

U.S. Department of Justice

*United States Attorney
District of Connecticut*

www.justice.gov/ct

FOR IMMEDIATE RELEASE

September 8, 2015

CONTACT:

Tom Carson

Public Information Office

(203) 821-3722

(203) 996-1393 (cell)

**INDICTMENT CHARGES 3 FORMER NOMURA RMBS TRADERS
WITH MULTIPLE FRAUD AND CONSPIRACY OFFENSES**

Deirdre M. Daly, United States Attorney for the District of Connecticut, Christy Goldsmith Romero, the Special Inspector General for the Troubled Asset Relief Program, Patricia M. Ferrick, Special Agent in Charge of the New Haven Division of the Federal Bureau of Investigation, Scott S. Dahl, the Inspector General for the Department of Labor, Office of Inspector General, and Steven Perez, Special Agent in Charge of the Federal Housing Finance Agency Office of Inspector General today announced that a federal grand jury in New Haven 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**, 32, 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.

"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 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."

"The indictment alleges that Shapiro, Gramins and Peters orchestrated a scheme of fraud and deceit to manipulate the bond market in their own favor resulting in losses that were passed on to investors," said FBI Special Agent in Charge Patricia M. Ferrick. "Self-dealing and special treatment of insiders have no place in American financial markets. The special agents of the FBI and our law enforcement partners will continue their work to ensure that the U.S. securities markets remain a level playing field for all investors."

"When investment professionals put profits before prudence and the law, it creates a dangerous environment for investors and threatens the integrity of our financial markets," said Steven Perez, Special Agent in Charge of the Federal Housing Finance Agency Office of Inspector General. "Today's announcement signals our ongoing commitment to working with

our law enforcement partners to identify, investigate and prosecute corrupt practices in the Residential Mortgage Backed Securities arena and level the playing field for the investing public.”

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.

Today’s announcement is part of the ongoing efforts of President Obama’s 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 in the federal government’s 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, 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 Office of the Special Inspector General for the Troubled Asset Relief Program, 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 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.

For more information about the RMBS Working Group and the Financial Fraud Enforcement Task Force, which is chaired by Attorney General Loretta Lynch, visit:www.stopfraud.gov.

###