PRESS RELEASE

Prominent Global Cryptocurrency Exchange KuCoin And Two Of Its Founders Criminally Charged With Bank Secrecy Act And Unlicensed Money Transmission Offenses

Tuesday, March 26, 2024

For Immediate Release

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

KuCoin and Two of Its Founders, Chun Gan and Ke Tang, Flouted U.S. Anti-Money Laundering Laws to Grow KuCoin Into One of World's Largest Cryptocurrency Exchanges

Damian Williams, the United States Attorney for the Southern District of New York, and Darren McCormack, the Acting Special Agent in Charge of the New York Field Office of Homeland Security Investigations ("HSI"), announced today the unsealing of an Indictment against global cryptocurrency exchange KuCoin and two of its founders, CHUN GAN, a/k/a "Michael," and KE TANG, a/k/a "Eric," for conspiring to operate an unlicensed money transmitting business and conspiring to violate the Bank Secrecy Act by willfully failing to maintain an adequate anti-money laundering ("AML") program designed to prevent KuCoin from being used for money laundering and terrorist financing, failing to maintain reasonable procedures for verifying the

identity of customers, and failing to file any suspicious activity reports. KuCoin was also charged with operating an unlicensed money transmitting business and a substantive violation of the Bank Secrecy Act. GAN and TANG remain at large.

> ***U.S. Attorney Damian Williams said: "As today's Indictment alleges, KuCoin and its founders deliberately sought to conceal the fact that substantial numbers of U.S. users were trading on KuCoin's platform. Indeed, KuCoin allegedly took advantage of its sizeable U.S. customer base to become one of the world's largest cryptocurrency derivatives and spot exchanges, with billions of dollars of daily trades and trillions of dollars of annual trade volume. But financial institutions like KuCoin that take advantage of the unique opportunities available in the United States must also comply with U.S. law to help identify and drive out crime and corrupt financing schemes. KuCoin allegedly deliberately chose not to do so. As alleged, in failing to implement even basic anti-money laundering policies, the defendants allowed KuCoin to operate in the shadows of the financial markets and be used as a haven for illicit money laundering, with KuCoin receiving over $5 billion and sending over $4 billion of suspicious and criminal funds. Crypto exchanges like KuCoin cannot have it both ways. Today's Indictment should send a clear message to other crypto exchanges: if you plan to serve U.S. customers, you must follow U.S. law, plain and simple."***

HSI Acting Special Agent in Charge Darren McCormack said: "Today, we exposed one of the largest global cryptocurrency exchanges for what our investigation has found it to truly be: an alleged multibillion-dollar criminal conspiracy. KuCoin grew to service over 30 million customers, despite its alleged failure to follow laws necessary to ensuring the security and stability of our world's digital banking infrastructure. The defendants' alleged pattern of skirting these vitally important laws has finally come to an end. I commend HSI New York's El Dorado Task Force and our law enforcement partners for their commitment to the mission."

According to the allegations in the Indictment and KuCoin's statements on its website:[1]

FLASHDOT LIMITED, formerly known as "Phoenixfin Limited," PEKEN GLOBAL LIMITED, and PHOENIXFIN PRIVATE LIMITED are three entities collectively doing business as global cryptocurrency exchange KuCoin. GAN and TANG, among others, founded KuCoin in September 2017.

KuCoin solicited business from U.S. customers through its spot trading platform and, later, its futures trading platform, which was launched in July 2019. Since its founding in 2017, KuCoin has become one of the largest global cryptocurrency exchange platforms, with more than 30 million customers and billions of dollars' worth of cryptocurrency in daily trading volume. KuCoin's website touts public rankings of cryptocurrency exchanges that place KuCoin in the top five worldwide. One of these public rankings listed KuCoin as the fourth largest cryptocurrency derivatives exchange and fifth largest cryptocurrency spot exchange. KuCoin, GAN, and TANG sought to serve, and have in fact served, numerous customers located in the United States and in the Southern District of New York.

