Fifth International Conference on Empirical Approaches to Anti-Money Laundering & Finance Crime

January 2024

Nassau, Bahamas

United States Secret Service
Global Investigative Operations Center

Background

Michael E. Condor
Financial Analyst
United States Secret Service – HNL
Criminal Investigative Division

Credentials

- 2005: James Madison University, Commonwealth of Virginia, United States (BA in History)
- 2008-2012: Deputy Sheriff & Police Officer, New York
- 2012-2013: Project Coordinator II, International Association of Chiefs of Police
- 2013-2017: Criminal Investigator, Washington, D.C. Office of the Inspector General
- 2017-2020: Special Agent, U.S. Department of Homeland Security (DHS), Homeland Security Investigations (HSI)
- 2020-2022: Senior Open-Source Intelligence Analyst, United States Postal Inspection Service
- 2022-2023: Senior Cybercrimes Investigator – Chainalysis, Inc.

Topics of Discussion

- Illicit Activity on the Blockchain – Statistical Data
- On-Chain Money Laundering Techniques & Trends
- USSS Investigation (Case Study+)

"In just the past month, the Justice Department has successfully prosecuted the CEOs of two of the world's largest cryptocurrency exchanges in two separate criminal cases.…The message here should be clear: Using new technology to break the law does not make you a disrupter. It makes you a criminal."
- Merrick Garland, United States Attorney General, DOJ, November 22, 2023

On-Chain Illicit Activity – By the Numbers

2022 Statistics

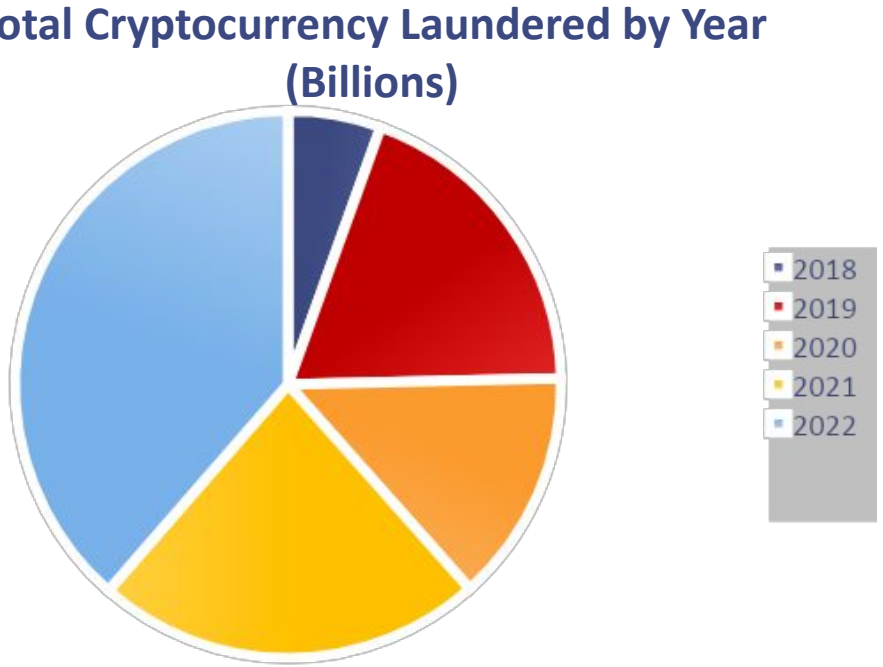
Movement of illicit funds: **$23.8B**

Mixing Services: **$7.8B**
- **$5.9B** mixed were from illicit cryptocurrency addresses

43% of all transactions involve US Dept. of Treasury, OFAC Sanctioned Entities

81% of all stolen crypto = Decentralized Finance (DeFi) Protocols
- **$3.7B** stolen through hacks and other on-chain exploits
- **$2B** stolen through cross-chain bridges attacks

January 2024: Orbit Bridge: **$81M loss**



Cryptocurrency vs. Fiat – Money Laundering

:

How is money laundering in the Traditional Financial System different than the Crypto space?

