# JUSTIFICATION FOR OTHER THAN FULL AND OPEN COMPETITION

## SECTION 1: IDENTIFICATION OF THE AGENCY AND THE CONTRACTING ACTIVITY

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| **Department of State Contracting Activity** | ☒ Office of Acquisitions Management<br>☐ Foreign Service Institute<br>☐ Office of Foreign Missions<br>☐ U.S. Mission to the United Nations<br>☐ Overseas Post |
| **Requiring Activity** | INL Mexico City |

## SECTION 2: NATURE AND/OR DESCRIPTION OF THE ACTION BEING APPROVED

Approval is requested to award a new contract on a sole source basis to CHAINALYSIS GOVERNMENT SOLUTIONS, LLC of Ashburn, Virginia for the supplies and/or services described in Section 3 on behalf of the Requiring Activity.

## SECTION 3: DESCRIPTION OF SUPPLIES/SERVICES REQUIRED TO MEET THE AGENCY'S NEEDS

The Department of State, Bureau of International Narcotics and Law Enforcement Affairs (INL) Criminal Deterrence - Counter Illicit Finance & Investigations Program, requires specialized blockchain analytics software, technical assistance, investigative support, and refresher training in Spanish to support nine (9) Federal and State Government of Mexico (GOM) entities previously certified in Chainalysis Cryptocurrency Fundamentals Certification (CCFC) and Chainalysis Reactor Certification (CRC). The services will enable these entities to trace, analyze, and investigate illicit cryptocurrency transactions and support financial investigations related to money laundering and other financial crimes.

Software and services required under this solicitation:
- Chainalysis "Reactor" Licenses - 9 licenses (one per Mexican entity)
- Technical Assistance - 1 service package covering all 9 licenses
- Customer Success Manager (CSM) - 1 CSM supporting all 9 entities
- Investigative Case Support - 900 hours total (100 hours per license)
- On-Site Course Refreshers (Base Year) - 1 on-site course
- Virtual Course Refreshers (Option Year) - 54 virtual sessions total (6 per entity: 3 CCFC + 3 CRC)

The estimated value for the entire period of performance, including the base year and one option year, is $1,210,000.00 USD.

The licenses and services will be delivered in stages according to INL authorization due to administrative and political changes within Mexican entities. Services will be provided primarily through an online platform, with on-site training and selected in-person support. All inherent services, such as software, training, technical

support, investigative support, and documentation will be delivered in Spanish to ensure effective use by Mexican government personnel.

## SECTION 4: IDENTIFICATION OF THE STATUTORY AUTHORITY PERMITTING OTHER THAN FULL AND OPEN COMPETITION

This statutory authority permitting other than full and open competition is 41 U.S. Code 1901 as implemented by FAR 12.000; see also FAR 12.102(b).

## SECTION 5: DEMONSTRATION THAT THE PROPOSED CONTRACTOR'S UNIQUE QUALIFICATIONS OR THE NATURE OF THE ACQUISITION REQUIRES USE OF THE AUTHORITY CITED

Chainalysis Government Solutions, LLC is the sole owner, developer and licensor of the Chainalysis Reactor platform, a proprietary blockchain analytics tool specifically designed for law enforcement and government use. Reactor is built upon a unique combination of proprietary heuristics, clustering algorithms, and attribution datasets that associate blockchain addresses with real-world entities. These datasets and methodologies are not licensed for independent replication and are not available via other products.

Chainalysis Government Solutions, LLC offers:

- Spanish-language software support, documentation, and training tailored to Mexican users.
- Dedicated in-country support through a Customer Success Manager and Investigator based in Mexico City.
- A proven history of supporting U.S. and partner-nation law enforcement in cryptocurrency investigations.

These factors, combined with proprietary ownership of Reactor and its underlying data and methods, make Chainalysis Government Solutions, LLC the only responsible source capable of meeting INL's requirements.

