

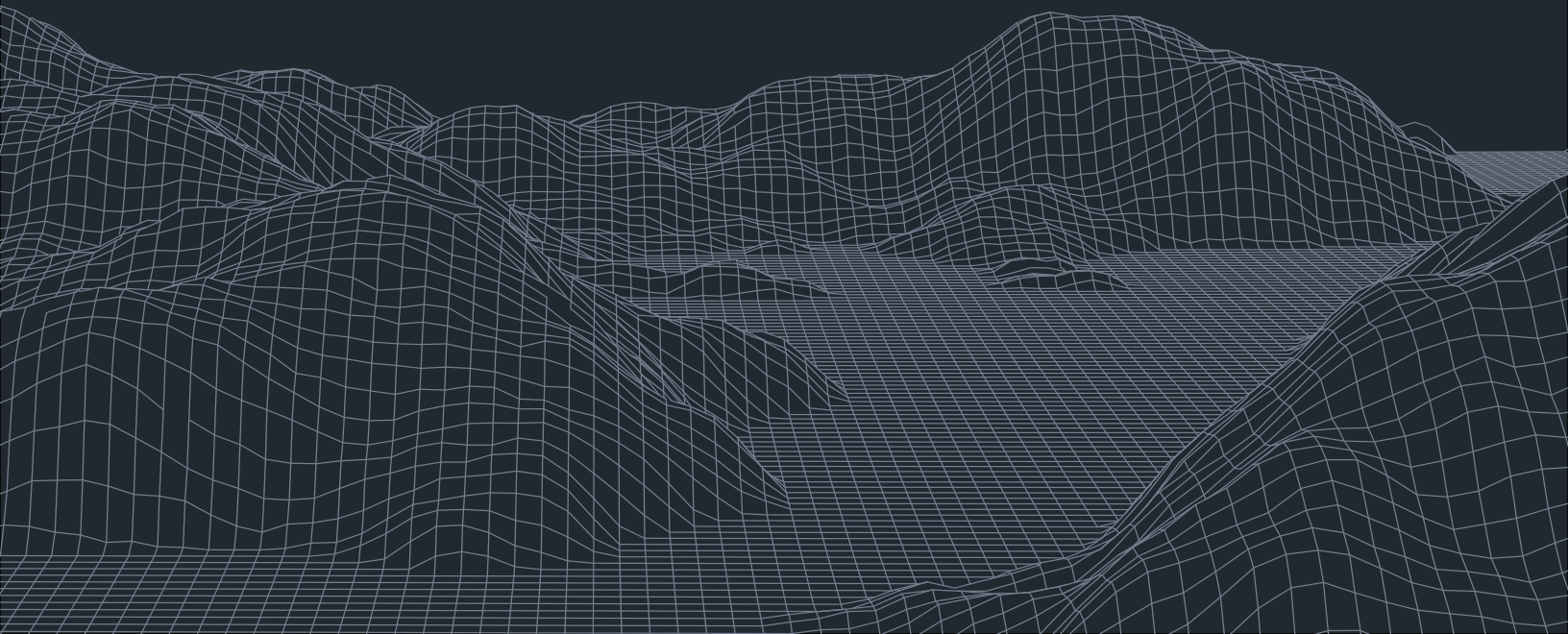


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Crypto Intelligence Alert

TRON



Recently, Circle made the announcement that they were de-platforming the TRON blockchain for native issuance of USDC, severing their official business dealings with the chain. In their announcement, Circle stated the following through their official corporate Twitter/X account:



Circle announcement ¹

The explicit mention of compliance in Circle's official announcement sparked numerous questions within the crypto ecosystem. Inca Digital is endeavoring through this Crypto Intelligence Alert to clarify certain instances of negative activity observed on the TRON blockchain and provide further context around factors that may have driven this decision.

This Crypto Intelligence Alert is part of Inca Digital's effort to foster transparent markets in crypto. For more information on TRON, including Inca Digital's cross market surveillance and market data analysis on TRX, data on TRON leadership and subsidiary companies, and TRON's role in aiding or enabling money laundering, please contact us at info@inca.digital.

¹ Twitter: [circle](https://twitter.com/circle); 2024 February 20.

