Department of Justice

U.S. Attorney's Office

Southern District of New York

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Five Former Employees Of Bernard L. Madoff Investment Securities Found Guilty In Manhattan Federal Court On All Counts

Preet Bharara, the United States Attorney for the Southern District of New York, announced that a Manhattan jury today found DANIEL BONVENTRE, ANNETTE BONGIORNO, JOANN CRUPI, a/k/a "Jodi," JEROME O'HARA, and GEORGE PEREZ guilty of all 31 counts in connection with their long-time employment at Bernard L. Madoff Investment Securities LLC ("Madoff Securities"). The verdict was announced this afternoon after a more than five-month trial before Judge Laura Taylor Swain in Manhattan federal court.

Manhattan U.S. Attorney Preet Bharara said: "As the jury unanimously found, these five defendants played crucial roles in constructing and maintaining the house of cards that was the Madoff investment fraud. These convictions, along with the prior guilty pleas of nine other defendants, demonstrate what we have believed from the earliest stages of the investigation: this largest-ever Ponzi scheme could not have been the work of one person. The trial established that the Madoff fraud began at least as far back as the early 1970s, decades before it came to light. These defendants each played an important role in carrying out the charade, propping it up, and concealing it from regulators, auditors, taxing authorities, lenders, and investors. The scheme these defendants helped perpetrate cost innumerable investors their life savings. Now it likely will cost the defendants their freedom."

According to the evidence presented during the trial:

BONGIORNO, an employee in the investment advisory business for 40 years, managed hundreds of investment advisory accounts purportedly having a cumulative balance of approximately $8.5 billion dollars as of November 30, 2008. BONGIORNO also supervised employees who worked for the investment advisory business.

CRUPI, an employee in the investment advisory business for 25 years, managed several Madoff Securities investment advisory accounts purportedly having a cumulative balance of approximately $900 million as of November 30, 2008. She also tracked the daily activity of the bank account into which billions of dollars of investment advisory client money was deposited, and from which investment advisory client redemptions were paid.

During the course of managing investment advisory accounts, BONGIORNO and CRUPI "executed" trades in the investment advisory clients' accounts only on paper, based on historically reported prices of securities that they researched in the Wall Street Journal and Bloomberg. Those trades achieved annual rates of return that had been pre-determined by Madoff. BONGIORNO and CRUPI also backdated the purchase dates of purported trades so that they could control the amount of gains reflected in the investment advisory accounts. Further, BONGIORNO processed exceptional gains in the investment advisory accounts that purportedly occurred months before the investment advisory accounts had been established. BONGIORNO also asked certain investment advisory clients to return previously issued Madoff Securities account statements so that she could alter them, and often include additional backdated trades.

CRUPI handled the receipt of funds sent to Madoff Securities by its clients for investment; transferred clients' funds between and among various Madoff Securities bank accounts; handled client requests for redemptions sent to Madoff Securities by clients; monitored, on a daily basis, funds transferred into and out of the Madoff Securities bank account that was principally used to perpetrate the fraud; and prepared and assisted in the preparation of fabricated documents designed to deceive regulators and outside auditors. Further, CRUPI provided banks with false information in connection with mortgage loans for other Madoff Securities employees.

BONVENTRE was employed at Madoff Securities for 40 years and served as its Director of Operations. BONVENTRE was responsible for maintaining and supervising the production of the principal internal accounting documents for Madoff Securities, including its general ledger, financial statements, and stock record. BONVENTRE directed that false entries be made in the general ledger that concealed the scope of the investment advisory operations and understated Madoff Securities's liabilities by billions of dollars. For example, from 1997 to 2008, more than $750 million of investment advisory investor funds were used to support Madoff Securities's Market Making and Proprietary Trading operations, but were not accounted for on Madoff Securities's books and records, including the general ledger, so as to conceal the true source of the funds. Moreover, as BONVENTRE knew, the general ledger did not accurately reflect the assets contained in the bank and brokerage accounts into which investment advisory investor funds were deposited, and likewise did not reflect the liability of Madoff Securities to its investment advisory clients that arose from the custody of investment advisory client funds in those accounts. The assets and associated liabilities of Madoff Securities's investment advisory operations, which were omitted from the general ledger, ranged from millions to billions of dollars.

Madoff Securities was required to file Financial and Operational Combined Uniform Single Reports ("FOCUS Reports") with the United States Securities and Exchange Commission ("SEC"). Those FOCUS Reports require the production of basic information that amounts to a condensed version of a broker-dealer's general ledger. Because the general ledger was inaccurate, as BONVENTRE well knew, the FOCUS Reports were likewise false because they failed to accurately reflect Madoff Securities's assets and liabilities. For example, one such report, for the month of April 2006, in the midst of a liquidity crisis, failed to reflect at least $299 million in Madoff Securities liabilities related to $154 million of an investment advisory client's bonds and the $145 million that Madoff Securities had borrowed using those bonds as collateral. BONVENTRE also provided false FOCUS Reports and other financial documents to banks in connection with Madoff Securities's bank loans.

