

Approved: Jennifer L. Beidel
JENNIFER L. BEIDEL
Assistant United States Attorney

Before: THE HONORABLE GABRIEL W. GORENSTEIN
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA :
- v. - :
CHRISTOPHER CANALE, :
Defendant. :

SEALED COMPLAINT

Violations of
18 U.S.C. §§ 1343, 1344,
1349, 1028A, and 2

COUNTY OF OFFENSE:
NEW YORK

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17 MAG 1157

SOUTHERN DISTRICT OF NEW YORK, ss.:

BEMPSEY CO, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE
(Wire Fraud)

1. From at least in or about 2003 up to and including at least on or about September 7, 2016, in the Southern District of New York and elsewhere, CHRISTOPHER CANALE, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, and attempting to do so, did transmit and cause to be transmitted by means of wire and radio communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, CANALE, while an employee of a financial services firm ("Company-1"), engaged in a scheme to defraud Company-1 by converting funds of Company-1 to CANALE's personal use and benefit without permission or authorization, and in the course of executing such scheme,

caused interstate and international wires to be sent, including wire transfers to offshore entities.

(Title 18, United States Code, Sections 1343, 1349, and 2.)

COUNT TWO
(Bank Fraud)

2. From at least in or about 2003 up to and including at least on or about September 7, 2016, in the Southern District of New York and elsewhere, CHRISTOPHER CANALE, the defendant, willfully and knowingly did execute and attempt to execute a scheme and artifice to defraud a financial institution, the deposits of which were then insured by the Federal Deposit Insurance Corporation, to wit, a multinational bank headquartered in New York City ("Bank-1"), and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, such financial institution, by means of false and fraudulent pretenses, representations, and promises, to wit, CANALE created fraudulent entries in Company-1's wire transfer software that resulted in unauthorized wire transfers of Company-1's funds held by Bank-1.

(Title 18, United States Code, Sections 1344 and 2.)

COUNT THREE
(Aggravated Identity Theft)

3. From at least in or about 2011 up to and including at least on or about September 7, 2016, in the Southern District of New York and elsewhere, CHRISTOPHER CANALE, the defendant, knowingly did transfer, possess, and use, without lawful authority, a means of identification of another person, during and in relation to a felony violation enumerated in 18 U.S.C. § 1028A(c), to wit, CANALE used without authorization the name and signature of another person during and in relation to the felony violations charged in Counts One and Two of this Complaint, knowing that these means of identification belonged to another person.

(Title 18, United States Code, Sections 1028A(a)(1), (b)(2), and 2.)

The bases for my knowledge and for the foregoing charge are, in part, as follows:

4. I am a Special Agent with the FBI and have been personally involved in the investigation of this matter. I base this affidavit on my training and experience as well as on my conversations with others, including other law enforcement agents, and my examination of various reports and records. Because this affidavit is being submitted for the limited purpose of demonstrating probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

Overview

5. As set forth below, CHRISTOPHER CANALE, the defendant, was employed by Company-1 in various positions that involved management of Company-1's accounts payable. From in or about 2003 through on or about September 7, 2016, CANALE abused his responsibilities by embezzling approximately \$7.1 million from Company-1. CANALE accomplished this fraud by making unauthorized wire transfers and by cashing checks made out to petty cash and retaining the cash. CANALE used portions of the money he stole to purchase an outdoor pool, an outdoor sound system, landscaping for his home, vacations, and at least one luxury car.

Background

6. Based on my review of Company-1's personnel files and business records and my interview of an in-house attorney for the parent company of Company-1 ("Attorney-1"), I have learned, in substance and in part, the following:

a. From at least in or about 1990 through on or about September 7, 2016, CHRISTOPHER CANALE, the defendant, worked for Company-1 at its office in New York, New York. Most recently, CANALE worked as Company-1's Accounts Payable Manager and, prior to that, CANALE held other positions that involved responsibilities over Company-1's accounts payable.

b. CANALE's employment with Company-1 was terminated on or about September 7, 2016 after Company-1 discovered that CANALE had been defrauding Company-1 since at least 2013 by making unauthorized wire transfers ("the Fraudulent Wire Scheme").

