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Online Liberty Reserve Indicted For \$6 Billion In Money Laundering

A [federal indictment](#) alleges that Liberty Reserve is one of the world's largest online money laundering operations. The sweeping indictment calls it a central hub for criminals trafficking in stolen identities, child pornography, gambling, ponzi schemes, drugs, and more. The indictment alleges the company has millions of customers world-wide and that it facilitated global criminal conduct. See [U.S. Alleges \\$6 Billion Money-Laundering Operation](#).



Photo credit: Wikipedia

And since the feds have already closed it down, there's a buzz about getting the money. Liberty Reserve is an online currency exchange incorporated in Costa Rica in 2006 by Arthur Budovsky. Budovsky, who renounced his U.S. citizenship in 2011, was arrested in Spain. His company is allegedly a preferred vehicle for money transfers between criminals.

For example, Liberty Reserve was featured in the indictment of eight New Yorkers accused of [looting \\$45 million from ATMs](#) in 27 countries. One official described Liberty Reserve as "PayPal for criminals." The indictment charges seven of the company's principals and employees.

Five of them were arrested in Spain, Costa Rica and New York. Extradition to the U.S. is planned. The authorities arrested Vladimir Kats in Brooklyn. The authorities in Spain arrested Arthur Budovsky and Azzeddine El Amine. Allan Esteban Hidalgo Jimenez and Ahmed Yassine Abdelghani are evidently still at large in Costa Rica.

Five domain names were seized, including Liberty Reserve, and officials seized or restricted the activity of 45 bank accounts. Liberty Reserve users only needed a name, address and date of birth to transfer money, with no validation of identity required. Accounts could allegedly be opened with fake or anonymous names. That and a no-questions-asked policy made Liberty Reserve the premier bank for cybercriminals.

The indictment says Liberty Reserve used “third-party exchangers,” for money transfers. They would accept and make payments and credit or debit the Liberty Reserve account. Law enforcement officials seized four currency exchanges that operate with the business and 35 other websites. See [Liberty Reserve Operators Accused of Money Laundering](#).

It’s even more anonymous than [Bitcoin](#), some have observed. After all, Bitcoin transactions are stored in a public ledger and can at least be traced. See [Sorry Bitcoin, IRS Gets Reports](#).

Liberty Reserve account holders were unable to access their funds over the weekend, causing some anxiety about frozen funds. Yet it seems unlikely that too many people will step forward claiming monies right away. The indictment claims that the people who accepted Liberty Reserve’s currency were “overwhelmingly criminal in nature.”

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.