



FRAUD SECTION YEAR IN REVIEW 2017

Fraud Section Webpages:

Fraud Section: <http://www.justice.gov/criminal-fraud>

Foreign Corrupt Practices Act: <http://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>

Health Care Fraud: <http://www.justice.gov/criminal-fraud/health-care-fraud-unit>

Securities & Financial Fraud: <http://www.justice.gov/criminal-fraud/securities-and-financial-fraud-unit>

Strategy, Policy, & Training: <http://www.justice.gov/criminal-fraud/strategy-policy-and-training-unit>



Welcome to the Fraud Section

The Fraud Section is a national leader in the Department of Justice's fight against economic crime. With the largest number of white-collar prosecutors in the country, the Fraud Section works to combat financial crime, foreign bribery offenses, and complex health care fraud schemes in federal courts around the country, routinely charging and resolving cases of both national and international significance.

Located in Washington, D.C., the Fraud Section employs approximately 140 prosecutors, 20 federal support staff, and has roughly 90 contract support staff. These dedicated personnel support the Fraud Section's three litigating units – the Foreign Corrupt Practices Act (FCPA) Unit, the Health Care Fraud (HCF) Unit, and the Securities & Financial Fraud (SFF) Unit – in addition to the Strategy, Policy & Training (SPT) Unit and the Administration & Management Unit.

The FCPA Unit has primary jurisdiction among Department components in prosecuting FCPA matters and in assisting to develop FCPA enforcement policy. Through Medicare Fraud Strike Forces located in nine cities¹ and its D.C.-based Corporate Strike Force, the HCF Unit identifies and responds to emerging fraud trends across the country. The SFF Unit has unrivaled expertise in corporate fraud matters and in parallel investigations with domestic and foreign law enforcement agencies and regulators. Each litigating unit regularly partners with United States Attorney's Offices around the country. The SPT Unit primarily develops and implements strategic enforcement initiatives, policies, and training to identify and combat emerging white-collar crimes. And, the Administration & Management Unit provides office support services and advises and assists management on administrative matters.

¹ The HCF Unit has Medicare Fraud Strike Forces in Brooklyn, NY; Miami and Tampa, FL; Detroit, MI; Chicago, IL; New Orleans and Baton Rouge, LA; Houston, TX; and Los Angeles, CA.



THE UNITED STATES
DEPARTMENT *of* JUSTICE



Fraud Section Statistics in 2017

- **301** individuals charged
 - **207** individuals pleaded guilty
 - **27** individuals convicted at trial
 - **10** corporate criminal enforcement actions
 - **\$4.6 billion** in corporate U.S. criminal fines, penalties, forfeiture and restitution, and total enforcement action amounts payable to U.S. and foreign authorities of **\$6.8 billion**
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In addition to bringing major corporate criminal enforcement actions, in 2017 the Fraud Section charged 301 individuals, and tried 26 cases to verdicts resulting in 27 convictions.³ The Fraud Section further coordinated numerous trainings throughout the year for both Fraud Section prosecutors and others within DOJ that focused on the development of trial skills, and provided advanced training on investigating and prosecuting health care fraud as well as securities and commodities fraud cases.

³ The summary statistics in this document exclude sealed cases and provide approximate dollar amounts for the referenced corporate enforcement actions, which are available on our website at <https://www.justice.gov/criminal-fraud>.

Fraud Section Senior Management



Fraud Section Acting Chief

Sandra Moser joined the Fraud Section in 2012 from the U.S. Attorney's Office for the District of New Jersey, where she spent several years prosecuting a variety of domestic and foreign offenses. Moser became Acting Chief of the Fraud Section in May 2017 after being appointed Principal Deputy Chief in 2016. She previously served as Acting Senior Deputy Chief and as an Assistant Chief in the SFF Unit. Earlier in her career, she worked in private practice at a law firm in Philadelphia and also clerked in the Eastern District of Pennsylvania and on the Third Circuit Court of Appeals.

Fraud Section Acting Principal Deputy Chief

Robert Zink joined the Fraud Section in 2010. Zink was appointed Acting Principal Deputy Chief in May 2017 after serving as an Assistant Chief in both the HCF and SFF Units. Prior to joining the Department, Zink worked in private practice at a law firm in Washington, D.C., and clerked on the Eighth Circuit Court of Appeals.

FCPA Unit Chief

Daniel Kahn joined the Fraud Section in 2010. Kahn became the Chief of the FCPA Unit in March 2016 after serving as an Assistant Chief in the unit since 2013. He previously worked in private practice at a law firm in New York.

