

Surf City XIX

Huntington Beach High School

2nd ECOFIN

Topic A: Money Laundering in the International Economy

Topic B: Reducing the Corrupt Use of Cryptocurrency



Welcome Letter

Dear Delegates,

On behalf of the Huntington Beach High School Model United Nations Program, we would like to welcome you to our Surf City XIX advanced conference!

Our annual Surf City conference upholds the principles and intended purpose of the United Nations. Delegates can expect to partake in a professional, well-run debate that simulates the very issues that those at the United Nations discuss every day. Both novel and traditional ideas will be shared, challenged, and improved.

It is our hope that all delegates will receive the opportunity to enhance their research, public speaking, and communication skills as they explore the intricacies of global concerns through various perspectives, some of which may be very different from their own. We hope their experiences here give them new insight and values that they can apply outside of the realm of Model UN for the betterment of the world community.

Please do not hesitate to approach our Secretariat or Staff Members with any questions or concerns that you may have throughout the day. We wish the best to all our participants and hope that they may share a fulfilling experience with us!

Enjoy the conference!

Sincerely,



Zach Bernstein
Secretary General



Vivian Bui
Secretary General



Lauren Le
Secretary General



Alison Miu-Martinez
Secretary General

Meet The Dais

Brooke Spahr

Hi guys! I'm Brooke and I'm a senior here at HBHS. Having done four years of MUN, I've learned so much about the issues in our world and how to use the skills we obtain in everyday life to go towards the resolving of these problems. Outside of MUN I'm on the HBHS soccer and volleyball team, and aside from those I love to surf, hike, ski, and do anything outdoors. I'm super excited to be chairing this committee and I hope everyone enjoys the weekend and learns a ton!

Elise Bitgood

Hey everyone! I'm a senior at Huntington and have been in MUN for four years. I'm so grateful for the amazing experience I've had in MUN and to have learned so many life-long skills such as public speaking, working with others to solve problems, and efficiently researching intricate topics. Outside of MUN when I'm not drowning in homework I enjoy hanging out with my friends, going shopping and thrifting, going to the gym, and exploring other cities in socal. I'm looking forward to chairing our committee and am so excited to see you all excel and learn about each other's solutions on the topics!

Ryan Adamson

Hello everyone! I am a Junior at Huntington and I have been in MUN for three years. Through my years of being in MUN I have gathered many skills including speaking in large settings, writing formally, and so much more than that. Such as the ability to understand and create solutions for real world issues. Outside of MUN I am a competitive dancer in my dance studios company, while also being a part of the APA dance program at Huntington. I also enjoy snowboarding and wake surfing when on breaks. I am so excited for the committee and can't wait to hear everyone's solutions!

All Papers are due on **JANUARY 30, 2022** by 11:59pm to
surfcity.ecofin@gmail.com

Topic A: Money Laundering and its Impact on the International Economy

Background

Money laundering is the tactic of using unlawful means to obtain and move around currency gained from illegal activities through putting it into different banks, countries, businesses, goods, and real estate; each of these steps are taken so that its origin cannot be tracked or found by legal bodies. The practice of money laundering has been used for hundreds of years but has especially become an international problem in the last century, as nations become more technologically developed and more avenues are created in which criminals and corporations can hide their money. Money laundering takes place in three main steps: placement, layering, and integration.¹ In the first step, placement, money is integrated into some type of financial system or instrument, often in small amounts as to avoid flagging done by banks when large amounts of money are inputted in or withdrawn from accounts. The placement stage is when criminals are most likely to get caught as a result of regulations implemented by many nations in the past few decades to help draw attention to large amounts of money being moved, such as the Bank Secrecy Act (BSA), implemented by the United States in 1970. This law requires private financial institutions to work with the United States government in order to detect possible money laundering cases through means of internal controls and independent testing as well as specific anti-money laundering (AML) training for banking employees. The most crucial and influential part of the BSA is that it requires businesses to complete Form 8300 when any amount over \$10,000.00 is put into an account.² While the US undoubtedly has the most powerful AML laws, the European Union and other nations have followed suit by passing laws such as the EU's 6 AML Directive.³

