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8 Attorneys for the United States

**SEALED  
BY COURT ORDER**

FILED  
2017 JAN 17 P 4:38  
CLERK, U.S. DISTRICT COURT  
NO. DIST. OF CA.

9  
10 UNITED STATES DISTRICT COURT  
11 NORTHERN DISTRICT OF CALIFORNIA  
12 SAN FRANCISCO DIVISION

13 UNITED STATES OF AMERICA,

14 Plaintiff,

15 v.

16 BTC-E, A/K/A CANTON BUSINESS  
17 CORPORATION,

18 and

19 ALEXANDER VINNIK.  
20 Defendants.

) CASE NO: CR 16-00227 SI

) UNITED STATES' MOTION TO SEAL  
) SUPERSEDING INDICTMENT, ARREST  
) WARRANTS AND ~~PROPOSED~~ ORDER

) UNDER SEAL

1 The United States hereby moves the Court for an order sealing this Motion and Order, Arrest  
2 Warrants and the Superseding Indictment. The government believes that if the defendants are made  
3 aware of these documents before they are arrested, that they may make efforts to avoid being arrested.

4  
5  
6 Date: January 17, 2017

Respectfully Submitted,

7 BRIAN J. STRETCH  
8 United States Attorney

9  
10   
11 WILLIAM FRENTZEN  
Assistant United States Attorney

12 <sup>Ⓞ</sup>  
13 **[PROPOSED] ORDER**

14 Based upon the foregoing request, the Court hereby **ORDERS** that this Motion and Order, Arrest  
15 Warrants and the Superseding Indictment shall be filed and kept under seal by the clerk of the Court  
16 until further order of the Court. The Court hereby further **ORDERS** that any representative of the  
17 United States Attorney's Office or the Internal Revenue Service, shall be allowed to obtain a copy of the  
18 Superseding Indictment without further order of the Court.

19  
20  
21 Dated: January 17, 2017

22   
23 HON. SALLIE KIM  
24 UNITED STATES MAGISTRATE JUDGE

# United States District Court

FOR THE  
NORTHERN DISTRICT OF CALIFORNIA

VENUE: SAN FRANCISCO

FILED

2017 JAN 17 P 4:38

SUJONG  
CLERK, U.S. DISTRICT COURT  
NO. DIST. OF CA.

UNITED STATES OF AMERICA,

**SEALED** v.  
**BY COURT ORDER**

*CR 16-0227-SI*

BTC-E, A/K/A CANTON BUSINESS CORPORATION  
and ALEXANDER VINNIK,

DEFENDANT(S).

## SUPERSEDING INDICTMENT

18 U.S.C. § 1960 - Operation of an Unlicensed Money Service Business;  
18 U.S.C. § 1956(h) - Conspiracy to Commit Money Laundering;  
18 U.S.C. § 1956(a)(1) - Money Laundering;  
18 U.S.C. § 1957 - Unlawful Monetary Transactions; and  
18 U.S.C. §§ 982(a)(1) - Criminal Forfeiture

A true bill.

*[Signature]*

Foreman

Filed in open court this 17<sup>th</sup> day of

January, 2017

*[Signature]*

Clerk

SALLIE KIM

United States Magistrate Judge

NO BAIL WARRANT  
*for Alexander Vinnik*

Bail, \$ \_\_\_\_\_

NO PROCESS *for BTC-E*

*[Signature]*



**DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT**

BY:  COMPLAINT  INFORMATION  INDICTMENT  
 SUPERSEDING

**OFFENSE CHARGED**

- 18 U.S.C. § 1960 - Operation of an Unlicensed Money Service Business; 18 U.S.C. § 1956(h) - Conspiracy to Commit Money Laundering; 18 U.S.C. § 1956(a)(1) - Money Laundering; 18 U.S.C. § 1957 - Unlawful Monetary Transactions; and 18 U.S.C. §§ 982(a)(1) - Criminal Forfeiture
- Petty
- Minor
- Misdemeanor
- Felony

PENALTY: Please see attachment.

**SEALED BY COURT ORDER**

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

**DEFENDANT - U.S.**

▶ BTC-E, A/K/A CANTON BUSINESS CORPORATION

DISTRICT COURT NUMBER

CR 16-00227 SI

**FILED**  
JAN 17 2017  
SUSAN Y. SOONG  
CLERK U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

**PROCEEDING**

Name of Complainant Agency, or Person (& Title, if any)

Internal Revenue Service

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrp 20, 21, or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of.

U.S. ATTORNEY  DEFENSE } SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

\_\_\_\_\_ } MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

\_\_\_\_\_ }

Name and Office of Person Furnishing Information on this form BRIAN J. STRETCH

U.S. Attorney  Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned) WILLIAM FRENTZEN

**IS NOT IN CUSTODY**

Has not been arrested, pending outcome of proceeding.

