



## MEMORANDUM

**TO:** Federal Financial Analytics Clients  
**FROM:** Karen Petrou  
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Bankers are often said to live in isolated splendor. There's truth to this, but banker insularity is nothing compared to the astonishing effrontery of cryptoasset executives who think their self-assured brilliance puts them above not just the law, but even concern for the public good. Nothing argues more compellingly for immediate, stringent crypto regulation than the outrage with which crypto companies have greeted Treasury's demands – request failed to work – that they cease facilitating the kind of dark-money transactions that fund Russian war crimes, North Korean nuclear-obliteration threats, and webs of human trafficking, narcotics smuggling, and general evil around the world. These companies clearly cannot govern themselves and they must thus be quickly and sharply made to do so for everyone else.

What brought this issue to a head is the self-righteous fury with which crypto companies view Treasury's efforts to make them comply with the same sanctions rules demanded of anyone dealing in any other form of money. Somehow, money in digital form is money that can do no wrong because, we are told, those who use crypto-currency – apparently unlike users of any other form of a medium of exchange -- have a right to do so as they wish.

This omnipotent perspective is clearly evident in last week's Coinbase suit against the U.S. Treasury on grounds that sanctioning a crypto "mixer", Tornado Cash, trampled on so many First Amendment rights that press stories giving its side of the case had space only to list a few. Crypto mixers such as Tornado Cash essentially obscure transaction origins so no one knows who is sending how much to whom for what. The [Washington Post](#) quotes Coinbase's chief legal officer saying that Coinbase employees (the suit's lead plaintiffs) use Tornado Cash for saintly purposes such as giving away money and doing so is nobody's business but their own.

Of course, people donate cash to all sorts of worthy causes – think the church offering plate – but the law still requires that large sums be attributed and, if any of these transactions passes through the banking system, then reported if there are signs that money is going to devilish pursuits that arbiters of the public good – i.e., Congress – have decided may violate the law. No one is exempt from sanctions just because he or she doesn't want to comply.

To be sure, compliance is a royal pain especially with regard to knowing one's customers. But royal pain or not, banks do it and crypto has no exemption from these standards just because they find them intrusive. Crypto advocates may long for a libertarian state, but we don't have one.

It's indeed the case with sanctions that some good is curtailed along with a great deal of bad. But this problem with sanctions is so well known that Treasury and other officials go to great lengths to find ways to define humanitarian payment channels and exempt them. Banks don't get to decide that a sanctioned entity's objectives are so benevolent as to warrant an exemption no matter what

Treasury declares, and crypto companies shouldn't think themselves blessed with this unique authority.

Coinbase and other cryptoasset companies could have followed another course when Treasury sanctioned Tornado Cash: figuring out how to make crypto transactions efficient without making them also so opaque as to obviate their obligation to do their duty as dictated by law, rule, and – one might hazard – simple morality. That Coinbase and others think themselves so smart and their work so cool that they are entitled to judge how best to protect the public good says more clearly than all the smug faces in high-cost hoodies ever could about the need to implement strict AML and sanctions standards along with safety-and-soundness protections for most investors unable to understand that most crypto rules work mostly for crypto-company founders.