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## On Modern Crime - Money Laundering and Cryptocurrencies

### Wokół współczesnej przestępczości - pranie brudnych pieniędzy a kryptowaluty

#### Streszczenie

Artykuł dotyczy procedury prania brudnych pieniędzy z wykorzystaniem walut wirtualnych. Zjawisko to nabiera znaczenia, gdyż stanowi dosyć łatwy sposób zalegalizowania bezprawnie uzyskanych środków majątkowych. Względna anonimowość użytkowników oraz ciągły rozwój technologiczny sprzyjają przestępczej działalności i opracowywaniu nowych strategii. W artykule przybliżono pojęcia prania brudnych pieniędzy oraz kryptowalut, a także poddano analizie wskazany proceder.

**Słowa kluczowe:** kryptowaluty, pranie brudnych pieniędzy, przestępczość zorganizowana, waluta wirtualna

#### Abstract

The article concerns the practice of money laundering with the use of virtual currencies. This phenomenon is gaining in importance because it is a relatively easy way to legalise unlawfully obtained assets. The relative anonymity of users and the constant technological development favour criminal activity and the development of new strategies. The article introduces the concepts of money laundering and cryptocurrencies, and analyzes the procedure indicated.

**Key words:** cryptocurrencies, money laundering, organised crime, virtual currency

### 1. Introduction

This study is a reflection on the problem of contemporary economic crime. Money laundering, which will be presented in the article, constitutes a phenomenon that has been appearing for many years. The aim of this article is to present

the illegal practice of money laundering in Poland using virtual currencies, which has recently been rapidly growing in interest. The justification for undertaking the considerations is the problem with detecting contemporary crime that appears in this area. When undertaking research on this phenomenon, attention should be paid to its dynamic nature<sup>1</sup> and the related emergence of new methods of money laundering. The subject of the study is to examine the issue of the emergence of the illegal process, methods and basic aspects related to money laundering, primarily taking into account transactions made using cryptocurrencies. The adopted research method is based on the analysis of the literature and studies on the discussed topic, as well as the legal regulations.

## 2. The concept of money laundering

The process of money laundering and financing of terrorism, called *anti-money laundering*, constitutes a category of economic crime that should be considered difficult for authorities to detect. Its scope includes, among others, processes related to making deposits and withdrawals, the purpose of which is to legalise unlawfully obtained funds.<sup>2</sup> It is worth emphasising that police practice does not show any particular differences between the nature of money laundering crimes and the nature of legal business activities in the field of market processes.<sup>3</sup>

Money laundering should be considered to be the concealment, by means of various activities, of the illegally obtained benefits, which determines the possibility of safe (unpunished) inclusion of them in legal financial and economic transactions.<sup>4</sup> It is irrelevant whether the activities as a result of which the assets were obtained were carried out on the territory of the Republic of Poland or on the territory of another state. Three consecutive phases can be distinguished:

- 1) placement, consisting in introducing funds to a financial system,
- 2) layering, consisting in separating them from their illegal origin,
- 3) integration, consisting in creating an explanation of the origin of certain property values.<sup>5</sup>

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<sup>1</sup> M. Kaczmarek, *Przeciwdziałanie praniu pieniędzy. Krytyczne spojrzenie na taktyczne i prawne aspekty zwalczania prania pieniędzy w Polsce*, Warszawa 2016, p. 28.

<sup>2</sup> T. Safjański, *Pranie pieniędzy – mechanizmy przestępcze oraz zarys systemu przeciwdziałania* [in:] *Przestępczość gospodarcza. Istota zjawiska. Zasady odpowiedzialności, mechanizmy przestępcze i metody działania sprawców*, eds. P. Łabuz, I. Malinowska, M. Michalski, T. Safjański, Warszawa 2018, p. 165.

<sup>3</sup> *Ibid.*

<sup>4</sup> E. Pływaczewski, *Pranie brudnych pieniędzy*, Toruń 1993, p. 33.

<sup>5</sup> T. Safjański, *Pranie pieniędzy...*, p. 166.

Therefore, one can distinguish activities aimed at hiding unlawfully obtained income, its origin or illegal use, as well as masking activities aimed at creating its seemingly legal origin. The subject of such actions are property values derived from a punishable act.