HCF Unit Chief

Joseph Beemsterboer joined the Fraud Section in 2010. Beemsterboer became the Chief of the HCF Unit in July 2016 after serving as an Assistant Chief in the unit since 2013. He previously worked at the Cook County State's Attorney's Office (IL) and in private practice at a law firm in Washington, D.C.

SFF Unit Chief

Benjamin Singer joined the Fraud Section in 2009. Singer became the Chief of the SFF Unit in May 2014. Prior to serving as Chief of the SFF Unit, Singer served in various roles within the Fraud Section, including as Chief of the HCF Unit and as an Assistant Chief in the HCF Unit. He previously worked in private practice at a law firm in New York.

SPT Unit Chief

Pablo Quiñones joined the Fraud Section as a Deputy Chief and Chief of the SPT Unit in December 2015. He began his DOJ career at the U.S. Attorney's Office for the Southern District of New York, where he served as an AUSA from 2004-12, including as a member of the SDNY's Securities and Commodities Fraud Task Force. Prior to his government service, Quiñones worked as a law firm partner, general counsel of an investment company, and associate general counsel of a healthcare company.

Foreign Corrupt Practices Act Unit

The FCPA Unit investigates and prosecutes cases under the FCPA and related statutes. Given the global nature of our economy, corruption abroad poses a serious threat to American citizens and companies that are trying to compete in a fair and transparent marketplace. Transnational corruption also empowers corrupt regimes and leads to destabilization of foreign governments, which can lead to significant threats to America's national security. Our prosecutors coordinate with international law enforcement partners to fight foreign bribery by both American and foreign individuals and companies. The FCPA Unit has 32 prosecutors.

In April 2016, the Fraud Section initiated a Pilot Program in the FCPA Unit that provided guidance to prosecutors and transparency to companies about the definition and benefits of voluntarily self-disclosing misconduct, cooperation, and remediation in FCPA cases. Over the course of its tenure, the FCPA Unit issued seven declinations under the Pilot Program. In November 2017, the Department of Justice announced a new [FCPA Corporate Enforcement Policy](#), which replaced the Pilot Program. As Deputy Attorney General Rod Rosenstein stated: "The new policy enables the Department to efficiently identify and punish criminal conduct, and it provides guidance and greater certainty for companies struggling with the question of whether to make voluntary disclosures of wrongdoing."

FCPA Unit Statistics 2017

- 24 individuals charged
 - 18 individuals pleaded guilty
 - 3 individuals convicted at trial
 - 7 corporate criminal enforcement actions, resulting in \$822 million in corporate U.S. criminal fines, penalties, and forfeiture, and total enforcement action amounts payable to U.S. and foreign authorities of \$2.5 billion
 - 2 declinations under the former FCPA Pilot Program in which the companies agreed to disgorge illicit profits totaling more than \$15.2 million to either the Department or the SEC
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Foreign Corrupt Practices Act Unit

Trial Convictions in 2017

Mahmoud Thiam Conviction

In May 2017, a federal jury convicted Mahmoud Thiam, a former Minister of Mines and Geology of the Republic of Guinea, for laundering the proceeds of bribes paid to him by executives of China Sonangol International Ltd. (China Sonangol) and China International Fund, SA (CIF), which were made to secure lucrative mining rights in Guinea. The evidence at trial demonstrated that in exchange for bribes paid by executives of China Sonangol and CIF, Thiam used his position as Minister of Mines to influence the Guinean government's decision to enter into mining agreements with those companies. The evidence further showed that Thiam participated in a scheme to launder the bribe payments from 2009 to 2011, during which time China Sonangol and CIF paid him \$8.5 million through a bank account in Hong Kong. Thiam then transferred approximately \$3.9 million to bank accounts in the U.S. and used the money to pay for luxury goods and other expenses. Thiam was convicted of one count of transacting in criminally derived property and one count of money laundering, and, in August 2017, was sentenced to seven years in prison.

Ng Lap Seng Conviction

In July 2017, a federal jury convicted Ng Lap Seng, the chairman of a real estate development company, for his role in a scheme to bribe United Nations ambassadors to obtain support to build a conference center in Macau that would host, among other events, the annual United Nations Global South-South Development Expo. Ng was convicted of two counts of violating the FCPA, one count of paying bribes and gratuities, one count of money laundering, and two counts of conspiracy. The evidence at trial showed that Ng conspired with and paid bribes to Francis Lorenzo, a former UN Ambassador from the Dominican Republic, and John W. Ashe, the late former Permanent Representative of Antigua and Barbuda to the UN and the 68th President of the UN General Assembly, in order for them to use their official positions to advance Ng's interest in obtaining formal UN support for the Macau Conference Center. Ng awaits sentencing.