A critical component of Reactor's functionality is its exclusive attribution dataset, which links blockchain addresses to real-world entities. Unlike other companies, Chainalysis makes attributions based on empirical and observable evidence that is human verified by its internal Global Intelligence Team and not only using IT equipment or artificial intelligence. Any attribution that does not meet Chainalysis' strict confidence and accuracy standards is not included in Chainalysis' data. This stringent approach to collecting and analyzing data is the foundation of Chainalysis' unique technical capabilities, including its unmatched geolocation information and ability to trace cryptocurrency through advanced obfuscation attempts, and has resulted in Chainalysis being the only blockchain analysis company whose data, tools, and testimony have withstood a Daubert challenge in court.

All those strong components are what makes Chainalysis Government Solutions, LLC, unique and capable of providing Reactor Licenses, accompanied by Technical Assistance, On-site and Virtual Course Refreshers and other components.

Additionally, Chainalysis retains exclusive licensing rights to the Reactor platform and its associated data. Licenses can only be granted directly by Chainalysis Government Solutions, LLC.

Although Chainalysis does have a reseller network for their products and training, the required combination of Spanish language software support, bundled training, licensing, ongoing technical assistance, and virtual course refreshers could not be resold by an authorized reseller in the same bundled structure.

Competitors in the blockchain analytics market may offer alternative tools; however, they do not have access to Chainalysis' proprietary datasets, nor can they replicate its attribution methodologies, which are based on a combination of advanced analytics and human intelligence validation. Resellers cannot legally grant licenses with the authorization of Chainalysis Government Solutions, and resellers cannot modify or replicate proprietary datasets.

These unique technical capabilities enable Reactor to trace cryptocurrency transactions across complex and obfuscated networks, including advanced laundering techniques, with a level of precision and reliability that is not available through other platforms. The attribution confidence standards, and investigative workflows are integral to INL's mission requirements and cannot be matched by alternative solutions.

In addition to its proprietary technology, Chainalysis Government Solutions, LLC provides Spanish-language software interfaces, training, and documentation tailored to Mexican government users, as well as in-country support through a dedicated Customer Success Manager and investigative personnel based in Mexico City. This localized support structure is essential to ensure effective adoption and operational continuity among the nine (9) Mexican entities supported under this requirement.

The bundled structure that includes the full scope of INL's requirement is only available through Chainalysis Government Solutions. Attempting to compete and award to an authorized reseller(s) is expected to result in the Government paying price premiums and risks INL having to execute multiple competitions and awards in order procure all necessary components. Even if all necessary elements could be obtained through resellers, the added administrative burden or one or more contracts competitively awarded through a reseller is not expected to result in a lower overall cost to the Government creates risk of an uncertain procurement timeline and the potential administrative burden managing multiple contract awards with intertwined components. Awarding directly to the owner of the programs will permit INL to move forward with quickly and minimize coordination with third parties, especially since as a donation significant coordination will necessarily be required with the Government of Mexico end user.

Based on the proprietary nature of the Reactor platform, exclusive licensing restrictions, non-availability of underlying datasets, and the inability of competitors to replicate Chainalysis attribution methodologies and integrated service delivery model, Chainalysis Government Solutions, LLC is the only responsible source capable of meeting INL's requirements. Use of other than full and open competition is therefore justified.

## SECTION 6. DESCRIPTION OF EFFORTS TO ENSURE THAT OFFERS WERE SOLICITED FROM AS MANY POTENTIAL SOURCES AS IS PRACTICABLE, INCLUDING WHETHER A NOTICE WAS OR WILL BE PUBLICIZED AS REQUIRED BY FAR SUBPART 5.2 AND, IF NOT, WHICH EXCEPTION UNDER FAR 5.202 APPLIES

INL-Criminal Deterrence program conducted market research to identify potential vendors capable of providing blockchain analytics software, technical assistance, investigative support, and training in Spanish that meet INL's requirements. Market research included open-source internet searches, review of industry publications, and

identification of known blockchain analytics providers supporting government and law enforcement customers. Vendors reviewed included, but were not limited to, Chainalysis, TRM Labs, Elementus, and Allium.

