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**PROBLEMS OF INVESTIGATING CRYPTOCURRENCY FRAUD
IN THE CONTEXT OF THE REFORM OF PRE-TRIAL
INVESTIGATION IN UKRAINE**

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In today's economic climate, the use of virtual assets is becoming increasingly widespread, leading to an increase in criminal risks. Ukraine is taking its first steps toward establishing legal regulation of this market and confirming the status of virtual assets as intangible property represented by a set of electronic data. At the same time, the lack of established practices by law enforcement agencies and the decentralized nature of cryptocurrencies objectively contribute to their use in criminal activities, in particular, complicating the identification of transaction participants.

Analytics demonstrate the scale of the threat. In 2024, losses from crypto schemes reached at least \$9.9 billion, with the main schemes being «high-yield investments» (≈ 50.2%) and «pig-butcher» (≈ 33.2%), and may exceed \$12 billion, as not all criminal addresses have been identified yet [1].

The purpose of the study is to identify key issues in investigating cryptocurrency fraud in the context of pre-trial investigation reform in Ukraine and to justify ways to improve the activities of law enforcement agencies. The tasks are to analyze typical fraud schemes and the procedural and evidentiary difficulties of investigating them. The subject of the study is the problematic procedural and organizational aspects of the investigation, and the object is social relations in the field of pre-trial investigation of such offenses.

Four interrelated operational mechanisms dominate modern cryptocurrency fraud schemes: the use of money mules, the use of dubious or unregulated exchanges and over-the-counter (OTC) intermediaries, the use of mixers to anonymize on-chain transactions, and the exploitation of off-chain infrastructure, P2P platforms, crypto cards, and vouchers as channels for conversion into fiat. Money mules provide cover for the ultimate beneficiaries and remain one of the most common links in money laundering schemes, while weakly regulated exchanges serve as the main offramps for legalizing income [2,3].

Mixers significantly complicate the tracing of transactions, despite the development of blockchain analytics methods [4]. Off-chain channels, in turn, form a bridge between the digital and real economies, which requires integrated financial monitoring [5].

The Law of Ukraine «On Virtual Assets» dated February 17, 2022, did not come into force due to the lack of necessary changes to tax legislation and the creation of a register of Virtual Asset Service Providers (hereinafter referred to as – VASPs), which leads to regulatory uncertainty. Virtual assets are not recognized as a means of payment, and their circulation is partially regulated by general rules, including Anti-Money Laundering requirements [2].

This complicates interaction with banks, tax authorities, and service providers, contributing to the risks of fraud and money laundering. The proposed bill No. 10225-d of 24.04.2025 provides for harmonization with the EU Markets in Crypto-Assets Regulation (hereinafter referred to as MiCA), licensing of VASPs, and taxation, but has not yet entered into force [2].

The challenge in investigating crimes related to cryptocurrencies lies in the lack of coordination between law enforcement agencies and the absence of specialized units with sufficient experience. Complications in coordination between the National Police (hereinafter referred to as the NPU), the Cyber Police, the Economic Security Bureau of Ukraine (hereinafter referred to as the ESB), the National Anti-Corruption Bureau of Ukraine, and other agencies lead to gaps in the investigation of transnational schemes. International cooperation is necessary due to the global nature of crypto transactions, including requests for legal assistance and information exchange with foreign law enforcement agencies.

This raises the issue of securing digital evidence in blockchain networks due to anonymity, transaction speed, and the use of mixers that break the links between sender and recipient addresses, as well as chain hopping [6]. Blockchain forensics tools such as Chainalysis, CipherTrace, Crystal, Graphsense.info, Wallextplorer.com, and Bitcoin Abuse Databases allow transactions to be analyzed and suspicious patterns to be identified, but their effectiveness is reduced by the aforementioned concealment techniques [1]. Preserving evidence requires hashing, archiving, and recording metadata in accordance with the Criminal Procedure Code of Ukraine, while avoiding the recording of private keys. The lack of IT specialists in investigative teams, as well as the absence of established investigative practices, complicate the process [6].

Financial and economic issues include difficulties in identifying cash flows and assessing losses due to the use of cryptocurrencies for money laundering, conversion on centralized exchanges, and decentralized protocols. The lack of a comprehensive regulatory framework limits cooperation with VASPs and the freezing of assets [7].

The lack of control over the declaration of crypto assets by public officials reveals significant violations, creating corruption risks due to the lack of mechanisms for verifying origin and ownership [9]. The lack of separate monitoring mechanisms in the National Agency for Corruption Prevention and the incomplete implementation of ARMA powers contribute to money laundering through cryptocurrencies [9]. Regulatory uncertainty leads to significant budget losses due to the lack of taxation on the turnover of virtual assets [7].

These problems are particularly relevant in the context of the reform of pre-trial investigation in Ukraine, given the lack of clear jurisdiction, unified standards of interaction, and agreed algorithms for working with crypto assets between the NPU and the BEB in cases of crypto fraud. The practice of pre-trial investigation shows that in cases of cryptocurrency fraud, the establishment of drops is often mistakenly considered as the completion of criminal proceedings, which makes it impossible to identify the organizers and ultimate beneficiaries of criminal schemes.

To overcome this fragmented approach in practice, it is advisable to form joint investigation teams and develop uniform investigation methods in accordance with the international practices of the Financial Action Task Force on Money Laundering. After all, the success of an investigation directly depends on the speed and coordination of actions between the authorities involved. At the same time, delays caused by formal «territorial» division of powers can lead to the loss of digital evidence and assets in cryptocurrency. Introduce formal mechanisms for interaction with virtual asset providers. Law enforcement agencies should submit requests to VASPs.

Centralized exchanges should block accounts associated with illegal activities and promptly comply with police orders, similar to MiCA requirements. In the event of funds being withdrawn from a CEX, the exchange's support service should be contacted immediately with evidence of fraud. For decentralized platforms where there is no user support, as well as in cases with international aspects of crime, rapid information exchange through national contact points such as T3, Beacon Network, SIENA, and the use of blockchain analytics is necessary.

In addition, given future technological trends, the NBU is piloting the «e-hryvnia» (Central bank digital currency, CBDC) – its implementation will change financial channels and may require new monitoring tools. Decentralized finance (hereinafter referred to as – DeFi) allows criminals to mask the origin of funds: token exchanges on DEX and loans on DeFi platforms are used to launder and conceal transactions. Finally, AI technologies significantly complicate investigations: fraudsters generate deepfakes and automated phishing campaigns, so it is necessary to be able to verify the authenticity of media and conduct cyber expertise of AI content.

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ОРГАНІЗАЦІЙНО-ПРАВОВІ ОСНОВИ ВЗАЄМОДІЇ МЕДІАТОРА З ПРАВООХОРОННОЮ СИСТЕМОЮ

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Медіація все впевненіше вступає у життя українського суспільства. Більшість медіабельних конфліктів відбувається в просторі особистих відносин або в просторі громадянського суспільства й участь держави в їх вирішенні може бути мінімальною. Але якщо йдеться про кримінально-правовий конфлікт, де медіація виступає як основна й найпоширеніша форма відновного правосуддя, то очевидним є те, що вона не може відбуватись як абсолютно незалежна від правоохоронної системи процедура. Сучасний теоретик відновного правосуддя Тоні Маршалл вказує на те, що відновне правосуддя не є простим протиставленням офіційній системі правосуддя. Навпаки, на його думку «Відновне правосуддя – це підхід до вирішення проблем, пов'язаних зі злочинами, який включає участь самих сторін, а також громади в цілому, в активних відносинах з офіційними установами» [1, р. 5. Курсив мій].