Traditional Financial System:

- Hidden system
- Shell Companies
- Physicality
- Connections | Hawala | TRUST

Decentralized Financial System:

- Extremely Accessible
- High Visibility
- Conversion
- Service Accessibility– DEXs, Mixers, Crypto ATMs, Gambling Services, Privacy Coins, Mixers
- Support not needed

Cryptocurrency Money Laundering Methodology

Decentralized Finance (DeFi):
- DEXs – Tokenlon
- Cross Chain Bridges | 'Chain Hopping' – RenBridge/THORChain
- Liquidity Pools
- NFTs – Wash Trading

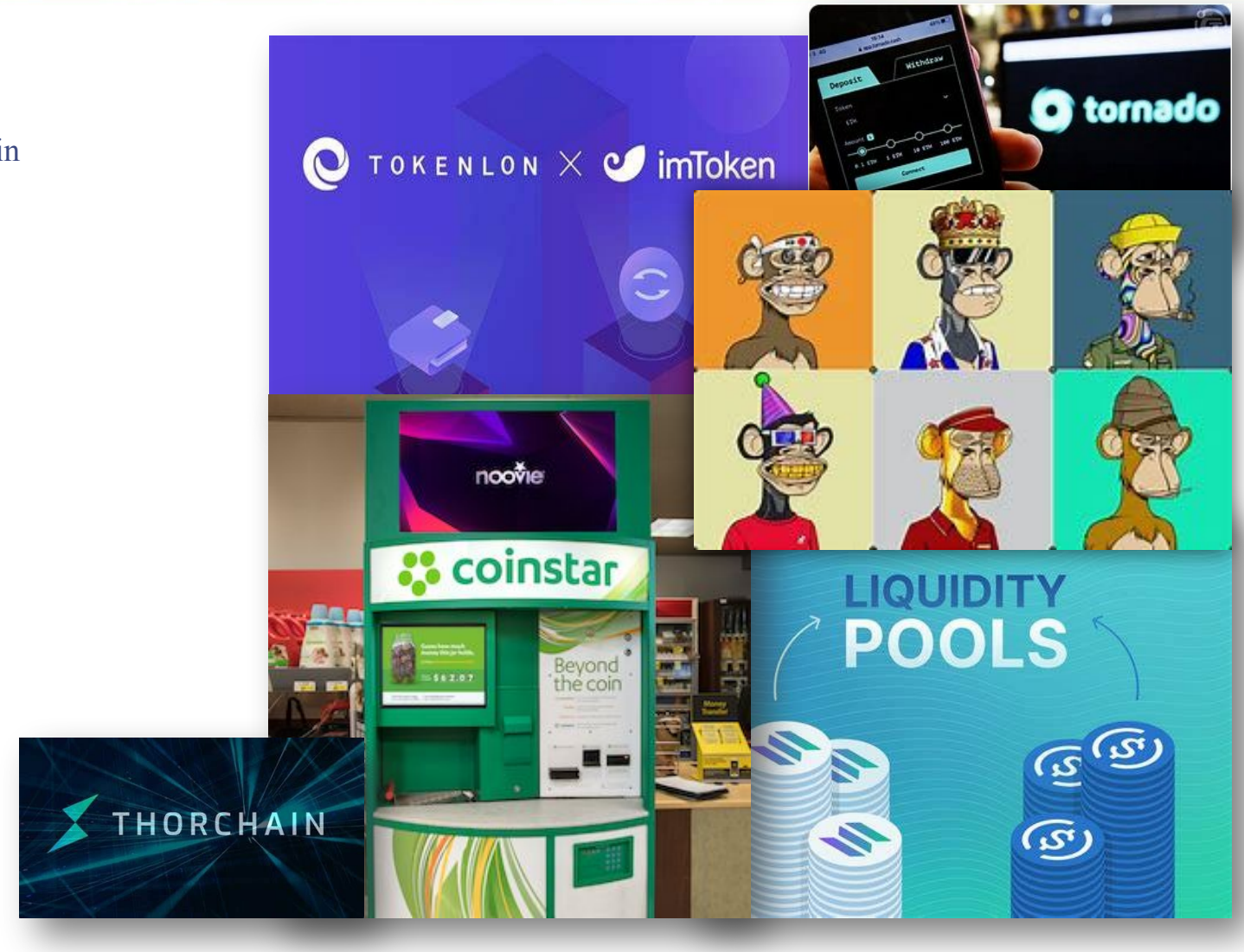
Mixers

Privacy Coins
- XMR | FATF

ATMs/Crypto Kiosks

Mules
- Victims

Additional Methods
- High-Risk Exchanges
- Online Gambling Sites
- Fraud Shops
- DNMs
- OTCs



Case Study

Analyzing Cybercrimes – SIM Swap

United States Secret Service
Global Investigative Operations Center

SIM Swaps

Subscriber Identity Module (SIM)

