
Edward Jones to Pay $20M to Settle Federal Bond Sales Probe.

ST. LOUIS — Edward Jones has agreed to pay more than $20 million to settle claims by federal regulators that the brokerage firm and its former head of municipal underwriting overcharged customers in new municipal bonds sales, the U.S. Securities and Exchange Commission announced Thursday.

The SEC described the case as its first against an underwriter for pricing-related fraud in the primary market for municipal securities. The commission declined to specify the prevalence of such misconduct, saying only that its investigation was continuing.

Municipal bonds are debt securities issued by states, cities, counties and other governmental entities typically to finance long-term public projects such as building schools, highways or sewer systems.

Underwriters are required to offer new bonds to their customers at the "initial offering price," which is negotiated with the bonds' issuer. But the SEC said it found that largely between 2009 and 2012, Edward Jones and Stina Wishman — then chief of the firm's municipal bond underwriting desk — instead took new bonds into the firm's own inventory and improperly offered them to customers at higher prices.

Edward Jones sometimes didn't offer the bonds to customers until after trading began in the secondary market, then offered them at prices higher than the initial offering price, the SEC said.

Edward Jones' customers paid at least $4.6 million more than they should have for new bonds. Under the settlement $5.2 million will be distributed to those past and current clients, which Edward Jones spokesman John Boul said Thursday number roughly 13,000.

"We know who they are and what amount they will be compensated" with interest, Boul told The Associated Press, adding that Edward Jones cooperated fully with the SEC's probe and never hid the scrutiny, having disclosed in SEC filings since 2012 that it was the target of an investigation.

"We are pleased to have this matter resolved," he said.

The SEC said Wishman will pay $15,000 and is barred from working in the securities industry for at least two years.

The St. Louis-based firm also was accused of supervisory shortcomings in its review of municipal bond trades on secondary markets, specifically in monitoring whether the firm's markups charged to customers for certain trades were reasonable.

Neither Edward Jones nor Wishman admits violating any federal securities laws. The SEC credited the firm with recently undertaking "a number of remedial efforts," including disclosing the percentage and amount of markups on all fixed-income retail order trade confirmations in principal transactions.

Andrew Ceresney, head of the SEC’s enforcement division, said Edward Jones “undermined the integrity of the bond underwriting process,” and that the first-of-its-kind enforcement action “reflects our commitment to addressing abuses in all areas of the municipal bond market.”

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