



# Financial Trend Analysis

**Use of Convertible Virtual Currency for Suspected Online Child Sexual Exploitation and Human Trafficking: Threat Pattern & Trend Information, January 2020 to December 2021**



## Use of Convertible Virtual Currency for Suspected Online Child Sexual Exploitation and Human Trafficking: Threat Pattern & Trend Information, January 2020 to December 2021

*This Financial Trend Analysis focuses on online child sexual exploitation (OCSE) and human trafficking patterns and trend information identified in Bank Secrecy Act (BSA) data involving the use of convertible virtual currency (CVC). This report is issued pursuant to Section 6206 of the Anti-Money Laundering Act of 2020 (AMLA), which requires the Financial Crimes Enforcement Network (FinCEN) to publish threat pattern and trend information derived from BSA reports.<sup>1</sup> FinCEN issued the first government-wide priorities for anti-money laundering and countering the financing of terrorism (AML/CFT) policy on 30 June 2021, which included cybercrime and human trafficking and human smuggling as government-wide priorities.<sup>2</sup> FinCEN highlighted an increase in OCSE with the publication of FinCEN Notice “FinCEN Calls Attention to Online Child Sexual Exploitation Crime,” #FIN-2021-NTC3, on 16 September 2021.<sup>3</sup> FinCEN issued “Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking – Financial Red Flags,” #FIN-2014-A008, on 11 September 2014 followed by a “Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity,” #FIN-2020-A008, on 15 October 2020.<sup>4</sup> This information is relevant to the public, particularly members of the financial industry, law enforcement agencies, and nonprofit organizations involved in combating OCSE- and human trafficking-related activity. The report also highlights the value of BSA information filed by regulated financial institutions.*

**Executive Summary:** This Financial Trend Analysis (FTA) provides threat pattern and trend information on the use of convertible virtual currency (CVC) associated with online child sexual exploitation (OCSE) and human trafficking based on Bank Secrecy Act (BSA) data filed with FinCEN between January 2020 and December 2021 (the “review period”).<sup>5</sup> FinCEN’s analysis began with a focus on human trafficking-related activity associated with CVC. However, FinCEN’s review determined that the majority of BSA reports that identified CVC associated with human trafficking also identified OCSE- and child sexual abuse material (CSAM)-related activity. Accordingly, while OCSE does not necessarily indicate human trafficking or smuggling (or vice versa), FinCEN analysis identified a substantial overlap of these types of conduct within BSA reporting pertaining to CVC.

1. The AMLA was enacted as Division F, §§ 6001-6511, of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. 116-283 (2021).
2. See “Anti-Money Laundering and Countering the Financing of Terrorism National Priorities,” FinCEN Priorities, 30 June 30 2021, <https://www.fincen.gov/news/news-releases/fincen-issues-first-national-amlcft-priorities-and-accompanying-statements>. Human smuggling is not addressed separately in this report.
3. See “FinCEN Calls Attention to Online Child Sexual Exploitation Crimes,” FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>.
4. See “Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking – Financial Red Flags,” FinCEN Advisory #FIN-2014-A008, 11 September 2014, <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>; “Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity,” FinCEN Advisory #FIN-2020-A008, 15 October 2020, [https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL\\_0.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf).
5. This report is not intended to provide additional guidance or establish new requirements for financial institutions.

In this FTA, FinCEN focused on how these BSA reports provide particularly relevant insights into the use of CVC to further cybercrime. Perpetrators of OCSE exploit children in the United States and around the world for financial gain and bad actors engaged in human trafficking similarly prey on and victimize children and adults as part of their illicit activity. Victims of these crimes are placed into forced labor, slavery, involuntary servitude, peonage, and/or forced to engage in commercial sex acts. During the COVID-19 pandemic, OCSE crimes, which include the funding, production, and distribution of CSAM, increased significantly.<sup>6 7</sup> In addition to the horrific toll on victims and their families, human trafficking is now one of the most profitable and violent forms of international crime, generating an estimated \$150 billion worldwide per year.<sup>8</sup> Perpetrators of OCSE are increasingly using CVC to try to avoid detection.<sup>9</sup> FinCEN observed an increase in the number of BSA reports received related to OCSE and human trafficking involving CVC. Over the course of the review period, FinCEN received a total of 2,311 BSA reports referencing CVC in connection with OCSE and human trafficking, totaling over \$412 million in reported suspicious activity.<sup>10</sup> This dataset accounted for 19 percent of human-trafficking related BSA reports and less than six percent of the total dollar value of all human trafficking-related suspicious activity reported in BSA reports during the review period.

