Department of Justice

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FORMER EMPLOYEE OF A NATIONAL BANK PLEADS GUILTY FOR ROLE IN BID-RIGGING AND FRAUD CONSPIRACIES INVOLVING PROCEEDS OF MUNICIPAL BONDS

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

According to plea proceedings today in the U.S. District Court in New York City, Douglas Lee Campbell engaged in separate bid-rigging and fraud conspiracies related to the provision of a type of contract, known as an investment agreement, to public entities throughout the United States, such as state, county and local governments and agencies. Campbell also pleaded guilty to one count of wire fraud. According to the plea agreement, Campbell has agreed to cooperate with the ongoing investigation.

According to court documents, the bank that employed Campbell was a provider of investment agreements and other municipal finance contracts, such as swaps, to public entities. Public entities seek to invest money from a variety of sources, primarily the proceeds of municipal bonds that they issued, to raise money for, among other things, public projects. Public entities typically hire a broker to conduct a competitive bidding process for the award of the investment agreements to invest such money. Competitive bidding for these 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 department said in court documents that Campbell worked in the bank's municipal derivatives group as senior vice president and a marketer of investment agreements and other municipal finance contracts. According to the court documents, Campbell engaged in a bid-rigging conspiracy from at least as early as 1998 until approximately September 2005. As a part of the bid-rigging conspiracy, Campbell and co-conspirators designated in advance which co-conspirator provider would be the winning bidder for certain investment agreements and other municipal finance contracts brokered by Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products. CDR is a Beverly Hills, Calif.-based financial products and services firm. Campbell also agreed to submit intentionally losing bids to CDR on investment agreements or other municipal finance contracts that were steered to other providers, giving the false appearance that these deals had been bid competitively in accordance with relevant Treasury regulations.

As a part of the bid-rigging conspiracy, kickbacks in the form of inflated or unearned fees were paid by Campbell's employer to CDR in exchange for assistance in controlling the bidding process and ensuring that certain co-conspirator providers won the bids they were allocated.

According to the court documents, Campbell also participated in a fraud conspiracy with CDR from at least as early as 1998 until approximately September 2005. As part of this conspiracy, CDR gave Campbell information about the prices, price levels or conditions in competitors' bids, a practice known as a "last look," which is explicitly prohibited by U.S. Treasury regulations. In exchange for the information, Campbell's employer paid kickbacks to CDR. Campbell also submitted intentionally losing bids to CDR for certain investment agreements to make it appear that his employer had competed for those agreement or contracts, when in fact, it had not. As a result of the bid manipulation, Campbell's employer won investment agreements and other municipal finance contracts at artificially determined price levels, which deprived municipal issuers of money and property.

The court documents also charge that Campbell and co-conspirators misrepresented to municipal issuers or their bond counsel that the bidding process was in compliance with U.S. Treasury regulations. This caused the municipal issuers to award investment agreements and other municipal finance contracts to providers that otherwise would not have been awarded the contracts if the issuers had true and accurate information regarding the bidding process. Such conduct caused municipal issuers to file inaccurate reports with the Internal Revenue Service (IRS) and thus placed the tax-exempt status of the underlying bonds in jeopardy.

The bid-rigging conspiracy for which Campbell is charged carries a maximum penalty of 10 years in prison and a $1 million fine. The fraud conspiracy for which Campbell 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.

This is the seventh guilty plea to arise from 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. 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.

Three former employees of CDR have pleaded guilty to bid-rigging and fraud conspiracies in relation to the ongoing investigation. Three other individuals have pleaded guilty to charges related to the ongoing investigation. In addition, three former financial services executives were indicted on July 27, 2010, for participating in fraud schemes and conspiracies related to the bidding for investment agreements. In October 2009, CDR, two of its employees and one former employee were charged for participating in bid-rigging and fraud conspiracies and related crimes. The CDR trial is scheduled to begin Sept. 12, 2011.

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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