



SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

FOR IMMEDIATE RELEASE

Tuesday, September 8, 2015

Media Inquiries: 202-927-8940

Twitter: @SIGTARP

Web: www.SIGTARP.gov

FORMER NOMURA RMBS TRADERS CHARGED WITH MULTIPLE FRAUD AND CONSPIRACY OFFENSES

TARP Public-Private Investment Program (PPIP) Securities Involved in Alleged Overcharging

WASHINGTON, DC – Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and Deirdre M. Daly, United States Attorney for the District of Connecticut announced today that a federal grand jury in New Haven, Connecticut has returned a 10-count indictment charging three former New York-based bond traders for Nomura Securities International, Ross Shapiro, 41, Michael Gramins, 33, and Tyler Peters, 31, all of New York, New York, with conspiracy and fraud offenses.

The indictment was returned on September 3 and unsealed today. Shapiro, Gramins and Peters are scheduled to be arraigned on September 10 at 10 a.m. before U.S. Magistrate Judge Donna F. Martinez in Hartford.

As alleged in the indictment, Shapiro, Gramins and Peters supervised the Residential Mortgage Backed Securities (“RMBS”) Desk at Nomura Securities International (“Nomura”) in New York. Shapiro was the Managing Director who oversaw all of Nomura’s trading in RMBS, Gramins was the Executive Director of the RMBS Desk and principally oversaw Nomura’s trading of bonds composed of sub-prime and option ARM loans, and PETERS was the senior-most Vice President of the RMBS Desk and focused primarily on Nomura’s trading of bonds composed of prime and alt-A loans.

The indictment alleges that Shapiro, Gramins and Peters engaged in a conspiracy to defraud customers of Nomura by fraudulently inflating the purchase price at which Nomura could buy a RMBS bond to induce their victim-customers to pay a higher price for the bond, and by fraudulently deflating the price at which Nomura could sell a RMBS bond to induce their victim-customers to sell bonds at cheaper prices, causing Nomura and the three defendants to profit illegally.

According to the indictment, the three co-conspirators trained their subordinates to lie to customers, provided them with the language to use in deceiving customers, and encouraged them to engage in the practice. In one instance, one of the defendants’ subordinate traders told a salesperson that he “lied” about the price of bond and “marked up 2 pts,” to which the salesperson responded “haha sick . . . well played.”

The defendants are also alleged to have created fictitious third parties in an effort to increase their profits, and colluded with at least one outside client to deceptively broker trades on their behalf. In one

instance, an investment advisor for another firm concocted a false story with SHAPIRO to tell to customers. According to the indictment, he wrote to Shapiro asking, “when did I buy [the bond] and at what price.”

The victims of this scheme include funds from around the world, retirement plan providers and a Trouble Asset Relief Program (TARP) fund manager.

“The Government bought residential mortgage backed securities through TARP’s Public-Private Investment Program (PPIP) to unlock frozen credit markets during the financial crisis, not to become a victim of this criminal scheme by these Nomura traders, and to overpay for securities,” said Special Inspector General for TARP (SIGTARP) Christy Goldsmith Romero “SIGTARP’s investigation with our law enforcement partners revealed what is charged today – that Nomura’s most senior and highly compensated traders on the RMBS trading desk, Ross Shapiro, Michael Gramins and Tyler Peters, all former Lehman Brothers employees, allegedly conspired to overcharge their customers, which included an investment firm who was managing the government’s bailout money in a PPIP fund. The defendants’ alleged scheme was simple: To drive up profits they lied to and deceived their victims. They are alleged to have overstated the price Nomura paid. They are also alleged to have created fictitious third-party sellers when the RMBS sat in Nomura’s inventory. And they are alleged to have bragged about it to each other. All those on Wall Street who engaged in criminal schemes related to TARP programs are warned that SIGTARP will work with our law enforcement partners to uncover and stop bailout-related crime, and that will lead to prosecution. I want to commend U.S. Attorney Deirdre Daly for her steadfast commitment to fighting TARP-related crime.”

“This indictment alleges that, for several years, these three defendants handsomely profited by repeatedly lying to Nomura’s customers in violation of federal law,” said U.S. Attorney Deirdre M. Daly. “The victims of this alleged conspiracy include numerous funds, retirement plan providers and taxpayer-provided bailout funds that helped our nation to recover from the 2008 financial crisis. Our investigation into corrupt practices in the RMBS and other financial markets continues. I commend SIGTARP, the FBI, the U.S. Department of Labor’s Office of Inspector General, Office of Labor Racketeering and Fraud Investigations, and the Federal Housing Finance Agency Office of Inspector General for their outstanding investigative work in this area.”

The indictment charges Shapiro, Gramins and Peters with one count of conspiracy, an offense that carries a maximum term of imprisonment of five years, two counts of securities fraud, an offense that carries a maximum term of imprisonment of 20 years on each count, and seven counts of wire fraud, an offense that carries a maximum term of imprisonment of 20 years on each count.

In a parallel action, the Securities and Exchange Commission today announced related civil fraud charges against Shapiro, Gramins and Peters.

U.S. Attorney Daly stressed that an indictment is not evidence of guilt. Charges are only allegations, and each defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt.

The case has been assigned to U.S. District Judge Robert N. Chatigny in Hartford.

This matter is being investigated by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Bureau of Investigation, the U.S. Department of Labor’s Office of Inspector

General, Office of Labor Racketeering and Fraud Investigations, and the Federal Housing Finance Agency Office of Inspector General.

The case is being prosecuted by Assistant U.S. Attorneys Liam Brennan 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-chairs 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.

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