### Key Findings:

- *OCSE- and human trafficking-related BSA reports involving CVC increased in volume:* The total number of OCSE- and human trafficking-related BSA reports involving CVC increased from 336 in 2020 to 1,975 in 2021. These BSA reports represented only six percent of overall human trafficking-related BSA reports in 2020, but 29 percent of human trafficking-related BSA reports in 2021. Over the course of the review period, the total value of reported OCSE- and human trafficking-related suspicious activity involving CVC increased from \$133 million in 2020 to \$278 million in 2021, although this increase was significantly influenced by a single high-value BSA report received in June 2021.

6. See “FinCEN Calls Attention to Online Child Sexual Exploitation Crimes,” FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>.

7. References to OCSE in this FTA include instances of CSAM.

8. See “Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity,” FinCEN Advisory #FIN-2020-A008, 15 October 2020, [https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL\\_0.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf); “Trafficking in Persons Report July 2022,” U.S. Department of State, July 2022, <https://www.state.gov/wp-content/uploads/2022/10/20221020-2022-TIP-Report.pdf>. The National Money Laundering Risk Assessment identified human trafficking and human smuggling as money laundering threats faced by the United States. See “National Money Laundering Risk Assessment,” U.S. Department of the Treasury, February 2022, <https://home.treasury.gov/system/files/136/2022-National-Money-Laundering-Risk-Assessment.pdf>.

9. See “FinCEN Calls Attention to Online Child Sexual Exploitation Crimes,” FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>.

10. The data in this report consists of information filed with FinCEN pursuant to the BSA, herein referred to as “BSA reports.” Specifically, this analysis is based on BSA reports reflecting the use of CVC by suspected perpetrators of OCSE, human traffickers, or related persons. Such data is not a complete representation of all OCSE or human trafficking incidents.

- *Majority of OCSE- and human trafficking-related BSA reports involving CVC tied to CSAM:* During the review period, BSA filers specifically reported CSAM or both human trafficking and CSAM in 2,191, or 95 percent, of the 2,311 BSA reports. BSA filers primarily reported either customers purchasing CSAM or exchanging CVC proceeds generated from CSAM sales for fiat currency.
- *Bitcoin used for OCSE- and human trafficking-related payments:* Of the 2,311 BSA reports received during the review period, 2,157 reports specifically referenced bitcoin as the primary CVC used for purported OCSE- and human trafficking-related activity.<sup>11</sup> The remaining filings did not specify the CVC used by the subjects. From this dataset, FinCEN identified over 1,800 unique bitcoin wallet addresses related to suspected OCSE and human trafficking offenses.
- *FinCEN identified CVC-enabled OCSE and human trafficking money laundering typologies:* FinCEN identified four typologies associated with suspicious payments involving CVC, OCSE, and human trafficking. These include the use of darknet marketplaces that distribute CSAM, peer-to-peer (P2P) exchanges, CVC mixers, and CVC kiosks. These typologies described common trends within OCSE- and human trafficking-related BSA reports but do not constitute an exhaustive list of all typologies exploited by perpetrators of OCSE and human traffickers or their customers.

**Scope and Methodology:** FinCEN examined human trafficking-related BSA reports filed during the review period and identified approximately 12,100 BSA reports identifying at least \$7.1 billion in suspicious activity. FinCEN also queried a dataset of known CVC-related BSA reports for indicators of human trafficking, OCSE, and CSAM. From these datasets, FinCEN identified the use of CVC associated with human trafficking and related trends. FinCEN used a combination of human trafficking- and OCSE-related keywords to query known CVC-related BSA reports as well as the human trafficking suspicious activity type checkbox 38h to identify potential human trafficking-related BSA reports.<sup>12</sup> Based on this review, FinCEN identified 2,311 BSA reports purported to involve the use of CVC for suspected OCSE- and human trafficking-related activity filed during the review period.<sup>13</sup> These BSA reports were manually analyzed according to a variety of factors including types of OCSE- and human trafficking-related activities reported, references to advisories, international nexus, payment instruments, and ties to other illicit activity to generate insights.

11. In January 2020, bitcoin’s market cap was \$134 billion or approximately 67 percent of the CVC market. By December 2021, bitcoin’s market cap was \$932 billion or approximately 39 percent of the CVC market. *See* Historical Snapshot - 05 January 2020,” CoinMarketCap, 5 January 2020, <https://coinmarketcap.com/historical/20200105/>; “Historical Snapshot - 05 December 2021,” CoinMarketCap, 5 December 2021, <https://coinmarketcap.com/historical/20211205/>; “Bitcoin Market Dominance,” Statista, January 2024, <https://www.statista.com/statistics/1269669/bitcoin-dominance-historical-development/>.
12. As noted in FinCEN’s 2021 Notice, OCSE does not necessarily indicate human trafficking or smuggling, but may overlap with regard to certain offenses noted in FinCEN’s Human Trafficking Advisories, such as 18 U.S. Code § 1591 (sex trafficking of children or by force, fraud, or coercion), 18 U.S. Code § 2423 (transportation of minors), and 18 U.S. Code § 2422 (coercion and enticement).
13. These BSA reports may refer to transactions that occurred in previous months or years and activity that is in the past but that may still be ongoing. BSA reports pertaining to December 2021 incidents that were submitted after the filing review period were omitted.

