

Private Crypto Assets & Central Bank Digital Currencies

A glowing blue network of nodes and connections, resembling a blockchain or digital currency network, set against a dark background. The nodes are small white dots, and the connections are thin white lines. The network is dense and spans the width of the image, with a bright horizontal band of light in the center.

International Monetary Fund
Law & Financial Stability Seminar
September 2018

Agenda

AML vulnerabilities inherent in
blockchain technology

Cybersecurity risk considerations and
limitations

Market manipulation, market integrity





Financial Connectors ("Gateways")



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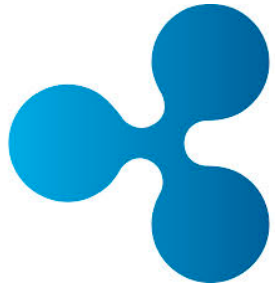
The Fundamentals

The background features a complex, layered geometric design. It consists of several overlapping rectangular planes, some of which are filled with a fine grid of small squares. The colors are muted, including shades of light gray, off-white, and a very pale blue. The overall effect is that of a modern, architectural or digital environment.

The Fundamentals

- Digital wallets relatively easy to establish

Digital Wallets



rkmLJN5D28dHuH8vZNUZpMC43pEHpocV

1BvBMSEYstWetqTFn5Au4m4GFg7xJaNVN2



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- **Hardware crypto wallets**

Examples of Blockchain-based Activity

01 **LAYERING**

funds through multiple gateways, rapidly moving funds on/off the Blockchain

02 **STRUCTURING**

transactions to avoid known U.S. reporting thresholds

03 **REPORTS**

of hacking and cyber thefts from digital wallets

04 **FUNNELING**

Many-to-one, one-to-many transactions through digital wallets

05 **PHISHING**

Fraudulent emails
And/or websites designed to compromise digital wallets

06 **PYRAMID SCHEMES**

Third-party sales of crypto through illegal marketing schemes



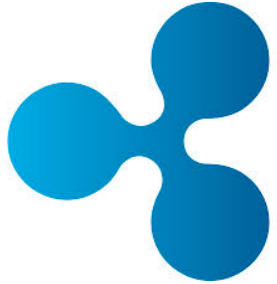
Cybersecurity

The background features a complex, layered geometric design. It consists of several overlapping rectangular planes, each with a different shade of light gray. The planes are arranged in a way that creates a sense of depth and perspective. A prominent feature is a grid of small, dark gray squares that appears to be on one of the planes, extending across the lower right portion of the image. The overall aesthetic is clean, modern, and technical, fitting for a cybersecurity theme.

Cybersecurity Challenges

- 'Private Key' controls access to the funds

Digital Wallets

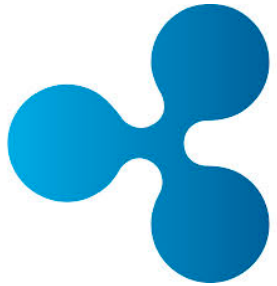


rkmLJN5D28dHuH8vZNUZpMC43pEHpocV

1BvBMSEYstWetqTFn5Au4m4GFg7xJaNVN2



Private Keys



rkmLJN5D28dHuH8vZNUZpMC43pEHpocV

sh8i9d2YRnEjJ3fpFkL8txQSCVo79

1BvBMSEYstWetqTFn5Au4m4GFg7xJaNVN2



5KJvsngHeMpm884wtkJNzQGaGErckhHJBGFsvd3VyK5qMZXj3hS

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- Effectiveness of cybersecurity regulation

Example

NYDFS 23 NYCRR Part 500, Section 500.01(d)

*"A Cybersecurity Event means any act or attempt, successful or unsuccessful, to gain unauthorized access to, disrupt **or misuse an Information System or information stored on such Information System**"*

*"Information System means a discrete set of electronic information resources organized for the collection, **processing**, maintenance, **use, sharing, dissemination or disposition of electronic information.... "***

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- Target credentials to exchanges' security protocols
- Custody solutions
- Effectiveness of cybersecurity regulation
- Cyber attacks on a global scale

Market Integrity



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- **Shilling**

Closing Thoughts

- Systematic, global approach to cryptocurrency regulation
- New protocols for governance of blockchain tech
 - national variability but not tied to any specific geography
 - rooted in a multi-stakeholder model
 - emphasizing ethics and security as core values
- Collaborative cross-border regulatory and law enforcement partnerships
- Information sharing (trends, typologies, etc.) between industry and agencies
- More education
 - regulators
 - lawyers
 - bankers



Questions?

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