- 1)  If not detained give date any prior summons was served on above charges
- 2)  Is a Fugitive
- 3)  Is on Bail or Release from (show District)

**IS IN CUSTODY**

- 4)  On this charge
  - 5)  On another conviction }  Federal  State
  - 6)  Awaiting trial on other charges
- If answer to (6) is "Yes", show name of institution

Has detainer been filed?  Yes  No } If "Yes" give date filed

DATE OF ARREST ▶ \_\_\_\_\_ Month/Day/Year

Or... If Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY ▶ \_\_\_\_\_ Month/Day/Year

This report amends AO 257 previously submitted

**ADDITIONAL INFORMATION OR COMMENTS**

**PROCESS:**

SUMMONS  NO PROCESS\*  WARRANT

If Summons, complete following:

Arraignment  Initial Appearance

Defendant Address:

\_\_\_\_\_

Bail Amount: \_\_\_\_\_

\* Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Date/Time: \_\_\_\_\_ Before Judge: \_\_\_\_\_

Comments:



**ATTACHMENT TO PENALTY SHEET**

**BTC-E, A/K/A CANTON BUSINESS CORPORATION**

**COUNT ONE:** (18 U.S.C. §1960 – Operation of an Unlicensed Money Service Business)  
5 years imprisonment

**COUNT TWO:** (18 U.S.C. § 1956(h) – Conspiracy to Commit Money Laundering)

Not more than 20 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment

**COUNTS THREE THROUGH NINETEEN:** (18 U.S.C. § 1956(a)(1)(A)(i) and (a)(1)(B)(i) - Money Laundering)

Not more than 20 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment

**COUNTS TWENTY THROUGH TWENTY-ONE:** (18 U.S.C. § 1957 – Engaging in Unlawful Monetary Transactions)

Not more than 10 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment.

**FORFEITURE ALLEGATION:** (18 U.S.C. §§ 982(a)(1) – Criminal Forfeiture)

**DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT**

BY:  COMPLAINT  INFORMATION  INDICTMENT  
 SUPERSEDING

**OFFENSE CHARGED**

- 18 U.S.C. § 1960 - Operation of an Unlicensed Money Service Business; 18 U.S.C. § 1956(h) - Conspiracy to Commit Money Laundering; 18 U.S.C. § 1956(a)(1) - Money Laundering; 18 U.S.C. § 1957 - Unlawful Monetary Transactions; and 18 U.S.C. §§ 982(a)(1) - Criminal Forfeiture
- Petty
- Minor
- Misdemeanor
- Felony

PENALTY: Please see attachment.

**SEALED BY COURT ORDER**

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

DEFENDANT - U.S.

ALEXANDER VINNIK

DISTRICT COURT NUMBER

CR 16-00227 SI

**FILED**  
JAN 17 2017  
SUSAN Y. SOONG  
CLERK U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

**PROCEEDING**

Name of Complainant Agency, or Person (& Title, if any)

Internal Revenue Service

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrp 20, 21, or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of:

U.S. ATTORNEY  DEFENSE

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

Name and Office of Person Furnishing Information on this form BRIAN J. STRETCH

U.S. Attorney  Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned) WILLIAM FRENTZEN

**DEFENDANT IS NOT IN CUSTODY**

Has not been arrested, pending outcome this proceeding.

- 1)  If not detained give date any prior summons was served on above charges
- 2)  Is a Fugitive
- 3)  Is on Bail or Release from (show District)

**DEFENDANT IS IN CUSTODY**

- 4)  On this charge
  - 5)  On another conviction }  Federal  State
  - 6)  Awaiting trial on other charges
- If answer to (6) is "Yes", show name of institution

Has detainer been filed?  Yes  No } If "Yes" give date filed

DATE OF ARREST Month/Day/Year

Or... If Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY Month/Day/Year

This report amends AO 257 previously submitted

**ADDITIONAL INFORMATION OR COMMENTS**

**PROCESS:**

SUMMONS  NO PROCESS\*  WARRANT

Bail Amount \_\_\_\_\_

If Summons, complete following:

Arraignment  Initial Appearance

\* Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Defendant Address:

Date/Time: \_\_\_\_\_ Before Judge: \_\_\_\_\_

Comments:



**ATTACHMENT TO PENALTY SHEET**

**ALEXANDER VINNIK**

**COUNT ONE:** (18 U.S.C. §1960 – Operation of an Unlicensed Money Service Business)  
5 years imprisonment

**COUNT TWO:** (18 U.S.C. § 1956(h) – Conspiracy to Commit Money Laundering)

Not more than 20 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment

**COUNTS THREE THROUGH NINETEEN:** (18 U.S.C. § 1956(a)(1)(A)(i) and (a)(1)(B)(i) - Money Laundering)

Not more than 20 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment

**COUNTS TWENTY THROUGH TWENTY-ONE:** (18 U.S.C. § 1957 – Engaging in Unlawful Monetary Transactions)

Not more than 10 years imprisonment; not more than \$500,000 fine or twice the value of the property involved in the transaction, whichever is greater; not more than 3 years of supervised release; and a \$100 special assessment.

**FORFEITURE ALLEGATION:** (18 U.S.C. §§ 982(a)(1) – Criminal Forfeiture)



1 BRIAN J. STRETCH (CABN 163973)  
United States Attorney

FILED  
2017 JUN 17 P 4:38  
CLERK OF DISTRICT COURT  
NO. DIST. OF CA.

6 **SEALED**  
7 **BY COURT ORDER**

8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

11 UNITED STATES OF AMERICA,  
12 Plaintiff,

13 v.

