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Three Members of Powerful Honduras Family Charged with Money Laundering

by George Rodríguez

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Jaime Rosenthal, known as don Jaime, the head of a powerful and influential Honduras clan, never saw it coming. All of a sudden, the vast Rosenthal empire began to crumble.

On Oct. 6, United States judicial and financial authorities charged the clan’s three top figures – don Jaime himself, son Yani Rosenthal, and nephew Yankel Rosenthal – with laundering money through their bank, the Banco Continental, and other businesses that make up the family’s Grupo Continental.

The group includes companies covering a whole gamut of enterprises, among them agriculture, banking, food processing, investment, media, real estate, and tourism.

As unbelievable as that action was for a family whose power had so far seemed unlimited, immediately after the charges were filed, another devastating blow came down on the Rosenthals: Their assets were frozen, and their bank was closed.

The dynasty’s influence in Honduras is based on don Jaime’s leadership roles in the economic and political fields, including the judiciary, and in sports, specifically soccer.

Their financial might is reflected in the family’s fortune – estimated at US$690 million – and the group’s assets, which Forbes placed two years ago in the vicinity of US$1.2 billion. Last year, Forbes ranked don Jaime among the top 12 Central American entrepreneur millionaires.

Political clout

Their political power is based on don Jaime’s role as a key leader of the historic Partido Liberal (PL). He was a presidential pre-candidate three times and served as vice president from 1986 until 1989 under President José Azcona (1986-1990).

He was a PL diputado (2002-2006) in the Congreso Nacional (the Honduran single-chamber parliament) and a presidential adviser for several PL governments.

His son, Yani Rosenthal, was also a PL diputado (2010-2014) after serving as minister of the presidency (2006-2007) under President Manuel “Mel” Zelaya (2006-2009), who was toppled in a bloody coup in June 2009 (NotiCen, June 25, 2015). The younger Rosenthal was a presidential candidate in the elections held two years ago.

Nephew Yankel is president of the soccer team Club Deportivo Marathón – currently the Honduran national champion. Jumping party lines, he was briefly minister of investments under current President Juan Orlando Hernández (elected in 2014), of the rightist Partido Nacional (PN), the PL’s historic adversary.

On Oct. 7, 24 hours after the charges were made, the US Department of the Treasury’s Office of Foreign Assets Control (OFAC) announced in a communiqué that the three Honduran...
entrepreneurs and seven of their businesses were “specially designated narcotics traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act) for playing a significant role in international narcotics trafficking.”

The trio “provide money laundering and other services that support the international narcotics trafficking activities of multiple Central American drug traffickers and their criminal organizations,” added the communiqué.

“As a result of OFAC’s action, all assets of these individuals and entities that are under the jurisdiction of the United States or in the control of US persons are frozen,” it pointed out, and went on to specifically warn that “US persons are generally prohibited from engaging in transactions with them.”

Also on Oct. 7, the United States Attorney’s Office for the Southern District of New York issued a press release quoting Manhattan US Attorney Preet Bharara as saying that, “as alleged, Yankel Rosenthal Coello and his co-defendants used the banking system and their businesses to launder proceeds of narcotics trafficked to the US.”

The release also said that according to the allegations in the indictment unsealed in Manhattan federal court, “the defendants conspired with others from 2004 through September 2015 to commit money laundering offenses” in violation of Title 18, United States Code, Sections 1956 and 1957.

“Specifically, the Indictment charges the defendants with conspiring to conduct financial transactions occurring in whole or in part in the United States and involving the proceeds of (i) narcotics offenses and (ii) offenses against a foreign nation involving bribery of public officials and the misappropriation, theft, or embezzlement of public funds,” according to the release.

It also said the three were “each charged with one count of money laundering, which carries a maximum penalty of 20 years in prison.”

**Arrest in Miami**

The previous day, an unknowing Yankel Rosenthal had landed at Miami International Airport, only to be arrested under the charges just made by the US Attorney’s office in New York.

In Honduras, local media reported the Miami arrest and carried a brief, single-paragraph communiqué issued by the country’s government acknowledging that it had been informed by the US Embassy “about Honduran citizen Yankel Rosenthal’s capture today.”

In San Pedro Sula, an industrial city in northern Honduras where several of the Rosenthal businesses are located, don Jaime and his son reacted immediately, denying the charges and strongly criticizing the US authorities’ actions.

“Today, an injunction has been issued against Jaime Rosenthal, Yani Rosenthal and Yankel Rosenthal falsely accusing us as well as several Grupo Continental companies of laundering assets,” they stated in a six-point press release.