Heon-Cheol Chi Conviction

In July 2017, a federal jury convicted Heon-Cheol Chi, the Director of South Korea's Earthquake Research Center at the Korea Institute of Geoscience and Mineral Resources (KIGAM), for laundering bribes he received from two seismological companies based in California and England through the U.S. banking system. According to the evidence at trial, between at least 2009 and 2015, Chi abused his official position at KIGAM to demand and receive over \$1 million in bribes in exchange for providing these companies with unfair business advantages in the South Korean seismological market. In particular, the trial evidence showed that Chi advocated the purchase and use of equipment from these two companies by KIGAM and other South Korean customers, and he provided these companies with market intelligence and inside information, including confidential information about their competitors and the KIGAM bidding process. Chi was sentenced to 14 months in prison in October 2017.

Foreign Corrupt Practices Act Unit



Rolls-Royce plc Corporate Criminal Enforcement Action and Individual Charges

In January 2017, Rolls-Royce plc, the United Kingdom-based manufacturer and distributor of power systems for the aerospace, defense, marine and energy sectors, entered into a deferred prosecution agreement and agreed to pay the United States nearly \$170 million as part of an \$800 million global enforcement action to resolve investigations by the Department of Justice, U.K., and Brazilian authorities into a long-running scheme to bribe government officials in exchange for government contracts in Thailand, Brazil, Kazakhstan, Azerbaijan, Angola, and Iraq. Since then, two former corporate executives, one former employee, and one former consultant have pleaded guilty in connection with the scheme, and a third-party intermediary has been indicted on multiple counts of FCPA violations, money laundering, and conspiracy.

SBM Corporate Criminal Enforcement Action, Subsidiary Guilty Plea, and Individual Charges

In November 2017, SBM Offshore, N.V. (SBM), a Netherlands-based company specializing in the manufacture and design of offshore oil drilling equipment, entered into a three-year deferred prosecution agreement and agreed to pay criminal penalties totaling \$238 million for FCPA violations. SBM's subsidiary, SBM Offshore USA, Inc., pleaded guilty and was sentenced on related charges. The violations relate to a scheme to bribe officials of Petrobras, Brazil's state-owned oil company; GEPetrol, Equatorial Guinea's state-owned oil company; Sonangol, Angola's state-owned oil company; South Oil Company, Iraq's state-owned oil company; and KaxMunayGas, Kazakhstan's state-owned oil company. SBM and its subsidiaries paid more than \$180 million in bribes and earned over \$2.8 billion in profits. Two former SBM executives, including the former CEO, have pleaded guilty and await sentencing.



Foreign Corrupt Practices Act Unit

Keppel Corporate Criminal Enforcement Action, Subsidiary Guilty Plea, and Individual Charges

In December 2017, the Department of Justice announced a criminal case involving a multi-year bribery scheme in Brazil against Keppel Offshore & Marine Ltd. (KOM), a Singapore-based company that operates shipyards and repairs and upgrades shipping vessels; its U.S.-based subsidiary, Keppel Offshore & Marine USA (KOM USA); and, KOM's former legal director. The case was part of a coordinated corporate criminal enforcement action with prosecutorial authorities in Brazil and Singapore. KOM entered into a three-year deferred prosecution agreement with the United States for conspiracy to violate the FCPA and agreed to pay a criminal penalty of approximately \$422 million, which was divided among the United States, Brazil, and Singapore. KOM USA simultaneously pleaded guilty in the Eastern District of New York to conspiracy to violate the FCPA. The criminal conduct in question took place between 2001 and 2014 and implicated senior executives of KOM and KOM USA who authorized more than \$55 million in bribe payments to senior officials at Petrobras, Brazil's state-owned oil company, and to Brazil's then-governing political party, in exchange for winning 13 contracts in Brazil. KOM's former legal director, a U.S. citizen, pleaded guilty in the Eastern District of New York to conspiracy to violate the FCPA.