The following two elements that complement the definition of money laundering need to be pointed out:

- 1) abuse of the financial market,
- 2) preservation of the financial value of illegal funds and freedom to manage them.<sup>6</sup>

The Polish legislator indicates the definition of money laundering on the basis of the Act of National Law of 1 March 2018 on Counteracting Money Laundering and Financing of Terrorism (consolidated text of Journal of Laws of 2021, item 1132, hereinafter referred to as the AML Act), meaning the act specified in Article 299 of the Act of 6 June 1997 – Criminal Code (consolidated text of Journal of Laws of 2021.2345) according to which these are means of payment, financial instruments, securities, foreign currency values, property rights or other movable or immovable properties derived from benefits related to the commission of a criminal act. The perpetrator's actions and preparation for the actions appear to be punishable. They include: receiving, possessing, using, transferring, exporting abroad, concealing, making transfers, conversions, assisting in the transfer of ownership, possession or other activities aimed at hindering the detection of the criminal origin of the obtained assets.

Legislation on an EU basis presents money laundering as an intentional crime, consisting in converting, transferring, concealing the source and hiding property in the knowledge that it comes from a criminal activity. Counselling and facilitation are also punishable.<sup>7</sup>

In view of the globalisation of the financial market, this phenomenon has acquired a cross-border nature.<sup>8</sup> The increase in the threat of the indicated practice was caused by the development of the market, as well as the use of modern payment technologies.<sup>9</sup> Internationality is characterised by the fact that the course of certain phases of the process may take place outside the borders of the Republic of Poland. The above feature is characterised by two main advantages. Firstly, the cross-border nature of the process puts obstacles in the way for law enforcement authorities to

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<sup>6</sup> E. Pływaczewski, *Pranie...*, p. 34.

<sup>7</sup> Article 1(3) of Directive of the European Parliament and of the Council (EU) 2015/849 of 20 May 2015 on the Prevention of the Use of the Financial System for the Purposes of Money Laundering or Financing of Terrorism, amending Regulation of the European Parliament and of the Council (EU) No 648/2012 and repealing Directive of the European Parliament and of the Council 2005/60/EC and Commission Directive 2006/70/EC (Official Journal of EU..., p. EU L 141, p. 73).

<sup>8</sup> P. Chodnicka-Jaworska, *Ryzyko prania pieniędzy*, Warszawa 2020, p. 7.

<sup>9</sup> *Ibid.*

reach out to criminals. Secondly, it also allows for obtaining additional benefits in third countries, which are the so-called tax oases.<sup>10</sup> At this point, the role which banks have in the circulation of financial resources should be emphasised, which makes them one of its most important links. Thanks to the banking system, money is transferred and subsequently subjected to “cleaning” in the next phase. A person acting on behalf and in favour of the bank is obliged to register the transaction and persons participating in it under penalty of perjury. Acts such as failure to take the official action, entering false data or disclosing information are punishable acts.

Money laundering is a complex act consisting of several actions, the ultimate purpose of which is to conceal the illegal source of the benefits obtained. This process qualifies as an organised crime because of its multi-stage nature and comprehensive organisation.

In order to prove the completion of an illegal process, it is necessary to discover the sources of assets of criminal origin and to show a direct link with the original crime. This is a *sine qua non* condition for bringing the perpetrators to criminal responsibility.

### 3. The concept of cryptocurrency

Starting to consider the issue of cryptocurrencies, also referred to as pseudo-currencies, one should first think about what they are. They should be treated as the next stage in the evolution of electronic means of payment without an issuer.<sup>11</sup> Legislators do not use the term cryptocurrency, but use the term virtual currency instead. In a study published in July 2014, the European Banking Authority (hereinafter referred to as EBA) defined it as a digital representation of value not issued by a central bank or public authority, not necessarily linked to a country's currency, but recognised by natural and legal persons as a means of payment.<sup>12</sup> It should definitely be distinguished from electronic money, which is a conventional currency, and from fiat money such as the Polish zloty or the euro. R.M. Lastra classifies cryptocurrencies as alternative money.<sup>13</sup>

<sup>10</sup> E. Pływaczewski, *Pranie...*, p. 36.

