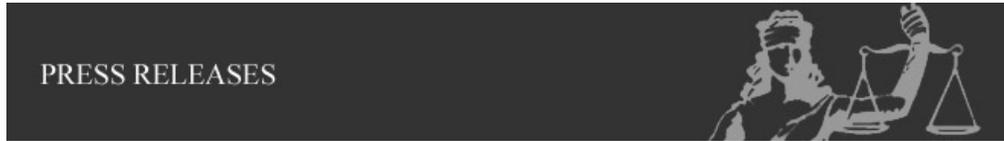




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## Manhattan U.S. Attorney And FBI Assistant Director Announce Securities And Wire Fraud Charges Against Texas Man For Running Bitcoin Ponzi Scheme

FOR IMMEDIATE RELEASE

Thursday, November 6, 2014

*Charges Against Trendon Shavers Represent First Federal Criminal Securities Fraud Charges Involving a Bitcoin-Related Scheme*

Preet Bharara, the United States Attorney for the Southern District of New York, and George Venizelos, the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced today that TRENDON SHAVERS, a/k/a "pirateat40," was arrested this morning on securities fraud and wire fraud charges stemming from his involvement in a Bitcoin-related Ponzi scheme. SHAVERS was the founder and operator of Bitcoin Savings and Trust ("BCS&T"), which offered and sold Bitcoin-based investments through the Internet. In total, SHAVERS raised at least 764,000 Bitcoin in BCS&T investments, which amounted to more than \$4.5 million based on the average price of Bitcoin during the period of the scheme. SHAVERS is expected to be presented today in the Eastern District of Texas, Sherman Division, before a United States Magistrate Judge.

Bitcoin are a decentralized form of electronic currency, existing entirely on the Internet and not in any physical form. The currency is not issued by any government, bank, or company, but rather is generated and controlled automatically through computer software operating on a "peer-to-peer" network. Bitcoin transactions are processed collectively by the software-enabled computers composing the network.

U.S. Attorney Preet Bharara said: "As alleged, Trendon Shavers managed to combine financial and cyber fraud into a Bitcoin Ponzi scheme that offered absurdly high interest payments, and ultimately cheated his investors out of their Bitcoin investments. This case, the first of its kind, should serve as a warning to those looking to make a quick buck with unsecured currency."

FBI Assistant Director-in-Charge George Venizelos said: "Shavers used a new currency, but the same old reprehensible tricks. He claimed to offer a Bitcoin market-arbitrage strategy. In reality, it was nothing more than an insidious scheme motivated by greed. Today, Shavers' jig is up. He finds himself under arrest and charged in Manhattan federal court."

According to the two-count Complaint unsealed today in Manhattan federal court:

From at least September 2011 up through and including September 2012, SHAVERS operated a Ponzi scheme. Specifically, SHAVERS solicited investments in BCS&T on the "Bitcoin Forum" – a public, Internet-based forum where, among other things, Bitcoin investment opportunities were posted. SHAVERS's offer to investors was straightforward: investors who lent Bitcoin to BCS&T would be paid up to seven percent interest weekly – an annualized interest rate of 3,641% per year – and investors could withdraw their investments in BCS&T at any time. SHAVERS claimed that the Bitcoin invested by BCS&T investors would be used to support a Bitcoin market-arbitrage strategy, which included (i) lending Bitcoin to others for a fixed period of time; (ii) trading Bitcoin via online exchanges; and (iii) selling Bitcoin locally via private, off-markets transactions – i.e., "over-the-counter transactions." SHAVERS also personally guaranteed to cover any losses in the event of a market change. In truth, SHAVERS largely failed to execute the claimed market arbitrage strategy, failed to honor all of his investors' redemption requests as well as his personal guarantee, and failed to deliver the agreed upon rates of interest.

In the end, BCS&T was a Ponzi scheme in which SHAVERS used Bitcoin from new investors to make purported interest payments to existing investors and to cover investors' requests to withdraw Bitcoin from existing BCS&T accounts. In addition, SHAVERS diverted investors' Bitcoin for day trading in his own account on a Bitcoin currency exchange, and exchanged investors' Bitcoin for U.S. dollars to pay certain of his personal expenses. At the peak of the scheme, SHAVERS raised, and had in his possession, about seven percent of all the Bitcoin that were then in public circulation. In the end, at least 48 of approximately 100 investors lost all or part of their investment in BCS&T.

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\* \* \*

SHIVERS, 32, was arrested this morning at his home in McKinney, Texas. He is charged with one count of securities fraud and one count of wire fraud. The securities fraud count carries a maximum sentence of 20 years in prison and a maximum fine of \$5 million, or twice the gross gain or loss from the offense. The wire fraud count carries a maximum sentence of 20 years in prison and maximum fine of \$250,000, or twice the gross gain or loss from the offense. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant will be determined by the judge.

On September 18, 2014, in a separate civil action brought by the Securities and Exchange Commission ("SEC"), the United States District Court for the Eastern District of Texas entered final judgment against both SHIVERS and BCS&T, and ordered SHIVERS to pay more than \$40 million in disgorgement and prejudgment interest, and a civil penalty of \$150,000 related to BCS&T.

Mr. Bharara praised the work of the FBI, and thanked the SEC for its invaluable assistance. He added that the investigation is continuing.

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' offices and state and local partners, it is the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Since the inception of FFETF in November 2009, the Justice Department has filed more than 12,841 financial fraud cases against nearly 18,737 defendants including nearly 3,500 mortgage fraud defendants. For more information on the task force, visit [www.stopfraud.gov](http://www.stopfraud.gov).

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Benjamin Naftalis, Daniel S. Goldman, and Michael Ferrara are in charge of the prosecution.

The allegations contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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