

What's Been Happening?

Volatility within the crypto markets dominated much of June, with several high-profile players halting business operations, defaulting with creditors, and looking at strategic options. In separate crypto news, two highlights include the "Cryptoqueen" being added to the FBI's Ten Most Wanted List, and the EU deciding on landmark AML rules for certain crypto transactions.

Beyond the crypto markets, OFAC fined Banco Popular de Puerto Rico (BPPR) for violating the Venezuela Sanctions Regulations, and Switzerland's second-largest bank was hit with another AML violation and fine.

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DigiPli Offers Free 'Know Your Wallet' Tool

One of the most challenging aspects of the on/off ramp between crypto and fiat is validating customers' wallets. The US is one of the few jurisdictions that specifically adds wallet addresses to the OFAC sanction lists. The failure to prevent a sanctioned wallet from connecting to an account held at a financial institution or exchange creates enormous legal, reputational and financial risk. To help our friends and clients mitigate this risk, DigiPli provides a **free tool** on its website to check whether a wallet address was sanctioned by OFAC. We can also offer this service via APIs. We hope you find it useful!



Bank Fined for Sanctions Violation

OFAC fined Banco Popular de Puerto Rico (BPPR) \$256K for violating the Venezuela Sanctions Regulations. The bank processed 337 transactions totaling \$853K on behalf of two individuals who were low-level employees of the Government of Venezuela. One was a clerk in Venezuela's diplomatic offices. The other was a customer service rep in Venezuela's state-owned telecom company. BPPR identified and blocked the accounts of these individuals 14



Credit Suisse Guilty of Anti-Money Laundering Lapse

Credit Suisse, along with one of their former employees, was found guilty of the failure to prevent money laundering by a Bulgarian drug trafficking ring from 2004 to 2008. Switzerland's Federal Criminal Court **ruled** that the Bank's deficiencies in the management of client relations with the criminal organization and its lack of effective AML monitoring failed to prevent this criminal activity. As the court noted, Credit Suisse "could have prevented

months after the sanctions came into effect. Why does this matter? It's not enough to merely scan names against the sanction lists, as the names of employees of sanctioned governments or companies may not be listed. Rather, as the court noted, "financial institutions must conduct due diligence on their direct customers (including, for example, their ownership structure) to confirm that those customers are not persons whose property and property interests are blocked."

the infringement if it had fulfilled its organizational obligations." Fines and confiscation of assets totaled USD\$35 million.

Not only does this ruling compound Credit Suisse's past compliance blunders, but also the fact that Switzerland took legal action against a global banking player sends a powerful message in a country famous for its banking industry - - effective AML controls are and continue to remain a priority for every financial services institution.



Crypto Bull Market Officially Over as the Market Plunges

Crypto market chaos spread in June, sparked by the \$60 billion downfall of stablecoin TerraUSD (USDT) in May. This was exacerbated by the largest crypto lender, Celsius, pausing all withdrawals, swaps, and transfers between accounts on June 12. Celsius' actions panicked the markets and customers, leading to further crypto fallout from large players such as prominent crypto hedge fund Three Arrows Capital (3AC) defaulting on its loans, BlockFi looking for a lifeline, and various cryptocurrency firms announcing layoffs.

The drop in June was the worst for bitcoin since it was first made available on exchanges in 2010, and reached lows not seen since December 2020. Ethereum (ETH), the second-largest digital asset, also fell significantly. The collapse heightened regulators' fears over crypto products' volatility yet continue to grapple with how these types of products should be treated and regulated to best protect investors.

Will this bout of extreme volatility be the catalyst to create crypto regulation? It seems highly likely, given recent regulations in the EU and ongoing efforts by the US government.



Anti-Money Laundering Checks for Private Crypto Wallets? EU Policymakers Decide...

After months of hashing out how to shape a deal surrounding crypto transactions, the European Union (EU) has agreed on anti-money laundering rules, despite 'pro-



OneCoin Founder & 'Cryptoqueen,' Ruja Ignatova, Added to FBI's Most Wanted List

In one of the more public scandals involve cryptocurrency, Ruja Ignatova, socially known as the **Cryptoqueen**, was added to the

crypto' lobbyists' concerns over the law harming privacy and innovation.

In the EU's **provisional deal**, customers' identities will need to be verified for crypto transfers - even the smallest ones - if they are between regulated digital wallet providers. Payments to un-hosted/unregulated private wallets will, for the most part, be excluded unless the transaction value exceeds 1,000 Euros (approx USD \$1,000).

Ernest Urtasun, a member of the European Greens party who jointly led the charge behind the deal, believes it's "putting an end to the wild west of unregulated crypto, closing major loopholes in the European anti-money laundering rules." Others will continue to push for AML rules for the unregulated and un-hosted wallets. Will this prompt the US to follow suit?

FBI's Ten Most Wanted List for the role she played in allegedly defrauding investors of more than USD \$4 billion. She was also added to Europe's Most Wanted list, Europol, earlier this year.

In 2014, Ignatova founded the cryptocurrency OneCoin. She told investors the coin could be minted on a blockchain, used to make payments, and had intrinsic value. In reality, OneCoin didn't exist on any blockchain, and could not be traded on exchanges. Ignatova, alongside her team, manipulated the perceived value of the cryptocurrency by constantly generating new coins. The purported 'Cryptoqueen' has been suspected of being on the run since 2017 when she disappeared from the public eye.

We're empowering FinTechs and digital financial institutions to rapidly deploy or upgrade AML infrastructure

Want to chat?



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