United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT of CALIFORNIA

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**Department of Justice**

U.S. Attorney's Office

Southern District of California

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# Founder of Fraudulent Cryptocurrency Charged in $2 Billion BitConnect Ponzi Scheme

**Assistant U. S. Attorneys Daniel C. Silva, Mark W. Pletcher, Lisa Sanniti, and Carl Brooker**

**NEWS RELEASE SUMMARY – February 25, 2022**

SAN DIEGO – A federal grand jury returned an indictment today charging Satishkumar Kurjibhai Kumbhani, a citizen and resident of India, with multiple crimes for his alleged role in a massive criminal conspiracy involving the cryptocurrency company he founded, BitConnect.

The indictment alleges that Kumbhani and his co-conspirators defrauded global investors of over $2 billion—believed to be the largest cryptocurrency fraud ever charged. This indictment follows the September 2021 guilty plea by BitConnect's lead U.S. promoter, Glenn Arcaro (21-CR-2542-TWR).

The indictment alleges that BitConnect was a textbook Ponzi scheme. BitConnect solicited investors to use its "Lending Program," which 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. The indictment alleges that in reality, the purported technologies generated no such profits, and merely functioned as a cover for the Ponzi scheme. In sum, earlier BitConnect investors were paid with money from later investors to promote the fraudulent scheme.

As part the criminal conspiracy, Kumbhani was further charged with a separate conspiracy seeking to commit commodities price manipulation for his attempt to artificially inflate the price of BCC and create the illusion of increased demand for BCC when the criminal scheme began to unravel. The commodities price manipulation conspiracy is believed to be the first time any cryptocurrency has been alleged to function as a commodity.

Furthermore, Kumbhani was charged with operating an unlicensed money transmitting business. To participate in the alleged Ponzi scheme that was BitConnect, unwitting BCC investors were required to use Bitcoin to purchase BCC on the "Bitconnect Exchange." The BCC Exchange thus functioned to separate investors from the more widely used Bitcoin in exchange for the nascent BCC, which the investors could "lend" back to BitConnect to generate purported profits for the investor through the use of the above-mentioned BitConnect Trading Bot and Volatility Software.

Lastly, Kumbhani was charged with an international money laundering conspiracy for conducting global transfers of Bitcoin and BCC to global investors and cryptocurrency purchasers—all of which were proceeds of the alleged wire and securities fraud.

“This indictment alleges a massive cryptocurrency scheme that defrauded investors of more than $2 billion,” said U.S. Attorney Randy Grossman. “The U.S. Attorney’s Office and our law enforcement partners are committed to pursuing justice for victims of cryptocurrency fraud.” Grossman thanked the prosecution team and law enforcement partners around the world who assisted with this investigation. Assistant U.S. Attorneys Daniel C. Silva, Mark W. Pletcher, Lisa Sanniti, and Carl Brooker, in partnership with Trial Attorney Kevin Lowell of the Criminal Division’s Fraud Section, lead this ongoing investigation.

“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.”

“Today's indictment reiterates the FBI’s commitment to identifying and addressing bad actors defrauding investors and sullying 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, fraudsters 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.”

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

U.S. Attorney Grossman thanked the Department of Justice’s Office of International Affairs and law enforcement partners around the world who assisted and continue to assist on this investigation. Assistant U.S. Attorneys Daniel C. Silva, Mark W. Pletcher, Lisa Sanniti, and Carl Brooker, in partnership with Trial Attorney Kevin Lowell of the Criminal Division’s Fraud Section, lead this ongoing investigation.

**DEFENDANT**

Satishkumar Kurjibhai Kumbhani Surat, Gujarat, India Age: 36

**SUMMARY OF CHARGES**

Conspiracy to Commit Wire Fraud—Title 18, U.S.C., Section 1349

Maximum penalty: Twenty years in prison, forfeiture, restitution, and $250,000 fine

Wire Fraud—Title 18, U.S.C., Section 1343

Maximum penalty: Twenty years in prison, forfeiture, restitution, and $250,000 fine

Conspiracy—Title 18, U.S.C., Section 371

Maximum penalty: Five years in prison, and $250,000 fine

Operation of Unlicensed Money Transmitting Business—Title 18, U.S.C., Section 1960

Maximum penalty: Five years in prison, forfeiture, and $250,000 fine

Money Laundering Conspiracy—Title 18, U.S.C., Section 1956(h)

Maximum penalty: Twenty years in prison, forfeiture, and $250,000 fine

**AGENCIES**

FBI

IRS-Criminal Investigation

*The charges and allegations contained in an indictment or complaint are merely accusations, and the defendants are considered innocent unless and until proven guilty.

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Cyber Crime
Financial Fraud

**Component(s):**
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