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Financial Crime

What is Financial Crime?

Financial Crime (Indicative) Taxonomy

Money Laundering / Terrorism Financing
Fraud
Bribery & Corruption
Cybercrime
Environmental Crime
Human Trafficking
Tax Evasion
Insider Trading

Summarized Treatment Approach
Prevention
Detection
Remediation
Recent Events

FTX was one of the world’s largest Cryptocurrency exchanges

In Mid-November 2022 filled for Bankruptcy

“Alameda, FTX executives knew crypto exchange was using customer funds”

“FTX spent $300mln on Bahamas real estate, ‘substantial’ assets missing” lawyers say
Financial Crime
Financial Crime in Figures

- **Money Laundering**: 800 billion to 2.0 trillion USD
- **Fraud**: 5.1 trillion USD
- **Cybercrime**: 1.5 trillion USD
- **Tax Evasion**: 500 billion to 600 billion USD
Financial Crime

Key Challenges

- Do I have the right data?
- What do my data tell me?
- Do I get sufficient information from others?
- Can I say who did what?
- Can I cover enough ground?

Resources:
- Data Reliability
- Data Consolidation
- Information Exchange
- Identification
- Resources
How does Blockchain fit in?
Financial Crime & Blockchain

First Thoughts

Year 2008 – publication of “Bitcoin: A Peer-to-Peer Electronic Cash System

Year 2009 – First version of Open-Source Bitcoin cryptocurrency system made publicly available

Conceal Source of Funds by using Cryptocurrencies and Cryptocurrency Exchange Offices

Favorable currency for transactions in the Dark Web
Financial Crime & Blockchain
Blockchain in the Fight against Financial Crime

- **Data Reliability**: Multiple parties approve the data.
- **Data Consolidation & Information Exchange**: End-to-end information flow (internal & External)
- **Identification & Resources**: Full trail of who initiates the transaction and the journey of the transaction minimizes duplication effort

Financial Crime (Indicative) Taxonomy

- Laundering / Terrorism
- Fraud
- Cybercrime
- Human Trafficking
- Insider Trading
- Tax Evasion
- Bribery & Corruption
- Environmental Crime

(indicative) Financial Crime Taxonomy

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Use Cases

**TradeLens (Maersk & IBM)**

- **Supply Chain Transparency**
  - eBill of Lading
  - Instant information of all parties about the details of the shipment
  - Increase time in processing shipments
  - Faster release of shipment to the receiver

**Alleged Conspiracy to Launder 4.5 billion USD in stolen Crypto**

- **The Case**
  - Bitfinex Platform hack (stolen 119,754 bitcoin)
  - 25,000 bitcoin transferred from wallet to financial accounts through multiple intermediate transactions
  - Multiple virtual currency exchanges and AEC conversions and chain hopping
Financial Crime & Blockchain

Other benefits of Blockchain

- DRP
- Continuous Auditing
- Full Population Testing
- Vendor Confirmations
- Instant Reconciliations with Counterparties
Thank you!