

## Joint FBI-Brazil Effort Breaks Up US\$ 50 Million Securities Fraud Gang

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A US federal grand jury in Miami returned this Thursday, March 20, a 16-count indictment charging Brazilians Rodrigo Molina, 32, of Miami, and Marcos Macchione, 31, of Aventura, in Florida state, for their alleged involvement as money laundering service providers for a sophisticated international securities fraud organization.

The action against the two Brazilian nationals was announced by assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney R. Alexander Acosta of the Southern District of Florida.

This indictment is the result of major law enforcement operations carried out on February 25, which resulted in the arrests of Molina and Macchione in Florida as well as 18 individuals in the states of São Paulo (Southeast) and Rio Grande do Sul (South), in Brazil. The Brazilian operation netted the alleged leader of this criminal organization, Doron Mukamal, as well as his partners, associates and employees.

Also arrested in Brazil were the "doleiros," or money launderers, that assisted the organization by providing a complicated maze of bank accounts that quickly hid money sent in by the victims. Molina and Macchione were allegedly responsible for the U.S. portion of the doleiro operations being managed out of Brazil.

"Scam artists who attempt to dupe investors by claiming to represent legitimate financial services will be aggressively pursued both in the U.S. and abroad," said Fisher. "I want to thank all of the domestic and international agencies for their diligent work in aggressively pursuing this case."

This case involves an international criminal organization that utilized the U.S. securities market to scam foreign investors out of more than US\$ 50 million during the last three years. As the indictment alleges, this fraud organization victimized U.S. "micro cap" company investors worldwide using an operation that spanned North and South America. Among the countries involved were besides Brazil and United States, United Kingdom, Spain, Australia and Asian nations.

A team consisting of the Department's Fraud Section, FBI, U.S. Postal Inspection Service, the Securities and Exchange Commission (SEC), the New Jersey Attorney General's Office Bureau of Securities and Division of Criminal Justice, the Alabama Securities Commission, and the Brazilian Federal Police conducted a three-year international cooperative investigation that was responsible for dismantling the fraud.

New Jersey investigators became involved in 2005 when victims from around the world contacted New Jersey's Bureau of Securities to report that a New Jersey securities broker had defrauded them.

Heritage Financial of Trenton, New Jersey, one of the companies quickly determined by investigators to be completely fictitious, offered to purchase nearly worthless stock from investors by paying much more than the stocks were worth.

Shortly before the stock transaction was supposed to take place, the fictitious broker would require the victim to pay some sort of advance fee. These fees were purported to pay for taxes, escrow payments or other services not actually required in legitimate transactions.

Once these "fees" were wired into bank accounts, mostly located in Miami, the fictitious brokers simply abandoned the transaction. In many cases investors were further victimized when they contacted the fictitious broker to question what had happened to their money.

On many occasions they were told that the broker had located warrants or the rights to purchase more shares held by the victims. These warrants were imaginary, but the "brokers" would offer to pay huge premiums to the investors for them. Again, lured by the promise of huge profits, the investors would remit large payments for additional fictitious fees.

The Brazilian defendants used well-designed Web sites to mislead their victims into believing that they were legitimate securities brokers. The perpetrators, in order to carry out their scheme, stole the identities of real U.S. broker dealers and created others that were fictitious.

In many instances they even created false governmental entities that touted the legitimacy of the fictitious brokers. Additionally, voice over Internet Protocol (VoIP) telephone providers were utilized so that the fictitious brokers had U.S. phone numbers even though they were located in Brazil and other countries.

Since 2005 this fraud scheme has been responsible for the greatest number of victim complaints received by the SEC's Office of Investor Education and Advocacy. To date, the investigative team has seized and/or frozen several million dollars through the investigation.

Besides arresting the fraud organization head and managers, the Brazilian operation called "Operação Pirita" (Operation Pyrite or Fool's Gold) raided an operating "boiler room" located in a São Paulo hotel full of telemarketing fraudsters actively carrying out the fraud.

In addition to the arrests, the Brazilian Federal Police, with the assistance of personnel from the New Jersey Bureau of Securities and the Division of Criminal Justice, seized 17 guns, 17 vehicles, drugs, at least one home, and more than US\$ 1.5 million in cash and jewelry.

If convicted the defendants each face a maximum of 20 years imprisonment. The indictment also seeks criminal forfeiture of contents of several of the bank accounts used to facilitate the laundering of the fraud proceeds.

Trial Attorney Matthew Klecka of the Criminal Division's Fraud Section will prosecute the Miami indictments. The investigation is being conducted by the FBI, U.S. Postal Inspection Service, New Jersey Bureau of Securities, New Jersey Division of Criminal Justice, and the SEC.