

HDM:JPL/SKW
F. #2023R00227

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
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UNITED STATES OF AMERICA

- against -

EDUARDO HERNANDEZ,
also known as "Ghost,"
CHRISTOPHER FLAGG,
also known as "Venus,"
DAQUAN LLOYD,
also known as "Payday," and
COREY ORTIZ,
also known as "Jefe,"

Defendants.

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THE GRAND JURY CHARGES:

At all times relevant to this Indictment, unless otherwise indicated:

INTRODUCTION

A. The Defendants and Relevant Individuals and Entities

1. The defendant EDUARDO HERNANDEZ, also known as "Ghost," was a United States citizen and resident of Suffolk County, New York.
2. The defendant CHRISTOPHER FLAGG, also known as "Venus," was a United States citizen and resident of Suffolk County, New York.
3. The defendant DAQUAN LLOYD, also known as "Payday," was a United States citizen and resident of Suffolk County, New York.

FILED
IN CLERK'S OFFICE
US DISTRICT COURT E.D.N.Y.
* OCTOBER 27, 2023 *
BROOKLYN OFFICE

I N D I C T M E N T

Cr. No. 23-CR-428
(T. 18, U.S.C., §§ 371, 981(a)(1)(C),
982(a)(1), 982(b)(1), 1956(h) and 3551
et seq.; T. 21, U.S.C., § 853(p); T. 28,
U.S.C., § 2461(c))

Judge Gary R. Brown
Magistrate Judge Anne Y. Shields

4. The defendant COREY ORTIZ, also known as “Jefe,” was a United States citizen and resident of Suffolk County, New York, and, beginning in or about mid-2022, a resident of Guilford County, North Carolina.

5. Co-Conspirator #1, an individual whose identity is known to the Grand Jury, was a United States citizen and resident of Suffolk County, New York.

6. Company A, an entity the identity of which is known to the Grand Jury, together with its subsidiaries and affiliates, was a global financial services company headquartered in Menlo Park, California. Company A was a Financial Industry Regulatory Authority (“FINRA”) registered broker-dealer that provided, among other services, investing and securities brokerage services to the public primarily through its mobile application.

B. Relevant Terms and Definitions

7. Options are financial contracts that give the option holder the right, but not the obligation, to buy or sell an underlying asset, e.g., stock, at a specified price within a specified time period. An option to buy is known as a “call option.” An option to sell is known as a “put option.” The specified price is known as the “strike price.” The end of the specified time period is known as the “expiration date,” which is the last day that the option contract is valid.

8. Company A offered customers an account feature called “Instant Deposit,” which functioned as a cash advance. A customer could access the feature by linking their Company A trading account to a third-party bank account and initiating a wire transfer from the bank account to the Company A trading account. Prior to the wire transfer settling, Company A would allow the customer to access Instant Deposit funds in the amount of the initiated wire

transfer, up to, in many cases, \$5,000. Customers could use the Instant Deposit funds immediately, prior to the wire transfer settling, to trade securities.

C. The Fraudulent Options Trading Scheme

9. In or about and between December 2018 and January 2023, the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, engaged in a scheme to defraud Company A of Instant Deposit funds in connection with the purchases and sales of stock options.

10. It was part of the scheme that the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, including Co-Conspirator #1, caused, recruited and caused others to recruit individuals to open Company A brokerage accounts (the “Losing Accounts”) and to provide the account login information to one or more of the defendants and their co-conspirators. The defendants’ recruitment network spanned across multiple states, including New York, Delaware and Texas.

11. It was further part of the scheme that the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, including Co-Conspirator #1, caused, recruited and caused others to recruit individuals to open bank accounts, to provide the bank account login information to one or more of the defendants and their co-conspirators, and to link and initiate wire transfers from the bank accounts to the corresponding Losing Accounts. At the time of the wire transfer requests, however, the linked bank accounts typically had little to no balance and insufficient funds to

cover the wire transfers to the Losing Accounts. As a result of the wire transfer requests, the defendants were able to trade in Company A accounts using Instant Deposit funds. The defendants concealed from Company A, among other things, the fact that the Losing Accounts were controlled by, and that trading decisions in them were made by, individuals other than the account holders, and that the bank accounts linked to the Losing Accounts had insufficient funds to cover the incoming wire transfers and repay the Instant Deposits.

12. It was further part of the fraudulent scheme that, under the direction and control of the defendants EDUARDO HERNANDEZ, also known as “Ghost,” and CHRISTOPHER FLAGG, also known as “Venus,” together with others, the Losing Accounts’ Instant Deposits were used to purchase certain thinly traded and highly speculative stock options (the “Scheme Options”) at prices significantly above market value from accounts at other brokerage firms (the “Winning Accounts”), which accounts were also controlled and beneficially owned by one of the defendants, both directly and indirectly through recruited individuals and nominee account holders. Because there was virtually no market or legitimate third-party interest for the Scheme Options at the artificially inflated prices, the defendants were effectively able to match the trades of the options between accounts they controlled, thereby ensuring that the Scheme Options were purchased by the Losing Accounts from one of the Winning Accounts.