DOJ, SEC, and NYU Law School Co-Sponsor the FCPA/OECD Anniversary Conference

This year marked the 40th Anniversary of the FCPA and the 20th Anniversary of the Organization for Economic Cooperation and Development's (OECD) Anti-Bribery Convention. The Convention requires nations to pass and enforce laws that criminalize the bribery of foreign officials, as well as agree to comply with provisions relating to peer evaluation and systematic monitoring. The FCPA Unit, together with the Securities and Exchange Commission (SEC), Department of State, and Department of Commerce, sends representatives to the OECD's Working Group on Bribery quarterly meetings, at which the U.S. representatives play an active role in ensuring that the 43 member countries are investigating and prosecuting transnational corruption. The strict peer review monitoring by the Working Group on Bribery and the relationships developed during the quarterly meetings have been a driving force behind the increased cooperation and coordination in the fight against corruption, and has facilitated the FCPA Unit's ability to level the playing field for honest companies. On November 9, 2017, the Department, the SEC, and NYU Law School co-sponsored the FCPA/OECD Anniversary Conference, which brought together national and international anti-corruption leaders to discuss developments in the global fight against corruption.

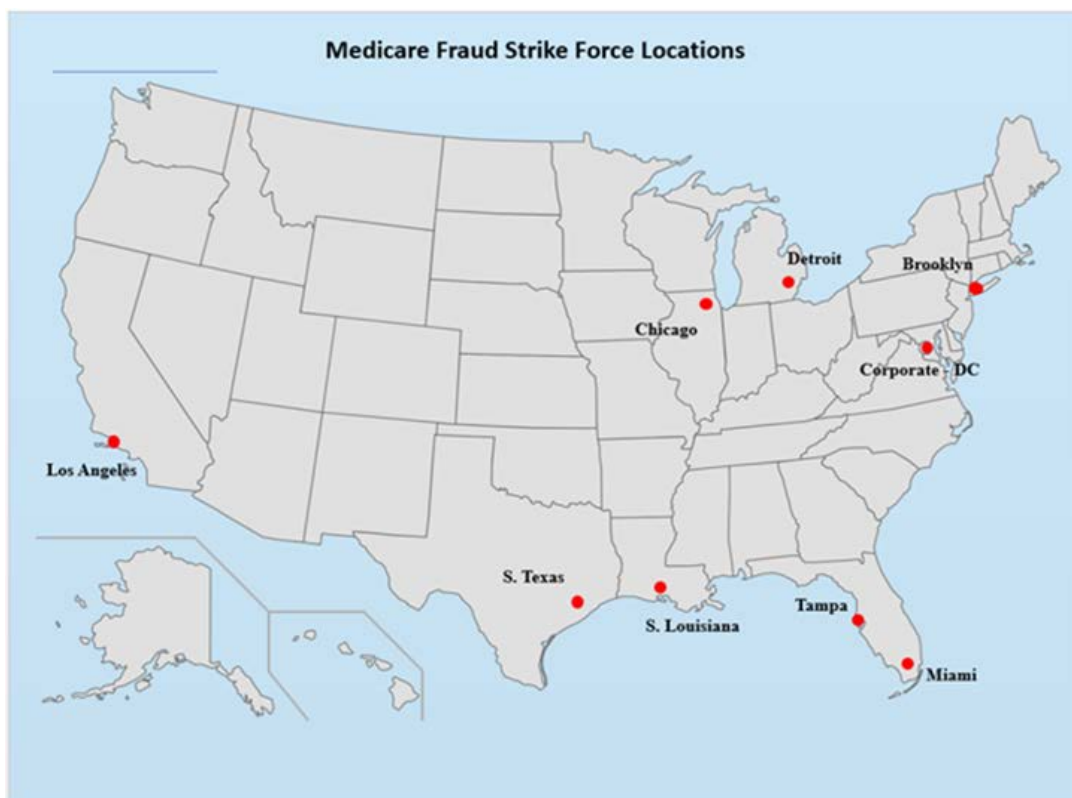
Health Care Fraud Unit

The HCF Unit employs 50 prosecutors focused solely on prosecuting complex health care fraud cases. The HCF Unit is the national leader in the fight against health care fraud, and its core mission is to investigate and prosecute health care fraud schemes that cause harm to federal health care program beneficiaries and those that involve substantial losses to federal health care programs. HCF attorneys work in Washington, D.C., and in nine Medicare Fraud Strike Forces across the country investigating corporate entities and individuals involved in health care fraud schemes.

