

JUSTICE NEWS

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Founder of Liberty Reserve Pleads Guilty to Laundering More Than \$250 Million through His Digital Currency Business

The founder of Liberty Reserve, a virtual currency once used by cybercriminals around the world to launder the proceeds of their illegal activity, pleaded guilty today to running a massive money laundering enterprise, announced Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and U.S. Attorney Preet Bharara of the Southern District of New York.

Arthur Budovsky, 42, pleaded guilty to one count of conspiring to commit money laundering before U.S. District Judge Denise L. Cote of the Southern District of New York. He is scheduled to be sentenced on May 6, 2016.

"After a prior conviction for operating an unlicensed money transmitting business, Budovsky developed Liberty Reserve, which quickly became a premier service used by criminals around the world to launder their criminal proceeds," said Assistant Attorney General Caldwell. "As a result of this global investigation, however, Budovsky was returned to the United States to face justice once again."

"Arthur Budovsky founded and operated Liberty Reserve, an underworld cyber-banking system that laundered hundreds of millions of dollars in illicit proceeds for criminals around the world," said U.S. Attorney Bharara. "The only liberty that Budovsky and Liberty Reserve promoted was the freedom to commit and profit from crime. Thanks to this truly global investigation that included cooperation from 17 countries, Liberty Reserve has been shut down, and its founder Arthur Budovsky stands convicted in an American court of law, facing the loss of his own liberty."

According to the indictment filed against Liberty Reserve, Budovsky and six co-defendants and Budovsky's admissions at today's hearing:

Budovsky specifically designed Liberty Reserve, which billed itself as the Internet's "largest payment processor and money transfer system," to help users conduct anonymous and untraceable illegal transactions and launder the proceeds of their crimes. From its inception in or about 2006, Budovsky directed and supervised Liberty Reserve's operations, finances and business strategy. To grow the business and evade the scrutiny and reach of U.S. law enforcement, Budovsky emigrated to Costa Rica, where he and other defendants began operating Liberty Reserve, and in 2011, Budovsky renounced his U.S. citizenship and became a Costa Rican citizen. Budovsky told U.S. immigration authorities that his company was developing a software that "might open him up to liability in the U.S."

Liberty Reserve became one of the principal money-transmitting services used by cybercriminals around the world to amass, distribute, store and launder the proceeds of their illegal activity, including proceeds of investment fraud, credit card fraud, identity theft and computer hacking. Before the U.S. government shut down Liberty Reserve in May 2013, it had more than 5 million user accounts worldwide, including more than 600,000 accounts associated

with users in the United States, and had processed millions of transactions. Budovsky admitted in his plea agreement to laundering more than \$250 million in criminal proceeds.

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Four co-defendants, Vladimir Kats, Azzeddine El Amine, Mark Marmilev and Maxim Chukharev, have already pleaded guilty. Marmilev and Chukharev were sentenced to five years and three years in prison, respectively. Kats and El Amine await sentencing before Judge Cote. Charges remain pending against Liberty Reserve and two individual defendants who are fugitives.

The U.S. Secret Service, the Internal Revenue Service-Criminal Investigation and the U.S. Immigration and Customs Enforcement’s Homeland Security Investigations worked together in this case as part of the Global Illicit Financial Team. The U.S. Secret Service’s New York Electronic Crimes Task Force assisted with the investigation. The Judicial Investigation Organization in Costa Rica, Interpol, the National High Tech Crime Unit in the Netherlands, the Spanish National Police, Financial and Economic Crime Unit, the Cyber Crime Unit at the Swedish National Bureau of Investigation and the Swiss Federal Prosecutor’s Office also provided assistance.

Trial Attorney Kevin Mosley of the Criminal Division’s Asset Forfeiture and Money Laundering Section and Assistant U.S. Attorneys Serrin Turner, Christine Magdo, Christian Everdell and Andrew Goldstein of the Southern District of New York are prosecuting the case. The Criminal Division’s Office of International Affairs and Computer Crime and Intellectual Property Section provided substantial assistance.

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