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Ex-JPMorgan VP Gets No Prison, No Fines For Bid-Rigging

By **Kat Greene**

Law360, Los Angeles (December 18, 2013, 7:16 PM ET) -- A New York federal judge gave a former JPMorgan Chase & Co. vice president no prison time, no probation and no fines Wednesday, after he pled guilty to and assisted in the investigation of bid-rigging in the municipal bond derivatives market.

Hertz was the first JPMorgan employee to assist in the investigation, his attorney wrote in his Dec. 10 sentencing statement. Hertz cooperated with the U.S. Securities and Exchange Commission and other federal agencies, ultimately aiding them in netting $674 million in settlements from the banks accused of participating, his attorney wrote.

James L. Hertz, 56, pled guilty to his charges in 2010.

"If the government wants to change Wall Street, it should charge the Jamie Dimons, not the Jim Hertzes," Hertz' attorney, Edward Gargiulo, told Law360 on Wednesday.

A spokesman for JPMorgan did not immediately respond to a request for comment on Wednesday.

Representatives for the U.S. Department of Justice did not immediately respond to a request for comment Wednesday.

Hertz, who served as vice president and a marketer of municipal finance contracts between 1994 and December 2007, engaged in a bid-rigging conspiracy between October 2001 and November 2006 that involved designating the winning bidder for the contracts or intentionally losing bids, prosecutors alleged.

He also participated in a fraud conspiracy with a Minnesota-based broker from 1998 until November 2006 in which he received information on competitors' bids, according to prosecutors.

Hertz faced up to 10 years in prison and a $1 million fine for the bid-rigging conspiracy charge; up to five years in prison and a $250,000 fine for the fraud conspiracy charge; and up to 20 years in prison and a $250,000 fine for the wire fraud charge.

Hertz agreed to cooperate with the DOJ's investigation, which has already netted at least 16 convictions. In September, Douglass Lee Campbell, a former senior vice president at an unnamed national bank, pled guilty to taking part in bid-rigging and fraud conspiracies related to contracts for investing municipal bond proceeds.

Hertz was "instrumental" in helping the government obtain a $228 million settlement from his former employer in July 2011, his attorney wrote in the sentencing statement.

Wells Fargo & Co., Bank of America Corp. and several General Electric Co. financing units have also **agreed to settlements**.

He attempted to rout out corruption within JPMorgan, his attorney said, and his early cooperation in the investigation cost him his year-end bonus in 2007. He worked for the government for the next two years without pay, his attorney wrote in the sentencing statement.

Suits in the MDL, first consolidated in June 2008, generally alleged that several financial firms colluded to rig bids in the market for municipal bond derivative offerings, starting as early as 1992. Municipal derivatives are used to invest the money that states and cities take in from issuing municipal bonds, which are often intended to raise funds for multiyear public works projects, according to the suits.

The financial institutions allegedly entered interlocking relationships by signaling their intended bids, refraining from bidding and submitting courtesy bids in transactions they had no intention of winning, according to suits in the MDL. As a result of the alleged conspiracy, plaintiffs in the cases generally said they were deprived of money they otherwise would have received from their municipal bond investments.

Hertz is represented by Edward R. Gargiulo of Gargiulo Rudnick LLP.

The case is U.S. v. Hertz, case number 1:10-cr-01178, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Erin Fuchs. Editing by Edrienne Su.