

## Indicators Related to Virtual Assets

## Preface

In the process of rapid technological progress, investors have created novel methods to invest and trade money, using it for various purposes, e.g., virtual assets that existed years ago yet are not widely spread among the public until now. Such assets contribute to changing the global financial system as they provide quick and easier ways to carry out financial transactions, in addition to being less expensive and are alternatives to using other financial means.

That type of assets has become a reality that cannot be ignored and requires great cooperation at the level of states and institutions in order to establish the necessary legal legislation to regulate them, so as not to be a gap in the AML/CFT regulation, in terms of **\*Virtual Assets (VA)** and **\*Virtual Asset Service Providers (VASPs)**, for criminals to transfer their illegal funds across states.

**\*Virtual Assets (VA):** A digital representation of the value that can be digitally traded or transferred and can be used for payment or investment purposes.

**\*Virtual Assets Services Providers (VASPs):** Any natural or legal person that conducts a single business activity and several activities related to virtual assets, providing services or offering products or operations for or on behalf of another natural or legal person. This includes the following activities:

- Exchange between virtual assets and fiat currencies.
- Exchange between one type or several types of virtual assets.
- Transformation or transfer of virtual assets.
- Keeping or managing virtual assets or tools and other services in centralized and decentralized platforms, wallets, digital exchange sites and digital ATM suppliers, e.g., Binance, DEX, Trust Wallet and Pancake Swap.
- Participation and provision of financial services related to an issuer's offer and/or sale of virtual assets.

### Indicators Related to Customer:

1. When searching in open sources, the address of the customer's virtual asset portfolio appears in social media and public forums associated with illegal activity, such as online **\*crowdfunding**, so that **\*communication would be anonymous**.
2. It is known to the legal authorities that the customer has a previous criminal file.
3. Submitting incomplete information on the KYC form.
4. Customer refuses to submit documents and inquiries to the competent authority regarding the source of funds.
5. Giving false information about transactions, source of funds or the economic relationship between transacting parties.

### Indicators Related to Transaction:

1. Repetition of transactions (exchange or transfer) with small amounts, below the permissible minimum, without disclosing the reason for such transactions.
2. Customer purchases a large amount of virtual assets disproportionate to the wealth disclosed in the KYC form, indicating money laundering or smuggling or that he is a victim of fraud.
3. Carrying out multiple high value transactions in a short time, or within a 24-hour period, without disclosing the purpose.
4. Carrying out high value transactions in regular patterns, followed by stagnation and non-performance of any additional transactions over a long period of time, without disclosing the purpose thereof.

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**\* Crowdfunding:** Donation of virtual assets by several unrelated parties to fund a charitable project by sharing the public address of the wallet on social media.

**\* Anonymous Communication:** An encrypted communication method for transactions between partners that take place without the use of Virtual Asset Service Providers (VASPs) using multiple encrypted communication means to hide identity, such as (forms/graphs/mobile applications/electronic games/etc.).

5. Performing multiple high value transactions for newly created or inactive accounts, without disclosing the purpose thereof.
6. Incoming transfers of large amounts from VASPs followed by a withdrawal of the entire amount on the same day or the day after.

### Indicators Related to Products, Services and Channels Used:

1. Funds incoming/outgoing to/from the customer's account by other illegal parties, such as **\*black web sites** or platforms that provide **\*MIXING & TUMBLING** services for illegal funds or using Onion (Tor) browser.
2. Aged customer, compared to average age group of those platforms' users, opens an account and conducts a large number of transactions, indicating that he may be a smuggler of virtual assets funds or a victim of financial exploitation of the elderly.
3. Processes produced from network IP, which are not trusted (fake).

### Indicators related to the geographical location:

1. Processes generated from network IP addresses that are from high-risk countries.
2. Processes generated from network IP addresses that are from previous IP addresses classified as suspicious.

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**\*MIXING & TUMBLING:** The process of mixing virtual assets and legal and illegal funds to hide their source.