The Taxcast, July 2024 transcript: crypto heists on trial

Naomi Fowler: Hello and welcome to the Taxcast from the Tax Justice Network. I'm Naomi Fowler. Coming up later, massive heists you've probably never heard of.

Geoff White: 625 million dollars is a lot of money. 625 million is a serious contender for the biggest theft of all time. I mean, in terms of the money stolen from one victim in one go, it's hard to find a case bigger than that.

Naomi Fowler: I'll talk to investigative journalist and author Geoff White about how crypto and the tech industry are impacting money laundering and challenging national and international security.

Geoff White: I think people should know about this case, but the subsequent freedom of speech epic battle, the sort of battle royale that's now going on, I think it's really important.

Naomi Fowler: Before that, here's a very quick news roundup. Some *sort of* hopeful news from the G20 summit in Rio, Brazil, for the first year ever fair taxation of the world's super rich has been discussed. There's now a general consensus among G20 countries that there must be global action. Gabriel Zucman of the EU Tax Observatory has proposed a minimum 2 percent tax a year on the wealth of the world's billionaires.

Gabriel Zucman: It shows that we can make progress in the future. I think that's very important. We made a very concrete - and I want to be clear, very, very modest, proposal, which is to have a minimum tax rate on global billionaires - you have less than 3000 billionaires in 2023 - to ensure that those billionaires pay at least each year 2 percent of their wealth. Many, many pay little or zero income tax. I think nobody condones the notion that the individuals with the highest ability to pay taxes should be allowed to pay much less than the rest of the population. That is just unjustifiable. We should be able to agree on a minimum tax rate for the super rich.

Naomi Fowler: We should. But Germany and the United States have expressed an unwillingness to try to make a *global* agreement. The Tax Justice Network and other tax justice campaigners are calling on the G20 to support work on this at the United Nations as the best forum for cooperation.

In the UK, there's been a general election, voters comprehensively rejected the ruling Conservative Party, and there's a new government now, which is, in theory, more ideologically open to tax as the people's friend. They're under a lot of pressure now to use fairer taxes as a tool to help tackle collapsing public services, including a 2 percent wealth tax on assets over £10 million. That's estimated to raise up to £24 billion a year. Here's Phil White of Patriotic Millionaires UK, himself a millionaire, who's asking to be taxed more:

Phil White: In my mind it's quite simple actually, we should be taxing wealth more and taxing the wealthy more and focusing less on those with, with moderate or lower incomes. And at the minute, we effectively subsidise wealth by giving tax breaks on the very wealthy. And that just seems wrong, we need to invest in this country. I mean, if we look at the public infrastructure and social infrastructure, like the, like the health service, like the education service, like social care, like local services and so on, we haven't even started talking properly about climate, then actually the country is falling apart and the country needs investment.

Naomi Fowler: In the United States, Donald Trump's campaign is ramping up. Bankrolling his campaign are some of the world's richest men, who are also some of the US's lowest taxpayers. He's the first major party candidate to accept donations in cryptocurrencies. He claims his campaign so far has got $25 million in crypto. He's promising to end what he calls ‘the persecution of the crypto sector’ if he becomes president and he's got some *very* big funders from the crypto world. He's also announced some of his tax plans. Tax justice organization the alliance action fund estimates his promises would mean he'd be giving the largest 100 U.S. companies a total tax cut of 48 billion dollars. They reported 1.1 trillion dollars in profits in their last annual report, collectively. He'd be giving five of the largest Wall Street banks an annual total estimated tax cut of 4.1 billion dollars and they reported nearly 113 billion dollars in profits last year. And he'd be giving the five largest U.S. oil companies an annual total estimated tax cut of $2.5 billion. Most recently, they reported more than $90 billion in profits.

As for what Kamala Harris would do if she became president, we don't know that yet but as part of the Biden administration should be likely to continue the reinvestment in the long undermined IRS, the US tax authority, which is positive. We've covered previously on the Taxcast some great results on that when it comes to the taxing of wealthy individuals.