<sup>11</sup> W. Srokosz, *Kryptowaluty – nowy kierunek badań*, Przegląd Prawa i Administracji 2015, [https://repozytorium.uni.wroc.pl/Content/117084/PDF/10\\_Srokosz\\_W\\_Kryptowaluty\\_nowy\\_kierunek\\_badan.pdf](https://repozytorium.uni.wroc.pl/Content/117084/PDF/10_Srokosz_W_Kryptowaluty_nowy_kierunek_badan.pdf) (access: 16 June 2021); footnote more broadly: W. Srokosz, *Prawo a rozwój elektronicznych środków płatniczych w XXI wieku [in:] XXV lat przeobrażeń w prawie finansowym i prawie podatkowym – ocena dokonania i wnioski na przyszłość*, ed. Z. Ofiarski, Szczecin 2014, pp. 841–849.

<sup>12</sup> <https://www.eba.europa.eu/sites/default/documents/files/documents/10180/657547/81409b94-4222-45d7-ba3b-7deb5863ab57/EBA-Op-2014-08%20Opinion%20on%20Virtual%20Currencies.pdf?retry=1>;

<sup>13</sup> R.M. Lastra, *International Financial and Monetary Law*, Oxford 2015, p. 4.

The Polish legislator decided to include a legal definition in the AML Act. According to it, virtual currency is understood as a digital representation of value, which is not: legal tender issued by the NBP, foreign central banks or other public administration bodies, an international unit of account established by an international organisation and accepted by individual countries belonging to or cooperating with this organisation, electronic money within the meaning of Article 2 point 21a of the Act of 19 August 2011 on payment services (consolidated text of Journal of Laws of 2021, item 190), a financial instrument within the meaning of Article 2 (1) of the Act of 29 July 2005 on trading in financial instruments (consolidated text of Journal of Laws of 2021, item 328), bill of exchange or cheque – and is exchangeable in business transactions for legal tender and accepted as a means of exchange, and may be electronically stored or transferred or may be the subject of electronic commerce.

Bitcoin is considered to be the most popular virtual currency, introduced at the turn of 2008 by a person presenting himself as Satoshi Nakamoto.<sup>14</sup> Its expansion took place thanks to the Internet. Bitcoin is a unit of payment that is stored in information systems. Monetary units are stored in the computer's memory or on external servers of specific entities that store them.<sup>15</sup> Due to the fact that a cryptocurrency is located in a distributed accounting system, difficulties are encountered in tracking its path. It is worth paying attention to the case law of the Supreme Administrative Court which stated that “the exclusive right to issue money belongs to the National Bank of Poland. Moreover, Articles 31 and 32 of the Act of 29 August 1997 on the National Bank of Poland (consolidated text of Journal of Laws of 2020, item 2027) provide that the monetary signs of the Republic of Poland are banknotes and coins for the zloty and grosz. Therefore, bitcoin is not a common form of money, because it is not entitled to the attributes of legal tender in the light of the applicable legal order.”<sup>16</sup>

Since cryptocurrencies have appeared in circulation, the Polish Financial Supervision Authority and the National Bank of Poland have begun to conduct intensified information campaigns, raising the awareness of people who intend to invest in them.<sup>17</sup> The Polish Financial Supervision Authority reminds the public, in the issued warnings, of the risks associated with the acquisition and trading in broadly understood pseudo-currencies.<sup>18</sup> The market related to their turnover is

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<sup>14</sup> N. Poręba, P. Szypułowska, *Kryptowaluty – aspekty prawne, psychologiczne i ekonomiczne* [in:] *Przestępczość gospodarcza. Przyczyny, przejawy, zwalczanie*, ed. W. Dadak, Kraków 2019, p. 114.

<sup>15</sup> *Ibid.*

<sup>16</sup> Judgment of the Supreme Administrative Court in Warszawa of 6 March 2018, II FSK 488/16, LEX No. 2464858.

<sup>17</sup> N. Poręba, P. Szypułowska, *Kryptowaluty...*, p. 120.