The Fraudulent Wire Scheme

7. Based on my interview of Attorney-1 and my review of bank records and Company-1's business records, I have learned, in substance and in part, the following:

a. At all times relevant to this Complaint, CANALE was the manager of Company-1's account for paying outside vendors ("the Vendor Account"). In that capacity, CANALE was responsible for reconciling the Vendor Account on a monthly basis and was also one of the individuals responsible for ensuring that invoices payable from the Vendor Account were appropriately entered into Company-1's software programs.

b. From at least in or about December 2013 to the present, Company-1 has utilized a software program that permits individuals to enter invoices for payment from the Vendor Account by choosing a vendor from a pre-approved vendor list ("the Invoice Software"). After using the Invoice Software, if an invoice is to be paid by wire transfer, a second software program must be used to execute the wires ("the Wire Software"). Users of the Wire Software are assigned unique user identification codes. For each wire sent via the Wire Software, users are prompted to enter the amount of the wire, the release date of the wire, and the bank account information and name of the wire's recipient, among other things. Users of the Wire Software can also type additional instructions about the wire in an optional text field ("the Instruction Field").

c. The Invoice Software and the Wire Software serve independent purposes and, at all times relevant to this Complaint, were not set up to automatically ensure consistency between the information entered in the two systems. Moreover, the Wire Software did not require the user to choose a vendor from a pre-approved list. Instead, the user could manually enter any company or individual as the recipient of a wire in the Wire Software. Thus, a user could choose a pre-approved vendor and enter a corresponding invoice in the Invoice Software, but then use the Wire Software to send the amount of the invoice to a different entity than had been selected in the Invoice Software.

d. As part of his responsibilities at Company-1, CANALE had access to both the Invoice Software and the Wire Software and also was assigned a unique user identification code (the "CANALE Identification Code") associated with the Wire Software.

8. Based on my review of Company-1's business records and on my interview of Attorney-1, I have learned, in substance and in part, the following:

a. From on or about December 5, 2013 through on or about August 31, 2016, the CANALE Identification Code was used to authorize approximately \$2,538,884.38 in wire transfers using the Wire Software to companies and individuals that were not pre-approved vendors of Company-1 ("the Unauthorized Wire Transfers").

b. Among the Unauthorized Wire Transfers were the following:

i. From on or about December 16, 2015 to on or about August 31, 2016, thirteen wire transfers of between approximately \$20,000 and \$45,000 were sent from the Vendor Account to a specific account (the "Credit Card Account") at a credit card company ("Company-2"). For each of these wire transfers, the Instruction Field noted that the wire was being sent by "Chris Canale."

ii. In the eight-month period from on or about December 14, 2015 through on or about August 31, 2016, a series of forty-two wire transfers ranging between approximately \$9,000 and \$9,800 were sent from the Vendor Account to another individual ("CC-1"). The Instruction Field noted that certain of the wires were payments for an "SLA Agreement" dated September 1, 2015. The Instruction Field entries also numbered the payments sequentially, but contained many errors in that numbering, such that it appears that Company-1 made certain payments multiple times.

iii. On or about February 23, 2016, a wire transfer of approximately \$20,000 was sent from the Vendor Account to a travel company (the "Travel Company") with the Wire Software description of "Payment for Additional Travel Expenses Anticipated in 2016 - Sent by Chris Canale."

c. For nearly all of the Unauthorized Wire Transfers, the corresponding Invoice Software entries listed entities that were different from those listed in the entries in the Wire Software. Specifically, the Invoice Software entries said that the wires originated from invoices that were associated with two energy and electrical companies or a credit card company, all of which were pre-approved vendors of Company-1. In reality, however, the wires were sent to Company-2, CC-1,

and the Travel Company, among others, none of which were pre-approved vendors of Company-1.

d. Company-1 has confirmed that it had no legitimate payment obligations to Company-2, CC-1, or the Travel Company. Company-1 has also confirmed that it had no agreement with CC-1 that would have required periodic payments to be made to CC-1.

The Interview of CANALE

9. Based on my interview of an employee of Company-1 ("Employee-1"), I have learned, in substance and in part, the following:

a. On or about September 6, 2016, Employee-1 was performing a routine audit of the Vendor Account and noticed that unusual wire transfers had been authorized by CHRISTOPHER CANALE, the defendant, to CC-1.

b. Employee-1 conducted a further investigation that confirmed that CANALE had been making unauthorized wire transfers from the Vendor Account for a number of years. Employee-1 reported the misconduct to Employee-1's supervisors.

10. Based on my interview of Attorney-1 and my review of bank records and Company-1's business records, I have learned, in substance and in part, the following:

a. On or about September 7, 2016, Attorney-1 and several other employees of Company-1 interviewed CHRISTOPHER CANALE, the defendant.

b. When he was asked whether he had been embezzling from Company-1, CANALE stated in sum and substance that he had wired between \$2 million and \$4 million out of the Vendor Account to pay for personal debts and to save his life because of a gambling addiction.

c. CANALE also admitted that he wired funds in increments of less than \$10,000 to CC-1 because CANALE had confirmed with the bank that CC-1 used that he could send funds in those amounts without raising suspicions.

d. CANALE also admitted that he wired funds to certain offshore entities and individuals in exchange for

watches and jewelry. CANALE said that he then used the watches and jewelry to pay for his gambling debts.

e. CANALE also admitted using funds wired from Company-1 to pay his personal credit card bills to Company-2 and to purchase an outdoor sound system, two Mercedes cars, a pool, a gun safe, and landscaping services.

f. After the interview, CANALE was asked to leave Company-1's premises and was terminated from employment with Company-1 the following day.

