



THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* NEW YORK

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Department of Justice

U.S. Attorney's Office

Southern District of New York

FOR IMMEDIATE RELEASE

Thursday, October 1, 2020

**Founders And Executives Of Off-Shore Cryptocurrency
Derivatives Exchange Charged With Violation Of The Bank
Secrecy Act**

**Arthur Hayes, Benjamin Delo, Samuel Reed, and Gregory Dwyer Flouted U.S. Anti-
Money Laundering Rules**

Audrey Strauss, the Acting United States Attorney for the Southern District of New York, and William F. Sweeney Jr., Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced the indictment of Arthur Hayes, Benjamin Delo, Samuel Reed, and Gregory Dwyer, charging the four with violating the Bank Secrecy Act and conspiring to violate the Bank Secrecy Act, by willfully failing to establish, implement, and maintain an adequate anti-money laundering ("AML") program at the Bitcoin Mercantile Exchange or "BitMEX." The case is assigned to United States District Judge John G. Koeltl. REED was arrested in Massachusetts this morning, and will be presented in federal court there. HAYES, DELO, and DWYER remain at large.

Acting Manhattan U.S. Attorney Audrey Strauss said: "With the opportunities and advantages of operating a financial institution in the United States comes the obligation for those businesses to do their part to help in driving out crime and corruption. As alleged, these defendants flouted that obligation and undertook to operate a purportedly 'off-shore' crypto exchange while willfully failing to implement and maintain even basic anti-money laundering policies. In so doing, they allegedly allowed BitMEX to operate as a platform in the shadows of the financial markets. Today's indictment is another push by this Office and our partners at the FBI to bring platforms for money laundering into the light."

FBI Assistant Director William F. Sweeney Jr. said: "As we allege here today, the four defendants, through their company's BitMEX crypto-currency trading platform, willfully violated the Bank Secrecy Act by evading U.S. anti-money laundering requirements. One defendant went as far as to brag the company incorporated in a jurisdiction outside the U.S. because bribing regulators in that jurisdiction cost just 'a coconut.' Thanks to the diligent work of our agents, analysts, and partners with the CFTC, they will soon learn the price of their alleged crimes will not be paid with tropical fruit, but rather could result in fines, restitution, and federal prison time."

According to the allegations in the Indictment[1]:

HAYES, DELO, and REED founded BitMEX in or about 2014, and DWYER became BitMEX's first employee in 2015 and later its head of business development. BitMEX, which has long serviced and solicited business from U.S. traders, was required to register with the Commodity Futures Trading

Commission (“CFTC”) and to establish and maintain an adequate AML program. AML programs ensure that financial institutions, such as BitMEX, are not used for illicit purposes, including money laundering.

Despite those obligations, HAYES, DELO, REED, and DWYER knew by no later than in or about September 2015 that, because BitMEX served U.S. customers, it was required to implement an AML program that included a “know your customer” or “KYC” component, but chose to flout those requirements. Indeed, each of the defendants knew of customers residing in the United States who continued to access BitMEX’s trading platform through at least in or about 2018, and that BitMEX policies nominally in place to prevent such trading were toothless or easily overridden to serve BitMEX’s bottom line goal of obtaining revenue through the U.S. market without regard to U.S. regulation. While knowing of BitMEX’s obligation to implement AML and KYC programs because BitMEX was serving U.S. customers, HAYES, DELO, REED, and DWYER took affirmative steps purportedly designed to exempt BitMEX from the application of U.S. laws such as AML and KYC requirements. For example, the defendants caused BitMEX and its parent corporations formally to incorporate in the Seychelles, a jurisdiction they believed had less stringent regulation and from which they could still serve U.S. customers without performing AML and KYC. Indeed, in or about July 2019, HAYES bragged that the Seychelles was a more friendly jurisdiction for BitMEX because it cost less to bribe Seychellois authorities – just “a coconut” – than it would cost to bribe regulators in the United States and elsewhere.

* * *

HAYES, 34, of Buffalo, New York and Hong Kong, DELO, 36, of the United Kingdom and Hong Kong, REED, 31, of Massachusetts, and DWYER, 37, of Australia and Bermuda, are each charged with one count of violating the Bank Secrecy Act, and one count of conspiring to violate the Bank Secrecy Act, each of which carries a maximum penalty of five years in prison. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants will be determined by the judge.

Ms. Strauss praised the outstanding investigative work of the FBI’s New York Money Laundering Investigation Squad, and the assistance of the FBI’s Boston, Milwaukee, and Minneapolis Field Offices. Ms. Strauss also thanked the attorneys and investigators at the CFTC for offering their expertise in the development of this investigation.

The prosecution is being handled by the Office’s Money Laundering and Transnational Criminal Enterprises Unit. Assistant U.S. Attorneys Jessica Greenwood and Samuel Raymond are in charge of the prosecution.

[1] As the introductory phrase signifies, the entirety of the text of the Indictment, and the description of the Indictment set forth herein, constitute only allegations, and every fact described should be treated as an allegation.

Attachment(s):

[Download Arthur Hayes et al. indictment.pdf](#)

Topic(s):

Financial Fraud

Component(s):

[USAO - New York, Southern](#)

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