

# US arrests former head of bankrupt crypto platform Celsius

July 13 2023

---



U.S. Attorney Damian Williams for the Southern District of New York announced charges against the former head of bankrupt cryptocurrency platform Celsius Network.

US prosecutors arrested the former head of Celsius Network on fraud

charges on Thursday, a year after the cryptocurrency platform filed for bankruptcy protection while owing investors \$4.7 billion.

A Justice Department indictment of Alexander Mashinsky listed seven criminal counts, including securities fraud, wire fraud and market manipulation.

Mashinsky is accused of "orchestrating a scheme to defraud customers of Celsius through a series of false claims about the fundamental safety and security of the Celsius platform," said US Attorney Damian Williams of the southern district of New York state.

"Whether it's old-school fraud or some new-school crypto scheme, it doesn't matter one bit. It's all fraud to us," Williams said in a press release. "And we'll be here to catch it."

Mashinsky, who was born in Ukraine before living in Israel and then the United States, faces decades of potential imprisonment, with each of the seven counts holding a maximum possible sentence of between five and 20 years.

Mashinsky was arrested early Thursday and scheduled to be presented in court later in the day.

Authorities also charged Roni Cohen-Pavon, Celsius's former chief revenue officer, who is an Israeli citizen and is currently abroad.

At its peak in late 2021, Celsius had more than one million clients and held more than \$25 billion in assets.

But the company hit hard times in the spring of 2022 as the value of cryptocurrencies plummeted.

Facing deep customer withdrawals, Celsius on June 12, 2022 froze customer accounts before filing for bankruptcy protection a month later.

DOJ noted that in the days ahead of the June 2022 freeze on withdrawals, Mashinsky "continued to assure Celsius customers that Celsius was in a strong financial position and had sufficient liquidity to meet all customer withdrawal demands," according to an agency press release.

But even as he made these statements, Mashinsky had removed approximately \$8 million of his own assets from the Celsius platform, the DOJ said.

In a parallel case, the Federal Trade Commission announced a settlement with Celsius that will permanently ban it from handling customer assets.

Celsius also agreed to a judgment of \$4.7 billion, which will be suspended to allow Celsius to return its remaining assets to consumers in bankruptcy proceedings, the FTC said.

The agency did not settle with Mashinsky and two other Celsius co-founders, Shlomi Daniel Leon and Hanoch Goldstein. A civil FTC case against these three will proceed in federal court, the FTC said.

© 2023 AFP

Citation: US arrests former head of bankrupt crypto platform Celsius (2023, July 13) retrieved 14 May 2024 from <https://techxplore.com/news/2023-07-founder-crypto-platform-celsius-network.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.