### Child Sexual Exploitation and Human Trafficking

*Child Sexual Exploitation* involves victimizing a minor for sexual gratification or some other personal or financial advantage. Child sexual exploitation may include the possession, receipt, distribution, transportation, advertisement, or production of child sexual abuse material; travel in interstate or foreign commerce to engage in illicit sexual conduct with any child under the age of 18; and all other acts involving criminal sexual abuse of children under the age of 18.<sup>14</sup>

*Online Child Sexual Exploitation (OCSE)* is the use of the internet as a means to (1) engage or attempt to engage in child sexual exploitation; (2) persuade, induce, entice, or coerce a minor to engage in any illegal sexual activity; or (3) commit an offense involving child sexual abuse material.<sup>15</sup>

*Child Sexual Abuse Material (CSAM)* refers to sexually explicit images and/or videos of children, and includes materials described under 18 U.S.C. § 2256.<sup>16</sup> Child pornography is any visual depiction (photo, video, or livestream) showing minors involved in sexually explicit conduct, a computer-generated image that is, or is indistinguishable from, that of a minor engaging in sexually explicit conduct; or a visual depiction has been created, adapted, or modified to appear that an identifiable minor is engaging in sexually explicit conduct.<sup>17</sup> Federal law prohibits the production, advertisement, distribution, receipt, or possession of child pornography, or the livestreaming of child sexual abuse, among other related crimes.<sup>18</sup>

*Human Trafficking* is:

- The recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act (sex trafficking), in which a commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age; and
- The recruitment, harboring, transportation, provision, or obtaining of a person for labor or services through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.<sup>19</sup>

14. See “Department of Homeland Security Strategy to Combat Human Trafficking, the Importation of Goods Produced with Forced Labor, and Child Sexual Exploitation,” U.S. Department of Homeland Security, January 2020, [https://www.dhs.gov/sites/default/files/publications/20\\_0115\\_plcy\\_human-trafficking-forced-labor-child-exploit-strategy.pdf](https://www.dhs.gov/sites/default/files/publications/20_0115_plcy_human-trafficking-forced-labor-child-exploit-strategy.pdf).

15. See “Terminology Guidelines for the Protection of Children from Sexual Exploitation and Sexual Abuse,” United Nations Office on Drugs and Crimes, 2016, [https://www.unodc.org/e4j/data/\\_university\\_uni\\_/terminology\\_guidelines\\_for\\_the\\_protection\\_of\\_children\\_from\\_sexual\\_exploitation\\_and\\_sexual\\_abuse.html?lng=en&match=terminology%20guidelines](https://www.unodc.org/e4j/data/_university_uni_/terminology_guidelines_for_the_protection_of_children_from_sexual_exploitation_and_sexual_abuse.html?lng=en&match=terminology%20guidelines).

16. See “Child Sexual Abuse Material,” U.S. Department of Justice, [https://www.justice.gov/d9/2023-06/child\\_sexual\\_abuse\\_material\\_2.pdf](https://www.justice.gov/d9/2023-06/child_sexual_abuse_material_2.pdf).

17. See 18 U.S.C. § 2256.

18. See 18 U.S.C. §§ 2252, 2252A.

19. See “The National Action Plan to Combat Human Trafficking,” The White House, December 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/12/National-Action-Plan-to-Combat-Human-Trafficking.pdf>;

*Sex Trafficking* involves a person engaging in a commercial sex act as the result of force, fraud, coercion, or any combination of such means, or a person under the age of 18 engaging in a commercial sex act.<sup>20</sup> Federal law prohibits recruiting, enticing, harboring, transporting, providing, obtaining, advertising, maintaining, patronizing, or soliciting a person or benefiting or financially receiving anything of value from participating in a venture involving any such act.<sup>21</sup>

## OCSE- and Human Trafficking-Related BSA Reports Involving CVC Increased

In 2021, FinCEN received a significant increase in the total number of OCSE- and human trafficking-related BSA reports involving CVC compared to the previous year. The total number of BSA reports increased from 336 in 2020 to 1,975 in 2021 (see figure 1). The total dollar value increased from \$133 million in 2020 to \$278 million in 2021, although this increase was significantly influenced by a single high-value BSA report received in June 2021 (see figure 2). Suspicious transaction amounts varied widely, ranging from less than one hundred dollars to several transactions over one million dollars. Only six percent of human trafficking-related BSA reports in 2020 involved CVC, whereas 29 percent of human trafficking-related BSA reports involved CVC in 2021. Human trafficking-related suspicious activity amounts involving CVC represented only four percent of overall human trafficking-related suspicious activity in 2020 and seven percent in 2021. Additionally, overall CVC-related BSA reports involving all reported suspicious activity increased from 42,751 in 2020 to 92,394 in 2021, a 116 percent increase.

