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Former Bank of America Executive Pleads Guilty for Role in Conspiracy and Fraud Involving Investment Contracts for Municipal Bonds Proceeds.

Washington, DC—(ENEWSPPF)—February 10, 2014. A former Bank of America executive pleaded guilty today for his participation in a conspiracy and scheme to defraud related to bidding for contracts for the investment of municipal bond proceeds and other municipal finance contracts, the Department of Justice announced.

Phillip D. Murphy, the former managing director of Bank of America's municipal derivatives products desk from 1998 to 2002, pleaded guilty today before U.S. District Judge Max O. Cogburn Jr. in the U.S. District Court for the Western District of North Carolina to participating in a fraud conspiracy and wire fraud scheme with employees of Rubin/Chambers, Dunhill Insurance Services Inc., also known as CDR Financial Products, a broker of municipal finance contracts, and others. Murphy also pleaded guilty to conspiring with others to make false entries in the reports and statements originating from his desk, which were sent to bank management.

Murphy was indicted by a grand jury on July 19, 2012. According to the indictment, Murphy participated in a wire fraud scheme and separate fraud conspiracies that began as early as 1998 and continued until 2006.

"By manipulating what was intended to be a competitive bidding process, the conspirators defrauded municipalities, public entities and taxpayers across the country," said Brent Snyder, Deputy Assistant Attorney General of the Antitrust Division's Criminal Enforcement Program. "Today's guilty plea reaffirms the Antitrust Division's continued efforts to hold accountable those who corrupt and subvert the competitive process in our financial markets."

Public entities seek to invest money from a variety of sources, primarily the proceeds of municipal bonds that they issue, 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 and often for other municipal finance contracts.

According to the charges, Murphy conspired with CDR and others to increase the number and profitability of investment agreements and other municipal finance contracts awarded to Bank of America. Murphy won investment agreements through CDR's manipulation of the bidding process in obtaining losing bids from other providers, which is explicitly prohibited by U.S. Treasury regulations. As a result of the information, various providers won investment agreements and other municipal finance contracts at artificially determined prices. In exchange for this information, Murphy submitted intentionally losing bids for certain investment agreements and other contracts when requested, and, on occasion, agreed to pay or arranged for kickbacks to be paid to CDR and other co-conspirator brokers.

Murphy and his co-conspirators misrepresented to municipal issuers that the bidding process was competitive and 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 placed the tax-exempt status of the underlying bonds in jeopardy.

“Mr. Murphy’s actions undermined the public’s trust when he conspired to manipulate a competitive bidding process,” said Richard Weber, Chief, IRS Criminal Investigation (IRS-CI). “IRS-CI has experienced great success in unraveling significant and complex financial frauds as we work in close collaboration with our law enforcement partners.”

“Mr. Murphy ripped off hard working American taxpayers and cash-strapped municipalities all in pursuit of his own lucre,” said George Venizelos, Assistant Director in Charge of the FBI’s New York Field Office. “Let this serve as a reminder to others who are entrusted to act in the public’s best interest; your lack of candor won’t go without notice.”

Murphy pleaded guilty to two counts of conspiracy and one count of wire fraud. The fraud conspiracy carries a maximum penalty of five years in prison and a \$250,000 fine. The wire fraud charge carries a maximum penalty of 30 years in prison and a \$1 million fine. The false bank records conspiracy carries a maximum penalty of five 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.

Including Murphy, a total of 17 individuals have been convicted or pleaded guilty. Additionally, one company has pleaded guilty.

The prosecution is being handled by Steven Tugander, Richard Powers, Eric Hoffmann, Patricia Jannaco and Stephanie Raney of the Antitrust Division. Assistant U.S. Attorneys Kurt Meyers, Michael Savage and Mark Odulio of the U.S. Attorney’s Office for the Western District of North Carolina have also provided valuable assistance in this matter. The guilty plea announced today resulted from a wide-ranging investigation conducted by the Antitrust Division’s New York office, the FBI and the IRS-CI. The division coordinated its investigation with the U.S. 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 Obama’s Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorney’s offices and state and local partners, it’s the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,700 mortgage fraud defendants. 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 212-335-8000, the FBI at 212-384-5000 or IRS-CI at 212-436-1761, or visit www.justice.gov/atr/contact/newcase.htm.

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