The agency's minimum requirements were defined functionally, not brand-specific. Market research determined that only Chainalysis' Reactor platform satisfies these functional requirements. The results of the market research showed that while other companies offer certain blockchain analytics tools, none can provide the Chainalysis Reactor platform, which is proprietary to Chainalysis. Additionally, even when considering the Chainalyis authorized reseller network, no other vendor was able to offer the same combination of software, training, investigative support, Spanish-language delivery, and in-country support structure as an integrated package and at the same cost structure.

Based on this market research, INL-Criminal Deterrence program determined that Chainalysis Government Solutions, LLC is the only responsible source capable of meeting the agency's needs.

A notice will be publicized as required by FAR Subpart 5.2

## SECTION 7. DETERMINATION BY THE CONTRACTING OFFICER THAT THE ANTICIPATED COST TO THE GOVERNMENT IS FAIR AND REASONABLE

The Contracting Office has determined that the anticipated price(s) will be fair and reasonable based on catalog or established price list; GSA contracts or pricing agreements; price based on prior competition; comparison to substantially similar item(s); sales of the same item to other purchasers; historical prices; By signing the justification, the Contracting Officer makes a determination that the price to the Government is expected to be fair and reasonable.

## SECTION 8. DESCRIPTION OF THE MARKET RESEARCH CONDUCTED (SEE PART 10) AND THE RESULTS OR A STATEMENT OF THE REASON A MARKET RESEARCH WAS NOT CONDUCTED

After conducting internet and open-source market research, only Chainalysis Government Solutions, LLC was identified as the only vendor that covers this type of specialized software-Reactor Licenses and that can provide extra components to strengthen capacity-building of financial local authorities. There are no other companies that can provide the specific Reactor software INL Mexico is looking for nor the extra components in the same package and at the same price.

Between Mexico and the United States, there are other well-known companies providing alternative crypto software, but those do not fulfill INL's technical specifications previously described. While some other companies may provide the Reactor Licenses as resale retailers, using resellers is not expected to meet the fully array of INL technical requirements including training and technical support in Spanish that accompany the licenses at the same price. .

## SECTION 9. ANY OTHER FACTS SUPPORTING THE USE OF OTHER THAN FULL AND OPEN COMPETITION

Chainalysis Government Solutions LLC has an extensive history in the successful tracing of financial transactions and has performed critical account and asset reconciliation and record-keeping for the firm's most sensitive USG customers. Chainalysis Government Solutions LLC is the leading global cryptocurrency data and technology company employing several cryptocurrency subject matter experts and proprietary data holdings, technologies, and algorithms used to accurately ensure payments are made in the most non-attributable possible way.

Additionally, INL funded Chainalysis Cryptocurrency Fundamentals Certification (CCFC) and Reactor Certification (CRC) for approximately 50 Mexican officials in 2024. Those officials are trained specifically in Chainalysis methodologies and Reactor functionality. The current requirement is designed as a direct follow-on to those certifications so that trained users can operate what they learned using the same platform.

Follow-on training must be conducted on the same proprietary platform to maintain certification validity and functional compatibility.

## SECTION 10. LISTING OF SOURCES, IF ANY, THAT EXPRESSED A WRITTEN INTEREST IN THE ACQUISITION

To date, no other sources have written to express interest.

## SECTION 11. STATEMENT OF THE ACTIONS, IF ANY, THE AGENCY MAY TAKE TO REMOVE OR OVERCOME ANY BARRIERS TO COMPETITION BEFORE ANY SUBSEQUENT ACQUISITION FOR THE SUPPLIES OR SERVICES REQUIRED

At the conclusion of the anticipated training contract, the program office will conduct a market survey to verify whether any other alternative products have emerged in the field. This J&A for other than full and open competition will be published on the Government Point of Entry (GPE) https://www.sam.gov in accordance with FAR Section 6.305 within 14 days after contract award. If, in the future, only Reactor licenses are again required, then INL will consider competing and awarding a license only contract via a GWAC or other existing vehicle.

INL Mexico will continue to monitor industry trends and stay abreast of any advancements that would promote competition for similar supplies and services.