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CEO and Managing Director Of US Broker-Dealer Sentenced for International Bribery Scheme

The former chief executive officer and former managing director of a U.S. broker-dealer (the Broker-Dealer), were sentenced to prison today for their roles in a scheme to pay bribes to a senior official in Venezuela's state economic development bank, Banco de Desarrollo Económico y Social de Venezuela (Bandes), in return for trading business that generated more than $60 million in commissions.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and U.S. Attorney Preet Bharara of the Southern District of New York made the announcement. The sentences were imposed by U.S. District Judge Denise L. Cote of the Southern District of New York.

Benito Chinea, 48, of Manalapan, New Jersey, and Joseph DeMeneses, 45, of Fairfield, Connecticut, were each sentenced to four years in prison. They were also ordered to pay $3,636,432 and $2,670,612 in forfeiture, respectively, which amounts represent their earnings from the bribery scheme. On Dec. 17, 2014, both defendants pleaded guilty to one count of conspiracy to violate the Foreign Corrupt Practices Act and the Travel Act.

"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," said Assistant Attorney General Caldwell. "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."

"Benito Chinea and Joseph DeMeneses paid bribes to an officer of a state-run development bank in exchange for lucrative business she steered to their firm," said U.S. Attorney Bharara. "Chinea 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."

Chinea, the chief executive officer, and DeMeneses, a managing director in the Broker-Dealer, admitted that they worked with others, to arrange bribe payments to the Bandes official, Maria De Los Angeles Gonzalez, in exchange for her directing Bandes's financial trading business to the Broker-

Dealer. Previously, Gonzalez, along with two employees of the Broker-Dealer, Tomas Alberto Clarke Bethancourt (Clarke) and Jose Alejandro Hurtado (Hurtado), pleaded guilty for their involvement in this bribery scheme. A managing director of the Broker-Dealer, Ernesto Lujan, also pleaded guilty for his role in the scheme.

Background on the Broker-Dealer and Bandes

According to court documents, and as admitted by Chinea and DeMeneses at their guilty pleas, the Broker-Dealer, which was headquartered in New York City and had offices in Miami, established a group called the Global Markets Group in 2008, 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

As alleged in court documents, Chinea and DeMeneses, together with three Miami-based Broker-Dealer employees, Lujan, Clarke and Hurtado, participated in a bribery scheme that ran from late 2008 through 2012, in which Gonzalez directed trading business to the Broker-Dealer, and in return, agents and employees of the Broker-Dealer 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 commissions from trades with Bandes.

As further alleged in court documents, in order to conceal the scheme, payments to Gonzalez, frequently in six-figure amounts, were routed through third-parties posing as "foreign finders" and into offshore bank accounts. In several instances, Chinea personally signed checks worth millions of dollars that were made payable to one of these purported "foreign finders" and later deposited in a Swiss bank account. Chinea and DeMeneses admitted that they agreed to use Broker-Dealer funds to reimburse DeMeneses and Clarke for the approximately $1.5 million from their personal funds they used to bribe Gonzalez. To conceal their true nature, Chinea and DeMeneses agreed to hide these reimbursements in the Broker-Dealer's books as sham loans from the Broker-Dealer to DeMeneses and Clarke.

This case is being investigated by the FBI, and prosecuted by Senior Deputy Chief James Koukios and Trial Attorney Kevin R. Gingras of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Harry A. Chernoff and Jason H. Cowley of the Southern District of New York. Assistant U.S. Attorney Carolina Fornos of the Southern District of New York is responsible for the forfeiture aspects of the case. The U.S. Securities and Exchange Commission also assisted with this investigation.

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

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