

Crypto Recovery Group: Overview of Cryptocurrency Recovery & Fraud

Cryptocurrency offers immense potential, but also opportunities for fraudsters. The pseudo-anonymous nature of blockchain transactions creates significant obstacles for victims seeking to recover stolen or misappropriated digital assets.

This article provides an invaluable overview of cryptocurrency fraud and recovery issues. It demonstrates that with the right expertise and persistence, positive restorative outcomes are achievable even when cryptocurrency goes astray.



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We are here to help you every step of the way!

Go Legal is a leading City of London law firm dedicated to providing exceptional legal representation and strategic counsel to businesses and individuals. We specialise exclusively in commercial litigation and dispute resolution, and are the adviser of choice in England & Wales for many clients in the FinTech space.

We are specialists in cryptocurrency, digital assets and blockchain technology. Our dedicated Crypto Recovery Group is comprised of an international network of lawyers, asset tracers, cyber security experts, developers and leading academics. Our team of industry experts have significant experience in dealing with fraud & asset recovery, tax investigations and commercial & regulatory advice. We specialise exclusively in cryptocurrency and NFT legal disputes over £50,000 in value.

We have successfully been helping individuals and businesses that require advice on cryptocurrency related legal and regulatory matters. With our extensive experience, deep understanding of legal issues and our client's business needs, we strive to achieve successful outcomes for our clients.

We are here to help you. If you have been the victim of fraud, tax investigation or require commercial and regulatory legal advice where the subject matter is cryptocurrency, smart contracts and blockchain technology, get in touch with us today.

We pride ourselves on our client-centric approach, tailoring our strategies and solutions to meet the unique commercial needs and goals of each client. We work closely with clients in many business sectors and provide your business with a range of cryptocurrency services:

Fraud & Asset Recovery

If you have been the victim of cryptocurrency fraud or made an investment into a smart contract, NFT or blockchain token that has turned out to be a scam, we can help you recover your money. We are the leading experts in cryptocurrency asset recovery and we work with



Blockchain asset tracers as part of our Crypto Recovery Group to locate the wallet where your cryptocurrency is located and freeze those assets on the wallet platform to protect your money while we pursue a claim on your behalf.

We have an excellent record of recovering cryptocurrency and money for our clients including recovering legal costs for our clients.

At the outset of your matter, we will carry out a due diligence exercise and asset trace your cryptocurrency on the blockchain to ensure that you make an informed decision and will guide the strategy in getting your money back to you quickly.



Tax

HMRC has categorised cryptocurrency as an asset and therefore taxable for income tax and capital gains tax. If you hold a significant amount of cryptocurrency and are concerned about your tax position or if the UK tax authority, HMRC is currently investigating your virtual assets, our specialist cryptocurrency tax team are here to help you.



Commercial & Regulatory Advice

If you have a legal dispute or contract where the subject matter of the case concerns cryptocurrency, NFTs or smart contracts, our Crypto Recovery Group will assist you. We also provide regulatory advice if your business is looking to adopt Blockchain technology, develop a smart contract or token offering. We also assist with applications for cryptocurrency licences to the Financial Conduct Authority (FCA), FCA investigations, AML (due diligence) and market abuse issues.

We are also part of the British Blockchain Association and Crypto UK – canvassing to improve regulation to reduce the risks for retail customers and businesses.

Our network of lawyers are recognised by the Legal 500 and Chambers Guide amongst the best in England & Wales every year. Our award winning-lawyers have regularly been asked to write authoritative publications for the Financial Times, Law Society and LexisNexis and have been quoted in the Law Society Gazette, The Student Lawyer, New Law Journal, Litigation Futures, and the Financial Times.

We work nationally across the UK – with an extensive UK and international client base. Our specialist litigation team is Partner-led with the aim of working for clients to provide clear guidance, strategy and advice on your matter at the very outset.

We also have a strong international legal network of over 200 solicitors, paralegals and barristers to call upon and advise you throughout your matter to ensure that you get the best team and result for your case.

Our solicitors and lawyers offer regulated, independent & confidential legal advice and are dedicated members of the London Solicitors' Litigation Association (LSLA), the Association of Cost Lawyers (ACL) and the Insolvency Lawyers' Association (ILA).

We regularly represent our clients at mediations often leading to early settlements. A number of our lawyers are also trained mediators and are also registered members of the Chartered Institute of Arbitrators (CI Arb) and the International Mediation Institute (IMI).

Our award-winning specialist cryptocurrency disputes team is committed to providing you with careful, straightforward, honest and strategic advice. We will determine the merits and prospects of your legal case and provide you with a clear strategy at the outset to obtain optimal outcome and at minimum cost.

