

FILED

Feb 25 2022

CLERK, U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA
BY s/ charlest DEPUTYUNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

August 2021 Grand Jury

UNITED STATES OF AMERICA,

Case No. '22 CR395 TWR

v.

INDICTMENTSATISH KURJIBHAI KUMBHANI,
aka "Vindee,"
aka "VND,"
aka "vndbcc,"

Defendant.

Title 18, U.S.C., Sec. 1349 - Conspiracy to
Commit Wire Fraud; Title 18, U.S.C.,
Sec. 1343 - Wire Fraud; Title 18, U.S.C.,
Sec. 371 - Criminal Conspiracy; Title 18,
U.S.C., Sec. 1960 - Operation of an
Unlicensed Money Transmitting Business;
Title 18, U.S.C., Sec. 2 - Aiding and
Abetting; Title 18, U.S.C., Sec. 1956(h) -
Conspiracy to Commit Money Laundering;
Title 18, U.S.C., Sec. 982(a), and Title 28,
U.S.C., Sec. 2461(c) - Criminal Forfeiture

At all times relevant, the Grand Jury charges:

INTRODUCTORY ALLEGATIONSRelevant Individuals, Entities, Federal Agencies, and Terms

1. BitConnect International PLC, aka "BitConnect," aka "BitConnect Ltd.," (referenced herein as "BitConnect") was an unincorporated organization established in approximately 2016. Between 2016 and 2017, BitConnect formed several affiliated entities in the United Kingdom, including but not limited to: BitConnect Ltd. and BitConnect International PLC, which were all part of BitConnect.

2. BitConnect operated a cryptocurrency investment platform and touted its various investment programs through social media. BitConnect conducted its business principally by means of websites accessible at www.bitconnect.co and

1 www.bitconnectcoin.co (together referenced as the “BitConnect Website”). The BitConnect
2 Website was accessible worldwide to the general public and was accessed by individuals
3 within the Southern District of California and elsewhere.

4 3. Defendant SATISH KURJIBHAI KUMBHANI, aka “Vindee,” aka “VND,”
5 aka “vndbcc,” (“Defendant KUMBHANI”), was a citizen of India who resided in Surat,
6 India. Defendant KUMBHANI founded, managed, and controlled BitConnect. Defendant
7 KUMBHANI used fictitious identities, including “Vindee,” “VND,” and “vndbcc” in order
8 to conceal his identity and his control over BitConnect.

9 4. Defendant KUMBHANI directed BitConnect’s international network of
10 affiliates, promoters, directors, managers, employees, and agents. Defendant KUMBHANI
11 disseminated information via wire communications in the United States and globally to the
12 general public and to BitConnect’s network of promoters and affiliates, all for further
13 dissemination to the investing public regarding BitConnect’s various investment programs.
14 Defendant KUMBHANI caused thousands of investors worldwide to invest in BitConnect’s
15 cryptocurrency investment programs.

16 5. Glenn Arcaro (“Arcaro”, charged elsewhere) was a resident of the United
17 States and served as BitConnect’s “national promoter” for the United States from in or
18 around August 2017 to 2018 and was responsible for managing a team of United States-
19 based promoters for BitConnect. Arcaro served as one of the most prolific and successful
20 promoters of BitConnect.

21 6. Defendant KUMBHANI supervised, directed, and managed Arcaro as
22 BitConnect’s national promoter in the United States, and communicated regularly with
23 Arcaro via wire communications.

24 7. Future Money, Ltd. (“Future Money”) was a limited company established in
25 approximately 2017 in Hong Kong. Arcaro formed Future Money with the approval of
26 Defendant KUMBHANI as a way to lure people to invest in BitConnect. Arcaro publicly
27 represented that Future Money was a cryptocurrency education course but, in fact, it was a
28 sales funnel for BitConnect.

1 8. The Financial Crimes Enforcement Network (“FinCEN”) was an agency of the
2 United States Department of the Treasury. FinCEN was responsible for regulating financial
3 institutions in connection with compliance with the Bank Secrecy Act and the regulations
4 thereunder.

5 9. A “Digital asset” or “digital token” generally referred to an asset issued and/or
6 transferred using distributed ledger or blockchain technology, including assets referred to
7 as “cryptocurrencies,” “virtual currencies,” “digital coins,” and “digital tokens.”

8 10. The “blockchain” was a distributed public ledger that recorded incoming and
9 outgoing cryptocurrency transactions.

10 11. “Bitcoin” was a type of cryptocurrency. Bitcoin were generated and controlled
11 through computer software operating via a decentralized, peer-to-peer network. Bitcoin
12 could be used for purchases or exchanged for other currency on currency exchanges.
13 Bitcoin was commonly known as “BTC.”

