



Think

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February 4, 2014

Ms. JoAnn M. Johnson  
Superintendent of Credit Unions  
Iowa Department of Commerce  
200 East Grand  
Suite 370  
Des Moines, IA 50309-1827

RE: Formal Complaint Against Dwolla, Inc. and Veridian Credit Union

Dear Superintendent Johnson:

This letter concerns my November 1, 2013 complaint against Dwolla, Inc. (hereinafter “Dwolla”) and Veridian Credit Union (hereinafter “Veridian”) filed with the National Credit Union Administration and the Iowa Division of Banking, and your written response to that complaint, dated December 2, 2013.

In your response, you made several surprising allegations:

1. You alleged that my non-public filing of a formal complaint against a credit union, addressed (electronically via e-mail) only to state and federal government agencies, may have on its own been a violation of Iowa Code § 533.508(2) because, in your view, I made statements in the complaint that could be considered “malicious or intentionally deceptive” with regard to an Iowa credit union;
2. You alleged that my complaint “appear[ed] to make unsubstantiated allegations.”

Despite these contentions, my complaint was extremely detailed and specific as to the nature of the unlawful activity and deliberate misrepresentations taking place. The complaint even contained a number of citations in the form of hyperlinks.

To say that your response was not what I expected would be an understatement. Aside from the fact that none of my communications with anyone have been “malicious or intentionally deceptive,” the notion that *anything* written in a non-public complaint addressed to the government, save for threats of physical violence

February 4, 2014

Letter Regarding Formal Complaint Against Dwolla, Inc. and Veridian Credit Union

Page 2

(obviously not present here), could be legally actionable is simply ludicrous. By going so far as to threaten me with legal action for using the proper channels in a proper manner to report unlawful financial and/or business activity, you have called your objectivity and competence as a regulator into extreme question.

Your further statement that, “There is no regulatory or statutory infraction by having Dwolla act as a legal agent of Veridian Credit Union” appears to deliberately ignore the crux of my complaint: that Dwolla is *purporting* to be an “agent” of Veridian in order to escape the regulatory burden of state money transmission laws and the Bank Secrecy Act (“BSA”), with which it is required to comply given that Dwolla maintains control of consumer assets that appear on its own accounting ledger, and not Veridian’s. As the complaint clearly explained, it is a fundamental accounting impossibility that Dwolla can be Veridian’s “agent” while simultaneously maintaining control of its own customer funds in what it describes itself as a “pooled” account, which it plainly admits on its home page. An agency relationship would require Veridian to have control of those funds, and the use of a pooled account in Dwolla’s name would in that case be both unnecessary and infeasible. By way of comparison, actual agents of banks that provide merchant services do not use pooled accounts; the bank providing agency maintains control of the merchant’s funds. After all, the word “agency” means to operate on behalf of another.

These infractions are non-trivial. Your supposed examinations have failed to detect a great deal of illegal activity (at the very least in violation of 18 U.S.C. § 1960(a), as well as various BSA statutes) in at least one Iowa credit union that is directly linked to the massive Silk Road on-line marketplace, which, as you should already know, was recently the target of a Department of Justice sting operation. Should you remain skeptical that it is and has been your job to investigate such activities, especially when they arrive on your desk in the form of a formal complaint, I have attached a number of documents to this letter that should provide you with irrefutable evidence of your office’s complete, and potentially criminal, neglect.

Regards,



Aaron Greenspan  
President & CEO  
Think Computer Corporation

Enclosures (7)

CC: United States Senator Jeff Merkley  
Seetha Ramachandran, United States Department of Justice, Deputy Chief, Money Laundering and  
Bank Integrity Unit, Asset Forfeiture & Money Laundering Section  
National Credit Union Administration

**From:** Aaron Greenspan aarong@thinkcomputer.com  
**Subject:** Formal Complaint Against Dwolla, Inc. and Veridian Credit Union  
**Date:** November 1, 2013 at 12:32 AM  
**To:** IDOBcomplaints@idob.state.ia.us, consumerassistance@ncua.gov  
**Cc:** Richard Kay richard.kay@usdoj.gov, Benjamin Lawsky benjamin.lawsky@dfs.ny.gov, Tony Lehtonen tony.lehtonen@dbo.ca.gov

---

To Whom It May Concern:

I wish to file a formal complaint against Dwolla, Inc. (hereinafter "Dwolla"), an Iowa-based unlicensed money transmitter with offices in San Francisco, and Veridian Credit Union, based in Waterloo, Iowa. As of October 31, 2013, Dwolla falsely advertises on its web site at <http://www.dwolla.com> that it is an "agent" of Veridian Credit Union. Specifically, Dwolla's web site currently states as follows:

—

## Financial institutions play an important role in the Dwolla network.

Dwolla, Inc. is an agent of Veridian Credit Union and all funds associated with your account in the Dwolla network are held in a pooled account at Veridian Credit Union. These funds are not eligible for individual insurance, and may not be eligible for share insurance by the National Credit Union Share Insurance Fund. Dwolla, Inc. is the operator of a software platform that communicates user instructions for funds transfers to Veridian Credit Union.