Okay, that's the news roundup. Now, for the heists probably never heard of…

[Clip of North Korean TV]

Naomi Fowler: This is North Korean TV. It's an announcement a few years ago of a test that country was about to carry out with a nuclear bomb. Since 2006, North Korea has done six nuclear tests. Those tests by one of the world's most brutal and authoritarian regimes led to all sorts of sanctions by many different countries ever since. You may be wondering what this has got to do with corruption, money laundering and crypto. Well, North Korea is estimated to be funding half its missile program from the proceeds of cybercrime. It has teams of cyber hackers that specialize in hacking systems like the National Health Service and militaries around the world. They also specialise in theft. Massive, seemingly unprecedented levels of theft. Perhaps some of these huge heists most of us have never heard of, is partly because crypto's a bit like tax, it tends to make people's eyes glaze over.

Geoff White: There are these things happening in the world that people should know about.

Naomi Fowler: Investigative journalist Geoff White has covered cybercrime for over a decade. He's been observing the convergence of hackers, not typically any good at money laundering, he says, and high tech money movers, and how the tech industry is often unwittingly facilitating thefts and serious crime on levels that are a big challenge to national and international security.

Geoff White: I think people have this idea, particularly with cryptocurrency and some of the stuff that I cover in terms of, you know, video game marketplaces being used for laundering, I think they have this idea that it's all out there and weird and it's at the fringes and doesn't really matter because it's all techies and geeks. And I wanted to say to people, no, that, that's not the case, these are criminals who are committing crimes that cause real people real harm. The money may be digital, but the crimes are very, very much in the real world and cause some big effects.

Naomi Fowler: Geoff's written a book called *RINSED: from cartels to crypto - how the tech industry washes money for the world's deadliest crooks.*

Geoff White: You've got people trafficking, child sexual abuse, prostitution, drug dealing, and weapons of mass destruction at the hands of North Korea, you know, it doesn't get much more serious than that. The way I got into all of this was I'd done a lot of work around North Korean hacking. Um, North Korea is obviously under sanctions and so it struggles for money. And the accusation is that North Korea put its hackers on the send basically for cash, for money. And obviously that means that the North Korean hackers then have to launder that money because obviously North Korea being under sanctions, you've got to get around those sanctions.

And so that's how I started getting interested in the laundering methodology and how that actually works. And I realized, of course, that as money's become digital, as finance become digital and whole new areas of virtual finance have opened up like crypto, you've now got these sort of very high tech money launderers who are very computer savvy and they're not just working with computer hackers, they're working with all the sort of organized crime groups, you know, the drug dealers and the prostitution rings and so on.

Naomi Fowler: Obviously in the old days, you could kind of steal or try and hide as much as you could physically carry in suitcases. And, you know, you can fit about 2 million, four hundred thousand dollars in a suitcase if it's in hundred dollar bills. And then you get the digital banking world, money moving around combined with tax havens and secrecy jurisdictions, all increasing the potential on the amounts of money that can be laundered - and your 2 million-odd in a suitcase was nothing compared to that. And now, as you see from your book there's nothing new under the sun in a way, *but* crypto and blockchain combined with these 'mixers,' which scramble crypto transactions and make it harder to trace the original source, we've got fantastical things like DAOs, Decentralized Autonomous Organizations, we can talk about those a bit later and explain them. It means the amounts that can potentially be stolen and laundered seem to be getting bigger. Things are certainly changing.

Geoff White: Yes, I think that's fair to say. Yeah, certainly there's, there's been this shift away from physical money, although physical money, you know, fiat currency in banknotes is still a thing, I mean, there's a really interesting case going on at the moment around Dubai and cash smuggling to Dubai, which I think surprised quite a lot of people because it is cash in suitcases, an amazing case being covered, and obviously, you know, we talk about cryptocurrency, but the non-crypto, the fiat pounds, dollars and yen, and so on, that that's still the bulk of the financial system. Crypto is actually a tiny part of the financial system. And so obviously the In terms of the actual dollar amounts, most laundering is still done in fiat currencies.

But what's interesting is the shift away from that physical money has changed slightly the methodology around money laundering, the three classic stages of money laundering that I describe in the book are what's called placement, layering, and integration. This is the classic. If you do money laundering courses at university, that's what they teach you.

Placement is getting the money into some financial system. So a bank, classically, you take your suitcase of money and obviously you've got to have a convincing story, you know, as to where that cash came from. So you might have a, I don't know, car wash or nail bar, classically, a cash intensive business that justifies you having a bunch of cash to take to the bank.

