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**FORMER HSBC VICE PRESIDENT PLEADS GUILTY IN MASSIVE
TELEMARKETING FRAUD SCHEME THAT TARGETED
TENS OF THOUSANDS OF U.S. VICTIMS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARTIN FICKE, the Special Agent-in-Charge of the New York Office of the Department of Homeland Security's U.S. Immigration and Customs Enforcement (ICE), announced that RAYMOND PAYNE, a former Vice President with HSBC Bank ("HSBC" or the "Bank"), pleaded guilty today in Manhattan federal court to conspiracy to commit wire fraud and mail fraud in connection with his participation in a massive telemarketing fraud scheme conducted out of Montreal, Canada that targeted tens of thousands of victims in the United States between early 2002 and late 2003.

According to a superseding indictment against PAYNE and co-defendants LESLIE PINSKY and STEPHEN CLARK, earlier criminal complaints in the case, and PAYNE's statements in his guilty plea, PAYNE was a Vice President of HSBC who worked out of the Bank's corporate offices in Manhattan. PAYNE served as the relationship manager (or account representative) on an HSBC account held by a telemarketing company in Montreal called First Choice Tele-Services Corporation (First Choice).

According to the charges, PINSKY and CLARK ran First Choice, which employed telemarketers who made unsolicited or "cold-calls" to low-income U.S. residents with poor credit. In these calls, First Choice telemarketers offered U.S. residents "guaranteed" credit cards for a fee that ranged from \$249 to \$299. First Choice telemarketers working for PINSKY and CLARK also obtained the victims' bank account information, which First Choice in turn used to initiate automatic transfers of funds from the victims' bank accounts to First Choice's account at HSBC. According to the charges, although some of the victims of the scheme did receive a manual on how to repair their bad credit, none of the victims received a credit card from First Choice. Approximately \$30 million in fraudulent proceeds from this scheme was run through First Choice's HSBC account, and the scheme victimized an estimated 100,000 victims in the U.S.

In his guilty plea proceeding before United States Magistrate Judge Douglas F. Eaton, PAYNE admitted that, beginning in April 2003, he became aware of the fraudulent nature of the scheme conducted by First Choice. (The Complaints in the case made specific reference to a telephone call between PAYNE and PINSKY on April 2, 2003, which was recorded by HSBC pursuant to Bank practice, in which PINSKY stated that telemarketers were "lying through their teeth" in cold calls with victims.) PAYNE admitted that, after gaining this knowledge of the fraudulent nature of the scheme, he made a conscious decision to hide the scheme from Bank management at HSBC and continued to participate in the scheme. According to the evidence in the case, PAYNE also furthered the fraud scheme by selling credit manuals to First Choice, which were mailed to victims in lieu of promised credit cards.

PAYNE, 35, resides in Brooklyn, New York. He pleaded guilty to one count of conspiracy to commit wire fraud and mail fraud. This charge carries a maximum sentence of 20 years in prison and a maximum fine of \$250,000 or twice the gross gain or loss resulting from the crime charged.

CLARK is scheduled to go to trial on September 18, 2006 before United States District Judge Thomas P. Griesa. PINSKY, meanwhile, has been ordered to surrender to the U.S. pursuant to an extradition request made by the United States.

The investigation into this telemarketing fraud scheme was conducted in New York by ICE, the El Dorado Task Force, and Project COLT. Project COLT is comprised of federal agents from the DHS, the Federal Bureau of Investigation and the U.S. Postal Inspection Service, as well as investigators and law enforcement personnel from the Royal Canadian Mounted Police, Surete de Quebec (the Quebec Provincial Police), the Montreal Urban Community Police and the Canadian Competition Bureau. Mr. GARCIA and Mr. FICKE praised the investigative efforts of all of these agencies.

Assistant United States Attorneys JONATHAN S. ABERNETHY and WILLIAM C. KOMAROFF are in charge of the prosecution.

The charges in the Indictment are merely accusations, and PINSKY and CLARK are presumed innocent unless and until proven guilty.

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