14 12. A “trading bot” was computer software programmed to trade a digital asset
15 based upon predetermined parameters.

16 13. A “cryptocurrency wallet” was a digital wallet used to store, send, and receive
17 digital currency like Bitcoin. Each digital wallet had a unique digital address containing
18 letters and numbers that were used in order to send and receive cryptocurrency transactions.

19 14. A “cluster” referred to a collection of related cryptocurrency wallets or
20 addresses usually under the control of a single entity or affiliated individuals.

21 15. An initial coin offering (“ICO”) was a capital raising event in which an entity
22 offered investors a unique “coin” or “token” in exchange for consideration—most
23 commonly in the form of established virtual currencies or fiat currency. These tokens were
24 issued on a blockchain and were oftentimes listed on online platforms, called virtual
25 currency exchanges, where they were tradable for virtual or fiat currencies.

26 16. To participate in an ICO, investors were typically required to transfer virtual
27 currencies to the issuer’s address, online wallet, or other account. During an ICO, or after
28 its completion, the issuer would typically distribute its unique “tokens” to the participants’

1 unique address on the related virtual currency's blockchain. Similar to stockholders in an
2 initial public offering ("IPO"), holders of these tokens were then entitled to certain rights
3 related to a venture underlying the ICO, such as profits, shares of assets, use of certain
4 services provided by the issuer, and voting rights.

5 17. Under Title 7, United States Code, Section 1a(9), a "commodity" encompassed
6 a wide range of tangible and intangible items and was broadly defined to include all goods,
7 articles, rights, and interests in which contracts for future delivery were presently or in the
8 future dealt. Cryptocurrencies were commodities because there could be a contract for
9 future delivery of a specific cryptocurrency.

10 18. A money transmitting business (also referenced herein as an "MTB") included
11 any person doing business whether on a regular basis or as an organized business concern,
12 including businesses operating a digital currency exchange in which such businesses
13 exchanged one virtual currency into another virtual currency. An MTB was a financial
14 institution and required to register as such with FinCEN under Title 31, United States Code,
15 Section 5330 and the regulations thereunder. The failure to register an MTB with FinCEN
16 was a federal felony offense.

17 **Relevant Factual Background regarding Defendant and BitConnect**

18 **The Formation and Management of BitConnect**

19 19. In or around 2016, Defendant KUMBHANI created BitConnect. To do so,
20 Defendant KUMBHANI and others caused the creation of a native digital token or digital
21 currency called the "BitConnect Coin" ("BCC"), which was based on BitConnect's own
22 blockchain. At BCC's peak price, BitConnect's market capitalization was approximately
23 \$4.3 billion. The BitConnect Website was accessible to the public globally, including to
24 individuals located within the Southern District of California, and provided potential
25 investors with information about BitConnect's investment programs and an account login
26 link.

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1 20. From in or around November 2016 to in or around January 2017, Defendant
2 KUMBHANI and others conducted an ICO of BCC and introduced BCC to the investing
3 public through the BitConnect Website and other wire communications. BitConnect
4 claimed that BCC was an open-source, decentralized cryptocurrency.

5 21. Defendant KUMBHANI recruited promoters and affiliates, including Arcaro,
6 from Asia, Europe, North America, Australia, and elsewhere to promote BCC and the
7 investment programs BitConnect was offering. Defendant KUMBHANI organized various
8 events internationally to promote BitConnect's blockchain technology, investment
9 opportunities, and investment returns to the promoters and affiliates.

10 22. During one such presentation in or around August 2017 to BitConnect's
11 promoters, including Arcaro, Defendant KUMBHANI made various statements in response
12 to questions, including the following:

13 a. When asked about the ownership of BitConnect, Defendant
14 KUMBHANI stated that if the "government" knew the identity of BitConnect's owner, the
15 government "might punish them . . . so we . . . ultimately lose our money."

16 b. When asked why one of the United Kingdom corporate registration
17 documents for BitConnect listed "Ken Fitzsimmons," a nominee, as a corporate officer for
18 BitConnect, Defendant KUMBHANI explained that "Fitzsimmons" was listed because of
19 Defendant KUMBHANI's desire to remain anonymous.

20 c. When asked about tax compliance, Defendant KUMBHANI stated, "we
21 [BitConnect] don't have any regulations . . . we are dealing only with cryptocurrency, so
22 we are not paying any tax to the government."

23 d. When asked how many coins BitConnect issued during the 2016 ICO,
24 Defendant KUMBHANI stated that BitConnect issued "4.8 million BCC tokens at the time
25 of [the 2016] ICO."

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