



SOUTHEAST ASIA ON-CHAIN CAPITAL FLOW AND RISK ANALYSIS REPORT

Securing a more transparent
blockchain finance ecosystem

PREPARED BY BEOSIN RESEARCH TEAM



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Executive Summary

In this report, our dedicated Southeast Asia market intelligence research examines the rapidly growing cryptocurrency landscape in Southeast Asia, where user adoption is surging among a young, tech-savvy population.

Our analysis of 10,000 on-chain addresses reveals that approximately 45.23% of funds, totaling \$1.484 billion, flow freely through decentralized wallets. However, links to illicit activities are also evident, with over \$110 million directly associated with such transactions, raising the proportion of risk-related addresses to 16.82%. The identified illicit addresses, categorized as mixing services, underground banks, and fraud platforms underscore the complexity of high-risk activities in this environment.

What is more alarming is that, our study shows that approximately 53.49% of funds directly associated with illicit industries flowed to sanctioned platforms, with transaction volumes twice that of underground banks, exceeding \$55 million. This indicates that sanctioned platforms remain primary destinations for high-risk funds.

To mitigate these risks, we recommend strengthening regulatory frameworks and enhancing user awareness through education. Additionally, promoting technological innovation in tracking and anti-money laundering solutions, along with fostering collaboration among exchanges and regulatory bodies, is essential. By implementing these strategies, all stakeholders can create a safer and more compliant ecosystem, ultimately supporting sustainable growth in Southeast Asia's digital economy



Joe Zhou
BEOSIN CEO

Overview of the Southeast Asian Cryptocurrency Market

In recent years, cryptocurrency adoption and popularity in Southeast Asia have significantly increased. As an emerging market, Southeast Asia has unique characteristics in terms of its economic structure, policy environment, and user behavior, notably:

Rapid User Growth

With a high proportion of young people and widespread mobile internet access, the number of crypto users in the region is growing rapidly, estimated to be in the tens of millions.

Strong Demand for Cross-Border Payments

The region's large population of cross-border workers finds cryptocurrencies a convenient means of transferring money across borders, driving widespread adoption.

Diverse Regulatory Environment

Regulation across Southeast Asian countries varies, with some supporting cryptocurrency legalization while others lack a clear regulatory framework, leading to compliance risks in capital flows. This environment provides fertile ground for illicit capital flows and forms the basis for this risk study.