14 BTC-E, A/K/A CANTON BUSINESS  
CORPORATION,

15 and

16 ALEXANDER VINNIK.

17 Defendants.  
18

) UNDER SEAL

) CASE NO. CR 16-00227 SI

) VIOLATIONS: 18 U.S.C. § 1960 – Operation of an  
) Unlicensed Money Service Business; 18 U.S.C.  
) § 1956(h) – Conspiracy to Commit Money  
) Laundering; 18 U.S.C. § 1956(a)(1) – Money  
) Laundering; 18 U.S.C. § 1957 – Unlawful Monetary  
) Transactions; 18 U.S.C. § 982(a)(1) – Criminal  
) Forfeiture

) SAN FRANCISCO VENUE

19 SUPERSEDING INDICTMENT

20 The Grand Jury charges:

21 INTRODUCTORY ALLEGATIONS

22 At all times relevant to this Indictment:

23 1. Since at least approximately 2011 through and including the present, both dates being  
24 approximate and inclusive, the defendant BTC-e operated as one of the world's largest and most widely  
25 used digital currency exchanges. Since its inception, BTC-e processed several billion dollars worth of  
26 monetary exchanges. BTC-e was an exchange for cybercriminals worldwide, and one of the principal  
27 entities used to launder and liquidate criminal proceeds from digital currencies, including Bitcoin, to fiat  
28

1 currencies,<sup>1</sup> including U.S. dollars, Euros, and Rubles. At all relevant times, the defendant  
2 ALEXANDER VINNIK, together with individuals known and unknown, directed and supervised BTC-  
3 e's operations and finances.

4 2. BTC-e was an international money-laundering scheme that, by virtue of its business  
5 model, catered to criminals – and to cybercriminals in particular. Through VINNIK's efforts, BTC-e  
6 emerged as one of the principal means by which cyber criminals around the world laundered the  
7 proceeds of their illicit activity. BTC-e facilitated crimes, including computer hacking and ransomware,  
8 fraud, identity theft, tax refund fraud schemes, public corruption, and drug trafficking.

9 3. BTC-e lacked basic anti-money laundering controls and policies and, as such, was  
10 attractive to those who desired to conceal criminal proceeds as it made it more difficult for law  
11 enforcement to trace and attribute funds.

12 4. Since its founding, BTC-e received criminal proceeds of numerous computer intrusions  
13 and hacking incidents, ransomware scams, identity theft schemes, corrupt public officials, and narcotics  
14 distribution rings. Among other things, BTC-e accounts received substantial proceeds from the hack of  
15 the now-defunct Mt. Gox digital currency exchange and also received a substantial portion of the  
16 criminal proceeds from one of the largest ransomware schemes, CryptoWall.

17 5. As described further below, the defendants and their co-conspirators, including those  
18 known and unknown to the Grand Jury, intentionally created, structured, and operated BTC-e as a  
19 criminal business venture, one designed to help criminals launder their proceeds and one they  
20 themselves used to launder criminal proceeds. The defendants thus attracted and maintained a customer  
21 base that was heavily reliant on criminals.

22 6. Despite doing substantial business in the United States, BTC-e was not registered as a  
23  
24

25 <sup>1</sup> Fiat currency is simply a currency established by government regulation or law, e.g. U.S.  
26 Dollars, Euros, Japanese Yen, British Pounds, Russian Rubles, Chinese RMB, etc.



1 money services business with the United States Department of the Treasury's Financial Crimes  
2 Enforcement Network ("FinCEN"), as federal law requires. As described further below, BTC-e had no  
3 meaningful anti-money laundering processes in place and lacked an effective anti-money laundering  
4 program, as federal law also requires.

5  
6 7. This was in contrast to other registered digital currency exchanges that, through their  
7 anti-money laundering programs, strove to avoid having their platforms used for criminal activity. Most  
8 of those exchanges described their operations down to listing the names, photos, and backgrounds of  
9 their management, the location of their businesses, and their regulatory compliance policies.

10 8. BTC-e relied on the use of shell companies and affiliate entities that were similarly  
11 unregistered with FinCEN and lacked basic anti-money laundering and "Know Your Customer"  
12 policies. These entities catered to an online and worldwide customer base, and electronically "muled"  
13 fiat currency in and out of BTC-e. BTC-e's own website stated it was located in Bulgaria, yet  
14 simultaneously stated it was subject to the laws of Cyprus. Meanwhile, BTC-e's managing shell  
15 company, CANTON BUSINESS CORPORATION, was based in the Seychelles but affiliated with a  
16 Russian phone number, and its web domains were registered to shell companies in countries including  
17 Singapore, the British Virgin Islands, France, and New Zealand.

#### 18 BACKGROUND

19  
20 9. Bitcoin is a form of decentralized, convertible digital currency that existed through the  
21 use of an online, decentralized ledger system.<sup>2</sup> Bitcoin is just one of many forms of digital currency.  
22 There are many others, including litecoin, ethers, worldcoin, and dogecoin. However, bitcoin has the  
23 largest market capitalization of any present form of decentralized digital currency.

24 10. While bitcoin mainly exists as an Internet-based form of currency, it is possible to "print  
25 out" the necessary information and exchange bitcoin via physical medium. The currency is not issued  
26

27  
28 <sup>2</sup> Since Bitcoin is both a currency and a protocol, capitalization differs. Accepted practice is to  
use "Bitcoin" (singular with an uppercase letter B) to label the protocol, software, and community, and  
"bitcoin" (with a lowercase letter b) to label units of the currency. That practice is adopted here.



1 by any government, bank, or company, but rather is generated and controlled through computer software  
2 operating via a decentralized network. To acquire bitcoin, a typical user will purchase them from a  
3 Bitcoin seller or "exchanger." It is also possible to "mine" bitcoin by verifying other users' transactions.  
4 Bitcoin is just one form of digital currency, and there are a significant number of other varieties of  
5 digital currency.

