

Crypto firms say US sanctions limit use of privacy software

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Treasury Secretary Janet Yellen speaks about the economy during a news conference at the Treasury Department, July 28, 2022, in Washington. The Treasury Department is facing pushback from the cryptocurrency industry over sanctions imposed on a firm accused of helping to launder billions of dollars, with some funds going to North Korean hackers. Credit: AP Photo/Jacquelyn Martin, File

The Treasury Department is facing pushback from the cryptocurrency industry over sanctions imposed on a firm accused of helping to launder billions of dollars—with some funds going to North Korean hackers.

Earlier this month, the [Treasury Department imposed sanctions on the virtual currency mixing firm, Tornado Cash](#), which allegedly helped to launder more than \$7 billion worth of virtual currency since its creation in 2019.

Mixing services combine various digital assets, including potentially illegally and legitimately obtained funds, to keep the origins of the funds secret, including money that has been stolen.

In the weeks after the sanctions were announced, crypto firms, lobbyists and at least one lawmaker have come to the firm's defense, saying the sanctions open the door to limiting Americans' usage of privacy software.

Coin Center, a nonprofit crypto advocacy firm, says Treasury's financial crimes enforcement arm "overstepped its legal authority" through its sanctions, which "potentially violates constitutional rights to due process and free speech."

One cryptocurrency firm, Tether, has said it [would not freeze](#) its accounts tied to Tornado Cash and intends to keep them open. And Rep. Tom Emmer (R-Minn.), who has [received at least \\$50,000](#) in contributions from the executive director of the Blockchain Association this year, wrote to Treasury Secretary Janet Yellen this week asking for the rationale for sanctioning Tornado Cash, saying the sanctions "impact not only our national security, but the right to privacy of every American citizen."

He told The Associated Press the sanctions punish Americans who use

the firm's software for legitimate purposes. "My government has no business sanctioning my ability to use a software that protects my anonymity, especially when I'm using it for legitimate purposes," he said.

The defense of the firm comes as a [Tornado Cash developer Alexey Pertsev was arrested by Dutch authorities in early August](#), days after U.S. sanctions were imposed, for allegedly facilitating money laundering.

Treasury's Office of Foreign Assets Control says Tornado Cash's systems were used, among other things, to launder more than \$96 million drawn from the June Harmony blockchain bridge theft and August Nomad crypto firm heist.

A Treasury spokesperson said that the agency is focused on disrupting criminal behavior and will use its sanctions authorities to protect the U.S. financial system from illicit activity like cyber theft, money laundering, and weapons proliferation financing.

Kristin Smith, executive director of the Blockchain Association, said the sanctions impact law abiding users of crypto mixing technology.

"If you are paid in cryptocurrency, transactions on most blockchains are transparent," she said, adding that mixers are used by those who don't want their transactions viewable on a public ledger.

"I think we do need to have a conversation around privacy and empower law enforcement without undermining people's ability to have private transactions," Smith said.

This is [not the first](#) set of sanctions on a digital asset mixing firm.

In May, the U.S. announced sanctions against North Korean digital

currency mixing firm Blender.io, accused of helping Lazarus Group, the sanctioned North Korean cyber hacking group, carry out a \$600 million digital currency heist in March.

Since the Tornado Cash sanctions, crypto experts have speculated on whether expected regulations would result in a ban on mixing services.

The Biden administration issued an executive order on digital assets in March that calls, in part, for regulations on the industry.

"This may be the end," Smith said "but we wont know until we see the regulations."

This story has been corrected to show that the executive director of Blockchain Association, not the association, contributed to Emmer.

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