

Seized Crypto Auctioned Thanks to Fintech Firms' Tracing Tools

By Josh Axelrod | August 9, 2022 5:31AM ET

The federal government's chief operations agency has auctioned off \$1.5 million worth of cryptocurrency over the last year and a half even as regulatory and enforcement bodies crack down on crypto schemes and stake out jurisdiction.

The General Services Administration, which manages disposal of outdated, surplus, or seized federal assets, has held nine cryptocurrency sales since March 2021, receiving more than 4,000 online bids from buyers, according to an agency spokesperson.

"GSA is happy to have assets that are valuable that people would buy at auction," Lex Sokolin, head economist and global fintech co-head at the blockchain tech company ConsenSys, said. "And those assets might be an ambulance, or they might be a crypto asset."

The sales of 32 Bitcoin and 150 Litecoin wouldn't be possible without the help of federal contractors who consult in the tracing, confiscation, and release of seized crypto assets, said Liat Shetret, senior advisor for crypto policy and regulation at Elliptic Ltd.

The blockchain data platform Chainalysis, for example, won a \$15,000 [contract](#) with the Department of Justice last year to trace illicit crypto assets, prepare an expert report, and testify as an expert witness in a trial. The company has brought in [more than \\$38 million](#) in revenue on blockchain-related contracts across federal agencies since the start of fiscal year 2018.

How exactly the government does what Shetret calls a "baptism" to convert the illegitimate assets back into clean, usable ones is an opaque process.

Seizing Crypto

"GSA sells cryptocurrency at the request of other federal agencies that have either acquired cryptocurrency through seizure and forfeiture actions, or have independently purchased it," the agency spokesperson said in a statement. "In other words, none of the cryptocurrency that GSA has sold originated with GSA."

The crypto assets come from law enforcement seizures of cybercriminals or money launderers as well as from crypto exchange companies' reports of stolen or illicit addresses in a public ledger.

Once the seized assets are transferred to GSA and sold at auction, GSA dispenses the funds back to the federal agency or the Department of the Treasury.

The GSA auctions don't represent any sort of shift in government policy but members of the crypto industry are cheering on the government sales as granting legitimacy to a market viewed with skepticism.

"They wouldn't be selling it into the market if the only purpose was for money laundering and drug dealers," said Piers Ridyard, CEO of the decentralized finance company Radix. "They are now recognizing more and more it's a legitimate store of value, it's a legitimate asset class."

Agency vs. Agency

While GSA is putting usable digital currency back into circulation, several agencies are trying to address volatility and speculation in the crypto market.

The agencies have different agendas and mandates, and "a regulatory agency that wants to make sure that investors are following some particular set of rules will have very different people and very different reactions than an agency whose job it is to auction seized assets," Sokolin said.

The FBI started its [Virtual Assets Unit](#) in February, and the Securities Exchange Commission doubled its [Crypto Assets and Cyber Unit](#) in May.

The SEC targeted a crypto platforms for promoting a [pyramid scheme](#), charging 11 people related to the alleged fraud Aug. 1. The Department of Justice charged three people in the first-ever cryptocurrency [insider trading case](#).

A bill ([S. 4760](#)) introduced Aug. 3 by Senate Agriculture Committee Chair [Debbie Stabenow](#) (D-Mich.) would put the Commodities Futures Trading Commission in the driver's seat to regulate the two largest currencies, Bitcoin and Ethereum.

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