6 11. Bitcoin exchangers typically accept payments of fiat currency (currency which derives its  
7 value from government regulation or law), or other convertible digital currencies. When a user wishes  
8 to purchase bitcoin from an exchanger, the user will typically send payment in the form of fiat currency,  
9 often via bank wire or ACH, or other convertible digital currency to an exchanger, for the corresponding  
10 quantity of bitcoin, based on a fluctuating exchange rate. The exchanger, often for a commission, will  
11 then typically attempt to broker the purchase with another user of the exchange that is trying to sell  
12 bitcoin, or, in some instances, will act as the seller itself. If the exchanger can place a buyer with a  
13 seller, then the transaction can be completed.

14 12. When a user acquires bitcoin, ownership of the bitcoin is transferred to the user's bitcoin  
15 address. The bitcoin address is somewhat analogous to a bank account number, and is comprised of a  
16 case-sensitive string of letters and numbers amounting to a total of 26 to 35 characters. The user can  
17 then conduct transactions with other Bitcoin users, by transferring bitcoin to their bitcoin addresses, via  
18 the Internet.

19 13. Little to no personally identifiable information about the payer or payee is transmitted in  
20 a bitcoin transaction itself. Bitcoin transactions occur using a public key and a private key. A public  
21 key is used to receive bitcoin, and a private key is used to allow withdrawals from a bitcoin address.  
22 Only the bitcoin address of the receiving party and the sender's private key are needed to complete the  
23 transaction. These two keys by themselves rarely reflect any identifying information.

24 14. All bitcoin transactions are recorded on what is known as the blockchain. This is  
25 essentially a distributed public ledger that keeps track of all bitcoin transactions, incoming and outgoing,  
26 and updates approximately six times per hour. The blockchain records every bitcoin address that has  
27 ever received a bitcoin and maintains records of every transaction for each bitcoin address.

28 15. Digital currencies, including bitcoin, have many known legitimate uses. However, much

1 like cash, bitcoin can be used to facilitate illicit transactions and to launder criminal proceeds, given the  
2 ease with which bitcoin can be used to move funds with high levels of anonymity. As is demonstrated  
3 herein, however, in some circumstances bitcoin payments may be effectively traced by analyzing the  
4 blockchain.

#### 5 BTC-E OVERVIEW

6  
7 16. BTC-e was founded in or about 2011. In the years it operated, BTC-e has served  
8 approximately 700,000 users worldwide, including numerous customers in the United States and  
9 customers in the Northern District of California. BTC-e touts itself as “a platform for individuals  
10 interested in buying and selling bitcoin using an assortment of world currencies;” in other words, a  
11 digital currency exchange.

12  
13 17. Through the work of VINNIK and others known and unknown to the Grand Jury, BTC-e  
14 became one of the primary ways by which cybercriminals around the world transferred, laundered, and  
15 stored the criminal proceeds of their illegal activities. U.S. dollars and Russian rubles were the most  
16 frequently exchanged fiat currencies on the platform, while Bitcoin and litecoin were the most widely  
17 exchanged digital currencies.

18  
19 18. Because such a significant portion of BTC-e’s business was derived from suspected  
20 criminal activity and given its global reach, the scope of the defendants’ unlawful conduct was massive.  
21 During the relevant timeframe from 2011 to December 30, 2016, bitcoin addresses associated with BTC-  
22 e had received over 9.4 million bitcoin. Bitcoin’s rapidly fluctuating exchange rate makes it difficult to  
23 determine the U.S. Dollar value of this quantity of bitcoin over time. However, using today’s bitcoin  
24 exchange rate, the total value of bitcoin received by BTC-e over the course of its operation would be  
25 valued at over \$9 billion. In 2016 alone, BTC-e received over 1.8 million bitcoin, valued at over \$1.7  
26 billion at today’s exchange rate.<sup>3</sup>

27  
28 <sup>3</sup> This is calculated using the December 30, 2016 bitcoin trading value of approximately \$962 per  
bitcoin. Since August 2011, the Bitcoin market price has fluctuated from a low of roughly \$2 to a high



1           19.     Notably, the above figures only include bitcoin exchanged on the BTC-e platform and do  
2 not even include the deposits and withdrawals made in other digital currencies, such as litecoin, nor do  
3 these figures take into account well over a billion dollars' worth of what is known as "BTC-e code."  
4 BTC-e code enabled a BTC-e user to send and/or receive fiat currencies and digital currencies to other  
5 BTC-e users.

6           20.     BTC-e maintained its servers in the United States. The servers were one of the primary  
7 ways in which BTC-e and the defendants effectuated their operations. BTC-e also used many third-  
8 party companies, including companies within the Northern District of California, to effectuate their  
9 operations and enable them to function.

10           21.     At its inception, BTC-e was one of a number of digital currency exchanges. It was  
11 engaged in the same line of business as other online digital currency exchanges in existence at the time,  
12 including Liberty Reserve. Liberty Reserve was a Costa Rica-based centralized digital currency service  
13 that laundered approximately \$6 billion in criminal proceeds. It was shuttered in 2013 when its founder  
14 and six other individuals were charged with conspiracy to commit money laundering and with operating  
15 an unlicensed money transmitting business. Liberty Reserve's website was seized by the U.S.  
16 government.<sup>4</sup>

17           22.     There was an overlap between many Liberty Reserve users and BTC-e users. BTC-e  
18 itself was a user of Liberty Reserve.