The second stage of money laundering is layering, which is when the money is separated into usually smaller amounts and moved around to different accounts, banks, and countries, in order to further disassociate the owner with the money and dilute the large single sum of money in order to lower suspicion. Often during this stage, money is moved to offshore banks, with Algeria, Morocco, and the United Arab Emirates being hotspots for money laundering as a result of a lack of financial secrecy laws.⁴ The United Kingdom has also been a target for layering laundered money and has even been called “the money laundering capital of the world” by Transparency International.⁵ Specifically, a British bank called Standard Chartered Bank was exposed for violating AML practices on many levels, likely as a result of bribery from rich criminal corporations. When caught, the bank had to pay upwards of \$1.1 billion to the United States and United Kingdom. Usually, when large financial institutions are caught laundering money, they are not shut down but instead are subject to hefty fines and more fierce regulations, whereas individuals caught laundering money are subject to imprisonment as well as fines. Globally, in 2019, banks alone paid over \$6.2 billion in AML fines, drawing attention to the success of federal and private sector regulations, with this number expected to increase with each coming year. While these places experience high levels of money laundering, all countries in the world are subject to it at some level as criminals are constantly finding ways to evade laws through new technological methods. For example, in April of 2021, a Chinese money laundering ring was discovered in banks of both Chicago and New York in which over \$1.2 million dollars of cash were illegally obtained and being moved around.⁶ This specific case is an example of the

alliance made between people from more financially stable and reputable countries and people from countries known to be home to cartels and illegal practices that would generate lump sums of money, a precedent that puts them at higher risk to be investigated. In this case, the Chinese were helping the Mexican drug cartels move the money through US banks by transferring it to their Chinese accounts first and then back into the United States banks. Many corporations or illegal groups such as cartels pay out unrelated individuals to help them launder the money during the layering stage.

The last step of money laundering, integration, is where the money is gathered back up by the criminal through seemingly legal means in order for the money to be at the criminal's fingertips with no known illegal origins. From here, the launderer can do anything they want with their money because it appears to be legally obtained. In order to ensure there are no chances of the criminal losing their money in the future, most put it into high-priced goods such as art, luxury automobiles and jewelry, or real estate.

Another aspect of this multifaceted issue is that money laundering is the main source of funding for terrorism, which is why middle eastern countries such as Afghanistan are particularly at risk for money laundering schemes. Furthermore, some of the main perpetrators of international money laundering are drug cartels in South and Central America. The Sinaloa Cartel has been caught for several offenses since the start of 2021, as well as other cartels such as Los Zetas having had multiple officials arrested for grand-scale money laundering. Drug cartels in general are estimated to successfully launder around \$9 billion USD annually.

Not only does money laundering encourage illegal activity and promote the success of unlawful groups, but it also is extremely detrimental to the international economy.⁷ Laundered money takes away from the importance of legitimate private companies making money as well as creates unbalanced tax as a result of millions or billions of dollars worth of a country's Gross Domestic Product (GDP) essentially being "lost" and therefore not able to be taxed on. The International Monetary Fund (IMF) estimates that between 2 and 5 percent of all international GDP is laundered, which is \$800 billion to \$2 trillion USD; however, this amount could likely be much more because it is hard to account for all of the cyber money laundering that goes through platforms like cryptocurrency and is not regulated.⁸