- Criminal actors target mobile carriers to gain access to victims' bank accounts, cryptocurrency accounts, and other sensitive information.
- Use of social engineering, insider threat, or phishing techniques.
- Once the SIM is swapped, the victim's calls, texts, and other data are diverted to the criminal's device.
- Using SMS-based two-factor authentication, mobile application providers send a link or one-time passcode via text to the victim's number, now owned by the criminal, to access accounts.
- The criminal uses the codes to login and reset passwords, gaining control of online cryptocurrency accounts.

"It was a SIM swap, meaning that someone socially-engineered T-Mobile itself to take over my phone number." –Vitalik Buterin, Co-Founder, Ethereum

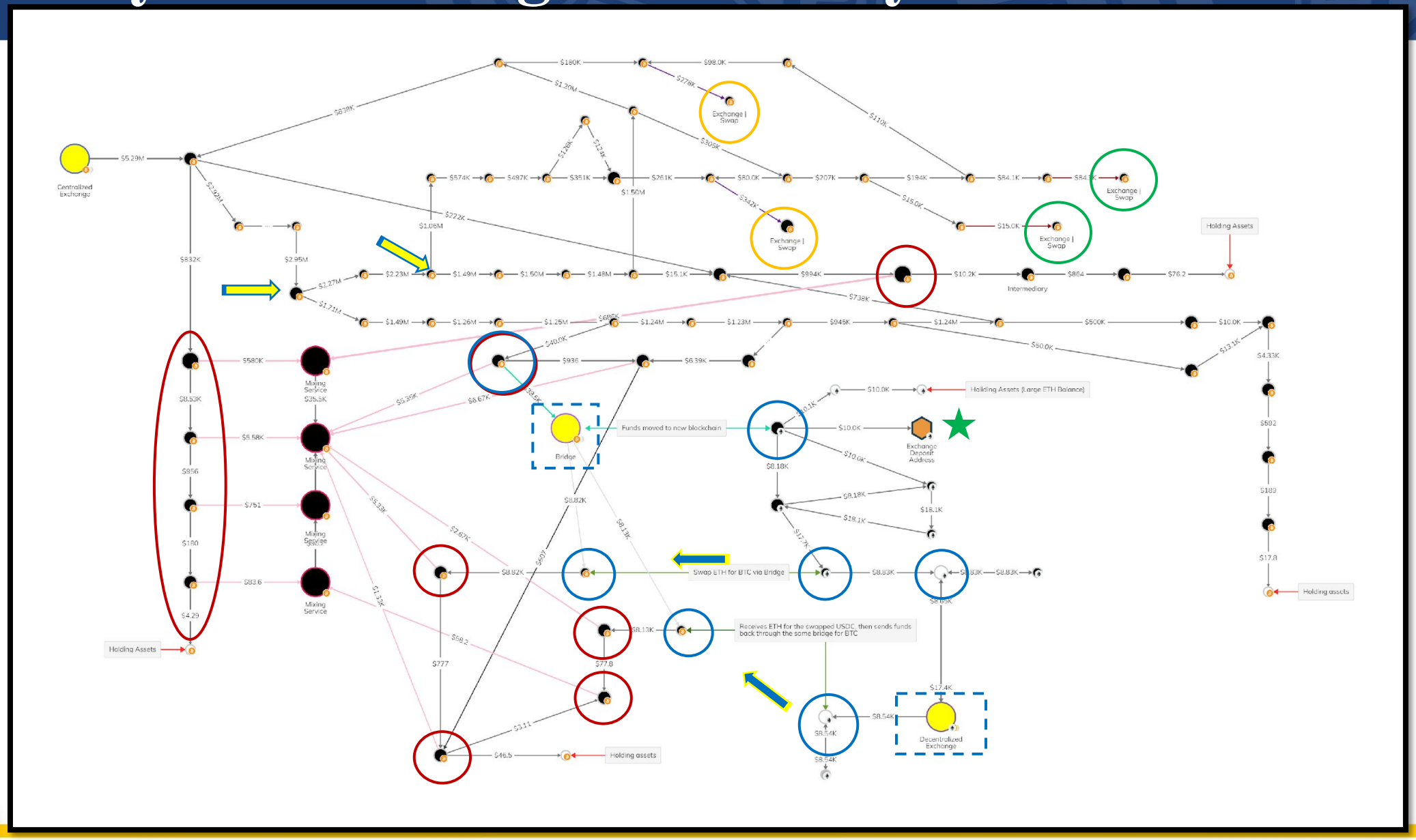
SIM Swap Loss:
2018-2021: $12M
2021: $68M
2022: $72M (>2,000 Victims)
May – August 2023: $13M
"SIM Swap attacks hitting high-profile figures and crypto-related projects


