



UK Authorities Set Precedent with Landmark Monero Seizure, Forcing Drug Dealer to Repay £23000

On 10 July, 2024, a British man convicted of selling a deadly substance falsely marketed as a 'weight loss' drug was ordered to repay £23,000 in proceeds from his crime. Jack Finney, 28, was compelled to hand over a significant amount of Monero cryptocurrency, marking the first time the UK authorities have converted this privacy-focused digital currency into cash.

The Food Standards Agency (**FSA**) successfully sold the Monero for £15,000, which contributed to the total repayment. Monero, known for its untraceable nature, is often used by criminals on the dark web due to its difficulty in being converted to cash. The remaining money was obtained from the sale of Finney's Suzuki Vitara SUV for £6,240 and an additional £1,775 in cash.

Finney was sentenced to 28 months in prison in December 2021 after pleading guilty at Chester Crown Court to multiple offenses, including selling 2,4-dinitrophenol (**DNP**), a highly toxic industrial chemical, as a diet pill. DNP has caused at least 33 deaths across the UK.

Adrian Foster, Chief Crown Prosecutor at the Crown Prosecution Service (**CPS**), highlighted the significance of this case: "This is the first case where we have converted Monero currency into cash. This shows that criminals cannot hide their money in any cryptocurrencies in the hope it will be safe from the authorities. We will continue to go after him for the remaining amount if he comes into more money."

Andrew Quinn, Head of the FSA's National Food Crime Unit, added: "We welcome the court's decision to force Jack Finney to hand over the £23,000 that he made from selling lethal substances on the dark web. No matter what format currency is in, we will find it and confiscate it."

Detective Sergeant David MacFarlane from Cheshire Police's Cyber Crime Unit, who conducted the initial seizure, noted the challenges due to Monero's nature but emphasized the success: "This posed several challenges due to the particular type of cryptocurrency; however, these were overcome and resulted in the forfeiture of the funds. This case should serve as a deterrent to those who think they can get away with committing these types of offenses – crime does not pay."

A Financial Investigator from the FSA's National Food Crime Unit worked with the CPS to use the Proceeds of Crime Act 2002 to force Finney to pay back any money he had made. The court determined that Finney's total earnings from his illegal activities amounted to £180,894 but ordered him to repay £23,000, as that was all available to him at the time. Specialist lawyers in the CPS Proceeds of Crime Division can take him back to court to recover the remaining amount if he acquires more funds.

This case establishes a precedent in the global cryptocurrency sphere, demonstrating that even privacy coins like Monero are not beyond the reach of law enforcement. It highlights the authorities' increasing readiness and capability to track, seize, and convert cryptocurrencies, reinforcing the message that digital assets are subject to legal scrutiny and can be effectively managed within the framework of financial crime legislation.

This approach by the FSA, CPS, and law enforcement agencies amplifies their commitment to combating illegal activities involving cryptocurrencies and ensuring that criminals are held accountable, regardless of the sophistication of their methods.

United States' CFTC and DOJ Host Inaugural Fraud Disruption Conference to Combat "Pig Butchering" Scams

On 11 July 2024, the Commodity Futures Trading Commission (**CFTC**) and the Department of Justice's Computer Crime and Intellectual Property Section's National Cryptocurrency Enforcement Team (**NCET**) announced the commencement of the first Fraud Disruption Conference, aimed at combating the pervasive fraud scheme known as "pig butchering." This type of scam, which has resulted in billions of dollars in losses for Americans annually, is a paramount concern for law enforcement.

