

From Al Capone to Silk Road: Money Laundering Regulation for Cryptocurrency on the Horizon

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Abstract : The introduction of cryptocurrencies as an alternative payment system have placed governments in a challenging position in relation to the regulatory status of cryptocurrencies and the money laundering activities associated with it. In April 2018, the Australian government amended its Anti-Money Laundering laws to regulate digital currency exchanges in an attempt to regulate money laundering activities and the introduction of 'know-your-customer' policies within the digital currency sector. Part one of this paper explores the use of cryptocurrencies for money laundering purposes and its significance to money launderers. Part two studies the efficacy of the current Australian Anti-Money Laundering laws and whether more can be done on a regulatory level. This paper will, therefore, highlight recent court decisions and legislation in terms of money laundering activities within these alternative payment systems in Australia and the United Kingdom. Part three of the paper will further analyze recent case studies by the Australian Transaction Reports and Analysis Centre and the Office for Professional Body Anti-Money Laundering Supervision in the United Kingdom as the regulatory bodies for money laundering activities. The case studies and research will explore the legal disputes and future regulation concerning the use of cryptocurrencies and money laundering on a national as well as international level. This paper intends to highlight that although cryptocurrency is viewed as an innovative global phenomenon and an alternative method of payment, there are a number of legal issues associated with its use that indicate the need for regulatory reform. It is recommended in this paper that the Financial Action Task Force, International Monetary Fund as well as concerned governments have ongoing discussions on these regulatory issues and how to address it appropriately, whether through legislation or universal guidelines. Therefore, the conclusion of this paper will emphasize the benefits of a regulatory regime for money laundering activities within the cryptocurrency space and that the lack of such a regime may be detrimental to countries.

Keywords : cryptocurrency, know-your-customer policy, money laundering, regulation

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