Unlock the potential for success with our experienced cryptocurrency lawyers by your side. Whether you are an individual, a small business, or a multinational corporation, we are here to provide unwavering support and exceptional legal services to get you the compensation you deserve.



Understanding Cryptocurrency **Thefts & Scams**

Cryptocurrency related frauds and thefts are major problems globally. Typical scenarios include:

- **Exchange scams** - Fake crypto exchanges are setup to steal user deposits. Or real exchanges embezzle client funds.
- **Investment scams** - Fake cryptocurrency investment platforms fraudulently solicit money with promises of huge guaranteed returns.
- **Pump and dump manipulations** - Coordinated price pumping through false news/ promotion and subsequent dumping by insiders.
- **ICO exit scams** - Fraudulent Initial Coin Offerings never intent on building promised blockchain projects to misappropriate capital raised.
- **Phishing** - Crypto wallet private key details are stolen through fake wallets, browser extensions etc. and funds stolen.
- **SIM swapping** - Attackers steal phone numbers to intercept 2FA authentication allowing account breaches.
- **Ransomware** - Malware encrypts data for ransom demanded in cryptocurrency.
- **Darknet fraud** - Goods or services purchased on darknet markets are never delivered.

Recovering stolen cryptocurrency is challenging but possible with the right legal and technical expertise. Tracing exactly where funds have moved to is the critical first step.



Tracing & Identifying Misappropriated **Crypto Assets**

The pseudo-anonymous nature of most cryptocurrency transfers creates obstacles to tracing transactions. However, specialised blockchain analytics can often uncover the path of stolen funds through the blockchain ledger. Investigators utilise:

- **Transaction mapping** - Identifying source, destination, and intermediate wallets by tracing the flow of transactions.
- **Clustering analysis** - Linking related wallet addresses controlled by the same entity by identifying patterns.
- **Attribution data** - Attaching real-world identities to pseudonymous wallet addresses by linking associated data points.
- **Chain hopping analysis** - Tracking funds converted into different cryptocurrencies through exchanges.
- **Blockchain explorer sources** - Public explorers provide transaction details without needing full node access.
- **Private databases** - Consulting proprietary databases that have linked billions of blockchain addresses and transactions to underlying entities.

Forensic crypto accounting combined with legal powers can frequently pinpoint the current location of misappropriated digital assets.

Freezing & Seizing Cryptocurrency Through **Legal Actions**

Obtaining injunctions through the courts is often necessary to prevent the unauthorised transfer of identified crypto assets. Typical options are:

- **Domestic Freezing Injunctions** - Court orders to prevent dissipation of crypto assets held by local entities until claims are resolved.
- **Foreign Freezing Injunctions** - Similar orders granted by foreign courts against entities holding funds abroad.
- **Domestic Proprietary Injunctions** - Orders granting proprietary rights over cryptocurrency where ownership is disputed.
- **Foreign Mareva Injunctions** - Preventing foreign transfers to frustrate enforcement of domestic judgments.
- **Norwich Pharmacal Orders** - Requiring third party exchanges to identify account holders to locate defrauding parties.
- **Account Freezing Orders** - Freezing identified accounts pending further actions.

Litigation also facilitates making offenders reveal information and taking control of cryptocurrency. However, specialist legal understanding of crypto issues is vital.

Repatriation of Recovered Funds

Once misappropriated cryptocurrency has been located and frozen, repatriating the funds involves:

- **Negotiated settlements** - Reaching agreement for voluntary return of cryptocurrency from cooperative holding parties through consent orders.
- **Judgment enforcement** - Using domestic judgments as basis for foreign courts to enforce freezing and seizure.
- **Liquidating through exchanges** - Liquidating frozen crypto funds and repatriating as fiat currency if necessary.
- **Cryptocurrency payments** - Direct settlement to victims in cryptocurrency following exchanges if agreed.

Repatriation involves navigating complex international private law issues. Securing the best interests of victims requires advisers with expertise in cross-border judgment enforcement and cryptocurrency regulations.

Best Practices for Victims of Crypto Fraud & Theft

For victims of cryptocurrency fraud or theft, we recommend:

- 1 **Gather evidence** - Screenshots, records, correspondence, and system logs relating to the incident. Also keep cryptocurrency wallet addresses and transaction hashes.
- 2 **Seek specialist lawyers** - Those with expertise in cryptocurrency disputes specifically. Standard legal knowledge often insufficient.
- 3 **Engage blockchain investigators** - Forensic analysts able to trace transactions through the blockchain ledger.
- 4 **Act quickly** - Rapid action can increase recovery chances before funds dissipate through exchanges and mixing.
- 5 **Consider mediation** - Attempting settlement through mediation before litigation may expedite recovery if viable.
- 6 **Be prepared for challenges** - Technical obstacles, obfuscation tactics and complex cross-border issues require persistence.
- 7 **Allocate recovered funds wisely** - Manage repatriated assets prudently due to market volatility.

