanza
Special Currency Police Unit

Operation
“MATRIX”



Guardia di Finanza

TRANSFER OF ILLICIT PROCEEDS ABROAD THROUGH CRYPTOCURRENCIES

Personal precautionary measures against 48 individuals

Criminal association, money laundering and tax fraud through cryptocurrencies

Preventive seizure for subsequent forfeiture for about 17 million euros





Procura della Repubblica
PRESSO IL TRIBUNALE DI FIRENZE

2018-2023



INTELLIGENCE SOURCES

- A report highlighted anomalous activities of a suspected criminal organization, predominantly of Chinese ethnicity. Through multiple illegal activities aimed at circumventing the legal safeguards in place to protect the integrity of money movements within the national economic system, this organization is believed to have been involved in laundering the proceeds of possible tax crimes out of Italy

Initially, the investigative focus was on two Campania-based companies with a declared business activity of "wholesale trade of leather goods, footwear and accessories". These companies were identified as potentially involved in illegal activities aimed at transferring abroad proceeds deriving from their direct involvement in the perpetration of tax crimes

Evidence emerged of criminal conduct (**issuance of electronic invoices for non-existent transactions**).

Despite not submitting tax returns and not being involved in transactions related to the purchase or import of goods, they received substantial sums of money from various companies operating in the same sector, as evidenced by the examination of the current accounts held by the same companies

Presence of various **STRs** indicating the incoming flows recorded on the current accounts of the aforementioned Campania-based companies (mainly consisting of bank transfers and postal orders made by companies operating in the same sector) and significant and anomalous **outgoing flows to the current account of a Chinese citizen**, owner of an individual company in Florence

Preparation of an «**Analysis of Reports Aggregated by Phenomenon**» (**ASAF**), aimed at examining the economic and financial relationships of the subjects mentioned in the intelligence report to identify any other connected subject mentioned in STRs, evaluate their respective tax debts and create a relational graph



SUSPICIOUS TRANSACTION

REPORTS

Data analysis

- Querying of the databases in use by Guardia di Finanza
- Analysis of various STRs on the relevant subjects
- Exam of ASAF made by the Analysis Office of the Special Currency Police Unit

Criminal investigation

- Examination of bank accounts
- Surveillance and shadowing activities
- Analysis of telephone traffic records
- Wiretapping of 26 phone lines
- Inoculation of a Trojan on 2 smartphones
- 49 searches in commercial activities involved

International cooperation

- Examination of documents acquired through international judicial cooperation and through FIUs with the competent authorities of Germany, Lithuania, Slovenia, Estonia, Liechtenstein and Seychelles, using European Investigation Orders and rogatory letters



- *Introduced by Legislative Decree n. 216/2017 that modified articles 266 and 267 of the criminal procedure code*
- *“Interception of communications between present persons” for the fight against organized crime and serious crimes*
- *Requested by the Public Prosecutor to the Judge for Preliminary Investigations if strong evidence of guilt and it is absolutely essential for the investigations*
- *The Trojan horse targets data and communication flows, image acquisitions with screenshots, instant messaging and conversation recordings (technical requirements are established by decree of the Ministry of Justice)*
- *The most common installation methods are through SMS or software updates accompanied by fake phone calls from phone operators (user consent is required)*
- *The software and server to store the data are provided by specialized companies operating within the national territory that enter into an agreement with the Public Prosecutor's Offices*

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IDENTIFIED A CRIMINAL ORGANIZATION ACTIVELY INVOLVED IN FUNNELING TAX EVASION PROCEEDS FROM 44 COMPANIES (MOSTLY OWNED BY CHINESE NATIONALS) ENGAGED IN WHOLESALE CLOTHING AND FOOTWEAR TRADE, OPERATING IN TUSCANY, LAZIO, CAMPANIA, CALABRIA, EMILIA ROMAGNA, VENETO, LOMBARDY AND MARCHE, USING THE DRAINAGE SYSTEM, TO SPECIALIZED CRYPTOCURRENCY OPERATORS ABROAD

