

Approved:

CHRISTOPHER P. CONNIFF
TIMOTHY J. TREANOR
Assistant United States Attorneys

Before: HONORABLE DEBRA C. FREEMAN
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA : **SEALED**
 : **COMPLAINT**
-v- : Violation of
STEPHEN ERIC LAWRENCE, : 18 U.S.C. § 1956
 :
Defendant. : COUNTY OF OFFENSE:
 : NEW YORK/WESTCHESTER
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SOUTHERN DISTRICT OF NEW YORK, ss.:

Maryann Goldman, being duly sworn, deposes and says that she is a Special Agent with the Federal Bureau of Investigation and charges as follows:

COUNT ONE

1. From in or about June 1999, up to and including in or about January 2007, in the Southern District of New York and elsewhere, STEPHEN ERIC LAWRENCE, the defendant, and others known and unknown, unlawfully, wilfully and knowingly did combine, conspire, confederate, and agree together and with each other to violate Section 1956(a)(2)(A) of Title 18, United States Code.

2. It was a part and an object of the conspiracy that STEPHEN ERIC LAWRENCE, the defendant, and others known and unknown, would and did transport, transmit, and transfer monetary instruments and funds from a place in the United States to and through a place outside the United States and to a place in the United States from and through a place outside the United States with the intent to promote the carrying on of specified unlawful activity, to wit, the operation of illegal gambling businesses in violation of Title 18, United States Code, Section 1955, the illegal transmission of wagers and gambling information, in violation of Title 18, United States Code, Section 1084, and the commission of gambling offenses in violation of both New York State Penal Law, Article 225, and anti-gambling statutes in other states.

OVERT ACTS

3. In furtherance of said conspiracy and to effect the illegal object thereof, STEPHEN ERIC LAWRENCE, the defendant, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In or about 1999, LAWRENCE and a co-conspirator ("CC#1") founded a group of businesses (the "Neteller Group") to provide online payment services to internet gambling businesses.

b. Beginning in or about July 2000, and continuing up to in or about December 2003, LAWRENCE, CC#1, and others affiliated with the Neteller Group offered online payment services through Neteller Inc., a Canadian corporation, to various internet gambling businesses so that these businesses could illegally access customers in the United States, including customers in and around New York City.

c. Beginning in or about January 2004, and continuing up to in or about January 2007, LAWRENCE, CC#1, and others affiliated with the Neteller Group offered online payment services through Neteller PLC, a corporation based in the Isle of Man, to various internet gambling businesses so that these businesses could illegally access customers in the United States, including in and around New York City.

d. On or about April 14, 2004, LAWRENCE, CC#1, and others affiliated with the Neteller Group raised approximately \$70 million through an initial public offering of shares in Neteller PLC on the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE") in order to, among other things, expand their online payment business.

(Title 18, United States Code, Sections 1956(h).)

The bases for deponent's knowledge and for the foregoing charge are, in part, as follows:

4. Since in or about June 2006, the Federal Bureau of Investigation ("FBI") has been conducting an investigation of Neteller PLC, a company that is based in Isle of Man and is publicly-traded in the United Kingdom. The investigation has revealed that Neteller PLC conducts and facilitates illegal financial transactions between gambling customers in the United States and numerous offshore online gambling businesses.

5. I have been personally involved in the investigation of this matter. This complaint is based upon my involvement in the investigation, my conversations with other law enforcement officials and witnesses, and my examination of reports, records, and tapes. Because this complaint is being submitted for the

limited purpose of establishing probable cause, it does not include all the facts that I have learned during the course of this investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

6. I have reviewed various business records of Neteller PLC. These records describe, among other things, the history and development of the Neteller Group and the services that it provides. For example, in the prospectus from Neteller PLC's initial public offering on the AIM (the "Neteller IPO Prospectus"), the Board of Directors of Neteller PLC, including STEPHEN ERIC LAWRENCE, the defendant, collectively states that Neteller Inc., a Canadian corporation, was founded in 1999 by LAWRENCE and CC#1; that on January 1, 2004, the Neteller Group began doing business as Neteller PLC, a corporation based in Isle of Man; that Neteller PLC specializes in providing online payment processing services to online merchants and customers; that Neteller PLC, and previously Neteller Inc., offers services through Neteller.com; that the primary service provided by Neteller PLC, and previously by Neteller Inc., is a "virtual wallet" account that enables customers to deposit, withdraw, or transfer funds with any merchant that supports the Neteller online payments system; that Neteller PLC generates its revenues on a fee-for-service basis for any transfer of money between any combination of members or merchants; and that Neteller Inc. began processing transactions in July 2000.