HCF Unit Statistics 2017

- 220 individuals charged
- \$1.6 billion in loss charged
- 156 individuals pleaded guilty
- 16 individuals convicted at trial
- 162 individuals sentenced

The Strike Forces are modeled on a cross-agency collaborative approach, bringing together the investigative and analytical resources of the FBI, the Health and Human Services Office of the Inspector General, the Centers for Medicare & Medicaid Services, and other agencies, along with the prosecutorial resources of U.S. Attorney's Offices and state and local law enforcement partners. The Strike Forces use advanced data analysis to identify aberrant billing levels in health care fraud hot spots – cities with high levels of billing fraud – and target suspicious billing patterns, as well as emerging schemes and schemes that migrate from one community to another.



Health Care Fraud Unit

National Medicare Fraud Takedown

The HCF Unit organized the largest National Health Care Fraud Takedown (Takedown) in history, both in terms of individuals charged and the loss amount. On July 13, 2017, Attorney General Jeff Sessions announced a nationwide sweep led by the Fraud Section's Health Care Fraud Unit with the participation of 41 U.S. Attorney's Offices and the largest number ever of participating Medicaid Fraud Control Units.

This effort resulted in charges against 412 individuals, including 115 doctors, nurses and other licensed medical professionals, for their alleged participation in Medicare and Medicaid fraud schemes involving approximately \$1.3 billion in false billings. The number of medical professionals charged in the 2017 HCF Takedown represents an 89% increase from the 2016 HCF Takedown.

Of the 412 individuals charged, 120 (including 27 doctors) were charged in cases involving the illegal distribution of opioids. Importantly, for this Takedown the HCF Unit was the leader in combating the opioid epidemic, bringing opioid-related charges in almost every Strike Force.

Below are some more significant numbers from the HCF Unit's efforts:

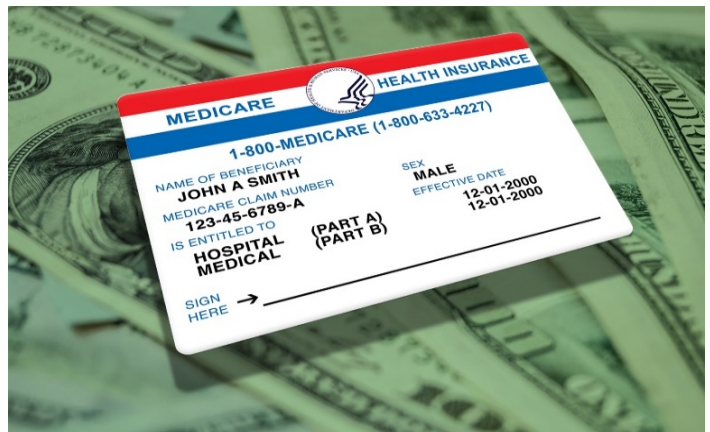
- The HCF Unit charged 47 of the 115 medical professionals charged in the 2017 Takedown.
- The HCF Unit charged 23 of the 56 doctors charged in the 2017 Takedown.
- The HCF Unit charged 15 of the 27 doctors charged in cases involving the distribution of opioids.
- The HCF Unit charged 121 individuals with fraud losses of **\$775 million**, accounting for approximately 40% of federal defendants charged and 60% of the total loss.

“Too many trusted medical professionals like doctors, nurses, and pharmacists have chosen to violate their oaths and put greed ahead of their patients,” said Attorney General Sessions. “Amazingly, some have made their practices into multimillion dollar criminal enterprises. They seem oblivious to the disastrous consequences of their greed. Their actions not only enrich themselves often at the expense of taxpayers but also feed addictions and cause addictions to start. The consequences are real: emergency rooms, jail cells, futures lost, and graveyards. While today is a historic day, the Department's work is not finished. In fact, it is just beginning. We will continue to find, arrest, prosecute, convict, and incarcerate fraudsters and drug dealers wherever they are.”

Health Care Fraud Unit

Health Care Fraud Unit's Data Analytics Team Launch

As part of the HCF Unit's efforts to lead and coordinate a national approach to combating health care fraud, in 2017 the HCF Unit created and launched the Data Analytics Team. This team allows the HCF Unit to better assist prosecutors in effectively and efficiently identifying and prosecuting individuals and entities, and to learn about emerging health care fraud trends in the field. The Data Analytics Team also offers and provides U.S. Attorney's Offices with customized HCF data analytics training and ongoing case-specific investigation and prosecution assistance. The Data Analytics Team will continue to strengthen the HCF Unit's partnerships with U.S. Attorney's Offices across the country in combating health care fraud.



United States v. John Holland, et al.

