

USE OF CRYPTOCURRENCY FOR CRIMINAL PURPOSES AND PRIORITY DIRECTIONS OF ITS RIGHT REGULATION

HRYNCHUK Tetiana

PhD in Economics,

Acting Head of the Department of Finance, Accounting and Analysis

Vinnitsia Cooperative Institute

ORCID ID: <https://orcid.org/0000-0002-0008-4764>

HUSAK Ludmyla

Candidate of Science in Pedagogy, Associate Professor

Head of Department of Economic Cybernetics and Information Systems

Vinnitsia Institute of Trade and Economics

State University of Trade and Economics

ORCID ID: <https://orcid.org/0000-0002-0022-9644>

Abstract. *The article highlights the features of transactions with digital currency (cryptocurrency), which allow criminals to carry out illegal transactions. Some ways and technologies of using digital currency in criminal schemes are covered. The level of crime related to cryptocurrency in recent years in Ukraine is indicated. The priority directions of legal regulation of new financial instruments with simultaneous ensuring of safety of market participants are outlined.*

Key words: *cryptocurrency, legal regulation, crime, blockchain, bitcoin, money laundering, fraud, criminal liability.*

The use of cryptocurrencies as a means of payment is accelerating, while their use in criminal schemes is growing. The popularity of the new financial instrument in the criminal environment is due to the fact that so far the legal parameters of cryptocurrency have not been developed and the limits of its safe circulation have not been established.

The international community is concerned about the lack of regulation of cryptocurrency, the growth of crime, especially its types, such as legalization (laundering) of criminal proceeds, fraud, terrorist financing, drug trafficking,

weapons, human trafficking and others. This issue remains difficult for Ukraine. Ukraine ranks 4th in the world in the number of cryptocurrency frauds. In 2021, cybercriminals laundered cryptocurrencies by \$ 8.6 billion, which is 30% more than in 2020, according to the research by analytics company Chainalysis. A major factor in the increase in stolen funds and fraud was the growth of decentralized financing, or DeFi, which promotes lending in cryptocurrencies outside of traditional banking.

Despite the adoption of a number of legislative acts, the issue of legal regulation of digital currency (cryptocurrency) remains unresolved. At the same time, the increase in the number of crimes committed with the use of cryptocurrency, the socio-legal conditionality of criminalization of criminal activity with its use dictates the need to make decisions regarding the introduction of criminal liability for using digital currency for criminal purposes.

A single regulatory framework is needed to regulate cryptocurrency transactions, as well as to establish uniform case law in cryptocurrency cases. In order to prevent the further development of cryptocurrency, it is important to develop a model of legal regulation of trafficking, which would simultaneously solve two tasks: preventing the commission of useful crimes and supporting the innovative development of the domestic economy.

References

1. Letter of the National Bank of Ukraine on Clarification on the legality of the use of "virtual currency / cryptocurrency" in Ukraine. (2014, november 10). Retrieved from: <https://zakon.rada.gov.ua/laws/show/n0435500-14#Text> [in Ukrainian].
2. Demchuk, A. I. (2020). Shchodo deyakykh aspektiv vykorystannya kryptovalyuty u lehalizatsiyi (vidmyvanni) dokhodiv, oderzhanykh zlochynnym shlyakhom ta finansuvanni terorizmu [On some aspects of the use of cryptocurrency in the legalization (laundering) of proceeds from crime and terrorist financing]. *Zhurnal skhidnoyevropeyskoho prava*, 72, 71-78 [in Ukrainian].
3. Dorokhina, YU. A. (2016). *Zlochyny proty vlasnosti. Teoretyko-pravove doslidzhennya [Crimes against property. Theoretical and legal research]*. Kyiv: KNTEU [in Ukrainian].
4. Kaznacheyeva, D. V., Dorosh, A. O. (2021). Kryminalni pravoporushennya u sferi obihu kryptovalyuty [Criminal offenses in the field of cryptocurrency]. *Visnyk kryminolohichnoyi asotsiatsiyi Ukrayiny*, 2 (25), 149-157 [in Ukrainian].
5. Internet organized crime threat assessment (IOCTA). Strategic, policy and tactical updates on the fight against cybercrime. Retrieved from: <https://www.europol.europa.eu/iocta-report>.
6. Zastosuvannya kryptovalyut u kryminalnykh skhemakh [The use of cryptocurrencies in criminal schemes]. Retrieved from: <https://thepage.ua/ua/economy/zastosuvannya-kriptovalyuti-u-kryminalnih-shemah> [in Ukrainian].
7. Bondarenko, O. S. & Kyselov, D. O. (2021). Lehalizatsiya dokhodiv, otrymanykh zlochynnym shlyakhom za dopomohoyu kryptovalyuty [Legalization of proceeds from crime through cryptocurrency]. *Yurydychnyy naukovyy elektronnyy zhurnal*, 1, 230-231 [in Ukrainian].
8. Leskiv, S. (2019). Kryminalno-pravovi aspekty vyznachennya statusu kryptovalyuty v Ukrayini: vitchyznyanyy ta zarubizhnyy dosvid [Criminal law aspects of determining the status of cryptocurrency in Ukraine: domestic and foreign experience]. *Pidpryyemnytstvo, hospodarstvo i pravo*, 9, 199-202 [in Ukrainian].

9. Kiberzlochynsi za rik vidmyly kryptovalyuty na \$8,6 mlrd [Cybercriminals laundered cryptocurrencies worth \$ 8.6 billion a year]. Retrieved from: <https://finclub.net/ua/news/kiberzlochynsi-za-rik-vidmyly-kryptovaliuty-na-usd8-6-mlrd.html> [in Ukrainian].
10. Kryptovalyuty obvalylsya pislya ataky rehulyatoriv po vsomu svitu. Shcho chekaye na industriyu? [Cryptocurrencies collapsed after an attack by regulators around the world. What awaits the industry?]. Retrieved from: <https://forbes.ua/inside/kriptovalyuti-obvalilisya-pislya-ataki-regulyatoriv-po-vsomu-svitu-shcho-chekae-na-industriyu-dali-22012022-3343> [in Ukrainian].
11. Ne bitkoyinom yedynym: choho ochikuvaty vid kryptovalyutnoho rynku 2022 roku i yaki chynnyky vplyvayut na yoho povedinku [Not the only bitcoin: what to expect from the cryptocurrency market in 2022 and what factors influence its behavior]. Retrieved from: <https://mind.ua/openmind/20235407-ne-bitkoyinom-edinim-chogo-ochikuvati-vid-kriptovalyutnogo-rinku-2022-roku> [in Ukrainian].