7. I have reviewed various business records of Neteller PLC that provide information regarding the scope of the online payment services provided by Neteller PLC, including the following:

a. In the Neteller IPO Prospectus, the Board of Directors of Neteller PLC, including STEPHEN ERIC LAWRENCE, the defendant, collectively states that more than 95 percent of the revenues generated by the Neteller Group, is derived from processing money transfers pertaining to the online gambling market; and that on or about March 1, 2004, Neteller PLC had 685,945 member accounts, of which approximately 88 percent belonged to North American residents.

b. Neteller PLC's 2004 annual report states that, in 2004, Neteller PLC processed \$3.4 billion in financial transactions; and Neteller PLC provides gambling customers with access to more than 80 percent of the online gaming merchants in the world.

c. Neteller PLC's 2005 annual report states that, in 2005, Neteller PLC processed over \$7.3 billion in financial transactions; Neteller PLC provides gambling customers with access to more than 80 percent of worldwide gaming merchants; and in 2005, Neteller PLC had \$172.1 million in revenues and \$91.5 million in

net profit.

d. In Neteller PLC's half yearly report for the six-month period ending June 30, 2006, dated September 11, 2006, the President and Chief Executive Officer of Neteller PLC described the "online gaming market" as Neteller PLC's "main market," and stated that, in the first half of 2006, Neteller PLC processed \$5.1 billion in financial transactions, and that approximately 85 percent of Neteller PLC's revenue during that period derived from individuals in North America.

e. The transcript of a public conference call that occurred on or about September 11, 2006, between officers of Neteller PLC and financial analysts, reflects that the Chief Financial Officer of Neteller PLC stated during the conference call that approximately 75 percent of the revenue of Neteller PLC originated from customers in the United States.

8. As part of the investigation, law enforcement officers and a cooperating witness posed as gambling customers and conducted online monetary transactions with numerous online gambling businesses using online payment processing services provided by Neteller PLC. The following are examples of some of the transactions that I have either participated in or learned about:

a. On or about August 12, 2006, a cooperating witness (the "CW"), who at the time was located in Miami, Florida, used a computer to open an account on Neteller.com (the "Neteller Account"), and the CW electronically transferred \$400 from a bank account in Miami, Florida, into the Neteller Account. On or about August 22, 2006, the CW, who at the time was located in Miami, Florida, used a computer to open a wagering account with an online gambling business based in Antigua ("Online Gambling Business #1"), by electronically transferring \$400 from the Neteller Account to Online Gambling Business #1. On or about August 24, 2006, the CW, who at the time was located in Miami, Florida, used a computer to access Online Gambling Business #1's website, and the CW then wagered \$250 on a National Football League ("NFL") football game and won approximately \$200. On or about September 7, 2006, the CW, who at the time was located in Miami, Florida, used a computer to access Online Gambling Business #1's website, and the CW then wagered \$250 on an NFL football game and lost \$250.

b. On or about September 26, 2006, I was present with the CW at a public library located in Westchester County, New York. At that time, I observed the CW access the internet using a public computer at the library. The CW then used the computer to access Online Gambling Business #1's website, and the CW then withdrew \$200 from his wagering account with Online Gambling Business #1 and transferred it electronically to the Neteller Account. Thereafter, the CW then placed a \$50 wager on an NFL

football game on Online Gambling Business #1's website using money that had previously been deposited with Online Gambling Business #1 using the Neteller Account.

c. On or about December 29, 2006, in Westchester County, New York, I used a computer to access the Neteller Account by logging on to Neteller.com. At that time, the balance in the account was \$100. I then transferred \$25 from the Neteller Account to a wagering account with an online gambling business based in Costa Rica ("Online Gambling Business #2"). I then transferred \$25 from the Neteller account to a wagering account with another online gambling business based in Costa Rica ("Online Gambling Business #3"). Then, I logged on to Online Gambling Business #1's website and used a link to Neteller.com to transfer \$25 from the Neteller Account to the wagering account with Online Gambling Business #1 that previously had been opened by the CW.