Next is layering, which is where you mix the money around. Because if the cops catch you doing the crime and they work out which bank you're with, they can get the money in the bank that you've deposited. So what you want to do is move it maybe from that bank to another bank, to a different account, take it out in cash, or maybe change it to gold, or maybe now crypto. Layering is like throwing the investigators off the scent so even if they track the money they can't link that money to the crime.

And then the final stage is integration, which is when you actually get to sort of spend your ill-gotten gains. And a lot of people think, you know, you'd go splurge it on cocaine and prostitutes or something but actually, if you're smart as a criminal, what you do is you invest it in something long term that's going to give you a return. It's going to give you a legitimate business that you can do without the cops sniffing around you. And actually, if you go to prison for your crimes, when you come out, your flat or your yacht or your Lamborghini, they're all still there because the cops couldn't link them back to the crime. They could convict you for the crime, but they couldn't seize your assets. So your assets still survive your jail term. You can come out and get back on your feet again.

Now what's interesting about the sort of drop away of physical cash in that perspective is it really affects that first stage, the placement stage, which classically, as I say, involved getting cash into a bank. We're no longer looking at cash. That placement stage has sort of fallen away in importance. But what's interesting is because now increasingly finance is digital, the layering stage has got more difficult because trying to vanish the traces, trying to throw the cops off the trail, trying to obfuscate the trail of money when everything's digital and virtual is a lot harder because there's digital records of everything. So that's where we get into things like the crypto and the mixers and all those new layering tactics. Layering has assumed a lot more importance as the placement stages has dropped away.

Naomi Fowler: Yes, yes, exactly. Let's talk a bit about some of these techniques then because, um, DAOs, we've looked at this on the Taxcast before and the development of DAOs - decentralized autonomous organizations, hand in hand with sort of traditional secrecy jurisdictions like Delaware being one of the leading ones, some real big threats to the public interest there. I mean, the major problem with DAOs is that, you know, in some ways, nobody's in charge and this is a perfect secrecy, financial secrecy tool and it's causing a lot of trouble.

Geoff White: It's interesting. Yeah, you come at this from a slightly different angle to me, but we sort of end up in the same place. I mean these decentralized autonomous organizations are, they're fascinating creations in a way. And the idea is to solve some of the problems that have previously hit technology organizations. The issue technology companies have is they don't want to spend a lot of money on staff. They don't want to spend a lot of money on regulation and obeying regulation. They ideally want to create code, publish it, and boom, make money. Now, the problem with that is as soon as you do that, and you know, Facebook found out this, you know, and WhatsApp and all of these tech messaging platforms, Telegram, and so on, what they found was yeah, great. I've created the code. I've published it. I've got this great app. Brilliant. And now I have to monitor my users communications in case they're doing anything dodgy. I have to comply with all these regulations. I've got to hire all these moderation staff. I don't want to do that. It's extra cost. It's not what I want to do. I just want to launch my app and then sit back and make money. So the search has been for technology that basically takes the company, the owner of the technology, the creator of the technology out of the loop. So you look at that with WhatsApp, the idea of WhatsApp is, well, we don't have the keys to the communication. It's up to the recipient and the sender of the communication. They're the only ones who have it. So when the police come knocking and say, hey, give us these guys' communication. We can't help you. And we also don't have to hire a bunch of moderators to moderate the communication because we can't see it. It basically allows the technology companies just launch their tech, save on moderation, save on people, save on regulation. We're not in charge anymore, buddy. And DAOs are a sort of permutation of that, this idea that you've got an entity where you can give over power and control to the users is the idea and the argument. And so the way these DAOs work is, if you interact with this service, this is online service, every time you do, you're given basically a voting token, and the more you use it, the more voting tokens you get, and if you want to make a change to this online service, you can put your hand up and say, I want to make this change, and everybody who's got a voting token can vote for or against, and if the vote goes for, then the change is automatic. There's, there's no sort of debate about it. You know, you vote, the change gets implemented, it's rolled out, and that power is in the hands of the users.

