

Who Is Alberto Chang Rajii, The Chilean ‘Madoff’ Who Wanted Maltese Citizenship?

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by Matthew Agius

Tech-investor arrested in Sliema over Chilean extradition request faces charges in Chile and the US over millions he is accused of misappropriating “I think you need to understand more of the case before you use those words” – said the man dubbed as Chile’s own ‘Madoff’, Alberto Chang-Rajii, a tech-investor accused of misappropriating some \$85 million of investors’ cash and now wanted for extradition to Chile, when asked whether he felt shame over the allegations.

In 2001, at the age of 27, Alberto Samuel Chang Rajii co-founded his first company, together with his mother, Verónica Rajii Krebs and named it Grupo Arcano SA – ‘arcane’ or mysterious – the company dealt in investment banking, asset management and family wealth management fields.

Chang studied business engineering at Diego Portales University and graduated from San Gabriel High School. After graduating, he formed an advertising agency with his study partner, Rodrigo Quintanilla, who died in a car accident in the first half of 2015.

He made his name as a tech guru, raising millions from Miami investors with claims of leaving Chile for Stanford University in the mid-'90s and of meeting Google founders Larry Page and Sergey Brin there, becoming an early Google investor.

Apart from his biography still available on Bloomberg, there are serious doubts as to how much, if any, of this information is accurate, after investigative journalists uncovered evidence that Chang-Rajii’s story had been embellished, at least in part.

In Chang-Rajii’s native Chile, journalists have raised questions about the financial bonafides of his company, Grupo Arcano, and alleged charity work. Chilean news portal La Tercera contacted individuals featured as beneficiaries of Chang's eponymous foundation. They hadn't heard of it or him, they said.

Chilean newspaper *El Mercurio* rubbished his Harvard MBA and Google-related claims. When, three days later, the Miami New Times followed up with a revelation that his *alma mater* had “never heard of him”, Chang-Rajii removed the reference to the university and promptly disappeared. He has since also removed claims of earning the degree from most of his online biographies.

Chang-Rajii is wanted in Chile for investment fraud. Grupo Arcano and its investment arm Onix promised investors up to 1.5 percent a month for an investment of 200 million pesos (\$300,000), according to a contract seen by Bloomberg.

Arcano Group CEO Jorge Hurtado had explained that Arcano Group offered a financial product in which investors would receive monthly payments, structured into a series of promissory notes which paid interest at a maximum of 1.5% monthly for four years – almost 20% annually, in return.

Until recently, that maximum rate was 2.5% monthly – highly attractive next to the average bank returns of 0.3% per month. But that rate gradually fell to 2%, 1.8%, 1.5% and ended at 1.2% for some instruments. Arcano Group is reported to have consulted several PR firms for assistance on how to fix the company's image. The results were unequivocal: separate Chang's image from Arcano group and depersonalize the business.

Jorge Hurtado, who had himself invested more than \$ 250 million, denied the product was a pyramid scheme that paid off old investors using new investor's money.

But he quit the company on 1 April 2016, when Chang dismissed his employees at his offices in Miami, London and Sydney. A week later, the rest of the staff were also laid off. Nicole Soumastre, general manager of Onix, David Senerman, its chief investment officer; Paulo Brignardello, Arcano's commercial manager issued a statement saying that they always carried out real investment operations and blamed Chang, speaking of bitter disappointment.

According to other reports from *La Tercera* and *Economia y Negocios*, of the \$US100 million paid by investors into Grupo Arcano and affiliate Onix Capital since 2010, only \$US15 million has been invested, saying that authorities allege the remaining funds were missing.

Aside from this, Chang-Rajii has also been fighting a claim by the Chilean treasury over unpaid taxes since 2011, in which his assets had also been seized. Chile's Internal Tax Service ruled to seize his assets. The case is understood to still be ongoing.

The charges: US

According to a December 1st litigation announcement by the US Securities and Exchanges Commission, Chang-Rajii and Onix Capital sold investors — including 10 in the U.S. — over \$5.7 million in Onix Capital promissory notes, which carried “guaranteed” annual returns of 12-19%, and sold more than \$1.7 million of membership interests in various “special purpose” private equity vehicles.

These included ones for Uber, Square, Snapchat, Open English, Yodel and others. Chang-Rajii is also wanted in the US to answer accusations that he misled investors by telling them that he had an excess of \$100 million on deposit at J.P. Morgan, when the amount was less than \$1 million, falsely claiming to have been awarded “Best Angel Investor” by the Angel Capital Association.

The US SEC investigation – which the MFSA is credited with assisting – further charges Chang-Rajii with having transferred over \$11 million from Onix bank accounts to his personal accounts between 2012 and 2016. \$1.4 million is believed to have been spent on property in the British Virgin Islands and \$90,000 on a trip to Africa.

The vanishing act

On 11 April, in a Bloomberg article Chilean journalist Camilla Russo wrote: “The founder of private-equity firm Grupo Arcano is suddenly nowhere to be seen, worsening concerns about a career ascent that had him rubbing elbows with billionaire Richard Branson and coaxing Chileans to pour millions of dollars into his fund. His disappearance from public view caps two whirlwind weeks in which newspapers raised the possibility that Chang's past -- from

assertions that he was a seed investor in Google to his Stanford University MBA -- and investment record aren't what they seem."

But Chang resurfaced in Malta in late April, where he unsuccessfully applied for Maltese citizenship under the Individual Investor Program.

Colleagues and family members received an e-mail on 6 April from Chang's personal account with "from Malta" in the subject line. In it, the 42-year-old announced that he was quitting his "job, company and life" after a "plan to fix things from abroad had failed."

Chang-Rajii was arrested in Sliema on Thursday after an extradition request was made by the Chilean authorities. He then appeared in court on Monday after the Attorney General filed a successful appeal against his paltry €2,000 bail deposit. He was last seen trying to get Maltese businessmen to contribute to his bail fund, which had been increased to €100,000.