Three individuals – a former executive of Tenet Healthcare Corporation (Tenet); a former executive of a Tenet-owned hospital; and the owner and operator of an Atlanta-area chain of pre-natal clinics – were charged for their respective roles in a \$400 million fraud and health care bribery scheme involving Tenet hospitals. From approximately 2000 to approximately 2013, the defendants allegedly engaged in a scheme to defraud the United States, the Georgia and South Carolina Medicaid Programs, and patients who sought pre-natal care at the clinics and were referred to Tenet hospitals for delivery. According to the indictment, the Tenet executives caused the payment of health care bribes to the clinic in return for the referral of patients to Tenet hospitals, and took affirmative steps to conceal the scheme by, among other methods, circumventing internal accounting controls, falsifying books, records, and reports, and making, and causing to be made, false representations to the federal government. These health care bribes allegedly helped Tenet bill the Georgia and South Carolina Medicaid Programs for over \$400 million, allowing Tenet to allegedly receive more than \$149 million in Medicaid and Medicare funds based on the patient referrals. The defendants await trial.

Health Care Fraud Unit

United States v. Mashiyat Rashid, et al.

Since July 2017, thirteen defendants have been charged in a \$164 million Medicare fraud scheme involving Tri-County Network in Detroit, Michigan. The lead defendant, Mashiyat Rashid, allegedly controlled the Tri-County Network and allegedly conspired with numerous physicians to prescribe medically unnecessary controlled substances, including opioids, some of which were sold on the street, and required Medicare beneficiaries, some of whom were addicted to controlled substances, to receive medically unnecessary facet joint injections if they wished to obtain controlled substances. He also allegedly solicited illegal kickbacks for medically unnecessary referrals by the physicians to other providers, such as laboratories, diagnostic companies, and home health agencies. Rashid allegedly used the proceeds of the scheme to sit courtside at NBA basketball games, make \$6.6 million in investments, and finance the construction of a \$6.8 million house. Charges against Rashid and seven co-conspirators remain pending. Five others have pleaded guilty for their roles in the scheme.



United States v. Jumana Nargawala, et al. – First FGM Prosecution

Since April 2017, eight individuals have been charged in the first-ever female genital mutilation (FGM) prosecution under Title 18, United States Code, Section 116, in Detroit, Michigan. The indictment alleges that a former emergency room doctor performed female genital mutilation on seven-year-old girls from 2005 to 2012 at a co-defendant's clinic with the assistance of two of her co-defendants. Mothers of four of the alleged victims were also indicted for conspiracy to commit FGM and substantive counts of FGM for the procedures that the emergency room doctor performed on their daughters. Four of the defendants are also charged with obstruction. This is a joint case with the U.S. Attorney's Office for the Eastern District of Michigan. The defendants await trial.

Health Care Fraud Unit

United States v. Eric Conn, et al.

Three defendants – Eric Christopher Conn, a prominent Kentucky attorney; David Black Daugherty, a former Social Security Administration (SSA) Administrative Law Judge; and Alfred Bradley Adkins, Ph.D., a clinical psychologist – pleaded guilty or were convicted at trial in 2017 for their roles in a scheme to defraud the SSA by creating and submitting falsified medical evidence to support favorable disability determinations by the SSA. Claimants represented by Conn obtained improper disability benefits and Conn collected related attorney’s fees. During that same time period, the SSA paid Conn over \$7.5 million in representative fees and ineligible claimants more than \$70 million. The total value of the social security benefits conferred upon the claimants associated with this scheme exceeded \$600 million over the claimants’ lifetimes. In March 2017, Conn pleaded guilty to a two-count information charging him with theft of government money and paying illegal gratuities. After pleading guilty, but immediately prior to sentencing, Conn allegedly fled the jurisdiction of the court. In July 2017, Conn was sentenced, *in absentia*, to 12 years in prison and was ordered to pay approximately \$106 million in restitution. In December 2017, Conn was captured in Honduras and returned to the United States to face additional charges. In April 2017, Daugherty pleaded guilty to a two-count information charging him with receiving illegal gratuities, and later sentenced to four years in prison and ordered to pay approximately \$93 million in restitution. In June 2017, Adkins was convicted at trial of conspiring to commit mail fraud and wire fraud, mail fraud, wire fraud, and making false statements, and later sentenced to 25 years in prison and ordered to pay approximately \$93 million in restitution.

