



# Department of Justice



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## **FORMER EMPLOYEE OF CHARLOTTE, NORTH CAROLINA-BASED BANK PLEADS GUILTY FOR HIS ROLE IN FALSIFYING BANK RECORDS INVOLVING PROCEEDS OF MUNICIPAL BONDS**

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

According to charges filed today in U.S. District Court in New York City, Brian Scott Zwerner, a resident of Atlanta, engaged in a conspiracy to falsify bank records related to the marketing profits for a type of contract, known as an investment agreement, and other municipal finance contracts, including derivative contracts. Public entities throughout the United States, such as state, county and local governments and agencies, invested the proceeds of bonds issued in these contracts. According to the plea agreement, Zwerner has agreed to cooperate with the department's ongoing investigation.

“Today’s guilty plea demonstrates the Antitrust Division’s commitment to vigorously pursue and prosecute crimes in the financial services industry that harm competition,” said Christine Varney, Assistant Attorney General in charge of the Department of Justice’s Antitrust Division.

According to the court document, the Charlotte, N.C.-based bank that employed Zwerner was a provider of investment agreements and other municipal finance contracts 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. Competitive bidding for these agreements is the subject of regulations issued by the Department of the Treasury and is related to the tax-exempt status of the bonds.

The department said in the court document that Zwerner was the manager of the Municipal Derivatives Trading Desk at the bank. According to the court document, Zwerner engaged in the conspiracy from at least as early as January 1999 until approximately May 2002. Among other objectives, Zwerner and co-conspirators falsified bank records related to marketing profits so that the bank could pay kickbacks to brokers, including Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products, a Beverly Hills, Calif.-based financial products and services firm. Specifically, Zwerner understated the marketing profits on

trade tickets for certain investment agreements or other municipal finance contracts so that money could be held back and accumulated in an off-the-books account in order to pay the kickbacks. According to the court document, trade tickets are reports that record the essential terms of investment agreements. The department said that the kickbacks were in exchange for brokers, including CDR, manipulating the competitive bidding process so that the bank would be the winning bidder for certain investment agreements and other municipal finance contracts.

The false bank records conspiracy for which Zwerner is charged carries a maximum penalty of five years in prison and a \$250,000 fine. The maximum fine for this offense 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 ninth guilty plea to arise from an ongoing investigation into the municipal bonds industry, which is being conducted by the Antitrust Division's New York and Cleveland Field Offices, the FBI and Internal Revenue Service-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. Five other individuals have pleaded guilty to charges related to the ongoing investigation. 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 on Jan. 9, 2012. In addition, six other former executives at financial service companies or financial institutions have been indicted as a result of this investigation and are awaiting trial.

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](http://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 the FBI at 212-384-5000, or visit [www.justice.gov/atr/contact/newcase.htm](http://www.justice.gov/atr/contact/newcase.htm).

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