Some of this increase may be attributable to filing institutions' raised awareness and vigilance following FinCEN's September 2021 Notice calling attention to OCSE crimes. The 2021 Notice detailed a 147 percent increase in OCSE-related BSA reports between 2017 and 2020 and the rising use of CVC by OCSE offenders attempting to conceal the nature of their illicit payments. BSA filers generally reported OCSE or human trafficking as one of the suspicious activity types or included one of the following FinCEN advisories or notices in their reports: #FIN-2014-A008; #FIN-2019-A003; #FIN-2020-A008; #FIN-2021-NTC3.<sup>22</sup>

20. See 22 U.S.C. § 7102(11)(A).

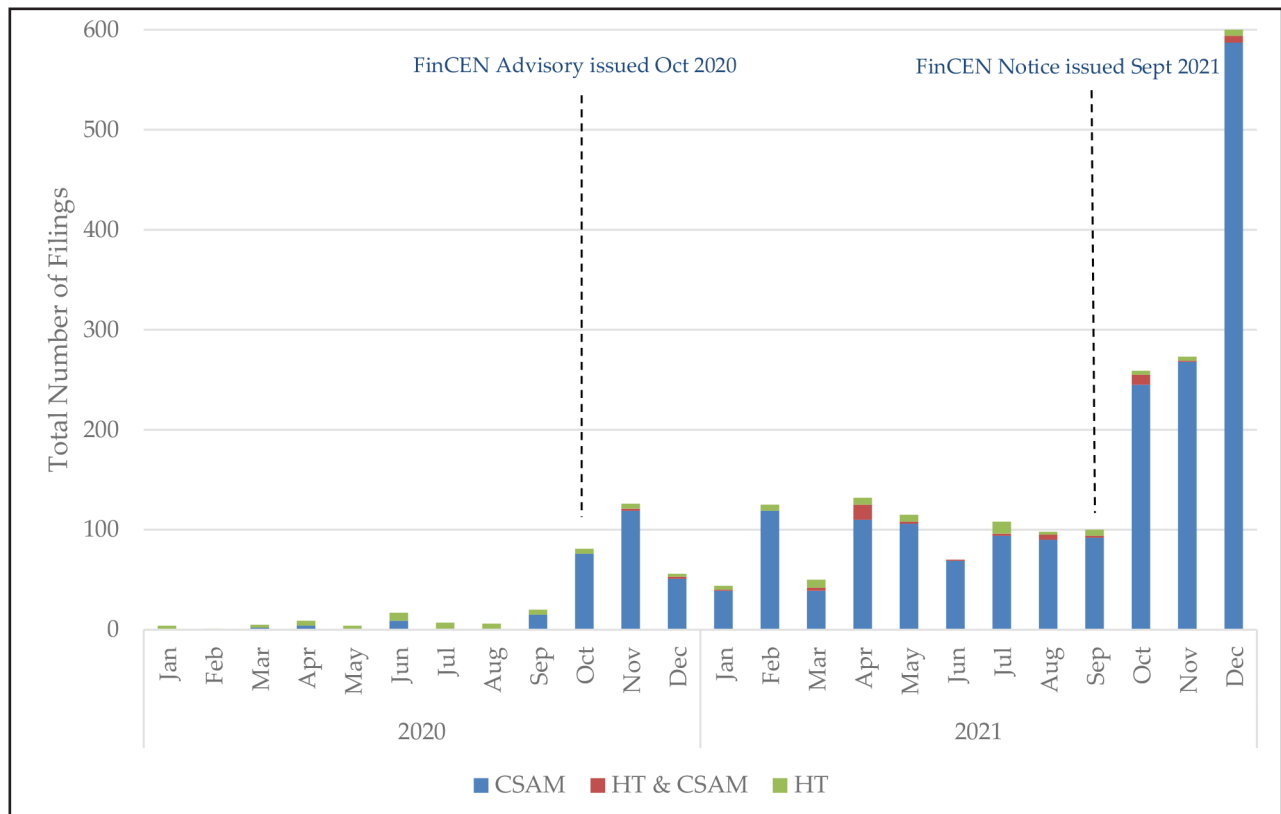
21. See 18 U.S.C. § 1591.

