

Texas man pleads guilty in NY bitcoin securities fraud case

September 22 2015, by Larry Neumeister

A man involved in what federal authorities have described as the first bitcoin securities fraud case pleaded guilty on Monday.

Trendon Shavers, of McKinney, Texas, pleaded guilty in New York to a count of [securities fraud](#) on his 33rd birthday. He told U.S. Magistrate Judge Sarah Netburn that he made [false statements](#) to investors.

"I know what I did was wrong, and I'm very sorry," he said.

The government said the false statements he told included promising investors as much as a 1 percent daily gain if they entrusted him with their bitcoins, digital currency created and exchanged independent of banks or governments.

Prosecutors said Shavers, who founded and operated Bitcoin Savings and Trust, once possessed 7 percent of all bitcoins in public circulation as he carried out the ruse in 2011 and 2012. The bitcoins amounted to \$807,380 based on the average price of bitcoins during the scheme.

Assistant U.S. Attorney Michael Ferrara said Shavers invested only some of the bitcoins he obtained. Instead, Ferrara told the judge, Shavers was "receiving money from investor B to pay investor A. In other words, he had the telltale signs of a Ponzi scheme."

In a release, U.S. Attorney Preet Bharara said Shavers' scheme "yielded high returns for himself rather than his investors."

"Instead of reaping gains, his investors were largely swindled out of their money in a cyber-age Ponzi scheme," Bharara said.

By the time the yearlong scheme was shut down in September 2012, Shavers had cheated about half of 100 investors out of all or part of their investments, prosecutors said.

Shavers was arrested in November and released on bail. A plea agreement recommends he spend roughly three years in prison. Sentencing is set for Feb. 3.

In a separate civil action in U.S. District Court in the Eastern District of Texas, Shavers has been ordered to pay more than \$40 million in disgorgement and interest and a civil penalty of \$150,000.

© 2015 The Associated Press. All rights reserved.

Citation: Texas man pleads guilty in NY bitcoin securities fraud case (2015, September 22)
retrieved 21 September 2024 from

<https://phys.org/news/2015-09-texas-guilty-ny-bitcoin-fraud.html>

<p>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.</p>
--