

# Digital Asset Tracing and Recovery

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## CRYPTOCURRENCY: KEY ATTRIBUTES

- Pseudonymous, not anonymous
- Transactions are traceable and immutable

This address has transacted 3,128 times on the Bitcoin blockchain. It has received a total of 68.52576329 BTC (\$3,845,538.38) and has sent a total of 0.00000000 BTC (\$0.00). The current value of this address is 68.52576329 BTC (\$3,845,538.38).

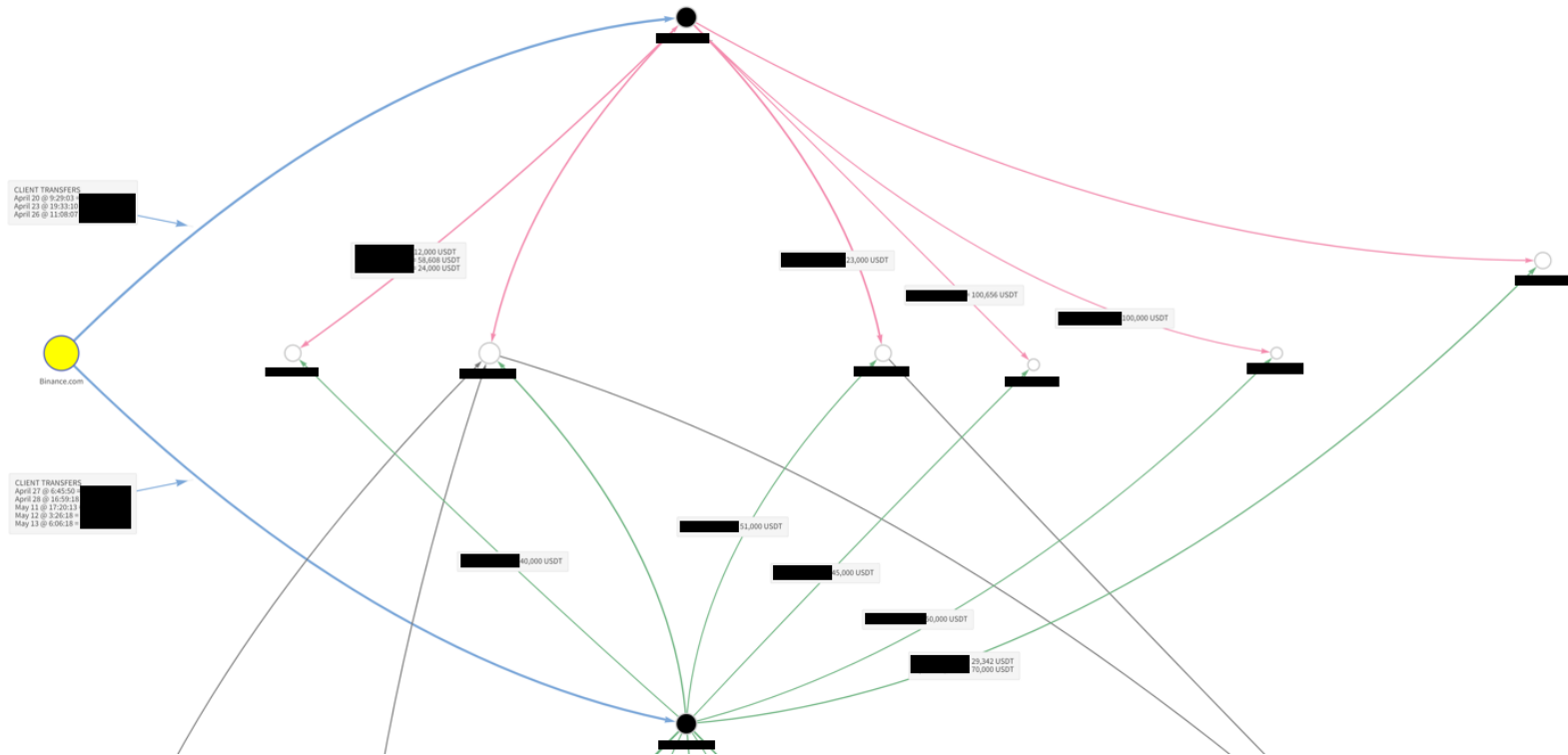


Address	1A1zP1eP5QGeif2DMPTfTL5SLmv7DivfNa
Format	BASE58 (P2PKH)
Transactions	3,128
Total Received	68.52576329 BTC
Total Sent	0.00000000 BTC
Final Balance	68.52576329 BTC

