

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

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CLARENCE HADDOX
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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Case No. 02-20531-CIV-GOLD
Magistrate Judge Simonton

v.

R. CHRISTOPHER HANNA,

Defendant.

FIRST AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission (the "SEC" or "Commission"), alleges
and states as follows:

I. INTRODUCTION

1. The Commission brings this action to enjoin and restrain Defendant, R. Christopher Hanna ("Hanna"), a registered representative formerly associated with Donaldson, Lufkin & Jenrette, an affiliate of Credit Suisse First Boston ("CSFB"), from further violating the federal securities laws by his misappropriation of customer funds, and effecting unauthorized transactions in customer accounts. Commencing in 1997 through November 2000, Defendant used his position as a securities professional to misappropriate at least \$3.2 million from more than nine CSFB customers. Defendant used fraudulent letters of authorization ("LOAs") to transfer monies from CSFB customer accounts to his personal account at a Chilean broker-dealer, Larrain-Vial, S.A. ("Larrain-Vial"). Once the monies were received at Larrain-Vial, Defendant transferred at least \$2.7 million to his personal bank account in Chile. In addition, Defendant effected dozens of unauthorized transactions in approximately fifty CSFB customer

34

accounts. Defendant concealed his misappropriation of customer funds and unauthorized trading by preparing and distributing to his customers false and misleading periodic account statements that misrepresented, among other things, the customer's holdings, trading activity, and account value.

II. DEFENDANT

2. **R. Christopher Hanna**, age 50, resides in Miami, Florida. Defendant was formerly a registered representative associated with CSFB's Miami branch office from November 1989 until May 18, 2001, when he was terminated.

III. JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d), and 77v(a), and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa. These provisions authorize the Commission to seek the imposition of civil money penalties for violations of the federal securities laws.

4. Venue is appropriate in the Southern District of Florida. Certain of the acts and transactions constituting violations of the Securities Act and the Exchange Act have occurred within the Southern District of Florida. The CSFB branch office where Defendant worked during the relevant time period is located in the Southern District of Florida, and Defendant resides in the Southern District of Florida. Defendant has engaged in the acts, transactions, and practices complained of herein within the Southern District of Florida.

5. Defendant, directly and indirectly, has made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and

communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

IV. DEFENDANT'S FRAUDULENT SCHEME

A. Defendant's Misappropriation of Customer Monies

6. Defendant was a registered representative at CSFB's Miami, Florida office from November 1989 until he was terminated on or about May 18, 2001.

7. During the period from at least 1997 to November 2000, Defendant misappropriated the funds of nine of his customers. On at least seventy-nine separate occasions, Hanna used fraudulent letters of authorization to transfer at least \$3.2 million from nine CSFB customer accounts to his personal account at Larrain-Vial, a Chilean broker-dealer. The transfers were made without his customers' knowledge or authorization. Defendant then transferred at least \$2.7 million of those monies from Larrain-Vial to his personal Chilean bank account at Banco Sud Americano.

8. In addition to the unauthorized wire transfers abroad, from 1992 through February 2001, Defendant made unauthorized withdrawals from customer accounts to buy artwork for himself, to pay his home remodeling costs, to fund the Chilean/American Chamber of Commerce, and to unrelated third parties.

9. During that same period, Defendant also transferred over \$1 million among various, unrelated CSFB customer accounts. Defendant apparently made these transfers to temporarily cover shortfalls in their accounts—shortfalls caused by Defendant's misappropriation. In other instances, Defendant transferred customer monies to fund CSFB accounts belonging to his friends.

B. Defendant's Unauthorized Securities Transactions

10. From at least 1992 to April 2001, Defendant made hundreds of unauthorized securities transactions in customer accounts.

11. For example, Defendant traded speculative securities in an 82-year-old widow's account without her knowledge or authorization.

12. Other customers had no idea that Defendant was effecting numerous transactions in their accounts because they relied on the account statements that they received directly from Defendant—account statements that misrepresented their portfolio value and holdings.

13. In addition, several of Defendant's customers unknowingly maintained excessive margin balances. Many did not understand margin, and were unaware that their accounts were on margin.

C. Defendant Used False Account Statements to Conceal His Misconduct

14. Defendant sought to conceal his misconduct from his customers by diverting his customers' genuine account statements to locations that Defendant controlled, directly or indirectly. From at least 1990 to 2001, Defendant caused account statements for more than 150 customer accounts to be diverted to a post office box in Miami, Florida or to two offices in Santiago, Chile.

15. After Defendant misdirected his customers' real account statements, Defendant, on numerous occasions, provided customers with false account statements, which he prepared and distributed himself. From approximately 1992 to 2001, Defendant provided his customers with fabricated account statements written in Spanish on CSFB letterhead. Several were transmitted to his customers via facsimile machines located in CSFB's Miami branch office. Many of these statements contained material misrepresentations and omissions concerning,

among other things, the customer's holdings, trading activity, and account value. Several customers relied on these fabricated statements almost exclusively to track the progress of their portfolios.

COUNT I

FRAUD IN THE OFFER OR SALE OF SECURITIES IN VIOLATION OF SECTION 17(a)(1) OF THE SECURITIES ACT

16. The Commission repeats and realleges its allegations set forth at paragraphs 1 through 15 of this Complaint as if fully restated herein.

17. Since at least 1997 through November 2000, Defendant, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, as described herein, has knowingly, willfully or recklessly employed devices, schemes or artifices to defraud.

18. By reason of the foregoing, Defendant has violated Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

19. The Commission repeats and realleges its allegations set forth at paragraphs 1 through 15 of this Complaint as if fully restated herein.

20. Since at least 1997 through November 2000, Defendant, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national exchange, in connection with the purchase or sale of securities, as described herein, has knowingly, willfully or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

21. By reason of the foregoing, Defendant has violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240. 10b-5, thereunder.

COUNT III

FRAUD IN VIOLATION OF SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT

22. The Commission repeats and realleges its allegations set forth at paragraphs 1 through 15 of this Complaint as if fully restated herein.

23. Since at least 1997 through November 2000, Defendant, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails, as described herein, has:

- (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or
- (b) engaged in transactions, practices and courses of business which operated as a fraud or deceit upon purchasers of such securities.

24. By reason of the foregoing, Defendant has violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine and find that Defendant committed the violations of the federal securities laws alleged herein.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction, restraining and enjoining:

Defendant, his officers, agents, servants, employees, attorneys, and all persons in active concert or participation with him from violating: (a) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); (b) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder; and (c) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

III.

Disgorgement

Issue an Order requiring Defendant to disgorge all ill-gotten profits or proceeds that he has received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

IV.

Repatriation of Funds

Issue an Order requiring Defendant to repatriate from abroad all funds that he has received as a result of the acts and/or courses of conduct complained of herein that violate Section 17 of the Securities Act and Section 10(b) of the Exchange Act, with prejudgment interest.

V.

Penalties

Issue an Order directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

VI.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

VII.


Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be

entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: February 21, 2002

Respectfully submitted,

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