



December 5, 2012 5:58 PM - Financial - Legal - Financial Services

## Deutsche Bank Whistleblower Exposes Multi-Billion Dollar Securities Violations

Former Risk Analyst Represented by Labaton Sucharow and the Government Accountability Project

WASHINGTON, Dec. 5, 2012 /CNW/ - Today, [Labaton Sucharow LLP](#) and the Government Accountability Project (GAP) announce their representation of a whistleblower who is alleging multi-billion dollar securities violations at Deutsche Bank, the Germany-based global investment bank. The alleged misconduct was first publicly disclosed in an article published by the [Financial Times](#) today. Dr. Eric Ben-Artzi is believed to be the first SEC whistleblower to share his story publicly.

Ben-Artzi, a former Quantitative Risk Analyst at Deutsche Bank responded, "I never wanted or expected to be a whistleblower. I reported internally first and extensively, in accordance with bank policies and procedures. As the problem was not acknowledged or corrected, I felt compelled to inform the proper law enforcement authorities. Unfortunately, my family and I are paying a heavy price for doing the right thing."

### Reported Securities Violations

Dr. Ben-Artzi discovered and internally reported possible securities violations stemming from Deutsche Bank's failure to accurately report the value of its credit derivatives portfolio. Specifically, between mid-2007 and 2010, the bank failed to properly value the gap option component in its portfolio of Leveraged Super Senior ("LSS") tranches of credit derivatives. The gap option is the difference between the collateral paid by the LSS note buyer and the mark-to-market expected loss that the LSS note seller agreed to cover. With a \$120-\$130 billion portfolio in notional value, Deutsche Bank was the largest holder of LSS trades in the marketplace. By not accurately valuing it, the bank was able to maintain its carefully crafted public image that it was weathering the financial crisis better than its peers – many of which required financial assistance from the government and experienced significant deterioration in their stock prices. Even using conservative assumptions, if the LSS portfolio had been properly valued, the bank would have substantially missed its earnings estimates. Due to these material misrepresentations, countless investors may have been harmed.

Deeply troubled by the bank's unwillingness to acknowledge and appropriately address this significant valuation problem, Dr. Ben-Artzi sought legal representation from Labaton Sucharow and reported the possible securities violations to the U.S. Securities and Exchange Commission through the [SEC Whistleblower Program](#). The program, established by the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010, has broad international reach and offers eligible whistleblowers significant employment protections, monetary awards and the ability to report anonymously.

Dr. Eric Ben-Artzi has worked in positions of significant responsibility at major financial institutions. He has unique expertise with the models, assumptions and calculations necessary to properly value and assess risk associated with derivatives. Earlier, he earned his Ph.D. from the Courant Institute at New York University where he also taught undergraduate courses in mathematics and financial engineering.

"When Dr. Ben-Artzi first consulted with me, I was shocked by the size and scope of the alleged misconduct," said Jordan Thomas, a former SEC Assistant Director and Chair of the Whistleblower Representation Practice at Labaton Sucharow. "This is exactly the type of significant and unreported securities violations that the SEC Whistleblower Program was intended to address. It is one of many high-profile matters in the pipeline."

### Employment Retaliation

Dr. Ben-Artzi repeatedly attempted to work through internal reporting channels, at increasingly higher levels, to correct the valuation problem. As alleged in his retaliation complaint filed with the Department of Labor, when he pressed his concerns further, he was subjected to severe hostility, isolated, denied access to records necessary to perform his job, lost his job independence and was stripped of responsibilities. In November 2011, shortly after returning from paternity leave, Deutsche Bank informed Dr. Ben-Artzi that his position had been moved to Europe and laid him off without

<b>ORGANIZATION PROFILE</b>
<b>Labaton Sucharow LLP</b>
<a href="#">More on this organization</a>
<b>Government Accountability Project</b>

warning, the chance to move with his job, or a real opportunity to find a new position within the financial institution. At all times prior to this illegal employment action, Dr. Ben-Artzi had received favorable performance reviews, and when laid off, was being recruited to work in other groups within the bank due to his professional expertise and reputation. Accordingly, GAP agreed to represent Dr. Ben-Artzi in his retaliation case, alleging violations of the whistleblower protection provisions contained within the Sarbanes-Oxley Act.

Tom Devine, GAP Legal Director and author of the award-winning *Corporate Whistleblower's Survival Guide*, commented: "This is a classic illustration of what whistleblowers risk when trying to work within the system at firms acting in bad faith. Dr. Ben-Artzi was a model corporate citizen who discovered SEC violations that could incur serious liability, and stuck his neck out internally to warn bank management. Deutsche Bank's response was to personally harass him, and fire him as soon as it pinned down what he knew. The retaliation was crude, and not camouflaged. Quite clearly, the point was to scare other would-be whistleblowers into silence. The lesson learned is that working within Deutsche Bank's corporate compliance and reporting system is an act of professional suicide."

#### **Bank Employee 'Know Your Rights' Campaign**

In October, GAP launched a nationwide educational campaign aimed at employees of large banks and financial institutions. This educational *Know Your Rights* campaign, one of the first major coordinated national efforts of its kind, seeks to inform workers of whistleblower protections and incentives that potentially apply to them, if they have witnessed or are aware of wrongdoing. Among other things, tens of thousands of leaflets were distributed at banks and financial institutions in 15 major cities across the country, informing workers of their protections.

Dr. Ben-Artzi's case serves as a great example of the need for this important public awareness campaign. More information can be found at [www.BankWhistleblower.org](http://www.BankWhistleblower.org).

#### **About Us**

**Labaton Sucharow**, one of the nation's premier law firms, has been a champion of investor and consumer rights for close to 50 years. It was the first law firm in the country to establish a practice exclusively focused on protecting and advocating for whistleblowers who report possible violations of the securities laws. Building on the firm's top ranked securities litigation platform, the **Whistleblower Representation Practice** leverages a world-class in-house team of investigators, financial analysts, and forensic accountants with federal and state law enforcement experience to provide unparalleled representation for whistleblowers.

The **Government Accountability Project** is the nation's leading whistleblower protection organization. Through litigating whistleblower cases, publicizing concerns and developing legal reforms, GAP's mission is to protect the public interest by promoting government and corporate accountability. Founded in 1977, GAP is a non-profit, non-partisan advocacy organization based in Washington, D.C.

SOURCE: Labaton Sucharow LLP

For further information:  
Steve Bodakowski for Labaton Sucharow, +1-203-254-1300 ext 141, or Dylan Blaylock, GAP Communications Director, +1-202-457-0034 ext. 137, +1-202-236-3733 cell, [dylanb@whistleblower.org](mailto:dylanb@whistleblower.org)

<http://www.labaton.com>

Shortened URL <http://cnw.ca/juEEd>