National Health Care Fraud Training Conference

In September 2017, the HCF Unit coordinated and hosted the National Health Care Fraud Training Conference, which was held in Washington, D.C. Approximately 310 criminal and civil prosecutors (representing over 60 U.S. Attorney’s Offices) and law enforcement personnel from FBI, DEA, HHS-OIG, IRS Criminal Investigation, and Defense Criminal Investigative Service (DCIS) attended this year’s conference. The conference provided training on investigative techniques and tools, trial skills, case studies, and persistent and emerging health care fraud schemes.



Securities & Financial Fraud Unit

The 45 prosecutors in the SFF Unit prosecute complex securities, commodities, and other financial fraud cases. Working closely with regulatory partners and domestic and international law enforcement agencies, the SFF Unit has tackled some of the largest frauds in the financial services industry, including sophisticated market manipulation cases such as the LIBOR and foreign exchange manipulation investigations. The SFF Unit handles a broad array of other financial fraud, such as corporate fraud, government procurement fraud, investment fraud, telemarketing fraud, insider trading, and commodities fraud.

Volkswagen AG Corporate Criminal Enforcement Action and Individual Charges

In March 2017, Volkswagen AG (VW) pleaded guilty to three felony counts as a result of its long-running scheme to import and sell approximately 590,000 diesel vehicles in the U.S. by using a defeat device to cheat on emissions tests. As part of the plea agreement, VW agreed to pay a total of \$4.3 billion in criminal and civil penalties and agreed to the imposition of an independent compliance monitor. In April 2017, the court ordered VW to pay a \$2.8 billion criminal penalty. To date, eight VW executives and employees have been charged for their roles in the nearly 10-year conspiracy; two have pleaded guilty. In December 2017, a VW executive was sentenced to seven years in prison following his guilty plea.

SFF Unit Statistics 2017

- **57** individuals charged
- **33** individuals pleaded guilty
- **8** individuals convicted at trial
- **3** corporate criminal enforcement actions resulting in \$3.8 billion in U.S. criminal fines, penalties, forfeiture, and restitution and total enforcement action amounts payable to the U.S of \$4.38 billion

Convictions of Former ArthroCare Executives

In August 2017, a federal jury convicted Michael Baker, the former chief executive officer of ArthroCare Corporation, a publicly traded medical device company based in Austin, Texas, for his role in orchestrating a fraud scheme that resulted in shareholder losses of \$750 million. Baker was convicted of conspiracy to commit wire fraud and securities fraud, seven counts of wire fraud, two counts of securities fraud, and two counts of making false statements. The evidence at trial demonstrated that Baker, along with his co-conspirators, masterminded and executed a scheme to artificially inflate sales and revenue through a series of end-of-quarter transactions involving several of ArthroCare's distributors beginning in 2005 and continuing until 2009. Baker was sentenced in November 2017 to 20 years in prison. In June 2017, ArthroCare's former chief financial officer, Michael Gluk, pleaded guilty to conspiracy to commit wire fraud and securities fraud for his role in the scheme; Gluk was sentenced to 50 months in prison in January 2018.

Securities & Financial Fraud Unit

Indictment of Société Générale Former Employees

In September 2017, two former employees of French financial institution Société Générale (SocGen) were indicted for improper manipulation of LIBOR, a global benchmark interest rate. The two employees – a former SocGen Global Treasury Head and a former SocGen Paris Treasury Head – allegedly directed their subordinates to promulgate falsely deflated LIBOR submissions to make it look as though SocGen was able to borrow money at more favorable interest rates than it was actually able to do. This downward manipulation allegedly allowed SocGen to create the appearance that it was stronger and more creditworthy than it was. These managers allegedly initially received their manipulation instructions from SocGen executives, including the former CEO and former CFO of the bank’s investment banking branch.

Prior LIBOR manipulation cases have focused on instances in which individuals skewed LIBOR submissions to benefit the trading positions of bank employees. This is the first – and to date, the only – case in which the SFF Unit has indicted individuals for allegedly deflating LIBOR submissions to protect a bank’s reputation. It is also the only LIBOR case in which the SFF Unit has brought charges for false statements affecting commodities under Title 7, United States Code, Section 13(a)(2). The global loss caused by the defendant’s misconduct is allegedly over \$170 million.