Sample Analysis & Key Findings

Flow of Funds Diagram

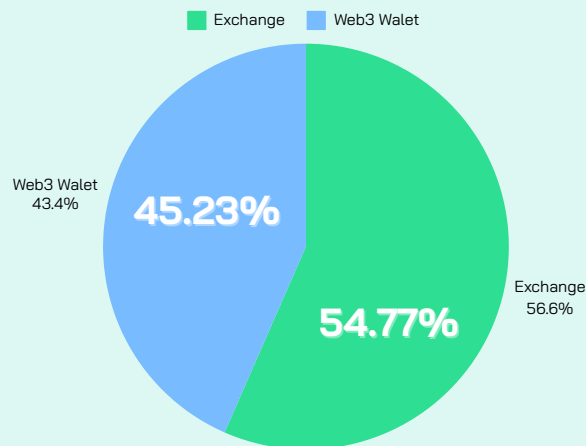


Figure:Flow of Funds Diagram

Address Distribution Flowing to Web3 Wallet

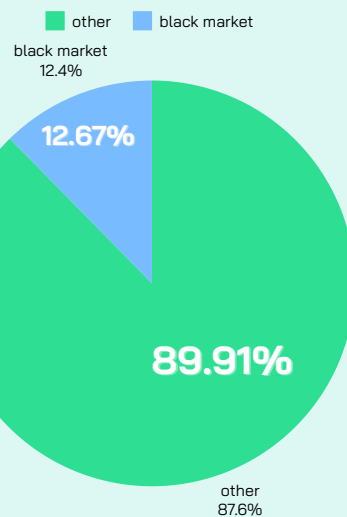


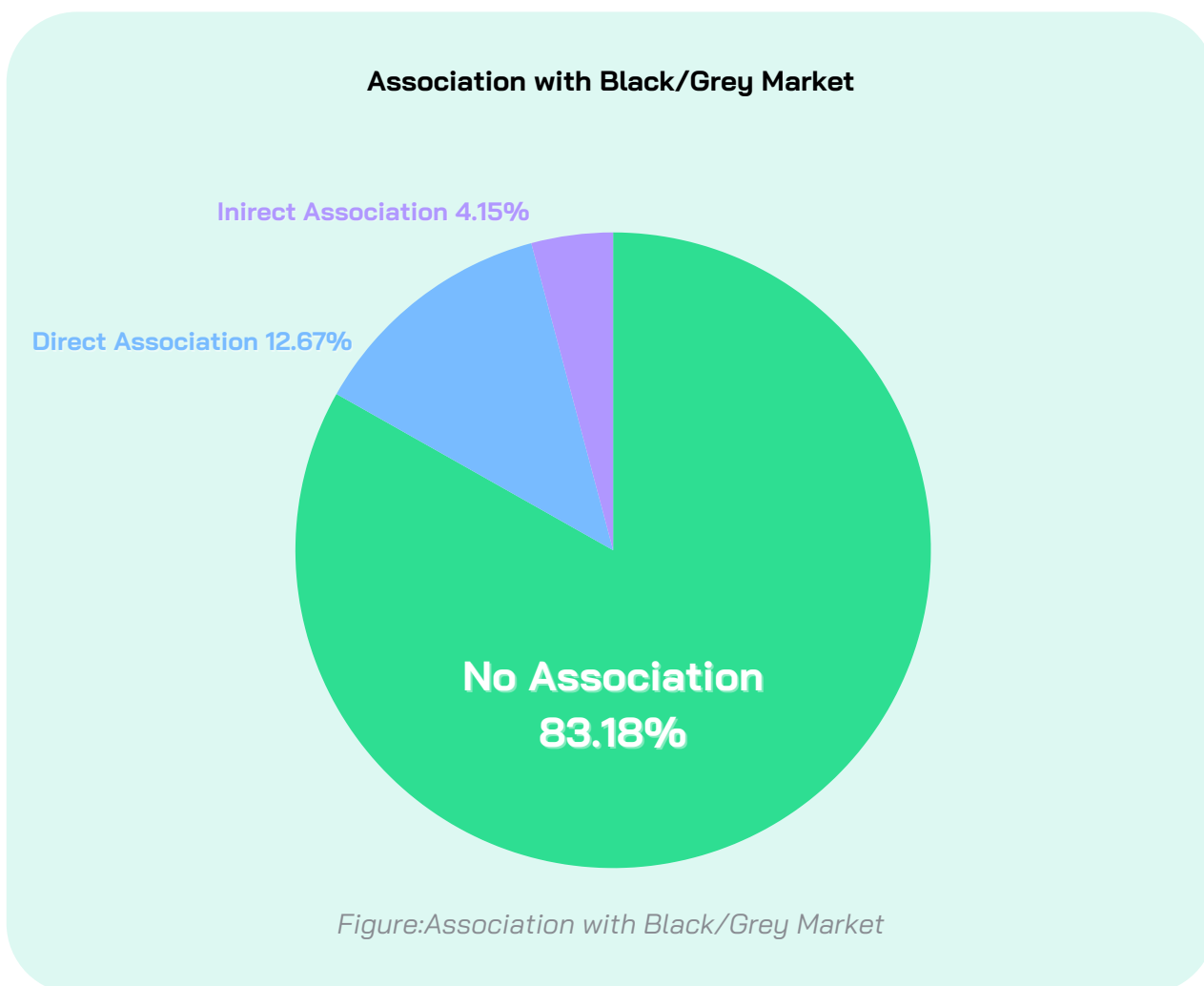
Figure: Address Distribution Flowing to Web3 Wallets

1 - Unrestricted Capital Flow

Of the 10,000 blockchain addresses analyzed, approximately 45.23% of funds flow freely through decentralized wallets on public chains, demonstrating high liquidity and decentralization. The total value of freely flowing funds reached \$1.484 billion, indicating that decentralized trading methods have become mainstream among Southeast Asian users.

2 - Links to Illicit Industries

Over \$110 million from these addresses flowed directly to addresses linked to illicit industries, accounting for more than 12%. Further tracking revealed that secondary and tertiary transactions connected more addresses indirectly to illicit industries, increasing the proportion of risk-related addresses to 16.82%. This suggests that millions of users in Southeast Asia may have direct or indirect exposure to illicit financial activities.



Analysis of Illicit Capital Flows and Risks

1 - Categorization of Illicit Addresses

Beosin categorized high-risk addresses into three major categories and 44 subcategories, involving over 240 specific illicit entities.

Mixing Services: Primarily used to anonymize fund flows

Underground Banks: Used for cross-border illegal fund transfers and money laundering

Fraud Platforms: Involved in fake investments, Ponzi schemes, romance scams, and pig-butchering scams

These high-risk address types involve over 240 specific illicit entities.

