



\* Photo from left to right: Yusuke Yoneyama, Director and COO, LINE Xgenesis / Ulisse Dellorto, Chainalysis / Bas Lemmen, Chainalysis / Lim Inkyu, Representative Director and CEO, LINE Xgenesis

LINE Xgenesis deploys Chainalysis solutions to secure blockchain transactions for users and prevent illicit activity.

# Chainalysis solutions empower LINE to deliver safe and secure blockchain services and expand its business as a trusted global financial service provider.

**New company name:** LINE Xenesis Corporation

**Former company name:** LVC Corporation

**Company name changed:** April 28, 2022

**Chainalysis Solutions in use:** Chainalysis Reactor and KYT

**HQ Address:** 1-1-1 Nishishinagawa, Shinagawa City, Tokyo

In 2011, LINE Corporation launched the “LINE” communication app in Japan with a mission to “Close the Distance” by bringing people around the world closer to each other, to information, and to services, 24/7. 12 years later, LINE Corp. is now a global company serving 200 million users worldwide on the LINE app, supported by over 10,000 employees\*<sup>1</sup> with offices across the globe, including in Japan. LINE Xenesis Corporation, the subsidiary developing LINE’s cryptocurrency and blockchain-related businesses, has deployed Chainalysis’ solutions for real-time transaction monitoring to reduce potential exposure to illicit and fraudulent activity and run a comprehensive risk and compliance program that delivers a safe and secure user experience — components that are critical to the company’s business strategy. Since deployment, LINE Xenesis has already gained significant benefits.

## LINE’s Journey with Blockchain and Cryptocurrency

The LINE Group established “LINE Blockchain Lab” in April 2018 and developed its unique blockchain called “LINE Blockchain”. Since September 2019, the company has been rolling out various blockchain businesses, such as “LINE BITMAX”, a cryptocurrency transaction service in Japan.

In December 2022, LINE launched the 3rd generation blockchain Mainnet “Finschia”, which achieved a faster transaction speed by 400x and a 98% lower network usage fee compared to Ethereum. In the future, the company plans to further expand its “LINK” ecosystem by integrating the current “LINE Blockchain” services with the Mainnet “Finschia”.

## LINE Xenesis aims to deliver blockchain services for every user, and for every need

Blockchain technology is innovating businesses and various aspects of everyday life. While fiat currency has been the primary method for storing value, cryptocurrency and NFTs based on blockchain have revolutionized the world of finance and are becoming mainstream.

In response to these trends, LVC Corporation, the operator of the LINE Group’s cryptocurrency business and blockchain business, changed its name to “LINE Xenesis Corporation” in April 2022. The newly branded company aims to expand the token economy, pursue social responsibility as an ESG-conscious enterprise, and deliver the value of the blockchain, tailored to the specific needs of each customer. To provide a seamless user experience for customers to store, exchange and use value on the blockchain, LINE Xenesis linked its blockchain service with the LINE apps, while providing stable, secure and easy-to-use features that are tailored to all users, even those who are unfamiliar with blockchain technology. As a result, the company launched services including “LINE BITMAX”, the LINE Blockchain based NFT wallet “DOSI Wallet”, and a unified NFT marketplace, “LINENFT”.

The new company name “Xenesis” is derived from the “Genesis Block”, the first block of the blockchain. This name implies its desire, as an organization that drives LINE’s blockchain business, to be the first (Genesis Block) company to realize their mission of a “LINE Blockchain Designed For Everyone”. The name starts with the letter “X” which is often used in the names of LINE Blockchain services such as “LINE BITMAX”.

## Keeping Pace with FinTech Evolution

While technological advancements have revolutionized the world of digital financial services, the COVID-19 pandemic and geopolitical tensions have also led to the increase in digital financial crimes. Reports of various cases of fraud both in Japan and across the globe confirm many examples of cryptocurrency being used as a method for cybercrime. That said, the advantages that cryptocurrency provides for the global financial system as an alternative to fiat currency continues to drive the growth of the blockchain economy.

