

CURRENT TRENDS IN THE LEGALISATION (LAUNDERING) OF THE PROCEEDS OF CRIME WITH THE USE OF VIRTUAL ASSETS

СУЧАСНІ ТЕНДЕНЦІЇ ВЧИНЕННЯ ЛЕГАЛІЗАЦІЇ (ВІДМИВАННЯ) МАЙНА, ОДЕРЖАНОГО ЗЛОЧИННИМ ШЛЯХОМ, ІЗ ВИКОРИСТАННЯМ ВІРТУАЛЬНИХ АКТИВІВ

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The article considers modern ways of legalization (laundering) of illegally obtained assets with the involvement of virtual assets. It is noted that digital assets have become an integral component of rapidly developing financial technologies. Their popularity is due to the ability to carry out fast, decentralized, and cost-effective financial transactions without the involvement of intermediaries. This facilitates the simplification and availability of transactions, regardless of the geographical location of the participants or time constraints.

It is emphasized that the process of legalization of proceeds from crime is a serious criminal offense that poses a threat to economic stability, law and order and international financial security. The main purpose of such actions is to give illegally obtained funds a legal form for further use in the official financial system. Money laundering involves several key stages: the introduction of funds into financial circulation, their movement through a series of transactions, and integration into the legal economic sector. It is proved that the classic three-stage money laundering scheme remains relevant in the context of the use of digital assets, but modern technologies add new risks and difficulties at each stage.

In the current world, operations with virtual assets are often used to "launder" funds, since they greatly complicate the identification of participants in transactions. The main ways of legalizing virtual assets, which are the most common, have been analyzed: 1) centralized exchanges; 2) mixers; 3) internetwork bridges; and 4) online casino platforms. Centralized exchanges, despite having regulatory requirements, remain vulnerable to abuse due to insufficiently strict user identification procedures. Mixers and inter-chain bridges greatly complicate the work of law enforcement agencies, as they make tracing the origin of funds extremely difficult. This indicates the need to develop and implement more effective control and regulation measures in the field of digital asset transactions. In addition, online casinos allow you to hide financial flows through bets, which makes it difficult to monitor and control them.

Key words: legalization (laundering) of property obtained by criminal means, legalization through virtual assets, counteraction, virtual asset, digital currency, digital asset, cryptoassets, cryptocurrency.

У статті розглянуто сучасні способи легалізації (відмивання) активів, отриманих незаконним шляхом, із залученням віртуальних активів. Зазначено, що цифрові активи стали невід'ємним компонентом фінансових технологій, які стрімко розвиваються. Їхня популярність пояснюється можливістю здійснювати швидкі, децентралізовані та економічно вигідні фінансові операції без залучення посередників. Це сприяє спрощенню та доступності транзакцій, незалежно від географічного розташування учасників або часових обмежень.

Наголошено, що процес легалізації коштів, отриманих злочинним шляхом, є серйозним кримінальним правопорушенням, яке становить загрозу економічній стабільності, правопорядку та міжнародній фінансовій безпеці. Головною метою таких дій є надання незаконно здобутим коштам легального вигляду для подальшого використання в офіційній фінансовій системі. Відмивання грошей включає кілька ключових етапів: введення коштів у фінансовий обіг, їхнє переміщення через серію транзакцій та інтеграцію у легальний економічний сектор. Доведено, що класична триетапна схема відмивання грошей залишається актуальною і в контексті використання цифрових активів, проте сучасні технології додають нові ризики та складнощі на кожному з етапів.

У сучасному світі операції з віртуальними активами нерідко використовуються для «відмивання» коштів, оскільки вони значно ускладнюють встановлення особи учасників транзакцій. Проаналізовано основні способи легалізації віртуальних активів, які є найбільш поширеними: 1) централізовані біржі; 2) міксери; 3) міжмережеві мости; 4) платформи онлайн-казино. Централізовані біржі, попри наявність регуляторних вимог, залишаються вразливими до зловживань через недостатню суворість процедури ідентифікації користувачів. Міксери та міжланцюгові мости значно ускладнюють роботу правоохоронних органів, оскільки роблять відстеження походження коштів надзвичайно складним. Це вказує на необхідність розробки та впровадження ефективніших заходів контролю та регулювання у сфері операцій із цифровими активами. Крім того, онлайн-казино дозволяють приховувати фінансові потоки через ставки, що ускладнює їх моніторинг і контроль.

