



# SIGTARP

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

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## **FORMER RMBS TRADER CONVICTED OF SECURITIES FRAUD AFTER RETRIAL**

Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), 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, today announced that a federal jury in New Haven has found JESSE C. LITVAK, 42, of Boca Raton, Fla., guilty of one count of securities fraud stemming from trading in residential mortgage-backed securities (RMBS). The jury returned a verdict of guilty on one count of securities fraud, and a verdict of not guilty on nine counts of security fraud. The trial before Chief U.S. District Judge Janet C. Hall began on January 5 and the jury returned its verdict this morning.

“The jury’s verdict confirms that Jeffries trader Jesse Litvak’s sales tactics are not merely distasteful negotiating practices but a crime,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “SIGTARP is sworn to protect taxpayer dollars and the jury found today that Litvak defrauded a customer trading in a TARP program. SIGTARP, partnering with U.S. Attorney Deirdre Daly and her dedicated team, uncovered that this Wall Street trader lied to customers, all to secretly profit at the expense of customers trading with taxpayer dollars. SIGTARP and U.S. Attorney Daly’s office uncovered the full extent of Litvak’s crime by looking deal by deal. In this mortgage backed securities market that has no transparency on current market prices, everyone should look at their own conduct and above all, be honest in their dealings. After Litvak’s indictment, some broker dealers changed practices to prevent this type of fraud. Those who did not should do so now. SIGTARP and U.S. Attorney Daly stand united in vigilance against crime in this market.”

“Once again, a jury of his peers has rejected Mr. Litvak’s claims that he engaged in acceptable sales practices, and determined that his lies were, in fact, criminal behavior,” said U.S. Attorney Daly. “I thank SIGTARP and the FBI for their outstanding work on this investigation and related cases. Our criminal investigation of individuals and institutions involved in fraudulent RMBS trading activities remains active and ongoing. We are confident that these prosecutions have acted as a forceful disincentive to market participants tempted to commit securities fraud.”

“Mr. Litvak’s jury trial conviction today is yet again evidence that justice prevails over greed, deceit and criminal behavior,” said FBI Special Agent in Charge Ferrick.

According to the evidence introduced during the trial, in response to the 2008 financial collapse, the U.S. Department of Treasury introduced the Legacy Securities Public-Private Investment Program (PPIP), and used billions of dollars of bailout money from the Troubled Asset Relief Program (TARP) to restart the trading markets for many troubled securities, including certain kinds of RMBS. The program created nine PPIP funds, and more than 100 firms applied to manage the funds.

LITVAK was a senior trader and managing director at Jefferies & Co, Inc. (“Jefferies”), a global securities and investment banking firm headquartered in New York. Jefferies also had a trading floor in Stamford, Conn., where LITVAK and other members of its Mortgage and Asset-Backed Securities trading group worked.

The jury found that LITVAK engaged in a scheme to defraud. As a broker-dealer, only LITVAK – not the bond seller or buyer – knew the selling and asking prices of the parties. In the count of conviction, LITVAK exploited this information by misrepresenting to his PPIP fund victim the price Jefferies paid for a RMBS bond in order to increase Jefferies’ profit on the trade.

Securities fraud carries a maximum term of imprisonment of 20 years.

Chief Judge Hall scheduled sentencing for April 21, 2017, at which time LITVAK faces a maximum term of imprisonment of 20 years.

LITVAK has been released on bond since his arrest on January 28, 2013.

On March 7, 2014, LITVAK was convicted after trial of 10 counts of securities fraud, one count of TARP fraud and three counts of making false statements to the government. LITVAK appealed his conviction and, on December 8, 2015, the U.S. Court of Appeals for the Second Circuit reversed the judgment of conviction as to the TARP fraud and making false statement charges, and remanded the matter for a new trial on the securities fraud charges.

The investigation of this matter revealed that members of Jefferies’ management in the fixed income division became aware that Jefferies employees were making misrepresentations to customers and did nothing to stop it. Jefferies has cooperated with the federal criminal investigation and paid a total penalty of \$25 million as part of a non-prosecution agreement with the government. The penalty included up to \$11 million in restitution to victims and up to a \$4,200,402 penalty to the U.S. Securities and Exchange Commission (SEC). Jefferies also addressed deficiencies in the compliance and ethics practices and policies of its Mortgage and Asset-Backed Securities Trading group. These measures included Jefferies’ agreement to retain an Independent Compliance Consultant to conduct a review of Jefferies’ policies and procedures for detecting and preventing fraud in connection with the purchase or sale of RMBS.

This matter has been investigated by SIGTARP and the Federal Bureau of Investigation. The case is being prosecuted by Assistant U.S. Attorneys Jonathan Francis, Heather Cherry and William Nardini.

#### About SIGTARP

SIGTARP's cross-cutting authority enables us to investigate and conduct oversight over all organizations and individuals involved in TARP programs. Our analytical, experienced-based approach identifies hidden complex crime and we work with the U.S. Department of Justice to hold accountable individuals and institutions that break the law. SIGTARP's oversight prevents fraud and drives improvements in

ongoing TARP programs. As of January 4, 2017, SIGTARP investigations have resulted in the recovery of \$10billion to the government and 192 defendants sentenced to prison.

To report a suspected crime related to TARP, call **SIGTARP's Crime Tip Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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