TAX DEBTS FOR ABOUT 15 MILLION EUROS

ABOUT 10 MILLION EUROS TRANSFERRED TO THE BANK ACCOUNTS OF COLLECTORS IN THE ABSENCE OF ANY UNDERLYING ECONOMIC-COMMERCIAL REASON



Operation MATRIX



Bitstamp
▲ ◆ ○ ◎ Ⓢ Ⓜ Ⓝ

coinbase

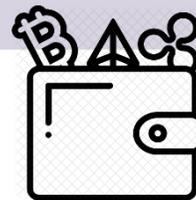


Huobi

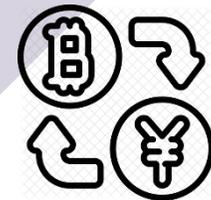
Sums systematically transferred abroad to specific accounts hosted by exchangers (payment references)



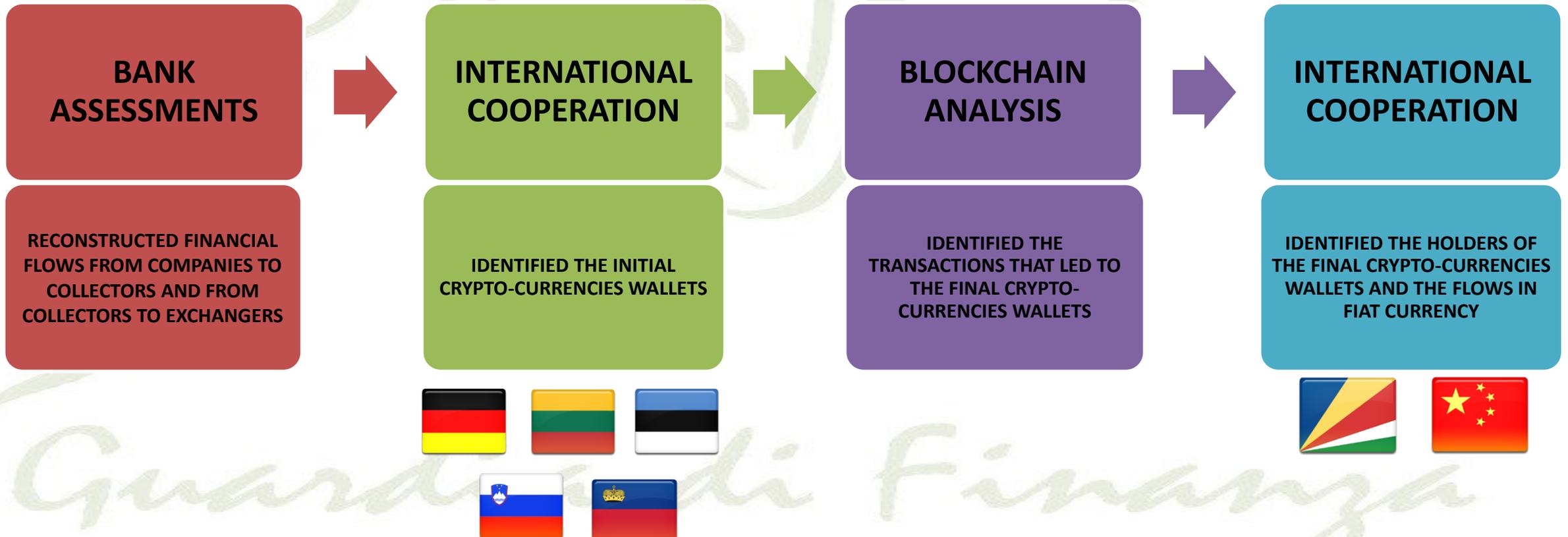
The replacement of the proceeds of tax evasion would have taken place through the cryptocurrency exchange system and the subsequent transfer of the same to virtual wallets (*Bitcoin, Bitcoin Cash, Chainlink, Dai, Ether, Ripple, Tether*)

