TRAFFICKING
Use of Online Marketplaces and Virtual Currencies in Drug and Human Trafficking

What GAO Found
Drug and human traffickers are increasingly using online marketplaces and virtual currencies to connect with buyers and obscure the source of payments, according to agency documentation and interviews with agency officials. However, according to the Department of Homeland Security, traffickers continue to primarily use cash. Online marketplaces facilitate trafficking by providing anonymity, connecting buyers and sellers, and allowing a range of payment methods, including virtual currencies (see figure). These marketplaces often use the "dark web," a hidden part of the internet that users access using specialized software. Traffickers use virtual currencies and peer-to-peer mobile payment services because transactions are somewhat anonymous, making detection by law enforcement more difficult. However, all transactions on a public blockchain (the technology used by some virtual currencies) can be tracked to some extent.

Summary of Participants Involved in Drug Trafficking Using Online Marketplaces and Virtual Currency

Several federal law enforcement agencies investigate and prosecute trafficking cases involving virtual currency and online marketplaces, including through interagency partnerships. In addition, federal regulators oversee financial institutions’ processes and controls to comply with anti-money laundering requirements, including reporting of potential trafficking activities to law enforcement. State regulations such as licensing requirements for money transmitters and other virtual currency businesses also can help impede trafficking, although such requirements vary by state.

Law enforcement and others can use blockchain analytics tools to investigate suspected illicit activity that uses virtual currencies, but these tools can be of limited effectiveness. Many virtual currency transactions are permanently recorded on public blockchains, allowing them to be matched to user information collected by virtual currency platforms that comply with anti-money laundering requirements. However, law enforcement’s ability to detect and track illicit uses of virtual currencies may be hindered by criminals’ use of privacy technology, and by some market participants’ noncompliance with anti-money laundering requirements, according to law enforcement officials and analytics firms.