This inaugural conference is the first in a series that the CFTC will host in collaboration with various partners to address a range of financial frauds and explore innovative methods to combat and disrupt these scams. "It is devastating to hear countless stories of everyday Americans being targeted and defrauded by global criminal organizations," said CFTC Chairman Rostin Behnam. *"It has been a longstanding priority of mine to reenergize and expand our customer protection initiatives to combat retail fraud and shield the most vulnerable among us. I thank our CFTC staff for their dedication, and our longstanding partners at the Department of Justice and all others involved. By working together, we can tackle this problem."*

More than 300 federal regulators and law enforcement officials from over 15 federal agencies, including the FBI, Social Security Administration, and the U.S. Securities and Exchange Commission, participated in the conference. They developed tangible strategies to fight scams that have stripped Americans of their life savings. Melanie Devoe, Director of the Office of Customer Education and Outreach (**OCEO**), highlighted the collaborative effort: *"This is one of many scams working groups will discuss at future gatherings with the ultimate goal of working collaboratively to help Americans protect themselves from this and other financial frauds."*

The working group focused on strategies to prevent victimization, leveraging technology to disrupt fraud, and enhancing enforcement efforts. Several agencies also collaborated on an anti-victimization messaging campaign to warn Americans about emerging fraud threats. Notable speakers included CFTC Chairman Behnam and DOJ NCET Director Claudia Quiroz.

The CFTC is continuously taking steps to ensure the safety of customers. By hosting these conferences and working closely with other federal agencies, the CFTC aims to bolster its customer protection initiatives. This includes educating the public about potential scams, improving the regulatory framework to protect consumers, and enhancing surveillance to detect and prevent fraudulent activities.

In combating illicit activities, the CFTC has implemented several measures. These include the development of advanced technological tools to monitor market activities, stringent enforcement actions against perpetrators of fraud, and the establishment of collaborative networks with other regulatory and law enforcement bodies. The agency also focuses on enhancing the transparency and security of financial transactions to safeguard market participants.

The CFTC advises the general public to report any cryptocurrency investment fraud to www.IC3.gov. When submitting your complaint, include comprehensive information such as the names of investment platforms, cryptocurrency addresses, transaction hashes, bank account information, and the names and contact information of suspected scammers. Additionally, retain copies of all communications with scammers and records of financial transactions. This will aid in the investigation and recovery of funds.

(Source: <https://www.cftc.gov/PressRoom/PressReleases/8932-24>)

CFTC Issues No-Action Position on Swap Data Reporting for ForecastEx LLC

The Commodity Futures Trading Commission announced on 12 July 2024 that the Division of Market Oversight and the Division of Clearing and Risk have issued a no-action position regarding swap data reporting and record-keeping regulations in response to a request from ForecastEx LLC, a designated contract market and derivatives clearing organization.

This no-action position ensures that the divisions will not recommend the Commission initiate an enforcement action against ForecastEx or its participants for specific swap-related recordkeeping requirements. Additionally, it covers failures to report data associated with binary option transactions executed on or subject to the rules of ForecastEx to swap data repositories.

The no-action letter applies only in narrowly defined circumstances and is consistent with similar no-action letters issued to other designated contract markets and derivatives clearing organizations. This approach reflects the CFTC's commitment to providing regulatory relief while maintaining the integrity of market oversight.

No-action letters are vital tools within the regulatory framework, providing temporary relief from compliance with specific regulatory requirements under certain conditions. These letters are generally issued when compliance with the regulations would be unduly burdensome or impractical under specific circumstances, provided that the entity seeking relief demonstrates good faith efforts to comply with the overarching regulatory objectives.

In the case of ForecastEx LLC, the no-action letter pertains to specific swap-related recordkeeping and reporting obligations that may be technically challenging or overly burdensome to fulfill under current operational conditions. By issuing this no-action relief, the CFTC allows ForecastEx and its participants to continue their operations without the immediate threat of enforcement actions, provided they adhere to the stipulated conditions outlined in the letter.

The application of no-action letters is particularly significant for crypto-related companies, which often operate in rapidly evolving technological and regulatory environments. These companies may face unique challenges in complying with traditional financial regulations. No-action letters can provide temporary relief, allowing crypto firms to innovate and operate while they work towards full regulatory compliance. This fosters an environment where regulatory authorities and industry participants can collaborate to develop practical compliance solutions that support both innovation and regulatory integrity.