—

These statements are self-contradictory, and were written recently by Dwolla's lawyers as the result of ongoing litigation (see *Think Computer Corporation v. Dwolla, Inc. et al*, California Northern District Court, Case No. 5:13-cv-02054-EJD, <http://www.plainsite.org/flashlight/case.html?id=2434524>) as a deliberate smokescreen to cover up the fact that Dwolla has been operating illegally in Iowa and several other states for years, ever since its Iowa money transmission license (number 2009-0049) was allowed to expire on 10/1/2011. Such illegal operation has not gone without consequences; recently, the Department of Homeland Security seized a Dwolla account related to illegal trading of Bitcoin funds containing millions of dollars. See *USA v. The Contents of one Dwolla account*, Maryland District Court, Case No. 1:13-mj-01162-SKG. Dwolla was also sued by Tradehill, Inc. after \$100,000 went missing. See *Tradehill, Inc. v. Dwolla, Inc. et al*, California Northern District Court, Case No. 3:12-cv-01082-MMC, <http://www.plainsite.org/flashlight/case.html?id=716058>.

Dwolla by definition cannot be an agent of Veridian Credit Union for the following reasons:

- 1. Control of Funds.** Dwolla holds customer funds in a "pooled account." Far from a mere coincidence or arbitrary preference, Dwolla **must** hold its funds in a pooled account because unlike an actual agent of Veridian Credit Union, which would have access to Veridian's core banking systems to allow it to move funds in and out of *individually-controlled* Veridian accounts, Dwolla can only move funds that *Dwolla* controls. The only way Dwolla can move money is via ACH, and it can only do so for one Veridian account in Dwolla's name. Dwolla's statement that it is "the operator of a software platform that communicates user instructions for funds transfers to Veridian Credit Union" is technically true, but incomplete and designed to be misleading. Dwolla does operate a software platform, and via standard ACH batch processing commands it does communicate instructions to Veridian (among other financial institutions), *but it also has control over its customers funds at all times.*
- 2. Recordkeeping and Accounting.** Because the funds at Veridian are held—from Veridian's standpoint—in Dwolla's name, and not in the names of the individual account holders (after all, the funds are co-mingled, so Veridian has no idea whose funds are whose), the funds are on Dwolla's balance sheet as assets (cash) and liabilities (funds held in trust). The fact that Dwolla holds funds belonging to others on its own balance sheet makes it a money transmitter under Iowa law and the statutes of other states.
- 3. No Direct Access for Customers.** I signed up as a Dwolla customer to test its service around 2010. Although I still have an account I can access with Dwolla, I do *not* have an account I can access at Veridian Credit Union. It is therefore unclear at best what "agency" Dwolla is claiming to uphold; nothing Dwolla performed in providing my account was actually performed *on behalf of* Veridian Credit Union.
- 4. Inconsistent Account Benefits.** Dwolla accounts, unlike typical FDIC/NCUA-backed checking or savings accounts, lack deposit insurance. This suggests once again that Dwolla is not an agent of any financial institution, but a money transmitter.
- 5. No Evidence of Agency Contract.** Although Dwolla claims to be an agent on its web site, it does not provide any evidence of an actual agency contract with Veridian Credit Union. In public appearances, Dwolla CEO Benjamin Milne has referred to an subsidiary independent corporation of Veridian Credit Union as a "very strategic investor." This is not the same as an actual agency agreement and is legally meaningless.

Many other states—states including but not limited to California, in which Dwolla has offices, operates, or both—consider companies who operate in the exact same manner as described above to be money transmitters in need of licenses. Dwolla clearly considered itself a money transmitter in Iowa before 2011, but did not have money transmission licenses in any other state despite having customers outside of Iowa.