Cryptocurrency has been one of the most popular money laundering venues in recent years because crypto networks such as the Bitcoin network are decentralized, meaning that there is no single gathering place for all transactions made through the network, and, therefore, there is no specific place to look for and analyze transaction patterns to discover mass money laundering schemes.⁹ Criminals have turned to crypto to launder their money in recent years, because it is so accessible to feasibly anyone and has no intermediaries while also not keeping real tracking records of exchanging commodities. In addition, because crypto is a newer medium of finance, countries lack federal regulations that could prevent unlawful use of the platform. For example, just in 2019, an analysis completed by Chainalysis concluded that around \$2.8 billion dollars of illegally obtained funds had been moved around in Bitcoin alone by criminals, and this number is just a low baseline estimate as there like is a large amount schemes which were not caught at all and therefore not accounted for. While the amount of laundered money is generally known, less than 0.1% of funds of illegal origins have been intercepted and placed back into the economy legally by an intervening body. In the ever present technological age, money laundering software has been the newest useful AML procedure that many jurisdictions, banks, and private corporations have integrated into their practices, and the AML software market is on a trajectory to reach a \$2 billion value by 2024. However, this is not to say that software solves all of the problems, and some experts believe it causes more harm than good, given that a 95% majority of

transactions flagged by software have not ended up being valid cases of money laundering and turned out to be false positives.

United Nations Involvement

As it is a major global issue, the United Nations has put in a lot of effort to combat the practice of money laundering. The Global Programme Against Money Laundering (GPML) was created by the United Nations Office on Drugs and Crime (UNODC) and works internally within countries' financial infrastructures in order to strengthen security measures against money laundering. The GPML has been referenced and reaffirmed in many General Assembly (GA) resolutions such as resolution 71/209 (2016), resolution 72/196 (2017), resolution 73/186 (2018), and most recently resolution 74/177 (2019). The International Money Laundering Network (IMoLIN) was developed with the main purpose of connecting governments and AML organizations to successfully implement preventative measures as well as create a major database of information regarding past money laundering crimes to analyze trends and help create more successful security measures. IMoLIN works hand in hand with the GPML to create venues of dialogue between nations to adapt measures to nation-specific money laundering issues. Another main pillar of the United Nations involvement in combating money laundering is the development of the Financial Action Task Force (FATF), which now has 37 member nations and has been especially successful setting forth AML recommendations and regulations. This organization then assessing the implementation and success of these measures in each specific country.¹⁰ FATF helps countries set and achieve goals as well as enumerating standard AML practices that every country should specifically follow.¹¹

As money laundering is an issue that relates to other world issues including the drug trade and terrorism, many other sects and documents of the UN have also included clauses to address it. For example, the United Nations Convention Against Corruption (UNCAC) defines money laundering as a crime in Article 23 and outlines it as a main source of corruption.¹² Similarly, the International Convention for the Suppression of the Financing of Terrorism (ICSFT) demands that nations must criminalize all means of financially supporting terrorist groups, much of which is done through money laundering.¹³ The United Nations Convention Against Transnational Crime (UNCATC) also categorized money laundering as one of the four main transnational crimes and set forth 4 specific protocols to work against the crimes that often result in money laundering.¹⁴ In addition, preventing money laundering is brought up in the United Nations Sustainable Development Goals (UNSDGs) in goal 16, "Peace, Justice, and Strong Institutions," in which countries are called upon to put a stop to any and all organized crime in the financial sphere including but not limited to "reducing illicit financial flows" and "strengthening recovery and return of stolen assets."¹⁵ Adopted in 2019, Security Council Resolution 2462 created under Chapter 7 of the United Nations Charter reaffirmed resolution 1373, which was originally passed in 2001, but added transparency measures and required countries to suppress money laundering efforts as well as explained how AML procedures can work against terrorist groups.¹⁶ Additionally, the International Monetary Fund has taken a more powerful stance on prevention of money laundering and in 2009 launched a program financed by its donors that created a trust fund for IMF member nations in order to help provide AML training and operational support to their infrastructure.¹⁷ The International Criminal Police Organization (INTERPOL), a Non-Governmental Organization (NGO) that works to address global criminal issues has also recently made their money laundering crackdown measures more robust, successfully arresting over 1,000 money laundering criminals and catching upwards of \$27 million USD while it was

being laundered in just 4 months in 2021. Reasons for the immense success of the INTERPOL in the money laundering sect include creating specialized police units and utilization of new softwares which allowed more modern money laundering avenues to be exposed, such as online gambling and romance scams.¹⁸