22. See "Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking – Financial Red Flags," FinCEN Advisory #FIN-2014-A008, 11 September 2014, <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>; "Advisory on Illicit Activity Involving Convertible Virtual Currency," FinCEN Advisory #FIN-2019-A003, 9 May 2019, <https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN%20Advisory%20CVC%20FINAL%20508.pdf>; "Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity," FinCEN Advisory #FIN-2020-A008, 15 October 2020, [https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL\\_0.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf); "FinCEN Calls Attention to Online Child Sexual Exploitation Crimes," FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>.

## FINANCIAL TREND ANALYSIS

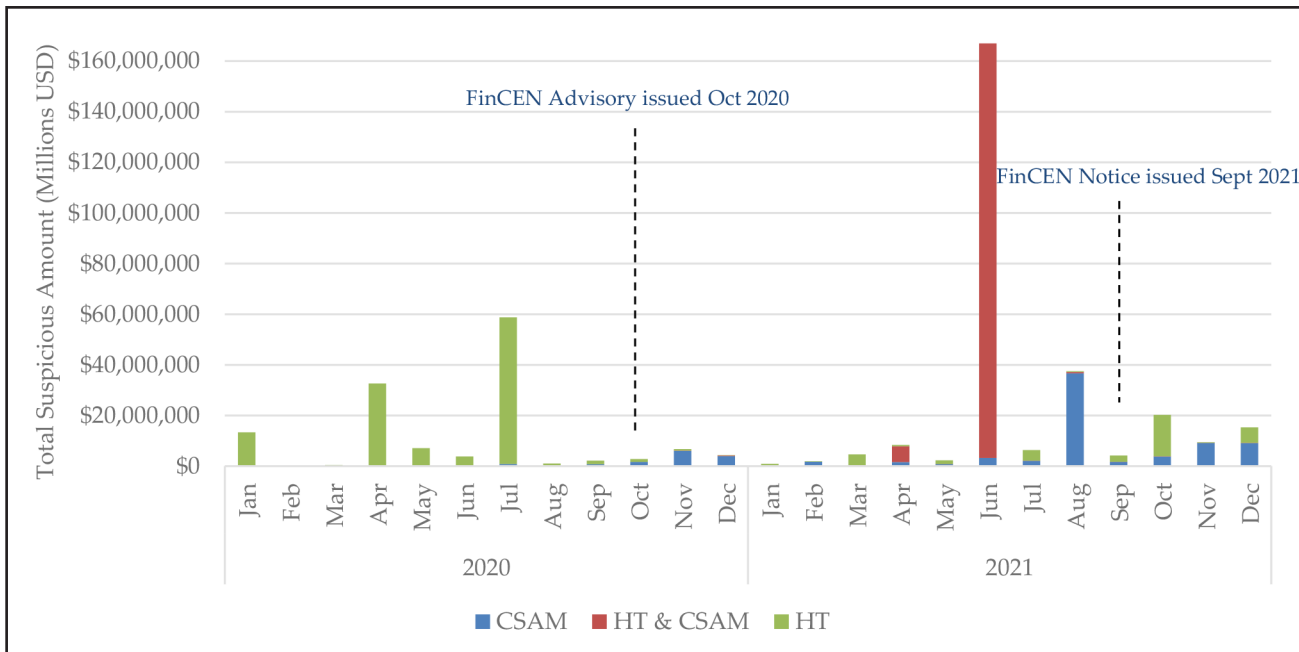
FinCEN released an advisory in September 2014 and a supplemental advisory in October 2020, to assist financial institutions in identifying and reporting human trafficking-related activity. The supplemental advisory identified 20 new financial and behavioral indicators of labor and sex trafficking, and four additional typologies.

**Figure 1. Number of OCSE- and Human Trafficking-Related BSA Reports Involving CVC by Year and Type<sup>23</sup>**



23. FinCEN is unable to determine the reason for the increase in OCSE- and human trafficking-related BSA reports involving CVC as it may be due to a variety of factors.

Figure 2. Total Value of OCSE- and Human Trafficking-Related BSA Reports Involving CVC by Year and Type<sup>24</sup>



### Majority of OCSE- and Human Trafficking-Related BSA Reports Involving CVC Tied to CSAM

During the review period, FinCEN determined that the vast majority of OCSE- and human trafficking-related BSA reports involving CVC specifically reported CSAM activity (see figure 3).<sup>25 26</sup> BSA filers reported CSAM or both human trafficking and CSAM in 2,191, or 95 percent, of the 2,311 BSA reports. BSA reports noting CSAM generally described customers purchasing CSAM or exchanging CVC proceeds generated from CSAM sales for fiat currency. Within this dataset, 2,138 BSA reports referenced CSAM and 53 BSA reports describe both human trafficking and CSAM; this accounts for almost all of the OCSE- and human trafficking-related BSA reports that involve CVC.<sup>27</sup>

24. The sharp increase in total suspicious amount for June 2021 reflects a single BSA report totaling \$163,755,867 connected to a potential marketplace used for OCSE distribution and human trafficking.