(Source: <https://www.cftc.gov/PressRoom/PressReleases/8933-24>)

FTX and CFTC Agree to \$12.7 Billion Settlement to Resolve Long-Standing Dispute

According to the document filed by FTX on 12 July 2024 in the U.S. Bankruptcy Court for the District of Delaware, the bankrupt cryptocurrency exchange FTX and the United States Commodity Futures Trading Commission (CFTC) have reached a \$12.7 billion settlement, concluding a 19-month long lawsuit. This agreement follows extensive negotiations and is now pending court approval.

“The Proposed Settlement is an integral and valuable component of the Debtors’ proposed chapter 11 reorganization plan,” stated Commodity Futures Trading Commission senior trial attorney Carlin R. Metzger and FTX’s CEO John J. Ray III. “It resolves ongoing litigation and disputes with one of the largest creditors of the Debtors, avoids the cost and delay of further litigation, and mitigates a significant risk of diminution of the assets available for distribution to creditors.”

The CFTC initially sued FTX, its former CEO Sam Bankman-Fried, and FTX’s sister trading firm Alameda Research in December 2022. The regulator accused the firm of fraud and misrepresentations by marketing FTX.com as a digital commodity asset platform. The lawsuit highlighted customer losses amounting to \$8 billion.

The settlement comprises \$8.7 billion in restitution and \$4 billion in disgorgement. Importantly, the CFTC did not seek a civil monetary penalty, emphasizing the substantial potential liability faced by FTX due to the conduct, guilty pleas, and convictions of the FTX insiders. This agreement underscores the CFTC’s role as the “most significant single creditor” in the Chapter 11 bankruptcy cases, as noted by FTX.

“The Proposed Settlement thus provides much-needed certainty as to the magnitude of the Allowed CFTC Claim and allows these Chapter 11 Cases to move swiftly toward resolution, thereby enabling the prompt distribution to the Debtors’ other creditors and customers,” the court filing read. A hearing on the settlement is scheduled for August 6 in the Bankruptcy Court for the District of Delaware.

FTX’s proposed reorganization plan aims for a 118% return for 98% of the creditors—those with claims under \$50,000—based on the US dollar value of asset prices at the time of FTX’s bankruptcy filing in November 2022. However, many creditors prefer a cryptocurrency payout in-kind, considering the market’s 166% increase in market cap since the bankruptcy filing. Creditors are currently voting on their preferred payout method, with a final decision by US Bankruptcy Court Judge John Dorsey expected on October 7.

This settlement marks a significant development in the realm of cryptocurrency dispute resolution, demonstrating that settlements are becoming a preferred method for resolving complex legal disputes in the crypto sphere. Andy Dietderich, a partner at Sullivan & Cromwell and lead attorney for FTX Debtors, highlighted that the CFTC pursued its lawsuit to ensure customer and cryptocurrency creditor recoveries exceeded typical Chapter 11 case levels. “In this bespoke settlement, the CFTC foregoes its own recovery against FTX in order to supplement the recoveries of customers and cryptocurrency lenders beyond the levels typical in chapter 11 cases,” said Dietderich.

The collapse of FTX in November 2022 wiped out an estimated \$200 billion in crypto market capitalization, marking one of the most significant downturns in the industry. Sam Bankman-Fried has since been sentenced to 25 years in federal prison, underscoring the severe repercussions of financial misconduct within the cryptocurrency market.

As the cryptocurrency sector continues to mature, settlements like the one between FTX and the CFTC are likely to play a crucial role in resolving disputes. These agreements provide a pathway to recover substantial funds for creditors while avoiding protracted and costly litigation. The FTX settlement highlights the importance of regulatory oversight and the potential for collaborative solutions to protect investors and maintain market integrity in the rapidly evolving world of digital assets.