Victims should not attempt to personally negotiate returns of misappropriated cryptocurrency. Seeking multi-disciplinary professional assistance offers optimal prospects for recovery. The sector expertise of advisers is crucial when funds have crossed borders.



Cryptocurrency Recovery Examples

To illustrate the strategies and techniques involved in successful cryptocurrency recoveries, the following examples demonstrate what can be achieved by deploying a clear and quick strategy using our experience and expertise:

Example 1 - Exchange Hack Victims

- A UK-based cryptocurrency exchange was hacked by fraudsters with \$1.2 million of various cryptocurrency tokens stolen.
- Forensic blockchain analysis could be used to trace funds through mixer services to two key exchange accounts.
- Domestic proprietary injunctions could be obtained at Court to prevent onward transfers from the identified accounts.
- Norwich Pharmacal orders can also be deployed and secured requiring the exchanges to reveal account holder details.
- Identifying details can enable High Court enforcement action against the account holders and the monies recovered.

Example 2 - Cryptocurrency Investment Scam

- Investors were duped into depositing Bitcoin worth \$2.5 million into a fake cryptocurrency investment platform.
- Promised investment returns failed to materialise and funds could not be withdrawn.
- On tracing the Bitcoin deposits, the fraudsters periodically transferred to crypto to a foreign exchange linked to the fraudsters.
- Foreign freezing injunctions could be obtained in conjunction with our network of international lawyers and ultimately a settlement achieved to recover the monies.

These examples demonstrate that with appropriate legal and technical expertise positive outcomes can often be achieved for victims of cryptocurrency frauds and thefts. Our role at Go Legal (and the Crypto Recovery Group) is to strategically leverage the transparency of blockchains, employ forensic analysis, exploit legal options domestically and internationally and secure optimal solutions for our clients.





Cryptocurrency Disputes & Unlawful Transactions

In addition to outright fraud or theft, legal disputes can also arise from cryptocurrency transactions falling into unlawful categories or associated with illegal conduct. Several scenarios arise:

- **Money laundering** - Criminals may attempt to conceal the origins of illicitly acquired cryptocurrency by mixing and transferring through privacy coins like Monero. Whistleblowers may become aware of such practices.
- **Breach of contract** - Cryptocurrency transactions are increasingly used in commercial contracts and payments. Breaches of contractual obligations can occur if agreed transfers fail.
- **Unlicensed securities** - Certain cryptocurrency arrangements resemble unregistered securities offerings in violation of regulations.
- **Sanctions violations** - Blockchain transactions could breach international sanctions by enabling payments to prohibited addresses.
- **Intellectual property infringements** - Cryptocurrencies developed using content plagiarized from copyrighted whitepapers or utilizing trademarks without authority.

Our role in such disputes includes determining legal positions, identifying transacting entities through blockchain analysis, negotiating resolution and asset recovery where applicable. Legal expertise tailored to cryptocurrency is indispensable.



Common Cryptocurrency Recovery Challenges

Despite the transparency of blockchains in theory, there are recurring practical challenges in recovering misappropriated cryptocurrency including:

- **Attribution difficulties** - Pseudonymous transactions hamper identifying wrongful parties.
- **Cross-border complexity** - Assets and parties spanning multiple jurisdictions create legal complexity.
- **Reluctant exchanges** - Crypto exchanges often strongly resist requests for customer identity disclosure and asset freezing.
- **Refusal to negotiate** - Certain fraudsters stubbornly refuse to engage in any settlement discussions.
- **Asset dissipation** - Speed of cross-border crypto transfers allow rapid asset movements to evade freezing.
- **Technological obfuscation** - Mixing services and privacy-focused coins frustrate transaction tracing.
- **Costs vs. asset values** - Recovery costs can exceed disputed asset values creating uneconomic cases.
- **Volatile asset values** - Fluctuations introduce uncertainty during recovery processes.

Successfully overcoming these challenges involves deploying significant legal expertise with cryptocurrency specialisms. Maintaining an up-to-date understanding of global regulations and compliance practices is also important when dealing with exchanges. Ultimately pragmatic commercial perspectives on pursuing cost-effective recoveries are key.





If you think you have a cryptocurrency or blockchain legal issue, it is important to take legal advice immediately as it can significantly improve the prospects of obtaining a more favourable outcome for you. Our lawyers have an excellent track record of dealing with cryptocurrency disputes whether you wish to recover stolen crypto, have a regulatory or compliance issue or smart contract dispute.

Please contact us and we will confidentially discuss your cryptocurrency dispute.



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