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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

**SECURITIES AND EXCHANGE
COMMISSION,**
Plaintiff,
-against-
BITCONNECT,
SATISH KUMBHANI,
GLENN ARCARO, and
FUTURE MONEY LTD.,
Defendants,

COMPLAINT

21 Civ. 7349 ()

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (“SEC”), for its Complaint against Defendants BitConnect (“BitConnect”), Satish Kumbhani (“Kumbhani”), Glenn Arcaro (“Arcaro”), and Future Money Ltd. (“Future Money”) (collectively, “Defendants”), alleges as follows:

SUMMARY

1. From approximately January 2017 to January 2018 (the “relevant period”), Defendants conducted a fraudulent and unregistered offering and sale of securities in the form of investments in BitConnect’s purported “Lending Program,” that ultimately succeeded in obtaining more than 325,000 Bitcoin, or approximately \$2 billion, from investors worldwide, including from investors located in the United States.

2. BitConnect, an unincorporated organization, and Kumbhani, its founder, established a worldwide network of promoters, and rewarded them for their promotional efforts by paying them commissions, a substantial portion of which they concealed from investors. Among these promoters was Arcaro, whom Kumbhani and BitConnect engaged as the lead national promoter of BitConnect for the United States, and who used the website he created for his company, Future Money, to lure investors into the Lending Program.

3. Arcaro formed his own network of United States-based promoters, which included Trevon Brown (“Brown”), Craig Grant (“Grant”), Ryan Maasen (“Maasen”) and Michael Noble (“Noble”) (the “Arcaro Promoters”). Each of the Arcaro Promoters is a named defendant in a related case in the United States District Court for the Southern District of New York, entitled *SEC v. Brown, et al.*, 21 Civ. 4791 (JGK).

4. Arcaro and the Arcaro Promoters – none of whom was registered with the Commission as a broker-dealer, or associated with a registered broker-dealer – touted the supposedly lucrative potential of investing into the Lending Program to potential retail investors, through “testimonial”-style videos they created and published on YouTube, sometimes multiple times a day, with referral links to the Lending Program.

5. To induce investors to deposit funds into the purported Lending Program, BitConnect and Kumbhani represented, among other things, that BitConnect would deploy a purported proprietary “volatility software trading bot” (the “Trading Bot”) that, they claimed, would use investor funds to generate returns as high as 40% per month, and they posted fictitious returns on the BitConnect Website that amounted to, on average, 1% per day, or approximately 3,700% on an annualized basis.

6. These claims were a sham. As Defendants knew or recklessly disregarded, BitConnect did not deploy investor funds for trading with its purported Trading Bot. Rather, BitConnect and Kumbhani siphoned investors’ funds off for their own benefit, and their associates’ benefit, by transferring those funds to digital wallet addresses controlled by Kumbhani, Arcaro, other promoters, including the Arcaro Promoters, and other unknown individuals.

7. To mask the fact that they were not deploying investor funds to be traded with the purported Trading Bot they described to investors, BitConnect and Kumbhani conducted a Ponzi-like scheme in which they at times used funds deposited by newer investors in order to satisfy withdrawal demands made by earlier investors.

8. In return for their promotional efforts, BitConnect and Kumbhani paid Arcaro and the Arcaro Promoters a percentage of the funds they raised from investors, in the form of “referral commissions” that ranged, initially, from 0.2% to 7% of the funds raised, and then, beginning on or about November 3, 2017, from 2% to a maximum of 5%.

9. BitConnect and Kumbhani also paid Arcaro and other top promoters, including the Arcaro Promoters, additional sums from the monies investors paid, and which Defendants referred to as “development funds.” These were commissions BitConnect and Kumbhani paid to

Arcaro and the Arcaro Promoters on a weekly basis on top of the referral commissions, and were calculated as a percentage of new loans made during that week by investors that were recruited by the individual promoter, or by investors that the individual promoter's investors had recruited.

10. Unlike the referral commissions, which BitConnect publicly disclosed, Kumbhani and BitConnect, as Arcaro knew, did not publicly disclose the payment of these "development fund" commissions to promoters, and on the contrary actively sought to conceal this information from investors and potential investors.

11. From the approximately 325,000 Bitcoin, or approximately \$2 billion, that Kumbhani and BitConnect fraudulently induced investors to pay into the Lending Program and into their control, Arcaro and Future Money received more than \$24 million in "referral commissions" and "development funds."

VIOLATIONS

12. By virtue of the foregoing conduct and as alleged further herein, Defendants BitConnect, Kumbhani, Arcaro and Future Money engaged in securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; Defendants BitConnect, Kumbhani, and Arcaro engaged in securities fraud in violation of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)], and Future Money engaged in securities fraud in violation of Sections 17(a)(1) and (3), of the Securities Act [15 U.S.C. § 77q(a)]; Defendants BitConnect, Kumbhani, Arcaro and Future Money engaged in the unregistered sale and offer to sell securities in violation of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c)] and Defendants Arcaro and Future Money violated Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

13. Unless Defendants are restrained and enjoined, they will engage in the acts, practices, transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

14. The Commission brings this action pursuant to the authority conferred upon it by Securities Act Section 20(b) and Section 20(d) [15 U.S.C. §§ 77t(b) and 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)].

15. The Commission seeks a final judgment: (a) permanently enjoining Defendants from violating the federal securities laws and rules this Complaint alleges they have violated; (b) permanently enjoining Defendants as specified in the Prayer for Relief below; (c) ordering Defendants to disgorge all ill-gotten gains and/or unjust enrichment they received as a result of the violations alleged here and to pay prejudgment interest thereon, pursuant to Exchange Act Sections 21(d)(5) and 21(d)(7) [15 U.S.C. §§ 78u(d)(5) & 78u(d)(7)]; (d) ordering Defendants to pay civil money penalties pursuant to Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and, with respect to Defendants Arcaro and Future Money, also pursuant to Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and (e) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

16. This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Section 27 [15 U.S.C. § 78aa].

17. Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

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