

C A M P A I G N F O R

ACCOUNTABILITY

November 9, 2023

VIA EMAIL

The Honorable Sherrod Brown
The Honorable Elizabeth Warren
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Brown and Senator Warren:

Campaign for Accountability respectfully seeks to alert you to recent information showing concerns with money laundering in cryptocurrency extend beyond the issues raised in the letter you and approximately 100 other members of Congress recently sent to the National Security Advisor and Treasury Undersecretary for Terrorism and Financial Intelligence.¹

Recently published studies and reports of law enforcement operations indicate a prominent US-based cryptocurrency company backed by major Wall Street investment houses may be directly or indirectly compromised by its integration with an Asia-based network of trading platforms and cryptocurrencies that has been named in multiple international law enforcement actions involving billions of dollars in transactions by alleged organized crime groups and sanctioned entities.

The Asian network, revolving around the blockchain system TRON, is headed by Chinese national Justin Sun,² who was recently charged – along with a number of celebrities – with market manipulation and civil fraud by the Securities and Exchange Commission³ and is reported to be under criminal investigation in the United States.⁴ Much of the recent alleged

¹ Letter to The Honorable Brian Nelson, Under Secretary for Terrorism and Financial Intelligence and Jake Sullivan, National Security Adviser, October 17, 2023, available at <https://www.warren.senate.gov/imo/media/doc/2023.10.17%20Letter%20to%20Treasury%20and%20White%20House%20re%20Hamas%20crypto%20security.pdf>.

² Sun frequently relies on a Grenada passport. See David Marsanic, Justin Sun Lost Diplomatic Immunity: Grenadian Media, *Daily Coin*, March 31, 2023, available at <https://dailycoin.com/justin-sun-lost-diplomatic-immunity-grenadian-media/>. Sun also, however, has claimed citizenship in Saint Kitts and Nevis. See Christopher Harland-Dunaway, *The Many Escapes of Justin Sun*, *The Verge*, March 9, 2022, available at <https://www.theverge.com/c/22947663/the-many-escapes-of-justin-sun>. Notably, Sun is reportedly participating in a research project at the Central Party School, which is controlled by the Communist Party of China. See Eliza Gkristi, “Justin Sun Joins Research Project at Communist Party School,” *CoinDesk*, July 27, 2021, available at <https://www.coindesk.com/markets/2021/07/27/justin-sun-joins-research-project-at-communist-party-school/?outputType=amp>.

³ Complaint, *SEC v. Sun, et al.*, No. 1:23-cv-02433, (SDNY Mar. 22, 2023), available at <https://www.sec.gov/files/litigation/complaints/2023/comp-pr2023-59.pdf>.

⁴ Harland-Dunaway, *The Verge*, Mar. 9, 2022.

terrorist funding through digital assets was conducted through wallets on Sun’s TRON network, which consists of digital currencies and a digital ledger (or blockchain).⁵

The TRON Foundation, along with other entities allegedly controlled by Sun, has a historical and ongoing relationship with Circle Internet Financial LLC, which issues a dollar-equivalent digital currency known as USDC. Circle issues its USDC on numerous platforms around the world including the TRON blockchain and almost \$400 million of its USDC “stablecoins” are in the TRON ecosystem.⁶ In July of 2023, the National Bureau for Counter Terror Financing of Israel issued an asset seizure order targeting the terror group Palestinian Islamic Jihad that identified 26 TRON wallets consisting of over \$93 million in three cryptocurrencies, Circle’s USDC (issued on TRON), TRON’s own TRX currency, and another controversial digital dollar coin, Tether.⁷

In addition, according to the digital currency forensics firm ChainArgos, “Multiple large flow addresses that have redeemed \$USDC for USD (presumably through Circle’s bank accounts) have also received funds from wallets Israeli intelligence flagged as belonging to Hamas or Hezbollah.”⁸

The flow of money to suspected terrorist accounts should be a significant concern for Congress given Circle’s bankers and asset managers on Wall Street. Circle is backed by Goldman Sachs Group⁹ and holds some \$24.5 billion in reserves¹⁰ at Bank of New York Mellon Corp.¹¹ and Blackrock Inc., the latter of which manages most of these funds in an SEC-registered investment vehicle called the Circle Reserve Fund.¹²

While Goldman, BNY and Blackrock are all registered with and regulated by multiple federal and state banking and securities authorities, Circle has either avoided or failed to subject itself to

⁵Arda Akartuna, Israel Orders Seizure of Crypto Wallets Worth \$94 Million Linked to Palestinian Islamic Jihad, *Elliptic Blog*, July 6, 2023, available at <https://www.elliptic.co/blog/analysis/israel-orders-seizure-of-crypto-wallets-worth-94-million-linked-to-palestinian-islamic-jihad>.

⁶ Website, Experience the power of TRON USDC, Circle, available at <https://www.circle.com/en/usdc-multichain/tron> (last visited November 8, 2023).

⁷Akartuna, *Elliptic Blog*, July 6, 2023.

⁸ ChainArgos Thread, <https://twitter.com/ChainArgos/status/1714740987640115440>, Oct. 18, 2023. (ChainArgos chart attached as Exhibit A).

