SIGTARP | OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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SIGTARP RECOGNIZED FOR EXCELLENCE IN INVESTIGATIONS AND AUDITING

Investigations Team Receives 2015 CIGIE Investigations Award for Excellence,
Audit Team Receives 2015 CIGIE Audit Award for Excellence

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that its Investigations team, in conjunction with federal partners, has been awarded a 2015 Investigation Awards for Excellence and its Audit team has been awarded a 2015 Audit Award for Excellence by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

"The SIGTARP Investigations and Audit teams recognized for excellence demonstrates the impact a relatively small organization can have on enforcement and oversight," said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). "SIGTARP's criminal investigation with the Federal Deposit Insurance Corporation IG, the Board of Governors of the Federal Reserve System IG, and the San Francisco U.S. Attorney's Office of former United Commercial Bank Chief Credit Officer Ebrahim Shabudin resulted in a sentence of over eight years in federal prison, and was the one of the most significant prosecutions of bailout related crime. SIGTARP's audit team released a series of reports on executive compensation and salaries for TARP recipients' GM and Ally (GMAC) that revealed the President's mandate to cap pay and hold back stock options to incentivize repayment of TARP loans was not being followed. Both of these award-winning efforts addressed important TARP issues, but equally as important, they generated public dialog about behaviors and rules in the banking and automotive industries. It is this public debate and scrutiny that ultimately changes corporate culture for the better and protects taxpayers. SIGTARP remains on watch - I'm very proud of our staff members who continue to apply themselves steadfastly to TARP enforcement."

Investigation Award for Excellence

United Commercial Bank (UCB), a wholly-owned subsidiary of UCBH Holdings, Inc. (UCBH) was a major Chinese-American commercial bank headquartered in San Francisco, with branches throughout the United States, Taiwan, Hong Kong and China. In 2008 and most of 2009, UCBH was a publicly-traded company whose securities were traded on the NASDAQ stock exchange. By 2008, the bank's loan portfolio was heavily concentrated in construction loans and commercial real estate loans. These types of loans were more profitable, but more risky, than other types of business loans. In November 2008, UCB was granted $298 million of Capital Purchase Program (CPP) funds from the United States Treasury, Troubled Asset Relief Program (TARP).

In response to a deteriorating financial situation, Ebrahim Shabudin, UCB's Executive Vice President, Chief Credit Officer and Chief Operating Officer and others carried out a wide-ranging scheme to deceive UCBH's shareholders and federal regulators about the financial performance of the bank. Generally, the scheme to defraud at UCB ran in parallel with the plunge in real estate values that fueled the 2008 financial crisis because many of the bank's major loans were secured by real estate. The fraud led directly to the failure of the bank of November 6, 2009. At the time of its failure, UCB had approximately $11.2 billion in assets.

Pursuant to UCB's failure and an internal investigation that revealed a number of employees had misled bank auditors during the course of the bank's 2008 fiscal year-end audit, a criminal investigation was launched. Investigators conducted over 300 interviews and reviewed millions of documents which revealed an elaborate scheme involving false bank entries, reports and transactions all designed to mislead investors, regulators and the public. Investigators were able to prove that Shabudin, the second most senior officer in executive management at UCB in 2008/2009, conspired with Thomas Yu, a former Senior Vice President and other bank officials to prepare false and misleading quarterly loan loss allowance reports. These reports calculated the loss reserves the bank was required to recognize as part of its quarterly financial reporting in the third and fourth quarters of 2008.

False documents discovered by investigators included records filed with the U.S. Securities and Exchange Commission and FDIC. Many of the false documents were related to UCB's quarterly and year-end earnings per share announced by the bank to the investing public. This five and a half year investigation required the entire investigate team to acquire expert knowledge of accounting fraud at a publicly-traded bank in which bank insiders manipulated the loan loss reserve accounting on financial statements to falsely inflate earnings.

In preparation for the Shabudin trial, over 1,400 exhibits were marked for trial and 380 exhibits were admitted. The six week trial included 33 witnesses called to the stand and 114 hours of trial testimony. The prosecution of Shabudin and his co-conspirators is one of the largest criminal prosecutions of wrongdoing by bank officers arising out of the 2008 financial crisis. Shabudin was convicted by a jury of all 7 counts her was charged with, including conspiracy to commit securities fraud, falsifying corporate books and records, making false bank entries, reports and transactions, making false statements to accountants of a publicly-traded company, circumventing internal accounting controls, and conspiracy to make false bank entries, reports and transactions. More information about this case can be found on the SIGTARP web site at www.sigtarp.gov.

Audit Award for Excellence

As part of SIGTARP's continuing oversight of TARP, the agency's Audit team conducted a series of three evaluations focused on Treasury's Office of the Special Master for TARP Executive Compensation ("OSM"), that found Treasury significantly loosened executive pay limits, resulting in excessive pay for Top 25 employees at GM and Ally while the companies were not repaying TARP in full and taxpayers were suffering billions of dollars in losses. The reports also found that OSM reduced the amount of time employees must wait to redeem their stock compensation, and phased out long-term restricted stock, which were forms of pay intended to hold executives accountable for performance.

SIGTARP auditors found that OSM approved cash salaries exceeding $500,000 for more than one-third (16 of 47) of the top employees of GM and Ally, and approximately $3 million in pay raises for nine GM employees, most of whom had also received pay raises in consecutive years. These actions represented a movement away from the President's announcement that "…top executives at firms receiving extraordinary help from U.S. taxpayers will have their compensation capped at $500,000 – a fraction of the salaries that have been reported recently. And if these executives receive any additional compensation, it will come in the form of stock that can't be paid up until taxpayers are paid back for their assistance."

The report made 11 recommendations aimed at enhancing OSM's pay-setting process and decisions. A copy of the report, containing a list of key findings, conclusions and recommendations, can be found at: http://go.usa.gov/3SMjG.

SIGTARP employees recognized for their individual contributions during these audits include:

- Bruce Gimbel, Deputy Special Inspector General for Audit & Evaluation
- Jenniffer Wilson, Assistant Deputy Special Inspector General for Audit & Evaluation
- Craig Meklir, Supervisory Auditor
- Vonda Batts, Supervisory Auditor
- Brandon Crowder, Auditor
- Michelle Mang, Auditor
- Janice Turner, Auditor
- Cynthia Broome, Writer/Editor

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP. To date, SIGTARP investigations have yielded more than 200 convictions and resulted in the recovery of over $2.4 billion to the Government.

To report suspected illicit activity involving TARP, dial the SIGTARP Hotline: 1-877-SIG-2009 (1-877-744-2009).

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