



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, December 22, 2015

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RBS SUPERVISOR PLEADS GUILTY TO CONSPIRACY TO COMMIT MULTIMILLION DOLLAR SECURITIES FRAUD

TARP recipients impacted by fraudulent deals

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 yesterday that Adam Siegel, 37, of Riverside, Connecticut waived his right to indictment and pleaded guilty in federal court to participating in a multimillion dollar securities fraud scheme. Siegel also entered into an agreement to cooperate with the government’s ongoing investigation.

According to court documents and statements made in court, between July 2008 and approximately 2014, Siegel was the Co-Head of U.S. Asset-Backed Securities, Mortgage-Backed Securities and Commercial Mortgage-Backed Securities Trading at RBS Securities Inc. RBS is a global securities firm with headquarters in Stamford, Connecticut. RBS also has a trading floor in Stamford where Siegel and some of the RBS employees that he supervised traded fixed income investment securities such as residential mortgage-backed securities (RMBS) and collateralized loan obligations (CLOs). In pleading guilty, Siegel admitted that he and others conspired to increase RBS’s profits on CLO and RMBS bond trades at the expense of customers. As part of the scheme, Siegel and his co-conspirators made misrepresentations to induce buying customers to pay inflated prices and selling customers to accept deflated prices for bonds, all to benefit RBS.

The conspiracy was perpetrated in two ways. In certain transactions, Siegel and his co-conspirators misrepresented the 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, Siegel and his co-conspirators misrepresented to the buyer that bonds held in RBS’s inventory were being offered for sale by a fictitious third-party seller, which allowed RBS to charge the buyer an extra, unearned commission. The investigation revealed numerous fraudulent transactions by Siegel and other members of the conspiracy that cost at least 35 victim customers, including firms affiliated with recipients of federal bailout funds through the Troubled Asset Relief Program (TARP), millions of dollars.

“The opaque markets of residential mortgage-backed securities (RMBS) and collateralized loan obligations (CLO), which played such a large role in the financial crisis, require honesty and integrity to protect all who trade,” said SIGTARP Inspector General Romero. “During the financial crisis, Adam Siegel exploited the lack of transparency in those markets by victimizing the firm’s customers, including TARP banks. His crime included defrauding buying customers about the price his firm paid so that he could charge more, defrauding selling customers about the price a buyer was willing to pay, and lying that a

bond his firm already held in inventory was actually being sold by a seller at an artificially inflated price. U.S. Attorney Deirdre Daly has shown great leadership, and her office and the FBI have been united with SIGTARP against crime related to the bailout.”

“Current regulations governing many fixed income products allow broker-dealers to operate in secrecy,” said U.S. Attorney Deirdre M. Daly. “But as the Court of Appeals for the Second Circuit recently reminded us in *United States v. Litvak*, under the securities laws, broker-dealers do not have a license to lie to their customers. Today’s plea is the most recent step in our continuing investigation into those who prey on fixed income investors. Others with relevant information should follow Mr. Siegel’s example and cooperate with us. We thank SIGTARP and the FBI for their hard work to date on this investigation. We are committed to our various investigations into the fixed income markets, and will continue to work with SIGTARP and the FBI, as well as our partners at the Department of Labor Office of the Inspector General, the Federal Housing Finance Administration Office of Inspector General, and the Fraud Section of the Department of Justice.”

Siegel 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 March 11, 2016.

On March 11, 2015, Matthew Katke, a registered broker-dealer and managing director at RBS Securities Inc., pleaded guilty to the same charge and also is cooperating with the government.

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

Yesterday’s announcement is part of the ongoing efforts of the Financial Fraud Enforcement Task Force’s Residential Mortgage-Backed Securities (RMBS) Working Group, a federal and state law enforcement effort focused on investigating fraud and abuse in the RMBS market that helped lead to the 2008 financial crisis and the federal government’s subsequent bailout. The RMBS Working Group brings together attorneys, investigators, analysts and staff from dozens of state and federal agencies including the Department of Justice, U.S. Attorneys’ Offices, SIGTARP, the FBI, the Securities and Exchange Commission (SEC), the Department of Housing and Urban Development (HUD), HUD’s Office of Inspector General, the FHFA-OIG, the Federal Reserve Board’s Office of Inspector General, the Recovery Accountability and Transparency Board, the Financial Crimes Enforcement Network, and state Attorneys General offices around the country.

The RMBS Working Group is led by Acting Associate Attorney General Stuart Delery, and co-chaired by Assistant Attorney General for the Criminal Division Leslie R. Caldwell, Principal Deputy Assistant Attorney General for the Civil Division Benjamin Mizer, U.S. Securities and Exchange Commission Director of Enforcement Andrew Ceresney, U.S. Attorney for the District of Colorado John Walsh and New York Attorney General Eric T. Schneiderman.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of over \$2.48 billion to the Government and 135 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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