As a result, at all relevant times, KuCoin has been a money transmitting business required to register with the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") and, since July 2019, has been a futures commission merchant required to register with the U.S. Commodity and Futures Trading Commission ("CFTC"). As a money transmitting business and a futures commission merchant, KuCoin is required to comply with the applicable Bank Secrecy Act provisions requiring maintenance of an adequate AML program, including customer identity verification, or know-your-customer ("KYC") processes. AML and KYC programs ensure that financial institutions, such as KuCoin, are not used for illicit purposes, including money laundering.

GAN, TANG, and KuCoin were aware of their U.S. AML obligations but willfully chose to flout those requirements. KuCoin failed, for example, to implement an adequate KYC program. Indeed, until at least July 2023, KuCoin did not require customers to provide any identifying information. It was only in July 2023, after KuCoin was notified of a federal criminal investigation into its activities, that KuCoin belatedly adopted a KYC program for new customers. However, this KYC process applied to new customers only and did not apply to KuCoin's millions of existing customers, including the substantial number of customers based in the United States. KuCoin also never filed any required suspicious activity reports, never registered with the CFTC as a futures commission merchant, and, through at least the end of 2023, never registered with FinCEN as a money transmitting business.

In fact, GAN, TANG, and KuCoin affirmatively attempted to conceal the existence of KuCoin's U.S. customers in order to make it appear as if KuCoin was exempt from U.S. AML and KYC requirements. Despite the fact that KuCoin gathered and tracked location information for its customers, KuCoin actively prevented its U.S. customers from identifying themselves as such when opening KuCoin accounts. And KuCoin lied to at least one investor, in 2022, about where its customers were located, falsely representing that it had no U.S. customers when, in truth,

KuCoin had a substantial U.S. customer base. In fact, in a number of social media posts, KuCoin actively marketed itself to U.S. customers as an exchange where they could trade without having to undergo KYC. For example, KuCoin stated in an April 2022 message on Twitter that "KYC is not supported to USA users, however, it is not mandatory on KuCoin to do KYC. Usual transactions can be done using an unverified account-"

As a result of KuCoin's willful failures to maintain the required AML and KYC programs, KuCoin has been used as a vehicle to launder large sums of criminal proceeds, including proceeds from darknet markets and malware, ransomware, and fraud schemes. Since its founding in 2017, KuCoin has received over $5 billion, and sent over $4 billion, of suspicious and criminal proceeds. Many KuCoin customers used its trading platform specifically because of the anonymity of the services it provided. In other words, KuCoin's no-KYC policy was integral to its growth and success.

* * *

GAN, 34, and TANG, 39, both citizens of China, are each charged with one count of conspiring to violate the Bank Secrecy Act and one count of conspiring to operate an unlicensed money transmitting business, each of which carries a maximum sentence of five years in prison.

FLASHDOT LIMITED, an entity incorporated in the Cayman Islands; PEKEN GLOBAL LIMITED, an entity incorporated in the Republic of Seychelles; and PHOENIXFIN PRIVATE LIMITED, an entity incorporated in Singapore, together d/b/a "KuCoin," are each charged with one count of conspiring to violate the Bank Secrecy Act, which carries a maximum sentence of five years in prison; one count of conspiring to operate an unlicensed money transmitting business, which carries a maximum sentence of five years in prison; one count of violating the Bank Secrecy Act, which carries a maximum sentence of 10 years in prison; and one count of operating an unlicensed money transmitting business, which carries a maximum sentence of five years in prison.

The maximum potential sentences in this case are prescribed by Congress and are provided here for information purposes only, as any sentencing of the defendants will be determined by the judge.

Mr. Williams praised the outstanding investigative work of HSI New York's El Dorado Task Force. Mr. Williams further thanked the Commodity Futures Trading Commission, which today filed a parallel civil action against KuCoin.

This matter is being handled by the Office's Illicit Finance & Money Laundering Unit. Assistant U.S. Attorneys Emily Deininger and David R. Felton are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

[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.

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Attachment

KuCoin Indictment [PDF, 835 KB]

Topic

FINANCIAL FRAUD

Component

USAO - New York, Southern

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