Bond Case Briefs

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Why Cities and Pension Funds are Suing Big Banks (Again).

Baltimore hopes to spearhead two class action lawsuits that accuse banks of rate fixing.

Baltimore has filed two antitrust lawsuits in eight days, alleging price-fixing by big banks and hoping to turn both procedings into class action suits that seek billions in damages for governments and pension plans.

The suits address two different kinds of municipal market bonds, but both levy the same charges: that banks manipulated interest rates to their advantage, at the expense of taxpayers.

“That’s a big accusation because what that means is these banks were all in cahoots with each other,” says David Brunori, a research professor of public policy at the George Washington University. He adds that the complaint “reads like a crime novel,” conjuring up images of collusion behind closed doors in smoke-filled rooms. “I suspect it doesn’t actually work that way.”

If the allegations are true, Brunori estimates the liabilities for banks could be in the billions. That makes it likely many plaintiffs would opt for a settlement, as has happened with other municipal market lawsuits.

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BY LIZ FARMER | APRIL 5, 2019