

(b)(5)

(b)(7)(E)

IPO Questions

1. Does FDNS have access to chainalytics?
2. Can you share a little bit more how N. Korea was able to use malware to hack computers to mine BTC, since it takes an average of two weeks to mine BTC, and mining requires high power computer rig to be turned on during the mining period? FDNS recommends some open source articles that provide both a general overview of North Korea's capabilities when it comes to cryptocurrency but also how they mine, steal and commit cybercrimes as it relates to this topic. Some articles are as follows:
 - <https://www.investopedia.com/news/what-north-koreas-role-bitcoin/>
 - <https://www.wsj.com/articles/u-s-authorities-charge-north-koreans-in-long-running-hacking-scheme-11613581358>
3. Since this digital currency is not regulated why does USCIS accept this currency. This would be best answered by the USCIS Director or DHS Secretary. However, USCIS does not accept cryptocurrency as payment. There have not been any instances in which IPO's Crypto WG has identified a direct transfer of cryptocurrency into and NCE as investment, but rather the crypto has been exchanged for fiat currency and then invested.
4. Regarding the slide on international transactions and jurisdictional regulations. It was noted that buying/trading Bitcoin/cryptocurrency is illegal in China. And the similarity to China currency restriction laws. China has specified that making transactions in order to circumvent Chinese currency laws is illegal but we do not enforce that here at IPO. Do we plan to enforce foreign governments laws on cryptocurrency, specifically China when adjudicating? No, we do not plan to enforce foreign government laws on cryptocurrency. Like our current review of Chinese petitions, we will look for the lawful source and path of funds. A demonstration that the petitioner is the owner of the funds, and the funds were lawfully obtained. For instance if a petitioner in China asserts that they are unable to purchase bitcoin and relied on a third party in another country to purchase bitcoin and hold the bitcoin in the third party's account all evidence in the record should be reviewed to determine if petitioner has established ownership of the funds and the lawful source and path of funds.
5. In your example, is the designated custodian a domestic MSB or P2P? Since you need ONE private key to access the wallet, the various individuals are not the owners of the wallet but the designated custodian, how would that demonstrate the petitioner is the owner of funds? Based on the limited number of cryptocurrency cases reviewed with the Crypto WG we have not seen this scenario; all evidence and the case specific facts should be reviewed to determine if the petitioner has met his/her burden of proof.
6. So can you please clarify, if a petitioner uses cryptocurrency but that is illegal in their home country, can that still be considered a lawful source of funds? Assume that they can otherwise demonstrate ownership and lawfulness. It may be possible for the petitioner to demonstrate lawfulness in this scenario based on the evidence and the case specific facts.

HSI Questions

1. Are you including Binance.us under Binance? No, Binance is not regulated by the US, while Binance.US is regulated

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2. You noted that tumblers (for example) further obfuscate ownership. If one of our requirements is that you need to show the source and use of funds. Is it possible that anyone who used a tumbler, for example, would be unable to demonstrate this requirement? [redacted]
[redacted]
3. How do you verify the various public keys belong to the same wallet in each change transaction? [redacted]
[redacted]
4. How does the government allow these transaction to be placed considering they are not regulated and government cannot collect tax. Does the US govt plan on producing digital currency? [redacted]
[redacted]
5. Can you further expound on the IVT concept with selling Bitcoin? I am confused as to why it is considered an IVT if a person was using for example Coinbase. Can the Petitioner show the sale of the Bitcoin and then remittance from Coinbase?
Cryptocurrencies are not cash because they are not legal tender and are not backed by a government or other legal entity. For similar reasons, they are also not cash equivalents or foreign currencies under U.S. GAAP. Therefore, the fact that one can buy and sell cryptocurrencies in Coinbase does not make them legal tender. Coinbase is merely the platform on which the cryptocurrency is being bought, maintained, and sold. One can show the transactions through Coinbase.
6. Is there anything we need to be aware of in particular if we see Tether or Bitfinex given the investigation and agreement they reached with the New York AG? [redacted]
[redacted]
[redacted] here is no immediate and obvious impact of the investigation and agreement to be more transparent on the sale, possession, and purchase of Tether.
7. Follow up: If, in general, the only time that someone would be using these tools to further obfuscate funds, like tumblers or chain hopping, if there were no other indicators of money laundering or illicit activities, would HSI want this as a referral/ RTI, i.e. should we be submitting this as a fraud referral in all cases to FDNS? even if there are not other indicators of fraud? [redacted]
[redacted]