

# **Bond Case Briefs**

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## **Philadelphia Sues 7 Banks Alleging Municipal Bond Collusion.**

The city of Philadelphia filed a [lawsuit](#) Wednesday accusing Bank of America Corp, Barclays Plc, Citigroup Inc, Goldman Sachs Group Inc, JPMorgan Chase & Co, Royal Bank of Canada and Wells Fargo & Co of defrauding the city and public entities out of millions of dollars. The antitrust action claims the banks conspired to inflate the interest rates of tax exempt bonds known as Variable Rate Demand Obligations (VRDOs).

VRDOs are issued by public entities as fundraisers for infrastructure and public services like water, public education and transportation. With VRDOs, investors receive long term borrowing for short term rates. The banks then “remarket” the bonds to investors and charge the municipality for that service. The city accuses the banks of conspiring to not compete with each other by keeping rates artificially high and not remarketing the bonds. Philadelphia has issued \$1.6 billion of VRDOs, therefore the banks may have profited significantly from the accused scheme.

The Antitrust Division of the US Department of Justice has an ongoing a preliminary criminal investigation into defendants’ remarketing practices in connection with VRDOs.

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