



Department of Justice



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**FORMER EMPLOYEE OF FINANCIAL SERVICES COMPANY PLEADS GUILTY
FOR ROLE IN BID-RIGGING AND FRAUD CONSPIRACIES
INVOLVING PROCEEDS OF MUNICIPAL BONDS**

WASHINGTON A former employee of a financial services company pleaded guilty today for his participation in bid-rigging and fraud conspiracies related to contracts for the investment of municipal bond proceeds and other related municipal finance contracts, the Department of Justice announced.

According to charges filed today in the U.S. District Court in New York City, Mark Zaino engaged in separate bid-rigging and fraud conspiracies with companies that provide a type of contract, known as an investment agreement, to state, county and local governments and agencies throughout the United States. The public entities were seeking to invest money from a variety of sources, primarily the proceeds of municipal bonds that they had issued to raise money for, among other things, public projects. Zaino also pleaded guilty to one count of wire fraud. According to the plea agreement, Zaino has agreed to cooperate with the ongoing investigation.

The department said in court documents that from March 2001 until late 2006, Zaino was employed on the municipal bond and derivatives desk of a financial services company that was a wholly-owned subsidiary of a financial institution that, among other things, acted as an underwriter for municipal bonds. On behalf of its parent financial institution, the financial services company that employed Zaino was hired by the public entities that issue municipal bonds to act as a broker and conduct what was supposed to be a competitive bidding process for investment agreements. Competitive bidding for those agreements is the subject of regulations issued by the U.S. Department of the Treasury and is related to the tax-exempt status of the bonds. The financial institution was also a provider of investment agreements and other derivative contracts, such as swaps, to municipal issuers and to other financial institutions, including other providers of investment agreements and municipal finance contracts.

According to court documents, Zaino engaged in a bid-rigging conspiracy from at least as early as October 2001 until March 2006. As a part of the bid-rigging conspiracy, Zaino, acting as a broker of investment agreements, and co-conspirator providers designated in advance which co-conspirator provider would be the winning bidder for certain investment agreements brokered by Zaino's employer. After the winning co-conspirator provider was designated, Zaino caused the other co-conspirator providers to submit intentionally losing bids, giving the false appearance that the investment agreements had been bid competitively in accordance with relevant Treasury regulations. According to the court documents, kickbacks in the form of inflated or unearned fees were paid to Zaino's employer and its parent financial institution in exchange for assistance in

controlling the bidding process and ensuring that certain co-conspirator providers won the bids they were allocated.

According to court documents, Zaino, acting as a provider of investment agreements, also participated in a fraud conspiracy from as early as August 2001 until March 2006. As part of this conspiracy, Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products (CDR), acting as a broker of investment agreements and other municipal finance contracts, agreed to fraudulently steer investment agreements to a certain provider. CDR steered those investment agreements to the provider in exchange for kickbacks from that provider, while giving the false appearance that the investment agreements had been bid in accordance with relevant U.S. Treasury regulations. CDR is a Beverly Hills, Calif.-based financial products and services firm. CDR and the provider also agreed to disguise the kickbacks as fees paid to CDR for acting as a broker in financial transactions, known as swaps, between the provider and other financial institutions, including the parent financial institution of Zaino's employer. As part of the conspiracy, Zaino agreed to arrange for the financial institution to enter into swaps with the provider in order to pay CDR the kickbacks disguised as fees. Zaino also agreed to submit intentionally losing bids to CDR, frequently on deals that were steered to the provider. As a result of this conduct, the provider won contracts at artificially determined price levels and CDR profited at the expense of the municipal issuers.

The bid-rigging conspiracy for which Zaino is charged carries a maximum penalty of 10 years in prison and a \$1 million fine. The fraud conspiracy for which Zaino is charged carries a maximum penalty of five years in prison and a \$250,000 fine. The wire fraud charge carries a maximum penalty of 20 years in prison and a \$250,000 fine. The maximum fines for each of these offenses may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Zaino is the fourth individual to plead guilty in relation to an ongoing investigation into the municipal bonds industry, which is being conducted by the Antitrust Division's New York Field Office, the FBI and IRS Criminal Investigation. Three former employees of CDR have pleaded guilty to bid-rigging and fraud conspiracies in relation to the ongoing investigation.

On Oct. 29, 2009, CDR, two of its employees and one former employee were indicted and charged with participating in bid-rigging and fraud conspiracies and related crimes.

The department is coordinating its investigation with the Securities and Exchange Commission, the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York.

Today's guilty plea is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement

who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

Anyone with information concerning bid rigging and related offenses in any financial markets should contact the Antitrust Division's New York Field Office at 212-264-0390 or visit www.justice.gov/atr/contact/newcase.htm, or the FBI at 212-384-5000.

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