

Crypto-currencies and criminality: myth or reality?

November 3 2019, by Kevin Trublet



Bitcoin's role in crime may be overstated, some experts say

The recent bust of a worldwide international paedophile ring using Bitcoin payments highlighted one of the key fears surrounding crypto-currencies—their use by criminals.

Social networking giant Facebook is keen to get in on the act by launching a [digital currency](#) called Libra.

But US Treasury Secretary Steven Mnuchin has aired his ongoing opposition to the move, saying many concerns remained unresolved, including "the issue of money laundering".

Despite tighter regulations and increased vigilance by the authorities, illegal activities related to [virtual currencies](#) remained "significant", Madeleine Kennedy, from the research firm Chainalysis, told AFP.

1 % of transactions illegal

A Chainalysis report published in January said that in 2018, one percent of Bitcoin transactions—the most widely used cryptocurrency—involved [illegal activities](#).

The equivalent of \$600 million was also spent using Bitcoins on the dark web, a set of hidden networks where a multitude of illicit products, including weapons and drugs, are traded.

In comparison, the global turnover of drug trafficking is estimated at several hundred billion dollars.

Kennedy believes the use of Bitcoins for criminal purposes was partly based on a "misunderstanding".

The confidentiality reputation of the most famous cryptocurrency is unrivalled, with all transactions recorded in an unforgeable public ledger, the blockchain.

But it is "more transparent than some traditional financial systems and certainly more than cash", she added.



Facebook chief Mark Zuckerberg has tried to shield Libra from the crypto controversy

The British and US authorities last week announced more than 300 arrests in 38 countries as part of an investigation that led to the dismantling of an unprecedented child pornography ring.

Investigators analysed the blockchain and succeeded in "de-anonymising Bitcoin transactions," according to Ron Fort, the head of criminal investigations in the US tax services.

Concerns about Monero

But if Bitcoin is still the reference currency for criminals because of its popularity, they are turning to less transparent alternatives, such as Monero, which began life in in 2014, according to the European law enforcement agency Europol.

Monero's users can remain anonymous until they need to interact with a cryptomarketing platform or invest their funds with a "wallet"—the equivalent of an account for virtual currencies.

It is phenomenon that also worries the German finance ministry, which recently published a document warning that anonymous cryptos could become "a real alternative to Bitcoin".

Monero, whose capitalisation is still 160 times lower than Bitcoin, uses a complex architecture that makes transactions "much more difficult to track", said Kennedy.

"But no more than the many shell companies in the many tax havens," said Emilien Bernard-Alzias, a lawyer at Simmons & Simmons, a specialist in [financial markets](#).

"We have always seen both legal and technical arrangements to conceal money transfers from the courts," he told AFP, adding that only cash can be considered "perfectly untraceable".

Also, since Monero does not allow large quantities of money to be bought, criminals are encouraged to convert their funds and must therefore use service providers subject to anti-money laundering regulations.

Unlike currencies that have made anonymity a marketing feature,

Facebook has repeatedly said in recent months that Libra will be transparent and comply with the authorities' requirements.

Libra "will clearly not be ideal for laundering dirty money", said Bernard-Alzias, although it will probably need to use blockchain analysts "to satisfy regulators", added Kennedy.

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