

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury Identifies Virtual Currency Provider Liberty Reserve as a Financial Institution of Primary Money Laundering Concern under USA Patriot Act Section 311

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Action Targets Liberty Reserve, a Web-Based Money Transfer System Employed by Criminals Worldwide to Launder the Proceeds of Illicit Activities

WASHINGTON – The U.S. Department of the Treasury today named Liberty Reserve S.A. as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act (Section 311). Liberty Reserve - a web-based money transfer system or “virtual currency” - is specifically designed and frequently used to facilitate money laundering in cyber space. This is the first use of Section 311 authorities by Treasury against a virtual currency provider.

Liberty Reserve is widely used by criminals worldwide to store, transfer, and launder the proceeds of a variety of illicit activities. Liberty Reserve’s virtual currency has become a preferred method of payment on websites dedicated to the promotion and facilitation of illicit web based activity, including identity fraud, credit card theft, online scams, and dissemination of computer malware. It has sought to avoid regulatory scrutiny while tailoring its services to illicit actors.

Treasury’s regulatory action today was taken in coordination with the unsealing of an indictment by the U.S. Attorney’s Office for the Southern District of New York, which charged Liberty Reserve and seven of its principals – Arthur Budovsky, Vladimir Kats, Azzedine El Amine, Mark Marmilev, Maxim Chukharev, Ahmed Yassine Abdelghani, and Allan Esteban Hidalgo Jimenez – in Manhattan federal court for their alleged roles in running a \$6 billion money laundering scheme and operating an unlicensed money transmitting business.

“Treasury is determined to protect the U.S. financial system from cyber criminals and other malicious actors in cyberspace, including overseas entities like Liberty Reserve that facilitate online crime and hope to evade regulatory scrutiny,” said Under Secretary for Terrorism and Financial Intelligence David S. Cohen. “We are prepared to target and disrupt illicit financial activity wherever it occurs – domestically, at the far reaches of the globe or across the internet.”

Treasury’s Financial Crimes Enforcement Network (FinCEN) has delivered to the Federal Register a regulatory finding explaining the basis of the actions as well as a notice of proposed rulemaking (“NPRM”) that, if adopted as a final rule, would prohibit covered U.S. financial institutions from opening or maintaining correspondent or payable-through accounts for foreign banks that are being used to process transactions involving Liberty Reserve. The NPRM also proposes to require covered financial institutions to apply special due diligence to their correspondent accounts maintained on behalf of foreign banks to guard against any transactions involving Liberty Reserve. If adopted, these measures would effectively cut off Liberty Reserve from the U.S. financial system. After publication in the Federal Register, the public will have 60 days to comment on the proposed rule against Liberty Reserve.


Liberty Reserve S.A.

Liberty Reserve is a web-based money transfer system or “virtual currency.” It is currently registered in Costa Rica and has been operating since 2001. Liberty Reserve uses a system of internal accounts and a network of third-party intermediaries or exchangers to move funds. Operating under the domain name “www.libertyreserve.com,” Liberty Reserve maintains accounts for registered users, which are funded through exchangers. Registered users typically send a bank or non-bank wire transfer to an exchanger, who then transfers the corresponding value of Liberty Reserve virtual currency from the exchanger’s account to the user’s account. Once an account is established, transfers can be made from account-to-account instantly and anonymously. Withdrawal of funds requires a user to instruct Liberty Reserve to send transfer value from the user’s account to the account of an exchanger, who then transfers the value as U.S. dollars or other currency as a bank or non-bank wire transfer to the user or to other recipient(s). Exchangers operate as independent money service businesses globally, charging a commission on each transfer of funds into or out of the Liberty Reserve currency.

Liberty Reserve’s virtual currency appeals to illicit users because it provides the capability to conduct anonymous transactions around the world. Liberty Reserve does not conduct verification of account registration for individuals using the system, asking only for a working e-mail address, and allow an individual to open unlimited number of accounts. By paying an additional “privacy fee,” users can hide their internal unique account number when sending funds within the Liberty Reserve system. Once an account is established, Liberty Reserve

virtual currency can then be sent, instantly and anonymously, to any other account holder within the global system. For example, a cyber-criminal online marketplace would accept payment in Liberty Reserve transfers for illicit activity that included spam services and key-logging programs used to steal personal information, such as account numbers and passwords, from innocent victims. Also for anonymous sale were destructive malware programs designed to assault financial institutions, as well as lists of information from thousands of compromised personal accounts.

To view a *Fact Sheet on Section 311 of the USA PATRIOT Act*, visit this [link](#) .

To view a *chart related to this action*, visit this [link](#) .

To view the *complete Findings against Liberty Reserve*, visit this [link](#) .

To view the *Notice of Proposed Rulemakings*, visit this [link](#) .

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