Terrorist Activity

Government agencies, such as the National Bureau for Counter Terror Financing of Israel (NBCTF), have been consistently disclosing cryptocurrency addresses employed by various terrorist organizations.² These groups utilize the TRON blockchain. Presented below are approximate amounts in USD received by wallets on the TRON blockchain associated with terrorist entities:

1. Hamas: \$2.3M
2. DUBAI Co. for Exchange: \$29M
3. Palestinian Islamic Jihad: \$87M
4. Hezbollah: \$2.364B

Examples of Scams, Frauds, and Hacks

One popular scam on the TRON blockchain is a fake returns scam.³ This is where scammers build a fake platform that promises users abnormal returns, but instead of receiving those returns, users' funds are drained. Below are a few addresses involved in such scheme:

- TFwGL9wx2CpPrpGZo9RA6Nkv8pDkWMwpJi
- TS5F62vCdKfz7Tr5pf26L6PUW3cxP3USyC
- TWitgpFweRYEqfkpWrgFk317VUPqGS79B3

These addresses were reported to be connected with multiple platforms such as

- [https://www.kurotocapital\[.\]com](https://www.kurotocapital[.]com)
- [https://usdtshop\[.\]cn](https://usdtshop[.]cn)
- [https://theusdttokenpp\[.\]top](https://theusdttokenpp[.]top)

² National Bureau for Counter Terror Financing of Israel (NBCTF): [Seizures of Cryptocurrency](#).

³ chainabuse: [Tron Scam Reports](#); 2024 February 20.



TRON is also a frequently-used blockchain for laundering stolen funds. Just four months ago on November 10, 2023, for example, a Poloniex hacker stole approximately \$114M from Poloniex. The on-chain data shows that the bad actor uses both Ethereum and TRON blockchains to sell the stolen funds using the wallet address `TKK6d1YALy8HCSOCSWWd1ZJhyC9NPPx4wa`.⁴

Drug Trafficking

On October 3, 2023, the Office of Foreign Assets Control (OFAC) issued a report on Chinese entities that were responsible for drug production and distribution using the TRON blockchain.⁵ The list of entities are:

- Wang Jiantong (TMStbg5fgb4uTV7fK1gEYF9hKAzP3siPsG)
- Xia Fengbing (TTKnV2S1295UrPr7N67Tp9ykNL7xX2Z4Uj)
- Shen Xianbiao (TEAqwfMhXLaomXhZ8KeMhx3njGmQEDnsUR)
- Zhang Wei (TRBACioxrdsYEZHvJWiUDZcMdBPpEe5Ub)
- Wang Mingming (TUCsTq7TofTCJRRoHk6RvhMoS2mJLm5Yzq)

These addresses cumulatively received approximately \$1.95M worth of USDT.

Analyst Note: Inca Digital will be releasing a report on Tether at a later time.

Darknet

Both the TRX token and the TRON blockchain can be utilized to swap tokens on darknet markets. For example, OrangeFren - a cryptocurrency trading venue that advertises no KYC - offers swaps involving TRX, USDC, and USDT on the TRON blockchain.

⁴ Twitter: [lookonchain](#); 2023 November 10.

⁵ U.S. Department of Treasury: [Treasury Targets Large Chinese Network of Illicit Drug Producers](#); 2023 October 3.



