

Remarks by Christy Romero, Special Inspector General (SIGTARP)
Office of the Special Inspector General for the Troubled Asset Relief Program

Press Statement

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***Sentencing of Former Jefferies Senior Trader / Managing Director Jesse Litvak to
Federal Prison for Fraud Involving TARP Program***

I am Christy Romero, Special Inspector General at SIGTARP, a federal law enforcement agency that investigates crime related to the taxpayer-funded bailout known as TARP. Today, Jesse Litvak, a former senior trader and managing director at Jefferies, was sentenced to two years in federal prison for defrauding the Government through TARP, defrauding Jefferies' customers in the trading of securities, and making false statements to the federal Government. Litvak was also fined \$1.75 million, ordered to pay restitution, and will serve a three-year period of supervised release following his prison term.

SIGTARP agents arrested Jesse Litvak in January 2013 after conducting a criminal investigation with our partners that uncovered his crime involving a TARP bailout program. When markets for residential mortgage backed securities froze during the crisis, the Government created a TARP bailout program in which taxpayer funds were used to purchase and trade in those securities. The Government used taxpayer dollars to help restart a market, but Jesse Litvak saw it as an opportunity to commit crime.

Trading in mortgage backed securities can be complicated, but what Litvak did was simple – he lied to and defrauded customers. One of the problems with the residential mortgage backed securities market is that there is no exchange, so pricing is opaque, a fact that Mr. Litvak exploited out of greed. On 76 occasions over three years, he lied to customers to either drive up the price they would pay to buy securities or drive down the price they would sell securities. He bragged about his lying in online chats saying things along the lines of, "I know he will pay a certain price if I tell him that I bought it at a certain price," a price that Litvak knew was higher than reality. Litvak lied and deceived and even created fake sellers of the securities as a way to mislead his customers.

Litvak intentionally ripped off customers for one reason – to make more in profits. His crimes were not victimless crimes. Some of these profits came from the TARP bailout. When caught by a customer trading with taxpayer bailout dollars, Litvak said it was a "hard year" and "guys were doing what they needed to make money." Litvak committed a crime to make money. Litvak knew full-well that some of those customers were funds filled with taxpayer dollars, and he has zero remorse for ripping off those customers and jeopardizing the integrity of the bailout program, all for the sake of pure greed. He ripped off six of eight managers of taxpayer TARP money. Today's sentencing sends a clear message that lying in the already opaque markets of mortgage backed securities to drive up prices for the sake of profits is a crime that will result in years in federal prison.

As a result of SIGTARP investigations, in concert with our law enforcement partners, 196 individuals have been charged with crimes related to TARP, and although some await trial or sentencing, 85 have already been sentenced to prison. Jesse Litvak is the first person to be

charged, convicted, and sentenced under a 2009 change to the law that made fraud against the Government related to TARP, a crime.

Americans should know that SIGTARP is on watch and protecting their bailout dollars. I would like to thank United States Attorney Deirdre Daly for standing united with SIGTARP to fight bailout-related crime, as well as Assistant U.S. Attorneys Jonathan Francis and Chris Mattei, who did a terrific job prosecuting the case to protect taxpayers. I would also like to thank the Federal Bureau of Investigation for its work on the case.

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