SEC Approves More Ether ETFs, Paving the Way for Expanded Trading

The U.S. Securities and Exchange Commission (**SEC**) on 17 July 2024, approved multiple Ether exchange-traded funds (**ETFs**), including Grayscale’s mini Ethereum ETF and ProShares’ Ethereum ETF. These funds are scheduled to begin trading next week, alongside other spot Ether ETF products.

Grayscale’s mini Ethereum ETF will utilize assets from its larger Ethereum ETF, making it more accessible and affordable. This move is part of Grayscale’s broader strategy to convert its existing Ethereum Trust into a spot Ethereum ETF. Currently, the Ethereum Trust operates like a closed-end fund, complicating the redemption of shares.

Back in May, the SEC surprised the market by approving proposals from BlackRock, Grayscale, and several other asset managers to launch spot Ethereum ETFs. This approval marks a significant milestone in the SEC’s evolving stance on cryptocurrency regulations.

James Seyffart, an ETF analyst at Bloomberg, indicated that the mini fund should mitigate expected outflows from Grayscale's larger fund conversion. Grayscale expressed its excitement, stating: "Grayscale is excited to share that the SEC has approved Grayscale Ethereum Mini Trust's Form 19b-4." Seyffart predicted that the funds would commence trading next week on July 23.

Under the leadership of SEC Chairman Gary Gensler, the agency has maintained a strict regulatory approach towards cryptocurrencies, arguing that many digital assets should be regulated as securities. This stance has led to increased scrutiny and enforcement actions against various crypto companies and exchanges. Despite this, the SEC approved Bitcoin ETFs earlier in 2024, followed by Ethereum ETFs a few months later.

The approval of Ether ETFs is a significant development for the cryptocurrency market. It signals a growing acceptance of digital assets within traditional financial frameworks and provides a new level of legitimacy and accessibility for investors. The introduction of these ETFs is expected to enhance liquidity, attract institutional investors, and potentially stabilize the volatile crypto market. This move is seen as a positive step towards integrating cryptocurrencies into the broader financial ecosystem.

The SEC's approval has sparked varied reactions. While some industry leaders and political figures have criticized Gensler's regulatory approach, others see it as a necessary step towards creating a more secure and regulated crypto market. Entrepreneur Mark Cuban has called for Gensler's removal, arguing that his approach creates an unclear regulatory environment for crypto companies. Some lawmakers have proposed bills to limit the SEC's regulatory powers over crypto, favoring other agencies like the Commodity Futures Trading Commission (CFTC). However, these proposals face significant challenges in Congress.

OKX Announces Withdrawal from Nigerian Market Amid Regulatory Crackdown

Cryptocurrency exchange OKX has informed its Nigerian clients that they have until 16 August 2024 to close their positions as the exchange ceases operations in the African country due to local regulatory challenges. The announcement came in an emailed statement dated 17 July 2024, which was obtained by CryptoSlate.

OKX stated that starting 16 August, users will no longer be able to open new positions or use services on the platform, except for withdrawals and closing existing positions. The exchange assured users that their funds remain safe and accessible but must be withdrawn by 30 August 2024. After this date, users will need to contact customer support to take any further action on their accounts.

This decision has sparked concern among Nigerian cryptocurrency users, who voiced their displeasure on social media platform X. In response, OKXHelpDesk explained that the platform cannot provide KYC (know your customer) services to Nigerian users, adding: "Any updates regarding licensing will be shared on our official channels. Stay connected with us for any future announcements on this matter, thank you!"

This move follows OKX's earlier decision in May to withdraw its peer-to-peer services for Nigerian users and remove the local fiat currency, the Nigerian naira (**NGN**), from its platform.