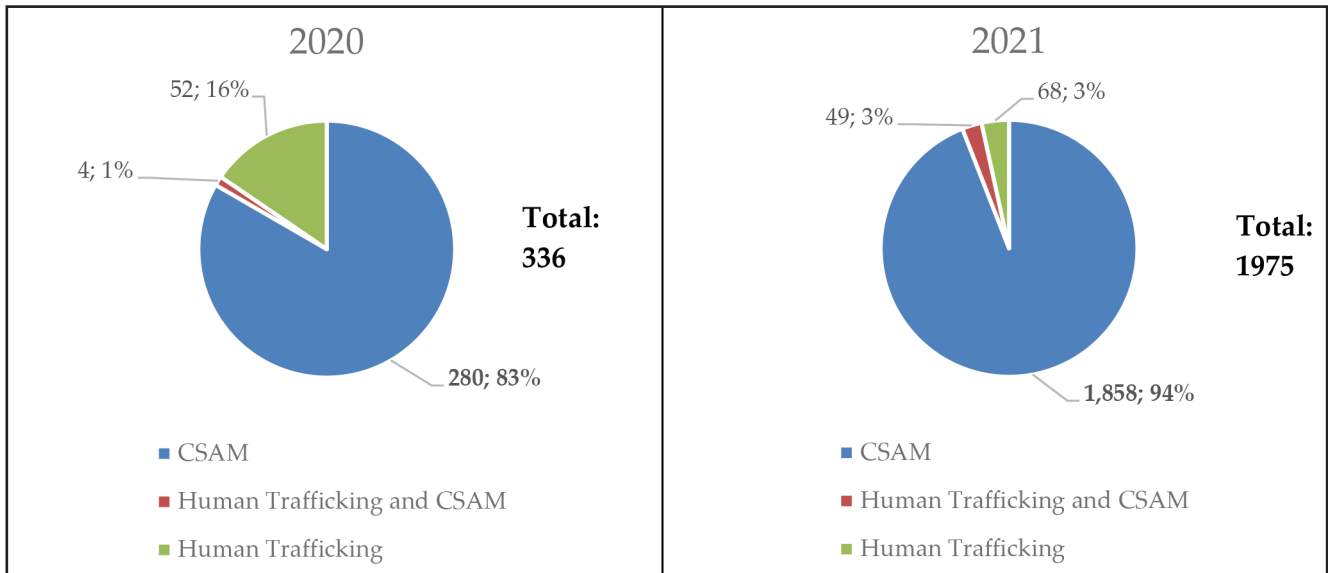
25. As noted in FinCEN’s 2021 Notice, OCSE-related crimes include the funding, production, and distribution of CSAM.

26. See “FinCEN Calls Attention to Online Child Sexual Exploitation Crimes,” FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>.

27. Although BSA filers may indicate in a report that the activity therein involved both human trafficking and CSAM by either checking checkbox 38h or including key terms from FinCEN advisories or notices, manual analyst review of reports indicated that a majority of the reports solely contained CSAM activity and lacked descriptions also indicative of human trafficking activity.



**Figure 3. Number of OCSE- and Human Trafficking-Related BSA Reports Involving CVC by Year and Type**



### Bitcoin Used for OCSE- and Human Trafficking-Related Payments

BSA filers overwhelmingly identified bitcoin as the primary CVC used to facilitate OCSE- and human trafficking-related activity within the review period. Among the 2,311 BSA reports, 2,157 reports, or 93 percent, specifically reported payments in bitcoin. From this dataset, FinCEN identified over 1,800 unique bitcoin wallet addresses related to suspected human trafficking offenses.

The predominance of bitcoin within OCSE- and human trafficking-related BSA reports does not necessarily mean that other types of CVC are not used for such crimes. Additionally, the nature of some CVCs and other digital asset technologies, such as anonymity-enhanced cryptocurrencies (AECs) or so-called “decentralized finance” services, may complicate a financial institution’s ability to detect potential illicit sources or destinations of funds. Customer use of CVC mixing techniques may similarly challenge an institution’s ability to determine sources and destinations of customer funds.<sup>28</sup>