In keeping with the behavior of an entity aware of its own illegal activity, Dwolla has surprised the market lately in a number of ways. As of October 28, 2013, Dwolla suddenly and immediately halted involvement with Bitcoin, after being of its leading proponents for years. See <http://thenextweb.com/insider/2013/10/11/payments-company-dwolla-abruptly-announces-the-closure-of-its-bitcoin-service/>. This is possibly due to its receipt of a subpoena from the New York Department of Financial Services. See <http://www.forbes.com/sites/kashmirhill/2013/08/12/every-important-person-in-bitcoin-just-got-subpoenaed-by-new-yorks-financial-regulator/>. CEO Milne also refused to participate in an October 17, 2013 scheduled panel discussion in San Francisco; his name was removed from the program completely. See <http://financialwomensf.org/virtual-currencies-are-they-the-future-of-payments>.

In summary, Dwolla is knowingly misleading consumers, putting public funds at risk, exchanging money on behalf of drug traffickers to an unusually high degree, and violating both federal and state laws in the process, including 18 U.S.C. § 1960 and various Bank Secrecy Act

statutes. Veridian Credit Union is permitting Dwolla to do all of this with its name as cover. Dwolla and Veridian should both be cited and fined accordingly, or shut down.

Feel free to contact me via e-mail or via phone at +1 415 670 9350 with any questions.

Aaron



**Aaron Greenspan**  
President & CEO  
Think Computer Corporation

*telephone* +1 415 670 9350

*fax* +1 415 373 3959

*e-mail* [aarong@thinkcomputer.com](mailto:aarong@thinkcomputer.com)

*web* <http://www.thinkcomputer.com>



## STATE OF IOWA

TERRY E. BRANSTAD, GOVERNOR  
KIM REYNOLDS, LT. GOVERNOR

IOWA DEPARTMENT OF COMMERCE  
DIVISION OF CREDIT UNIONS  
JOANN JOHNSON, SUPERINTENDENT

December 2, 2013

Mr. Aaron Greenspan  
aarong@thinkcomputer.com

Dear Mr. Greenspan:

This letter is to acknowledge receipt of your complaint against Dwolla, Inc. and Veridian Credit Union, forwarded to us by the Iowa Division of Banking and the National Credit Union Administration. As the state agency that regulates Veridian Credit Union, the Iowa Division of Credit Unions has reviewed your complaint with respect to any supervisory concerns related to the credit union.

We are concerned that your complaint appears to make unsubstantiated allegations. You have not provided evidence of any statutory or regulatory violation by Veridian Credit Union. There is no regulatory or statutory infraction by having Dwolla act as a legal agent of Veridian Credit Union.

The credit union is examined regularly, including for Bank Secrecy Act compliance.

Please be aware that false statements against the credit union, without any basis in fact, may be a violation of Iowa Code §533.508(2), which prohibits the malicious or intentionally deceptive circulation of false statements which may otherwise injure or tend to injure the business or goodwill of a state credit union.

In the absence of documented evidence of a violation of law or regulation by Veridian Credit Union, we consider this complaint closed.

Sincerely,

A handwritten signature in black ink that reads "JoAnn M. Johnson".

JoAnn M. Johnson  
Superintendent of Credit Unions

Cc: The Honorable Jeff Merkley  
Veridian Credit Union  
National Credit Union Administration.



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Silk Road forums » Discussion » Security » Approach to buying BTC with Dwolla/Mt Gox. Real info or fake info? Where??

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Author

Topic: Approach to buying BTC with Dwolla/Mt Gox. Real

### Trippy Hippie

Newbie



Posts: 45

Karma: +0/-0

Open your mind...



### Approach to buying BTC with Dwolla/Mt Gox. Real info or fake info? Where??

« on: June 26, 2013, 10:18 pm »


Until now I've always used Bit Instant and cash deposit for SR purchases, but I'm getting tired of the 4% conversion fee. Dwolla and Mt Gox seem like the best option, but how should I go about registering my accounts??

I've already created a Dwolla account using my real info. They require a social security number, so it couldn't be fake. Not to mention, I'd be linking Dwolla with my bank account (or should I? is there another way to do this step?) to get the money in the first place, so having a Dwolla account under a fake identity would look suspicious to my bank. I'm not too worried about the real information here, because Dwolla seems like a reputable, public thing. I do still have to validate my account, though, which is going to require a phone call.

I guess my question is, at what point should things go anonymous? Should my Mt Gox account use real or fake info? Does Dwolla or my regular bank see the account info I have on Mt Gox? If they do, fake info would look suspicious. With real info, I could always claim that I'm a legitimate bitcoin investor or that I'm buying for a friend. I would just be sending it to my bitcoin address with BlockChain (this is an anonymous account, as it's what I've already used for the last step before SR). This could be anyone's bitcoin address. Does that seem reasonable? Or should my Mt Gox account have fake info?