9. I have reviewed various business records obtained from financial institutions that provide information regarding international monetary transactions conducted by, or on behalf of, Neteller PLC, including the following:

a. Records of automated clearinghouse ("ACH") transactions obtained pursuant to subpoena from an automated clearinghouse located in the United States demonstrate that Neteller processes a significant amount of customer transactions through the automated clearinghouse system, including transactions from customers in Manhattan. The ACH system permits Neteller to handle internet-based customer transactions. These records further demonstrate that Neteller uses a payment service company (the "Payment Company") to conduct its customers' ACH transactions in the name of the Payment Company. By doing so, Neteller PLC conceals the nature of these financial transactions. The Payment Company receives funds in the United States on behalf of Neteller PLC, and then transfers the funds out of the United States to accounts controlled by Neteller PLC in Canada.

b. Records of wire transfers obtained pursuant to subpoena from a bank in the United States (the "US Bank") demonstrate that, from in or about January 2006 up to and including in or about March 2006, a total of approximately \$98 million was transferred by wire from an account in the name of the Payment Company at the US Bank in the United States to an account in the name of JSL Systems Inc. at National Bank of Canada in Calgary, Alberta, Canada. Neteller PLC's 2004 annual report states that JSL Systems Inc. is a related company that is owned by a director of Neteller PLC that processes transactions for Neteller PLC and is paid a nominal fee for its services. In the Neteller IPO Prospectus, the Board of Directors of Neteller PLC, including STEPHEN ERIC LAWRENCE, the defendant, collectively states that LAWRENCE and CC#1 are partners in and/or directors of JSL Systems Inc.

c. Records of wire transfers obtained pursuant to subpoena from the US Bank demonstrate that, from in or about March 2006 up to and including in or about April 2006, a total of approximately \$50 million was transferred from an account in the name of the Payment Company at the US Bank in the United States to an account in the name of Cardload Inc. at National Bank of Canada in Calgary, Alberta, Canada. Neteller PLC's 2004 annual report states that Cardload Inc. is a wholly-owned subsidiary of Neteller PLC.

10. I have reviewed various business records of Neteller PLC that provide information regarding the involvement of STEPHEN ERIC LAWRENCE, the defendant, in the business affairs of Neteller Inc. and Neteller PLC, including the following:

a. In the Neteller IPO Prospectus, the Board of Directors of Neteller PLC, including LAWRENCE, collectively states the following: LAWRENCE founded the Neteller Group in June 1999; LAWRENCE participated in developing the online payment services of the Neteller Group and participated in raising capital for the Neteller Group; LAWRENCE served as Chief Executive Officer of Neteller Inc. until December 2002 and drew a salary and other compensation from Neteller Inc.; LAWRENCE served as executive director of Neteller Inc. from 2001 to August 31, 2003; LAWRENCE was Chairman of the Board of Directors of Neteller PLC and would continue to serve as Chairman upon admission of Neteller PLC to AIM; LAWRENCE owned approximately 42 percent of Neteller PLC prior to the IPO, and LAWRENCE would own approximately 36 percent of Neteller PLC after the IPO; and LAWRENCE advanced to Neteller PLC approximately \$3 million in an interest-free loan.

b. Neteller PLC's 2004 annual report states that Neteller PLC is the creation of LAWRENCE who is a major shareholder of Neteller PLC; LAWRENCE served as Chief Executive Officer of Neteller Inc. until December 2002; throughout 2004, LAWRENCE was the Chairman of the Board of Directors of Neteller PLC; on or about December 31, 2004, LAWRENCE was the largest shareholder of Neteller PLC, owning 21.94% percent of the outstanding shares of Neteller PLC; and during 2004, the Board of Directors of Neteller PLC granted LAWRENCE options to purchase additional shares of Neteller PLC.

c. Neteller PLC's 2005 annual report states that LAWRENCE served as Chairman of the Board of Directors of Neteller PLC during 2005, but that LAWRENCE would step down from his position as Chairman at Neteller PLC's annual general meeting in 2006; during 2005, the Board of Directors of Neteller PLC granted LAWRENCE options to purchase additional shares of Neteller PLC; and during 2005, Neteller PLC paid LAWRENCE compensation for serving as a director.

11. I have reviewed various business records of Neteller PLC that demonstrate that STEPHEN ERIC LAWRENCE, the defendant, had knowledge that he was participating in criminal activity in the United States. For example, in the Neteller IPO Prospectus, the Board of Directors of Neteller PLC, including LAWRENCE, collectively states that criminal laws exist in the United States that prohibit persons from promoting certain forms of gambling; criminal laws exist in the United States that prohibit the transmission of funds that are known to have been derived from criminal activity or are intended to promote criminal activity; that to date most of the criminal prosecutions related to online gambling in the United States have been limited to cases where assets or relevant individuals are located in the United States; that the Neteller Group does not maintain offices or assets in the United States; and that there can be no assurance that the government of the United States will not try to prosecute the Neteller Group under existing or future federal laws.

WHEREFORE, deponent prays that a warrant be issued for the arrest of the above-named individual and that he be arrested and imprisoned or bailed as the case may be.

MARYANN GOLDMAN
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
day of January 16, 2007

UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK