

US issues sanctions on a 2nd virtual currency mixing firm

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Treasury Secretary Janet Yellen speaks about the economy during a news conference at the Treasury Department, Thursday, July 28, 2022, in Washington. Credit: AP Photo/Jacquelyn Martin

The Treasury Department has imposed sanctions on virtual currency

mixer Tornado Cash, which has allegedly helped to launder more than \$7 billion worth of virtual currency since its creation in 2019.

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.

Mixing services combine various digital assets, including potentially illegally obtained funds and legitimately obtained funds, so that illegal actors can obscure the origin of the stolen funds.

Secretary of State Antony Blinken said in a statement that the U.S. "will continue to pursue actions against mixers laundering virtual currency for criminals and those who assist them."

The new sanctions point to the growing use of digital assets to perpetuate illegal acts by state actors and individuals. Lawmakers and administration officials have voiced concerns about the use of cryptocurrency to engage in illicit acts.

"The United States will not hesitate to use its authorities against malicious cyber actors, to expose, disrupt, and promote accountability for perpetrators and enablers of criminal activities," Blinken said.

Monday's actions are the second-ever set of sanctions imposed on a digital currency blending firm.

The U.S. accuses Tornado Cash of helping to launder a portion of the more than \$600 million stolen by Lazarus Group, the sanctioned North Korean cyber hacking group, in one of the largest-known virtual currency heists to date.



An advertisement of Bitcoin, one of the cryptocurrencies, is displayed on a building in Hong Kong, on Nov. 18, 2021. A bipartisan group of senators has proposed a bill to regulate cryptocurrencies. It's the latest attempt by Congress to formulate ideas on how to oversee a multibillion-dollar industry that has been racked recently by collapsing prices and lenders halting operations. Credit: AP Photo/Kin Cheung, File

In May, the U.S. announced sanctions against North Korean digital currency mixing firm Blender.io, accused of helping Lazarus Group to carry out the digital currency heist in March.

And while the government says Tornado Cash has laundered around \$7 billion, Tom Robinson, co-founder of Elliptic, a blockchain analysis firm, estimates that the amount of funds laundered through Tornado is

much lower, but at least \$1.5 billion.

Robinson said "it should be noted that there are legitimate uses of mixers such as Tornado, such as to preserve financial privacy."

"Tornado Cash has repeatedly failed to impose effective controls designed to stop it from laundering funds for malicious cyber actors on a regular basis and without basic measures to address its risks," said Brian Nelson, Treasury's undersecretary for terrorism and financial intelligence.

He said the agency "will continue to aggressively pursue actions against mixers that launder virtual currency for criminals and those who assist them."

In March, President Joe Biden issued an executive order on digital assets, in part calling for federal regulators to help mitigate the illicit finance and national security risks posed by misuse of digital assets.

Frank Bajak in Boston contributed to this report.

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