Case Study: Wachovia

The recurring issue of money laundering is prominent on an international scale. Throughout time, there have been various scandals revolving around money laundering, one of the biggest in history being the Wachovia National Bank Scandal. Wachovia Bank was established on June 16, 1879 and progressed to become one of the biggest financial service companies in the United States. This bank offered customers many different services including brokerage, mortgage loans, financial services, wealth management, investment banking and a variety of other financial aid. In 2008, the Wachovia Corporation was held in the hands of Wells Fargo and another company who had a similar goal of distributing financial services. The public was entirely unaware that this large corporation would be responsible for one of the biggest money-laundering upsets of all time. In 2010, it was discovered that the bank worked with drug cartels in Mexico between 2004 and 2007, allowing them to launder close to \$390 billion USD through their branches. The cartels used U.S. currency to smuggle drug sales across the border. They were later found depositing money back into accounts in Mexico through the use of money exchangers. After further investigation, money was returned to Wachovia's U.S. accounts but the bank did not have the ability to control these funds. Along with this, many cartels at the time had used Wachovia's cash services in order to send banknotes back to the U.S.

In this scandal, one of the employees named Martin Woods had been made aware that one of his coworkers helped launder profits into the drug trade in Mexico, which would lead to further drug trafficking and more profit to the illegal business. After Woods acknowledged this problem he joined the bank's money laundering reports offices in the year of 2005. Late in the following year, Martin had recognized the first incident officially. He created the first warnings in the 2006 Lebanon war which followed reports that Wachovia was being utilized by Hezbollah. He received no help or feedback and was harassed for "freezing accounts." He later showed his passion for the job by exposing real crimes; he was able to discover deposits of a passenger check with insufficient credentials, and there was also a large quantity of sequential numbers to deal with. Woods described this situation as being hard to understand to an untrained eye. He then released a series entitled "Suspicious Activity Reports," which demanded blocking aforementioned parties due to the large number of passenger checks from Mexico. In many cases, it is hard to track international money laundering cases, which is exactly why Woods expressed the need for a highly educated and trained party to further track their affairs more closely. After further investigation, the Mexican military discovered 128 safes worth \$100 million filled to the brim with 5.7 tons of cocaine on a jet which arrived in a port in Ciudad del Carmen, Mexico. A 22 month long study conducted by agents of the Drug Enforcement Administration and Internal Revenue Service found that the plane was bought by the smugglers with money that had been laundered through Wachovia. It was traced back to 2004 and 2007, where the investigation found relation between billions of dollars of wire transfers, travelers checks, bulk cash shipments and so much more exchanged through Mexican exchanges. When all of the data emerged, Wachovia escaped prosecution by paying a \$160 million fine and promised to increase AML procedures.