19           23.     Another digital currency exchange in operation between 2011 and 2014 was the MTGOX  
20 Exchange ("Mt. Gox") that was originally founded in San Francisco, but ultimately based in Tokyo,  
21 Japan. In 2014, Mt. Gox collapsed, having been the target of a series of major intrusions that resulted in  
22 thefts totaling several hundred million dollars worth of bitcoin. In 2014, Mt. Gox filed for bankruptcy in  
23

24  
25  
26  
27 of approximately \$1200 per bitcoin and has varied dramatically over time..  
28





1 front for BTC-e's operations. Like BTC-e, CANTON was not registered with FinCEN. Financial and  
2 other records demonstrate that CANTON was synonymous with BTC-e. VINNIK, a Russian national,  
3 was a primary beneficial owner of CANTON's financial accounts. Although CANTON's listed  
4 business address was in the Seychelles, it operated using a Russian telephone number.

5  
6 30. VINNIK also operated and controlled multiple BTC-e accounts, including a BTC-e  
7 account known as the "WME" account. The "WME" account was tied directly to BTC-e administrator  
8 accounts. Numerous withdrawals from BTC-e administrator accounts went directly to bank accounts  
9 tied to VINNIK.

10 31. Another such administrator account associated with VINNIK was the "Vammedam"<sup>5</sup>  
11 account. The "Vammedam" account was directly linked to the BTC-e administrative, financial,  
12 operational and support accounts, accounts to which only those involved in the operations of the BTC-e  
13 enterprise would have had access. Proceeds from well-known hacks and thefts from bitcoin exchanges  
14 and users around the world funded the Vammedam account. Out of the Vammedam account, large  
15 payments were made to accounts associated with VINNIK and others known and unknown to the Grand  
16 Jury, including a Russian national hereafter referred to as unindicted CO-CONSPIRATOR X, who is  
17 alleged to have access to the Vammedam account.

18  
19 BTC-E FUNCTION

20 32. To use BTC-e, one created an account by accessing the BTC-e website. A user did not  
21 need to provide even the most basic identifying information such as name, date of birth, address, or  
22 other identifiers. All that BTC-e required was a username, password, and an email address. Unlike  
23 legitimate payment processors or digital currency exchangers, BTC-e did not require its users to validate  
24 their identity information by providing official identification documents, given that BTC-e did not  
25 require an identity at all.


26  
27  
28 


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<sup>5</sup> Vammedam means "I will not give it to you" in Russian.

1           33.     Thus, a user could create a BTC-e account with nothing more than a username and email  
2 address, which often bore no relationship to the identity of the actual user. Accounts were therefore  
3 easily opened anonymously, including by customers in the United States within the Northern District of  
4 California.

5           34.     At all times relevant to this Indictment, BTC-e had no anti-money laundering and/or  
6 “Know-Your-Customer” (KYC) processes and policies in place. As discussed above, BTC-e collected  
7 virtually no customer data at all. Nor did BTC-e or its shell companies ever register with FinCEN or  
8 perform these functions on BTC-e’s behalf.

9           35.     A user could fund a BTC-e account in numerous different ways. One way involved  
10 funding the account with fiat currency that would be converted into digital currency, such as bitcoin.  
11 With fiat currency, a user could initiate a wire transfer from a financial institution made directly for the  
12 benefit of BTC-e to an account at another financial institution, which was routed to a bank account  
13 maintained by one of BTC-e’s shell or affiliated companies. 

14 

15  
16  
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18  
19  
20  
21  
22           36.     Another way involved funding a BTC-e account with a user’s existing digital currency.  
23 A user with existing digital currency, such as bitcoin, could fund a BTC-e account directly via bitcoin  
24 deposits. BTC-e users could also purchase “BTC-e code” that could be sent and exchanged amongst  
25 BTC-e users. BTC-e code enabled a BTC-e user to send and/or receive fiat currencies and digital  
26 currencies to other BTC-e users. This served as another conduit for money laundering as it allowed  
27 BTC-e customers to withdraw funds from their BTC-e account and transfer them to other BTC-e users  
28



1 anonymously.

2 37. BTC-e's business model obscured and anonymized transactions and source of funds. For  
3 example, a BTC-e user could not fund an account by directly transferring money to BTC-e itself, but  
4 rather had to wire funds to one of BTC-e's shells or affiliate entities. Nor could BTC-e users withdraw  
5 funds from their accounts directly, such as through an ATM withdrawal. Instead, BTC-e users were  
6 required to make any deposits or withdrawals through the use of third-party "exchangers," thus enabling  
7 BTC-e to avoid collecting any information about its users through banking transactions or other activity  
8 that would leave a centralized financial paper trail.

10 38. Once a user funded an account with BTC-e, the user could then do any number of things:  
11 conduct transactions with other BTC-e users; exchange digital currency into fiat currency; or simply use  
12 BTC-e to store digital currency deposits, much like a bank.

13 39. Like other digital currency exchanges, BTC-e charged transaction fees for their services.  
14 BTC-e charged a percentage fee every time a user transferred funds held in BTC-e to another user  
15 through the BTC-e system. In addition, BTC-e charged a percentage fee every time a user used BTC-e  
16 to exchange digital currency held in a BTC-e account into fiat currency.<sup>6</sup>

18 40. In addition to the fees BTC-e charged, users were charged additional fees by [REDACTED]  
19 [REDACTED] each taking a percentage of the funds exchanged. These added fees were  
20 associated with getting money in and out of the BTC-e platform through these funding mechanisms,  
21 mechanisms that obfuscated the true sender of the currency.

22 41. Those engaged in criminal activity using BTC-e gravitated to BTC-e because of the site's  
23 lack of anti-money laundering and "Know-Your-Customer" processes in place that could have them  
24 reported to the government. Criminals who used BTC-e to launder funds were also willing to go to the  
25 extra trouble of wiring money offshore to entities that operated through shell companies.  
26





1 transfer funds among criminal associates. In particular, it was used by hacking and computer intrusion  
2 rings operating around the world to distribute criminal proceeds of their endeavors. It was also used by  
3 rings of identity thieves, corrupt public officials, narcotics distribution networks, and other criminals.

