

Department of Justice
U.S. Attorney's Office
District of Connecticut

FOR IMMEDIATE RELEASE

Thursday, December 17, 2020

Former Nomura RMBS Trader Who Defrauded Customers is Sentenced

John H. Durham, United States Attorney for the District of Connecticut, announced that MICHAEL GRAMINS, 38, of North Carolina, was sentenced today by U.S. District Judge Robert N. Chatigny to two years of probation, the first six months of which Gramins must spend in home confinement, for defrauding mortgage-backed securities customers of Nomura Securities International, where he was employed. Judge Chatigny also ordered Gramins to perform 300 hours of community service.

Pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the court proceeding occurred via videoconference.

According to the evidence presented during his trial, Gramins was an Executive Director on the Residential Mortgage Backed Securities ("RMBS") Desk at Nomura Securities International ("Nomura") in New York where he principally oversaw Nomura's trading of bonds composed of sub-prime and option ARM loans. Between 2009 and 2013, Gramins and others defrauded customers of Nomura by fraudulently inflating the purchase price at which Nomura could buy a RMBS bond to induce their victim-customers to pay a higher price for the bond, and by fraudulently deflating the price at which Nomura could sell a RMBS bond to induce their victim-customers to sell bonds at cheaper prices, causing Nomura to profit illegally. Gramins trained subordinates to lie to customers, provided them with the language to use in deceiving customers, and encouraged them to engage in the practice.

The victims of this scheme included hedge funds, insurance companies, and asset managers from Connecticut and elsewhere.

On June 15, 2017, a jury found Gramins guilty of one count of conspiracy to commit securities and wire fraud, and not guilty of one count of securities fraud and five counts of wire fraud. The jury could not reach a verdict as to one count of securities fraud and one count of wire fraud.

In a settlement announced by the U.S. Securities and Exchange Commission in July 2019, Nomura agreed to pay approximately \$25 million in restitution to customers for its failure to adequately supervise traders in mortgage-backed securities, and an additional \$1.5 million in penalties.

This matter has been investigated by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Bureau of Investigation, the U.S. Department of Labor's Office of Inspector General, Office of Labor Racketeering and Fraud Investigations, and the Federal Housing Finance Agency's Office of Inspector General.

The case is being prosecuted by Assistant U.S. Attorneys David Novick and Heather Cherry.

Topic(s):
Financial Fraud
Securities, Commodities, & Investment Fraud

Component(s):
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