<sup>18</sup> [https://www.knf.gov.pl/knf/pl/komponenty/img/Ostrzezenie\\_UKNF\\_o\\_ryzykach\\_zwiazanych\\_z\\_nabywaniem\\_oraz\\_z\\_obrotem\\_kryptoaktywami\\_72241.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Ostrzezenie_UKNF_o_ryzykach_zwiazanych_z_nabywaniem_oraz_z_obrotem_kryptoaktywami_72241.pdf) (access: 15 May 2021).

characterised by high volatility. An example is the valuation of bitcoin (BTC), which on [www.coindesk.com](http://www.coindesk.com) on 26 January 2017 was valued at about 900 US dollars, while on 17 December 2017 it already cost about 19,160 US dollars. In less than a year, one bitcoin lost the value of almost 16,000 US dollars, as it cost about 3,200 US dollars on 14 December 2018. The above shows significant fluctuations in the value of its exchange rate, indicating the instability of trading.<sup>19</sup>

When researching cryptocurrencies, both technological and economic aspects should be taken into account.<sup>20</sup> Their constant and dynamic development affects the difficulties associated with legislation. The continuous increase in popularity poses challenges for national and EU legislators regarding the legal regulation of virtual currency trading.

#### **4. Money laundering with the use of cryptocurrencies – introduction**

Considerations of money laundering with the use of cryptocurrencies have become an interesting topic. Nowadays, virtual currencies pose a serious threat to the safe circulation of financial resources. The process of “cleaning” money takes place in three phases, which were mentioned in the earlier part of the study. Due to the existing threats, it is believed that pseudo-currencies can be used in any of them.<sup>21</sup> For example, bitcoin is often used to pay for illegal activities, which shows its success in the Sheep Marketplace, a service that supports the flow of transactions in the trade of drugs or other illegal goods.<sup>22</sup> The anonymity in cryptocurrency trading is conducive to the ease of their transfer between interested parties, regardless of the borders of the state. This is a factor serving the layering phase. Some countries consider it a legally permitted means of payment. This allows for new ways of integration in the indicated area.

In order to introduce money, criminals need a meticulous plan so as to legalise illegal assets while eliminating the risk of discovering a connection with their criminal origin.<sup>23</sup> Cryptocurrencies can be used for this purpose by mixing services.

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<sup>19</sup> *Ibid.* (access: 16 May 2021).

<sup>20</sup> W. Srokosz, *Kryptowaluty...* (access: 17 April 2021).

<sup>21</sup> M-C. Frunza, *Cryptocarrencies: A New Monetary Vehicle* [in:] *Solving Modern Crime in Financial Markets, Analytics and Case Studies*, ed. M-C. Frunza, Oxford 2016, p. 64.

<sup>22</sup> J. Konieczny, R. Parbucki, R. Wielki, *Kryptowaluty. Perspektywa kryminologiczna i kryminalistyczna*, Warszawa 2018, p. 84.

<sup>23</sup> M. Levi, *Money for Crime and Money from Crime: Financing Crime and Laundering Crime Proceeds*, *European Journal on Criminal Policy and Research* 2015, Vol. 21, No. 2, pp. 274–297.

Dutch scientists have conducted empirical and experimental research in this field. They concluded that the interest of criminals in money laundering could be high. The advantage of this is not only anonymity, but also a significant reduction in the cost of this process.<sup>24</sup> Criminals take action to optimally reduce the cost of their illegal activities. They are guided by the rationality of choices.

## 5. Domestic regulations on money laundering using a cryptocurrency

As national and international organisations tighten up their requirements and rules in the scope of anti-money laundering and counteracting the financing of terrorism, criminals are looking for new ways of acting to hide their source and legalise the proceeds of the criminal activity. Due to the rapid development of new technologies and changing circumstances, it is not an easy task to update and adapt legal regulations that provide protection and counteract illegal practices.

The Act on Counteracting Money Laundering and Financing of Terrorism is the first regulation in Polish legislation relating to cryptocurrencies. Due to significant shortcomings in legal regulations regarding the market of these currencies, this Act was amended in 2021. The amendments were caused by the need to implement into Polish law EU regulations contained in Directive of the European Parliament and of the Council (EU) 2015/849, as amended by the V AML Directive, as well as to the recommendations published by the Financial Action Task Force. The justification for the changes was the progressive technological development, and, therefore, the growing number of frauds and undesirable practices. W. Srokosz analysed the above issue more broadly in his book.<sup>25</sup>

In fact, only to a certain extent does the Act concern money laundering. The regulations are primarily aimed at limiting the possibility of tax avoidance.