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 We're organizing a meet-up in Madrid 🇪🇸 on the evening of the 23rd of February courtesy of eXch
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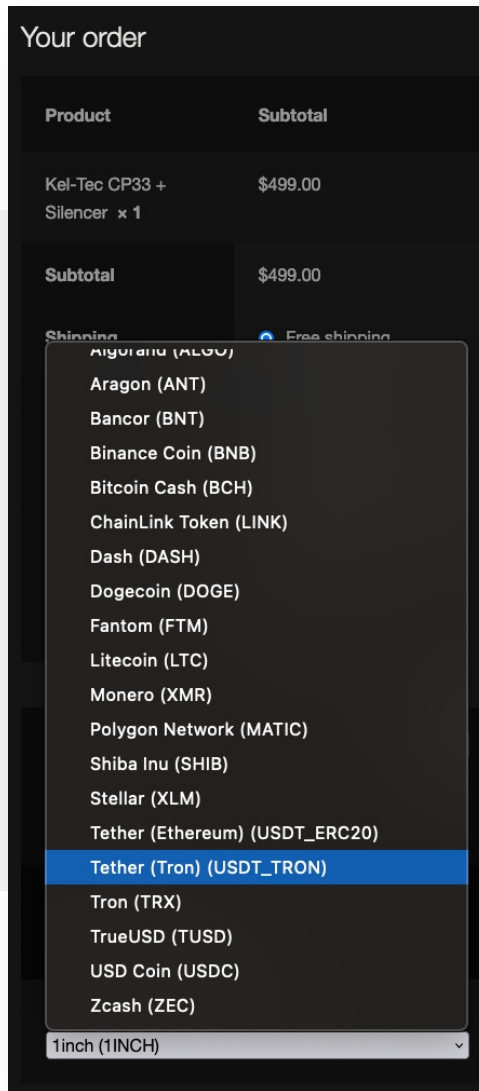
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TRX availability on non-KYC exchanges

The TRON blockchain is also advertised as a payment method on darknet markets. Many darknet markets offer users to pay for the goods and services via the TRON blockchain. The example below shows that weapons can be purchased via the Black Market Guns platform by sending approximately \$500 USD to TRON address *TXPcjUC6nDFCGbW2RMQqyWfcCZCF5GEJRP*.



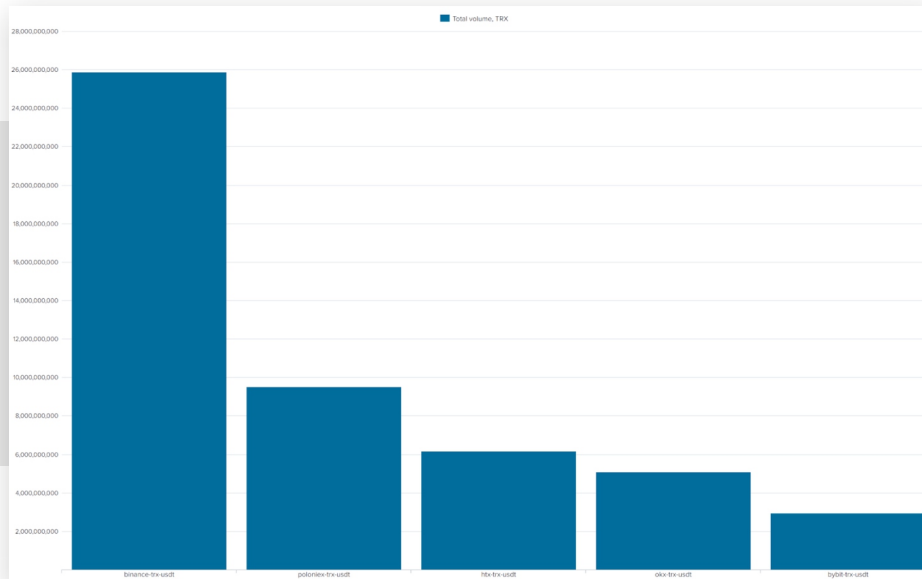
Black Market Guns purchase options

Market integrity

TRX is a native token of the TRON blockchain. It boasts a market capitalization exceeding \$12B, ranking it as the tenth largest token by market cap. It has a wide trading presence across numerous cryptocurrency exchanges, including prominent platforms such as Binance, OKX, and Bybit. Notably, Binance leads in trading volume for TRX, recording a substantial total of 25,874,956,074 TRX, approximately \$3.5B USD, over the past three months. The second position is held by the Poloniex exchange, with a trading volume of 9,517,168,523 TRX. The third spot is occupied by HTX, achieving a trading volume of 6,160,219,044 TRX.