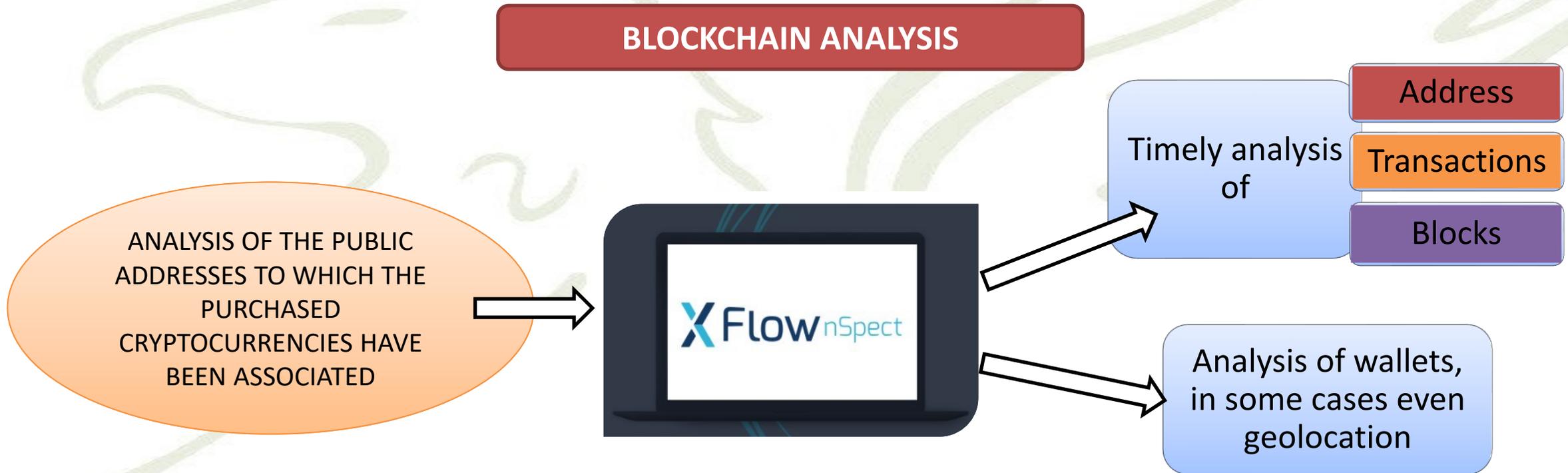


Final transfer to wallets hosted by Seychelles exchangers and, finally, converted back into FIAT currency



HOW THE FLOWS WERE TRACKED





IT platform created for the analysis of transactions in Bitcoin and other cryptocurrencies based on Blockchain technology



INTERNATIONAL COOPERATION

ACQUISITION OF
INFORMATION FROM
EXCHANGERS



PERSONAL DATA OF THE PERSON
WHO OPENED THE ACCOUNT,
FINANCIAL INSTRUMENTS USED
FOR THE CONVERSION OF
CRYPTOCURRENCIES INTO FIAT
CURRENCY, EMAIL, PHONE
NUMBERS, ETC.



RESULTS



49 INDIVIDUALS REPORTED FOR ORGANIZED CRIME, MONEY LAUNDERING, TRANSNATIONAL CRIME, ISSUING OF FAKE INVOICES AND FRAUDULENT SUBTRACTION TO PAY TAXES



EXECUTION OF 4 ARREST WARRANTS AND 44 TEMPORARY BANS ON CARRYING OUT BUSINESS ACTIVITIES



PREVENTIVE SEIZURE FOR EQUIVALENT FOR ABOUT 17 MILLION OF EUROS



BANKRUPTCY FILINGS FOR 5 COMPANIES



Guardia di Finanza ***Special Currency Police Unit***

Operation ***"Petra"***



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**2017 - introduction in the AML Decree of
«Service providers related to the use of virtual currency»**

Article 1, paragraph 2, letter ff) of Legislative Decree no. 231/2007



*[...] any natural or legal person who provides to third parties, in a professional capacity, including online, services functional to the **use, exchange, storage** of virtual currency and their **conversion** from or in currencies having legal tender status or in digital representations of value, including those convertible into other virtual currencies as well as **issuing, offering** and **transfer** services and **clearing** and any other service functional **to acquisition, negotiation** or **intermediation** in the exchange of the same currencies [...]*

2019 - introduction in the AML Decree of «Digital wallet providers»