OKX's exit is the latest in a series of regulatory hurdles faced by cryptocurrency exchanges in Nigeria. Earlier this month, KuCoin notified its Nigerian users of a 7.5% Value Added Tax (**VAT**) on all transactions, citing an update to regulations in Nigeria as the reason for the change. Furthermore, Binance is currently facing legal action from Nigerian authorities for money laundering and tax evasion, with one of its executives, Tigran Gambaryan, being held at the Kuje Correctional Center in Abuja despite deteriorating health and growing international calls for his release.

Nigeria's stance towards cryptocurrency entities has been increasingly stringent. The Nigerian government has ramped up its crackdown on crypto trading services, linking these activities with a decline in the local currency. This regulatory scrutiny has led to significant challenges for crypto firms operating in the country, including bans on prominent exchanges like Binance and Coinbase.

The hurdles faced by crypto entities in Nigeria are multifaceted. Companies must navigate a complex regulatory environment that includes high taxation, stringent KYC requirements, and an overall hostile stance towards digital currencies. These factors contribute to an uncertain business climate, making it difficult for crypto exchanges to operate smoothly and maintain compliance with local laws.

The exit of OKX from the Nigerian market underscores the broader challenges faced by cryptocurrency firms in navigating regulatory landscapes. While regulatory bodies aim to protect consumers and maintain economic stability, the stringent measures can stifle innovation and limit access to global financial systems for local users. As the crypto industry continues to evolve, finding a balance between regulation and innovation remains a critical challenge for both regulators and industry participants.

Bitcoin Stabilizes Around \$57,000 Amid German Government Transfers and ETF Inflows

On 11 July, 2024, Bitcoin (**BTC**) stabilized around the \$57,000 mark, while the German Government continues to transfer Bitcoin to exchanges, and US spot Bitcoin ETFs recorded significant inflows. On-chain analytics indicate that whales are accumulating BTC during dips, potentially foreshadowing an imminent rally.

According to data from Akram Intelligence, the German Government's Bitcoin holdings decreased from 40,000 to 16,000 BTC this week. This reduction, translating from \$2.2 billion to \$896 million, has sparked Fear, Uncertainty, and Doubt (**FUD**) among traders, possibly contributing to a decline in Bitcoin's price.

Despite these transfers, US spot Bitcoin ETFs experienced their fourth consecutive day of inflows on Thursday, amounting to \$78.90 million. Cumulatively, these inflows reached \$737.50 million this week, signaling growing investor confidence. As of Thursday, the combined Bitcoin reserves held by these 11 US spot Bitcoin ETFs amounted to \$50.49 billion.

Data from CryptQuant revealed the second-largest institutional accumulation of 2024, contrasting with widespread capitulation among novice investors last week. Institutional players accumulated approximately 101,600 BTC, indicating a "buying the dip" strategy by major entities. Additionally, Arkham Intelligence confirmed that Blackrock's wallet has been actively acquiring Bitcoin sold off by the German Government.

Meanwhile, the Bitcoin Conference Twitter account announced that former US President Donald Trump will speak at Bitcoin 2024, the world's largest Bitcoin conference in Nashville, Tennessee, from July 25 to July 27. This follows Trump's recent endorsement of Bitcoin and the Republican party's commitment to integrating the cryptocurrency into their platform.

Bitcoin has faced resistance near the \$58,375 weekly mark throughout this week, trading at \$57,116 as of Friday, showing a slight decline of 0.3%. BTC remains below a descending trendline formed from early June to mid-July. If BTC closes above the weekly resistance at \$58,375, it could lead to a 9% increase, targeting the daily resistance at \$63,956. Conversely, closing below the daily support level at \$52,266 may indicate continued bearish sentiment and a potential 4% decline to the February 23 low of \$50,521.

The ongoing trend of Bitcoin accumulation by institutional players and the German Government's substantial BTC transfers highlight the volatility and dynamic nature of the cryptocurrency market. While these movements contribute to short-term price fluctuations, the overall growing interest from institutional investors and regulatory developments indicate a maturing market poised for further growth and adoption.

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