

Money for Nothing: Age-Old Investment Scam Returns in Cryptocurrency Ponzi Scheme

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Earlier this month, a [superseding indictment](#) was unsealed in the Southern District of New York, charging Pablo Rodriguez, Gutemberg Dos Santos, Scott Hughes, Cecilia Milan, and Jackie Aguilar for their roles in a Ponzi-scheme. Putting a modern-spin on the age-old investment scam, the defendants allegedly defrauded individuals through investments in AirBit Club, a purported cryptocurrency mining and trading company.

The defendants created a scheme in which victim-investors were induced to invest in AirBit Club based on the promise of guaranteed profits in exchange for cash investments in club “memberships.” As early as 2015, AirBit Club, through its founders and promoters marketed AirBit Club as a cryptocurrency multilevel marketing club. The promoters falsely promised victim-investors that AirBit Club earned returns on cryptocurrency mining and trading and the victims would earn passive, guaranteed daily returns on any membership purchased. As part of its efforts to lure new investors, AirBit Club put on lavish events all over the world, including in the United States, Latin America, Asia, and Eastern Europe.

After marking an investment, the AirBit Club’s promoters provided victim-investors with access to a fake, online AirBit Club portal to view the purported returns on memberships. While victim-investors saw “profits” accumulate on their Online Portal, those returns were false and based on phantom underlying investments. No Bitcoin mining or trading on behalf the victim-investors ever took place.

In an effort to conceal the AirBit Club Scheme, the defendants requested that victim-investors purchase memberships in cash, using third-party cryptocurrency brokers, and by laundering the scheme’s proceeds through several domestic and foreign bank accounts, including an attorney trust account. One of the defendants used the funds of victim-investors to cover personal expenses of the defendants including expenses related to luxury cars, jewelry, and homes. The defendants also used victims’ funds to promote the AirBit Club Scheme. In total, the defendants laundered at least \$20

million in proceeds of the scheme through these various methods. When victim-investors attempted to withdraw money from their AirBit Club Portal they were met with excuses, delays, and hidden fees amounting to more than 50% of the requested withdrawal, if they were able to make any withdrawal at all.

Three of the defendants were charged with one count of conspiracy to commit wire fraud, one count of conspiracy to commit bank fraud, and one count of conspiracy to commit money laundering. The fourth defendant was charged with one count of conspiracy to commit bank fraud and one count of conspiracy to commit money laundering, and Aguilar was charged with one count of conspiracy to commit wire fraud.

This case serves as another example of the commitment of the U.S. Department of Justice, the Department of Homeland Security, and the U.S. Securities and Exchange Commission to take action against fraudsters that violate the securities laws and commit fraud in the digital currency space.

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