⁹ Michael J. Casey, Goldman a Lead Investor in Funding Round for Bitcoin Startup Circle, *Wall Street Journal*, April 29, 2015, available at <https://www.wsj.com/articles/goldman-a-lead-investor-in-funding-round-for-bitcoin-startup-circle-1430363042>.

¹⁰ See Coin Market Cap, available at <https://coinmarketcap.com/currencies/usd-coin/> (last visited November 5, 2023).

¹¹ Press Release, Circle Selects BNY Mellon to Custody USDC Reserves, *Circle* Mar. 31, 2022, available at <https://www.circle.com/en/pressroom/circle-selects-bny-mellon-to-custody-usdc-reserves>.

¹² BlackRock Funds, Circle Reserve Fund, SEC Form N-CSR, April 30, 2023, available at <https://www.sec.gov/Archives/edgar/data/844779/000119312523181134/d465752dncsr.htm>.

Honorable Sherrod Brown
Honorable Elizabeth Warren
November 9, 2023
Page 3 of 7

primary prudential regulation since its founding a decade ago, a concern Campaign for Accountability flagged to the SEC in May of 2022.¹³

Numerous other cryptocurrency firms have voluntarily submitted to primary prudential regulatory oversight. In New York state, “most of the leading providers of virtual currency custody in the United States are regulated by the Department as limited purpose trust companies (“LPTCs”) under New York’s banking and virtual currency regulatory regimes,” according to the New York State Department of Financial Services.¹⁴ These include Bakkt, BitGo, Coinbase, Fidelity, Gemini, GMO-Z, NYDIG, Paxos, and Standard Custody, but not Circle.¹⁵

It is surprising, to say the least, that responsible and regulated financial institutions are doing business with Circle, a financial company that has some \$25 billion in digital currency circulating around the world, but no primary regulator in either the state in which its headquartered, Massachusetts,¹⁶ or New York, where most financial institutions are regulated.

It is equally surprising and indeed far more concerning that state regulators, the Federal Reserve, the Office of Comptroller of Currency, and the SEC have allowed this situation to fester for a decade. The apparent absence of a primary prudential regulator has enabled Circle to issue its USDC coin, at will and without regulatory review and approval, on foreign cryptocurrency networks such as TRON and more than a dozen other like systems that may not meet US compliance standards for combating illicit finance.¹⁷

The listing of USDC on multiple offshore blockchains facilitates “chain hopping,” a technique that can facilitate money-laundering and that is not addressed by a new Notice of Proposed Rulemaking issued by the Financial Crimes Enforcement Network to combat digital money laundering.¹⁸ Circle has recently gone so far as to facilitate such activity with a newly introduced

¹³ Press Release, Watchdog Requests SEC Investigate Circle SPAC Merger for Misleading and Deficient Filings, Campaign for Accountability, May 12, 2022, available at <https://campaignforaccountability.org/watchdog-requests-sec-investigate-circle-spac-merger-for-misleading-and-deficient-filings/>.

¹⁴ Peter C. Dean, Counsel New York Department of Finance to Vanessa Countryman, Secretary, Securities and Exchange Commission, New York Department of Finance Services Comment Letter for Safeguarding Advisory Client Assets Proposes Rule [Release No. IA-6240; File No. S7-04-23; RIN 3235-AM32], at 1, March 8, 2023, available at <https://www.sec.gov/comments/s7-04-23/s70423-185879-339982.pdf>.

¹⁵ Website, Virtual Currency Businesses: Main Page, *New York State Department of Financial Services* (last visited November 6, 2023), available at https://www.dfs.ny.gov/virtual_currency_businesses

¹⁶ Circle Analyst Brief, *CBI Insights*, (last visited November 6, 2023) available at <https://www.cbinsights.com/company/circle-internet-financial>.

¹⁷ See Report on the State of Cross-Chain Crime, Elliptic, p. 5, (October 2023), available at <https://www.elliptic.co/resources/state-of-cross-chain-crime-report>.

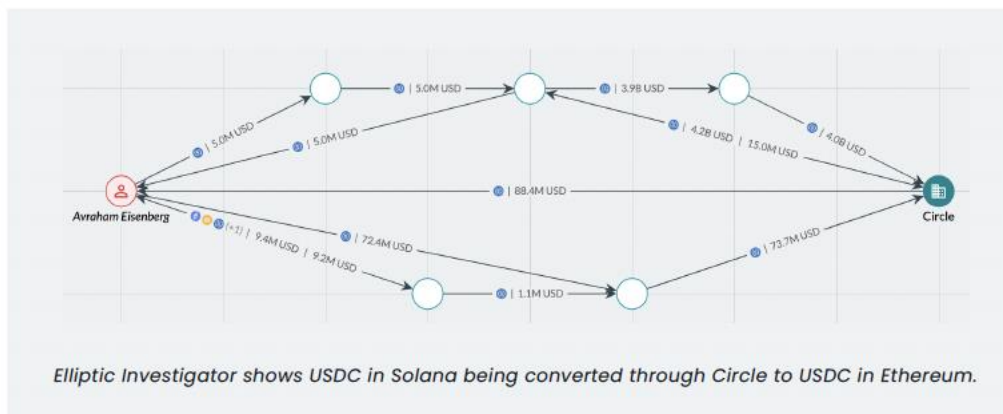
¹⁸ Press Release, FinCEN Proposes New Regulation to Enhance Transparency in Convertible Virtual Currency Mixing and Combat Terrorist Financing, *Department of the Treasury, Financial Enforcement Network*, Oct. 19, 2023, available at <https://www.fincen.gov/news/news-releases/fincen-proposes-new-regulation-enhance-transparency-convertible-virtual-currency>. (“FinCen Release”).