Also, are these steps enough: My bank ---> Dwolla ---> Mt Gox (BTC start here) ---> BlockChain ---> Silk Road? Or would you recommend me send the money/bitcoins to a few more places or through multiple BlockChains?

As you can see, I'm still fairly new to this whole process. I'm interested in buying on Mt Gox, but I wanted to ask those who have some experience first. Any and all help is appreciated! Thanks 😊

 Logged

"Make love, not war. Drop acid, not bombs."

"If the doors of perception were cleansed every thing would appear to man as it is, infinite."

### Trippy Hippie

Newbie



Posts: 45

Karma: +0/-0

Open your mind...



### Re: Approach to buying BTC with Dwolla/Mt Gox. Real info or fake info? Where??

« Reply #1 on: June 30, 2013, 06:24 am »

Still no replies?? Come on people, this is very important to me!! My most important post so far, PLEASE help me out!

 Logged

"Make love, not war. Drop acid, not bombs."

"If the doors of perception were cleansed every thing would appear to man as it is, infinite."


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Approach to buying BTC with Dwolla/Mt Gox. Real info or fake info? Where??

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Silk Road forums » Discussion » Newbie discussion » How does Dwolla work?

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Pages: [1]

Author

Topic: How does Dwolla work? (Read 86 times)

**sofish89**

Hero Member



Posts: 641

Karma: +89/-60



**How does Dwolla work?**

« on: February 28, 2013, 02:54

pm »

Ok so i finished setting up my Dwolla account. So can I deposit money into my Dwolla account and transfer bitcoins from Dwolla to SR wallet?

Logged

Don't do drugs because if you do drugs you'll go to prison, and drugs are really expensive in prison. ~John Hardwick

**graffix**

Full Member



Posts: 156

Karma: +3/-3



**Re: How does Dwolla work?**

« **Reply #1 on:** February 28, 2013, 03:17 pm »

No, you still need to buy the bitcoins from someone else.

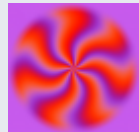
Sign up at Campbx. You transfer your Dwolla money to them, buy the bitcoins at campbx then you can send those bitcoins from your campbx account to SR.

You may have to upload a photo id to Dwolla as well when you do your first transfer

 Logged

### sofish89

Hero Member



Posts: 641

Karma: +89/-60




### Re: How does Dwolla work?

« **Reply #2 on:** February 28, 2013, 03:35 pm »

**Quote from: graffix on February 28, 2013, 03:17 pm**

“  
No, you still need to buy the bitcoins from someone else.  
  
Sign up at Campbx. You transfer your Dwolla money to them, buy the bitcoins at campbx then you can send those bitcoins from your campbx account to SR.  
  
You may have to upload a photo id to Dwolla as well when you do your first transfer

Does campbx require me to verify account? I set a MT GOX account but they say it can take 7 more days until its verified and i kinda wanna go shopping today lol

 Logged

Don't do drugs because if you do drugs you'll go to prison, and drugs are really expensive in prison. ~John Hardwick

### scoob

Jr. Member



Posts: 60

Karma: +1/-3



### Re: How does Dwolla work?

« **Reply #3 on:** February 28, 2013, 05:13 pm »

good info

 Logged

### graffix

Full Member



Posts: 156

Karma: +3/-3



### Re: How does Dwolla work?

« **Reply #4 on:** February 28, 2013, 06:42 pm »

**Quote from: sofish89 on February 28, 2013, 03:35 pm**

“  
**Quote from: graffix on February 28, 2013, 03:17 pm**  
“  
No, you still need to buy the bitcoins from someone else.  
  
Sign up at Campbx. You transfer your Dwolla money to them, buy the bitcoins at campbx then you can send those bitcoins from your campbx account to SR.



You may have to upload a photo id to Dwolla as well when you do your first transfer

Does campbx require me to verify account? I set a MT GOX account but they say it can take 7 more days until its verified and i kinda wanna go shopping today lol

Well I signed up on campbx 3 weeks ago..not sure if I remember right,but I don't remember doing any type of verification.