13. Thereafter, the wire transfers to the Losing Accounts failed to clear, typically due to insufficient funds in the linked banked accounts. After purchasing the Scheme Options, the Losing Accounts generally had no further trading activity, and were left with negative account balances reflecting the trading losses and/or virtually worthless options, leaving Company A unable to recoup its cash advances.

14. The defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, including Co-Conspirator #1, profited from the fraudulent transactions via the Winning Accounts. Using the proceeds of the fraudulent sales of the Scheme Options to the Losing Accounts, the defendants withdrew and transferred money from the Winning Accounts and engaged in additional transactions to promote the scheme and to conceal the proceeds derived from it. For example, HERNANDEZ and FLAGG used the proceeds to pay LLOYD, ORTIZ, Co-Conspirator #1 and other recruiters, via mobile application transfer, cash and other means, to, in turn, recruit additional individuals to open Losing Accounts and linked bank accounts, and to pay individuals already recruited for doing so. The defendants also withdrew and caused others to withdraw funds in cash.

15. In total, the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, fraudulently caused more than \$2 million to be sent from Losing Accounts to Winning Accounts via trades of the Scheme Options.

COUNT ONE
(Conspiracy to Commit Securities Fraud)

16. The allegations contained in paragraphs one through 15 are realleged and incorporated as if fully set forth in this paragraph.

17. In or about and between December 2018 and January 2023, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also

known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, did knowingly and willfully conspire to use one or more manipulative and deceptive devices and contrivances, contrary to Rule 10b-5 of the Rules and Regulations of the United States Securities and Exchange Commission, Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing one or more devices, schemes and artifices to defraud; and (b) engaging in one or more acts, practices and courses of business which would and did operate as a fraud and deceit upon Company A in connection with the purchases and sales of options, directly and indirectly, by use of means and instrumentalities of interstate commerce and the mails, contrary to Title 15, United States Code, Sections 78j(b) and 78ff.

18. In furtherance of the conspiracy and to effect its objects, within the Eastern District of New York and elsewhere, the defendants EDUARDO HERNANDEZ, also known as “Ghost,” CHRISTOPHER FLAGG, also known as “Venus,” DAQUAN LLOYD, also known as “Payday,” and COREY ORTIZ, also known as “Jefe,” together with others, did commit and cause to be committed, among others, the following:

OVERT ACTS

(a) In or about July 2020, within the Eastern District of New York, HERNANDEZ and FLAGG recruited Co-Conspirator #1 to find individuals to open Losing Accounts in exchange for a share of the profits made from the trades.

(b) On or about September 11, 2020, HERNANDEZ paid Co-Conspirator #1 approximately \$1,130 for Co-Conspirator #1’s participation in the scheme.

(c) Between approximately October 21, 2020 and October 23, 2020, HERNANDEZ and ORTIZ discussed, via text messaging, paying for the recruitment of Losing Accounts in furtherance of the scheme. Specifically, and in part, ORTIZ wrote: “I got 2 ready

gotta pay my guy tho[.]” HERNANDEZ responded, in part: “Ok I’ll send you \$100 to secure those” and later confirmed that he “Sent the \$100.”

(d) On or about October 26, 2020, HERNANDEZ wrote to ORTIZ, via text message: “Please try to keep business talk to the minimal on the phones.”

(e) On or about November 9, 2020, HERNANDEZ and LLOYD discussed, via text messaging, in substance and in part, distributing approximately \$1,300 in proceeds from the scheme in connection with the recruitment of a Losing Account via cash and later via Application #1, a mobile application payment service the identity of which is known to the Grand Jury.

(f) On or about November 20, 2020, HERNANDEZ and ORTIZ discussed, via text messaging, identifying new Losing Accounts and obtaining login information for the accounts. ORTIZ messaged HERNANDEZ, in part: “Do u want a [Company A account] with nothing on it[?] I’ll sell it to u for 250.”

(g) On or about December 11, 2020, HERNANDEZ and LLOYD discussed, via text messaging, in substance and in part, obtaining login information and using multiple mobile devices to access Losing Accounts.

(h) On or about December 22, 2020, HERNANDEZ and LLOYD discussed, via text messaging, in substance and in part, that Company A had been blocking and closing Losing Accounts and that going forward, payments for recruiting Losing Accounts would only be provided if the Losing Accounts qualified for Instant Deposits, because otherwise they were “useless.”

(i) On or about January 21, 2021, HERNANDEZ and FLAGG discussed, via text message, in substance and in part, the use of proceeds accumulated in one of the Winning Accounts to further promote the scheme.

(j) On or about March 4, 2021, HERNANDEZ sought to recruit an individual, via encrypted text messaging, to open a Losing Account. Specifically, and in part, HERNANDEZ wrote: "Wanna make some extra money[?] it's with [Company A] the stock trading app[.] they have a way to trade the money up even if you connect like a [bank account.] I'm gonna trade some options and try to run it up 100%[.]"

