

# U.S. Seizure Slams Market for Dollars in Venezuela

By **JOHN LYONS** and **JOSE DE CORDOBA**

Venezuela's economically crucial black market for dollars was all but frozen Friday following the money-laundering arrest of an owner of a small Florida financial firm, adding to tensions between the U.S. and Venezuelan President Hugo Chávez.

The arrest has reverberated through the Latin American country because the firm, Rosemont Finance Corp., serves as a key U.S. clearing house for dozens of black-market brokerages -- trading houses that exploit loopholes to sell dollars despite an official Venezuelan ban on private firms buying and selling currency at unofficial rates. The federal case has ensnared millions of dollars from these trades and the brokerages that relied on Rosemont.

The black market is a crucial cog in the nation's financial system and counts giants such as state oil company Petroleos de Venezuela SA among its key players. If the market remains shut down for long, it could add to problems in Venezuela's increasingly chaotic economy. Venezuela, the fourth-largest supplier of oil to the U.S., has already been hurt by the decline in crude prices, rampant corruption and overspending on social programs.

## ***Arrest After Indictment***

U.S. authorities arrested Rosemont founder and Florida businessman Rama K. Vyasulu on Wednesday in Miami and froze Rosemont's account at Bank of America. The move came after a federal grand jury in Boston indicted Mr. Vyasulu on charges of laundering \$900,000 in drug profits. A lawyer for Mr. Vyasulu declined comment. Bank of America had no comment on the ongoing investigation, spokeswoman Shirley Norton said.

Rosemont, based in Doral, Fla., confirmed in a statement that at least one account had been frozen in the wake of the federal charges. In the statement, the company said it operates legally and that the charges were related to a small fraction of its overall transactions. Rosemont officials did not comment beyond the statement.

The case is the second politically charged U.S. prosecution in recent months involving Venezuela. Last year, two Venezuelan businessmen were convicted in Miami federal court of acting as unlicensed foreign agents in a Federal case that featured a suitcase stuffed with \$800,000, money allegedly sent by Mr. Chávez to the presidential campaign of Argentina's President Cristina Fernandez de Kirchner. Both Mr. Chávez and Ms. Fernandez de Kirchner have denied wrongdoing and accused the U.S. of politically motivated prosecutions.

Although it operates in a legal limbo, Venezuela's black market for dollars has become increasingly important in recent months as plunging oil prices have squeezed the OPEC nation's economy. Seeking to stretch their budgets, the Venezuelan Finance Ministry and oil company PDVSA have become the principal sellers of dollars on the market, where they get nearly three times as much per dollar as they would get selling to the central bank, according to three major Caracas currency brokers.

The seizure of the Rosemont account late Wednesday prompted several Caracas brokers to fly to Miami to start lobbying U.S. officials to turn loose cash related to their clients but held in the Rosemont account.

Michael Diaz, a Miami lawyer who is representing six of the institutions, said he believes at least \$100 million has been frozen. Mr. Diaz said his clients are innocent of any wrongdoing.

### ***Identified as Victims***

"We were a victim of Mr. Vyasulu and Rosemont," he said. "Right now, my clients are organizing their records to show the government they have not been involved in any wrongdoing."

Mr. Diaz said Mr. Vyasulu was arrested at 2.30 p.m. in a Bank of America tower in Miami the same day.

Some Venezuelan observers said they were concerned that a long closure of the black market could boost the anxiety of average Venezuelans, who have become jittery about the strength of the financial system since the global crisis deepened last year. Many Venezuelans have sought to buy dollars on the black market in recent months on concern that the Chávez government will be forced to devalue the "strong bolivar," the currency he unveiled just last year.

In February, meanwhile, Venezuelans were on the front line when the U.S. Securities Exchange Commission lodged civil fraud charges against Texas businessmen R. Allen Stanford. Venezuelans were among Mr. Stanford's biggest investors, and news of the U.S. case sparked a run on a Venezuelan bank owned by Mr. Stanford.

Rosemont did a brisk business in a special niche -- handling funds for Venezuelan brokerages that wanted to open bank accounts in the U.S., but that might have had trouble qualifying amid the increased scrutiny of banks enacted to combat terrorism. Rosemont said in promotional materials that it handled around \$10 billion of transactions last year.

U.S. and Rosemont officials did not comment on how much is frozen.

A heavysset man in his fifties, Mr. Vyasulu started his company with at least one Venezuelan partner and several Venezuelan associates, according to the firm's promotional material. Mr. Vyasulu portrayed himself in these materials as a Latin America specialist, claiming to have worked at the Federal Reserve Bank in Atlanta supervising several Latin American countries.

A spokesman for the Atlanta Federal Reserve bank said Mr. Vyasulu did work for it Miami branch for five months in 1997 as an Associate Examiner, a relatively low level position.

### ***Denied Bond***

Mr. Vyasulu used his experience at the Atlanta Fed as a selling point with clients worried about compliance with U.S. regulations, according to a lawyer who has had dealings with Mr. Vyasulu. A U.S. citizen whose parents live in India, Mr. Vyasulu was described as a flight risk and denied bond at his hearing.

According to the indictment, Mr. Vyasulu sought to "conceal and disguise the nature" of three money transfers to Florida from Massachusetts totaling \$900,000 that are alleged to be proceeds from the illegal drugs trade. As part of the indictment, U.S. authorities froze accounts connected to Mr. Vyasulu, and are seeking to recover the \$900,000, plus any other assets related to illegal activities.

The Boston indictment didn't provide details about the alleged drug transactions that produced the funds. A hearing in the case is scheduled for Wednesday in Miami federal court.

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