One of the things I talk about in the book is this DAO called Tornado Cash, which is a cryptocurrency mixer. So as the name suggests, you put crypto in one side, it mixes it around with pools of other people's crypto, and ejects it out the other side to a fresh crypto wallet address. And the idea is you can't trace the money coming in, or the money tracing out. Now this was famously used, this Tornado Cash DAO was used by alleged North Korean hackers back in 2022, who broke into a video game in Vietnam called Axie Infinity, stole 625 million dollars, which is an eye watering amount of money, and laundered most of it through Tornado Cash.

Now you would have thought at that stage, you know, the cops would go after Tornado Cash, the thing would be shut down, the criminals would be exposed. Well no, Tornado Cash was an above the line, you know, public, viewable service. This wasn't a dark web service. This was set up by a bunch of guys who said, look, we're going to create Tornado Cash to give people the secrecy and privacy that they have over their transactions elsewhere, because you know, you can see Bitcoin or you can see ether. You can see these movements of the currency through this publicly available ledger, the blockchain. The people who invented Tornado Cash said, well, we don't want that. We don't want our transactions completely public. That's living in a goldfish bowl. So we're going to create this technology that allows people to wash money through it for secrecy, for privacy. What they of course didn't necessarily want to do was enable money laundering, but that's how it's ended up.

Naomi Fowler: So they have actually arrested and charged the three men who originally set up Tornado Cash as a DAO. They set it up very deliberately. And the thing is, you know, what we would say is, you know, if you believe in absolute financial secrecy, it is just a, you know, a heartbeat away from money laundering and criminal activity. It's always going to be the case.

Geoff White: Yes.

Naomi Fowler: The question is how far can the law hold them responsible for every kind of downstream user and transaction? And that is going to be tested, it's being tested at the moment. So it's almost like they've created a monster in a way, You know, what could possibly go wrong, nobody's centrally in charge. What the United States did was, um, they sanctioned it like they would sanction North Korea because it was the only thing they could do, I guess. They're going to find out if they can actually hold responsible the creators of tornado cash.

Geoff White: Now you've got this really interesting debate and actually legal case where the founders of Tornado Cash and its supporters are saying, look, this is A) it's code, it's technology. You can't prosecute people who build code just because it's misused later down the line. And B) - we want privacy of transactions and things like Tornado Cash are really important for that.

On the other hand, you've got the US government saying, oh, no, no, no, you *are* responsible for the users of your service and what they do, particularly when you're laundering money for one of the world's most dangerous regimes. And by the way, this argument that no one was running Tornado Cash is BS. We think the people who created Tornado Cash were running Tornado Cash and knew what was happening as the money was being washed through. So you've got this fascinating sort of thing swirling around.

But it's interesting, Naomi, you come at this from a sort of tax secrecy point of view, which is a whole other thing which I hadn't sort of realized until I started, you know, listening to your podcast and reading about it and realizing, oh, wow, you come at this from a whole other direction. But the arguments are the same, you know, to what extent should we have financial privacy and what are the downsides when we try and do it?

Naomi Fowler: Yeah, it does throw up some fundamental questions and they're raising all sorts of questions around freedom of speech. I mean, I think it's stretching it somewhat to say code is the same as speech and that applies to freedom of speech. And you know, there are rights and responsibilities in any society, but that whole case, where's it got to now?

Geoff White: It's interesting. So yeah, the three people who set up and created Tornado Cash, um, I should say allegedly, I actually don't think it's in dispute that they did this, but I will say allegedly created it, Roman Storm, Roman Semenov and Alexei Pertsev. Now Alexei Pertsev is in Holland and was charged by the Dutch government with creating Tornado Cash and basically knowingly and willingly laundering, not just the half billion I've talked about from North Korea, but, but hundreds of millions more of illegal money through Tornado Cash. Pertsev was actually convicted of this in the last couple of months in Holland and I think got five years in prison. So it's quite a stiff sentence. I'm sure some people listening might think that he should have got more, but you know, that's a, that's a harsh sentence and he's now appealing that.

Roman Semenov, one of the other founders is believed to be in the Russian Federation, has been charged by the US government, but because he's in Russia, probably won't face court. So, in the US jurisdiction, Roman Storm, the third person is in the US and has been charged and is due to go on trial, I think it's September his trial is due or may have been put back a little bit. I think it might be December now that's going to be the really big test case. And, and a lot of these arguments are going to be run either in court or on the fringes around it.

