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Analyzing the Treasury's Illicit Finance Risk Assessment of Decentralized Finance

The Crypto Exchange Podcast

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In this episode of *The Crypto Exchange*, Troutman Pepper Partner Ethan Ostroff welcomes his colleagues Mike Lowe and Matt Orso to discuss the U.S. Department of Treasury's Illicit Finance Risk Assessment of Decentralized Finance (DeFi), which assesses how illicit actors are abusing DeFi services, as well as vulnerabilities unique to DeFi services.

With this assessment, the Treasury has signaled its intent to increase focus on the DeFi sector, expecting DeFi market actors to integrate anti-money laundering (AML) and counter-terrorism financing (CFT) compliance into their services.

Ethan, Mike, and Matt take a deep dive into the biggest takeaways from the assessment, including:

- DeFi services often don't comply with the Bank Secrecy Act, as well as AML and CFT regulations.
- Illicit actors use DeFi for money laundering due to the high level of anonymity it offers.
- DeFi services, often small startups, are vulnerable to hacking.

Additionally, the Treasury also posed five questions in the assessment and is seeking public input on those questions. Our attorneys discuss the key points that the Treasury is looking for through the public's input.

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