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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, January 12, 2023

Crypto Fraud Victims Receive Over \$17 Million in Restitution from BitConnect Scheme

A federal district court in San Diego ordered today that over \$17 million in restitution be distributed to approximately 800 victims from over 40 different countries due to their investment losses in BitConnect, a massive cryptocurrency investment scheme, which defrauded thousands of investors worldwide.

On Sept. 16, 2021, Glenn Arcaro, 44, the top U.S.-based promoter for BitConnect, pleaded guilty to conspiracy to commit wire fraud. Separately, on Feb. 25, 2022, the founder of BitConnect, Satish Kumbhani, was indicted for his central role in the multibillion-dollar fraud.

As part of Arcaro's plea, he admitted to conspiring with others to exploit investor interest in cryptocurrency by fraudulently marketing BitConnect's initial coin offering and digital currency exchange as a lucrative investment. Arcaro and co-conspirators misled investors about BitConnect's "Lending Program." Under this program, Arcaro 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 by using investors' money to trade on the volatility of cryptocurrency exchange markets.

In truth, however, BitConnect operated a textbook Ponzi scheme by paying earlier BitConnect investors with money from later investors. Arcaro and his co-conspirators ensured that up to 15% of the money invested into BitConnect went directly into a slush fund to be used for the benefit of its owner and promoters.

Assistant Attorney General Kenneth A. Polite, Jr. of the Justice Department's Criminal Division, U.S. Attorney Randy Grossman for the Southern District of California, Assistant Director Luis Quesada of the FBI's Criminal Investigative Division, and Special Agent in Charge Tyler Hatcher of the IRS Criminal Investigation (IRS-CI) Los Angeles Field Office made the announcement.

The FBI Cleveland Field Office and IRS-CI Los Angeles Field Office investigated the case. The Justice Department's Office of International Affairs and U.S. Postal Inspection Service provided indispensable assistance to the investigation.

Trial Attorney Kevin Lowell of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Carl Brooker, Lisa Sanniti, and Mark W. Pletcher and Contract Attorney Mark McDonald for the Southern District of California are prosecuting the case.

An indictment is merely an allegation. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

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Cybercrime

Component(s):

Criminal Division

Criminal - Criminal Fraud Section

Criminal - Office of International Affairs

Federal Bureau of Investigation (FBI)

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