“Cross Chain Protocol” that simplifies, accelerates, and automates the process of moving a digital asset from one platform to another.¹⁹

In October, only six-months after Circle announced this unregulated cross chain protocol, which the company states “results in USDC essentially “teleporting” from one blockchain to another,”²⁰ the leading blockchain monitoring firm Elliptic issued a report highlighting how cross-chain transfers like Circle’s new initiative are the fastest growing method of digital asset money-laundering:

Enforcement actions – such as sanctions and seizures – are increasingly targeting traditional frontiers of crypto crime, including mixers and non-compliant exchanges. This is leading to a “crime displacement” effect where criminals are resorting to cross-chain crime as an alternative.²¹

In one case study cited by Elliptic, a since-indicted hacker who stole over \$116 million converted approximately \$30 million from USDC to another system known as DAI using chain-hopping techniques that allowed the hacker to place the funds beyond the reach of authorities.²²



In addition, one system identified by Elliptic as “the medium where terrorist organizations obtain the necessary [digital currency]” is called SunSwap, a TRON-based platform for exchanging

¹⁹ Website, [Cross Chain Transfer Protocol](https://www.circle.com/en/cross-chain-transfer-protocol#:~:text=Cross%2DChain%20Transfer%20Protocol%20(CCTP)%20is%20a%20permissionless%20on,via%20native%20burning%20and%20minting), Circle, (last visited November 5, 2023), available at [https://www.circle.com/en/cross-chain-transfer-protocol#:~:text=Cross%2DChain%20Transfer%20Protocol%20\(CCTP\)%20is%20a%20permissionless%20on,via%20native%20burning%20and%20minting](https://www.circle.com/en/cross-chain-transfer-protocol#:~:text=Cross%2DChain%20Transfer%20Protocol%20(CCTP)%20is%20a%20permissionless%20on,via%20native%20burning%20and%20minting)

²⁰ Press Release, [Circle Delivers USDC Interoperability Across Ecosystems with Mainnet Launch of Cross-Chain Transfer Protocol](https://www.prnewswire.com/news-releases/circle-delivers-usdc-interoperability-across-ecosystems-with-mainnet-launch-of-cross-chain-transfer-protocol-301807557.html), Circle, Apr. 26, 2023, available at <https://www.prnewswire.com/news-releases/circle-delivers-usdc-interoperability-across-ecosystems-with-mainnet-launch-of-cross-chain-transfer-protocol-301807557.html>.

²¹ Elliptic, [Report on the State of Cross-Chain Crime](https://www.elliptic.co/resources/state-of-cross-chain-crime-2023#:~:text=The%20State%20of%20Cross%2Dchain%20Crime%202023&text=As%20criminals%20and%20hackers%20shift,chain%20and%20cross%2Dasset%20methods), Elliptic, p. 6, Oct. 2023, available at <https://www.elliptic.co/resources/state-of-cross-chain-crime-2023#:~:text=The%20State%20of%20Cross%2Dchain%20Crime%202023&text=As%20criminals%20and%20hackers%20shift,chain%20and%20cross%2Dasset%20methods>. (“Elliptic 2023 Report”).

²² *Id.* at 28.

digital currencies.²³ Two of the most widely used dollar-denominated cryptocurrencies, Tether’s USDT and Circle’s USDC, are traded on SunSwap.²⁴ Elliptic notes that cross-blockchain money laundering has reached \$7 billion and is now “the preferred money laundering method” and is “on track to become the dominant means of laundering cryptoassets.”²⁵

Fincen’s recent proposal to use its Section 311 authority to restrict cryptocurrency “mixing”²⁶ is worthwhile but may soon be obsolete unless the scope of the regulation is broadened to include newer methods being adopted by criminal groups such as chain-hopping. We are submitting a comment to Fincen to make this point.²⁷

Circle has done business with companies controlled by Justin Sun since at least 2019, when Sun agreed to acquire a troubled Circle unit called Poloniex under investigation by the SEC for operating an unregistered exchange,²⁸ and the Treasury Department’s Office of Foreign Assets Control for sanctions violations.²⁹ Circle began integrating with TRON in July 2021 in an effort to expand into Asia.³⁰ Sun appears to control a vast stake in Circle’s USDC coins, and in March of 2023 transferred \$100 million in USDC into another of his systems, Huobi Global.³¹

As mentioned above, in March of 2023, the SEC accused Sun of secretly paying celebrities to hype his digital coins and manipulating the price of his coins through “extensive wash trading.”³²

²³ *Id.* at 19.