A similar issue that relates to Wachovia was the issue with the Standard Chartered Bank which was required to further promote AML but had severe issues doing so. This company was founded in 1969 and serves to help banking and financial services in Britain, which is a nation who was dealing with some monetary difficulties during the time. In 2005 and 2006, the bank broke the Iran sanctions when ignoring regulatory agreements which told the banks they needed to work with the Iranians. They faced a penalty of \$670 million in 2012 for its violation in the previous years, but the fine hardly limited their illegal activity. In the same year, the New York's Department of Financial Services (DFS) accused the chartered bank for the Iranian government's failure in anti-money laundering actions; this helped to control the U.S regulations for a period of time with \$265 billion dollars. The bank also was accused of violating sanctions on Libya, Sudan and Burma. The Federal Reserve gave up and stopped punishing the Chartered Bank because they continued to fail to implement AML practices. They also continuously ignored the help the countries of Zimbabwe, Burn, Iran, Sudan, Cuba, and Syria needed. The Financial Conduct Authority (FCA) also saw a serious lack of implementation in AML controls partly due to vigorous client related controls within the UK. In the end the Chartered Bank received a total of \$1.1 billion fine as punishment for their actions. All in all both of these cases are prime examples of the recurring issue of money laundering. Action needs to be taken before this occurs in any more nations or the issue spirals out of control any further. Along with this a topic that has been an issue is implementation and enforcement of AML programs. Although many nations have AML procedures in place, they have no one to hold the government accountable for keeping up with these solutions. The main focus of AML regulations is to perform procedures that would discourage and prevent violations from coming into money laundering crime and fraud, which would supposedly prevent criminals from hiding the illicit origin of money and any sort of transaction, but without the proper means of enforcement there is no true guarantee of safety. One example is Zimbabwe, which had many AML regulations set in place but had no way of continuing the procedures or actually enforcing them. We also are seeing this occur in other nations, specifically third world nations who have less funding to enforce and penalize. A main issue that needs to be considered is the root cause of money laundering opportunities: when there is less punishment and enforcement in a nation, there are more ways to get around or participate in illegal activity. Another issue is many people who are involved in money laundering have high tech ways of blocking transactions such as Blockchain technology that was used heavily in the Wachovia bank case. Billions of dollars of transactions are covered. In general there needs to be more implementation solutions. This case was a prime example of the growing issue of money laundering internationally. Through the use of multi-nation money trade and illegal drug smuggling, illegal industries are making billions illegally while banks internationally are losing money. This means globally there needs to be solutions conquering the issue of money laundering in order to economically grow on an international scale. Wachovia is just one example of hundreds that had similar situations. In the words of Woods, there needs to be more change and growth in order to better our world.

Questions to Consider

1. What measures has your nation taken in regards to AML procedures? Which of these, if any, have been successful?
2. Which financial and technological aspects make money laundering easier for perpetrators?
3. How can a country reduce multinational money laundering in third world countries?
4. Has the issue grown or reduced in the last 10 years? What factors have contributed to this?
5. How do new cybertechnologies make it harder to detect money laundering and how can a country help regulate decentralized financial platforms such as cryptocurrency?
6. How can the international community put special attention on countries without strict financial regulation and incentivise them to adopt AML strategies?

Endnotes

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18. <https://www.interpol.int/en/News-and-Events/News/2021/More-than-1-000-arrests-and-USD-27-million-intercepted-in-massive-financial-crime-crackdown>

Topic B: Reducing the Corrupt Use of Cryptocurrency

Background

In 2009, Satoshi Nakamoto created Bitcoin: the first cryptocurrency company, worth around \$0.08 per coin by the time it was in circulation in July of 2010.¹⁹ As of November 2021, Bitcoin was priced individually at over \$64,000.00.²⁰ However, Bitcoin is not the only crypto company to experience an exponential increase, as Ethereum, another top company, grew from \$11.00 to \$3,000.00 and Dogecoin, a cryptocurrency brand that was created, infact, as a joke, grew from just \$0.0002 to \$0.20 in the span of four years. With this data in mind, it's clear that cryptocurrency is an incredible technology that has millions of users captivated in its technology and enthused by the concept of financial freedom. This digital currency allows for simple transactions within buyer to seller with the absence of a third party advisor such as a bank or financial advisor. These transactions are also decentralized and are not governmentally regulated; instead, all transactions exist on Blockchain, which is a technology that, like cryptocurrency, has seen huge growth, as the industry is estimated to be worth \$40 billion USD by 2025. Blockchain stores the data of global transactions in blocks; once these blocks are filled with data, they close off and a new block is created, still connected and linked to the previous block. With this, Blockchain creates an irreversible system of transactions that are precise and permanent.