2 - High-Risk Capital Flow Patterns

The research results show that certain types of fund flows are particularly prominent:

- Over \$10 million in funds flowed directly into addresses associated with underground banks, with transaction frequency reaching thousands.
- Approximately \$11 million was clearly directed to online gambling platforms.
- More than \$22 million was funneled into fraud platforms.

These fund flows reveal the complexity and concealment of illicit activities, especially given the anonymity and cross-border nature of cryptocurrencies, which allow criminals to frequently engage in illegal fund transfers and money laundering.

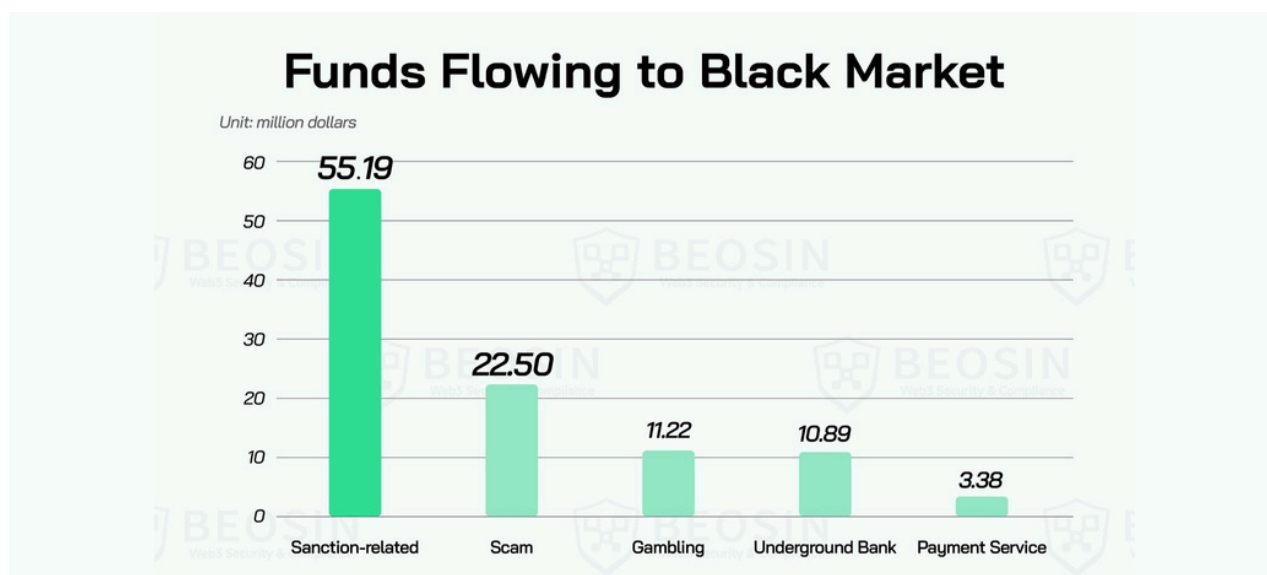


Figure: Funds Flowing to Black Market

Inflows to Sanctioned Platforms

1. Proportion of Inflows to Sanctioned Platforms

Approximately 53.49% of funds directly associated with illicit industries flowed to sanctioned platforms, with transaction volumes twice that of underground banks, exceeding \$55 million. This indicates that sanctioned platforms remain primary destinations for high-risk funds.

2. Case Study: Tornado Cash

As a popular mixing tool, Tornado Cash received over \$54 million, accounting for 97.84% of inflows to sanctioned platforms. However, since the U.S. Treasury sanctioned Tornado Cash in August 2022, its transaction volume has significantly declined, demonstrating the effectiveness of sanctions in curbing fund inflows.