4         48. In fact, some of the largest known purveyors of ransomware used BTC-e as a means of  
5 storing, distributing, and laundering their criminal proceeds. Ransomware is a criminal scheme in which  
6 cybercriminals orchestrate the unwanted malicious download of encryption software on an unsuspecting  
7 victim computer. It works as follows: once a victim is infected with the malicious software, often by  
8 clicking on a fraudulent email, the ransomware will encrypt multiple files types on victim machines and  
9 hold those files for ransom, requiring the victim to pay the administrators of the ransomware scheme in  
10 order to have their files decrypted. Victims that pay the ransom are able to decrypt their files by using a  
11 stand-alone program provided by the ransomware administrators after the ransom payment has been  
12 made. The method of encryption implemented by the ransomware, if properly executed, renders it  
13 impossible for victims to decrypt their encrypted files in any other way. The most prevalent payment  
14 method accepted by current purveyors of ransomware is bitcoin.

15         49. One such ransomware scheme, CryptoWall, was distributed by methods including  
16 fraudulent and phishing emails. CryptoWall was one of the most infamous varieties of ransomware and  
17 has infected a vast number of computers across the world. During the timeframe relevant to this  
18 Indictment, the purveyors of CryptoWall deposited and laundered many hundreds of thousands of  
19 dollars' worth of ransom payments into BTC-e.

20         50. So, too, did a pair of corrupt U.S. federal agents, Carl Mark Force and Shaun Bridges, use  
21 BTC-e to launder their criminal proceeds. Their experience with the criminal underworld taught them  
22 that using BTC-e, as opposed to a registered exchange with anti-money laundering policies, would  
23 maximize their chances of being able to conceal criminal proceeds. Each therefore sent several hundred  
24 thousand dollars in criminal proceeds – derived from crimes ranging from theft of government property  
25  
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1 to extortion – to the BTC-e platform for laundering.

2 51. BTC-e also served as the receptacle and transmitter of criminal funds from a series of  
3 well-publicized computer intrusions and resulting thefts, including the well-publicized thefts from the  
4 Japan-based Mt. Gox exchange. As discussed below, a sizable portion of the stolen Mt. Gox funds were  
5 deposited into accounts controlled, owned, and operated by BTC-e and by defendant VINNIK and  
6 others known and unknown to the Grand Jury.  
7

8 52. The Mt. Gox exchange was the subject of a series of computer intrusions and resulting  
9 thefts between approximately September 2011 and May 2014, in violation of Title 18, United States  
10 Code, Section 1030(a)(4). Several hundred millions dollars' worth of bitcoin was stolen, including from  
11 numerous customers in the U.S. and within the Northern District of California. After the thefts, some  
12 approximately 530,000 of the bitcoin (worth hundreds of millions of dollars) stolen from Mt. Gox was  
13 deposited into wallets at three different digital currency exchanges: (i) BTC-e; (ii) Trade Hill, another  
14 exchange based in San Francisco; and (iii) back into Mt. Gox into a different Mt. Gox wallet.  
15

16 53. Of this 530,000 bitcoin,<sup>7</sup> 300,000 of it was sent directly to three separate BTC-e  
17 accounts: "Vammedam," "Grmbit," and "Petr." These accounts were all linked to each other.  
18

19 54. Meanwhile, blockchain analysis reveals that the stolen Mt. Gox funds that went to Trade  
20 Hill and back into the other Mt. Gox account were controlled by a user who also controlled a BTC-e  
21 account called "WME." At all times relevant to this Indictment, defendant VINNIK exercised control  
22 over the BTC-e "WME" account.

23 55. The "Vammedam," "Grmbit," "Petr," and "WME" accounts were each directly linked to a  
24 variety of different BTC-e administrative accounts, accounts for which only BTC-e administrators  
25 and/or operators would have had access. The "Vammedam" account was similarly a  
26  
27

28 <sup>7</sup> The amount of bitcoin stolen from Mt. Gox accounted for just under half of the total thefts that Mt. Gox suffered.



1 56. VINNIK, along with others known and unknown, controlled and operated the  
2 “Vannedam” account. Between approximately August 2013 and November 2015, CO-  
3 CONSPIRATOR X and identities linked to VINNIK and to BTC-e received direct payments from the  
4 “Vannedam” account to their own personal digital currency accounts at another digital currency  
5 exchange, Bitstamp. These bitcoin were then exchanged into fiat currency and sent to bank accounts in  
6 Cyprus and Latvia tied to VINNIK and other identities associated with VINNIK and BTC-e.  
7

8 STATUTORY ALLEGATIONS

9 COUNT ONE: (18 U.S.C. § 1960 – Operation of an Unlicensed Money Transmitting Business)

10 57. The factual allegations in paragraphs 1 through 60 are re-alleged and incorporated herein  
11 as if set forth in full.

12 58. Title 18, United States Code, Section 1960, makes it a crime to operate an unlicensed  
13 money transmitting business. The term money transmitting includes “transferring funds on behalf of the  
14 public by any and all means including but not limited to transfers within this country or to locations  
15 abroad by wire, check, draft, facsimile, or courier.” This statute makes it a violation to conduct a  
16 “money transmitting business” if the business is not registered as a money transmitting business with the  
17 Secretary of the Treasury as required by a separate statute, Title 31, United States Code, Section 5330  
18 and federal regulations pursuant to that statute.

