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CEO and Managing Director of U.S. Broker-Dealer Each Sentenced to Four Years in Prison for Scheme to Bribe a Venezuelan Foreign Official *Senior Venezuelan Banking Official Allegedly Received at Least \$5 Million in Bribes*

U.S. Attorney's Office
March 27, 2015

- **Southern District of New York**
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PREET BHARARA, the United States Attorney for the Southern District of New York, and LESLIE R. CALDWELL, the Assistant Attorney General for the Criminal Division of the United States Department of Justice, announced that BENITO CHINEA and JOSEPH DEMENESES, the former Chief Executive Officer and former Managing Director, respectively, of a United States broker-dealer (the "Broker-Dealer"), were each sentenced to four years in prison today for carrying out a scheme to pay bribes to Maria De Los Angeles Gonzalez De Hernandez ("Gonzalez"), who was a senior official in Venezuela's state economic development bank, Banco de Desarrollo Económico y Social de Venezuela ("BANDES"). CHINEA and DEMENESES, working with others, arranged the bribe payments to Gonzalez in exchange for her directing BANDES's financial trading business to the Broker-Dealer. CHINEA and DEMENESES each had previously pled guilty to conspiring to violate the Foreign Corrupt Practices Act and the Travel Act. They were sentenced today by U.S. District Judge Denise Cote.

Previously, on May 3, 2013, Gonzalez, along with two employees of the Broker-Dealer, Tomas Alberto Clarke Bethancourt (“Clarke”) and Jose Alejandro Hurtado (“Hurtado”) were arrested on charges relating to this bribery scheme. On June 12, 2013, a managing director of the Broker-Dealer, Ernesto Lujan (“Lujan”), was arrested on related charges as well. Each of these four defendants has since entered guilty pleas.

Manhattan U.S. Attorney Preet Bharara said: “Benito China and Joseph DeMeneses paid bribes to an officer of a state-run development bank in exchange for lucrative business she steered to their firm. China and DeMeneses profited for a time from the corrupt arrangement, but that profit has turned into prison and now they must forfeit their millions of dollars in ill-gotten gains as well as their liberty.”

Assistant Attorney General Leslie R. Caldwell said: “These Wall Street executives orchestrated a massive bribery scheme with a corrupt official in Venezuela to illegally secure tens of millions of dollars in business for their firm. The convictions and prison sentences of the CEO and Managing Director of a sophisticated Wall Street broker-dealer demonstrate that the Department of Justice will hold individuals accountable for violations of the FCPA and will pursue executives no matter where they are on the corporate ladder.”

According to the allegations in the Indictment, the defendants’ pleas, and other documents previously filed in Manhattan federal court:

Background on the Broker-Dealer and BANDES

At all times relevant to the charges, CHINEA was the chief executive officer and DEMENESES was a managing director in the Broker Dealer, which was headquartered in New York, with offices in Miami, Florida. In 2008, the Broker-Dealer established a group called the Global Markets Group, which included DEMENESES, Lujan, and Clarke, and which offered fixed income trading services to institutional clients. One of the Broker-Dealer’s clients was BANDES, which operated under the direction of the Venezuelan Ministry of Finance. The Venezuelan government had a majority ownership interest in BANDES and provided it with substantial funding. Gonzalez was an official at BANDES and oversaw the development bank’s overseas trading activity. At her direction, BANDES conducted substantial trading through the Broker-Dealer. Most of the trades executed by the Broker-Dealer on behalf of BANDES involved fixed income investments for which the Broker-Dealer charged BANDES a mark-up on purchases and a mark-down on sales.

The Bribery Scheme

From at least late 2008 through at least 2012, CHINEA and DEMENESES, along with Lujan, Clarke, Hurtado, and Gonzalez, participated in a bribery scheme in which Gonzalez directed trading business she controlled at BANDES to the Broker-Dealer, and in return, agents and employees of the Broker-Dealer, including CHINEA and DEMENESES, split the revenue the Broker-Dealer generated from this trading business with Gonzalez. During this time period, the Broker-Dealer generated over \$60 million in mark-ups and mark-downs from trades with BANDES. Agents and employees of the Broker-Dealer, including CHINEA, DEMENESES, Lujan, Clarke, and Hurtado, devised a split with Gonzalez of the commissions paid by BANDES to the Broker-Dealer.

To further conceal the scheme, the kickbacks to Gonzalez were often paid using intermediary corporations and offshore accounts that she held in Switzerland, among other places. For example, DEMENESES, Lujan, and Clarke used an account in Switzerland to transfer at least \$1.5 million to an account Gonzalez controlled in Switzerland. In addition to Gonzalez receiving the bribe payments, other participants in the scheme, including CHINEA and DEMENESES, also received millions in proceeds generated from the scheme.

* * *

In addition to the prison terms, Judge Cote sentenced CHINEA, 48, who resides in Manalapan, New Jersey, and DEMENESES, 45, who resides in Fairfield, Connecticut, to three years of supervised release each. CHINEA was ordered to forfeit \$3,636,432 and DEMENESES was ordered to forfeit \$2,670,612. Each defendant was also ordered to pay a \$40,000 fine and a \$100 special assessment fee.

Mr. Bharara praised DOJ’s Criminal Division and the Federal Bureau of Investigation for their work in the investigation. He also thanked the Securities and Exchange Commission for its assistance in this case.

Today’s announcement is part of efforts underway by President Obama’s Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate

and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys' offices and state and local partners, it is the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Since the inception of FFETF in November 2009, the Justice Department has filed more than 12,841 financial fraud cases against nearly 18,737 defendants including nearly 3,500 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov. This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant United States Attorneys Harry A. Chernoff and Jason H. Cowley, and Fraud Section Deputy Chief James Koukios and Trial Attorney Kevin Gingras, are in charge of the prosecution.

Additional information about the Justice Department's FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa.

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