



CTPRO.IO

# HIGH-RISK CRYPTOCURRENCY EXCHANGES



# WHAT MAKES AN EXCHANGE HIGH RISK?

High-risk cryptocurrency exchanges (HREs) are platforms that allow the transfer of crypto-assets with minimal or no user identity verification. These exchanges are known for their lack of transactional scrutiny, absence of customer identity checks, and non-compliance with regulatory or legal standards.

The convenience of their services makes them attractive to illicit actors, such as those involved in drug markets or phishing schemes. High-risk cryptocurrency exchanges may operate on the dark web and can be based in countries known for public corruption, terrorism, or weak judicial systems.

## COMMON TRAITS OF HIGH-RISK EXCHANGES

- Failure to verify customer identities
- Failure to follow Know Your Customer (KYC) guidelines
- Failure to prevent the creation and use of fraudulent accounts
- Failure to respond to subpoenas and warrants
- Failure to file suspicious activity reports (SAR) or suspicious transaction reports (STR)



# POPULAR ILLICIT SERVICES



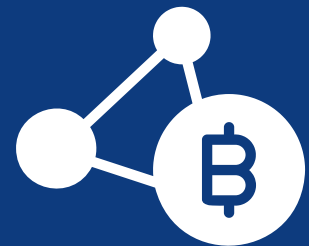
**High-Risk Cryptocurrency Exchanges**

**Dark Web Markets**



**Ponzi Schemes**

**Cryptocurrency Mixers**



**Carding Shops**

**Cryptocurrency Scam Projects**







# HOW TO SPOT AN HRE

1. High-risk cryptocurrency exchanges fail to adhere to Anti-Money Laundering (AML) and Anti-Terrorist Financing regulations.
2. They do not register as money transmitting businesses or money service businesses (MSBs).
3. High-risk cryptocurrency exchanges do not adhere to Know Your Customer (KYC) guidelines.
4. When they attempt to implement KYC guidelines, they fail to adequately verify customer identities against fraudulent credentials.
5. They are unable to prevent the creation and use of fraudulent accounts.
6. They do not file Suspicious Activity Reports (SARs) or Suspicious Transaction Reports (STRs) when such activities occur within their exchanges.
7. They engage in transactions with sanctioned parties, entities, and wallets (e.g., OFAC, HM Treasury).
8. They do not respond to record requests from foreign law enforcement agencies (MLAT).
9. They do not respond to subpoenas and warrants during cryptocurrency crime investigations.



# COMMON HRES

- Joker's Stash
- Hydra
- BTC2PM
- WebMoney
- FX Trading Corporation
- BitZlato
- AirBitClub



- BTCPro24
- Mirror Trading International
- BTC-Obmennik / BTC-Volga / Livex
- AnyCash / VM Centre



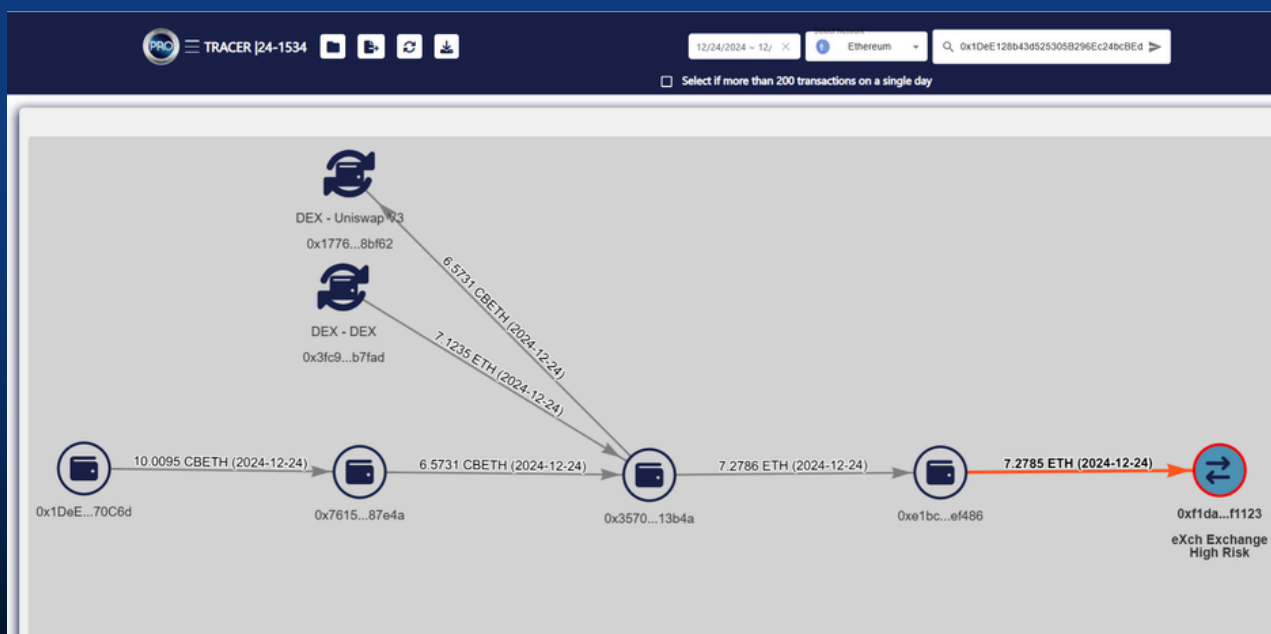
# JURISDICTION AND INVESTIGATION

## JURISDICTION



High-risk transactions are frequently conducted on the dark web. These exchanges may be operated from offshore jurisdictions known for tax havens and banking secrecy, or from foreign countries characterized by public corruption, weak judicial systems, or lax regulatory environments.

In the example below, CT Pro was used to trace stolen cryptocurrency to eXch exchange. Although eXch did not respond to any legal demands, investigators were able to use advanced heuristics and trace a portion of the funds to a regulated exchange.





# EXCH EXCHANGE

The cryptocurrency exchange eXch announced it will cease operations on May 1 due to allegations of laundering funds stolen in a \$1.4 billion hack of Bybit by North Korea's Lazarus Group. Despite initially denying the claims, eXch admitted to processing a small portion of the stolen funds. The exchange cited a hostile environment and ongoing transatlantic operations targeting it as reasons for the shutdown. Bybit, the victim of the hack, has since recovered a significant portion of the stolen funds and regained its market share.





# CRYPTO TRACK

Crypto Track PRO is a robust blockchain analytical engine designed to enhance investigative capabilities. As a private forensic firm, we collaborate with U.S. law enforcement as well as international investigators.

We also collaborate with international organizations such as the Cryptocurrency Defenders Alliance which provides us the ability to attempt to quickly blacklist cryptocurrency addresses linked to known criminal activity. This can provide law enforcement with the critical time needed to secure legal documentation and facilitate asset recovery for victims.



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**<https://analytics.ctpro.io/>**