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Russian Fraudster's Chinese Fund Fuels Bitcoin Rise

By The Moscow Times

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Bitcoin reached its highest price in more than a year on Wednesday amid a surge of Chinese interest in MMM.

A surge in the price of virtual currency bitcoin may be down to a Chinese investment scheme run by a notorious Russian fraudster, the Financial Times reported Thursday.

Bitcoin reached its highest price in more than a year on Wednesday amid a surge of Chinese interest in MMM, a "social financial network" run by Russian mathematician Sergei Mavrodi, the paper reported. New members to the scheme, which promises 30 percent returns per month, must buy bitcoins to join.

Recent days have seen a boom in YouTube testimonials for MMM, for which participants are promised bonuses, according to the FT. Wen Qiang, one of hundreds of evangelists for the fund, said in a video on the site: "Today, on Oct. 31, I received 20 percent interest and [a bonus] as a recommender, for a total of $7,750. I truly experienced the greatness of 3M

[MMM] and the sincerity of all the participants."

Millions of people lost their savings in the collapse of Mavrodi's pyramid scheme, also called MMM, in the mid-1990s. Mavrodi was finally sentenced to 4 1/2 years in prison for fraud in 2007.

Mavrodi has denied that MMM was a con, and has launched similar schemes in Russia and multiple other countries, including China, where interest has suddenly swelled in recent weeks.

Pyramid schemes pay dividends and recruiting bonuses to existing participants using cash from new investors, and are doomed to failure when the flow of newcomers dries up.

The bitcoin price rose by more than a fifth to above $490 on Wednesday, the FT said.

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