## J5 issues notice to financial institutions about risk indicators tied to cryptocurrency assets

**May 9, 2024**

WASHINGTON – The Joint Chiefs of Global Tax Enforcement (J5) released an advisory note to financial institutions Thursday warning them about five risk indicators tied to cryptocurrency assets that may be indicative of money laundering, cybercrime, tax evasion, and other illicit activities. The advisory was developed by a specialized team of cyber experts, with representation from each J5 member country.

The document, called "Crypto Assets Risk Indicators," highlights how cryptocurrency asset layering, geographic locations, high-risk counterparties, unknown or obscured transaction recipients, and certain online behaviors may indicate criminal activity. By disseminating these risk indicators to financial institutions, law enforcement hopes to receive valuable insights from the financial sector and other reporting agencies.

The J5 encourages financial institutions to:

- Prioritize the detection of layering involving crypto assets, the phase in money laundering where transactions are intentionally made intricate to conceal illicit origin of funds, throughout their relationship with their customers.
- Exercise vigilance when dealing with cryptocurrency transactions tied to jurisdictions known for weak regulatory frameworks, inadequate anti-money laundering (AML) controls, or heightened levels of corruption.
- Monitor unusual counterparties, particularly if they have exposure to darknet marketplaces or mixing services.
- Practice Know Your Customer (KYC) techniques to identify potential risks associated with cryptocurrency asset transactions and ensure compliance with regulatory measures.
- Detect and report financial flows related to ransomware and stop ransomware payments because they are a key point where criminals interact with the legitimate financial system.

Risk indicators play a pivotal role in enhancing the ability of financial institutions to detect and report money laundering and illicit activities involving cryptocurrency assets. To counteract these risks, timely identification allows institutions to intervene and report to the relevant authorities, contributing to the overall integrity of the financial system and ensuring compliance with AML regulations. The J5 is a unique entity as it has the capability to share intelligence across borders.

"Identification and detection play a crucial role in combating cybercrime on a global level. Anytime we can pool the resources of our J5 partners to issue pertinent information to financial institutions

about cybercrime indicators, we will seize the opportunity," said U.S. Chief Guy Ficco, IRS Criminal Investigation.

"We are operating in a digital world without borders, and it is more important than ever to raise awareness of risk indicators that are tied to cryptocurrency assets that may be indicative of criminal activity," said Eric Ferron, Director General of the Criminal Investigations Directorate at the Canada Revenue Agency. "By working together with financial institutions across the globe, we are enhancing our abilities to detect and report money laundering and illicit activities involving cryptocurrency assets."

"Cybercrime detection is something we do together within the J5 partnership, but the partnerships outside of J5 with the FIUs is just as import," said Niels Obbink, Director General, Dutch Fiscal Information and Investigation Service. "This J5 Red Flag document is a good example of that cooperation, which FIUs worldwide can now use to their advantage to take action against cybercrime."

"The growing threat of crypto assets is a key focus for the J5, and the Serious Financial Crimes Taskforce with the Australian Taxation Office and our partner agencies are committed to tackling and reducing this threat," said John Ford, Deputy Commissioner of the Australian Taxation Office. "We are dedicated to ensuring our staff have the best professional capabilities to deal with crypto asset analysis and investigation, and the release of the risk indicators will bolster our financial institution allies in the joint fight against tax crime."

"Financial institutions are a vital partner and key line of defense against criminals looking to exploit crypto assets," said Richard Las, Director, Fraud Investigation Service, HMRC. "The J5 is committed to working with them to improve risking, so I'm pleased our crypto experts have been able to share their knowledge in this latest Risk Indicator. We know it's only by working together that we can hope to combat this threat."

"Identification and detection play a crucial role in combating cybercrime on a global level," said Guy Ficco, Chief, IRS Criminal Investigation. "Anytime we can pool the resources of our J5 partners to issue pertinent information to financial institutions about cybercrime indicators, we will seize the opportunity."

The J5 issued its first set of red flag indicators in 2022 focused on non-fungible tokens (NFTs), warning the public of the risks associated with them.

The J5 leads the fight against international tax crime and money laundering, including cryptocurrency threats and those who undertake, enable or facilitate global tax evasion. They work together to gather information, share intelligence and conduct coordinated operations against transnational financial crimes.  The J5 includes the Australian Taxation Office, the Canada Revenue Agency, the Dutch Fiscal Information and Investigation Service, His Majesty's Revenue and Customs from the U.K. and IRS Criminal Investigation from the U.S.

For more information about the J5, please visit www.irs.gov/j5.