Research into Anti-Money Laundering

Anti-money laundering (AML) refers to a set of guidelines that prevents illegal income from being disguised as legitimate earnings. In cryptocurrency, it covers any preventive measures designed to inhibit criminals from converting illegally obtained cryptocurrencies into fiat, and vice versa.

Cryptocurrency creates a unique opportunity to launder money, because there is no inherent supervisory entity like a bank with cryptocurrency transactions. Any reputable exchange will have to comply with anti-money laundering laws to prevent illicit funds from being laundered on their platform.

AML relies on preventing and detecting risks to find potential suspicious behavior. KYC is one method, which involves identifying potentially dangerous users by screening their financial history. Wallet screening involves identifying risky wallets and their ties to individuals, as well as monitoring transactions that take funds in and out of the wallet to potentially identify the source of illicit finds. Transaction monitoring can also be used to score risks, which can be made public in some cases so that users can avoid being a potential recipient of illegally gotten funds.

Combating the Financing of Terrorism, or CFT, is another area of AML. The intent is to stop funding from reaching terrorist groups, who stand to gain from deregulated cryptocurrency exchanges.

Typologies are considered the “most important element of AML.” Money laundering is a known problem by law enforcement, but as such, patterns can be identified. Understanding how money laundering is commonly done, and how persons involved may coordinate the movement of those funds can help to bolster AML policy.

AML Legislation also exists to enforce AML policies on financial institutions, such as cryptocurrency exchanges, The cooperation of those exchanges is crucial in monitoring and preventing money laundering. Typically, laws governing banks, surveillance, and money laundering in general tend to be amended to enforce AML policy.

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