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State Street Pays \$12 Million for SEC's Pay-to-Play Allegations.

State Street Corp. agreed to pay \$12 million to settle U.S. Securities and Exchange Commission claims that a former senior vice president helped route illicit cash payments and political contributions to win lucrative contracts to service Ohio pension funds.

Vincent DeBaggis, who headed State Street's public funds group at the time, hired an immigration attorney with no lobbying experience to funnel money to Ohio's then-deputy treasurer Amer Ahmad, according to a statement Thursday from the SEC. DeBaggis also worked with a State Street lobbyist, Robert B. Crowe, to give at least \$60,000 to the incumbent Treasurer's election campaign.

From February 2010 to April 2011, State Street paid the attorney, Mohamed Noure Alo, \$160,000 in fees with a substantial portion sent to Ahmad. Ahmad and Alo have been criminally convicted for other misconduct during Ahmad's tenure and are in federal prison.

"Pension fund contracts cannot be obtained on the basis of illicit political contributions and improper payoffs," Andrew J. Ceresney, head of the SEC's enforcement division, said in the statement. "DeBaggis corruptly influenced the steering of pension fund custody contracts to State Street through bribes and campaign donations."

Wall Street's main regulator has been cracking down on the so-called pay-to-play scandals in the \$3.7 trillion municipal bond market. In one of the largest, former New York State Comptroller Alan Hevesi spent 20 months in prison after pleading guilty to directing \$250 million in pension funds to an investment firm in exchange for travel, gifts and more than \$500,000 in donations.

State Street, which didn't admit or deny the SEC's findings, agreed to pay an \$8 million penalty and \$4 million in disgorgement and interest. The firm is a custody bank, and keeps records, tracks performance and lends securities for institutional investors including mutual funds, pension funds and hedge funds.

"The SEC's allegations regarding Mr. Crowe are patently untrue," his attorney Arthur McMahon said in a statement. "We are disappointed that Mr. Crowe will be required to defend himself and his reputation in a case that the SEC has no basis for bringing." Crowe is a partner at Nelson Mullins Riley & Scarborough.

The Ohio Public Employees Retirement System said in a statement that unlike most pension funds in U.S., it has no authority to contract, select or dictate terms with custodial banks and supports changes to the selection process in Ohio.

Requests for comment from an attorney representing DeBaggis weren't immediately returned. State Street didn't immediately return a request for comment.

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by Matt Robinson

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