Mark Johnson – First Individual Conviction in HSBC FX Trading

In October 2017, Mark Johnson, the former head of global foreign exchange trading at HSBC Bank plc, was convicted by a federal jury for his role in a scheme to defraud an HSBC client through a multimillion-dollar scheme commonly referred to as “front running.” Johnson was convicted of conspiracy to commit wire fraud and eight counts of wire fraud. The evidence at trial showed that Johnson misused information provided by a client that hired HSBC to execute a \$3.5 billion foreign exchange transaction and caused the transaction to be executed so as to spike the price to the benefit of HSBC and at the expense of the client. This case represents the first trial – and first criminal conviction – of an individual in connection with the Department’s broad-ranging investigation into manipulation in the foreign-exchange markets, and one of the first ever “insider trading” cases brought outside the context of the equities markets.

Securities & Financial Fraud Unit

Account Intrusion Scheme

In November 2017, a self-described day trader was charged in connection with allegedly conspiring with others to hack into victims' online securities brokerage accounts and using them to place unauthorized trades – at times fraudulently liquidating existing positions in the victims' account to fund the unauthorized trades. He awaits trial.



Indictment of Bankrate CFO

In December 2017, the former chief financial officer of Bankrate, Inc., a publicly traded financial services and marketing company, was charged in connection with a complex accounting and securities fraud scheme. The indictment alleges that the former CFO directed the use of “cushion” or “cookie jar” accounting, meaning that unsupported expense accruals were left on Bankrate’s books and then selectively reversed in later quarters to meet earnings goals. To further the scheme, the defendant and his co-conspirators allegedly made materially false statements to conceal the improper accounting entries from Bankrate’s auditors, shareholders and the investing public. In addition, the indictment alleges that the defendant sold approximately \$2 million in stock after learning that Bankrate’s financial condition was deteriorating. He awaits trial.



Strategy, Policy & Training Unit

The SPT Unit focuses on combatting national and international economic crimes by overseeing and developing strategic enforcement, policy, and training initiatives to strengthen the Section's ability to prosecute health care fraud, financial fraud, and foreign bribery. Throughout 2017, the SPT Unit partnered with the Section's management and other units in reviewing prosecutorial decisions; advising Department leadership on anti-fraud legislation, corporate enforcement policies, and prosecutor training; coordinating national and international law enforcement cooperation and information-sharing in the public and private sectors; assisting prosecutors to evaluate corporate compliance programs and monitorships; and assisting in trial and appellate litigation. The SPT Unit has 7 attorneys.

During 2017, the Section focused on, among other things:

- Training attorneys on, among other things, trial skills, coordination of parallel investigations, and obtaining foreign evidence;
- Bolstering its crime victim assistance program to assist fraud victims;
- Encouraging greater voluntary self-disclosure, cooperation, and remediation for FCPA violations;
- Reviewing the effectiveness of corporate compliance programs and monitorships; and
- Expanding the resources dedicated to the investigation and prosecution of individual and corporate healthcare fraud.



The SPT Unit also oversaw various substantive litigation matters, including appeals in coordination with the Appellate Section of the Criminal Division and trial preparation in coordination with supervisors and trial attorneys in each of the litigating units. During 2017, the SPT unit monitored over 70 appeals filed in Fraud Section cases, prepared briefs in 7 appellate cases, and oversaw approximately 20 moot opening statements for jury trials.



Strategy, Policy & Training Unit

Training

The SPT Unit coordinated training programs to strengthen attorneys' investigation, prosecution, and trial skills, such as:

- Trial skills workshops focused on opening statements, admitting evidence, direct examinations, cross-examinations, and closing and rebuttal arguments;
- Trial skills training sessions focused on sharing lessons learned from 11 jury trials; and
- An all-day training program on prosecuting and investigating fraud and a half-day training workshop on criminal discovery.

London Detail

In August 2017, the Fraud Section detailed senior prosecutor Albert "BJ" Stieglitz to the U.K.'s Financial Conduct Authority (FCA), where he is, among other things, strengthening the existing cooperative relationship with the FCA. At the conclusion of his one-year FCA detail, Stieglitz will be seconded to the U.K.'s Serious Fraud Office (SFO) for one year and then return to the Fraud Section to investigate and prosecute transnational economic crimes and provide additional training to prosecutors on effectively coordinating with the FCA and SFO in international financial fraud and bribery cases.

Additionally, the SPT Unit responded to 87 requests to review proposed changes to legislation, the U.S. Sentencing Guidelines, the Federal Rules of Criminal Procedure, and DOJ policies; and responded to more than 450 fraud complaints from individuals across the nation. The SPT Unit also coordinated the Fraud Section's training and speaking presentations, which included 84 internal and external training sessions, and nearly 80 public speaking engagements.

