



SIGTARP

Office of the Special Inspector General
For The Troubled Asset Relief Program

FOR IMMEDIATE RELEASE

Tuesday, October 15, 2019

Media Inquiries: 202-927-8940

www.sigtar.gov

@SIGTARP

SIGTARP RECEIVES AWARD OF EXCELLENCE FOR INVESTIGATION OF \$300 MILLION TARP RECIPIENT WILMINGTON TRUST

Council of the Inspectors General on Integrity and Efficiency Recognizes SIGTARP for Investigation Resulting in Prison Sentences for Multiple Senior Bank Executives, including the Bank President and Chief Financial Officer

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that the Council of the Inspectors General on Integrity and Efficiency (CIGIE) has recognized SIGTARP with an Award of Excellence for its investigation of Wilmington Trust.

“We thank the inspector general community for recognizing this critically important investigation and prosecution,” said Special Inspector General Christy Goldsmith Romero. “As a result of the exemplary investigative work by SIGTARP investigators, our investigative partners, and the prosecutors at the U.S. Attorney’s Office for the District of Delaware, we brought accountability to a massive securities fraud and bank fraud that took place while Wilmington trust was in TARP. This investigation and prosecution brought accountability with several bank officers sentenced to prison along with co-conspirators.”

Wilmington Trust was founded by the duPont family more than a century ago and was one of the largest independent financial institutions in Delaware. SIGTARP’s investigation uncovered a massive scheme by bank insiders to conceal the total quantity of past due loans on its books from the Federal Reserve, the Securities and Exchange Commission and the investing public. The government proved at trial that the bank officers caused the bank to underreport to the Federal Reserve and Securities and Exchange Commission approximately \$300 million in past due loans in the third and fourth quarters of 2009. The bank later used the false securities filings to raise more than \$273 million in a stock sale.

When the bank finally began reporting its past due loan information correctly in the third quarter of 2010, it recognized losses of more than \$370 million and its share price plummeted approximately 46% from the bank’s share price the prior trading day. On November 1, 2010, M&T Bank announced that it acquired the bank at a sharply-discounted price. The Wall Street Journal referred to the acquisition as “one of the biggest banking firesales in history.” More than 700 Wilmington Trust employees lost their jobs and investors lost millions of dollars.

SIGTARP was joined in the investigation by the Federal Bureau of Investigation, the Internal Revenue Service-Criminal Investigation, and the Federal Reserve Bank-Office of Inspector General, and U.S. Attorney’s Office for the District of Delaware, which prosecuted the case. SIGTARP played a lead law enforcement role in uncovering the criminal conduct through data analytics, witness interviews, evidence gathering, banking expertise, and trial testimony and support. U.S. District Judge Richard G.

Andrews said the investigation uncovered the “the biggest financial crime in Delaware, at least in the past 35 years.”

After the trial, a jury convicted former president Robert Harra, former chief financial officer David Gibson, former chief credit officer William North, and former controller Kevyn Rakowski of securities fraud. Former president Harra and former chief financial officer Gibson were sentenced to six years in prison and ordered to pay \$300,000 each. Former chief credit officer North was sentenced to four and half years in prison and ordered to pay \$100,000 and former controller Rakowski was sentenced to three years in prison.

The court separately sentenced three other Wilmington Trust officers: former head of commercial real estate Delaware Brian Baily to two and half years, former vice president for commercial real estate for Delaware Joseph Terranova to one year and nine months and former commercial real estate relationship manager for Delaware Peter Hayes to one year and three months. The court also sentenced co-conspirators to prison.

Wilmington Trust, which received a \$330 million TARP bailout, was the only TARP bank indicted by the Justice Department. Later, in October 2017, Wilmington Trust admitted wrongdoing, agreed to cooperate and paid \$60 million.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the America people. SIGTARP investigations have resulted in the recovery of \$10 billion and 283 defendants, including 74 bankers, sentenced to prison.

To report a suspected crime related to TARP, call SIGTARP’s Crime Tip Hotline: 1-877-744-2009. To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at www.SIGTARP.gov. Follow SIGTARP on Twitter @SIGTARP.

###