²⁴ Blog, Where to Get Tron USDC: A Guide for USDC TRC20 Via Exchanges, Circle, April 7, 2023, available at <https://www.circle.com/blog/where-to-get-tron-usdc>; SunSwap, SunSwap 2.0 Interface Documentation V 1.0.4 at 3, (last visited November 9, 2023), available at https://www.sunswap.com/docs/sunswapV2-interfaces_en.pdf; CoinMarket Cap, SunSwap V2, (last visited November 9, 2023), available at <https://coinmarketcap.com/exchanges/justswap/>.

²⁵ See Elliptic Blog, Cross-chain crime refers to the swapping of cryptoassets between different tokens or blockchains – often in rapid succession and with no legitimate business purpose – to obfuscate their criminal origin. Known also as “chain-” or “asset-hopping”, cross-chain crime is on course to become the dominant means of laundering cryptoassets, Oct. 5, 2023, available at <https://www.elliptic.co/blog/7-billion-in-crypto-laundered-through-cross-chain-services>.

²⁶ FinCEN Release.

²⁷ Campaign for Accountability, Comment on Financial Crimes Enforcement Network (Fincen) Notice of Proposed Rulemaking, Nov. 9, 2023 (attached as Exhibit B).

²⁸ Order Instituting Cease and Desist Proceedings, Securities and Exchange Commission, *In the Matter of Poloniex LLC*, Admin File 3-20455, August 9, 2021, available at <https://www.sec.gov/litigation/admin/2021/34-92607.pdf>

²⁹ David Pan and Anna Baydakova, Despite Denials, Tron Founder Confirms Investment in Poloniex Crypto Exchange, *CoinDesk*, Nov. 12, 2019, available at <https://www.coindesk.com/markets/2019/11/12/despite-denials-tron-founder-confirms-investment-in-poloniex-crypto-exchange/>; Press Release, SEC Charges Poloniex for Operating Unregistered Digital Asset Exchange, *Securities and Exchange Commission*, Aug. 9, 2021, available at <https://www.sec.gov/news/press-release/2021-147>.

³⁰ Cheyenne Ligon, Circle Now Supports USDC Stablecoin on Tron, *CoinDesk*, July 1, 2021, available at <https://www.coindesk.com/business/2021/07/01/circle-now-supports-usdc-stablecoin-on-tron/>.

³¹ Sam Reynolds, Justin Sun Completes \$100M USDC Transfer to Create Huobi Liquidity Fund, *CoinDesk*, March 9, 2023, available at <https://www.coindesk.com/markets/2023/03/10/justin-sun-moving-stablecoins-after-promising-to-create-huobi-liquidity-fund/>.

³² Press Release, SEC Charges Crypto Entrepreneur Justin Sun and His Companies for Fraud and Other Securities Law Violations, *Securities and Exchange Commission*, Mar. 22, 2023, available at <https://www.sec.gov/news/press-release/2023-59>.

As of November 2023, Sun has not responded to the charges in court. There also are reports Sun is being investigated by the U.S. Attorney for the Southern District of New York.³³ Some of Sun's former employees have been interviewed by the FBI and IRS and/or have received grand jury subpoenas.³⁴

Further, at least four civil lawsuits have been filed against Sun by former employees.³⁵ One such case was filed by Stephen Heinrich, a former Sun accountant who served as Sun's de facto CFO until April of 2020 who claims Sun fired him for refusing to assist "illegal or illicit activity" involving wire transfers that violated accounting rules and federal laws.³⁶ Heinrich alleges Sun fled to Singapore to avoid service of process in his case and others.³⁷ Sun has recently obtained citizenship in several small countries and even, briefly, an ambassadorship,³⁸ and at one point claimed diplomatic immunity from civil proceedings in California on the basis of his appointment as trade representative to the WTO on behalf of Grenada.³⁹ (The gambit failed.)

Sun's critics have labeled his virtual empire "the Theranos of China," and "an outright fraud."⁴⁰ With the conviction of Sam Bankman-Fried and the collapse of FTX, it is evident the lack of oversight of crypto currencies and trading has proven detrimental to ordinary investors and the

³³ Harland-Dunaway, *The Verge*, Mar. 9, 2022.

³⁴ *Id.*

³⁵ See Plaintiff's Memorandum of Points and Authorities in Support of Plaintiff's Motion for Order Granting Plaintiff's Motion to Effect Service of Process Upon Defendant Justin Sun by Publication (Via Email/Twitter), at 7, *Heinrich v. Rainberry, et al.*, No. CGC-22-55914, (California Superior Court, San Francisco County, September 19, 2023), available at

https://webapps.sftc.org/ci/CaseInfo.dll?SessionID=14625C926ACDA893377874164B0CE18B17D3B4B3&URL=https%3A%2F%2Fimgquery.sftc.org%2FSha1_newApp%2Fmainpage.aspx%3FWeb_Server%3Dimgquery.sftc.org%26MINDS_Server%3Dhoj-imx-01%26Category%3DC%26DocID%3D08734488%26Timestamp%3D20231105105121%26Digest%3D7f16b99120a84d308a23cb50691cbe276d2fc554 ("Memorandum").

