

# Crypto money laundering up threefold in 2018: Report

By **Penny Crosman**

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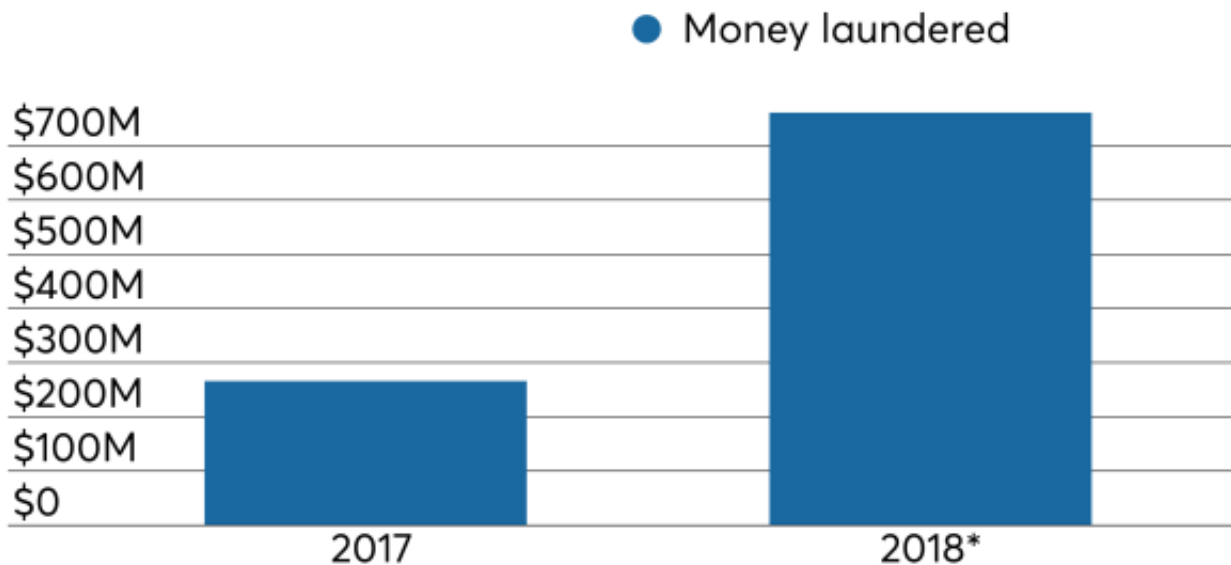
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Three times more cryptocurrency was stolen from exchanges in the first half of 2018 than all of 2017, with a corresponding boost in money laundering related to crypto, according to a report released Tuesday by CipherTrace.

The results appear to confirm fears by bankers who stay away from cryptocurrency business due to concerns about crime and money laundering.

## Cleaning up

The amount of money laundered through cryptocurrency channels is on pace to exceed \$1.5 billion this year



Source: CipherTrace report (\*Through June 30)

"We're basing it on things we have seen directly," said Dave Jevans, CEO of CipherTrace, which monitors cryptocurrency transactions for signs of financial crime.

In the last two years alone, criminals have stolen \$1.21 billion in cryptocurrency from exchanges, the report said.

While outright theft tripled in the first half of 2018, money laundering increased at a similar rate. In 2017, \$266 million was laundered via crypto. So far in 2018, that figure stands at \$761 million. That is just the laundering of stolen funds, not a complete estimate of all dark market transactions using crypto (which is harder to track with certainty).

"That puts us on track for this year to probably see about \$1.5 billion stolen through cryptocurrency, based on trends," Jevans said.

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One way is through using money laundering mixing services, Jevans said.

"These let people contribute funds into a combined pool that will scramble them up and try to use a different pool of liquidity that is not trackable on the blockchain, so there's no linkage between them to deliver funds out to the receivers," Jevans said. "These are written by highly skilled people who may have Ph.D.s, that are actively trying to avoid tracing."

Some money laundering mixing services have run paid ads on Google, he said.

"These guys are making quite a bit of money off these services," Jevans said. "They typically charge around 3% to perform a laundering transaction."

Another way is to use cross-currency flip services like ShapeShift.io. These can have legitimate uses, but they can also be used to take bitcoin, flip it into Ethereum and into another currency before turning it back into bitcoin. "You create this cross-currency monetary flip that is extremely difficult to correlate and track," Jevans said.

But in the majority of cases, criminals simply assume crypto exchanges aren't doing any anti-laundering detection and hope nobody is tracking their ill-gotten cryptocurrency so they can bring it into a bank account and no one will file a suspicious activity report, Jevans said.

CipherTrace's earliest customers were cryptocurrency exchanges coming under increasing regulatory compliance worldwide (and therefore needing to monitor users of their service).

Other customers are hedge funds managing crypto for customers, to verify source of funds.

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Among CipherTrace's banking customers, some are looking to provide custody services to manage customers' crypto assets alongside their traditional assets. Others want to provide services to exchanges and give them access to the traditional payments networks.

A third category of banking customers don't want their customers to use crypto at all and need to know when they are.

"It's not intuitive, but love it or hate it, you need to do something," Jevans noted.



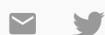
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## Penny Crosman

Penny Crosman is Editor at Large at American Banker.

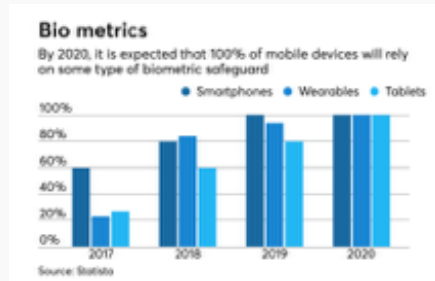


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