

US authorities shut Silk Road website, arrest owner (Update 2)

October 2 2013, by Glenn Chapman



A pile of Bitcoin slugs sit in a box ready to be minted on April 26, 2013 in Sandy, Utah

US authorities said Wednesday that they have busted an online black market for drugs, hitmen, hacker tools and more, arresting the suspected mastermind of a nefarious bazaar called Silk Road.

Federal agents shut down the website, which used a privacy-protecting Tor network and Bitcoin digital currency to shield the identities of

buyers and sellers around the world.

Ross William Ulbricht, also known as "Dread Pirate Roberts," was arrested on Tuesday in San Francisco after the website was shut down, the Justice Department said in a statement.

His online moniker appeared to be taken from a character in the film "The Princess Bride."

Prosecutors said they seized approximately \$3.6 million worth of Bitcoins in the largest ever seizure of the digital currency.

"The Silk Road website has served as a sprawling black market bazaar where illegal drugs and other illicit goods and services have been regularly bought and sold by the site's users," FBI Special Agent Christopher Tarbell said in a criminal complaint filed in federal court.

From about January 2011, Ulbricht ran a marketplace that hawked heroin, cocaine, LSD and methamphetamine, as well as hacker tools such as software for stealing passwords or logging keystrokes on people's machines, according to court documents.

Prosecutors also charged that in March, Ulbricht tried to hire someone to kill a Silk Road user who threatened to expose the identities of others using the website.

"The defendant deliberately set out to establish an online criminal marketplace outside the reach of law enforcement and government regulation," Tarbell said in the legal filing.

Ulbricht, 29, anonymized Silk Road transactions by using a Tor computer network designed to make it almost impossible to locate computers used to host or access websites.

He also added a Bitcoin "tumbler" to the Silk Road payment system to foil efforts to trace digital currency back to buyers, according to the criminal complaint.

"Silk Road has emerged as the most sophisticated and extensive criminal marketplace on the Internet today," the criminal complaint contended.

"The site has sought to make conducting illegal transactions as easy and frictionless as shopping online at mainstream e-commerce websites."

Prosecutors maintained that Silk Road has been used by thousands of drug dealers to distribute hundreds of kilograms of illegal wares to more than 100,000 buyers and to launder hundreds of millions of dollars in ill-gotten profits.

Silk Road took in commissions ranging from eight to 15 percent of sales, raking in at least \$80 million on more than \$1.2 billion worth of transactions, the criminal complaint estimated.

Ulbricht controlled the website, serving as "captain" and using a handful of online "administrators" as staff, investigators said.

Federal agents in New York posed as buyers to shop at the website, successfully ordering an array of illegal goods.

As of last month, Silk Road featured about 13,000 listings for controlled substances, with offers coming under headings such as "High Quality #4 Heroin All Rock" and "UNCUT Crystal Cocaine," the legal filing said.

Services for sale at Silk Road included hacking into accounts at Twitter, Facebook or other social networks and tutorials for cracking bank teller machines.

The legal filing also told of Silk Road offers to sell stolen credit card data, forged IDs, and for "hitmen" in 10 countries.

Website seller and buyer guides that were described as including advice about how to avoid getting caught by using tactics such as shipping drugs in sealed plastic containers to avoid scent detection.

Silk Road last year added a "stealth mode" for vendors who considered themselves "at risk of becoming a target for law enforcement," according to the complaint.

As of July of this year, Silk Road had just shy of a million registered users, with 30 percent of them indicating they were in the US and the rest spread about the globe.

A Silk Road "fallout" forum at the Reddit Internet platform sizzled with worry that police tracking down buyers and sellers from the online bazaar.

"I know many of you are freaking out," read a message from 'bassandlights' posted atop the forum.

"Yes. The party is over. However, the only consequences for 99.9 percent of us will be having to look harder for stuff."

The message reasoned that police wouldn't devote resources to chasing down small-time buyers of illicit goods, and that data on Silk Road servers was likely highly encrypted.

"Honestly, I'm still optimistic about all this," another member of the discussion said in a post.

"Opportunistic dum-dums will leap at the chance to set up 'the next Silk

Road,' and although few of these imitation sites will be successful, it'll eventually just be a waste of LE's time to try and shut them all down."

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