(k) On or about March 22, 2021, HERNANDEZ and LLOYD discussed, via encrypted text messaging, distributing proceeds from the scheme. Specifically, and in part, HERNANDEZ wrote: "Wire hit for \$3500[.] You're [sic] cut is \$550 [Application #1] me \$1,100 and the rest to Venus after you take your cut."

(l) On or about April 11, 2021, HERNANDEZ wrote to a recruiter, via text message, in part: "I'm the original owner of this wave and at the end I'll be the only one left standing, you can pick side and think you have loyalty but there is no loyalty among thieves and this my finally offer to you from this point on if you want it take it if not continue to live in darkness. \$300 flat for a [Losing Account] \$500 once I see you're sending them constantly and that's for everyone I don't play favorites and I'm not doing this back and forth."

(m) On or about June 12, 2021, HERNANDEZ sought to recruit another recruiter, via text messaging, in substance and in part, to "work for" him for payment via Application #1 by opening Losing Accounts and corresponding linked bank accounts, and instructed that the linked bank accounts should be online or mobile-based bank accounts, but "no real banks."

(n) On or about September 16, 2021, HERNANDEZ paid Co-Conspirator #1 approximately \$720 for Co-Conspirator #1's participation in the scheme.

(o) On or about September 22, 2021, FLAGG and another recruiter discussed the scheme via text messaging. Specifically, and in part, FLAGG wrote: "I know a loophole[.] We can get the instant and cash it out . . . Make the [Company A] link a bank with no money in it[.] I trade it[.]" FLAGG further explained, in substance and in part, that he and the recruiter could make \$500 to \$1,000 per Losing Account, and offered to execute the trade in front of the recruiter so the recruiter could see "how it works[.]"

(p) On or about December 4, 2021, FLAGG sought to recruit an individual, via text messaging, to open a Losing Account, and described the scheme: "[Company A] need decent banks I know how to get up to 5k each [Company A] use the credit and trade it another account then we split whatever we get[.] Banks don't get messed up just bounce fee & [Company A] goes negative for year then they close them and pay em out."

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNT TWO
(Money Laundering Conspiracy)

19. The allegations contained in paragraphs one through 15 are realleged and incorporated as if fully set forth in this paragraph.

20. In or about and between December 2018 and January 2023, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants EDUARDO HERNANDEZ, also known as "Ghost," CHRISTOPHER FLAGG, also known as "Venus," DAQUAN LLOYD, also known as "Payday," and COREY ORTIZ, also known as "Jefe," together with others, did knowingly and intentionally conspire to conduct one or more financial transactions in and affecting interstate and foreign commerce, which

transactions in fact involved the proceeds of one or more specified unlawful activities, to wit: offenses involving fraud in the sale of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 18, United States Code, Section 371, knowing that the property involved in the transactions represented the proceeds of some form of unlawful activity, (a) with the intent to promote the carrying on of such specified unlawful activities, contrary to Title 18, United States Code, Section 1956(a)(1)(A)(i), and (b) knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership and the control of the proceeds of such specified unlawful activities, contrary to Title 18, United States Code, Section 1956(a)(1)(B)(i).

(Title 18, United States Code, Sections 1956(h) and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNT ONE

21. The United States hereby gives notice to the defendants that, upon their conviction of the offense charged in Count One, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offense to forfeit any property, real or personal, constituting, or derived from, proceeds obtained directly or indirectly as a result of such offense.

22. If any of the above-described forfeitable property, as a result of any act of omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or

(e) has been commingled with other property, which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants, up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Section 981(a)(1)(C); Title 21, United States Code, Section 853(p); Title 28, United States Code, Section 2461(c))

CRIMINAL FORFEITURE ALLEGATION
AS TO COUNT TWO

23. The United States hereby gives notice to the defendants that, upon their conviction of the offense charged in Count Two, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(1), which requires any person convicted of such offense to forfeit any property, real or personal, involved in such offense, or any property traceable to such property.

24. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided

without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other

property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Sections 982(a)(1) and 982(b)(1); Title 21, United States Code, Section 853(p))

A TRUE BILL

FOREPERSON

By Carolyn Pokorny, Assistant U.S. Attorney

BREON PEACE
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK

No. _____

UNITED STATES DISTRICT COURT

EASTERN *District of* NEW YORK

CRIMINAL DIVISION

THE UNITED STATES OF AMERICA

vs.

EDUARDO HERNANDEZ, CHRISTOPHER FLAGG,
DAQUAN LLOYD and COREY ORTIZ,

Defendants.

INDICTMENT

(T. 18, U.S.C., §§ 371, 981(a)(1)(C), 982(a)(1), 982(b)(1), 1956(h) and
3551 et seq.; T. 21, U.S.C., § 853(p); T. 28, U.S.C., § 2461(c))

A true bill.

Foreperson

Filed in open court this _____ day,

of _____ A.D. 20 _____

Clerk

Bail, \$ _____

Jonathan P. Lax and Sara K. Winik, Assistant U.S. Attorneys (718) 254-7000