



FinCEN Issues First-of-its-kind \$60 Million Penalty Against Operator of Bitcoin ‘Mixers’

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On October 19, the Financial Crimes Enforcement Network (FinCEN) imposed a \$60,000,000 civil penalty against Larry Dean Harmon, the founder and operator of bitcoin “mixers” Helix and Coin Ninja LLC (Coin Ninja), for willfully violating the Bank Secrecy Act (BSA). Specifically, FinCEN found that Mr. Harmon, doing business as Helix and Coin Ninja, violated registration, program, and reporting requirements by failing to register as a money service business (MSB), failing to implement and maintain an effective anti-money laundering (AML) program, and failing to report suspicious activities. According to the [press release](#), FinCEN’s enforcement action was coordinated with the U.S. Department of Justice’s Computer Crimes and Intellectual Property Section, the U.S. Attorney’s Office for the District of Columbia, the Federal Bureau of Investigation, and the Internal Revenue Service Criminal Investigation division.

FinCEN indicated in its enforcement action that Mr. Harmon operated Helix from 2014 to 2017 and Coin Ninja from 2017 to 2020 without registering either “mixer” or “tumbler” as an MSB. Cryptocurrency mixers or tumblers allow customers to send bitcoin to designated recipients in a manner designed to conceal the source or owner of the bitcoin by mixing digital assets to make them more difficult to trace back to the original holder. Through Helix, Mr. Harmon engaged in more than \$311 million worth of transactions in virtual currencies. These transactions allowed customers to anonymously pay for services in the “darknet,” including for items such as drugs, guns, and child pornography. Coin Ninja operated in the same manner as Helix.

Mr. Harmon not only disregarded his obligations under the BSA, but FinCEN’s investigation further revealed that he made efforts to circumvent the BSA’s requirements. For example, not only did Mr. Harmon fail to collect and verify customer names, addresses, and other identifiers on more than 1.2 million transactions, he also actively and deliberately “deleted even the minimal customer information he did collect.” Furthermore, Mr. Harmon “actively marketed his services as an anonymity-enhancing service to launder bitcoin from illicit activity.”

Simultaneously, Mr. Harmon is being prosecuted in the U.S. District Court for the District of Columbia for operating the unlicensed MSB and conspiracy to launder monetary instruments. Mr. Harmon continues to argue that Bitcoin tumblers are not a “money transmitter” pursuant to federal law.

Takeaways

- Convertible virtual currency companies are not exempt from BSA requirements. FinCEN issued [guidance](#) in 2013 clarifying the applicability of the regulations implementing the BSA to persons creating, obtaining, distributing, exchanging, accepting, or transmitting virtual currencies. Virtual currency mixers and tumblers are subject to the same [rules](#).
- Convertible virtual currency companies are obligated: (1) to register with FinCEN; (2) to develop, implement, and maintain an AML compliance program; and (3) to meet all applicable reporting and record-keeping requirements.
- Failure to comply with FinCEN rules and regulations can be severe. Criminal penalties can also be assessed for willful BSA regulation violations, up to and including prison time.

2 Min Read

Authors

[Cari Stinebower](#)

[Lara Markarian](#)

[Dainia Jabaji](#)

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Cari Stinebower



Lara Markarian



Dainia Jabaji

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