



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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SENIOR RBS TRADER ADMITS TO DEFRAUDING CUSTOMERS IN MULTIMILLION DOLLAR SECURITIES FRAUD SCHEME

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Deirdre M. Daly, United States Attorney for the District of Connecticut, and Patricia M. Ferrick, Special Agent in Charge of the New Haven Division of the Federal Bureau of Investigation (FBI), today announced that Matthew Katke, 34, of New York, N.Y., waived his right to indictment and pleaded guilty today in Hartford, Conn., federal court to participating in a multimillion dollar securities fraud scheme. Katke also entered into an agreement to cooperate in the government's ongoing investigation.

According to court documents and statements made in court, between April 2008 and August 2013, Katke was a registered broker-dealer and managing director at RBS Securities Inc. RBS is a global securities firm with headquarters in Stamford, Conn. RBS also has a trading floor in Stamford where Katke and other members of RBS's Asset Backed Products division traded fixed income investment securities such as residential mortgage-backed securities (RMBS) and collateralized loan obligations (CLOs). In pleading guilty, Katke admitted that he and others conspired to increase RBS's profits on CLO bond trades at the expense of customers. As part of the scheme, Katke and his co-conspirators made misrepresentations to induce buying customers to pay inflated prices and selling customers to accept deflated prices for CLO bonds, all to benefit RBS.

The conspiracy was perpetrated in two ways. In certain transactions, Katke misrepresented the CLO seller's asking price to the buyer (or vice versa), keeping the difference between the price paid by the buyer and the price paid to the seller for RBS. In other transactions, Katke misrepresented to the CLO buyer that bonds held in RBS's inventory were being offered for sale by a fictitious third-party seller invented by Katke, which allowed Katke to charge the buyer an extra commission that RBS was not entitled to.

The investigation revealed numerous fraudulent transactions by Katke that cost at least 20 victim customers—including firms affiliated with recipients of federal taxpayer bailout funds through the U.S. Department of the Treasury Troubled Asset Relief Program (TARP)—millions of dollars.

"As a result of an ongoing criminal investigation by SIGTARP, this afternoon, Katke, a former senior securities trader at investment bank RBS, pleaded guilty to conspiring to defraud bank customers—customers that included TARP banks—out of millions of dollars," said Christy Romero, Special Inspector General for TARP (SIGTARP). "Katke lied to customers about the status of and the true prices paid and offered for securities as a way to boost profits for himself, others, and RBS. Defrauding a TARP recipient bank is the same as defrauding the American taxpayers who funded the TARP bailout. I want to

commend U.S. Attorney Deirdre Daly and the team of prosecutors who stand united with SIGTARP to combat TARP bailout-related crime.”

“Fraud in the fixed income markets is a secret and unfair tax on investors everywhere,” said U.S. Attorney Deirdre M. Daly. “Broker-dealers, and the people who work for them, need to understand that a market practice that is at odds with the securities law is a crime that carries serious repercussions. We urge others to follow Mr. Katke’s example and cooperate with investigators. We want to thank SIGTARP and the FBI for their efforts to date in this continuing investigation. Additionally, we acknowledge our other partners at the Department of Labor Office of the Inspector General, the Federal Housing Finance Agency Office of Inspector General and the Fraud Section of the Department of Justice for their hard work in the numerous ongoing investigations into this market.”

Katke pleaded guilty to one count of conspiracy to commit securities fraud, which carries a maximum term of imprisonment of five years. He was released on a \$250,000 bond and is scheduled to be sentenced by U.S. District Judge Robert N. Chatigny on June 3, 2015.

This case is being investigated by SIGTARP and the FBI. The case is being prosecuted by Assistant United States Attorneys Jonathan Francis and Heather Cherry.

This prosecution was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force and co-chair of the Rescue Fraud Working Group. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

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

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