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Digital Currency Business E-Gold Indicted for Money Laundering and Illegal Money Transmitting

WASHINGTON – A federal grand jury in Washington, D.C. has indicted two companies operating a digital currency business and their owners on charges of money laundering, conspiracy, and operating an unlicensed money transmitting business, Assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney for the District of Columbia Jeffrey A. Taylor announced today.

The four-count indictment, handed down on April 24, 2007, and unsealed today, charges E-Gold Ltd; Gold & Silver Reserve, Inc.; and their owners Dr. Douglas L. Jackson, of Satellite Beach, Fla.; Reid A. Jackson, of Melbourne, Fla.; and Barry K. Downey, of Woodbine, Md., each with one count of conspiracy to launder monetary instruments, one count of conspiracy to operate an unlicensed money transmitting business, one count of operating an unlicensed money transmitting business under federal law and one count of money transmission without a license under D.C. law.

Subsequent to the indictment, the Department of Justice also obtained a restraining order on the defendants to prevent the dissipation of assets by the defendants, and 24 seizure warrants on over 58 accounts believed to be property involved in money laundering and operation of an unlicensed money transmitting business. The restraining order does not limit the E-Gold operation's ability to use its existing funds to satisfy requests to exchange E-Gold into national currency for customers of non-seized accounts, or its ability to sell precious metals to accomplish the same, once approval has been received.

According to the indictment, E-Gold's digital currency, "E-Gold," functioned as an alternative payment system and was purportedly backed by stored physical gold. Persons seeking to use the E-Gold payment system were only required to provide a valid email address to open an E-Gold account – no other contact information was verified. Once an individual opened an E-Gold account, he/she could fund the account using any number of exchangers, which converted national currency into E-Gold. Once open and funded, account holders could access their accounts through the Internet and conduct anonymous transactions with other parties

anywhere in the world.

The indictment alleges that E-Gold has been a highly favored method of payment by operators of investment scams, credit card and identity fraud, and sellers of online child pornography. The indictment alleges that the defendants conducted funds transfers on behalf of their customers, knowing that the funds involved were the proceeds of unlawful activity; namely child exploitation, credit card fraud, and wire (investment) fraud; and thereby violated federal money laundering statutes. The indictment further alleges that the defendants operated the E-Gold operation without a license in the District of Columbia or any other state, or registering with the federal government, and thereby violated federal and state money transmitting laws. The indictment alleges that this conduct occurred at various times from 1999 through December 2005.

“As alleged in the indictment, the E-Gold payment system has been a preferred means of payment for child pornography distributors, identity thieves, online scammers, and other criminals around the world to launder their illegal income anonymously,” said Assistant Attorney General Alice S. Fisher of the Criminal Division. “This indictment demonstrates that the Department of Justice, in cooperation with its law enforcement partners, will aggressively identify and prosecute those who knowingly enable and profit from transmitting the proceeds of criminal activity, online or offline.”

“Douglas Jackson and his associates operated a sophisticated and widespread international money remitting business, unsupervised and unregulated by any entity in the world, which allowed for anonymous transfers of value at a click of a mouse,” said U.S. Attorney Jeffrey A. Taylor for the District of Columbia. “Not surprisingly, criminals of every stripe gravitated to E-Gold as a place to move their money with impunity. As alleged in the indictment, the defendants in this case knowingly allowed them to do so and profited from their crimes.”

“Today's indictment is the result of a two and a half year investigation by the U.S. Secret Service Orlando Field Office into an alternative payment system which has largely operated outside of normal banking industry regulations,” said Secret Service Assistant Director for Investigations Michael Stenger. “This system has been exploited for more than 10 years by criminals who operate primarily via the Internet. Cooperation among investigators, including the IRS, the FBI and other state and local law enforcement, has enabled us to more effectively address emerging threats and evolving criminal methods, such as the use of electronic or digital currency to facilitate trafficking in illicit goods and services.”

“The advent of new electronic currency systems increases the risk that criminals, and possibly terrorists, will exploit these systems to launder money and transfer funds globally to avoid law enforcement scrutiny and circumvent banking regulations and reporting,” said Assistant Director James E. Finch, of the FBI's Cyber Division. “The FBI will continue to work closely with the Department of Justice and our federal and international law enforcement partners to aggressively investigate and prosecute any, and all, persons or organizations that use these systems to facilitate child pornography distribution, to support organized crime, and to perpetrate financial crimes.”

“This is a new twist on laundering money through unlicensed money transmitters but it is nothing

new for financial investigators,” said Eileen Mayer, Chief of IRS Criminal Investigation. “The combined investigative skills of the law enforcement partners under the St. Cloud IRS Criminal Investigation and Secret Service Task Force proved to be a brick wall for E-Gold. We are proud to bring our financial expertise to this type of investigation that ultimately unravels fraud.”

The conspiracy charge in the case relating to money transmitting carries a maximum sentence of five years in prison. The federal law violation of operating an unlicensed money transmitting business carries a maximum sentence of five years in prison. The D.C. Code violation for money transmission without a license carries a maximum sentence of five years. The conspiracy charge relating to money laundering carries a maximum sentence of 20 years in prison.

The case is being investigated by the U.S. Secret Service with the assistance of the IRS and the FBI. The case is being prosecuted by the U.S. Attorney’s Office for the District of Columbia and the Computer Crime and Intellectual Property Section of the Criminal Division. Assistance is also being provided by the Child Exploitation and Obscenity Section and the Asset Forfeiture and Money Laundering Section of the Criminal Division.

An indictment is merely an accusation and the defendants are presumed innocent unless and until proven guilty.

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