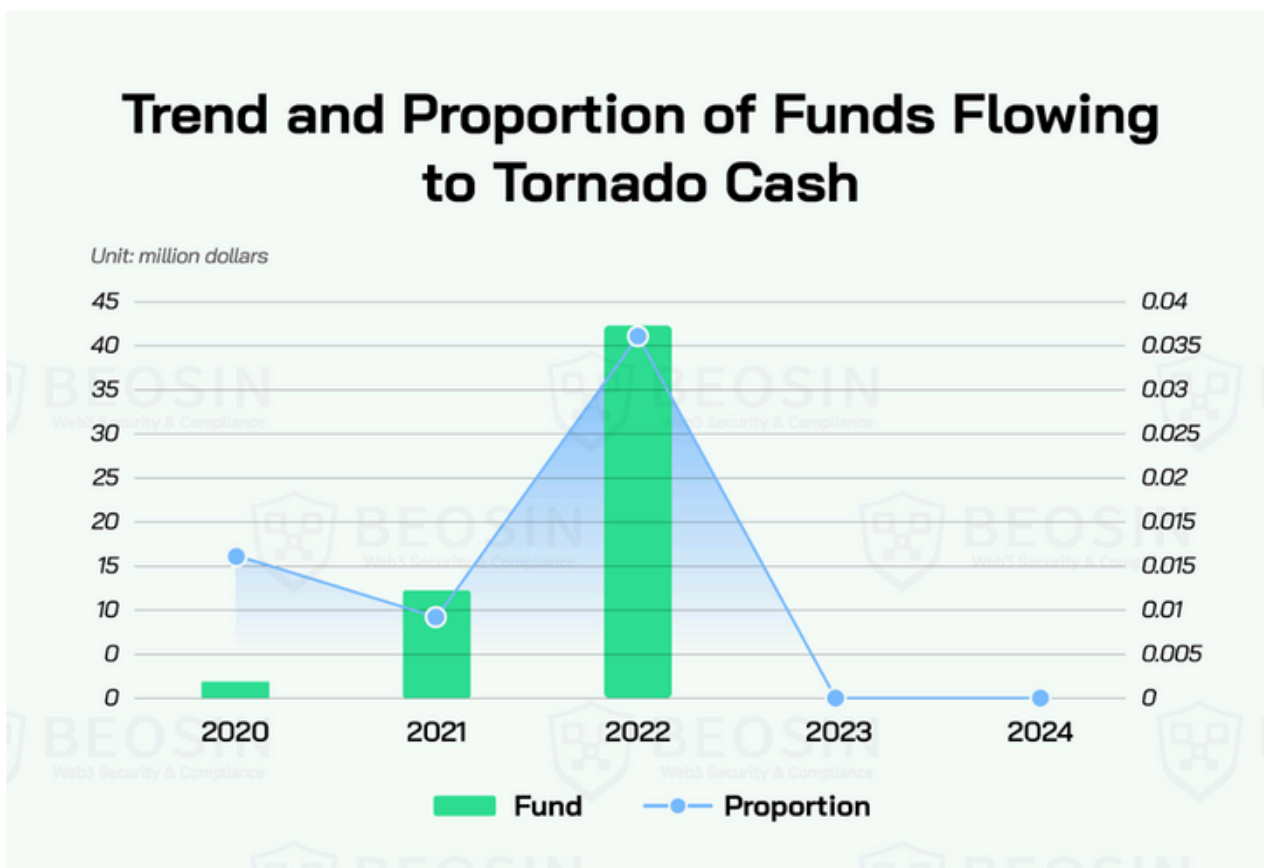


Figure4:Trend and Proportion of Funds Flowing to Tornado Cash

Inflows to Sanctioned Platforms



Anonymity and High Liquidity:

The anonymous nature of cryptocurrencies makes tracking illicit funds on-chain difficult. Even with technical measures to tag risk addresses, techniques like mixing obscure fund flows, facilitating money laundering.



Regulatory Gaps in Southeast Asia

The lack of comprehensive cryptocurrency regulations increases cross-border capital flow risks. Many countries remain cautious, providing loopholes for illicit capital movements.



Socioeconomic Environment

Economic disparity in some Southeast Asian countries has made them hotspots for scams and illegal gambling targeting foreign participants.



Technical Challenges in Oversight

Decentralized platforms, exchanges, and wallet providers face challenges in monitoring transactions effectively. Even centralized platforms with KYC and AML measures find it difficult to trace cross-chain and anonymous transactions, posing security risks.

Conclusion & Recommendations



The analysis reveals significant security risks in Southeast Asia's cryptocurrency usage. To mitigate illicit capital flows, Beosin recommends:

Southeast Asia, as one of the most promising regions for cryptocurrency growth, still faces challenges in capital flow risks. Beosin remains committed to building a secure, transparent, and compliant crypto ecosystem through enhanced regulation, user education, and technological innovation, aiming to reduce illicit capital flows and promote healthy digital economic growth.

01. Strengthening Regulatory Frameworks

Governments should establish comprehensive crypto regulations and collaborate internationally to combat illicit activities, tailoring frameworks to local conditions.

03. Promoting Technological Innovation

Develop advanced tracking and anti-money laundering technologies using big data and AI to detect high-risk capital flows.

02. Enhancing User Awareness

Educate users about on-chain risks and improve their ability to recognize and avoid illicit activities.

04. Fostering Collaboration

Encourage cooperation among exchanges, wallet providers, and related institutions in Southeast Asia to share information and bolster risk prevention efforts.



WEB SECURITY & COMPLIANCE

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