³⁶ Complaint, *Heinrich v. Rainberry Inc. et al.*, No. CGC-22-59914, (California Superior Court, San Francisco County, filed April 11, 2022), available at

https://webapps.sftc.org/ci/CaseInfo.dll?SessionID=5C6F90882EFEDD222831BB181A323B6FB6070303&URL=https%3A%2F%2Fimgquery.sftc.org%2FSha1_newApp%2Fmainpage.aspx%3FWeb_Server%3Dimgquery.sftc.org%26MINDS_Server%3Dhoj-imx-01%26Category%3DC%26DocID%3D08058307%26Timestamp%3D20231105091824%26Digest%3D4bbac64aff01d7a876cbce3e4b34c6b0498ad460.

³⁷ *Heinrich v. Rainberry et al.*, Memorandum at 5.

³⁸ Ben Weiss, 'His Excellency' No Longer: Grenada Sunsets Justin Sun's Role as WTO Rep After SEC Lawsuit, *Fortune*, Mar. 31, 2023, available at <https://fortune.com/crypto/2023/03/31/his-excellency-sec-lawsuit-justin-sun-grenada-diplomat-wto/>.

³⁹ Declaration of William Fitzgerald, at 3, *He v Rainberry et al.*, CGC-21-595792, (Superior Court of CA, San Francisco County, Nov. 4, 2022, available at

https://webapps.sftc.org/ci/CaseInfo.dll?SessionID=CC0E7A6BBED9AAEF85BBCD6E5E397C90006832C9&URL=https%3A%2F%2Fimgquery.sftc.org%2FSha1_newApp%2Fmainpage.aspx%3FWeb_Server%3Dimgquery.sftc.org%26MINDS_Server%3Dhoj-imx-01%26Category%3DC%26DocID%3D08322667%26Timestamp%3D20231106084718%26Digest%3Dae92ba035e1c8a8b4aa8d4d45921ccf70f9cbfc.

⁴⁰ Sissi Cao, Warren Buffet's 28-Year-Old Power Lunch Guest is a Fraud, Say Those Close to Him, *The Observer*, July 24, 2019, available at <https://observer.com/2019/07/warren-buffett-power-lunch-winner-crypto-justin-sun-scam-chinese-media/>.

Honorable Sherrod Brown
Honorable Elizabeth Warren
November 9, 2023
Page 7 of 7

markets. Given the many questions that have been raised about his murky activities by regulators and media including *The Wall Street Journal*,⁴¹ it's reasonable to ask if Sun's network also may cause broader harms. And, thanks to their involvement with Circle, which has benefitted from a regulatory framework slow to catch up to crypto firms that skirt the rules, reputable banking institutions may find they unwittingly have participated in facilitating criminal organizations such as Hamas.

CfA respectfully suggests that Congress examine whether U.S. regulatory structures are adequate to ensure that all American companies engaged in issuing dollar-backed cryptocurrency are complying with anti-money laundering requirements, and whether current sanctions regimes and authorities are sufficient to deter foreign actors from facilitating sanctions evasion by relying on stablecoins.

Sincerely,



Michelle Koppersmith
Executive Director

cc: The Honorable Roger Marshall
United States Senate

The Honorable Patrick McHenry
The Honorable Maxine Waters
The Honorable Sean Casten
United States House of Representatives

Financial Crimes Network Enforcement
Department of the Treasury

⁴¹ Vicky Ge Huang and Alexander Osipovich, *Who Controls this Fast Growing Stablecoin?*, *Wall Street Journal*, August 14, 2023, available at <https://www.wsj.com/articles/a-crypto-mystery-who-controls-this-fast-growing-stablecoin-895ddc1a>; Weilun Soon, *Crypto Promoter Justin Sun Draws the Spotlight, this Time from Regulators*, *Wall Street Journal*, March 23, 2023, available at <https://www.wsj.com/articles/crypto-promoter-justin-sun-draws-the-spotlight-this-time-from-regulators-d45b848>.

EXHIBIT A

The Circle-Justin Sun Transactions Flagged by ChainArgos

USDC

[Tron] USDC Redemptions (Transfers to USDC Deposit Accounts)

275 rows · from cache · 1h ago

Run

Edit

Filters To Wallet Labels contains Circle Deposit

Blue = Possibly Justin Sun Related

Red = Received funds from wallets flagged by Israel (other than known exchanges)