In addition, between 2004 and 2007, in connection with audits of Bernard L. Madoff's U.S. Individual Income Tax Returns, Forms 1040s, BONVENTRE created false, backdated Madoff Securities records to show the tax auditors. Because Madoff had under-reported his income by tens of millions of dollars each year, BONVENTRE created false documents that appeared consistent with Madoff's tax returns for the purposes of maintaining the falsity of Madoff's tax returns and deceiving the auditors.

Further, between 2004 and 2008, Madoff Securities was subject to at least five reviews by the SEC and a European accounting firm which was conducting a review of Madoff Securities's operations on behalf of investment advisory clients. As part of a concerted effort overseen by Madoff to deceive both the SEC and the European accounting firm, BONVENTRE, CRUPI, O'HARA and PEREZ participated in creating numerous false and fraudulent books and records.

O'HARA and PEREZ were employed as computer programmers at Madoff Securities beginning in 1990 and 1991, respectively. They were responsible for developing and maintaining computer programs that supported the operation of the Madoff Securities investment advisory business. For example, O'HARA and PEREZ created special programs that, among other things: created books and records for a small subset of Madoff Securities investment advisory clients to help hide the scope and nature of the investment advisory business; changed the names of account holders to help explain why the SEC would not find investment advisory client securities at the Depository Trust Company ("DTC"); altered details about the number of shares, execution times, and transaction numbers for trades reported on Madoff Securities trade blotters, by employing algorithms that produced false and random results; created false and fraudulent order entry and execution reports that included fictitious times at which orders for equities transactions purportedly were placed; generated fraudulent commission reports; and created fraudulent investment advisory client account statements in a format different from those sent to clients. O'HARA and PEREZ knew that the special programs they developed contained fraudulent information and that they were used in connection with the SEC and European accounting firm reviews.

In addition to convicting the defendants of their participation in securities fraud and related conduct in connection with the Madoff Securities Ponzi scheme, the defendants were convicted on a total of 31 counts – every count that was submitted to the jury – some of which relate to allegations of separate misconduct, including bank fraud and tax fraud offenses. BONVENTRE, for example, was convicted for his participation in an accounting fraud conspiracy that, among other things, included using falsified financial statements and other documents to obtain hundreds of millions of dollars in loans and lines of credit from federally-insured financial institutions. BONVENTRE was separately convicted in connection with creating fraudulent financial records to tax auditors, in an attempt to deceive the Internal Revenue Service and maintain the falsity of Bernard L. Madoff's own (fraudulent) personal income tax returns.

CRUPI was convicted of a separate bank fraud conspiracy to assist David Kugel – a former supervisory trader in Madoff Securities's market-making and proprietary trading operation, who pled guilty and agreed to cooperate with the Government in November 2011 – by creating and submitting to federally insured financial institutions falsified documents in support of personal bank loans for Kugel and members of his family.

Finally, BONVENTRE, BONGIORNO, and CRUPI were each convicted in connection with filing false income tax returns on their own behalf, in which each of the three defendants failed to report cash and other benefits they received from Madoff Securities. BONVENTRE was convicted of failing to report millions of dollars in cash and other benefits, including payments on his behalf for his membership in a country club and his son's private high school tuition. BONGIORNO was convicted of failing to report more than a million dollars in cash payments she received from two "Bernard L. Madoff Special" accounts. And CRUPI was convicted for failing to report tens of thousands of dollars in personal expenses she charged on a corporate credit card.

In total, the jury convicted BONVENTRE, 67, of 20 counts; BONGIORNO, 66, of 10 counts; CRUPI, 53, of 13 counts; and O'HARA, 51, and PEREZ, 48, of eight counts each. A chart containing a description of the counts of conviction and their maximum penalties is attached. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants will be determined by the judge.

The defendants will be sentenced in July by U.S. District Court Judge Laura Taylor Swain in Manhattan federal court. BONVENTRE and BONGIORNO will be sentenced on July 28, 2014. CRUPI and O'HARA will be sentenced on July 29, 2014. And PEREZ will be sentenced on July 30, 2014. Judge Swain ordered each of the defendants subject to electronic monitoring pending sentencing and limited home confinement.

Mr. Bharara praised the investigative work of the Federal Bureau of Investigation. He also thanked the U.S. Securities and Exchange Commission, the Internal Revenue Service – Criminal Investigations, the New York Regional Office of the U.S. Department of Labor's Office of Inspector General, Office of Labor Racketeering and Fraud Investigations, and the New York Regional Office of the U.S. Department of Labor, Employee Benefits Security Administration for their assistance.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which Mr. Bharara serves as a Co-Chair of the Securities and Commodities Fraud Working Group. The task force was established 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's 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. Over the past three fiscal years, the Justice Department has filed nearly 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, please visit www.StopFraud.gov.

Assistant United States Attorneys Matthew L. Schwartz, John T. Zach, and Randall W. Jackson are in charge of the prosecution.

Click here to view chart(s)

U.S. v. Daniel Bonventre, et al. S10 Indictment

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