

Breakout Assignment 8

Due: Nov. 15

To be done by CS and Analytics majors only

While cryptocurrencies are slowly gaining more acceptance as a financial instrument, their main uses (other than investment or money transfer across borders) still appear to be linked to criminal activity. For this assignment, you are to find two news articles and summarize them. One article should be on the use of cryptocurrencies for money laundering, the second article should be on the use of cryptocurrencies to fund terrorism. You must provide clickable links to the articles you are summarizing. I expect this assignment to be 1-2 pages long.

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Money laundering is a significant issue in the cryptocurrency world. Anonymous services known as mixers, have become a popular tool for illegal activities. Mixers take cryptocurrencies that may have become corrupt and therefore can be traced to someone through its transaction history, and combine it with other cryptocurrencies to once again make it unidentifiable and untraceable. A notable case is related to Roman Sterlingov, a Russian-Swedish citizen who operated a service called Bitcoin Fog, which was a mixing service that enabled criminals to launder over \$400 million.

Roman Sterlingov was recently sentenced to 12 years in prison for operating Bitcoin Fog, which laundered over \$400 million from 2011 to 2021. Bitcoin Fog provided criminals, such as drug traffickers and individuals involved in child exploitation, a way to conceal their cryptocurrency transactions. Sterlingov's platform was responsible for processing over 1.2 million bitcoins associated with illegal activities, making it a large resource for those seeking anonymity in their transactions and operations.

Following trial, Sterlingov was found guilty on several counts, including money laundering and running an unlicensed money transmission service. In addition to his prison sentence, he is required to pay over \$395 million and to forfeit his own cryptocurrencies valued at over \$103 million. The investigation involved the IRS, FBI, and international agencies. U.S. officials have stated that Sterlingov's sentencing serves as a testament to the Justice Department's commitment to dismantling criminal networks that facilitate illegal activities on the darknet.

In addition to money laundering, cryptocurrency has also been used to fund terrorism. By having encrypted and decentralized assets terrorists have been able to avoid counterterrorism regulations. As examples Hamas, Hezbollah, and Palestinian Islamic Jihad, have solicited donations via social media platforms to avoid detection. The U.S. Treasury and Israel's Counter Terror Financing Bureau have made attempts to stop this solicitation, but has proven to be a significant challenge.

In regions such as West Africa and Central Asia, cryptocurrency transactions are particularly prevalent, with groups like ISIS actively. The increasing adoption of privacy-focused coins and advanced methods to obscure transactions necessitates enhanced cooperation among governments, financial institutions, and technology companies to address regulatory gaps in combating crypto-based terrorism financing.

Sources

<https://www.justice.gov/opa/pr/bitcoin-fog-operator-sentenced-money-laundering-conspiracy>
<https://thesoufancenter.org/intelbrief-2024-october-16/>