Reset Look | Explore from Here

Visualization

	From Label or Address	Sum of Transfer Amounts	Number of Transfers	Avg Transfer Size	First Txn Date	Last Txn Date	Days Between First and Last Txns
1	Binance ; binance reserve wallets USDC ; binance reserve wallets USD (TV6Mu)	\$2,805,444,281	4,912	\$571,141	2022-01-10	2023-10-17	645
2	Binance ; binance reserve wallets USDT ; 10591 sus xfers (to Hamas, (TNXoi))	\$1,510,654,166	3,485	\$433,473	2021-12-21	2023-10-17	665
3	Maybe Justin Sun Circle Deposit? (low confidence) ; BTCT #3 current b (TUgSg)	\$1,500,000,000	8	\$187,500,000	2022-09-30	2022-10-13	13
4	Justin Sun (?) ; [111th USDT Customer, #22 by USDT Minted (\$400mm), 1 (TPyly)]	\$1,426,866,140	23	\$62,037,658	2021-07-02	2023-02-03	581
5	OKX ; okex ; 8584 sus xfers (to Hamas, Hamas (MAHMOUD MADHAT AHMED B (TM1zz...	\$987,439,063	1,497	\$659,612	2022-01-19	2023-10-17	636
6	Kraken ; 68 sus xfers (to Hamas, Hamas, Hezbollah, Hezbollah) ; [88t (TTd9q)]	\$860,597,557	623	\$1,381,376	2022-10-11	2023-10-17	371
7	USDD #31 current balance ; jBTC #1 current balance ; BTCT #2 lifetim (TGFWK)	\$600,000,000	1	\$600,000,000	2022-08-21	2022-08-21	0
8	NFT #8 current balance ; USDD #32 current balance ; jBTC #2 current (TUjx6)	\$400,000,000	1	\$400,000,000	2022-08-21	2022-08-21	0
9	USDC #50 lifetime received ; USDC #50 lifetime sent ; USDC #74 by tx (TE4b3)	\$238,650,334	432	\$552,431	2022-11-03	2023-10-17	348
10	huobi reserve wallets TRX ; huobi reserve wallets USDC ; huobi reser (TNaRA)	\$230,425,085	581	\$396,601	2021-11-23	2023-08-01	616
11	USDC #67 lifetime received ; USDC #67 lifetime sent (TRcK8)	\$177,690,608	67	\$2,652,099	2023-03-24	2023-10-02	192
12	TRX Whale + JST whale (15th biggest holder). Maybe JustLend pre-burn? (TScVw)	\$140,002,499	1	\$140,002,499	2023-02-03	2023-02-03	0
13	TokenCan ; 108 sus xfers (to Hamas, Hezbollah, Islamic State (ISIS)) (TBQeY)	\$110,537,544	84	\$1,315,923	2022-09-07	2023-10-02	390
14	18 sus xfers (from Hezbollah) (TFTCx)	\$68,730,057	291	\$236,186	2023-01-24	2023-10-17	266
15	BTEX ; 42 sus xfers (to Hamas, Hamas, Hezbollah, Islamic State (ISIS)) (TVFmk)	\$56,787,374	20	\$2,839,369	2022-07-05	2022-09-06	63
16	60 sus xfers (to Hamas, Hamas, Hezbollah, Hezbollah) ; USDC #70 curre (TG1Pj)	\$56,729,698	288	\$196,978	2022-11-27	2023-08-31	277
17	Blacklisted by Tether at 2022-11-10T14:11:54 ; FTX ; ftx ; 372 sus (TYDzs)	\$50,053,359	69	\$725,411	2022-06-28	2022-11-08	133
18	JustLend Whale with large Justin Sun deposits ; Justin Sun USDD Backl (TSF2r)	\$50,000,000	1	\$50,000,000	2022-12-23	2022-12-23	0
19	kucoin ; kucoin reserve wallets ; 7829 sus xfers (to Hamas, Hamas, H (TUjHu)	\$43,191,964	269	\$160,565	2022-07-06	2023-09-12	433
20	bybit ; 196 sus xfers (to Hamas, Hamas, Hezbollah, Hezbollah, Islamic (TU4vE)	\$39,883,438	199	\$200,419	2022-10-08	2023-10-10	367
21	TP3SGKrsZMUwauJHut4K7dDgyB16NLQLc	\$31,263,370	141	\$221,726	2023-08-14	2023-10-17	64
22	3 sus xfers (from Hezbollah) (TCv9w)	\$29,975,450	72	\$416,326	2022-12-20	2023-06-21	183
23	TT1Q6ZnnUL7xwMTTc3GQ776ZuFJY4eWIE	\$29,056,189	17	\$1,709,188	2023-06-19	2023-09-14	87
24	JustLend and USDD whale ; USDD #26 current balance ; jUSDD #2 curren (TFuF1)	\$24,670,881	9	\$2,741,209	2022-07-25	2022-11-22	120
25	Circle USDC Mint ; USDC #10 current balance ; USDC #1 lifetime recei (TYE21)	\$23,833,339	1,574	\$15,142	2022-04-19	2023-10-17	546
26	TVaeSse8tSmHrdSzSKgHuz5aPdyb7wTKwu	\$21,139,409	5	\$4,227,882	2022-09-06	2022-09-08	2
27	TL5fz4ZjQaDfxR3kx0B5zs4cNS2d83Km	\$20,201,930	42	\$480,998	2023-06-13	2023-07-19	36
28	1 sus xfers (from [SCAM] Audaxtrading.net) (TST9F)	\$18,646,899	73	\$255,437	2022-04-04	2022-10-06	185
29	JustLend / Sun.io Whale ; [174th USDT Customer, #80 by USDT Minted (\$ (TFZ57)	\$17,456,973	46	\$379,499	2022-05-16	2023-08-07	448
30	1 sus xfers (from [SCAM] Audaxtrading.net) (TDA3Z)	\$15,252,984	44	\$346,659	2022-10-02	2022-11-10	39
31	2 sus xfers (from [SCAM] Audaxtrading.net) (TGSvi)	\$14,603,874	83	\$175,950	2022-09-15	2023-01-31	138