Article 1, paragraph 2, letter ff-bis) of Legislative Decree no. 231/2007



*[...] any natural or legal person who provides, to third parties, in a professional capacity, including online, services for **safeguarding private cryptographic keys** on behalf of its customers, for the purpose of **holding, storing and transferring virtual currencies** [...]*

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GDF VIGILANCE COMPETENCE

Bank/Financial intermediaries and other Financial operators

- credit guarantee groups (collective credit guarantee activities);
- financial intermediaries
- fiduciary companies
- insurance intermediaries
- microcredit operators
- payment institutions
- electronic money institution
- central contact points
- branches/establishments of EU intermediaries
- financial agents
- credit brokers
- money changers

Professionals

- lawyers
- accountants and accounting experts
- associations of professionals
- notaries
- labor consultants
- auditors
- any other person who renders the services provided by experts, consultants and other persons who carry out activities in the field of accounting and taxes in a professional manner

Other Non-Financial operators

- service providers relating to companies and trusts
- traders in antiques
- auction houses and art galleries
- professional operators of gold
- real estate brokers
- cash custody and transport activities
- civil mediators
- debt collectors on behalf of third parties
- **cryptocurrencies operators (VASPs - exchangers and wallet providers)**
- online gaming houses, fixed point agencies and casinos

Start of anti-money laundering inspection

Selection of the *target*



Anti-money laundering inspection started in August 2018 with access at 3 company locations



Acquisition of data relating to over 5,000 customers



Analysis of customer files

Administrative violations

Failure to comply with the AML obligations of:

- **Customer due diligence** against **5,047 customers**;
- **Data retention** against **5,464 customers**;
- **Reporting of suspicious transactions**, as the obliged party has not forwarded the required reports to the FIU at the Bank of Italy in respect of **47 customers**, whose operations were both of a large amount (always exceeding 50,000 euros) and inconsistent with their economic capacity based on the elements acquired or acquirable by the company.

Criminal investigations

- Documentary acquisitions from companies and credit institutions;
- Financial investigations;
- Examination of persons informed of the facts;
- Involvement of the National Anti-Mafia Directorate and national/foreign FIUs;
- Coordination with the Public Prosecutor Offices competent in relation to the predicate offences;
- Acquisition and analysis of crime information concerning the predicate offences;
- cryptocurrency movements;
- in-depth analysis of STRs acquired in criminal proceedings.

Criminal investigations

Self-laundering

Identification of **predicate offences** of economic/financial nature committed by certain "converter" customers



Determination of the **quantum of illicit profit** obtained from the commission of the predicate offences



Connection between illicit profit obtained and purchase of virtual currency



Conversion into legal tender currency reintroduced into the economic/financial system



Transferring cryptocurrency to other *wallets* managed by foreign platforms

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Criminal investigations

The Judicial Authority, in light of the content of the criminal reports filed with the Public Prosecutor's Office of Milan, has:

- Issued the notice of **conclusion of the preliminary investigations** against:
 - **6** natural persons who are "converter" customers of the *exchanger* platform, for the commission of the crime of **self-laundering**;
 - **3** natural persons who are "converter" customers of the *exchanger* platform, for the commission of the crime of **communicating false data and/or untruthful information**;
- requested, before notification of the notice, further investigations into the **origin and reconstruction of the supply** underlying the virtual cryptocurrency wallets in the availability of 2 subjects under investigation.

The «self-laundering» activity

Subject no. 1:

- Russian nationality;
- resident in the province of Rome;
- high economic capacity;
- absence of declared income.

Reported for committing the **crime of abusive financial activity** by the Special Technological Fraud Unit of the GdF of Rome in 2016



Illicit profit achieved of **478.889 euros**, collected through 2 websites through which he promoted illicit financial activities



Replacement, between November 2017 and August 2018, of the illicit profit in financial assets **by converting** the entire amount into **69,1168 Bitcoin**



Transfer of 66,4205 Bitcoin, between December 5, 2017 and June 25, 2018, from the *exchanger* platform to **16 wallets**

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The «self-laundering» activity

Subject no. 2:

- Italian nationality – resident in the United Kingdom;
- high economic capacity;
- absence of declared income.

