



JOINT CHIEFS OF GLOBAL TAX ENFORCEMENT

Romanian programmer admits that he helped create Bitclub network, a fraud scheme worth at least \$722 million

July 9, 2020 – Newark, N.J.

A Romanian man arrested in Germany admitted today to conspiring to engage in wire fraud and offering and selling unregistered securities in connection with his role in the BitClub Network, a cryptocurrency mining scheme worth at least \$722 million.

Silviu Catalin Balaci a Romanian citizen who was living in Germany, pleaded guilty by video conference before U.S. District Judge Claire C. Cecchi to a superseding information charging him with one count of a dual-object conspiracy to commit wire fraud and to offer and sell unregistered securities. Balaci and four co-defendants – Matthew Brent Goettsche, Russ Albert Medlin, Jobadiah Sinclair Weeks, and Joseph Frank Abel – were charged previously by indictment in December 2019 in connection with the scheme.

According to documents filed in this case and statements made in court:

From April 2014 through December 2019, the BitClub Network was a fraudulent scheme that solicited money from investors in exchange for shares of purported cryptocurrency mining pools and rewarded investors for recruiting new investors into the scheme. Balaci assisted Goettsche and Medlin in creating and operating the BitClub Network and served as a programmer for the BitClub Network.

As a part of the scheme, Balaci and Goettsche discussed that the target audience for the BitClub Network would be “dumb” investors, referred to them as “sheep,” and plotted that they would be “building this whole model on the backs of idiots.” The BitClub Network told investors that they could invest in three different bitcoin mining pools; however, Balaci admitted that, at no point during the conspiracy was he aware of the BitClub Network operating three separate bitcoin mining pools. Balaci admitted that he, at Goettsche’s behest, changed the figures displayed as bitcoin mining earnings to make it appear that the BitClub Network was earning more than what was actually being mined. For example, in February 2015, Goettsche directed Balaci to “bump up the daily mining earnings starting today by 60%,” to which Balaci warned “that is not sustainable, that is ponzi territory and fast cash-out ponzi . . . but sure.” In connection with his plea, Balaci confirmed that during the course of the scheme, the BitClub Network took at least \$722 million worth of bitcoin from investors.

The charge to which Balaci pleaded guilty carries a maximum penalty of five years in prison and a fine of \$250,000, or twice the pecuniary gain to the defendant or loss to the victims. A sentencing date has not been set.

IRS Criminal Investigation special agents worked this case under the umbrella of the Joint Chiefs of Global Tax Enforcement, or J5. In November 2018, IRS-CI hosted a crypto “Challenge” in Los Angeles, bringing together investigators, cryptocurrency experts and data scientists from the five J5

countries in a coordinated push to track down individuals perpetrating tax crimes around the world this week. Experts from each country gathered with the mission of optimizing data from a variety of open and investigative sources available to each country, including offshore account information. It was during the Challenge that the Dutch Fiscal Information and Investigation Service (FIOD) worked collaboratively with IRS-CI to develop leads and further develop the Bitclub case.

Special agents of IRS - Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez in Newark; special agents of the IRS Los Angeles Field Office, under the direction of Special Agent in Charge Ryan L. Korner; special agents and task force officers of the FBI Los Angeles Division's West Covina Resident Agency, under the direction of Assistant Director in Charge Paul D. Delacourt; and the FBI Criminal Investigative Division, under the supervision of Assistant Director Calvin A. Shivers and the Financial Crimes Section, under the leadership of Section Chief Steven Merrill, conducted the investigation leading to today's guilty plea. The Department of Justice's Office of International Affairs and German authorities assisted with this investigation.

Anyone who believes they may be a victim may visit the [USAO Bitclub](#) or the [Department of Justice's large case](#) website. There, victims can find more information about the case, including a questionnaire for victims to fill out and submit.

The J5 was formed in 2018 after a call to arms from the OECD Taskforce on Tax Crime and has been working together to gather information, share intelligence and conduct coordinated operations, making significant progress in each country's fight against transnational tax crime. The J5 includes the Australian Taxation Office (ATO), the Canadian Revenue Agency (CRA), the Dutch Fiscal Information and Investigation Service (FIOD), Her Majesty's Revenue and Customs (HMRC) from the UK and the Internal Revenue Service Criminal Investigation Division (IRS-CI) from the US.

For more information about J5, please visit www.irs.gov/J5.