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### Author Topic: dwolla to MtGox still safe w/verification? (Read 478)

#### zenmark

Newbie



Posts: 1

Karma: +0/-0



#### dwolla to MtGox still safe w/verification?

« **on:** November 12, 2012, 02:32 am »

Hey SR buddies,

I used to use dwolla -> MtGox to get bitcoins, but have been a little worried now that they require all this verification. It was the most hassle-free method for me, and I liked it. I know buying bitcoins isn't illegal, but I like a certain degree of anonymity. Am I being too paranoid, or do you think it isn't safe anymore?

Logged

#### Diz

Full Member



Posts: 110

Karma: +7/-4

#### Re: dwolla to MtGox still safe w/verification?

« **Reply #1 on:** November 12, 2012, 03:24 am »

I began buying coins right when they started asking for all of the



verification. I can't say I was worried at first because of the amount of accounts the coins went through before reaching the road. Honestly, you can use bitcoins for anything. A buddy of mine started investing early and made a killing. If you want a safer way to buy bitcoins while still utilizing Dwolla and at a cheaper price just PM me and I will let you know what I do now.

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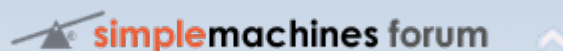
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Author

Topic: Dwolla transfers? (Read 468 times)

**lightonion**

Jr. Member



Posts: 55

Karma: +1/-0



**Dwolla transfers?**

« on: June 27, 2011, 07:14 pm »

How much money can I take from my bank account and put into Dwolla before someone starts to notice that I'm putting a lot of money into it?

I'm thinking of putting like \$300+ into bitcoins through that, and plan on doing a fair amount of business through BTC in the future, so should I find a better way than Dwolla for these transactions or will these transactions go unnoticed for the most part?

Logged

**nomad bloodbath**

Silk Road Revolutionary

SR Vendor

Hero Member



**Re: Dwolla transfers?**

« Reply #1 on: June 27, 2011, 09:55 pm »

Transfers from one financial institute to another is not a big deal. The route from Dwolla to your BTC exchanger is a bigger deal.



Posts: 4178  
Karma: +528/-97  
Local Silverback

Even these though should not be a big deal.  
It's your money do what you want with it.  
I don't see any normal flags being raised from these transactions.

Logged

R.I.P. Moderator 2011-2013

18dtoSZVvSNC3Z8iqRLCZLK83jAS6otycP

Do Not PM me unless you have first made a donation to my Silk Road Marketplace username nomad bloodbath. If you expect an answer I expect to be paid for my time and knowledge. All PM's not accompanied with a donation will be deleted.

## weaver77

Newbie



Posts: 15  
Karma: +0/-0



### Re: Dwolla transfers?

« **Reply #2 on:** June 30, 2011,  
04:02 am »

I've done the same thing. When I started I was a little too excited to get going to be completely anonymous. Here is my trail: My BofA account ~Dwolla~Tradehill~MyBitcoin~SR. And on top of that I did not use PGP for either of my address transmissions. But from what I understand I should be perfectly safe regardless, even though I didn't take every last precaution. What do y'all think? How many people have a trail from cash to bitcoins? Of course once converted, BTC are presumably mixed so much as to be anonymous, even though the initial purchase is 'public'. Should I let this keep me up at night?

Logged

## nef

Jr. Member



Posts: 57  
Karma: +2/-0



### Re: Dwolla transfers?

« **Reply #3 on:** June 30, 2011,  
07:26 am »

For additional security in case all SR bitcoin receive addresses are compromised (admittedly unlikely), I send all bitcoins from exchanges to a single-use bitcoin address on my PC. I'm using the standard bitcoin client, which connects via Tor using SOCKS proxy (settings-->options-->connect through proxy). I think this gives me plausible deniability that it might not have been me that sent bitcoins to the SR address, and since it's through Tor, it should be a fairly good alibi. I haven't done any testing to verify that the bitcoin client doesn't leak any data.

After receiving coins & sending them to their final destination, I then securely erase the bitcoin wallet.dat file. The next time bitcoin is started, it makes a new wallet, and I rinse and repeat as desired. The bitcoin client gives very little control over how bitcoin transactions are created, so I think it's best just to use wallet files once before deleting.

I've also been bouncing coins through the bitcoin laundry ( <http://bitcoinlaundry.com> ), which breaks the block chain connection between incoming coins and outgoing coins for a fee of

0.5%  
http://bitcoinlaundry.com/

A better app, <http://app.bitlaundry.com/>, does a similar block-chain breaking, but in addition, it does time shifting to avoid correlation attacks, allowing you to schedule the number of transactions and amount of time between incoming coins and outgoing coins. It's down right now, hopefully will come up soon, also 0.5%.

