

Bond Case Briefs

Municipal Finance Law Since 1971

Bank of America Settles Municipal Bond Rigging Lawsuit.

NEW YORK (Reuters) – Bank of America Corp has agreed to pay \$20 million to settle a lawsuit in which investors accused it of rigging bids for municipal securities, court papers filed on Wednesday show.

The settlement is part of litigation that began in March 2008, and that alleged Bank of America and other banks conspired to artificially fix prices and manipulate markets for so-called municipal derivatives.

Plaintiffs including the City of Baltimore, and the Central Bucks School District and Bucks County Water & Sewer Authority in Pennsylvania said this activity violated antitrust law, and caused them to receive lower interest rates than they would have in a competitive marketplace.

In a filing in the U.S. district court in Manhattan, lawyers for the municipal entities called the settlement “significant and of substantial benefit to the class.”

They added that Bank of America faced less liability than other defendants because it cooperated sooner, including by reporting misconduct to the U.S. Department of Justice.

More than one dozen people have pleaded guilty in the Justice Department probe.

Wednesday’s unopposed settlement requires court approval. It follows earlier settlements of \$44.6 million by JPMorgan Chase & Co, \$37 million by Wells Fargo & Co and \$6.5 million by Morgan Stanley, court papers show.

Bank of America, JPMorgan, Wells Fargo, General Electric Co and UBS AG have settled related claims brought by various state attorneys general, the papers show.

The total payout for Bank of America is \$82.5 million, including the earlier settlement, court papers show.

Bank of America, the second-largest U.S. bank, is based in Charlotte, North Carolina. A spokesman declined to comment.

The case is In re: Municipal Derivatives Antitrust Litigation, U.S. District Court, Southern District of New York, No. 08-02516.

(Reporting by Jonathan Stempel in New York; Editing by Steve Orlofsky)