Ключові слова: легалізація (відмивання) майна, одержаного злочинним шляхом, легалізація за допомогою віртуальних активів, протидія, віртуальний актив, цифрова валюта, цифровий актив, криптоактиви, криптовалюта.

Committing any criminal offence inevitably leads to socially dangerous consequences and harms social relations protected by law. At the global level, legalization (laundering) of the proceeds of crime recognized as is a serious threat to the economic security and political stability of states and individual regions.

Disposition of Part 1 of Art. 209 of the Criminal Code of Ukraine determines the legalization (laundering) of property obtained by criminal means, such as acquisition, possession, use, disposal of property in respect of which actual circumstances indicate its receipt by criminal means, including financial transaction, transaction with such property, or transfer, change of form (transformation) of such property, or acts aimed at concealing, masking the origin of such property or possession of it, the right to such property, the sources of its origin, location, if these acts were committed by a person who knew or should have known that such property was directly or indirectly, fully or partially obtained by criminal means [1].

Various "schemes" of legalization of illegal income led to significant financial losses for states, including millions of unpaid taxes, which should be aimed at meeting the social

needs of the population. The main reason for the actualization of this problem is a serious threat to national and global security. "Laundered" funds are often used to finance terrorism, enrich drug traffickers, distribute drugs through established channels, human trafficking, and carry out financial frauds that undermine stability and security in the world [2, P. 25].

The current development of digital technologies creates new opportunities for the economy, but at the same time generates risks associated with the use of virtual assets in criminal activities. This contributes to the growth of risks of legalization of criminal proceeds both at the national level and outside Ukraine. Virtual assets, as an innovative tool for financial transactions, have unique characteristics that significantly complicate their control and regulation. Blockchain technologies, the anonymity of transactions, and the absence of centralized control bodies create attractive conditions for criminals seeking to legalize illegally obtained funds. Of particular concern is the fact that such actions often remain outside the traditional control mechanisms, complicating the work of law enforcement agencies.

The scientific literature and modern legislative acts of many countries have already formulated a generalized legal definition of the object of study, which is widely known as "cryptocurrency." At the same time, in Ukraine, after the adoption of key regulatory acts, this term officially took the form of a "virtual asset."

The normative-defined concept of "virtual asset," in the context of legal relations arising in connection with the turnover of virtual assets, is placed in the Law of Ukraine "On Virtual Assets" of 17.02.2022 No. 2074-IX, which refers to the intangible good that is the object of civil rights, has a value and is expressed by the totality of data in electronic form. The existence and turnover of a virtual asset are ensured by a system for ensuring the turnover of virtual assets. A virtual asset can certify property rights, including claims to other objects of civil rights [3].

The adopted Law of Ukraine "On Virtual Assets" has not yet entered into force due to the need to comply with the legislative requirement, which provides for the preliminary adoption of the Law of Ukraine on Amendments to the Tax Code of Ukraine regarding the peculiarities of taxation of operations with virtual assets.

The Law of Ukraine "On Virtual Assets" is not the only law that defines the concept of virtual assets. Thus, in the Law of Ukraine dated 06.12.2019 No. 361-IX "On Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime, Terrorist Financing and Financing the Proliferation of Weapons of Mass Destruction," in the current version, a virtual asset is proposed to be understood as a digital expression of value, which can be traded in digital format or transferred and which can be used for payment or investment purposes [4].

Today, virtual assets are financial instruments, without which it is already impossible to imagine our modernity. The virtual asset market continues to develop actively, and Ukraine continues to occupy a leading position in the ratings for their use. So, in 2024, according to the rating of the TripleA payment system, Ukraine took the eighteenth place in the top 30 among the countries of the world that own cryptocurrency assets (10.02% of the population) [5].

