PRESS RELEASE

Crypto-Enabled Fraudster Sentenced For Orchestrating $40 Billion Fraud

Thursday, December 11, 2025

For Immediate Release

U.S. Attorney's Office, Southern District of New York

Do Kwon, Founder of Terraform Labs, Sentenced to 15 Years for Fraud and Manipulation

United States Attorney for the Southern District of New York, Jay Clayton, announced today that DO HYEONG KWON was sentenced to 15 years in prison for committing wire fraud and conspiring to commit securities fraud, commodities fraud, and wire fraud in connection with KWON's fraud centered around Terraform Labs PTE, Ltd. ("Terraform"), and the cryptocurrencies launched by Terraform. KWON was extradited on December 31, 2024, and pled guilty in August 2025 before U.S. District Judge Paul A. Engelmayer, who imposed today's sentence.

> ***"Do Kwon devised elaborate schemes to mislead investors and inflate the value of Terraform's cryptocurrencies for his own benefit," said U.S. Attorney Jay Clayton. "When his crimes caught up to him, Kwon embarked on a deceptive public relations campaign to cover up his fraud, laundered the proceeds of his illegal schemes,***

> ***and sought to purchase political protection in foreign countries to evade criminal prosecution. Let there be no mistake, fraud is fraud whether it takes place on our streets, in our securities markets, or in our emerging and important digital asset ecosystem, and no matter where in the world criminals may seek refuge, the women and men of the Southern District of New York will relentlessly pursue justice for investors and protect the integrity of financial markets."***

According to the allegations in the Superseding Indictment and statements made in public court filings and proceedings:

From at least in or about 2018, up to and including in or about 2022, KWON orchestrated schemes to defraud purchasers of cryptocurrencies created and issued by Terraform. Terraform was a blockchain and cryptocurrency company co-founded by KWON in 2018. Terraform distinguished the Terra blockchain from other competing blockchains by issuing so-called algorithmic stablecoins pursuant to what it called the "Terra Protocol." According to KWON and others, Terraform stablecoins maintained a steady value even under changing market conditions. In or around September 2020, Terraform publicly announced the launch of Terraform's stablecoin pegged to the U.S. dollar, TerraUSD ("UST"). Terraform promotional materials claimed that, under the Terra Protocol, one UST could always be exchanged for $1 worth of LUNA, the Terra blockchain's native token. Conversely, $1 worth of LUNA could always be exchanged for one UST.

KWON claimed that Terraform had used blockchain technology to create a self-contained, decentralized financial world with its own money, payment system, stock market, and savings bank. KWON presented Terraform as having developed functioning, reliable financial technologies on the cutting edge of a movement towards "decentralized finance" (or "DeFi"), in that Terraform's products purportedly operated largely through automated mechanisms and economic incentives, and that Terraform's systems were governed by their users rather than by KWON and his associates and subordinates.

In fact, core Terraform products did not work as KWON advertised and were manipulated to create the illusion of a functioning and decentralized financial system in order to lure investors. KWON engaged in this deceptive conduct in order to pump up the value of Terraform's cryptocurrencies, which KWON and entities he controlled (a) possessed in large amounts and (b) sold to investors in exchange for billions of dollars' worth of other assets.

The misrepresentations that KWON made in furtherance of his schemes to defraud included the following:

1. **The Stablecoin Misrepresentations**: KWON lied about the effectiveness of the system that lay at the heart of Terraform's cryptocurrency empire, the "Terra Protocol," which purportedly used a computer algorithm to maintain the value of Terraform's so-called "stablecoin" pegged to the U.S. dollar, TerraUSD ("UST"), at a value of $1 for one UST. Beginning at least in or about 2020, KWON and his associates advertised the Terra Protocol, including the economic incentives it created in the market, as sufficient on its own to maintain parity between one UST and one U.S. dollar. In particular, KWON claimed that the Terra Protocol on its own had caused the successful restoration of UST's $1 value after it dropped below 92 cents in or about May 2021. That was a lie. In truth, after the Terra Protocol on its own failed to cause the restoration of UST's $1 peg in May 2021, KWON reached an agreement with executives at a high-frequency trading firm (the "Trading Firm") to have the Trading Firm purchase large amounts of UST to artificially support UST's $1 peg. UST's $1 peg was restored in May 2021 only after the Trading Firm strategically purchased millions of dollars of UST for the purpose of artificially propping up the peg.

2. **The LFG Misrepresentations**: KWON lied about the governance of the Luna Foundation Guard Ltd. (the "LFG"), a purportedly independent body the creation of which KWON publicly announced in or about January 2022. KWON claimed that the LFG was managed by a governing body that operated independently of Terraform and was tasked with deploying billions of dollars' worth of financial reserves to defend UST's peg. In truth, KWON simultaneously controlled both the LFG and Terraform at all relevant times following the creation of the LFG; operated the LFG as an arm of Terraform rather than as an independent entity; repeatedly made significant financial decisions for the LFG without the prior approval of its governing body; and treated the LFG's funds as interchangeable with Terraform's funds when it suited KWON's interests, resulting in KWON misappropriating hundreds of millions of dollars in assets from the LFG. KWON and others acting at his direction then sought to launder those misappropriated funds using a variety of transactions designed to conceal and disguise the nature, location, source, ownership, and control of the funds.