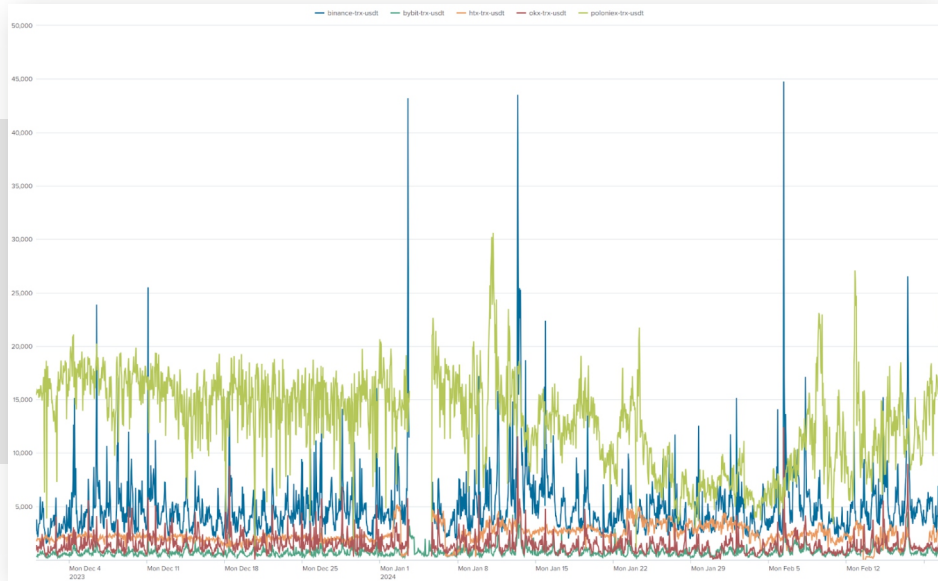
Both Poloniex and HTX are associated with Justin Sun, the founder of the TRON blockchain, highlighting a notable connection between the exchanges and the blockchain's creator.

Investigating the trading activity, Inca Digital found that the available data does not point to genuine market activity and likely suggests wash trading algorithms.



Total volume for TRX-USDT, Dec 1, 2023 - Feb 20, 2024

The integrity of the trading volumes reported by Poloniex merits a thorough investigation to distinguish between legitimate trading activities and artificial volume inflation strategies.

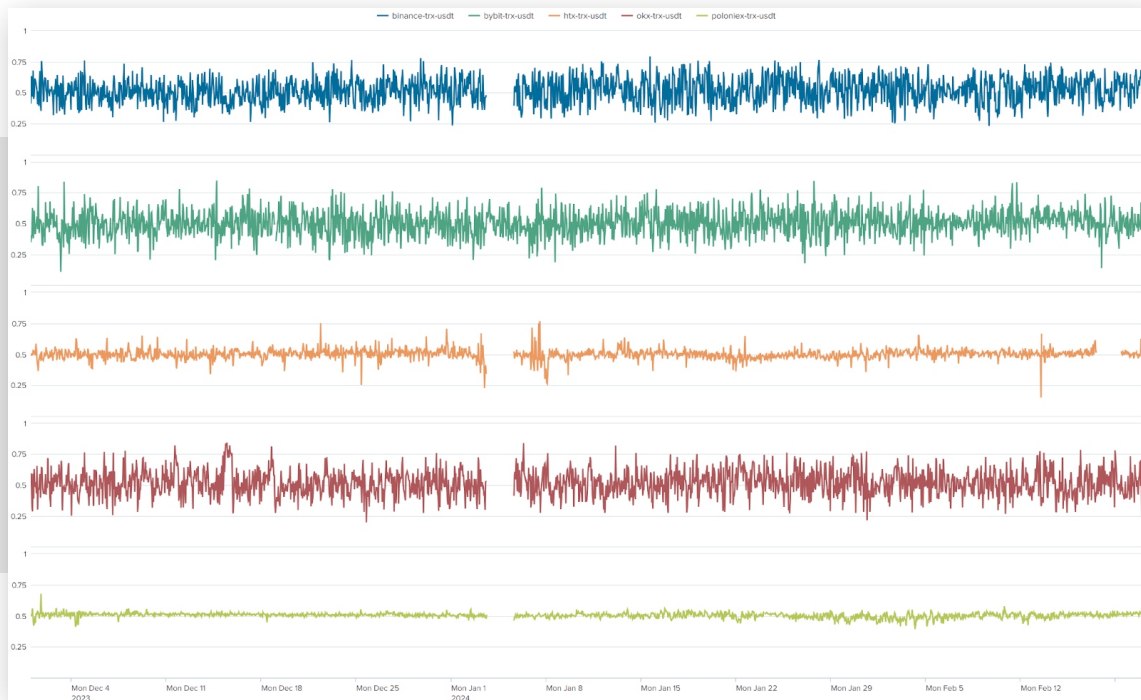


Number of trades for TRX-USDT, Dec 1, 2023 - Feb 20, 2024

Analyst Note: There is a gap in the data January 3-5, 2024.