Given what I've seen so far from SR -- still up even after quite a bit of heat! -- I'd be shocked if Silk Road wasn't already doing something similar with both incoming and outgoing bitcoins. Most likely, all of my efforts are just serving to occupy my time and amuse me, but I still think 0.5% is worth the peace of mind.

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RCK

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UNITED STATES DISTRICT COURT  
DISTRICT OF MARYLAND

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In the Matter of the Seizure of  
(Address or brief description of property to be seized)

**The contents of one  
Dwolla account.**

**SEIZURE WARRANT**

CASE NUMBER:

13-1162 SKG

TO: Michael T. McFarland, Special Agent, United States Homeland Security Investigations (HSI),  
and any Authorized Officer of the United States:

An Affidavit having been made before me by Michael T. McFarland, Special Agent, United States  
Homeland Security Investigations (HSI), who has reason to believe that in Des Moines, Iowa, and  
elsewhere there is now certain property which is subject to seizure and forfeiture to the United  
States, namely (describe the property to be seized)


**the contents of Dwolla Account 812-649-1010 registered in the name of  
Mutum Sigillum LLC, held in the custody of Veridian Credit Union.**

I am satisfied that the affidavit establishes probable cause to believe that the property so described is subject to seizure and  
forfeiture and that grounds exist for the issuance of this seizure warrant.

**YOU ARE HEREBY AUTHORIZED** to seize within fourteen (14) days, the property specified, serving this warrant  
and making the seizure in the daytime - 6:00 AM to 10:00 PM - leaving a copy of this warrant and receipt for the property  
seized, and prepare a written inventory of the property seized and promptly return this warrant to any U.S. Magistrate Judge,  
as required by law. Service of this seizure warrant may be made by facsimile, provided that a hard copy is thereafter served  
by regular mail, overnight mail, or personal delivery.

Issued May 14, 2013, at Baltimore, Maryland, by

Date Issued

  
\_\_\_\_\_  
Honorable Susan K. Gauvey  
United States Magistrate Judge

REC

UNITED STATES DISTRICT COURT  
DISTRICT OF MARYLAND

In the Matter of the Seizure of  
(address or brief description of property to be seized)

The contents of one  
Dwolla account.

APPLICATION AND  
AFFIDAVIT FOR SEIZURE WARRANT  
CASE NUMBER: 13-1162 SKG

Michael T. McFarland, Special Agent, United States Homeland Security Investigations (HSI), being duly sworn deposes and says:

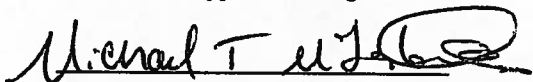
I have reason to believe that there is now certain property in Des Moines, Iowa, and elsewhere, which is the subject of forfeiture to the United States, namely (describe property to be seized):

the contents of Dwolla Account 812-649-1010 registered in the name of Mutum Sigillum LLC, held in the custody of Veridian Credit Union,

which are (state one or more bases for seizure under the U.S. Code)

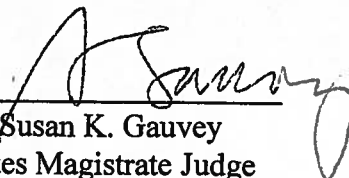
subject to forfeiture pursuant to 18 U.S.C. section 981(a)(1)(A) because the contents of the Mutum Sigillum LLC account were involved in transactions and attempted transactions in violation of 18 U.S.C. section 1960.

The facts to support a finding of Probable Cause for issuance of a Seizure Warrant are set forth in the attached Affidavit.



Michael T. McFarland  
Special Agent  
Homeland Security Investigations  
U.S. Immigration and Customs Enforcement

Sworn to before me, and subscribed in my presence on (Date) May 14, 2013 at Baltimore, Maryland.

  
Honorable Susan K. Gauvey  
United States Magistrate Judge

REV

**Affidavit in Support of Seizure Warrant**

13-1162 SKG

**I. Purpose of the Affidavit**

This Affidavit is submitted in support of an application for a seizure warrant for the contents of Dwolla Account 812-649-1010 registered in the name of Mutum Sigillum LLC, held in the custody of Veridian Credit Union. I submit that there is probable cause to believe that the contents of Dwolla account 812-649-1010 in the name of Mutum Sigillum LLC were involved in transactions and attempted transactions in violation of 18 U.S.C. section 1960, and that the contents of that account are subject to seizure and forfeiture pursuant to 18 U.S.C. section 981(a)(1)(A).

