



**February 4, 2015**

## **Federal Court Orders U.S. Bank National Association to Pay \$18 Million to Peregrine Customers**

### **U.S. Bank held the Peregrine Financial Group, Inc. customer segregated funds account that Russell Wasendorf, Sr. used to misappropriate customer funds**

**Washington, DC** – The U.S. Commodity Futures Trading Commission (CFTC) today announced that on February 4, 2015, Chief Judge Linda R. Reade of the U.S. District Court for the Northern District of Iowa entered a Consent Order imposing a permanent injunction against **U.S. Bank National Association** (U.S. Bank) and ordering the bank to pay \$18 million dollars to be returned to Peregrine Financial Group, Inc. (Peregrine) customers.

At the time of its failure in July 2012, Peregrine was the nation's second largest non-bank, non-clearing Futures Commission Merchant (FCM). U.S. Bank maintains branch offices in Cedar Falls, Iowa, where Peregrine and its owner, Russell Wasendorf, Sr. (Wasendorf), were located. U.S. Bank was a depository for Peregrine and held a customer segregated funds account that Wasendorf used to defraud more than 24,000 Peregrine clients and misappropriate over \$215 million of customers' money. On July 10, 2012, the CFTC instituted a civil action against Wasendorf and Peregrine, *CFTC v. Peregrine Financial Group, Inc. and Russell Wasendorf, Sr.*, 12-cv-05383 (N.D.IL July 10, 2012) (see CFTC Press Release and CFTC Complaint [6300-12](#)). Wasendorf was also criminally charged, pled guilty, and on January 23, 2013 was sentenced to 50 years in prison and ordered to pay more than \$215 million in restitution. *U.S. v. Russell Wasendorf, Sr.*, 12-cr-2021(N.D.IA).

During the relevant period of the CFTC's action, June 2008 through July 2012, Wasendorf withdrew and transferred approximately \$36 million from the US Bank customer segregated funds account to persons and entities that were not Peregrine customers and U.S. Bank regularly withdrew its account fees from the customer segregated funds account for both Peregrine and non-Peregrine accounts held at the bank.

The Order enjoins U.S. Bank from committing future violations of the Commodity Exchange Act (CEA) and the CFTC's Regulations that prohibit any depository institution, like U.S. Bank, from holding, disposing of, or using funds that belong to customers of an FCM as though they belong to anyone other than the customers, and also prohibit the extension of credit based on such funds to anyone other than the customers.

The Order also requires U.S. Bank to pay \$18 million to the court-appointed Trustee for Peregrine in *In re Peregrine Financial Group, Inc.*, BK Case No. 12-27488 (N.D.IL) that will be returned to Peregrine customers that held domestic futures accounts.

CFTC Director of Enforcement Aitan Goelman stated: "Russell Wasendorf stole enormous sums of money that Peregrine's customers entrusted to him. He is responsible for his crimes. However, that fact does not excuse U.S. Bank's failure to meet its own responsibilities to safeguard Peregrine's customer funds that it held. As this litigation and its resolution demonstrate, the CFTC will be relentless in pursuing recovery on behalf of innocent investors."

The court's Order arises from a Complaint filed by the CFTC on June 5, 2013 charging U.S. Bank with improperly holding and using a Peregrine customer segregated funds account by treating the account like a regular business checking account, thereby allowing Wasendorf to withdraw customer money for non-customer purposes from June 2008 through July 2012 (see CFTC Press Release and Complaint [6601-13](#), June 5, 2013).

In the Order, the parties adopt the undisputed facts from the court's November 19, 2014 Summary Judgment Order (see Order under Related Links). There the court found that on August 3, 1992, Peregrine opened an account at a predecessor to U.S. Bank and designated the account a "Peregrine Financial Group, Inc. Customer Segregated Account." U.S. Bank provided two letters to Peregrine acknowledging the account contained customer money, would be properly segregated, and maintained in accordance with the CEA. However, during the relevant period alleged in the CFTC Complaint, no U.S. Bank employee that had responsibility for the customer segregated funds account understood that the account was a customer segregated funds account or understood the meaning of that account designation. At that time, U.S. Bank had no policies, procedures or training specifically applicable to FCM customers or customer segregated funds. During the relevant period, Wasendorf withdrew approximately \$36 million to persons and entities that were not Peregrine customers and U.S. Bank regularly withdrew its account fees from the customer segregated funds account for both Peregrine and non-Peregrine accounts held at the bank.

After the CFTC initiated its investigation in July 2012, U.S. Bank implemented new policies and procedures specifically applicable to FCM customer segregated funds accounts.

CFTC Division of Enforcement staff members responsible for this action are Robert Howell, Susan Gradman, Joy McCormack, Stephanie Reinhart, Ashley Burden, Jennifer Diamond, Jon Kramer, Elizabeth Pendleton, Scott Williamson, and Rosemary Hollinger.

**Media Contact**

Dennis Holden  
202-418-5088

Last Updated: February 4, 2015