Those three guys basically said, look, we, we burned our keys is how they put it, which effectively means destroyed their passwords. They set up Tornado Cash. They created this DAO system where users could vote on what happened and then destroyed their sort of passwords that gave them, you know, control over it is what they argued. The US government said that that's nonsense and they've argued that actually those voting tokens that I've talked about, that allowed changes to Tornado Cash to this DAO, most of them were actually owned by those three guys. And by the way, they made millions of dollars of profit out of Tornado Cash as these illicit transactions were going through it. It's going to be sort of fascinating to see how this runs.

Naomi Fowler: Oh, it really will. And there's another test case coming out of this too, where the crypto kind of industry really is taking on the U.S. government?

Geoff White: Yeah, there's also what was called the dusting attack, which was basically to pull as many famous people into the debate and to kind of effectively perform a little stunt that would, that would show how crazy this case was and how crazy the U.S. government was being. What they did was they took 50,000 - we still don't know who did this, actually, somebody took 50,000 dollars, injected it into Tornado Cash. And with Tornado Cash you can, you can choose the output address for where the money is going to go after it's been mixed around. And the person who owns that wallet address has no say, you know, if you know my wallet address, my Ethereum wallet address, you can just use Tornado Cash to send me money. I don't have a say in it. I just receive the money. So suddenly a whole bunch of people, including famous people, there's a wallet address connected to Jimmy Fallon, the comedian, Shaquille O'Neal, the basketballing legend, he's a big ether user, Ethereum user. And so he got some money, not much, enough, obviously this was completely unwitting on their part, but technically because the U.S. government sanctioned Tornado Cash for having laundered money on behalf of North Korea allegedly, those people, Shaquille O'Neal and Jimmy Fallon have breached U.S. sanctions law. They've interacted with Tornado Cash, albeit probably unwittingly, unknowingly, and therefore have committed a crime on the face of it. But the idea of all this was to show how stupid the tech community thought the U.S. government was being in sanctioning Tornado Cash and how naive they were being.

It's a really fascinating case and I'm trying to throw attention to it. I mean, for a start, 625 million is a serious contender for the biggest theft of all time. I mean, in terms of the money stolen from one victim in one go, it's hard to find a case bigger than that. I think people should, should know about this case, but the subsequent freedom of speech, sort of epic battle, the sort of battle royale that's now going on, I think it's really important. And I think it's going to get more important as virtual money becomes more prevalent and as crypto becomes a bigger thing, we're going to deal with these issues down the line, we should start looking at these now. So I'm trying to get people talking about this case, trying to get interest in the case, and hopefully when Roman Storm's case comes up, it'll be another opportunity to do that.

Naomi Fowler: Yeah, yeah, because it's really needed. I mean, the regulations are really running to catch up and some kind of action has to happen because it's almost like they've created a monster in a way, you know and it is worth mentioning a little bit more about rogue states as players in all this and the fact that you've got on the one hand, places like North Korea and Russia where there's a blind eye turned in some ways towards theft and hacks from their own territory. But there's also with North Korea, there are a pretty well organized set of cyber hackers that work for the government, so you, you are talking about crypto and this type of technology and the secrecy it offers as a real weapon, which is a big threat to national security. If a theft of 600 odd million dollars is not a threat to national security, I don't know what it is!

Geoff White: Yeah. Yeah. I mean, um, I think when I talk about North Korea, I think people have this idea of, well, it's quite far away. It's a bit of a weird country. It does weird stuff, doesn't it? That's kind of what it is. 625 million dollars is a lot of money. And if the allegations are correct, that money can be used by North Korea. And I think they have this idea as well, people that the 625 million went back to North Korea and was cashed out. And Kim Jong Un is now rolling around on a bed of money, you know, laughing maniacally and you know, getting new weird haircuts and suits, but actually what happens with that money from what we know is that it stays in the crypto world until it's needed you know, if they want to pay off someone in Frankfurt for nuclear weapons secrets, if they want to buy missile material in Argentina, well, crypto is great, you can, you can send the crypto to where it's needed. It can be cashed out there and used to pay for goods or services or information or whatever.