19 59. The regulations specifically apply to foreign-based money transmitting businesses doing  
20 substantial business in the United States. See C.F.R. §§ 1010.100(ff)(5), 1022.380(a)(2).

21 60. From in or about 2011, up to and including in or about May 2016, both dates being  
22 approximate and inclusive, in the Northern District of California and elsewhere, the defendants,  
23

24 BTC-e a/k/a CANTON BUSINESS CORPORATION, and  
25 ALEXANDER VINNIK,

26 and others known and unknown to the Grand Jury, knowingly conducted, controlled, managed,  
27 supervised, directed, and owned all and part of a money transmitting business affecting interstate and  
28 foreign commerce, i.e. BTC-e, which (i) failed to comply with the money transmitting business

1 registration requirements set forth in Title 31, United States Code, Section 5330, and the regulations  
2 prescribed pursuant to that statute, including 31 C.F.R. Sections 1010.100(ff) (5) and 1022.380(a)(2);  
3 and (ii) otherwise involved the transportation and transmission of funds known to the defendants to have  
4 been derived from a criminal offense and intended to be used to promote and support unlawful activity.

5 All in violation of Title 18, United States Code, Sections 1960 & 2.

6 COUNT TWO: (18 U.S.C. § 1956(h) – Conspiracy to Commit Money Laundering)

7  
8 61. The factual allegations in paragraphs 1 through 60 are re-alleged and incorporated herein  
9 as if set forth in full.

10 62. From in or about July 2011, through in or about January 2017, both dates being  
11 approximate and inclusive, within the Northern District of California, and elsewhere, the defendants;

12 BTC-e a/k/a CANTON BUSINESS CORPORATION, and  
13 ALEXANDER VINNIK,

14  
15 and others known and unknown to the Grand Jury, willfully and knowingly did combine, conspire,  
16 confederate, and agree together and with each other to knowingly conduct and attempt to conduct  
17 financial transactions affecting interstate commerce and foreign commerce, which transactions involved  
18 the proceeds of specified unlawful activity, that is, operation of an unregistered money transmitting  
19 business in violation of Title 18, United States Code, Sections 1960; computer hacking and intrusions in  
20 violation of Title 18, United States Code, Section 1030; identity theft in violation of Title 18, United  
21 States Code, Section 1028; interstate transportation of stolen property in violation of Title 18, United  
22 States Code, Section 2314; theft of government proceeds and extortion in violation of Title 18, United  
23 States Code, Sections 641 and 1951; and narcotics trafficking in violation of Title 21, United States  
24 Code, Section 841; with the intent to promote the carrying on of the specified unlawful activity, and that  
25 while conducting and attempting to conduct such financial transactions, knew that the property involved  
26 in the financial transactions represented the proceeds of some form of unlawful activity, in violation of  
27 Title 18, United States Code, Section 1956(a)(1)(A)(i).

28 All in violation of Title 18, United States Code, Section 1956(h).



1 COUNTS THREE THROUGH NINETEEN: (18 U.S.C. § 1956(a)(1)(A)(i) and (a)(1)(B)(i) – Money  
2 Laundering)

3 On or about the dates described below, in the Northern District of California and elsewhere, the  
4 defendant,

5 ALEXANDER VINNIK,

6 aided and abetted by others, known and unknown to the Grand Jury, did knowingly conduct and attempt  
7 to conduct the listed financial transactions affecting interstate and foreign commerce which involved the  
8 proceeds of a specified unlawful activity, that is accessing a computer in furtherance of fraud, in  
9 violation of Title 18, United States Code, Section 1030(a)(4) and (c)(3)(A), with the intent to promote  
10 the carrying on of said specified unlawful activity, and knowing that the transaction was designed in  
11 whole and in part to conceal and disguise the nature, location, source, ownership, and proceeds of said  
12 specified unlawful activity, and that while conducting and attempting to conduct such financial  
13 transaction, knew that the property involved in the financial transaction represented the proceeds of  
14 some form of unlawful activity.  
15

16

COUNT	DATE	AMOUNT (BTC)	AMOUNT (USD)	TRANSACTION
THREE	01/23/2012	90 BTC	\$567.00	Transfer of BTC into Tradehill
FOUR	01/23/2012	83 BTC	\$522.07	Transfer of BTC into Tradehill
FIVE	01/23/2012	61 BTC	\$383.69	Transfer of BTC into Tradehill
SIX	01/24/2012	91 BTC	\$573.30	Transfer of BTC into Tradehill
SEVEN	01/24/2012	90 BTC	\$567.00	Transfer of BTC into Tradehill
EIGHT	01/24/2012	99 BTC	\$623.70	Transfer of BTC into Tradehill
NINE	01/24/2012	533 BTC	\$3,357.90	Transfer of BTC into Tradehill
TEN	01/24/2012	1900 BTC	\$11,970.00	Transfer of BTC into Tradehill
ELEVEN	01/24/2012	579 BTC	\$3,647.70	Transfer of BTC into Tradehill
TWELVE	01/24/2012	2 BTC	\$12.60	Transfer of BTC into Tradehill
THIRTEEN	01/27/2012	1000 BTC	\$5,290.00	Transfer of BTC into Tradehill
FOURTEEN	01/27/2012	1500 BTC	\$7,935.00	Transfer of BTC into Tradehill
FIFTEEN	02/01/2012	1000 BTC	\$5,820.00	Transfer of BTC into Tradehill
SIXTEEN	02/01/2012	1000 BTC	\$5,820.00	Transfer of BTC into Tradehill
SEVENTEEN	02/05/2012	3000 BTC	\$17,040.00	Transfer of BTC into Tradehill
EIGHTEEN	02/05/2012	500 BTC	\$2,840.00	Transfer of BTC into Tradehill
NINETEEN	02/12/2012	2000 BTC	\$11,200.00	Transfer of BTC into Tradehill

