

e-gold® Founder Denies Criminal Charges

April 30th, 2007
Melbourne, FL

On April 24, 2007, a Federal Grand Jury handed down an indictment charging e-gold Ltd., Gold & Silver Reserve, Inc., and the Directors of both companies with money laundering, operating an unlicensed money transmitter business, and conspiracies to commit both offenses.

Dr. Douglas Jackson, Chairman and Founder of e-gold, speaking on behalf of his fellow Directors and both companies vigorously denies the charges, taking particular exception to the allegations that either company ever turned a blind eye to payments for child pornography or for the sale of stolen identity and credit card information.

Dr. Jackson states, "With regard to child pornography, the government knows full well that their allegations are false, yet they highlight these irresponsible and purposely damaging statements in order to demonize e-gold in the eyes of the public. During the Inquisition, accusations of witchcraft and heresy were used to sanctify torture and seizures of property. In post 9-11 America, child porn and terrorism serve as the denunciations of choice. e-gold, however, as a matter of incontrovertible fact, is the most effective of all online payment systems in detecting and interdicting abuse of its system for child pornography related payments. e-gold Ltd. is a [founding member](#) of the National Center for Missing and Exploited Children's (NCMEC) Financial Coalition to Eliminate Child Pornography. e-gold is the only member institution to demonstrate with hard, auditable data a dramatic reduction of such payments to virtually zero, while [billions](#) of child porn dollars continue to flow through other (heavily regulated) payment systems. [Most members, that is, all the [banks and credit card associations are utterly unable](#) to even provide an estimate of the volume of such payments processed by their systems. eBay's PayPal subsidiary, who may have the ability to make such a determination, has refused to do so and has indicated they destroy payment records after two years.] What is worse, until August 2005 when NCMEC courageously broke ranks with US law enforcement agencies and began directly notifying e-gold of criminal sites via the [CyberTipline](#), component agencies of the US Department of Justice purposely concealed their knowledge of child pornography abuses from e-gold's investigators, subordinating actual crime fighting to a policy agenda designed to dirty up e-gold."

In December 2005, the Secret Service ([USSS](#)) [deceived a Federal Magistrate judge](#) with bogus testimony in order to obtain search and seizure warrants authorizing the government to seize the US bank accounts of Gold & Silver Reserve, Inc. The seizure, which netted the government about \$ 0.8 million, was designed to put e-gold out of business without due process, since G&SR serves as the contractual Operator of the e-gold system. At a [subsequent emergency hearing](#), the government made no effort to defend their (sealed) allegations of lurid criminality, falling back to a position that their action was warranted because of a licensure issue. At the hearing, G&SR described its ongoing dialog with the Department of Treasury, initiated by formal request of the company in Spring 2005, to determine a possible basis for regulating the company's activities, since it was patently clear to competent authorities that G&SR's exchange service was not encompassed within any existing regulatory

rubric [subsequently re-confirmed by experts at the Federal Reserve]. The US Attorney for the District of Columbia, responsible for the prosecution, was completely unaware of this orderly proceeding, as well as Treasury reports issued the same week that acknowledged e-gold as an innovation not meeting definitions of a money services business or a money transmitter.

Since this time, the government has been confronted with overwhelming evidence that the USSS had made a horrible mistake in its attack on the e-gold system and its repeated defamatory claims in the media that e-gold is anonymous, untraceable, and inaccessible to US law enforcement. They have concealed the fact that Dr. Jackson had [personally arranged to come to USSS headquarters to train the USSS cybercrime squad in December 2004](#) (along with agents of the UK's National High Tech Crime Unit, and the Australian Federal Police) on advanced techniques, particularly in the area of efficient interaction with e-gold's in-house investigative staff, but was prevented when senior [USSS management learned of the initiative and forbade the training](#) on the grounds of a policy declaring e-gold as their designated boogey man.

The Department of Justice has had to determine whether to continue to stand behind their component agency. Their decision to close ranks has directly resulted in a gross misallocation of resources, with the result that vicious criminals who might have been brought to justice remain at large. An example of this is the Shadowcrew investigation, hyped by the USSS as a major success in disrupting international credit card thieves. The USSS did not subpoena records from e-gold at any time in their investigation, or engage with e-gold's superb in-house investigative staff, with the result that the sophisticated hierarchy of the ring was unmolested and probably strengthened while the USSS hauled in the low hanging fruit, "[a dime a dozen and relatively easy to track down and pop](#)".

Similarly, there is compelling evidence that the international cartel of commercial vendors of child pornography continues to operate because the FBI Innocent Images Unit and Special Agents within the Immigration and Customs Enforcement Agency have been forbidden to follow investigative protocols developed by Dr. Jackson, apparently for fear of further belying the party line that e-gold is itself a nefarious operation.