**II. Affiant**

Michael McFarland, is a Special Agent with Homeland Security Investigations (HSI). While working for the HSI your affiant has prepared and executed state and federal search and seizure warrants, seized evidence of both state and federal violations, interviewed suspects, witnesses, and informants, and evaluated evidence obtained during the course of these investigations.

**III. Applicable Statutes**

**18 U.S.C. section 1960**

(a) Whoever knowingly conducts, controls, manages, supervises, directs, or owns all or part of an unlicensed money transmitting business, shall be fined in accordance with this title or imprisoned not more than 5 years, or both.

(b) As used in this section—

(1) the term “unlicensed money transmitting business” means a money transmitting business which affects interstate or foreign commerce in any manner or degree and—

(A) is operated without an appropriate money transmitting license in a State where such operation is punishable as a misdemeanor or a felony under State law, whether or not the defendant knew that the operation was required to be licensed or that the operation was so punishable;

(B) fails to comply with the money transmitting business registration requirements under section 5330 of title 31, United States Code, or regulations prescribed under such section; or

(C) otherwise involves the transportation or transmission of funds that are known to the defendant to have been derived from a criminal offense or are intended to be used to promote or support unlawful activity;

(2) the term “money transmitting” includes transferring funds on behalf of the public by any and all means including but not limited to transfers within this country or to locations abroad by wire, check, draft, facsimile, or courier; and

(3) the term “State” means any State of the United States, the District of Columbia, the Northern Mariana Islands, and any commonwealth, territory, or possession of the United States.

18 U.S.C. section 981

(a)(1) The following property is subject to forfeiture to the United States:

(A) Any property, real or personal, involved in a transaction or attempted transaction in violation of section 1956, 1957, or 1960 of this title, or any property traceable to such property.

\* \* \*

**IV. Probable Cause**

The information set forth below is based upon your affiant's review of records and upon information provided by other sworn law enforcement officers participating in this investigation. I have not included each and every fact obtained pursuant to this investigation, but have set forth those facts that I believe are essential to establish the necessary foundation for the issuance of the seizure warrant for the specified account.

A company called "Mt. Gox," is the world's largest bitcoin exchange, and it operates out of Tokyo, Japan. Mt. Gox has a subsidiary company known as "Mutum Sigillum LLC." According to bank records, Mutum Sigillum LLC holds an account at Wells Fargo Bank, N.A. The account is held in the business name Mutum Sigillum LLC, which is incorporated in the state of Delaware. According to Wells Fargo Bank records, the account was established on May 20, 2011, with the account number 7657841313 and with a single authorized signer; Mark Karpeles. According to open source information, Karpeles is the owner of Mt. Gox. According to the bank records, Karpeles is also the owner of Mutum Sigillum LLC.

As part of the account opening process, Wells Fargo required Karpeles and Mutum Sigillum LLC to complete a "Money Services Business (MSB) Accounts, Identification of an MSB Customer" form. That document was completed on May 20, 2011, and identified Mutum Sigillum LLC as a business not engaged in money services. The application asks several questions; to include, "Do you deal in or exchange currency for your customer?" and "Does your business accept funds from customers and send the funds based on customers' instructions (Money Transmitter)?" Karpeles answered these questions "no," indicating that Mutum Sigillum LLC does not deal in or exchange money, and that it does not send funds based on customer instructions.

Money transmitting businesses are required by 31 U.S.C. section 5330 to register as such with FinCEN. According to FinCEN records on May 6, 2013, neither Mt. Gox nor the subsidiary, Mutum Sigillum LLC, is registered as a Money Service Business.

Mt. Gox acts as a digital currency exchange where customers open accounts and fund their respective accounts with fiat currency, which is then exchanged into crypto-currency by Mt. Gox; the crypto-currency is known as bitcoin. Fiat currency simply refers to any money that a government has declared to be legal tender. The exchange is bidirectional and allows customers to also exchange bitcoins back into fiat currency, and then withdraw those funds. The exchange of fiat currency and bitcoins incurs a floating rate fee charged by Mt. Gox and is determined by the customer's aggregate amount of funds exchanged on a monthly basis. So, the exchange of a small amount of bitcoin would include a larger fee than a larger exchange.

An online payment processor, known as Dwolla, is located in Iowa. People can purchase bitcoin by depositing funds with Dwolla and then directing that the funds be used to make the purchase from Mt. Gox, which then maintains the registry of the ownership of the bitcoin. Bank records show a number of deposits to the Mutum Sigillum account at Wells Fargo originating from international wires sent from Sumitomo Mitsui Bank in Japan. The wires indicate that the transfer is in the name of Mt. Gox Company Ltd. for the benefit of the Mutum Sigillum LLC account 7657841313.