28. In October 2023, FinCEN issued a notice of proposed rulemaking (NPRM) identifying CVC mixing as a primary money laundering concern. See “Proposal of Special Measure Regarding Convertible Virtual Currency Mixing, as a Class of Transactions of Primary Money Laundering Concern,” 88 F.R. 72701 (23 October 2023), <https://www.federalregister.gov/documents/2023/10/23/2023-23449/proposal-of-special-measure-regarding-convertible-virtual-currency-mixing-as-a-class-of-transactions>. The NPRM defines CVC mixing as the facilitation of CVC transactions in a manner that obfuscates the source, destination, or amount involved in one or more transactions, regardless of the type of protocol or service used, such as: (1) pooling or aggregating CVC from multiple persons, wallets, addresses, or accounts; (2) using programmatic or algorithmic code to coordinate, manage, or manipulate the structure of a transaction; (3) splitting CVC for transmittal and transmitting the CVC through a series of independent transactions; (4) creating and using single-use wallets, addresses, or accounts, and sending CVC through such wallets, addresses, or accounts through a series of independent transactions; (5) exchanging between types of CVC or other digital assets; or (6) facilitating user-initiated delays in transactional activity.

## CVC-Enabled OCSE and Human Trafficking Money Laundering Typologies

FinCEN identified four primary money laundering typologies typical of actors utilizing CVCs related to OCSE- and human trafficking-related activity during the review period. These examples are not an exhaustive list. Perpetrators of OCSE and human traffickers may use a variety of methods to conduct and conceal their transaction activity. These individuals may also combine these methods with traditional money laundering typologies, such as structuring or the use of funnel accounts.

### *Darknet Marketplaces that Distribute CSAM*

CSAM is frequently sold through marketplaces specializing in such material, often through “darknet” marketplaces. Darknet marketplaces are websites that are only available in anonymized networks that require specific software to access, such as The Onion Router (Tor) network. These marketplaces facilitate the purchase and sale of CSAM, potentially in addition to other illicit goods and services. During the review period, 677 BSA reports in the dataset identified 13 websites engaged in the promotion, sale, and transmission of CSAM.

- In March 2021, a CVC kiosk reported a customer for sending bitcoin to a bitcoin cluster identified as a service point for a well-known CSAM website. The filer first noticed the customer’s suspicious activity after discovering that the customer was using a CVC kiosk in tandem with another person, potentially to break up and obfuscate large cash deposits. Subsequently, the filer discovered that the customer sent partial proceeds of their cash deposit to a bitcoin wallet address associated with CSAM. FinCEN performed additional blockchain analysis on the customer’s bitcoin wallet addresses and found that the customer conducted at least five additional payments to bitcoin wallet addresses associated with three other well-known CSAM websites.

### *Peer-to-Peer Exchanges*

Peer-to-peer (P2P) exchanges are individuals who offer to exchange fiat currencies for CVC or one CVC for another. P2P exchanges usually operate informally, typically advertising their services through online classified advertisements, online forums, social media, and word-of-mouth marketing. P2P exchanges may provide their services online or arrange to meet prospective customers in person to purchase or sell CVC.<sup>29</sup> During the review period, 555 BSA reports within the dataset identified the use of a single P2P exchange.

- In October 2020, a money services business (MSB) reported that a customer received over \$5,000 worth of bitcoin across approximately 150 transactions from multiple bitcoin clusters associated with CSAM. The MSB identified several hundred additional bitcoin transactions

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29. See “Application of FinCEN’s Regulations to Certain Business Models Involving Convertible Virtual Currencies,” FinCEN Guidance #FIN-2019-G001, 9 May 2019, <https://www.fincen.gov/sites/default/files/2019-05/FinCEN%20Guidance%20CVC%20FINAL%20508.pdf>.

received by the customer, but the filer could not conclusively link these payments to CSAM. The filer reported that the customer might be operating as an unregistered bitcoin P2P exchange involved in converting bitcoin from CSAM sale proceeds into fiat currency.

### CVC Mixers

By obfuscating identity and preventing the attribution of ownership of CVC, CVC mixers enable illicit actors, such as CSAM customers, to conceal the illicit destination of their funds from the virtual asset service providers they use to convert fiat currency into CVC. During the review period, 108 BSA reports within the dataset referenced the use of a CVC mixer.

- In November 2021, an MSB reported a customer for nearly \$60,000 in suspicious transactions, of which the customer sent \$50,000 to numerous identified illicit bitcoin wallet addresses. These illicit bitcoin wallet addresses include a CSAM vendor, darknet markets, fraud shops, gambling platforms, and unregistered foreign-located MSBs.<sup>30</sup> The filer also reported that the customer engaged in transactions sending hundreds of dollars to bitcoin mixing services. The filer indicated that the CVC mixer transactions might represent further attempts to conceal payments to illicit entities, including additional CSAM vendors.