In the area of cryptocurrencies, the AML Act applies to entrepreneurs who provide such services as: exchange between virtual currencies and FIATs (exchange offices, exchanges)<sup>26</sup>, exchange between virtual currencies (exchange offices, exchanges), intermediation in exchange between virtual currencies and FIATs or

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<sup>24</sup> R. Wegberg, J.-J. Oerlemans, O. Deventer, *Bitcoin Money Laundering: Mixed Results? An Explorative Study on Money Laundering of Cybercrime Proceeds Using Bitcoin*, *Journal of Financial Crime* 2018, Vol. 25, No. 2, pp. 419–435.

<sup>25</sup> More broadly: W. Srokosz, S. Bala, T. Kopyściański, *Kryptowaluty jako elektroniczne instrumenty płatnicze bez emitenta*, Wrocław 2016.

<sup>26</sup> See: M. Szwed-Ziemichód, *Nowe przepisy AML a działalność w zakresie kryptowalut*, <https://msztax.pl/nowe-przepisy-aml-a-dzialalnosc-w-zakresie-kryptowalut/> (access: 16 June 2021).

between virtual currencies, maintaining virtual currency accounts. The amended Act applies in particular to entities such as exchange offices, cryptocurrency exchanges and entities that are responsible for providing cryptocurrency wallets.

The entities referred to above are obliged to obtain an entry in the register of activities in the field of virtual currencies kept in electronic form by the Minister of Finance. This entry determines the possibility of conducting business, and the provision of these services without fulfilling the obligation of entry may result in the imposition of a penalty of up to 100,000 zlotys.

From 2021, the obligations regarding “financial security measures”, that is the obligations to verify all customer data that need to be performed and to have evidence of their execution for at least 5 years (Article 34 of the AML Act) have been extended.

Previously, they were used in the situation of establishing relationships with clients of a lasting nature (in particular, for example, starting to run a cryptocurrency wallet for a client) or performing the so-called occasional transactions (i.e. all transactions that are not transactions as part of a permanent relationship with the user) with a value of 15,000 euros or more, or being a transfer of funds (not cryptocurrencies) above 1,000 euros (Article 35 of the AML Act). The provision of Article 35 of the AML Act in its new wording extends the catalogue of activities also to transactions that are so-called occasional transactions and constitute a transfer of virtual currency with the equivalent of 1,000 euros and above.<sup>27</sup> The introduced threshold of 1,000 euros is quite low and the amounts at this level certainly do not serve to finance, for example, the purchase of weapons on the black market.

This means that in order to transfer cryptocurrencies in the amount of more than 1,000 euros, it is necessary to apply to the customer a complete catalogue of financial security measures. This includes the determination of personal data, citizenship, PESEL number or date of birth, information on the identity document, address, determination of the data of the beneficial owner, determination of the data of the representative and verification of all these data, in accordance with the AML Act). It is reasonable to adopt the solution, adopted by the legislator, that evidence should be available to confirm this, also in an electronic form (Article 37 of the AML Act).

In view of the above, the clarification of the provisions of the AML Act primarily includes cryptocurrency exchange offices. Increasing the obligation to identify and verify the customer and the need to make an entry in the register of cryptocurrency exchange offices makes it necessary to comply with the applicable

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<sup>27</sup> See. Legal Geek, *Zmiany prawne w 2021 r. – AML w kantorach kryptowalut*, <https://legal-geek.pl/zmiany-prawne-w-2021-r-aml-w-kantorach-kryptowalut-2/> (access: 02 July 2021).

AML/CFT regulations (*Counter Financing of Terrorism*), as well as to assess the risk of services provided by the exchange office in the area of AML/CFT. They are to be the basis for the solutions designed by the exchange office regarding the identification and verification of the client and the beneficial owner, as well as solutions designed in the system used by the exchange offices to reduce the identified risks.