In modern conditions, transactions with virtual assets often become tools for "laundering" money, since they complicate the process of identifying the persons carrying out these transactions. For example, various laundering schemes can be implemented through virtual assets, which almost completely make it impossible to identify the person behind the criminal activity [6, P. 127].

Chainalysis, a leader in blockchain analytics, has released a six-month report on cryptocurrency money laundering. According to the report (as of June 2024), cryptocurrencies worth \$22.2 billion were transferred from anonymous email addresses in 2023, which is a significant decrease compared to 2022, when this figure was \$31.5 billion. This drop is partly due to a decrease in the total volume of cryptocurrency transactions, both legal and illegal. However, activity in the field of money laundering decreased significantly by 29.5%, while the total volume of transactions decreased by 14.9% [7].

Virtual assets, which ensure the anonymity of users and transactions, are often used in a criminal environment due to the ability to quickly move illegally obtained assets between countries. They are in high demand in such schemes. These currencies can be either convertible into national ("fiat") money or non-convertible.

In support of this, according to the report of the Financial Action Task Force (FATF), convertible virtual assets that can be exchanged for real money or other assets have a high risk of illegal use. This is due to their ability to provide a greater level of anonymity compared to traditional cashless payments. In addition, they allow anonymous transfers in cases where the identity of the sender and recipient are not properly identified [8].

Methods of legalization of criminal proceeds are extremely diverse and often have a complex and hidden structure. This allows us to talk not about individual methods, but about a comprehensive system of methods and technological schemes of washing, which consist of three main stages.

The first stage – often involves the initial receipt of virtual assets or other virtual assets that can be obtained illegally, for example, through fraudulent operations or cybercrime. At this stage, criminals can convert cash into cryptocurrencies or other virtual assets through various platforms, which are sometimes located in countries with soft regulations.

The second stage involves the implementation of operations to entangle traces of the origin of assets. In the case of virtual assets, this can occur through tools such as mixers (mixing virtual assets to complicate their tracking), decentralized platforms, or transactions with the withdrawal of assets through various blockchains. Such actions make tracking the movement of assets more difficult for law enforcement agencies.

The third stage – "cleared" funds return to the economy as legal income. In the case of virtual assets, this can include exchanging virtual assets for fiat money through exchanges, investing in legal businesses using virtual assets, or using them to buy goods and services. Virtual assets can also be used to finance various legal projects, which allows you to legalize funds directly through digital channels.

So, the traditional three-step model of money laundering remains relevant for virtual assets, but digital technologies add new opportunities and complications at each stage. This requires constant adaptation of the approaches of legislators and regulators to effectively counter property laundering, considering the peculiarities of virtual assets and rapid technological progress in this area.

Virtual assets are often "laundered" through various platforms that provide anonymity and avoid regulatory restrictions. These platforms make it difficult to track the origin of funds, which emphasizes the need for increased regulation and control to combat illegal financial transactions in the field of virtual assets.

The main, most common ways of "laundering" virtual assets today are: 1) centralized platforms; 2) mixers; 3) bridges; and 4) online casino sites. Consider each of them in detail.

According to a 2024 crypto crime report from Chainalysis, more than 50% of illegally mined funds end up on centralized exchanges, both directly and through various obfuscation methods. This includes practices such as using anonymous networks or breaking up transactions making it difficult or impossible to track virtual asset transactions [9].

Currently, many centralized services process millions of dollars of illegal funds annually. Nevertheless, one can notice a downward trend in volumes that fall on centralized exchanges – from almost \$2 billion per month at the peak level to about \$780 million. In 2023, the situation mainly resembled 2022 in terms of types of services, used for money laundering, but Chainalysis records a slight decrease in the share of illegal funds, which fall on prohibited services, and the growth of volumes that are directed to gambling services and bridge protocols.