EXHIBIT B

Campaign for Accountability Comment on Financial Crimes Enforcement Network (Fincen)
Notice of Proposed Rulemaking

The Department of Treasury Financial Crimes Enforcement Network’s unprecedented proposal to use its Section 311 authority to restrict cryptocurrency “mixing”¹ is worthwhile but may soon be obsolete unless the scope of the regulation is broadened to include newer methods criminal groups have adopted using virtual currencies. As recently documented by specialists in cryptocurrency forensics, suspected terrorists and other criminal actors are now using a new technique called “chain hopping” to obscure the sources and destinations of cryptocurrency transactions.

Section 311 of the USA PATRIOT Act allows the Treasury Department to identify a specific financial institution, a jurisdiction, a type of account, or a class of transactions as a “primary money laundering concern.”² Once so designated, the Treasury Department has a menu of options set out in statute for how to address the “primary money laundering concern,” ranging from recordkeeping and reporting requirements, to a prohibition on the maintenance of correspondent accounts.³ Treasury’s 311 authority has been used fewer than 30 times in the two decades since it was adopted,⁴ and in all of these cases has been used to target jurisdictions or specific financial institutions.⁵

Last week the Treasury Department used its 311 authority to target a “class of transactions” for the first time, publishing a proposed rule that would impose recordkeeping and reporting requirements on cryptocurrency exchanges that engage in transactions with so-called “mixers”.⁶ In essence, however, this proposal is fighting the last battle as the Department of Justice already prosecutes such conduct. In August 2023, the Department of Justice indicted the founders of Tornado Cash for sanctions violations and money-laundering in connection with over \$1 billion in transactions in which prosecutors allege funds were deliberately pooled and commingled to hide criminal activity.⁷

¹ Department of the Treasury, Financial Crimes Enforcement Network Press Release, FinCEN Proposes New Regulation to Enhance Transparency in Convertible Virtual Currency Mixing and Combat Terrorist Financing, October 19, 2023, available at <https://www.fincen.gov/news/news-releases/fincen-proposes-new-regulation-enhance-transparency-convertible-virtual-currency>.

² Department of the Treasury, Fact Sheet: Overview of Section 311 of the USA PATRIOT Act, February 10, 2011, available at <https://home.treasury.gov/news/press-releases/tg1056>.

³ *Id.*

⁴ Financial Crimes Enforcement Network, Special Measures for Jurisdictions, Financial Institutions, or International Transactions of Primary Money Laundering Concerns, available at <https://www.fincen.gov/resources/statutes-and-regulations/311-and-9714-special-measures>.

⁵ *Id.*

⁶ Ian Talley and Mengqi Sun, U.S. Targets Crypto Mixers Over Money Laundering Risks, *Wall Street Journal*, October 19, 2023, available at <https://www.wsj.com/articles/u-s-targets-crypto-mixers-over-money-laundering-risks-e431def>.

⁷ U.S. Attorney’s Office for the Southern District of New York, Press Release: Tornado Cash Founders Charged With Money Laundering and Sanctions Violations, August 23, 2023, available at <https://www.justice.gov/usao-sdny/pr/tornado-cash-founders-charged-money-laundering-and-sanctions-violations>.

According to a recent report by the forensics firm Elliptic, “existing preferred laundering methods – such as using the now-sanctioned crypto mixer Tornado Cash – have been rendered ineffective by enforcement actions.”⁸ Unfortunately, the ongoing crackdown has already spurred sanctions violators and other criminals to adopt a new method known as “cross-chain crime” or “chain-hopping.”

“Chain hopping” in the cryptocurrency world is a tactic used to obfuscate the origin and destination of digital assets (cryptocurrencies) by transferring them between different digital ledgers (blockchains) or cryptocurrency networks.⁹ Blockchains are transaction histories that reside on the open internet and are publicly accessible. Chain-hopping obscures the digital trail by shifting funds and currencies among multiple chains. This strategy is employed to make it more difficult for law enforcement to track illicit financial transactions.¹⁰

In its recent report, “The State of Cross-Chain Crime 2023,” Elliptic estimates that some \$7 billion has now been laundered through cross-chain crime.¹¹ “Enforcement actions – such as sanctions and seizures – are increasingly targeting traditional frontiers of crypto crime, including mixers and non-compliant exchanges,” the firm reports. “This is leading to a “crime displacement” effect where criminals are resorting to cross-chain crime as an alternative.”¹²

One system identified by Elliptic as “the medium where terrorist organizations obtain the necessary [digital currency]” is SunSwap.¹³ SunSwap is a platform for exchanging digital currencies controlled by TRON,¹⁴ an Asia-based cryptocurrency system controlled by a Chinese national named Sun Yuchen, aka Justin Sun, who is currently the subject of a civil fraud and market manipulation complaint by the SEC.¹⁵ Sun is reported to have direct ties to the Communist Party of China.¹⁶

⁸ Elliptic Blog, [\\$7 Billion in Crypto Laundered Through Cross-Chain Services](https://www.elliptic.co/blog/7-billion-in-crypto-laundered-through-cross-chain-services), October 5, 2023, available at <https://www.elliptic.co/blog/7-billion-in-crypto-laundered-through-cross-chain-services>.