The above legal regulations enable to modify the business model so that it is considered fully compliant with the law. The consequence of these activities is the impact on *onboarding* of the client, who may be discouraged from using the services of an exchange office due to the need to use many verification measures.<sup>28</sup>

To combat the illegal procedure of money laundering, a Minister competent for public finances, who is the supreme body of financial information, as well as the Head of the National Tax Administration as the General Inspector of Financial Information (GIIF) were appointed. It is worth paying attention to the taxation aspect. Funds derived from crime cannot be taxed. The tax authority, unable to prove their illegal origin, in view of the tax proceedings carried out, has the possibility to consider them as not covered by disclosed sources or coming from undisclosed sources and, consequently, to tax them at a significant sanction rate of 75%.<sup>29</sup>

The General Inspector supervises the performance of obligations by obliged institutions in the field of counteracting money laundering and financing of terrorism. In practice, controls regarding cryptocurrency-related activities are rare. The GIIF shall annually publish data indicating the number of individual inspections. In recent years, several dozen of them have been carried out. In 2018, there were 8 inspections, in 2019 there were 7, and in 2021 there were 9 inspections, one of which only concerned a currency exchange office.<sup>30</sup> Small cryptocurrency exchange offices are usually not subject to inspections by the GIIF because, as one can notice, they are not carried out frequently enough.

The first proceedings in the case of money laundering using bitcoins in Poland took place already in 2014.<sup>31</sup> Unfortunately, it was not disclosed to what effect. With the use of a certain operator of the Internet exchange, there was an attempt to “clean” the money. The customer, using “malware”, made a purchase of bitcoins. Suspicious

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<sup>28</sup> *Ibid.* (access: 03 July 2021).

<sup>29</sup> A. Nowak, *Kryptowaluty a pranie pieniędzy. Pranie pieniędzy jako przestępstwo XXI wieku* [in:] *Przestępczość XXI wieku. Szanse i wyzwania dla kryminologii*, eds. E.W. Pływaczewski, D. Dajnowicz-Piesiecka, E. Jurgielewicz-Delegacz, Warszawa 2020, pp. 314–315.

<sup>30</sup> See reports of General Inspector of Financial Information on the implementation of the Act of 1 March 2018 on counteracting money laundering and financing of terrorism in 2018, 2019, 2021, <https://www.gov.pl/web/finanse/sprawozdania-roczne-z-dzialalnosci-generalnego-inspektora-informacji-finansowej> (access: 21 July 2021).

<sup>31</sup> A. Nowak, *Kryptowaluty a pranie pieniędzy...*, p. 323.

transactions were blocked by the operator based on the obtained data on the purchase transaction and information about the transfer of bitcoins.<sup>32</sup>

## 6. Difficulties in preventing money laundering

The relative anonymity associated with the circulation of cryptocurrencies seems to be an essential feature of the indicated process. It can be considered as a factor hindering the prevention and counteracting money laundering. Difficulties in linking a specific person to a wallet address do not make it easier to detect specific stages of the procedure, becoming a significant challenge for law enforcement agencies.<sup>33</sup> This problem is also seen in tax avoidance issues.

The cross-border nature of the process complicates the detection of perpetrators for law enforcement agencies. Illegal transactions are often carried out in countries that do not have appropriate legal instruments in this area. In order to be able to effectively track criminals, a high level of cooperation between authorities on an international level is essential.<sup>34</sup>

Another difficulty in preventing and counteracting money laundering using cryptocurrencies is the decentralisation of cryptocurrency markets. The dispersion in question is somehow the main idea of creating virtual currencies<sup>35</sup>, and it is difficult to eliminate.

In addition, people involved in cryptocurrency trading must also protect their data so as to avoid possible hacker attacks or identity theft attempts. They do this, among other things, by properly encrypting the data. Criminals can also act in this way, just like legitimate users. It should also be noted that the activities of law enforcement agencies are limited by regulations on the protection of privacy or the protection of personal data. This undoubtedly creates difficulties for the agencies in tracking specific people.<sup>36</sup>

It is worth emphasising that the indicated category of criminal activity is specific. Therefore, it is essential for law enforcement agencies active in this field to have specialist knowledge in this area. Cryptocurrency crime can be classified as an

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<sup>32</sup> *Ibid.*, p. 323, <https://www.gov.pl/web/finanse/sprawozdania-roczne-z-dzialalnosci-generalnego-inspektora-informacji-finansowej>.

<sup>33</sup> D. Bryans, *Bitcoin and Money Laundering: Mining for an Effective Solution*, Indiana Law Journal 2014, Vol. 89, No. 1, p. 447.