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27 All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i), (a)(1)(B)(i), and 2.  
28

1  
2  
3 COUNTS TWENTY THROUGH TWENTY-ONE: (18 U.S.C. § 1957 – Engaging in Unlawful  
4 Monetary Transactions)

5 On or about the dates described below, in the Northern District of California and elsewhere, the  
6 defendant,

7 ALEXANDER VINNIK,

8 aided and abetted by others, known and unknown to the Grand Jury, did knowingly engage and attempt  
9 to engage in the listed monetary transactions by through or to a financial institution affecting interstate  
10 and foreign commerce in criminally derived property of a value greater than \$10,000, that is the  
11 transactions listed below, such property having been derived from a specified unlawful activity, that is  
12 accessing a computer in furtherance of fraud, in violation of Title 18, United States Code, Section  
13 1030(a)(4) and (c)(3)(A).

14

COUNT	DATE	AMOUNT (BTC)	AMOUNT (USD)	TRANSACTION
TWENTY	02/05/2012	3000 BTC	\$17,040.00	Transfer of BTC into Tradehill
TWENTY-ONE	02/12/2012	2000 BTC	\$11,200.00	Transfer of BTC into Tradehill

17 All in violation of Title 18, United States Code, Sections 1957 and 2.

18  
19 FORFEITURE ALLEGATION: (18 U.S.C. §§ 982(a)(1) – Criminal Forfeiture)

20 63. All of the allegations contained in this Indictment are re-alleged and by this reference  
21 fully incorporated herein for the purpose of alleging forfeiture pursuant to the provisions of Title 18,  
22 United States Code, Section 982(a)(1).

23 64. Upon a conviction for any of the offenses alleged in this Indictment, the defendants,  
24 BTC-e a/k/a CANTON BUSINESS CORPORATION, and  
25 ALEXANDER VINNIK,  
26 shall forfeit to the United States pursuant to 18 U.S.C. § 982(a)(1) any property, real or personal,  
27 involved in those offenses or any property traceable to such offenses including but not limited to a  
28 forfeiture money judgment.



1 If any of the aforementioned property, as a result of any act or omission of the defendants

- 2 a. cannot be located upon the exercise of due diligence;
- 3 b. has been transferred or sold to, or deposited with, a third person;
- 4 c. has been placed beyond the jurisdiction of the Court;
- 5 d. has been substantially diminished in value; or
- 6 e. has been commingled with other property that cannot be divided without
- 7 difficulty;

8 any and all interest the defendant has in other property shall be vested in the United States and

9 forfeited to the United States pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b)(1).

10 All in violation of Title 18, United States Code, Section 982(a)(1) and Rule 32.2 of the Federal

11 Rules of Criminal Procedure.

12

13 DATED: 1/17/17

A TRUE BILL

14

15   
FOREPERSON

16

17 BRIAN J. STRETCH  
United States Attorney


18

19   
\_\_\_\_\_

20

21 BARBARA J. VALLIERE  
Chief, Criminal Division

22

23 (Approved as to form:   
WILLIAM FRENTZEN  
KATHRYN HAUN  
Assistant U.S. Attorneys

**SEALED  
BY COURT ORDER**

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

**CRIMINAL COVER SHEET**

*Instructions: Effective November 1, 2016, this Criminal Cover Sheet must be completed and submitted, along with the Defendant Information Form, for each new criminal case.*

**CASE NAME:** BTC-E a/k/a Canton Business Corporation      **CASE NUMBER:**  
USA v.                      and Alexander Vinnik                                      CR 16-00227 SI

**Is This Case Under Seal?**                      Yes  No

**Total Number of Defendants:**                      1      2-7       8 or more

**Does this case involve ONLY charges under 8 U.S.C. § 1325 and/or 1326?**                      Yes      No

**Venue (Per Crim. L.R. 18-1):**                      SF       OAK      SJ

**Is this a potential high-cost case?**                      Yes      No

**Is any defendant charged with a death-penalty-eligible crime?**                      Yes      No

**Is this a RICO Act gang case?**                      Yes      No

**Assigned AUSA  
(Lead Attorney):** William Frentzen

**Date Submitted:** 01/17/2017

**Comments:**



UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY



IN THE MATTER OF THE SEARCH OF  
INFORMATION ASSOCIATED WITH  
SERVERS CONTAINING BTC-E-  
RELATED CONTENT STORED AT THE  
PREMISES CONTROLLED BY  
EQUINIX

**Mag. No. 17-8128**

**Leda Dunn Wettre**

**SEALING ORDER**

This matter having been brought before the Court upon application of William E. Fitzpatrick, Acting United States Attorney for the District of New Jersey (Jason S. Gould, Assistant United States Attorney, appearing), for an order sealing the search warrant issued on this date and the application and attached Affidavit in support of that warrant, and for good cause shown,

IT IS on this 21st Day of July 2017,

ORDERED that the search warrant, the application and affidavit in support of the search warrant, and all related documents, except for one copy of the search warrant and inventory to be served at the time the search is executed, be and hereby are sealed until further Order of this Court.

A handwritten signature in dark ink that reads "Leda Dunn Wettre".

Hon. Leda Dunn Wettre  
United States Magistrate Judge