Now the brilliant thing about what happened - for the North Koreans anyway - what happened with Tornado Cash is that now that money's been moved through Tornado Cash and the stolen funds have been laundered, it gives them time. Previously, North Korea was always racing against the investigators who are trying to seize the crypto that was stolen and freeze it and recover it. They don't have that problem anymore. They've got half a billion in liquid funds in crypto that is completely devoid of any links to crime. Well, great. They can now sit on it until they need it, send it where they want to in the world. And again, people may think, well, yes, but North Korea, you know, why should we really bother about it? It seems very far away. Well, one thing I learned from Russia's re-invasion of Ukraine in 2022 was a country that I thought was quite far away and didn't really have lots to do with me had a massive impact on my life almost immediately and lots of people's lives. North Korea, if you think of where it's by, obviously South Korea, Taiwan, Japan, China. And you think about the devices that your listeners are listening to this podcast on, that we're recording it on, and where those devices are made and the components are made, any destabilization in that region by North Korea is going to have a massive, immediate and detrimental impact on everyone around the world. So the idea of half a billion dollars falling into the lap of North Korea is not something that's good. It's something we do need to pay attention to.

Now, North Korea hasn't matched that amount of money stolen subsequently, but I get regular updates on North Korean cyber activity around crypto. And over the past year they've not stolen 600 million in one go but if you add up all the accusations of thefts, they add up to more than 600 million. They're still stealing that amount of money. And I worry that because it's happening in crypto and because they're laundering using mixers like Tornado Cash allegedly. People just think, oh, it's just weird. It's just cyberspace. It's some freaky money, freaky currency, I don't really understand. No! This is money that can be used for bad effects in the world. And it may come back to bite us on the ass if North Korea kicks off. None of us want that. Nobody in the world wants that, trust me, it'll be a bad result.

Naomi Fowler: Oh, absolutely. I couldn't agree more. And it's really difficult, isn't it? Because as you say, like with Ukraine, crypto can be a lifesaver in times of crisis, you know, Russia re-invaded there and it became the third biggest adopter of crypto in the world. And we've covered as well on the Taxcast before about how Nigerian social movements have used it, it can be quite useful for mobilizing in difficult situations, and then on the other hand, you've got these kind of rogue states using it as a weapon, it's really difficult. We can't ban these things. I mean, you talk in the book about how the code for Tornado Cash is now on the dark web. Anybody can use it there. It's not like a genie you can put back in a bottle, it just can't be done. It's such a challenge because as we know from all sorts of money laundering and criminal activity and tax dodging, people do jurisdiction shopping, you know, it's like whack a mole. What's happening at the moment with regulation is that the wealthier countries, as usual, are the ones shaping that regulation. And they're the only ones who have the means to invest in the enforcement of that regulation. So you've got developing countries doubly vulnerable as well, because they have such challenges financially to enforce and adopt and exchange information in the ways that wealthier countries can. And also of course, because of the nature of crypto and the way it's working, going through all these mixers and all this crazy layering that goes on, the data makes it very, very difficult for us to assess and organizations like us so, do you have any ideas on how we tackle these very difficult kind of challenges?

Geoff White: Yeah, look, the lead is going to come from the more developed countries. I think that's just, just going to be true. It doesn't mean that lead can't be spread out and can't be shifted around. There are challenges, obviously, for lesser developed countries around sort of implementing financial controls. That's, that's unfair. But even in the more developed countries, I mean, one of the big issues in the US I think is - you talk about regulation and regulation falling behind, well, the US still can't make up its mind what crypto *is* for pity's sake. I mean, they don't know whether it's a currency, a security, a commodity, they don't know what it is. And so the reason regulation has fallen behind is because they haven't made up their minds yet. You've got to get on the front foot with this stuff. You've got to at least *try* and regulate it!

Naomi Fowler: Yeah. Yeah. And there's this tension between the libertarian crypto people who tend to be anti-tax justice, and the big moneymakers, the banks, the speculators, and crypto speculation is very finance-cursey, too. We should be aware of that. Libertarians have a point, don't they, that the financial crash really showed how poorly national governments managed the finance sector in terms of the public interest, yet at the same time they advocate anonymity, and we're supposed to trust that instead?! Plus when they lose money in scams, of course, they want the courts to help them out. The answer has to be to make the system work better in the public interest. And the big money people, they just want big money.