### Transactions

Fee	0.00000146 BTC (0.649 sat/B - 0.255 sat/WU - 225 bytes) (1.014 sat/vByte - 144 virtual bytes)	+0.00000558 BTC
Hash	649a26d564c29af99349cb174f48e7df25001b876d1414071910f2172fd1dba0	2021-11-19 08:22
	bc1qex0aqq8mxqfh4cpl62eg755836djxx20yuuu8 0.00141310 BTC	1A1zP1eP5QGeif2DMPTfTL5SLmv7DivfNa 0.00000558 BTC
		bc1qex0aqq8mxqfh4cpl62eg755836djxx20yuuu8 0.00140600 BTC

# CRYPTOCURRENCY: FORENSIC TRACING



## CRYPTOCURRENCY: APPLYING TRADITIONAL RECOVERY TOOLS TO NEW TECH

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- As various centralized crypto exchanges become more “mainstream,” many are adopting AML/CFT best practices, including KYC.
- Courts around the world are increasingly receptive to asset recovery applications based on relevant traditional legal principles, such as property law.
- Governments and advocates can use the above facts in appropriate circumstances to access disclosure information about specific wallet holders, and move to freeze and seize digital assets.

## WHAT IS AN NFT?

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- NFTs are unique assets backed by blockchain technology.
- NFT's are similar to cryptocurrency in that they reside on a blockchain. However, whereas cryptocurrency is “fungible” (*i.e.*, every unit or coin has the same value), NFTs are unique and their value cannot be replicated. NFTs include high value works of art and collectibles.
- Several recent NFT sales and auctions have made news:
  - Beeple’s “EVERYDAYS: THE FIRST 5000 DAYS” – US \$69.3 million
  - Nyan Cat – US \$852,300
  - New York Times column – US \$560,000



## WHAT TO EXPECT

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**NFTs are likely to spark allegations of fraud and attract law enforcement and regulatory interest.**

### **Hacking and Theft of an NFT**

- Just like other cryptocurrencies, NFTs can be stolen by hacking into a recipient's wallet or interfering with a transaction between an NFT exchange and one's wallet or between wallet-to-wallet exchanges.
- The digital asset market is ripe with hacking schemes and allegations of theft and fraud.

### **Money Laundering**

- As with the sale of traditional art, law enforcement in the US and other jurisdictions may target transactions with allegations of money laundering and attempt to seize funds or NFTs themselves.
- Recent additions have been made to Anti-Money Laundering laws and regulations that may impact the NFT market in the US, UK and elsewhere
  - [\*How NFTs could trigger lawsuits and anti-money laundering regulation\*](#)
  - [\*EU's Fifth Anti-Money Laundering Directive\*](#)

## POTENTIAL STRATEGIES

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Several strategies can assist with potential interest in NFT transactions and related conduct.

### Digital Asset Tracing

- Digital asset tracing allows us to analyze the blockchain and seek to identify accounts that could be targeted.
- There are various legal remedies that can be deployed to facilitate recoveries on behalf of clients, including freezing orders directed at exchanges, turnover orders, and other types of remedies/injunctions.

### Clean Funds Analysis

- Clean funds analysis (“CFA”) and/or innocent owner analysis can be deployed to track fiat currency or digital currency used to buy an NFT or other means of purchasing. A CFA could be deployed proactively to comply with AML regulations in relevant jurisdictions or to respond to allegations of fraud or asset forfeiture attempts.

### Litigation Risk Analysis and Defensive Strategies

- An early risk analysis and potential interaction with law enforcement and regulatory bodies can advance overall objectives and interests.

## NFTs AND KOBRE & KIM LLP

- Kobre & Kim LLP is a global law firm focused exclusively on disputes & investigations. Our conflict-free model allows us to advocate in situations involving overlapping institutional interests across multiple jurisdictions.
- Our cryptocurrency and digital asset practices have represented numerous clients in their recovery of stolen digital assets and cross-border insolvency proceedings involving digital assets.
- Our international private client team regularly counsels ultra high net worth individuals in matters involving combinations of financial disputes, international asset tracing and recovery initiatives, art related disputes, and investigations and enforcement actions.

### Contacts

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LIFE & CULTURE

## The Legal Side of NFT Investing: Protect Yourself, Your Assets and Your Reputation

By Arts & Collections



*Polly Wilkins and Lara Levinson, London-based lawyers for global disputes and investigations law firm Kobre & Kim, unpack the myriad of legal and financial risks associated with the explosive rise in NFT sales*

The art world is collectively on the up slope of a steep learning curve about Non-