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Wells Fargo Suffers Slump in Muni Bond Underwriting.

CHICAGO/SAN FRANCISCO — Wells Fargo & Co is paying a price in the U.S. municipal bond market for the bogus customer accounts scandal that hit the bank last year and led to bans by some cities and states, an analysis of Thomson Reuters data shows.

So far in 2017, Wells Fargo is in sixth place among senior underwriters of municipal bonds with 85 deals totaling nearly $8.13 billion, according to the data. During the same period in 2016, the bank ranked fourth with 134 issues totaling $12.74 billion.

In September, Wells Fargo agreed to pay a $190 million settlement over its staff opening as many as 2 million accounts without customers' knowledge.

California, along with Massachusetts, Chicago, and Ohio, suspended Wells Fargo last fall from pricing their negotiated bond sales due to the scandal.

Municipal issuers typically sell their debt either by hiring underwriters to price their bonds or by setting a date and time for underwriters to bid on the debt, and then choose the lowest bid.

Wells Fargo's ranking for negotiated deals slid to eighth place between Jan. 1 and May 17 from fourth place during the same period in 2016. The bank was the bookrunning underwriter on 45 deals totaling $5.2 billion so far this year, compared to 79 deals totaling $9.25 billion in 2016.

The bank's ranking drop for winning competitively bid issues was not as steep, falling to fifth place with 40 deals totaling $2.92 billion so far this year from third place with 55 deals totaling $3.48 billion last year.

"Public Finance is an important business for Wells Fargo with many opportunities for growth," Philip Smith, head of government and institutional banking at Wells Fargo, said in a statement to Reuters.

"We are continuing to invest in the business. Despite current political challenges affecting league tables, our strong relationships and diversified municipal business model have us growing (revenue) 15 percent year over year," Smith said.

CALIFORNIA DEAL

California sanctioned Wells Fargo over the accounts scandal last year. In April, however, it beat out eight other banks to win a $635 million competitive deal in the state with a 2.811 percent interest rate, according to the California Treasurer's Office.

"We had no choice," said California State Treasurer spokesman Marc Lifsher. California law requires the state to award competitive sales of general obligation bonds to the bidder with the lowest interest cost, Lifsher said.

He added that the state plans to review the sanctions this fall, but as of Monday, the bank was "still in our dog house."

“We’re continuing to pressure them to show us that they’ve cleaned up their act,” Lifsher said.

By REUTERS

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(Reporting By Karen Pierog in Chicago and Robin Respaut in San Francisco; Editing by Daniel Bases and Tom Brown)