With regard to allegations of money laundering, Dr. Jackson notes "G&SR's online exchange service, OmniPay, has for years followed stringent customer identification procedures and an absolute policy of only accepting money payments by bank wire. If bank wires aren't already "clean" then what is? Furthermore, e-gold Ltd. can scarcely be construed as a money launderer since it does not accept money payments from anyone in any form and has never owned a single dollar, yen, euro or any other brand of legacy money. As far as the possibility of a criminal successfully obfuscating a money trail, e-gold is a closed system. The only way to obtain e-gold is by receiving a transfer from someone who already has some. e-gold is also the only payment system accessible by the public that maintains a permanent record of all transfers."

On April 27, 2007, the government served seizure warrants on G&SR ordering it to freeze, liquidate and turn over to the government the operating e-gold accounts of G&SR and e-gold Ltd. The value seized, about \$762 thousand worth of e-gold from e-gold Ltd. and about \$736 thousand worth of e-gold from G&SR [on top of the \$0.8 million seized from G&SR in 2005, and the approximately \$1 million spent by G&SR so far in its defense] constitutes the bulk of the liquid assets of both companies. Perplexingly, a post-indictment restraining order states

"Nothing in the provisions of this restraining order shall be construed as limiting the e-gold operation's ability to use its existing funds to satisfy requests from its customers to exchange e-gold into national currency, or its ability to sell precious metals to accomplish the same once approval has been obtained." Having taken virtually the entire operating funds of G&SR and e-gold Ltd., that is, the e-gold in both companies' own e-gold accounts, it is unclear if the government has even a basic grasp of the operations it has been investigating for three years at a taxpayer expense in the millions.

The most remarkable element of the restraining order is that the US government deputizes e-gold with plenipotentiary powers to act as judge, jury and executioner against any account user e-gold itself has deemed to be a criminal: "It is further ordered that upon receipt of this order the defendants are required to freeze, that is, not conduct or allow any further transactions in e-gold accounts that the e-gold operation itself has identified as being used for criminal activity". Although not accompanied by an outright letter of marque, this commission (the financial equivalent to double ought status?) would appear to be an acknowledgement that e-gold's 'Know Your Customer' prowess far exceeds that of any regulated financial institution, who would be obliged to rely on court orders or other legal writs to determine if freezing an account is warranted.

Concurrent with this latest attempt to knock e-gold Ltd. and G&SR out of business and thereby effectively deny them due process, the government also attacked other prominent exchange services that deal in e-gold; IceGold, The Bullion Exchange, Gitgold, Denver Gold Exchange, AnyGoldNow, and Gold Pouch Express, plus a sophisticated and secure alternative payment system called "1MDC". All of the listed exchange services also follow stringent Customer Identification Programs congruent with what would be required of a currency exchange business, if the law supported such a classification. Two of the services, IceGold and AnyGoldNow, are located in Europe and deal primarily with non-US customers. As a direct and immediate result of the seizures, these companies, all of who had built a reputation for honoring their obligations to customers in a timely fashion, have been disrupted, and, at least in the case of Gitgold, checks to customers issued in fulfillment of exchanges have bounced. This is a repeat of what happened to G&SR as a direct result of the 2005 seizure, when over 200 checks to customers bounced and refunds had to be sorted out with severely crippled liquidity and without a US bank account.

It must not be overlooked that the search warrant obtained by misrepresentations before a magistrate judge in 2005 resulted in the government helping themselves to the financial records of hundreds of thousands of American citizens [plus citizens of virtually every other country] who had not been accused of any wrongdoing. Since the initial raid, the prosecutor has caused the Grand Jury to order complete dumps of the e-gold data base on three additional occasions.

This case has nothing to do with criminal activity, at least not on the part of e-gold Ltd., G&SR, the named individuals or these other exchange services of high reputation. It is about a Department of Justice that is out of control, cognizant of having made a horrible mistake but determined at all costs to preserve its turf. In a meeting at the US Attorney's office in Washington on December 29, 2006, a Chief Assistant US Attorney told us that the United States knew we weren't "bad guys" and that the United States had no interest in sending any of us to prison or causing e-gold to go out of business. This was in virtually the same breath as proposing that the current defendants plead guilty to Federal felony charges.

The plain fact is that the repeated statements and actions of the government since 2001, especially the USSS, are directly responsible for crippling e-gold's ability to market its service to mainstream businesses and consumers, slowing [but fortunately not stopping] e-gold's continuous development of advanced anti-crime capabilities, subordinating US law enforcement's cybercrime fighting efforts to the forlorn hope of destroying e-gold, driving market share to non-US based alternative payment systems and making the US law enforcement community the laughingstock of competent cybercrime fighting agencies worldwide because of its obstinate inability to back down from the USSS's longstanding e-gold vendetta.

All inquiries should be directed to the law offices of:

<http://www.fuerstlaw.com/>