To investigate the authenticity of trading volumes, a fundamental and effective method involves analyzing the ratio of buy to sell volumes. This approach is predicated on the principle that wash trading algorithms typically engage in buying and selling equivalent amounts of an asset, thereby exerting minimal impact on its price. Consequently, a basic wash trading algorithm would manifest minimal fluctuations in the buy-to-sell volume ratio, with the simplest forms of such algorithms exhibiting an average ratio distinctly converging towards 0.5. Examination of the available data reveals that the TRX-USDT trading pair on both HTX and Poloniex displays the least deviation around the 0.5 mark, suggesting the possible active utilization of wash trading algorithms. This observation necessitates a deeper scrutiny into their trading practices to ensure market integrity.

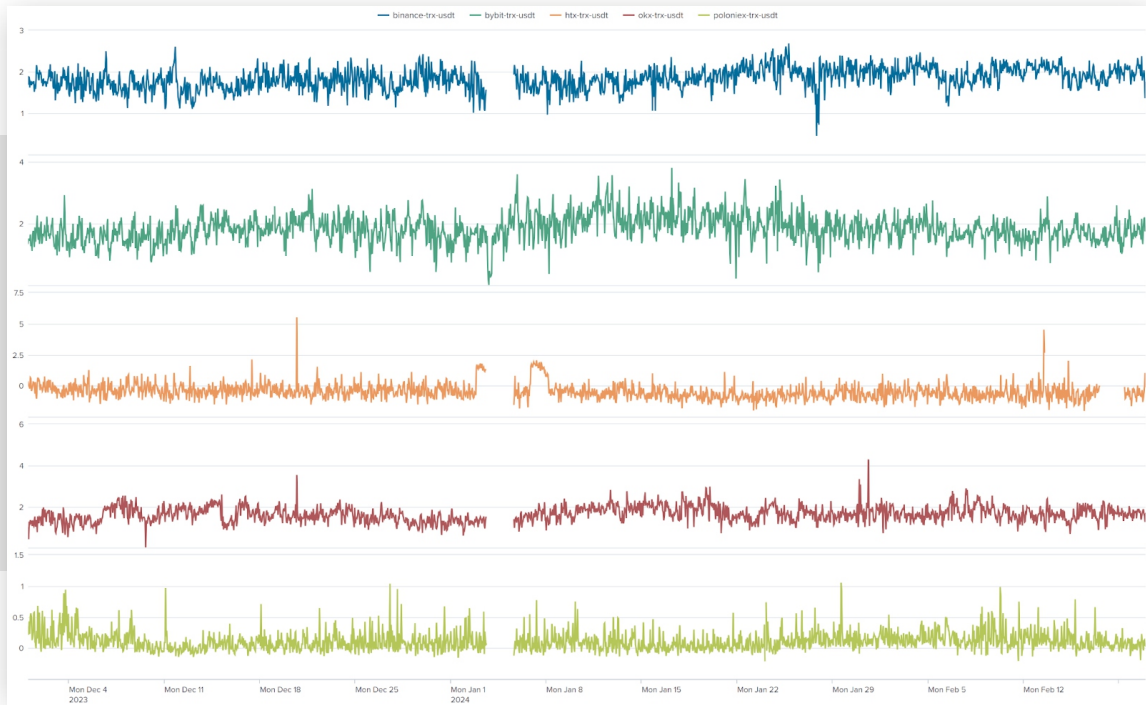




Buy/sell volume ratio for TRX-USDT, Dec 1, 2023 - Feb 20, 2024

Further analysis of trade volume distribution provides additional evidence supporting the suspicion of wash trading. In traditional financial markets, volume distribution is typically characterized by a predominance of smaller trading volumes, a feature quantitatively captured by the distribution skewness metric. Under normal market conditions, this metric should exceed a value of one, indicating a skew towards