⁹ Merkle Science, [Glossary: Your Guide to Blockchain Terminologies](https://www.merklescience.com/glossary#C-name-section), available at <https://www.merklescience.com/glossary#C-name-section>.

¹⁰ Elliptic Blog, Oct. 5, 2023.

¹¹ *Id.*

¹² Elliptic, [Report on the State of Cross-Chain Crime](https://www.elliptic.co/resources/state-of-cross-chain-crime-2023#:~:text=The%20State%20of%20Cross%2Dchain%20Crime%202023&text=As%20criminals%20and%20hackers%20shift,chain%20and%20cross%2Dasset%20methods), p. 6, (October 2023), available at <https://www.elliptic.co/resources/state-of-cross-chain-crime-2023#:~:text=The%20State%20of%20Cross%2Dchain%20Crime%202023&text=As%20criminals%20and%20hackers%20shift,chain%20and%20cross%2Dasset%20methods> (“Elliptic 2023 Report”).

¹³ *Id.* at 6.

¹⁴ *Id.* at 19.

¹⁵ U.S. Securities and Exchange Commission, Press Release, [SEC Charges Crypto Entrepreneur Justin Sun and His Companies for Fraud and Other Securities Law Violations](https://www.sec.gov/news/press-release/2023-59), March 22, 2023, available at <https://www.sec.gov/news/press-release/2023-59>.

¹⁶ Eliza Gkristi, [Justin Sun Joins Research Project at Communist Party School](https://www.coindesk.com/markets/2021/07/27/justin-sun-joins-research-project-at-communist-party-school/?outputType=amp), *CoinDesk*, July 27, 2021, available at <https://www.coindesk.com/markets/2021/07/27/justin-sun-joins-research-project-at-communist-party-school/?outputType=amp>.

Two of the most widely used dollar-denominated cryptocurrencies, Tether's USDT and Circle's USDC, are traded on SunSwap.¹⁷ In April of this year, Circle, a US based issuer of dollar-denominated cryptocurrency that has no primary prudential regulator, announced the launch of a new "cross-chain protocol" to facilitate chain hopping between blockchains.¹⁸ Given that Circle's USDC "stablecoin" was one of the digital currencies publicly identified by the Israeli government in July 2023 as linked to funding terrorism¹⁹ and there is currently \$400 million of USDC on the TRON blockchain,²⁰ these monies are at risk of being employed in "chain hopping" transactions between the 15 blockchains in which they currently operate with unclear Anti-Money Laundering (AML) standards.

The Treasury Department should consider the use of 311 authority with respect to protocols that enable unregulated "chain hopping" on blockchains controlled by Chinese nationals that work directly with the CCP, such as TRON, and any stablecoins listed on those blockchains as a "primary money laundering concern".

¹⁷ Circle Blog, Where to Get Tron USDC: A Guide for USDC TRC20 Via Exchanges, April 7, 2023, available at <https://www.circle.com/blog/where-to-get-tron-usdc>; SunSwap, "SunSwap 2.0 Interface Documentation," V 1.0.4 at 3, available at https://www.sunswap.com/docs/sunswapV2-interfaces_en.pdf; CoinMarket Cap, "SunSwap V2", available at <https://coinmarketcap.com/exchanges/justswap/> (last visited November 7, 2023).

¹⁸ Circle Website, Cross-Chain Transfer Protocol: United the Ecosystem, <https://www.circle.com/en/cross-chain-transfer-protocol> (last visited November 8, 2023).

¹⁹ Arda Akartuna, Israel Orders Seizure of Crypto Wallets Worth \$94 Million Linked to Palestinian Islamic Jihad, *Elliptic Blog*, July 6, 2023, available at <https://www.elliptic.co/blog/analysis/israel-orders-seizure-of-crypto-wallets-worth-94-million-linked-to-palestinian-islamic-jihad>; Israel Ministry of Justice, Money Laundering and Terror Financing Prohibition Authority, Press Release, Terrorism Financing Public Alert: FIU-Israel Calls All Global Regulated Entities for Increased Vigilance Towards Terrorism Financing Campaigns in Response to the Ongoing War and State of Emergency, July 11, 2023, Update August 11, 2023, available at https://www.gov.il/en/departments/news/new_07_11_23.

²⁰ Circle Website, Experience the Power of TRON USDC, available at <https://www.circle.com/en/usdc-multichain/tron> (last visited November 8, 2023).