In 2023, the use of inter-chain bridges for money laundering by attackers has increased, especially among crypto thieves. In total, in 2023, inter-link bridges received \$743.8 million worth of virtual assets from illegal addresses, up significantly from \$312.2 million in 2022 [9].

Inter-chain transactions can be performed using inter-chain bridges. The use of bridges is often seen in conjunction with decentralized exchanges, as criminals often require the exchange of tokens between blockchains before converting to bridges. As soon as criminal funds are converted to another token or transferred to another blockchain, their trail is confused. Attempts to track them through tokens or blockchain require investigation, which often turns out to be impossible

or unsuccessful. Even though transactions with virtual assets are registered in the public register (which allows anyone to track the movement of coins and tokens), this is a difficult task for people who, for various reasons, want to hide the origin and purpose of their transactions. One of the last opportunities to "solve this problem" is the use of cross bridges, which are often used by money launderers to hide their traces.

The following is worth mentioning services-mixers, which are used to split the initial coins and their subsequent exchange for other virtual assets. So, funds can go through hundreds of addresses, making it difficult to track the original owner. The principle of operation of such services is simple, they take virtual assets from different customers, and "mix" them, the result is a "mix" that does not allow you to track the owner of the money.

In other words, the main purpose of this method of "laundering" is to increase the privacy of users, losing the ability to track the path of coins sent by the users themselves. The definition of a mixer follows from the fact that these services mix, in fact, a different number of coins sent from separate addresses and send a random number of virtual coins to each address. This causal process is repeated until the total amount of the coins returns to the user's wallet.

In April 2022, mixers reached a peak in popularity, exceeding \$1.5 billion. In 2024, monthly figures range from \$300–700 million [9].

Next, one of the common ways of "laundering" virtual assets is the use of online casino sites to carry out the legalization (laundering) of property obtained by criminal means, using virtual assets.

Online gambling has become part of an actively developing multi-billion-dollar industry. This area includes both legal and illegal ways of exchanging virtual assets for real money, which creates an imbalance in economic processes. One of the biggest problems in the context of money laundering is the activity associated with gambling and sports bets on the Internet since these services are often used to carry out illegal financial transactions [10].

While traditional casinos may provide criminals with the ability to convert physical "dirty" cash into casino chips,

online gambling creates different kinds of money laundering risks, particularly because of one aspect: increased anonymity.

ComplyAdvantage – a company that specializes in providing solutions in the field of combating financial crimes, in particular money laundering and terrorist financing, represents some of the common schemes used by fraudsters to launder money through online gambling platforms. Among them: 1. Smurfing: Breaking down large amounts into smaller, less visible transactions to avoid detection. 2. Coordinated bets: Betting on deposit funds, colluding with other players, and coordinated bets to hide the origin of money. 3. Chip Reset: Intentionally playing chips to another player at an online poker table to covertly transfer funds. 4. Player-to-player transfers: Using gambling accounts to make illegal transactions between parties through direct transfers. 5. Gnoming: Using multiple accounts to help one player win and another lose in head-to-head matches. 6. Hiding: Hiding illegal funds in gambling accounts without immediate withdrawal, using the same anonymous banking method for their further withdrawal [11].

In the future, criminals "legalize" money by converting it into "casino game currency," withdrawing it to electronic wallets and then purchasing goods [12, P. 332].

It follows from the study that the legalization of proceeds from crime is a destructive phenomenon, but at the same time capable of dynamic development and adaptation in conditions of various economic and political realities. The spread of this phenomenon today is significant, while the typology of money laundering schemes is constantly improving and taking on new forms. Centralized exchanges remain a common means for anonymous transactions due to relaxed user identification requirements on some platforms. Mixers are used to merge transactions, erasing traces of the primary source of assets and complicating their control. Inter-chain bridges allow transfers between different blockchains, further confusing traces of transactions. Online casinos create opportunities to exchange funds through bets, making it difficult to track financial flows. The widespread use of these anonymization technologies requires improved detection and control of money laundering.

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