The historical uprise of cryptocurrency and similar digital currencies follows a simple, progressive timeline, and as our world became more technologically involved, the emergence of this money was predictable. In 1983, David Chaum led the creation of eCash, which was an online method of transferring funds anonymously.²¹ He utilized a system of blind signatures which allowed for the encryption of data, similar to what we see in crypto now. Some time later, in 1995, Chaum continued the establishment of his idea, now called DigiCash, partnering with banks such as the Mark Twain Bank located in St. Louis, Missouri. At this point, DigiCash had too few supporters and an unprepared market so the business was unable to emerge. In 2008, economic collapse led to general distrust of banks and cash currency, thus setting the stage for Satoshi Nakamoto to begin the creation of Bitcoin. A couple years after Nakamoto's introduction, competition brands began to rise, one of which being Litecoin which was advertised to be much quicker due to updated algorithms. At this point, with portions of the public becoming introduced to these companies, the influence of crypto began to be visible.

There's a multitude of stories of people investing into cryptocurrency and finding great wealth, one of these stories being about Erik Fineman. Fineman invested \$1,000.00 into Bitcoin in 2011 when it was worth just \$12.00. Just two years later, Bitcoin hit \$12,000.00 and Fineman became an 18 year old millionaire.²² Stories similar to this are found everywhere, from the Winklevoss twins, who were allegedly involved in the creation of facebook, becoming the first ever Bitcoin millionaires to Charlie Shrem, a gastropub co-owner who used his Bitcoin wealth to open Bitinstant, which had been a physical store in which Bitcoin could be bought.

Despite the public wealth and general inspiration that have allowed over 300 million people worldwide to own cryptocurrency, there's some major dangers within the digital currency. To begin, the immediate and relatively secretive transactions allow for financial fraud and money laundering (specifically, crypto laundering, which is the name coined to the action of moving illegally obtained or stolen crypto in efforts to make it appear legal). Some studies have

reassured users that this money is not as dangerous as perceived, as, for example, Chainalysis released data that revealed a 0.34% connection to cryptocurrency and money fraudulence. However, there are still plenty of situations proving the true danger behind this currency.²³ For one, in February of 2021, three North Korean hackers were caught attempting to steal \$1.3 million from United States financial corporations. These hackers took control of ATMs as well as getting civilians involved. Canadian-American Ghaleb Alaumary admitted to being involved, who was organizing teams of people in both the U.S. and Canada to launder money through these ATMs. It was concluded that this scheme was related to attacks occurring from 2016 to 2020 against the United States Department of Defense. Between 2015 and 2019, it was discovered that these hackers had attempted to steal another \$1.2 billion from offshore banks in Vietnam, Taiwan, Bangladesh, Mexico, and some others.²⁴ Situations such as these prove that although day to day crime rates may remain low, there are larger schemes in occurrence through the use of cryptocurrency that all individuals are at risk of falling victim to.

With all this in mind, there are some nations that have led the world in terms of crypto-ready nations, whereas others have gone in the complete opposite direction. The United States, for one, has nearly 17,500 crypto ATMs across the nation, while Canada and the United Kingdom follow behind with a combined total of 1,600 ATMs.²⁵ On the other hand, nations such as China, Bolivia, Egypt, Indonesia, and Turkey have each banned or placed incredibly strict regulations on crypto for their own reasons.²⁶ China has banned unregulated cryptocurrency entirely, even introducing their very own Digital Renminbi to counter Bitcoin. Bolivia placed a ban on any digital currency that cannot be detected by the nation's economic radar system in order to reduce the opportunity for Ponzi schemes, which are investment frauds that promise investors quick and high returns with little to no risk. Indonesia placed a series of regulations until they decided to ban it as of January 2018, whereas Turkey and Egypt have each made crypto use illegal.

Corruption in cryptocurrency also remains within pro-crypto nations, as in 2019, three Colorado men were caught for running a Ponzi scheme themselves.²⁷ They had been running a business called BitClub Network, and they were deceiving investors from all over the world by promising quick returns and high earnings from a cryptocurrency mining pool; they had illicitly generated a total of \$722 million. Once investors or crypto holders lose their assets, there's no way to get it back, as there is no consumer protection built into crypto as it would be in, to say, a credit card. There's a massive level of implied trust when one puts money into a crypto wallet, and this risk in itself is what allows so many criminals to succeed.

