

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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:
UNITED STATES OF AMERICA :
:
- v. - :
:
ROBERT M. FAIELLA, :
a/k/a "BTCKing," and :
CHARLIE SHREM, :
:
Defendants. :
:
- - - - - x

USDC SDNY
DOCUMENT
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INDICTMENT

14 Cr. **CRIM 243**

COUNT ONE

(Operating an Unlicensed Money Transmitting Business)

The Grand Jury charges:

1. From in or about December 2011, up to and including in or about October 2013, in the Southern District of New York and elsewhere, ROBERT M. FAIELLA, a/k/a "BTCKing," the defendant, knowingly did conduct, control, manage, supervise, direct, and own all and part of a money transmitting business affecting interstate and foreign commerce, to wit, a Bitcoin exchange service FAIELLA operated on the "Silk Road" website under the username "BTCKing," which (i) failed to comply with the money transmitting business registration requirements set forth in Title 31, United States Code, Section 5330, and the regulations prescribed thereunder, and (ii) otherwise involved the transportation and transmission of funds known to FAIELLA to have been intended to be used to promote and support unlawful

JUDGE RAKOFF

activity, to wit, narcotics trafficking on the "Silk Road" website, in violation of Title 21, United States Code, Sections 812, 841, and 846.

(Title 18, United States Code, Section 1960.)

COUNT TWO

(Operating an Unlicensed Money Transmitting Business)

The Grand Jury further charges:

2. From in or about December 2011, up to and including in or about October 2012, in the Southern District of New York and elsewhere, CHARLIE SHREM, the defendant, knowingly did conduct, control, manage, supervise, direct, and own all and part of a money transmitting business affecting interstate and foreign commerce, to wit, a Bitcoin exchange service as to which SHREM was the Chief Executive Officer, which involved the transportation and transmission of funds known to SHREM to have been intended to be used to promote and support unlawful activity, to wit, the operation of an unlicensed money transmitting business on the "Silk Road" website in violation of Title 18, United States Code, Section 1960, and, ultimately, narcotics trafficking on the "Silk Road" website, in violation of Title 21, United States Code, Sections 812, 841, and 846.

(Title 18, United States Code, Section 1960.)

COUNT THREE

(Money Laundering Conspiracy)

The Grand Jury further charges:

3. From in or about December 2011, up to and including in or about October 2012, in the Southern District of New York and elsewhere, ROBERT M. FAIELLA, a/k/a "BTCKing," and CHARLIE SHREM, the defendants, and others known and unknown, willfully and knowingly did combine, conspire, confederate, and agree together and with each other to commit money laundering.

4. It was a part and an object of the conspiracy that ROBERT M. FAIELLA, a/k/a "BTCKing," and CHARLIE SHREM, the defendants, and others known and unknown, would and did transport, transmit, and transfer, and attempt to transport, transmit, and transfer, monetary instruments and funds from places in the United States to and through places outside the United States, with the intent to promote the carrying on of specified unlawful activity, to wit, operating an unlicensed money transmitting business and narcotics trafficking, in violation of Title 18, United States Code, Section 1960, and Title 21, United States Code, Sections 812, 841, and 846, respectively, all in violation of Title 18, United States Code, Section 1956(a)(2)(A).

Overt Acts

5. In furtherance of said conspiracy and to effect the illegal object thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about January 17, 2012, ROBERT M. FAIELLA, a/k/a "BTCKing," the defendant, while operating a Bitcoin exchange service on the "Silk Road" website, received multiple orders for Bitcoins from users of the site.

b. On or about January 17, 2012, CHARLIE SHREM, the defendant, filled the orders by causing funds to be transferred to an account that FAIELLA controlled at a third-party Bitcoin exchange service based in Japan.

(Title 18, United States Code, Section 1956(h).)

COUNT FOUR

(Willful Failure to File Suspicious Activity Report)

The Grand Jury further charges:

6. From in or about December 2011, up to and including in or about October 2012, in the Southern District of New York and elsewhere, CHARLIE SHREM, the defendant, willfully failed to report suspicious transactions relevant to possible violations of laws and regulations, as required by the Secretary of Treasury, to wit, SHREM failed to file any Suspicious Activity Report with respect to numerous Bitcoin purchases

conducted by ROBERT M. FAIELLA, a/k/a "BTCKing," through a Bitcoin exchange service operated by SHREM.

(Title 31, United States Code, Sections 5318(g) and 5322(a); and Title 31, Code of Federal Regulations, Section 1022.320)

FIRST FORFEITURE ALLEGATION

7. As a result of committing the offense alleged in Count One of this Indictment, ROBERT M. FAIELLA, a/k/a "BTCKing," the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all property, real and personal, involved in the offense and all property traceable to such property.

SECOND FORFEITURE ALLEGATION

8. As a result of committing the offense alleged in Count Two of this Indictment, CHARLIE SHREM, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all property, real and personal, involved in the offense and all property traceable to such property.

THIRD FORFEITURE ALLEGATION

9. As a result of committing the offense alleged in Count Three of this Indictment, ROBERT M. FAIELLA, a/k/a "BTCKing," and CHARLIE SHREM, the defendants, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all property, real and personal, involved in the offense and all property traceable to such property.

Substitute Asset Provision

10. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third person;
- (3) has been placed beyond the jurisdiction of the Court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b) and Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.

(Title 18, United States Code, Section 982;
Title 21, United States Code, Section 853.)


FOREPERSON


PREET BHARARA
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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Defendants.

INDICTMENT

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(18 U.S.C. §§ 1960 & 1956(h);
31 U.S.C. §§ 5318(g) & 5322(a);
31 C.F.R. § 1022.320)


Preet Bharara
Foreperson. United States Attorney.

4-10-14
File Indictment. Case assigned to J. Alkoff.
Reck
U.S.M.J.