

Study Finds Only 0.03% of Bitcoins Originate from Illicit Activity in the U.S and Canada

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BITCOIN

The blog of Quebec's Chief Scientist Rémi Quirion recently featured a post disputing the alleged use of Bitcoin for criminal transactions and money laundering.

Despite the creation of Bitcoin being firmly embedded in computer science instead of finance, it's unusual to find science-oriented publications delving into the arguments for and against digital currencies.

The Chief Scientist's post, prepared by [Agence Science-Pressé](#) and government research fund [Fonds de Recherche du Québec](#), disputes the anonymity of Bitcoin and its use in illegal and dark web transactions. The post cites a number of experts and studies to support its argument.

Pseudonymity not anonymity

"The anonymity of bitcoin is a myth, it is no more transparent than money, because you have to go through a platform where you have to give personal information," said Erwan Jonchères, a trainee lawyer with the [Cyberjustice Laboratory](#). Jonchères prefers the term "pseudonymity" rather than "anonymity" when describing Bitcoin. Even if Bitcoin owners are using wallets or exchanges under assumed, or other names, ultimately the digital addresses of sender and receiver are traceable.

Jonathan Hamel, a researcher at the Montreal Economic Institute adds to the argument by confirming that each transaction is recorded on a public, transparent ledger distributed among thousands of computers belonging to Bitcoin owners.

"Like other financial means, bitcoins are not immune to bad trading and can be diverted from their primary investment function," said Hamel.

Bitcoin's association with criminal activity is not supported by fact

The Chief Scientist's article brings together a handful of studies and statistics to dispute Bitcoin's historic association with criminal transactions.

It refers to a [study](#) by Ontario-based Balsillie School of International Affairs (BISA) which says that rapid technological change brought about by digital currencies creates challenges for the governance of financial markets and thus can provide opportunities and loopholes for the underworld. That said, the actual number of illicit Bitcoins reaching global trading and circulation is low.

0.12% of Global Bitcoins Originate from Illicit Activity

Only 0.61% of Bitcoins reaching public circulation globally between 2013 and 2016 originated from illicit activity, according to a [study](#) by the Center on Sanctions & Illicit Finance of the Defense of Democracies Foundation.

The study includes Bitcoins originating from the notorious Silk Road platform in 2013, as well as coins from other dark web sources, fraudulent activities, ponzi schemes and ransomware incidents. The Silk Road incident is often mentioned in arguments against Bitcoin's credibility,

In 2013, the number of Bitcoins originating from illicit activity, boosted by those from the Silk Road platform, was still only 1.07% of the total. By 2016, the percentage of illicit Bitcoins globally had fallen to just 0.12%.

Statistics that dispute any significant connection between Bitcoin and illegal and criminal activity worldwide.

Even Fewer Bitcoins are associated with illicit activity in the U.S and Canada

The figures are more interesting again when taken by geographic region, with just 0.26% of all Bitcoins entering the market between 2013 and 2016 in North America being classified as illicit.

In 2016, the percentage of Bitcoins in North American circulation associated with illicit activity was just 0.03%.

The post also points out that since June 19th, 2014, the Parliament of Canada has suggested digital currency regulations on the books that requests Canadian financial regulators seek appropriate licensing for businesses such as digital currency exchanges.

The blog concluded that "Bitcoin is not above the law, nor is it a magnet for illicit transactions." It did also, however, still remind investors of the speculative risks and of the frequent occurrence of digital currency related theft and hacking incidents.

Digital currencies are permeating every aspect of society either as a monetary or economic factor and influence, or through the application of blockchain technology to computerised processes and systems in every sector.

Research and analyses by a broad range of disciplines is underway across the globe to assess the growing impact of digital currencies and blockchain technologies. The results of these studies will be of continued interest to investors and other stakeholders.

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Editor's note: the original post is in French and was translated by our author for this analysis

Interested in trading digital currencies? Coinsquare is Canada's most secure platform for buying and selling Bitcoin, Litecoin, and other digital currencies.