United Nations Involvement

Due to the recent rise of cryptocurrency and its basis of creation (in which the funds are not to be governmentally regulated), the UN has not yet passed any legislation regarding this currency. Despite this, some agencies have been using the technology to improve their projects and streamline their work through more methodical systems.

For one, The United Nations Children's Fund has created the UNICEF CryptoFund, which was established in October of 2019. This fund allows the UN to receive and utilize Bitcoin and Ethereum funds to go towards their projects in order to provide aid to children in need all over the world.²⁸ They have decided to use cryptocurrency due to how efficient these transfers are and how they will be able to track exactly how much of their aid is going towards certain departments. UNICEF also created Juniper, which is a portfolio tool that works hand in hand with the CryptoFund and provides website systems that allow organizations to track and monitor crypto so they could also use this currency to increase their own efficiency.

Although some departments have taken an optimistic stance on this new technology and they plan to use it to the UN's benefit, other agencies are more weary of the impact of crypto on criminal success. The UN Office on Drugs and Crime has established the Train the Trainers course, leading law enforcement experts from about twenty-two countries in top tier investigations and training seminars.²⁹ To begin, the UNODC taught these officials the ins and outs of the cryptocurrency market as well as how to conduct trades themselves and how to plan out necessary investigations. The UNODC additionally worked with FinTech companies and Chainalysis, which is a software that allows large companies and organizations to interact properly with cryptocurrency; by creating these partnerships, the UN built multiple outlets for their officials to reach out to when in need of the analysis or monitoring of suspicious transactions and transfers. Another main aspect of the Train the Trainers course dealt with Anti-Money Laundering (AML) framework and increasing international communication and cooperation. Neil Walsh, chief of the UNODC Global Programme on Cybercrime, placed gratitude towards nations such as the United States, United Kingdom, and Norway for being top donor contributors and allowing the course to take place.

As mentioned above, the UN also works with Chainalysis in order to locate and eliminate a series of fortuitous transfers or transactions within the Blockchain system. The UN's partnership with Chainalysis has been highly successful and the cooperation is continuing. This, along with the creation of a CryptoFund and international crypto course, goes to show that the United Nations has remained involved in the rise of cryptocurrency and aims to use it themselves to reduce fraud and criminal activity.

Case Study: OneCoin

Though some more than others, crypto currency is used heavily in most parts of the world. There have been many ways of using crypto within corrupt transactions, one example of this being when the Colonial Pipeline ransom had been paid in Monero, in which a case of "untraceable" cryptocurrency occurred. In this scenario, an American oil pipeline system based in Texas had their computerized technology cyber attacked. According to the Department of Justice, most of the funds from this scheme were returned, as the FBI seized \$2.3 million from the ransom given to the ransomware workers.³⁰ In similar cases, this hacking intensified. JBS is one of the world's largest meat packers and they serve as another example of this danger, as they have had to close some United States based facilities after losing control of their network due to a hacking scheme by REvil, or Ransomware Evil; this Russian based operation demands ransom after successful attacks.³¹ Although these minor cases serve as reminders of the dangers of completely unregulated crypto, some cases, such as the OneCoin scheme, are the most prominent.

Clearly, high tech thievery has also become a prominent issue. As the internet has developed over the years, so have the skills, tactics, and knowledge of online hackers. Considering that cryptocurrency is a receptacle of ill-gained cash, all of the people in opposition to cryptocurrency use are concerned that governments will fail to implement stricter laws and punishments for use of corrupt cryptocurrency even with the immense threat of ransomware hacks, tax evasions, and other fraudulent activities. Another prime example of corrupt use of cryptocurrency was the Ruja Ignatova case. Ruja Ignatova became known as the "Cryptoqueen" because she had established the largest pyramid scheme in history: she claimed to develop her own cryptocurrency. As she traveled the world, she met a multitude of new people, good or bad, many of which became attracted to using her cryptocurrency. In 2014, OneCoin appeared after being created by Ignatova. Created in the nation of Bulgaria, the Bulgarian Financial Audit