“We strongly reject the allegations made against us and we will show in the due trial that we are innocent of all charges,” they added in the text issued by “Grupo Continental, its president, Jaime Rosenthal, and its director, Yani Rosenthal.”
The group has seen assets frozen and businesses shut down, including the devastating compulsory liquidation of Banco Continental ordered by the Comisión Nacional de Bancos y Seguros de Honduras (CNBS).

Regarding the Kingpin Act, the group pointed out in the communiqué that “normally, this list is reserved for drug lords and terrorists. We have been included in this list although we have never been involved in any of those two activities. Thus, the inclusion in this list is an act of viciousness against us, which we repudiate.”

The Central American financial magazine Estrategia y Negocios (E&N), however, wrote that the Honduran drug cartel Los Cachiros could have laundered money through the Rosenthals.

The gang – which operated for 11 years until two of its members, the brothers Javier and Leonel Rivera Maradiaga, turned themselves in to US authorities early this year – was “a source of the money the Rosenthals allegedly contributed to launder,” E&N reported last month.

Asked about the relationship between the Rosenthals and the Rivera Maradiaga brothers, Yani Rosenthal told the local daily newspaper La Prensa that it was strictly business.

“We had two relationships: One is that the [food processing company] Empacadora Continental – which is mentioned there [by OFAC] used to buy cattle from a company called Ganadero y Agricultores del Norte, which belonged to the Rivera Maradiaga family, as did, I believe, all the food processing companies in Honduras. It was one of thousands of clients the Continental company has,” Yani Rosenthal told the newspaper.

“The second operation is that Banco Continental gave some loans to some of those enterprises, and those loans – what I’m about to point out is important – were never paid in cash. They always paid with checks from other banks and even though transfers with SAFI,” he said in reference to the Sistema de Administración Financiera Integrada (SAFI), a Honduran mechanism for payments to suppliers.

“So, if they laundered, it wasn’t in the bank, because they never deposited cash, and we were very careful, in this regard, never to allow cash deposits – it was either with the SAFI system or through deposits with checks from other banks,” he added.

On the Kingpin Act, Yani Rosenthal argued that “the New York Attorney’s Office has committed a fault.” He said, “They have some atomic weapons like the Kingpin Act and OFAC in which they include companies and virtually kill them. At this point in time, they’ve included the Grupo Continental companies … during de trial process, which I understand takes years, they’re going to cause them [the companies] a lot of damage.”

He then spoke about Grupo Continental’s history.

“For more than 80 years, Hondurans have known the group’s companies, they know what we’ve been devoted to, and never are we drug traffickers or assets launderers. We’re going to do everything in our reach to defend ourselves, to prove our innocence, and to make clear, before American authorities, that they’ve made a mistake in our case. We haven’t committed any crime,” he said.

The Kingpin Act, signed into law in 1999 by former US President Bill Clinton (1993-2001), blocks assets subject to US jurisdiction that are either controlled or owned by significant foreign drug
traffickers – kingpins – or assist the international drug trafficking activities of persons designated pursuant to the Kingpin Act – officially referred to as Specially Designated Narcotics Trafficking Kingpins (SDNTKs).

US citizens are banned from dealing with SDNTKs, specifically in trade transactions as well as assets.

**Detained in New York City**

Surprisingly, on Nov. 5, almost a month after printing his statements, La Prensa reported that Yani Rosenthal was in a New York City detention facility – the same where his cousin is being held.

Asked by a La Prensa team whether the two were being held at Manhattan’s Metropolitan Correctional Center, the facility’s authorities replied, “Yes, Yani Rosenthal is here … Yankel Rosenthal is also here,” the paper reported.

“Every day, their lawyers come visit them,” the paper quoted the authorities as saying. It reported that “Yani is inmate number 72904, while Yankel is 06410-104,” and that “the agents withheld the information regarding when Yani Rosenthal … exactly arrived.”

When the US Attorney’s Office for the Southern District of New York filed the charges against him, Yani Rosenthal was in Honduras, La Prensa reported, “and it can be deduced that, in his case, he voluntarily turned himself in to United States authorities.”

Jaime Rosenthal has not been arrested.

The crackdown on the Rosenthal clan could have a ripple effect in Honduras, a country with historically some of the highest corruption levels in Central America and in the world (NotiCen, Oct. 23, 2014, and April 2, 2015).

Earlier this year, thousands of angered Honduras, fed up with rampant illegal dealings, took to the street in the capital, Tegucigalpa, and in other cities, in a spontaneous civil society movement triggered by a major corruption scandal in the social security system.

Last May, another landmark case of corruption blew open when Fabio Lobo, oldest son of former President Porfirio “Pepe” Lobo (2010-2014), was arrested in Haiti and extradited to the United States on drug-trafficking charges.

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