The Petty Cash Scheme

11. Based on my interview of Attorney-1 and my review of Company-1's business records, I have learned, in substance and in part, the following:

a. After CHRISTOPHER CANALE, the defendant, had been terminated from employment with Company-1, Company-1 continued its investigation to determine if CANALE had engaged in any other fraudulent activity.

b. Through this investigation, Company-1 determined that, between in or about 2003 and on or about September 7, 2016, a series of checks that appeared to be for use as petty cash had been cashed from the Vendor Account without the authorization of Company-1 ("the Petty Cash Scheme"). The checks were each written for amounts of approximately \$4,000 and were made out to "Company-1 Petty Cash" ("the Petty Cash Checks").

c. At all times relevant to this Complaint, Company-1 kept approximately \$150 in petty cash in its New York, New York office and replenished petty cash by cashing checks in amounts of approximately \$150.

d. The Petty Cash Checks contained two signatures: the signature of CHRISTOPHER CANALE, the defendant, and the purported signature of CANALE's former supervisor ("Individual-1").

e. Individual-1 left employment with Company-1 in or about 2011, but Individual-1's name and purported signature continued to appear on the Petty Cash Checks until at least in or about 2016.

12. I have examined the signature of Individual-1 as maintained in the personnel files of Company-1, and have compared it to examples of the signature of Individual-1 contained on the Petty Cash Checks after 2011. Based on my training and experience, the signatures from the Petty Cash Checks do not match the signature contained in the personnel files.

13. I have examined the signature of CHRISTOPHER CANALE, the defendant, as maintained in the personnel files of Company-1, and have compared it to examples of the signature of CANALE contained on the Petty Cash Checks. Based on my training and experience, the signatures from the Petty Cash Checks and the personnel files match.

14. Based on my involvement in this investigation and my review of bank records, I have learned that the Vendor Account was an account held at Bank-1 in New York, New York, and all wires sent from the Vendor Account originated from New York, New York. The Petty Cash Checks were cashed at a branch of a second bank located in the lobby of Company-1 in New York, New York.

The Forensic Audit

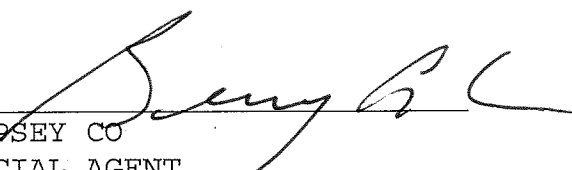
15. Based on my interview of two forensic accountants engaged by Company-1 and my review of Company-1's business records, I have learned, in substance and in part, the following:

a. From in or about 2003 through on or about September 7, 2016, the Fraudulent Wire Scheme involved approximately \$2.5 million and the Petty Cash Scheme involved approximately \$4.6 million. In total, approximately \$7.1 million was taken from the Vendor Account without Company-1's authorization.

b. The books and records of Company-1 were manipulated to cover up the Fraudulent Wire Scheme. Each fraudulent debit in the Wire Software was netted out with a purported credit in the Invoice Software. As a result, there was no material change in the balance sheet of the Vendor Account associated with the Fraudulent Wire Scheme. The credits in the Invoice Software were allocated to pre-approved vendors, including vendors with recurring expenses, which made it more difficult for Company-1 or its auditors to uncover the Fraudulent Wire Scheme.

c. At all times relevant to this Complaint, Company-1 used a monthly auditing process that compared various of its accounting reports, including the Vendor Account's supporting documentation, to identify any irregularities. Here, the Vendor Account's accounting records were altered so that they would match the other accounting documents to which it was regularly compared during Company-1's monthly reconciliation process. From approximately 2013 to 2016, CHRISTOPHER CANALE, the defendant, was responsible for providing the supporting documentation for the Vendor Account during the monthly reconciliation process.

WHEREFORE, deponent respectfully requests that a warrant be issued for the arrest of CHRISTOPHER CANALE, the defendant, and that he be arrested and imprisoned or bailed, as the case may be.


BEMPSEY CO
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATIONS

FEB 14 2017 Sworn to before me this
day of February, 2017

S/Gabriel W. Gorenstein

THE HONORABLE GABRIEL W. GORENSTEIN
UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK