Money Laundering and Governance in Cryptocurrencies: The Double-Edged Sword of Blockchain Technology

Authors : Jiaqi Yan, Yani Shi

Abstract : With the growing popularity of bitcoin transactions, criminals have exploited the bitcoin like cryptocurrencies, and cybercriminals such as money laundering have thrived. Unlike traditional currencies, the Internet-based virtual currencies can be used anonymously via the blockchain technology underpinning. In this paper, we analyze the double-edged sword features of blockchain technology in the context of money laundering. In particular, the traceability feature of blockchain-based system facilitates a level of governance, while the decentralization feature of blockchain-based system may bring governing difficulties. Based on the analysis, we propose guidelines for policy makers in governing blockchain-based cryptocurrency systems.