Medium: The Legal Observer

May 15, 2019

Can Billionaires Use Bitcoin to Shield Their Fortunes During Divorce?

By Veronica Pamoukaghlian Viera

Jeff Bezos couldn't have hidden his $140 billion net worth from his wife MacKenzie even if he had wanted to. As much of his fortune is made up of Amazon shares, the nature of his holdings is public knowledge. The same can be said of his interest in the Washington Post and the rocket company Blue Origin. If Bezos had been a crypto billionaire, however, the situation would have been very different.

When asset-manager mogul Bill Gross divorced his wife Sue in 2016, she walked away with a $1.3 billion settlement, complete with a luxury Laguna Beach home and a $35-million Picasso. The split stripped Gross of his spot in the Fortune 400 list. Would Sue have received as much if Bill had been a Nakamoto or a Spagni?

Divorce involving cryptocurrency assets has completely changed the landscape of high-net-worth divorces. Attorneys are thinking of Bitcoin and Litecoin; regulators are issuing guidance, and both, the moneyed and non-moneyed spouses are facing new challenges.

> ***Dror Bikel*** explains, "We have forensic accountants and experts dedicated to finding potential crypto holdings. It is a lot of detective work, but it does bear fruit. When our client is the spouse who owns the crypto, we work to reach a fair settlement. In many cases, non-crypto savvy spouses overestimate the value of the other party's cryptocurrency assets.

IS CRYPTO THE NEW OFFSHORE?

New York's prime high-net-worth divorce attorney Dror Bikel recently asked this question in an informative blog. Bikel is also the author of a book about divorce involving cryptocurrency assets. "Bitcoin offers unique possibilities for hiding assets. But that is not the only challenge. In my book, I discuss the case of a man who lost massive crypto holdings

Continued on next page

in divorce, because he used it to buy a luxury property right before the split. The typical scenario involves a spouse who has crypto and is trying to hide it, but we are seeing many situations in our practice that are not so straightforward."

"It would be extremely hard to hide several billion without leaving a trace in today's crypto market, but as it grows, this may become a possibility," Bikel explains.

"In any case, we have forensic accountants and experts dedicated to finding potential crypto holdings. It is a lot of detective work, but it does bear fruit. When our client is the spouse who owns the crypto, we work to reach a fair settlement. In many cases, non-crypto savvy spouses overestimate the value of the other party's cryptocurrency assets."

Interestingly, some judges are now making decisions based on a spouse's suspected crypto assets, even with little actual proof of their existence.

Imagine a judge who would award real estate, bank accounts, investment portfolios to the spouse of a suspected crypto millionaire. This is a possibility today. In some cases, disclosing crypto could be a wiser financial decision, not to mention that hiding assets can be penalized in court.

Some cryptocurrencies, known as privacy cryptocoins, such as Monero, promise enhanced privacy. People like Bezos or Gross could have used it to hide assets. But the Monero market is just not big enough to absorb such fortunes. Of course, an attorney trying to trace a dishonest spouse's Monero would face unique challenges.

Today, the regulatory framework is catching up with crypto. If these disruptive financial instruments are going to exist, and do so ethically, beyond the reach of traditional authorities, efficient forms of self-regulation are needed.

The traditional authorities and the U.S. legal system, on the other hand, need to be ready to respond in a way that can protect individuals from the unlawful hiding or misappropriation of assets. ■