Insights

Benjamin Sauter Analyzes Whether Crypto Can Help Evade Russian Sanctions with Raconteur

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With the Russian invasion of Ukraine, many in both countries have turned to crypto and digital currencies – Ukrainians received almost US $100 million in crypto donations, and ordinary Russians used crypto as a haven against the falling ruble and capital controls. But there is a concern that cryptocurrency can be used to facilitate wrongdoing, including to evade sanctions. Kobre & Kim's Benjamin Sauter, who focuses on government enforcement and asset recovery in the crypto space, analyzed this issue when he spoke with the magazine *Raconteur* of *The Times*.

Moving crypto around to evade sanctions may not be as easy as many imagine. "In some respects, crypto is no different from traditional finance," Mr. Sauter described. "Law-abiding cryptocurrency exchanges and other services that are potential on-ramps and off-ramps for crypto are aware of whom those sanctions apply to. Just like any traditional compliant bank, they would not permit those sanctioned entities to move funds."

Still, the growth in decentralized finance may enable the transfer of crypto without going through a traditional exchange. "That's not going to result in cash, but you can convert assets into different forms." Mr. Sauter explained. "You can do this a lot, making transactions more difficult to track and obscuring the path that assets take and who controls them." This includes using mixing services, which break down funds into smaller transactions or exchanges them into other cryptocurrencies to conceal the destination of the funds.

However, without an eventual off-ramp to fiat currencies, evading sanctions with crypto remains difficult. "Even if you could transact entirely in crypto, pure bitcoin barter transactions probably aren't going to get sanctioned billionaires very far," Mr. Sauter pointed out. "And, even if we do get to the point where there is widespread day-to-day spending adoption, then you might see the evolution of KYC [Know Your Customer] requirements for merchants that do sizable business using crypto."

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