smaller trades. However, in the case of the exchanges associated with Justin Sun, notably HTX and Poloniex, the situation diverges significantly. The distribution skewness frequently registers below zero, a deviation that cannot be attributed to statistical anomalies or insufficient sample sizes. Given Poloniex's prominence in terms of trade frequency, these findings underscore the need for a meticulous examination of their trading volume profiles to discern the extent and impact of potential wash trading practices.



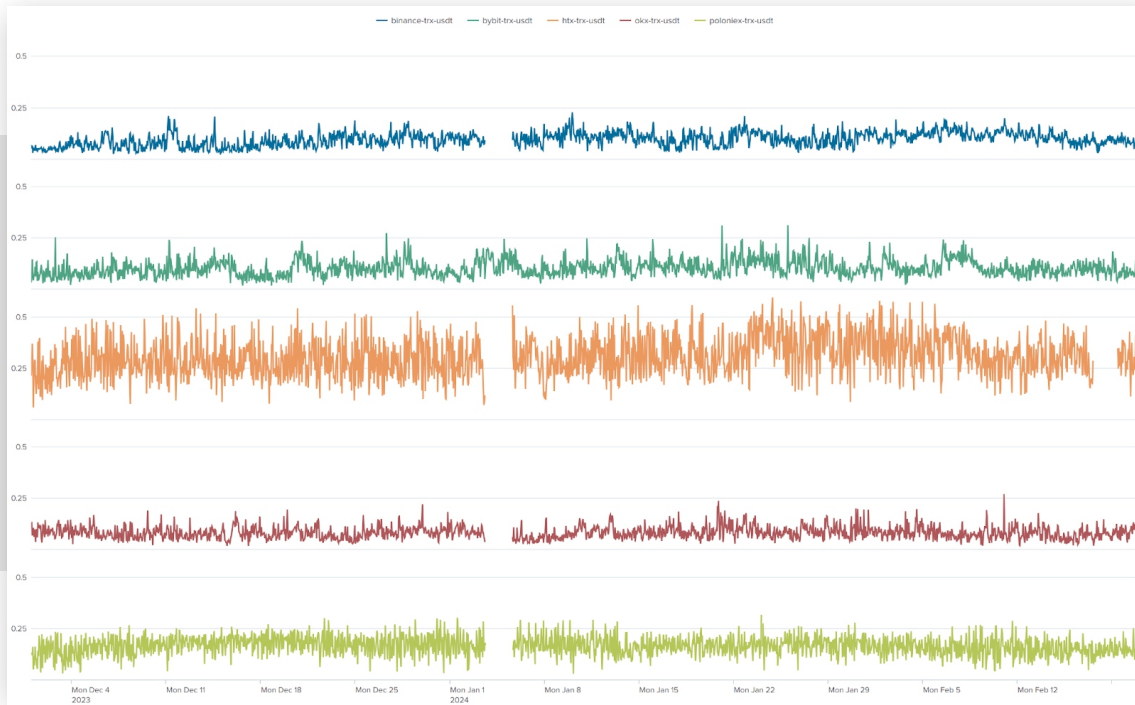


Volume distribution skewness for TRX-USDT, Dec 1, 2023 - Feb 20, 2024

The critical inquiry into whether genuine market participants are active on these exchanges can be approached through the application of two distinct metrics, each designed to identify behavioral patterns characteristic of real market participants. The first pattern involves adherence to Benford's Law, a principle commonly observed in naturally occurring datasets, including legitimate financial transactions. To assess compliance with Benford's Law, the Kolmogorov-Smirnov statistical test is employed, evaluating the conformity of reported trade volumes to this law. In financial markets exhibiting robust trading activity, the value derived from this test would seldom surpass 0.2, indicative of a natural distribution of leading digits in trade sizes.