Reported for having committed crimes relating to **intellectual property infringement** by the Economic-Financial Police Unit of the GdF of Lecco in July 2017



Illicit profit achieved (also in cryptocurrency) of **247.000 euros**, received by the owners of the advertising *banners* hosted on the "*pirate*" sites administered



Replacement, in December 2017, of **131,064 Bitcoins** in **1.513.596,99 euros**



Transfer of 1.513.068,49 euros via 7 transfers **to a Swiss bank account**

The seizure of profits from self-laundering conduct

Emergency preventive seizures

December 18, 2020 and April 30, 2021

Subject no. 1

Seizure of **cryptocurrency** in the suspect's possession, for a sum of **478.889 euros**, constituting the profit from the crime of self-laundering, providing for the seizure of assets for an **equivalent amount**, in the event that it was not possible to seize the direct proceeds of the crime.

Subject no. 2

Seizure of liquidity or **cryptocurrency** available to the suspect, for a sum of **247.000 euros**, constituting the profit from the crime of self-laundering, providing for the seizure of assets for an **equivalent amount**, in the event that it was not possible to seize the direct proceeds of the crime.

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The seizure of profits from self-laundering conduct

Emergency preventive seizures
December 18, 2020 and April 30, 2021

Subject no. 1

Seizure for an **equivalent amount**:

- **1 real estate** located in Santa Marinella (RM) worth **250.000 euros**;
- **1 Mercedes car** (worth approximately **45.500,00 euros**);
- **2 additional vehicles**.

Subject no. 2

Direct seizure of **cryptocurrency** on the *e-wallet* of the *exchanger* company:

- 0,5258 **Bitcoin**;
- 24.995 **Ether**;
- 0,007406 **Bitcoin Cash**

Seizure for an **equivalent amount** of **1 real estate** located in Reggio Calabria worth **127.000 euros**.

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The seizure of the cryptocurrency

Identification of the **type** and relative **fiat value** of the virtual currency held by the suspect in the *wallet* managed by the *exchange*



Notification of the preventive seizure measure against the legal representative of the company that manages the *exchange platform* and immediate "freezing" of the cryptocurrency



Appointment of a police auxiliary (CTU)



Configuring a *hardware wallet* «Ledger Nano S» with relative *recovery sheet* (24 words and a PIN code generated by the device itself)



Transfer of cryptocurrency from the *wallet* of the company that manages the *exchange platform* to the *hardware wallet* (3 addresses, one for each type of virtual currency seized) paying the *transaction fee*



Seizure of the *Ledger Nano S* wallet and *recovery sheet* protected inside an *anti-tampering envelope*

THE CONVERSION OF VIRTUAL CURRENCY

The Preliminary Investigation Magistrate subsequently ordered the conversion of the virtual currency into legal tender for subsequent deposit to the FUG (Ministry of Justice Fund).

Thanks to the police auxiliary and the *exchange* company, the virtual currency was **converted** by putting it up for sale at the exchange rates dictated by current



The amount in euros obtained was **transferred** via bank transfer to the current account held in the name of the **FUG** specially opened.

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VASP/DASP/CASP/MSB Registration 2024

Virtual Asset Service Provider or Crypto Asset Service Provider registrations map 2024. US and Canada primarily register MSBs (Money Service Business) and have limited VASPs registrations. Europe leads the world in VASP registrations.



Top 5 Countries

COUNTRY	DASPS/MSBS REGISTRATIONS
Canada	1,411
Poland	1,407
USA (2023)	1,110
Lithuania	537
Australia (2022)	400+

Top 5 Companies

COMPANY	REGISTRATIONS 2024 / 2023
Coinbase	24 (+12)
Binance	17 (+3)
Crypto.com	17 (+9)
Gemini	12 (+6)
Bitstamp	12 (+4)

**Thanks for
your
attention**

Col. †.SPEF Giuseppe Lopez

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A black Guardia di Finanza patrol car is shown from a side profile, parked at night. The car features a prominent yellow stripe running along the roofline and the words "GUARDIA DI FINANZA" written in yellow on the side door. The background is a blurred city street at night, with buildings and streetlights visible.