Vitalik Buterin


Bart Stephens

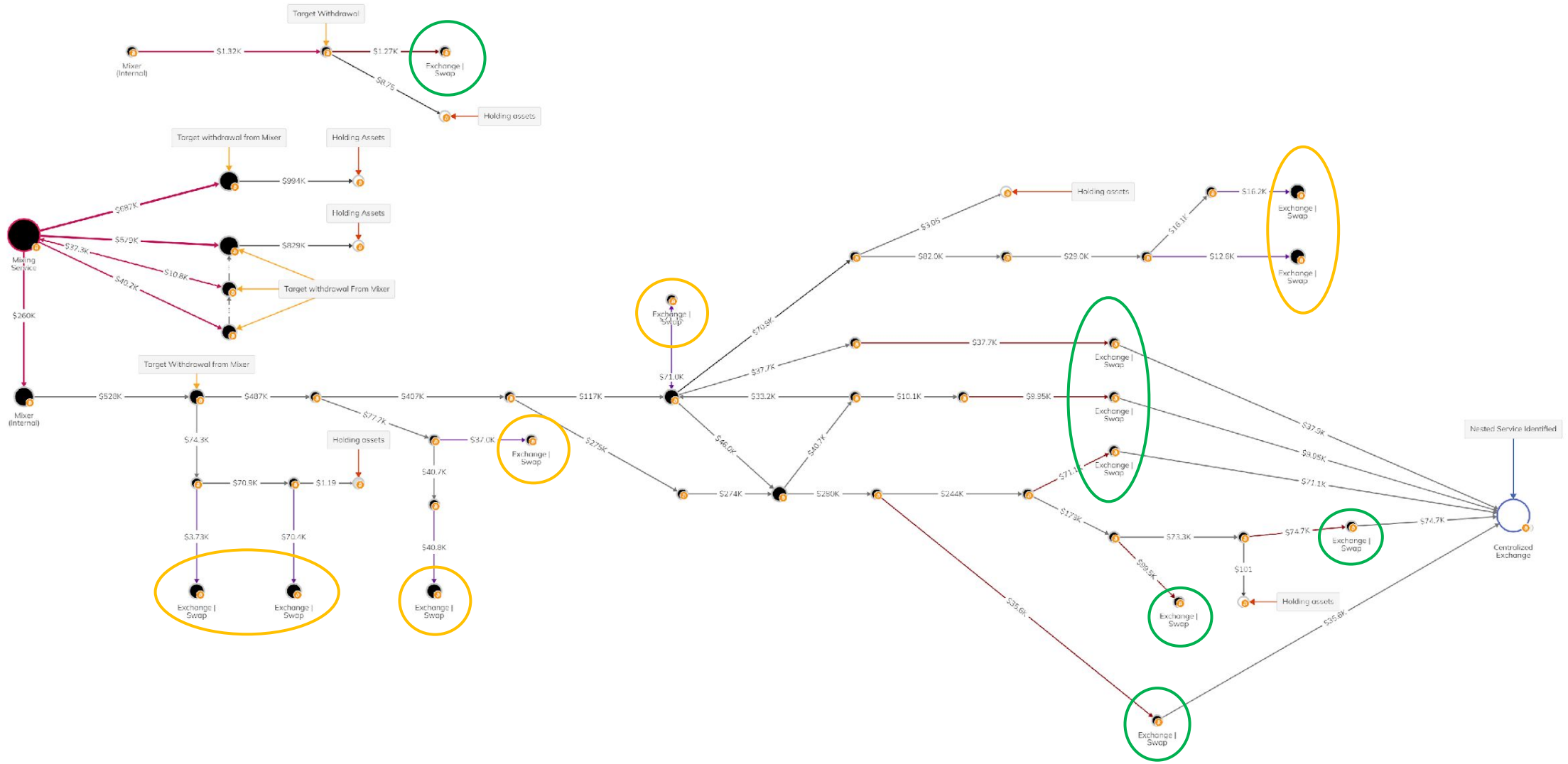
Money Laundering Case Study 1

Mixers + Exchanges + DEXs + Chain Hopping



Money Laundering Case Study 1

Exchanges + Privacy Coins

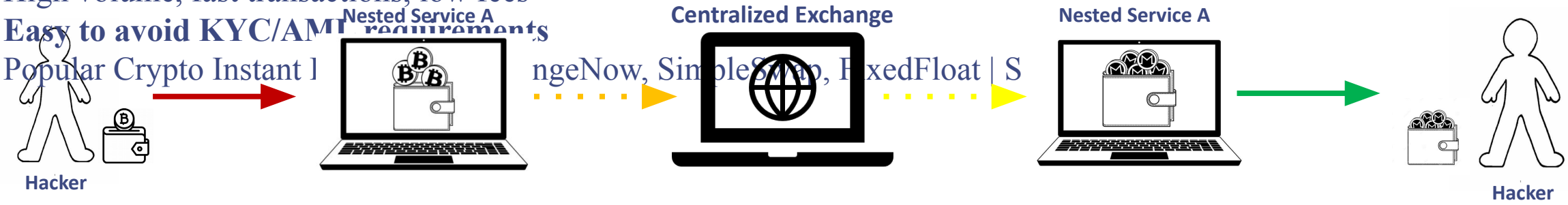


Nested Services

Nested Services

- Crypto trading services utilizing Centralized Exchange Infrastructure
- Instant Crypto Exchangers
- Can act as a Bridge

- High volume, fast transactions, low fees
- **Easy to avoid KYC/AML requirements**
- Popular Crypto Instant l ngeNow, SimpleSwap, FixedFloat | S



Contact Information:

Michael E. Condor

Email: Michael.Condor@usss.dhs.gov

Phone: +1 (202) 603-8353