

BitConnect Founder Indicted in Global \$2.4 Billion Cryptocurrency Scheme

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Press Release

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For Immediate Release

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A federal grand jury in San Diego returned an indictment today charging the founder of BitConnect with orchestrating a global Ponzi scheme. BitConnect is an alleged fraudulent cryptocurrency investment platform that reached a peak market capitalization of \$3.4 billion.

According to court documents, Satish Kumbhani, 36, of Hemal, India, the founder of BitConnect, misled investors about BitConnect's "Lending Program." Under this program, Kumbhani and his co-conspirators touted BitConnect's purported proprietary technology, known as the "BitConnect Trading Bot" and "Volatility Software," as being able to generate substantial profits and guaranteed returns by using investors' money to trade on the volatility of cryptocurrency exchange markets. As alleged in the indictment, however, BitConnect operated as a Ponzi scheme by paying earlier BitConnect investors with money from later investors. In total, Kumbhani and his co-conspirators obtained approximately \$2.4 billion from investors.

The indictment further alleges that, after operating for approximately one year, Kumbhani abruptly shut down the Lending Program. Kumbhani then directed his network of promoters to fraudulently manipulate and prop up the price of BitConnect's digital currency, a commodity known as BitConnect Coin (BCC), to create the false appearance of legitimate market demand for BCC. Kumbhani and his co-conspirators also concealed the location and control of the fraud proceeds obtained from investors by commingling, cycling, and exchanging the funds through BitConnect's cluster of cryptocurrency wallets and various internationally based cryptocurrency exchanges.

According to the indictment, to avoid regulatory scrutiny and oversight of BitConnect's cryptocurrency offering, Kumbhani evaded U.S. regulations governing the financial industry, including those enforced by the Financial Crimes Enforcement Network (FinCEN). For example, although BitConnect operated a money transmitting business through its digital currency exchange, BitConnect never registered with FinCEN, as required under the Bank Secrecy Act.

"Crime, particularly crime involving digital currencies, continues to transcend international boundaries," said Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department's Criminal Division. "The department is committed to protecting victims, preserving market integrity, and strengthening its global partnerships to hold accountable criminals engaging in cryptocurrency fraud. We thank our partners around the world for their continued efforts."

"This indictment alleges a massive cryptocurrency scheme that defrauded investors of more than \$2 billion," said U.S. Attorney Randy Grossman for the Southern District of California. "The U.S. Attorney's Office and our law enforcement partners are committed to pursuing justice for victims of cryptocurrency fraud."

"Today's indictment reiterates the FBI's commitment to identifying and addressing bad actors defrauding investors and sullyng the ability of legitimate entrepreneurs to innovate within the emergent cryptocurrency space," said Special Agent in Charge Eric B. Smith of the FBI's Cleveland Field Office. "Dressing up a tried and true fraud scheme with a new twist and basing it overseas will not deter the resolve and dedication of the FBI to meticulously investigate and bring such fraudsters to justice."

"As cryptocurrency gains popularity and attracts investors worldwide, alleged fraudsters like Kumbhani are utilizing increasingly complex schemes to defraud investors, oftentimes stealing millions of dollars," said Special Agent in Charge Ryan L. Korner of the IRS Criminal Investigation's (IRS-CI) Los Angeles Field Office. "However, make no mistake, our agency will continue our long tradition of following the money, whether physical or digital, to expose criminal schemes and hold the fraudsters accountable for their illegal acts of trickery and deceit."

Kumbhani is charged with conspiracy to commit wire fraud, wire fraud, conspiracy to commit commodity price manipulation, operation of an unlicensed money transmitting business, and conspiracy to commit international money laundering. If convicted of all counts, he faces a maximum total penalty of 70 years in prison. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors. Kumbhani is at large.

The FBI Cleveland Field Office and IRS-CI are investigating the case.

Trial Attorney Kevin Lowell of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Daniel Silva, Mark W. Pletcher, Carl Brooker, and Lisa Sanniti of the Southern District of California are prosecuting the case. The Department of Justice Office of International Affairs provided indispensable assistance to the investigation.

All investor victims of the BitConnect fraud are encouraged to visit the webpage <https://www.justice.gov/usao-sdca/us-v-glenn-arcaro-21cr02542-twr> to identify themselves as potential victims and obtain more information on their rights as victims, including the ability to submit a victim impact statement.

An indictment is merely an allegation, and the defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

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