



## **The Great Crypto Heist**

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Cryptocurrencies have given rise to an entire new criminal industry, comprising unregulated offshore exchanges, paid propagandists, and an army of scammers looking to fleece retail investors. Yet, despite the overwhelming evidence of rampant fraud and abuse, financial regulators and law-enforcement agencies remain asleep at the wheel.

NEW YORK – There is a good reason why every civilized country in the world tightly regulates its financial system. The 2008 global financial crisis, after all, was largely the result of rolling back financial regulation. Crooks, criminals, and grifters are a fact of life, and no financial system can serve its proper purpose unless investors are protected from them.

Hence, there are regulations requiring that securities be registered, that money-servicing activities be licensed, that capital controls include “anti-money-laundering” (AML) and “know your customer” (KYC) provisions (to prevent tax evasion and other illicit financial flows), and that money managers serve their clients’ interests. Because these laws and regulations protect investors and society, the compliance costs associated with them are reasonable and appropriate.

But the current regulatory regime does not capture all financial activity. Cryptocurrencies are routinely launched and traded outside the domain of official financial oversight, where avoidance of compliance costs is advertised as a source of efficiency. The result is that crypto land has become an unregulated casino, where unchecked criminality runs riot.

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