Department of Justice

U.S. Attorney's Office

Northern District of Illinois

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Trader Sentenced to 15 Months in Federal Prison for Misappropriating $1.1 Million in Cryptocurrencies

CHICAGO — In the first criminal prosecution in Chicago involving the cryptocurrency trading industry, a federal judge has sentenced a trader to 15 months in prison for misappropriating $1.1 million in Bitcoin and Litecoin.

Over a two-month period in the fall of 2017, JOSEPH KIM, 24, of Phoenix, Ariz., misappropriated at least $600,000 of his trading firm's Bitcoin and Litecoin cryptocurrency for his own personal benefit. At the time, Kim worked in Chicago as an assistant trader for Consolidated Trading LLC, a proprietary trading firm that had recently formed a cryptocurrency group. After being terminated by Consolidated, Kim engaged in another fraud scheme in which he incurred $545,000 in losses by trading cryptocurrencies on behalf of at least five investors, including friends and friends of friends who had invested retirement savings. Four of Kim's

victims testified about their losses at the sentencing hearing Friday before U.S. District Judge Andrea R. Wood in Chicago.

When Kim was charged earlier this year, the federal prosecution marked the first criminal case in Chicago involving the cryptocurrency trading industry. Kim pleaded guilty in May to one count of wire fraud.

The sentence was announced by John R. Lausch, Jr., United States Attorney for the Northern District of Illinois; and Jeffrey S. Sallet, Special Agent-in-Charge of the Chicago office of the Federal Bureau of Investigation. Substantial assistance was provided by the Commodity Futures Trading Commission, which filed its own enforcement action against Kim.

“It is important that the public know that despite the complexity of cryptocurrency trading, the criminal justice system will hold traders and investment professionals accountable for cheating and stealing,” Assistant U.S. Attorneys Sunil Harjani and Sheri Mecklenburg argued in the government’s sentencing memorandum.

According to the charges, Kim transferred large sums of Consolidated’s Bitcoin and Litecoin to personal accounts to cover his losses trading cryptocurrency futures on foreign exchanges. In order to conceal the transfers, Kim lied to the firm’s management about the location of the company’s cryptocurrency and his trading of the company’s cryptocurrency.

After Consolidated’s management team discovered the misappropriation and terminated him, Kim solicited funds from friends and friends of friends to trade cryptocurrencies. Kim told these investors that he had voluntarily left Consolidated, and he concealed the fact that he was fired for misappropriation. He also sent investors false account statements that showed his initial trading of their funds was profitable, when, in reality, Kim’s trades were experiencing substantial losses.

Topic(s):
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Financial Fraud
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