



*United States Attorney
Southern District of New York*

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**MANHATTAN U.S. ATTORNEY CHARGES DANIEL BONVENTRE,
FORMER DIRECTOR OF OPERATIONS FOR BERNARD L. MADOFF
INVESTMENT SECURITIES, LLC, WITH CONSPIRACY,
SECURITIES FRAUD, AND TAX CRIMES**

PREET BHARARA, the United States Attorney for the Southern District of New York, JOSEPH M. DEMAREST JR., the Assistant Director-in-Charge of the Federal Bureau of Investigation's New York Field Division ("FBI"), and PATRICIA J. HAYNES, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), announced today that DANIEL BONVENTRE, the former Director of Operations for Bernard L. Madoff Investment Securities, LLC ("BLMIS"), was arrested this morning on a criminal Complaint charging him with conspiracy; securities fraud; falsifying books and records of a broker-dealer; false filings with the U.S. Securities and Exchange Commission ("SEC"); and filing false federal tax returns.

As alleged in the Complaint unsealed today in Manhattan federal court:

For decades, BERNARD L. MADOFF purported to provide investment advisory ("IA") services through BLMIS. In fact, MADOFF defrauded thousands of IA clients out of billions of dollars through an elaborate Ponzi scheme.

In 1968, BONVENTRE was employed at BLMIS and served as its Director of Operations beginning at least as early as 1978. In that capacity, BONVENTRE was responsible for, among other things: (a) maintaining and supervising the production of the principal internal accounting documents for BLMIS, including its general ledger (the "G/L") and financial statements; (b) maintaining the stock record for BLMIS and resolving any discrepancies between internal and external records; (c) supervising the use and reconciliation of BLMIS bank accounts through which the Market Making, Proprietary Trading, and IA business operations were funded; and (d) supervising BLMIS employees who were responsible for accounting and other "back office" functions, including settlement and clearing of trades executed by the Market Making and Proprietary Trading operations.

As Director of Operations, BONVENTRE directed that false entries be made in the G/L that concealed the scope of the IA operations and understated BLMIS's liabilities by billions of dollars. From 1997 to 2008, more than \$750 million of IA investor funds were used to support BLMIS's Market Making and Proprietary Trading operations, but were accounted for on BLMIS's books and records, including the G/L, so as to conceal the true source of the funds. Moreover, as BONVENTRE knew, the G/L did not accurately reflect the assets contained in the bank and brokerage accounts into which IA investor funds were deposited, and likewise did not reflect the liability of BLMIS to its IA clients that arose from the custody of IA client funds in those accounts. At various points in time, the assets and associated liabilities of BLMIS's IA operations, which were omitted from the G/L, ranged from millions to billions of dollars.

Between November 2005 and June 2006, BLMIS experienced a liquidity crisis caused by IA clients' demands for withdrawals that exceeded cash on hand. Rather than sell securities to meet those demands - which could not be done because BLMIS had not actually purchased any such securities on behalf of those Clients - BONVENTRE requested \$145 million of loans from a bank, using \$154 million of an IA client's bonds as collateral, to meet obligations to other IA clients. During the same period, BONVENTRE monitored lines of credit, which BLMIS drew down by more than \$340 million and used to meet IA clients' withdrawal requests. BONVENTRE also created false and fraudulent books and records that had the effect of disguising \$262 million worth of payments to IA clients from the principal bank account that funded BLMIS's operations as purchases of bonds and other debt instruments when, in fact, no such purchases had been made.

During the liquidity crisis, BLMIS was required to file Financial and Operational Combined Uniform Single Reports ("FOCUS Reports") with the 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 G/L was inaccurate, as BONVENTRE well knew, the FOCUS Reports were likewise false because they failed accurately to reflect BLMIS's assets and liabilities. For example, one such report, for the month of April 2006, in the midst of the above-described liquidity crisis, failed to reflect at least \$299 million in BLMIS liabilities related to \$154 million of an IA client's bonds and the \$145 million that BLMIS had borrowed using those bonds as collateral.

In as early as 1983, BONVENTRE also had his own IA account at BLMIS. Between 2002 and 2006, BONVENTRE obtained more than \$1.8 million in at least three fictitious backdated trades that appeared in his account. For example, one purported trade, which appeared in BONVENTRE's IA account in 2002, included a purchase that was backdated twelve years, to 1990, and generated purported long-term capital gains of nearly \$1 million. BONVENTRE is also charged with four counts of filing false federal tax returns related to his accounting for the three fictitious trades, and his failure to report a total of approximately \$273,620.24 in income that he obtained from BLMIS bank accounts in 2003, 2004, 2006, and 2007.

BONVENTRE, 63, faces a statutory maximum sentence totaling 77 years in prison: 5 years on Count One (Conspiracy), 20 years on each of Counts Two, Three, and Four (Securities Fraud, Falsifying Books and Records of a Broker-Dealer, and False Filings With the SEC), and 3 years on each of Counts Five through Eight (Subscribing to a False Tax Return).

BONVENTRE will be presented later today before United States Magistrate Judge THEODORE H. KATZ in Manhattan federal court.

U.S. Attorney PREET BHARARA stated: "As Bernard Madoff's Director of Operations, Daniel Bonventre allegedly authored the fraudulent books that for years effectively hid the doomed state of an investment firm founded in fraud. Today's arrest reflects the Government's ongoing commitment to ensure that those who are criminally responsible for this massive Ponzi scheme will be held accountable. Together with our law enforcement partners at the FBI and IRS, we will continue to investigate this colossal deception."

FBI Assistant Director-in-Charge JOSEPH DEMAREST JR. stated: "Bonventre's crimes consist not merely of failing to disclose material information about the Madoff investment advisory business. He affirmatively fabricated basic financial documents to conceal the dire condition of a financial empire that was really a house of cards. Bonventre's is just the latest in a succession of arrests that put to lie Madoff's original contention that he alone was responsible for this debacle. The FBI will continue to ensure that everyone criminally culpable in the Madoff fraud is brought to justice."

IRS Special Agent-in-Charge PATRICIA J. HAYNES stated: "The public relies on people who oversee the accounting function of a firm. They are expected to be trustworthy, dependable, and reliable to help make sense out of complicated financial information so the public can make sound fiscal decisions. Compliance of the tax laws and filing accurate tax returns are not only symbolic of the trust the public has come to rely on, but it's the law. IRS Special Agents will continue to devote resources to investigate allegations of breaches of trust and violations of the tax law."

Assistant United States Attorneys MARC LITT, LISA A. BARONI, and BARBARA A. WARD are in charge of the prosecution.

The charges and allegations contained in the Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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