Commission (BFAC) had published warnings relating to the cryptocurrency industry. Many did not follow these warnings and some unintentionally ended up as a part of Ignatova pyramid scheme. Refusing to stop, Ignatova rose to more power and wealth as she traveled to many nations promoting the Onecoin. Investors gathered at seminars that she presented at, many of these taking place within the United Kingdom, and by 2016, nearly \$30 million had been invested into OneCoin in the UK alone. This was only one portion of the funds and they were gathering more income from other nations as well. It was soon revealed that this Ponzi scheme was based on offshore banks to create a system in which coins could not be actively traded and users could not gain any wealth or make any viable purchases. Unknowingly, countries continued to fall into the crypto currency scam network, some of which being Pakistan, Norway, and Uganda. Despite the many papers expressing the fraudulent network, investors did not believe them and continued to be scammed and use Ignatova's program. Another way Ignatova gained a lot of business was by degrading other legal cryptocurrencies such as Bitcoin. They described all the ways in which Onecoin was "way better and more effective." Her act was very convincing, as she was diligent and showed little to no signals that she was partaking in illegal matters.

Along with these main countries' source of incomes, there were even more varieties of investments flowing into OneCoin from around the globe. People from various backgrounds, lifestyles and economic standpoints would invest in Onecoin without ever doubting their decision. More information was spreading as to the faultiness of OneCoin, but even with activity decreasing in certain regions, others were still on the rise. In 2017, European investments were on the decline as more information came up and the scandal was being exposed, yet African investments continued to rise. Even influential bishops in Africa had invested in Onecoin. Similarly, a man named Daniel, who had a large farm family in Uganda, invested 700 thousand Ukrainian shillings into Onecoin: a sum of money that had been accumulated from years of work. It was all scammed and he never got anything back. Along with Daniel, a woman, Jen McAdam from Glasgow, Scotland, was one of the many to be scammed by Ignatova. McAdam invested 8,000 Euros into Onecoin after being impressed with Ignatova's impressive degree and graduation from Oxford. Her activity did not stop there, as she was so into OneCoin that she convinced her friends and family to invest themselves. This resulted in an additional 220,000 Euros going into OneCoin- their life's savings that they would never be able to get back.³²

After all was said and done, the disappearance of Ruja Ignatova remained a large question. As investors began to rise with worry, some tried to announce that Ignatova would make some sort of public statement regarding OneCoin. An event was held in Lisbon, Portugal in October 2017, but Ignatova failed to show. There was evidence of her having taken a flight to Athens on the 25th of October, and she has not been seen since. Prior to her disappearance, she made a total of nearly \$4 billion dollars and had used this profit to buy expensive properties. A warrant of arrest was created, therefore allowing the conviction of many of Ignatova's employees and other leaders of the Onecoin team, all while Ignatova herself remained missing. That's when Raja's brother (who had taken over as the CEO of OneCoin) was later arrested in 2019. He pleaded guilty to money laundering and fraud; he now stands with a sentence of 90 years in prison. This is just one last example of the extremes that cryptocurrency can lead to when in the hands of the wrong person. It also shows there are a lot of problems within the guard and government systems, as nothing was able to take place in time to shut down the operation, arrest those responsible, and ensure the financial safekeeping of investors. Ignatova's story showed just one of the many ways corrupt cryptocurrency is shown.

Questions to Consider

1. Is your country for or against cryptocurrency? If not, would your nation plan on creating some form of regulations?
2. What specific criminal activities can be instigated through the illicit use of cryptocurrency?
3. How can you further implement current resolutions and make them more effective?
4. What resolutions has your country signed onto, and have they worked?
5. How can a country stabilize the volatility of cryptocurrencies in order to ensure it doesn't cause mainstream economic insecurity?
6. How can a nation prevent criminals from laundering money through cryptocurrency and detect these processes despite the anonymity of the platform?

Endnotes

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