

**ON THE HEELS OF BITCOIN ARRESTS, U.S. ATTORNEY PREET BHARARA
URGES FINANCIAL INSTITUTIONS NOT TO BECOME CONDUITS OF FRAUD**

Remarks Made at the ACAMS 2nd Annual AML Risk Management Conference in New York

MIAMI, Fla., February 18, 2014 – Perhaps the most significant statement made at the recent Association of Certified Anti-Money Laundering Specialists (ACAMS) 2nd Annual AML Risk Management Conference regarded the breaking news about indictments connected to Silk Road. Robert Faiella, an underground Bitcoin exchanger, and Charles Shrem, the CEO of a Bitcoin exchange company and the Vice Chairman of a foundation promoting Bitcoin, were charged the morning of the ACAMS conference with engaging in a money laundering conspiracy and operating an unlicensed money transmitting business. According to the indictment, the two plotted to sell over \$1 million in Bitcoins to those they knew were using them to buy and sell illegal drugs on Silk Road. Last October, the owner and operator of the online black-market bazaar for illegal drugs was charged with trading millions of dollars worth of illegal goods.

In discussing that morning's developments, keynote speaker **Preet Bharara**, United States Attorney for the Southern District of New York, whose office issued the indictments, addressed the need for financial institutions to improve their AML programs in order to stay in front of issues such as virtual currency.

After shutting down Silk Road's website and bringing a civil action seeking forfeiture of the Bitcoins, Bharara's office seized a record \$30 million worth of Silk Road's Bitcoins. The U.S. Attorney told conference attendees that his office wanted to send a clear message, "if you want to develop a virtual currency or a virtual currency exchange business you have to follow the rules, all of them."

"Shrem was also charged with the willful failure to file suspicious activity reports as required by the BSA. We believe this is the first criminal case involving BSA-violations by Bitcoin exchangers," Bharara said during his keynote.

Bharara stressed the consequence of noncompliance with AML policy by saying, "when anti-money laundering controls fail, it is easier for Ponzi schemes to thrive, for terrorists to plot,

for drug kingpins to profit, for rogue nations to evade sanctions, for tax cheats to avoid prosecution." He also cited the "importance of holding institutions, in addition to individuals, accountable for criminal misconduct."

Regarding his office's handling of the recent JPMorgan Chase-Bernard Madoff case, Bharara stated, "just three weeks ago, my office brought criminal charges against JPMorgan Chase for violating the BSA in connection with Madoff's epic fraud" and added "JPMorgan had, as an institution, failed in its obligations under the AML provisions of the BSA."

The JPMorgan case was an historical milestone for the AML industry, the U.S. Attorney said. "This was the first time that a major Wall Street bank was subject to a deferred prosecution agreement of this type" where a \$1.7 billion penalty became the largest forfeiture for a bank.

When tackling the future of the AML sector, Bharara was very clear: "as financial institutions and the financial markets become more complex and more varied, so do the ways in which proceeds of criminal conduct can be and are being laundered. And the laws and the enforcements must reflect that."

The Superintendent of the New York State Department of Financial Services (NYDFS) Benjamin M. Lawsky, another conference keynoter, said that "real deterrence is the key" and adding "as regulators and as prosecutors, we should be focusing a lot on individual bad conduct, not just corporate wrongdoing."

In summarizing the recent conference, John J. Byrne, CAMS, Executive Vice President at ACAMS, noted, "ACAMS was fortunate to have two major individuals in the anti-money laundering field address our Risk Management Conference in New York. Not only did AML professionals exchange valuable compliance insights, but also our keynoters District Attorney Bharara and Superintendent Lawsky pointedly showcased the ramifications that money laundering activities have on regular citizens, not just on financial organizations. More importantly, both expressed a desire to work with AML professionals in an organized fight against criminal financial activities touches us all."

Kieran Beer, Editor-in-Chief of ACAMS moneylaundering.com, believes the conference has become a barometer for the AML industry as a whole: "Events such as this conference allow the brightest minds in compliance to come together and share their thoughts and best practices. That's necessary because with globalization and ever changing technology, money launderers and financial criminals keep innovating."

Bharara ended his keynote address also highlighting the importance of conferences like the ACAMS event, saying "Gatherings like this one, with people like you who have dedicated your professional lives so making sure that our companies and financial institutions comply with their legal obligations and do not become conduits for fraud, give me great hope and optimism that we will find a way and people will find the will," Bharara said. He later added, "It gives me confidence that together we can usher in a new age of institutional accountability and responsibility. And that together, we can ensure that our companies set a global standard for operating ethically and with integrity."

As the Bitcoin case unfolds over the next several weeks, Patrick Murck, general counsel of the Bitcoin Foundation, is scheduled to be a participant at the ACAMS moneylaundering.com conference this March in Hollywood, Florida. Murck will join other panelists to discuss "Virtual Currency 101: Understanding Virtual Currencies and their Potential Vulnerability to Money Laundering" on Wednesday, March 19 at 2 p.m. The 19th Annual International AML & Financial Crime Conference will take place Monday, March 17 to Wednesday, March 19, at The Westin Diplomat in Hollywood. For more information on the conference, visit www.moneylaunderingconference.com.

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Editor's Notes:

1. Members of the media may contact The Murry Agency at 305-531-5720 for the complete speech given by Preet Bharara at the 2nd Annual AML Risk Management Conference in New York.
2. Media credentials to cover the 19th Annual International AML & Financial Crime Conference from Monday, March 17 to Wednesday, March 19, at The Westin Diplomat in Hollywood, Florida are available by contacting The Murry Agency at 305-531-5720.

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