In contrast, the analysis reveals that the TRX-USDT trading pair on both HTX and Poloniex frequently registers values exceeding 0.2. This deviation suggests that the trade sizes on these exchanges may not be derived from genuine market activity but rather are selected randomly or according to a predetermined algorithm that diverges from the expected pattern dictated by Benford's Law.



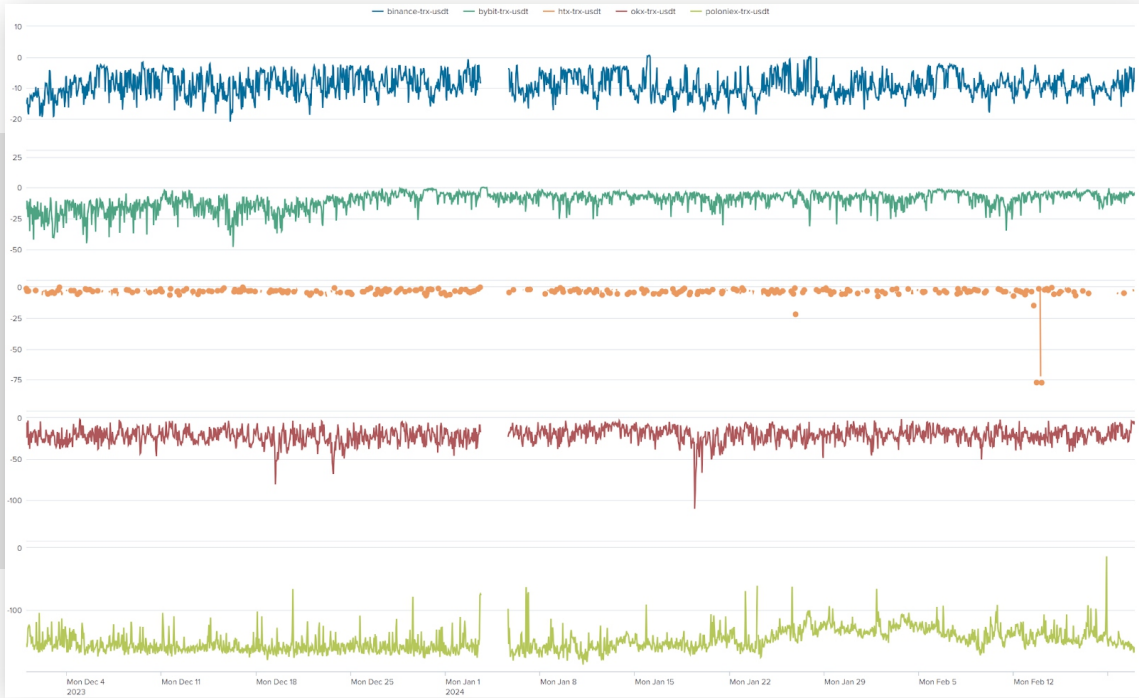


Kolmogorov-Smirnov test for the first digit distribution for TRX-USDT, Dec 1, 2023 - Feb 20, 2024

The second analytical approach targets the observed behavior among market participants towards favoring round-sized trade values, a pattern indicative of human trading activities. To quantitatively assess this behavior, Student's t-test is utilized to compare the frequencies of round versus non-round trade sizes, where higher metric values suggest a higher likelihood of genuine trader presence. In active financial markets, the absence of round-sized trades—and consequently, the inability to calculate this metric—is a rarity, signifying a robust participation of real traders.

Inca Digital's analysis of the TRX-USDT trading pair on HTX presents an unconventional pattern: the metric's graphical representation consists of discrete points rather than a continuous line. This discontinuity, marked by gaps indicating instances where the metric could not be computed, implies a frequent absence of round-sized trades. Given the substantial trading volume of TRX-USDT on HTX, the observation that less than two round-sized trades could be identified at each point of failure highlights a significant anomaly.

Conversely, the TRX-USDT trading pair on Poloniex exhibits the lowest values among all examined exchanges for this metric, signifying an unusually low frequency of round volume trades. Such findings on both HTX and Poloniex further accentuate concerns regarding the authenticity of trading activity.



Student's t-test for trade size clustering with 100x rounding for TRX-USDT, Dec 1, 2023 - Feb 20, 2024