US married couple arrested for allegedly conspiring to launder $4.5bn in bitcoin

**Husband and wife, a rapper on TikTok, are accused in the US’s biggest-ever cryptocurrency theft case**



Attorney Sam Enzer sits between Heather Morgan and Ilya ‘Dutch’ Lichtenstein in federal court on Tuesday. Photograph: Elizabeth Williams/AP

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The US justice department has announced the unraveling of its biggest-ever cryptocurrency theft case, seizing a record-shattering $3.6bn in [bitcoin](https://www.theguardian.com/technology/bitcoin) in a saga that has captivated the internet.

US officials said on Tuesday the recovered sum was linked to the hack of Bitfinex, a virtual currency exchange whose systems were breached by hackers nearly six years ago.

Ilya “Dutch” Lichtenstein, 34, and his wife Heather Morgan, 31, both New Yorkers, were arrested in Manhattan on Tuesday morning, accused of relying on various sophisticated techniques to launder the stolen cryptocurrency and to conceal the transactions.

The charges of conspiring to commit money laundering as well as to defraud the United States. The case was filed in a federal court in Washington DC.

“The message to criminals is clear: Cryptocurrency is not a safe haven. We can and we will follow the money, no matter what form it takes,” said the deputy attorney general, Lisa Monaco, on Tuesday.

The pair is accused of conspiring to launder 119,754 bitcoin stolen after a hacker broke into Bitfinex and initiated more than 2,000 unauthorized transactions. Justice department officials said the transactions at the time were valued at $71m in bitcoin, but with the rise in the currency’s value, it is now valued at over $4.5bn.

Lichtenstein and his wife also allegedly tried to launder money via a network of currency exchanges or claimed that the money represented payments to Morgan’s startup, the Department of Justice said. Prosecutors said on Tuesday the illegal proceeds were spent on things ranging from gold and non-fungible tokens to “absolutely mundane things such as purchasing a Walmart gift card for $500”.

It is not just the astronomical amount involved but also the suspects’ online presence that’s grabbed much of the internet’s attention on Tuesday.

Posting under the name @razzlekhan, Morgan has published an extensive catalogue of rap song videos, DIY techniques and other lifestyle issues on social media platforms like Instagram and TikTok, calling herself the “Turkish Martha Stewart” or the “[Waffle Queen of Korea](https://www.youtube.com/watch?v=_QKMkqZVgMc)”.

Social media posts tout a lavish lifestyle. One video shows a [glimpse](https://www.youtube.com/watch?v=6f9y_pgsm2g) of an upscale Manhattan apartment with a clear view of the sky and other buildings. In a Facebook [post](https://www.facebook.com/razzlekhanrap/photos/a.342774229710737/898496074138547) from October, Morgan hinted at wanting to buy a painting from Sotheby’s Auction House.

Morgan also had sidelines in the painting, fashion design and writing worlds, where she pitched herself as a kind of corporate coach. One of her recent pieces was titled, in part, “Tips to Protect Your Business from Cybercriminals” and featured an interview with a cryptocurrency exchange owner about how to prevent fraud.

Lichtenstein, who maintains a lower profile online, described himself on Linkedin as an [angel investor](https://www.linkedin.com/in/unrealdutch/). He is an [alumnus](https://news.ycombinator.com/user?id=il) of the prestigious Y-combinator, a company that has helped to launch an array of prominent tech startups.

At an initial court appearance, a magistrate judge ruled Lichtenstein could be released into home detention on a $5m bond co-signed by his parents; the bond amount for Morgan was set at $3m. They were to remain in custody until the bail conditions were met.

Prosecutors had argued defendants should be denied bail, calling them flight risks who still potentially have access to vast sums of money. During a search of the couple’s home, prosecutors said, investigators found a folder labeled “passport ideas” that contained information on how to get fake IDs, along with a stash of burner phones, the prosecutors said.

The defense attorney Anirudh Bansal told the judge his clients had no intention of fleeing. He said they had known they were under investigation since late last year, “and still they sat tight”. He also called the charges “thin” and overblown.

“I don’t think you’ll find that billions of dollars have been laundered,” Bansal said.

A key clue in the investigation may have come from the 2017 bust of an underground digital market used to launder a portion of the funds. US officials said some of the money was transferred to AlphaBay, an anything-goes version of eBay hosted on the dark web.

Bitfinex said in a statement it was working with the Department of Justice to “establish our rights to a return of the stolen bitcoin”.

Tuesday’s criminal complaint came more than four months after Monaco announced the department was launching a new National Cryptocurrency Enforcement Team, which comprises a mix of anti-money laundering and cybersecurity experts.

Cyber criminals who attack companies, municipalities and individuals with ransomware often demand payment in cryptocurrency.

In one high-profile example last year, former partners and associates of the ransomware group REvil caused a widespread gas shortage on the US east coast when it used encryption software called DarkSide [to launch a cyber attack on the Colonial Pipeline.](https://www.theguardian.com/technology/2021/may/08/colonial-pipeline-cyber-attack-shutdown)

The justice department later recovered some $2.3m in cryptocurrency ransom that Colonial paid to the hackers.

Cases like these demonstrate that the justice department “can follow money across the blockchain, just as we have always followed it within the traditional financial system”, said Kenneth Polite, assistant attorney general of the department’s criminal division.