



# Department of Justice



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**FORMER BANK OF AMERICA EXECUTIVE SENTENCED TO SERVE  
26 MONTHS IN PRISON FOR ROLE IN CONSPIRACY AND FRAUD INVOLVING  
INVESTMENT CONTRACTS FOR MUNICIPAL BOND PROCEEDS**

WASHINGTON – A former Bank of America executive was sentenced 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 today.

Phillip D. Murphy, the former managing director of Bank of America’s municipal derivatives group from 1998 to 2002, was sentenced to serve 26 months in prison by U.S. District Judge Max O. Cogburn Jr. of the U.S. District Court of the Western District of North Carolina.

On Feb. 10, 2014, Murphy pleaded guilty to participating in multiple fraud conspiracies and schemes with various financial institutions and brokers from as early as 1998 until 2006. Bank of America and other financial institutions, acting as “providers,” offered a certain type of contract – known as an investment agreement – to state, county and local governments and agencies, and not-for-profit entities, throughout the United States. These public entities sought 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. Public entities typically hire a broker to assist them in investing their money and to conduct a competitive bidding process to determine the winning provider.

“Individual accountability is the cornerstone of protecting the integrity of our financial markets,” said Deputy Assistant Attorney General Brent Snyder of the Antitrust Division’s Criminal Enforcement Program. “This sentence is a result of our continued resolve to vigorously prosecute bank executives whose greed and illegal schemes undermine our free and fair financial markets.”

According to court documents, Murphy conspired with employees of Rubin/Chambers Dunhill Insurance Services Inc., also known as CDR Financial Products, a broker of municipal 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 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, various providers won investment agreements and other municipal finance contracts at artificially determined prices. Murphy also 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.

In conjunction with the bid rigging, Murphy and his co-conspirators submitted numerous intentionally false certifications that were relied upon by both municipalities and the Internal Revenue Service (IRS). These false certifications misrepresented that the bidding process had been conducted in a competitive manner that was in conformance with U.S. Treasury regulations. These false certifications caused municipalities to award contracts to Bank of America and other providers based on false and misleading information. The false certifications also impeded and obstructed the ability of the IRS to collect revenue owed to the U.S. Treasury.

"We trust those in positions of leadership and power to do the right thing when it comes to taking care of our money," said Chief Richard Weber of the IRS's Criminal Investigation. "When that trust is broken through these types of criminal activities, then those individuals need to be held accountable. Today's sentencing reflects our commitment to ensuring fairness for those engaged in these types of investments."

"By knowingly exploiting vulnerabilities in the bidding process, Murphy ignored policies put in place to allow for the ethical distribution of municipal bond proceeds," said Assistant Director in Charge Diego Rodriguez of the FBI's New York Field Office. "In the end, he brokered a deal that served his own best interests. Today's sentence is proof of our continued determination to root out those whose business practices contribute to the deterioration of healthy competition in the municipal bidding process."

Including Murphy, 17 individuals and one corporation have been convicted or pleaded guilty as a result of the Antitrust Division's municipal bonds investigation.

The sentence announced today resulted from an investigation conducted by the Antitrust Division's New York Office, the FBI and IRS-CI. The division also 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. The U.S. Attorney's Office of the Western District of North Carolina provided valuable assistance in this matter.

The charges were brought in connection with the President's Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' 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 nearly 10,000 financial fraud cases against nearly 15,000 defendants, including more than 2,900 mortgage fraud defendants. For more information on the task force, please visit [www.StopFraud.gov](http://www.StopFraud.gov).

Anyone with information concerning bid rigging and related offenses in any financial market should contact the Antitrust Division's New York Office at 212-335-8000, the FBI at 212-384-5000, the IRS-CI at 212-436-1761, or visit [www.justice.gov/atr/contact/newcase.html](http://www.justice.gov/atr/contact/newcase.html).

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