

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - X
:
UNITED STATES OF AMERICA :
:
- v. - :
:
HUGH BRIAN HANEY, :
:
Defendant. :
:
- - - - - X

②
SEALED INDICTMENT

19 Cr.

19 CRIM 541

COUNT ONE

(Money Laundering)

The Grand Jury charges:

BACKGROUND

1. From in or about January 2011 through in or about October 2013, an underground website known as "Silk Road" enabled users across the world to buy and sell illegal drugs and other illicit goods and services anonymously and outside the reach of law enforcement. During that time, Silk Road emerged as the most sophisticated and extensive criminal marketplace on the Internet. The website was used by several thousand drug dealers and other unlawful vendors to distribute hundreds of kilograms of illegal drugs and other illicit goods and services to well over a hundred thousand buyers worldwide, and to launder hundreds of millions of dollars derived from these unlawful transactions.

2. Silk Road included a Bitcoin-based payment system that served to facilitate the illegal commerce conducted on the site. The payment system functioned as a "bank" internal to the site, where every user had a Silk Road Bitcoin address or addresses associated with the user's Silk Road account. These addresses were stored on wallets maintained on servers controlled by Silk Road. In order to make purchases on Silk Road, the user had to obtain Bitcoin, and then send the Bitcoin to the address associated with the user's Silk Road account. When a user made a purchase from a vendor on Silk Road, and the transaction was complete, the user's Bitcoins were ultimately transferred to the Silk Road Bitcoin address of the vendor. The vendor could withdraw the Bitcoin from the vendor's Silk Road Bitcoin address, by sending them to a different Bitcoin address, outside Silk Road.

3. One prominent vendor of illegal drugs on Silk Road was known as "Pharmville." Pharmville operated at least during the period of 2011 and 2012. The operators of Pharmville supplied a dedicated community of individuals who often traded illicit narcotics. HUGH BRIAN HANEY, the defendant, was a high-ranking member and administrator of Pharmville. As a member and administrator of Pharmville, HANEY knowingly and intentionally distributed controlled substances in violation of the Controlled Substances Act.

4. In or about 2011 and 2012, thousands of Bitcoins were transferred from an account maintained at Silk Road to other Bitcoin addresses outside Silk Road. Ultimately, thousands of these Bitcoins were transferred to other addresses, all held in a single Bitcoin "wallet" maintained by a company that, among other things, supported Bitcoin and other cryptocurrencies, and was controlled by HUGH BRIAN HANEY, the defendant (the "Haney Wallet").

5. Company-1, with accounts and servers located in the Southern District of New York, was an exchanger of Bitcoins and, among other things, maintained platforms for individual customers that enabled customers to transfer fiat currency to and from a traditional bank account; and maintained a professional trading platform. In or about January and February 2018, HUGH BRIAN HANEY, the defendant, transferred thousands of Bitcoin from the Haney Wallet into United States currency on the trading platform maintained by Company-1. When questioned about the transfers, HANEY falsely told Company-1 employees that he had acquired the Bitcoins in the wallet through his "mining" of Bitcoin.

STATUTORY ALLEGATIONS

6. From in or about January 2018 through in or about February 2018, HUGH BRIAN HANEY, the defendant, in the Southern District of New York and elsewhere, in an offense involving and affecting interstate and foreign commerce, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, conducted and attempted to conduct such a financial transaction which in fact involved the proceeds of specified unlawful activity, to wit, narcotics distribution in violation of Title 21, United States Code, Section 841, knowing that the transaction was designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, to wit, HANEY utilized the services of a currency exchanger to effect a series of deposits, transfers, and exchanges of Bitcoin, which involved the proceeds of narcotics trafficking, for United States currency.

(Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.)

COUNT TWO

**(Engaging in Monetary Transactions In Property Derived From
Narcotics Distribution)**

The Grand Jury further charges:

7. The allegations contained in Paragraphs 1 through 5 of

this Indictment are repeated and realleged as if fully set forth herein.

8. From in or about January 2018 through in or about February 2018, HUGH BRIAN HANEY, the defendant, in the Southern District of New York and elsewhere, in the United States and in the special maritime and territorial jurisdiction of the United States, knowingly engaged and attempted to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 which was derived from specified unlawful activity, to wit, HANEY utilized the services of a currency exchanger to effect a series of deposits, transfers, and exchanges of more than \$10,000 worth of Bitcoin, which was derived from narcotics distribution in violation of Title 21, United States Code, Section 841.

(Title 18, United States Code, Sections 1957(a) and 2.)

FORFEITURE ALLEGATION

9. As a result of committing the offenses alleged in Counts One and Two of this Indictment, HUGH BRIAN HANEY, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), any and all property, real and personal, involved in said offenses, or any property traceable to such property, including but not limited to a sum of money in United States currency representing the amount of

property involved in said offenses and the following specific property:

- a. \$19,147,057 held in the account controlled by H. Brian Haney at Company-1.

Substitute Assets Provision

10. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be subdivided without difficulty;

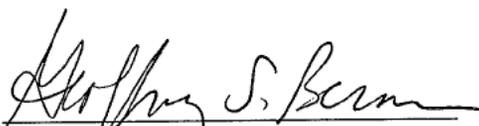
it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p) and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property

of the defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Section 982;
Title 21, United States Code, Section 853; and
Title 28, United States Code, Section 2461.)



FOREPERSON



GEOFFREY S. BERMAN
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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(18 U.S.C. §§ 1956, 1957, and 2)

GEOFFREY S. BERMAN

United States Attorney


Foreperson