After the funds are credited to that account, they are frequently disbursed to Dwolla, an online payment service for e-commerce; bank records show such transfers to Dwolla since at least in December 2011. Dwolla is located in Des Moines, Iowa. The funds being sent to Dwolla are those of Mt. Gox customers that withdraw said funds from Mt. Gox and direct their transfer to Dwolla. A Confidential Informant (CI-1), who resides and banks in Maryland, provided information to government agents that has been corroborated. CI-1 stated that he initiated this process by establishing a new account, while in Maryland, with both Mt. Gox and Dwolla. After funding his Mt. Gox account with U.S. funds, he exchanged the currency in his Dwolla account for bitcoins. During the past six months, CI-1 exchanged the bitcoins back into U.S. dollars, which he directed Mt. Gox to transfer to Dwolla on his behalf. The funds were then credited to his Dwolla account.

According to bank records, this transfer was completed through the subsidiary, Mutum Sigillum LLC. This demonstrates that Mutum Sigillum LLC is engaged in a money transmitting business but is not registered as required with FinCEN. Because the 7657841313 account at Wells Fargo was involved in this money transmitting activity, the contents of the account were

subject to seizure and forfeiture in accordance with 18 U.S.C. section 981(a)(1)(A).

On May 9, 2013, the Honorable Stephanie A. Gallagher issued a seizure warrant for the contents of the Mutum Sigillum LLC account at Wells Fargo, based on the foregoing information. Bank records also show that nearly all of the activity in that Wells Fargo account consists of wires between that account and Dwolla, which represent bitcoin transactions for customers. The other transactions in this account are not significant in number or amounts.

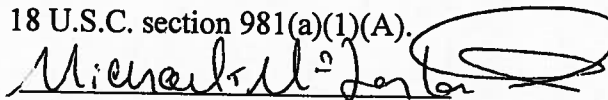
Dwolla records indicate that the destination for the funds wired from the Wells Fargo account was **Dwolla Account 812-649-1010 registered in the name of Mutum Sigillum LLC, held in the custody of Veridian Credit Union.** Dwolla records also indicate that the Wells Fargo account was the sole financial institution account that was funding the Dwolla account 812-649-1010. Therefore, it is evident that the Dwolla account was used exclusively to move funds between Mt. Gox and Mutum Sigillum and their customers. Consequently, there is probable cause to believe that Mt. Gox and Mutum Sigillum are using **Dwolla Account 812-649-1010 registered in the name of Mutum Sigillum LLC, held in the custody of Veridian Credit Union** to conduct transactions as part of an unlicensed money service business in violation of 18 U.S.C. section 1960, and that the contents of the account are involved in those transactions and attempted transactions.

Based upon my training and experience, I know that 18 U.S.C. section 981(b)(3) provides that “a seizure warrant may be issued ... by a judicial officer in any district in which a forfeiture action against the property may be filed under Section 1355(b) of title 28, and may be executed in any district in which the property is found....” According to 28 U.S.C. Section 1355(b)(1)(A), a forfeiture action may be brought in “the district court for the district in which any of the acts or omissions giving rise to the forfeiture occurred....” Because the affidavit demonstrates that transactions through the Dwolla and Mutum Sigillum accounts were initiated and caused by a customer in the District of Maryland, the forfeiture action can be brought in the District of Maryland, and the seizure warrant may be issued in the District of Maryland.

#### V. Conclusion

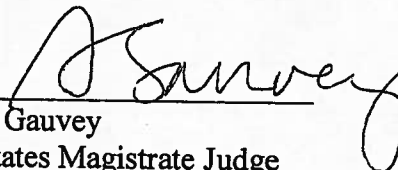
Based on the foregoing, I submit that there is probable cause to believe that the contents of **Dwolla Account 812-649-1010 registered in the name of Mutum Sigillum LLC, held in the custody of Veridian Credit Union,** were involved in transactions and attempted

transactions in violation of 18 U.S.C. section 1960, and that the contents of that account are subject to seizure and forfeiture pursuant to 18 U.S.C. section 981(a)(1)(A).



Michael T. McFarland, Special Agent  
Homeland Security Investigations  
Immigration and Customs Enforcement

Subscribed and sworn before me on May 14, 2013.



Susan K. Gauvey  
United States Magistrate Judge