



WV FINANCIAL SERVICES
Funds / Crypto

MIT's AI Lab Crunched 200,000 Bitcoin Transactions. Only 2% Were 'Illicit'

Blockchain analytics firm Elliptic partnered with the Massachusetts Institute of Technology (MIT) to publish a public dataset of bitcoin transactions associated with illicit activity.

The group's study detailed how researchers at the MIT-IBM Watson AI Lab used machine learning software to categorize 203,769 bitcoin node transactions worth roughly \$6 billion in total.

After examining the nodes' association with known entities, researchers found only 2 percent of those 200,000 bitcoin transactions were deemed illicit. (...)

The 2 percent figure is in line with a study from competing analytics firm Chainalysis, which estimated just 1 percent of bitcoin transactions in 2019 were known to be associated with illicit activity.

Since Elliptic is frequently hired by law enforcement agencies around the world to identify illegal activities using cryptocurrency, this research aimed to identify patterns that can help distinguish illicit usage from lawful bitcoin usage, especially among unbanked individuals or other unknown entities.

"A big problem with compliance, in general, is false positives. A big part of this research is minimizing the number of false positives," Elliptic co-founder Tom Robinson told CoinDesk. "The key finding is that machine learning techniques are very effective at finding transactions that are illicit."(...)

Following the academic study, Elliptic made the same dataset public to encourage open-source contributions. "On the AML side, we are sharing our early experiments with domain experts to solicit feedback," MIT researcher Mark Weber told CoinDesk, adding:

"We are also hoping the release of the Elliptic Data Set inspires others to join the effort to help make our financial systems safer by developing new techniques and models for AML."

CNBC reported in April that surging demand for U.S. \$100 bills was likely driven by a rise in global criminal activity. A 2017 report by the American Institute for Economic Research, estimated that "more than a third of all US currency in circulation is used by criminals and tax cheats."

The information contained herein has been compiled by WV Financial Services and has been obtained or derived from sources believed to be reliable for general information purposes only and should not be construed as investment or tax advice nor as a recommendation to buy, sell, or hold any particular security. WV Financial Services believes the data is accurate or complete. WV Financial Services has no obligation to provide any updates or changes to the data. No investment decisions should be made using this data.