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Increasing Civil and Criminal Enforcement in the Municipal Bond Market.

In this Corporate Crime column, Steven M. Witzel and Daniel C. Fishbein focus on recent and novel enforcement actions in the municipal bond space. They survey municipal securities regulatory changes and enforcement innovations geared toward municipal issuers, and look at the future direction for enforcement and regulation in the muni-bond market.

The historically sedate municipal bond market has been jarred by recent civil enforcement actions and criminal prosecutions. In the past several years, in a focused targeting of the muni-bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials. As this column went to press, the federal criminal trial of former Town of Oyster Bay Supervisor John Venditto (and former Nassau County Executive John Mangano) on securities fraud charges related to municipal bond sales by the Town of Oyster Bay was heading to conclusion. This trial follows on the heels of the December 2017 sentencing to 30 months’ imprisonment of former Ramapo, New York Town Supervisor Christopher St. Lawrence after his conviction on the DOJ’s first-ever criminal securities fraud trial related to municipal bonds.

In the wake of the financial crisis, disclosure requirements and other regulations protecting the \$4 trillion municipal debt market were strengthened. Despite its importance, the muni-bond market had been substantially less regulated than most others. This regulatory ramp up was the result of an announced effort by regulators to police the muni-bond market and try to make it more transparent for investors.

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