### CVC Kiosks

Similar to automated teller machines, CVC kiosks are electronic terminals where individuals can exchange fiat currency for CVC, CVC for fiat currency, or one CVC for another. Owner-Operators of these kiosks must comply with FinCEN regulations governing money transmitters.<sup>31</sup> The kiosks may connect directly to a separate CVC exchanger, which performs the actual CVC transmission, or draw upon the CVC in the possession of the owner-operator of the electronic terminal. While some owner-operators of CVC kiosks have registered with FinCEN and comply with FinCEN's requirements for MSBs, those that fail to meet their obligations under the BSA create significant risks.<sup>32</sup> During the review period, 17 BSA reports within the dataset reference the use of CVC kiosks.

- In February 2021, a CVC kiosk operator reported that a customer conducted almost 100 suspicious transactions worth several thousand dollars, which were consistent with patterns of human trafficking activity. The filer identified this activity by linking the customer's account information to advertisements for online escort services, and further corroborated this linkage by discovering numerous arrests of the customer for prostitution and drug possession. Further

30. A fraud shop is an online marketplace specializing in the sale of stolen credentials and personal data, typically operating at least in part on the darknet. An unregistered foreign-located MSB is a CVC exchange that is physically located outside of the United States, is doing business wholly or in substantial part in the United States and has failed to register with FinCEN.

31. See "Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies," FinCEN Guidance #FIN-2019-G001, 9 May 2019, <https://www.fincen.gov/sites/default/files/2019-05/FinCEN%20Guidance%20CVC%20FINAL%20508.pdf>.

32. See "Advisory on Illicit Activity Involving Convertible Virtual Currency," FinCEN Advisory #FIN-2019-A003, 9 May 2019, [https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN Advisory CVC FINAL 508.pdf](https://www.fincen.gov/sites/default/files/advisory/2019-05-10/FinCEN%20Advisory%20CVC%20FINAL%20508.pdf).

filer research into the customer’s online social media accounts indicated that the customer may have been a missing person and had not been in contact with family in months, reportedly since moving in with a new romantic partner. The filer provided this information to law enforcement, identifying an apparent missing person at high-risk of human trafficking.

## OCSE and Human Trafficking Detection, Mitigation, and Reporting

OCSE and human trafficking are serious and pervasive crimes for which FinCEN recommends the following actions:

- If OCSE or human trafficking is suspected, financial institutions should immediately contact law enforcement.
- To report suspicious activity indicative of OCSE or human trafficking to the U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) Tip Line, call 1-866-DHS-2-ICE (1-866-347-2423) 24 hours a day, seven days a week, every day of the year. The Tip Line is also accessible outside the United States by calling 802-872-6199.
- Report suspicious activity to FinCEN.

For formal guidance to U.S. financial institutions on reporting suspicious activity related to OCSE, human trafficking, and human smuggling, please refer to FinCEN’s resource page on advisories, alerts, and notices, at <https://fincen.gov/resources/advisoriesbulletinsfact-sheets>. FinCEN highlighted related red flags and typologies in several products:

- *FinCEN Alert on Human Smuggling Along the Southwest Border of the United States* (#FIN-2023-Alert001 in January 2023);
- *FinCEN Calls Attention to Online Child Sexual Exploitation Crimes* (#FIN-2021-NTC3 in September 2021);
- *Supplement Advisory on Identifying and Reporting Human Trafficking and Related Activity* (#FIN-2020-A008 in October 2020); and
- *Guidance on Recognizing Activity that may be associated with Human Smuggling and Human Trafficking- Financial Red Flags* (#FIN-2014-A008 in September 2014).<sup>33</sup>

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33. See “FinCEN Alert on Human Smuggling along the Southwest Border of the United States,” FinCEN Alert #FIN-2023-Alert001, 13 January 2023, [https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Human%20Smuggling%20FINAL\\_508.pdf](https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Human%20Smuggling%20FINAL_508.pdf); “FinCEN Calls Attention to Online Child Sexual Exploitation Crimes,” FinCEN Notice #FIN-2021-NTC3, 16 September 2021, <https://www.fincen.gov/sites/default/files/shared/FinCEN%20OCSE%20Notice%20508C.pdf>; “Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity,” FinCEN Advisory #FIN-2020-A008, 15 October 2020, [https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL\\_0.pdf](https://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf); “Guidance on Recognizing Activity that May be Associated with Human Smuggling and Human Trafficking — Financial Red Flags,” FinCEN Advisory #FIN-2014-A008, 11 September 2014, <https://www.fincen.gov/sites/default/files/advisory/FIN-2014-A008.pdf>.

## FINANCIAL TREND ANALYSIS

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The information provided in this report on the use of CVCs by perpetrators of OCSE and human traffickers is not exhaustive and is based on information obtained from analysis of BSA reports, trade publications, and commercial reporting, as well as insights from law enforcement and other partners. FinCEN welcomes feedback on this report, particularly from financial institutions. Please submit feedback to the FinCEN Regulatory Support Section at [frc@fincen.gov](mailto:frc@fincen.gov).