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Thursday, March 24, 2022

**Two Defendants Charged In Non-Fungible Token (“NFT”) Fraud And Money Laundering Scheme****Defendants Executed a \$1 Million NFT Fraud Scheme in January 2022, and Were Preparing to Execute a Second Prior to Their Arrests**

Damian Williams, the United States Attorney for the Southern District of New York, Thomas Fattorusso, Special Agent in Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation (“IRS-CI”), Ricky J. Patel, the Acting Special Agent-in-Charge of the New York Field Office of the Department of Homeland Security (“HSI”), and Daniel B. Brubaker, Inspector-in-Charge of the New York Office of the U.S. Postal Inspection Service (“USPIS”), announced that ETHAN NGUYEN, a/k/a “Frostie,” a/k/a “Jakefiftyeight,” a/k/a “Jobo,” a/k/a “Joboethan,” a/k/a “Meltfrost,” and ANDRE LLACUNA, a/k/a “heyandre,” were charged in a criminal complaint with conspiracy to commit wire fraud and conspiracy to commit money laundering, in connection with a million-dollar scheme to defraud purchasers of NFTs advertised as “Frosties.” Rather than providing the benefits advertised to Frosties NFT purchasers, NGUYEN and LLACUNA transferred the cryptocurrency proceeds of the scheme to various cryptocurrency wallets under their control. Prior to their arrests in Los Angeles, California, NGUYEN and LLACUNA were preparing to launch the sale of a second set of NFTs advertised as “Embers,” which was anticipated to generate approximately \$1.5 million in cryptocurrency proceeds.

U.S. Attorney Damian Williams said: “NFTs have been around for several years, but recently mainstream interest has skyrocketed. Where there is money to be made, fraudsters will look for ways to steal it. As we allege, Mr. Nguyen and Mr. Llacuna promised investors the benefits of the Frosties NFTs, but when it sold out, they pulled the rug out from under the victims, almost immediately shutting down the website and transferring the money. Our job as prosecutors and law enforcement is to protect investors from swindlers looking for a payday.”

IRS-CI Special Agent-in-Charge Thomas Fattorusso said: “NFTs represent a new era for financial investments, but the same rules apply to an investment in an NFT or a real estate development. You can’t solicit funds for a business opportunity, abandon that business and abscond with money investors provided you. Our team here at IRS-CI and our partners at HSI closely track cryptocurrency transactions in an effort to uncover alleged schemes like this one.”

HSI Acting Special Agent-in-Charge Ricky J. Patel said: “The trending market and demand for NFT investments has not only drawn the attention of real artists, but scam artists as well. The arrested thieves allegedly hid behind online identities where they promised investors rewards, giveaways, and exclusive opportunities before implementing their ‘rug pull’ scheme – leaving investors with empty pockets and no legitimate investment. HSI New York’s Dark Web & Cryptocurrency Task Force worked closely with our IRS-CI partners to identify and shut down these fraudsters as they prepared to launch the sale of yet another NFT project that would have likely scammed countless others.”

USPIS Inspector-in-Charge Daniel B. Brubaker said: “The rise and popularity of various cryptocurrencies have changed the landscape of buying and selling investments, leading to ample opportunities for new fraud schemes. Today’s arrests involved Non-Fungible Tokens (“NFTs”), opening the door to alternative investment options and substantial risk. These assets may seem like a good deal or a way to become wealthy, but in many cases, as in this situation, only lead to the loss of your money. Postal Inspectors will pursue fraudsters with our law enforcement partners in any consumer market and advise consumers to pursue emerging investment trends with diligence and skepticism.”

As alleged in the Complaint[1]:

Since in or about January 2022, IRS-CI and HSI have been investigating a NFT fraud scheme based on reports from purchasers of Frosties utility NFTs[2] that they had been defrauded in what is colloquially referred to as a “rug pull.” As the term suggests, a “rug pull” refers to a scenario where the creator of an NFT and/or gaming project solicits investments and then abruptly abandons a project and fraudulently retains the project investors’ funds. According to the official Frosties website, Frosties purchasers would be eligible for holder rewards, such as, *inter alia*, giveaways, early access to a metaverse game, and exclusive mint passes to upcoming Frosties seasons. In reality, on or about January 9, 2022, NGUYEN and LLACUNA, whose legal identities were disguised to Frosties NFT purchasers, abruptly abandoned the Frosties NFT project within hours after selling out of Frosties NFTs, deactivated the Frosties website, and transferred approximately \$1.1 million in cryptocurrency proceeds from the scheme to various cryptocurrency wallets under their control in multiple transactions designed to obfuscate the original source of funds. A screenshot taken from the Frosties website is shown below:



Prior to their arrests, NGUYEN and LLACUNA were advertising a second NFT project under the name “Embers,” which, based on similarities to the Frosties NFT project, is believed to be another fraud scheme that was expected to launch on or around March 26, 2022. A screenshot taken from the Embers website is shown below:



\* \* \*

ETHAN VINH NGUYEN, 20, and ANDRE MARCUS QUIDDADOEN LLACUNA, 20, are each charged with one count of commit wire fraud, in violation of 18 U.S.C. § 1349, which carries a maximum sentence of 20 years in prison; and one count of conspiracy to commit money laundering, in violation of 18 U.S.C. § 1956(h), which carries a maximum sentence of 20 years in prison.

The maximum potential sentences described above are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants would be determined by the assigned judge.

Mr. Williams praised the outstanding investigative work of HSI, IRS-CI, and USPIS.

The case is being handled by the Office’s Complex Frauds and Cybercrime Unit. Assistant United States Attorney Danielle M. Kudla is in charge of the prosecution.

If you believe that you have been a victim of this crime, please contact HSI Special Agent Paul Nugent at paul.nugent@ice.dhs.gov.

[1] As the introductory phrase signifies, the entirety of the text of the Complaint, and the description of the Complaint set forth herein, constitute only allegations, and every fact described herein should be treated as an allegation as to the defendants charged in the Complaint.

[2] A “utility” NFT offers holders added benefits, such as reward programs, giveaways, and early access to events for NFT holders.

**Attachment(s):**

Download  
us\_v\_ethan\_nguyen\_andre\_llacuna\_complaint.

**Topic(s):**

Financial Fraud

**Component(s):**

USAO - New York, Southern

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22-087

Updated March 24, 2022



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**United States v. Ghislaine Maxwell,  
20 Cr. 330 (AJN)**

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