

The U.S. Treasury Issues a Warning About North Korea and Scammers Using DeFi to Launder Money

The United States should consider improving its current anti-money laundering system, according to the department's initial examination of the dangers of illicit funding related to DeFi.

According to the U.S. Department of Treasury's initial assessment of risks from the technology, decentralized finance (DeFi) services that aren't compliant with anti-money laundering and terrorist financing regulations pose "the most significant current illicit finance risk" in that area of the crypto sector.

The Treasury Department stated in an anticipated risk assessment released on Thursday that thieves, con artists, ransomware cyber criminals, and actors for the Democratic People's Republic of Korea (DPRK) use DeFi to launder the profits of crime.

The department advises an evaluation of "possible enhancements" to American anti-money laundering (AML) regulations and laws for combating the financing of terrorism (CFT) as they should be applied to DeFi services in light of its conclusions. In order to inform the following measures, it also requests feedback from the commercial sector.

In a Thursday's webcast on financial crime prevention, Brian Nelson, Treasury's undersecretary for terrorism and financial intelligence, said, "Clearly, we can't do this alone." "We urge the private sector to use the risk assessment's findings to guide your own risk-mitigation plans."

DeFi providers now frequently do not apply AML/CFT controls or other processes to identify consumers, allowing stacking of funds to occur instantly and pseudonymously, according to a 40-page analysis. Numerous DeFi initiatives "have affirmatively touted a lack of AML/CFT controls as one of the primary goals of decentralization," according to the paper, which cites several examples. ShapeShift will become a decentralized exchange in 2021, according to a footnote in the whitepaper, "to stop collecting customer information for AML/CFT compliance."

The study shows that the U.S. government tightened its AML/CFT regulatory oversight and took into consideration offering more advice

for the private sector on compliance checks for DeFi services, despite the assessment's stated purpose of "identifying the scope of an issue." The study, according to Nelson, is the first of its type in the world and advances the initiatives set in President Joe Biden's executive order on cryptocurrency from last year. As a result, the European Union and other authorities have begun examining how to address the money laundering dangers connected to DeFi.

Nelson stated that identifying the people responsible for the corporate operations might be difficult while using DeFi.

The report stated that criminals are more likely to successfully exploit these entities' services, including to get around U.S. and [United Nations] sanctions when they fail to register with the proper regulator, establish and maintain adequate AML/CFT controls, or comply with sanctions obligations.

However, he emphasized that for determining whether the Bank Secrecy Act covers services, it is irrelevant whether they are centralized or decentralized.

Even those who assert complete decentralization, he claimed, are capable of a wide range of activities that are more like traditional finance than they would think.

They are only truly decentralized in name, he claimed, in certain aspects.

Source: [www.Pipsafe.com](https://www.pipsafe.com) - The U.S. Treasury Issues a Warning About North Korea and Scammers Using DeFi to Launder Money

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