

## 2 Estonians arrested in \$575M cryptocurrency fraud

November 22 2022

---



Credit: Pixabay/CC0 Public Domain

Police in Estonia have arrested two men accused in a \$575 million cryptocurrency fraud, U.S. authorities said Monday.

An indictment unsealed in U.S. District Court in Seattle charged Estonian citizens Sergei Potapenko and Ivan Turogin, both age 37, with wire fraud and conspiracy to commit money laundering. According to the charging documents, they worked with four unnamed co-conspirators living in Estonia, Belarus and Switzerland.

Prosecutors said the suspects tricked hundreds of thousands of people from 2015 to 2019 into buying contracts for a cryptocurrency mining service called HashFlare and investing in a virtual currency bank called Polybius Bank. In reality the businesses operated as pyramid schemes, prosecutors said.

The men are accused of using shell companies to launder the fraud proceeds and to purchase real estate and luxury cars. The pair are in custody in Estonia pending extradition to the U.S., the Justice Department said.

"These defendants capitalized on both the allure of cryptocurrency, and the mystery surrounding cryptocurrency mining, to commit an enormous Ponzi scheme," Seattle U.S. Attorney Nick Brown said in a news release.

U.S. and Estonian authorities are working to confiscate properties and bank accounts maintained by the defendants, Brown said.

Court records in Seattle did not indicate whether the men had obtained attorneys. Some of the victims were in Western Washington state, authorities said.

The cryptocurrency industry has seen a fair share of volatility and turmoil this year, including a sharp decline in price for bitcoin and other digital assets. Earlier this month, the third-largest cryptocurrency exchange, FTX, [collapsed](#) after experiencing the crypto equivalent of a bank run. For some, the events are reminiscent of the failures of Wall

Street firms during the 2008 financial crisis, particularly now that supposedly healthy firms like FTX are failing.

© 2022 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: 2 Estonians arrested in \$575M cryptocurrency fraud (2022, November 22) retrieved 7 May 2024 from <https://techxplore.com/news/2022-11-estonians-575m-cryptocurrency-fraud.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.