

Four years in prison for bitcoin exchanger who helped Silk Road

21 January 2015, by Larry Neumeister

A Florida bitcoin exchanger who admitted he enabled the digital currency to be funneled to the black market website Silk Road for drug sales was sentenced on Tuesday to four years in prison.

U.S. District Judge Jed Rakoff noted that Robert Faiella had been convicted in a tax case previously and his sentence needed to be long enough to deter him from committing other crimes.

"In his case, clearly he didn't learn the lesson," said the judge, who also ordered Faiella to forfeit \$950,000.

Faiella, 55, pleaded guilty in September to operating an unlicensed money transfer business. The Fort Myers Beach, Florida, resident admitted earning about \$30,000 in commissions by enabling drug transactions from December 2011 through October 2013.

His co-defendant, Charles Shrem, who was the top executive of a New York-based bitcoin company, pleaded guilty in September to aiding and abetting the operation of an unlicensed money transmitting business. He was sentenced last month to two years in prison.

Faiella and Shrem were accused of letting more than \$1 million in bitcoins reach the Silk Road website. Authorities have said Silk Road's San Francisco operator generated more than \$1 billion in illicit business from 2011 until the website was shut down in 2013.

Prosecutors said Shrem, who was vice chairman of a foundation dedicated to promoting the [bitcoin](#) currency, failed to file even one suspicious-activity report with the U.S. Department of the Treasury regarding Faiella.

Before the announcement of the sentence, Faiella told the judge: "I broke the law, and I'm here to face the consequences of that."

Faiella developed the scheme to try to make money over the Internet when he was confined to a bed and wanted to earn money to help his family, said his lawyer, Timothy Treanor.

"This is not a sophisticated man, Your Honor," he said. "Mr. Faiella is not a one-man crime wave."

Assistant U.S. Attorney Alexander Wilson said Faiella had many opportunities to stop his criminal activity but continued, even after Silk Road was shut down. Prosecutors said the \$950,000 ordered forfeited was the amount of funds in the crime that were intended to promote illegal activity.

Faiella must report to prison on March 3.

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