3. **The Mirror Misrepresentations**: KWON lied about the control, operation, and extent of user adoption of an investing application on the Terra blockchain called Mirror Protocol ("Mirror"), that purportedly allowed for the creation, buying, and selling of synthetic versions of stocks listed on United States securities exchanges. KWON claimed that Mirror operated in a decentralized manner and that he and Terraform played no role in Mirror's governance. In truth, KWON and Terraform secretly maintained control over Mirror, and used automated trading bots to manipulate the prices of synthetic assets issued by Mirror. KWON funded those manipulative trading bots in part by using a supply of one billion stablecoins that he created at the genesis of the Terra blockchain (the "Genesis Stablecoins"). KWON also caused Terraform to inflate key user metrics to deceive investors about the extent of Mirror's adoption and decentralization.

4. **The Chai Misrepresentations**: KWON falsely claimed that the Terra blockchain was being used to process billions of dollars in financial transactions for the Korean payment-processing application Chai. KWON pointed to Chai's purported use of the Terra blockchain as evidence that Terra had "real world" applications or uses, as distinct from competing cryptocurrency platforms. In truth, Chai processed transactions through traditional financial processing networks, not the Terra blockchain. To create the illusion that Chai processed transactions through the Terra blockchain, KWON and his co-conspirators used an

automated process that copied transactions onto the Terra blockchain. KWON used the Genesis Stablecoins in part to fund these fraudulent efforts.

5. **The Genesis Coin Misrepresentations**: When the Terra blockchain was first established in or about 2019, KWON arranged for it to have a preexisting supply of approximately one billion Terra stablecoins (the Genesis Stablecoins). KWON provided limited, shifting, and knowingly false disclosures to investors about the Genesis Stablecoins. Rather than using the Genesis Stablecoins solely for the purposes set forth in disclosures to investors, KWON used the Genesis Stablecoins for fraudulent purposes, such as funding (i) fake Chai blockchain transactions and (ii) trading bots to manipulate the prices of synthetic assets issued by Mirror.

Enticed, in part, by the fraudulent claims of KWON, both institutional and retail investors flocked to the Terra blockchain, such that, at its peak in the spring of 2022, the total market value of all UST and another Terraform cryptocurrency, LUNA, exceeded $50 billion. KWON solicited and obtained investments from several investment firms in the United States and other locations, with the investments primarily consisting of agreements for the purchase or loan of Terraform's cryptocurrencies built on the Terra blockchain. Much of this growth followed KWON's brazen deceptions about Terraform and its technology, including efforts by KWON and his associates to paper over UST's vulnerabilities in May 2021 by secretly manipulating the market for UST.

By May 2022, UST's peg began to break again. By this time, the UST market was approximately nine times larger in terms of market capitalization and more than eight times larger in terms of daily trading volume relative to one year prior, in May 2021, when KWON sought to deceptively manipulate UST to maintain its $1 value. While KWON was able to cover up the weaknesses of the Terra Protocol in May 2021, he was not able to do so in May 2022 when the market had expanded substantially. As a result, UST and LUNA crashed, resulting in over $40 billion worth in investor losses.

After the crash of UST and LUNA in May 2022, and the initiation of government investigations in multiple jurisdictions into the crash, KWON sought to continue Terraform's business operations and made public remarks about being in "full cooperation" with law enforcement inquiries. In truth, KWON sought to evade accountability. In a recorded conversation with an associate in or about August 2022, for example, KWON stated, in substance and in part, that his strategy with law enforcement investigating the crash of UST and LUNA was to "tell them to fuck off," and that he had been taking steps to obtain "political protection" from multiple countries and was "pretty comfortable" that he would not be extradited to face criminal charges.

On or about March 23, 2023, KWON was arrested in Montenegro for trying to use a fraudulent passport.

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In addition to the prison term, KWON, 34, of the Republic of Korea, was ordered to forfeit over $19 million in proceeds from his illegal schemes, including his interest in Terraform and its cryptocurrencies.

Mr. Clayton praised the investigative work of the Federal Bureau of Investigation ("FBI"), FBI's Virtual Assets Unit, FBI's Economic Crimes Unit, FBI's International Operations Division, and the Department of Justice's Office of International Affairs for their assistance. Mr. Clayton further thanked the U.S. Securities and Exchange Commission, which previously conducted a separate civil action against KWON. Mr. Clayton commended the Ministry of Justice of the Republic of Montenegro and the Ministry of Justice of the Republic of Korea for their cooperation and assistance in this matter.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Marguerite B. Colson, Sarah Mortazavi, and Kimberly Ravener are in charge of the prosecution.

Contact
Nicholas Biase, Shelby Wratchford
(212) 637-2600

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Southern District of New York

26 Federal Plaza, 37th Floor

New York, NY 10278

Main Office & Criminal Division: (212) 637-2200