<sup>34</sup> J. Konieczny, R. Parbucki, R. Wielki, *Kryptowaluty...*, p. 107.

<sup>35</sup> *Ibid.*

<sup>36</sup> European Parliament, Directorate-General for Internal Policy of the European Union, R. Houben, A. Snyers, *Cryptocurrencies and blockchain: legal context and implications for financial crime, money laundering and tax evasion*, European Parliament, 2018, <https://data.europa.eu/doi/10.2861/280969> (access: 21 June 2021).

area of cybercrime. Connections with information technology and economics can be distinguished here. Legal regulations and police practice are not fully developed in this matter. It should be the responsibility of law enforcement authorities to constantly educate themselves and improve their qualifications. To achieve the right level of knowledge and become a valued specialist, one needs to educate oneself on one's own initiative. Unfortunately, police officers show reluctance to acquire new knowledge. The prevailing belief is *learning on the job*, that is limiting oneself to collecting experience only by practice.<sup>37</sup> Such an attitude definitely does not serve a quick and accurate detection of crimes in the area of cryptocurrencies.

## 7. Summary

It is incorrect to say that virtual currencies are a source of crime themselves. The research conducted as part of this study has shown that criminals' interest in using cryptocurrencies for illegal purposes is increasing. A significant problem is concluding criminal transactions using them. In the long run, an intensive increase in the use of cryptocurrencies for the process of "cleaning" money on the international scale can be expected. This is definitely facilitated by the development of information technology, new technologies, easy access to information or a lack of effective legal regulations. Legislation at the national level is not able to fully adapt to the changing circumstances associated with dynamic technological progress and new strategies developed by criminals.

In addition, there is a tendency of some perpetrators to be guided by their relative rationality and economics of actions. There are individuals who take into account the above aspects when making decisions. In order to reduce the cost of their illegal services, they use modern methods that are possible thanks to the use of virtual currencies.

So far, it has not been possible to create a method / an algorithm that would effectively serve to detect crimes using cryptocurrencies. The highly complex nature of the activities and the constantly increasing organisational complexity are caused by the continuous development of the strategy of criminals. Striving for full traceability of perpetrators may prove impossible. Then, if there is no chance of identifying people, conducting proceedings appears to be pointless.

The threat of cryptocurrency crime should be considered as a threat to the security of the financial market, both domestic and global. Technological advancement and global cooperation on many servers and in many countries are

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<sup>37</sup> *Ibid.*, pp. 108–109.

definitely not conducive to improving the detection of this type of crime. In order to be able to effectively counteract illegal processes, it is necessary to set up specialised structures in law enforcement agencies, consisting of valued and experienced specialists in the fields of organised and financial crime, cybercrime and computer forensics. Taking such steps is the basis for achieving real and measurable effects in detecting criminal activities.

Money laundering with the use of cryptocurrencies is directly related to the virtual sphere. However, it should be noted that it is not limited to this plane, because some implications can also be felt in the real world. The result of the actions taken may be such events as kidnappings, extortion or blackmail<sup>38</sup>.

In conclusion, the constant and rapid development in the field of virtual currencies is used by criminals to carry out illegal money laundering activities. This phenomenon is becoming more important because it is a relatively easy way to legalise income of criminal origin. In order to counteract this process, it appears necessary for individual countries to take decisive steps consisting in strengthening organisational structures, proper training of state officials and developing effective cooperation with law enforcement agencies on an international level. Twenty-first-century crime poses challenges to state authorities, especially legislators. Certainly, it is necessary to develop uniform international legal regulations that would really serve to combat illegal practices.

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- Act of 19 August 2011 on Payment Services (consolidated text of Journal of Laws of 2021, item 1907, as amended);
- Act of 29 July 2005 on Trading in Financial Instruments (consolidated text of Journal of Laws of 2021, item 328);
- Act of 29 August 1997 on the National Bank of Poland (consolidated text of Journal of Laws of 2020, item 2027);
- Directive 2015/849 of the European Parliament and of the Council (EU) of 20 May 2015 on the Prevention of the Use of the Financial System for the Purposes of Money Laundering or Financing of Terrorism, amending Regulation No 648/2012 of the European Parliament and of the Council (EU) and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

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