Geoff White: Yeah the crypto community used to be a bit of a Wild West. Increasingly, it's not. There are more and more sensible senior players. Big banks are getting involved, you know, Deutsche Bank and J. P. Morgan and big financial institutions. They want a regulated, secure environment. That's what they want. They want to know where they stand. They don't want to be hit in the ass by unexpected regulation enforcement. They want a system that they know and they want regulations. There's a whole swathe of the tech community that the crypto community that want that in place.

What's interesting is you've got regulators who just don't seem able to keep up with this and don't seem able to get on the front foot, particularly in the US. Europe, there's been regulation recently, the, the, the MiCA legislation, the Markets in Crypto Assets legislation, which from what I've seen at least it's an attempt to sort of say, look, we need to start regulating this stuff, let's get there.

But what's interesting for me is part of the tech community that it’s almost in their DNA that the idea of traditional forces like the US government and like the European Union and the financial regulators, the idea of them policing crypto just makes their skin crawl because they think, well, hang on, the whole point of this crypto community and what we were building was it was meant to be new finance, it was meant to sit outside the old structures, which frankly, have they served us particularly well in terms of the financial crisis and so on? You could argue the traditional financial system hasn't done a particularly good job. We wanted to create something new. And now the traditional financial regulators are coming after our new thing and trying to police it. Screw that, you know, we need to stay ahead of this. We need to stay outside of this because that's where we belong. And that sort of radical kind of libertarian streak that runs through tech and through the crypto community, it runs strong. And what you'll have as you have in the case of Tornado Cash, and you will have again, is a group of, a small group of coders who simply just build new code and say, well, there it is, that new code, your regulation does not apply to this new code. And I put it on the internet. And what are you going to do about it? Because that's my right. That's what I do as a techie, as a coder. I create new technology that advances and stands outside traditional structures. That's what I do. So you've got this interesting push-pull going on in terms of legislation and regulation, but more importantly, sort of psychologically, almost philosophically, there's this push-pull.

Naomi Fowler: Yeah, it's really difficult, isn't it? There are so many stages where regulation could come into play. And it isn't even always the case that there has to be a touchdown to bricks and mortar into fiat currency because they can keep on exchanging things of value because they are assets that do have some value within certain environments, so it is a real minefield. We've been thinking about things like possibly some sort of clearing house, a little key attached to demonstrate it's been reported somewhere as a transaction, cross tracking addresses that way. There is another pressure in that the mining that is happening is destabilizing energy systems, which is a national security issue, so I mean, Ireland is one of the latest, Kazakhstan and Uzbekistan had to take action over that, so yeah, it's a tricky one and we're working our way through it.

Geoff White: Yeah, it's interesting. I mean, think about this from a sort of tax point of view, the kind of libertarian streak that you have in parts of the tech and the crypto world -

Naomi Fowler: - which, which exists equally in the tax haven, financial secrecy world, of course!

Geoff White: Exactly so! I would strongly suspect that, and I haven't asked this question, but I strongly suspect if I asked those sort of tech libertarians and crypto libertarians about tax I'm pretty sure what the response would be, which is, you know, we don't want to pay it. We don't believe in it. Not amongst all, but I think there's probably a strain of that. So again, in terms of how you tax, you know, where does crypto fit in the world of, in the world of taxation? We've got to win the argument over the fact that should, I think, be taxed because tax helps people who aren't so well off and doing well in society, there's a fairness thing at the heart of this.

Naomi Fowler: You've been listening to Geoff White, author of *Rinsed, from cartels to crypto, how the tech industry washes money for the world's deadliest crooks*. It's a real page turner. And it's a really important read. There's a link to that in the show notes as well as the usual resources for further reading. If you read the book, leave him a review. And in fact, if you can leave this podcast a nice review, give us a rating there, that'd be brilliant too. It really helps us out.

Okay, that's it for this month. I'll be back with you in September. I'm off on holiday for a bit. You can listen to previous Taxcast episodes and check out all our podcasts in Spanish, Portuguese, Arabic and French, wherever you get your podcasts, obviously, or on our podcast website on podcasts.taxjustice.net You can also find our new-ish weekly podcast, The Corruption Diaries. Thanks for listening. Bye for now.