Hisayo Sato, Head of Money Laundering and Terrorism Financing /Proliferation Financing Provision Office at LINE Xenesis said, “Under the current economic landscape, cryptocurrency operators like ourselves have a responsibility to improve the security and safeguards of our customers’ digital assets, by taking strict and appropriate measures to prevent illicit fund transfers, and providing services that our users can feel confident in. In addition,

\*<sup>1</sup> LINE Group total, as of the end of October 2022.

with the increasing number of services related to cryptocurrency and with the growing number of users, policymakers are also establishing stronger regulatory frameworks for the digital assets space. The duty to review risk assessments on a regular basis and take into account the potential risks and vulnerabilities of blockchain's fast growing industry lies not only on the government agencies involved, but also rests on the businesses operating in this space."

### **Monitoring Fraudulent Activities in Real Time with Chainalysis**

In the domain of anti-money laundering (AML), there are several countermeasures taken by the industry to reduce financial crime risks that involve customer and product transaction risks, as well as macro-economic changes. In particular, real-time transaction monitoring has become one of the key measures to cope with financial crime threats and vulnerabilities. For this reason, LINE Xenesis began selecting solutions for transaction monitoring capabilities. The company evaluated different products from various aspects, but it was Chainalysis Reactor and KYT that emerged as the most advanced and holistic solution.

**Chainalysis Reactor** is the investigation software that helps the world's leading law enforcement agencies link real-world illicit activity to cryptocurrency addresses and transactions. As the most trusted solution, Chainalysis Reactor is used every day by law enforcement around the world for criminal investigations. Crypto companies also use Reactor for enhanced due diligence when investigating suspicious activity to potentially submit a SAR, for example.

**Chainalysis KYT (Know Your Transaction)** combines industry-leading blockchain intelligence, an easy-to-use interface, and a real-time API to reduce manual workflows while helping cryptocurrency businesses comply with local and global regulations.

Based on LINE Xenesis' requirements and business strategy, Chainalysis was evaluated as the most suitable solution. In August 2018, LINE Xenesis decided to adopt Chainalysis Reactor and KYT, and commenced deployment in November of that year.

### **Preventing illicit fund transfers and ensuring the safety of user assets through collaboration**

In the four and a half years that LINE Xenesis has utilized Chainalysis solutions, the company has realized several benefits.

Sato of LINE Xenesis said, "Chainalysis' solutions are not only providing excellent functionality. Chainalysis' blockchain data platform allow us to leverage advanced technologies that are powered by large, comprehensive and quality data, which form our greatest strengths in our blockchain monitoring and analysis capabilities."

Sato also shared about the contribution Chainalysis provided as a solutions provider. "The significant advantage of blockchain and cryptocurrency is that funds can be transferred instantly and across borders. However, it is not easy to reveal who is involved in a crime or illicit transaction, who is the source of the funds, and who are the ultimate beneficiaries. As laws and regulations are being strengthened, it is critical for financial institutions to strengthen their readiness to respond. It is no exaggeration to say that our collaboration with Chainalysis is essential for us to manage the increasing risk resulting from the illicit exploitation of the digital world, which is rapidly evolving in sophistication from the traditional money laundering methods of the past," Sato emphasized.

LINE Xenesis, which has maximized the use of Chainalysis solutions to monitor and analyze blockchain transactions, has gone so far as to position Chainalysis as a partner company rather than a solutions vendor. Sato said, "Chainalysis provides generous training, which enables us to leverage their advanced expertise and knowledge to strengthen our own. This has led us to derive solutions using heuristic analysis methodologies and rules. We communicate regularly with Chainalysis to share domestic and global trends and information regarding cryptocurrency activity. Furthermore, we believe that it is important to collaborate with Chainalysis on new countermeasures against financial crimes and money laundering using a risk-based approach, as well as sharing information about money laundering trends. The ultimate goal of our collaboration is to construct a framework which enables us to respond quickly and flexibly to protect user assets and prevent illicit fund transfers."

LINE Xenesis advocates for social responsibility as a company that focuses on expanding the token economy and ESG, and continues to provide new blockchain value while working closely with its customers. In the process, Chainalysis solutions are utilized every day to ensure the safety of LINE Xenesis' user assets and prevent illicit fund transfers.

Sato concluded the interview by saying, "We believe that the collaboration between Chainalysis and LINE Xenesis will put LINE users at ease, and enable us to maintain our position as a trusted financial service provider within the global community.

In order to prevent cryptocurrency from being susceptible to illicit activity including fraudulent financial transactions, LINE Xenesis and Chainalysis will work together to implement flexible and scalable countermeasures."

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