



P.O. Box 39 · Vienna, VA 22183-0039 · www.fincen.gov

FinCEN news releases are available on the internet and by e-mail subscription at www.fincen.gov.
For more information, please contact FinCEN's Office of Public Affairs at (703) 905-3770

FOR IMMEDIATE RELEASE
July 26, 2017

CONTACT: Steve Hudak
703-905-3770

FinCEN Fines BTC-e Virtual Currency Exchange \$110 Million for Facilitating Ransomware, Dark Net Drug Sales

Treasury's First Action Against a Foreign-Located Money Services Business

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN), working in coordination with the U.S. Attorney's Office for the Northern District of California, assessed a \$110,003,314 [civil money penalty](#) today against BTC-e a/k/a Canton Business Corporation (BTC-e) for willfully violating U.S. anti-money laundering (AML) laws. Russian national Alexander Vinnik, one of the operators of BTC-e, was arrested in Greece this week, and FinCEN assessed a \$12 million penalty against him for his role in the violations.

BTC-e is an internet-based, foreign-located money transmitter that exchanges fiat currency as well as the convertible virtual currencies Bitcoin, Litecoin, Namecoin, Novacoin, Peercoin, Ethereum, and Dash. It is one of the largest virtual currency exchanges by volume in the world. BTC-e facilitated transactions involving ransomware, computer hacking, identity theft, tax refund fraud schemes, public corruption, and drug trafficking.

“We will hold accountable foreign-located money transmitters, including virtual currency exchangers, that do business in the United States when they willfully violate U.S. anti-money laundering laws,” said Jamal El-Hindi, Acting Director for FinCEN. “This action should be a strong deterrent to anyone who thinks that they can facilitate ransomware, dark net drug sales, or conduct other illicit activity using encrypted virtual currency. Treasury's FinCEN team and our law enforcement partners will work with foreign counterparts across the globe to appropriately oversee virtual currency exchangers and administrators who attempt to subvert U.S. law and avoid complying with U.S. AML safeguards.”

FinCEN acted in coordination with law enforcement's seizure of BTC-e and Vinnik's arrest. The Internal Revenue Service-Criminal Investigation Division, Federal Bureau of Investigation,

United States Secret Service, and Homeland Security Investigations conducted the criminal investigation.

Among other violations, BTC-e failed to obtain required information from customers beyond a username, a password, and an e-mail address. Instead of acting to prevent money laundering, BTC-e and its operators embraced the pervasive criminal activity conducted at the exchange. Users openly and explicitly discussed criminal activity on BTC-e's user chat. BTC-e's customer service representatives offered advice on how to process and access money obtained from illegal drug sales on dark net markets like Silk Road, Hansa Market, and AlphaBay.

BTC-e also processed transactions involving funds stolen between 2011 and 2014 from one of the world's largest bitcoin exchanges, Mt. Gox. BTC-e processed over 300,000 bitcoin in transactions traceable to the theft. FinCEN has also identified at least \$3 million of facilitated transactions tied to ransomware attacks such as "Cryptolocker" and "Locky." Further, BTC-e shared customers and conducted transactions with the now-defunct money laundering website Liberty Reserve. FinCEN previously issued a finding under Section 311 of the USA PATRIOT Act that identified Liberty Reserve as a financial institution of primary money laundering concern.

BTC-e has conducted over \$296 million in transactions of bitcoin alone and tens of thousands of transactions in other convertible virtual currencies. The transactions included funds sent from customers located within the United States to recipients who were also located within the United States. BTC-e also concealed its geographic location and its ownership. Regardless of its ownership or location, the company was required to comply with U.S. AML laws and regulations as a foreign-located MSB including AML program, MSB registration, suspicious activity reporting, and recordkeeping requirements. This is the second supervisory enforcement action FinCEN has taken against a business that operates as an exchanger of virtual currency, and the first it has taken against a foreign-located MSB doing business in the United States.

###

FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.