Bond Case Briefs

Municipal Finance Law Since 1971

Natixis, Société Générale Settle Municipal Bond Fraud Charges.

Firms to pay more than $56 million as part of 22-state and private class settlement

Natixis Funding Corp. and Société Générale SA agreed to pay more than $56 million to settle charges of defrauding state and local governments and nonprofits across the U.S. in municipal bond derivative transactions.

New York Attorney General Eric Schneiderman said Wednesday that Natixis will pay about $30 million and Société Générale will pay about $26.8 million in a 22-state and private class settlement. About $53.9 million will go into a settlement fund to pay restitution to municipalities, counties, government agencies, school districts and nonprofits that the states say were harmed in contracts with the banks.

“SG is pleased to have reached agreement to resolve these matters,” Societe Generale spokesman said in an email statement.

Natixis couldn’t be reached for comment.

The attorneys general of New York and Connecticut, plus other 20 states, in 2008 began investigating the municipal bond derivatives market, where tax-exempt entities including municipalities, school districts and nonprofit organizations issue municipal bonds and reinvest the proceeds until the funds are needed or enter into contracts to hedge interest rate risk.

The attorneys general said they found “anticompetitive and fraudulent conduct” at several large financial institutions, including Natixis and Société Générale. They claim employees at the banks rigged bids and submitted noncompetitive courtesy bids and fraudulent certificates of arm’s-length bidding to government agencies.

Other settlements totaling about $350 million were reached between December 2010 and December 2011 with Bank of America, J.P. Morgan Chase & Co., UBS Group AG, GE Funding Capital Market Services and Wells Fargo & Co.’s Wachovia.

THE WALL STREET JOURNAL

By ANNE STEELE

Feb. 24, 2016 1:39 p.m. ET

Write to Anne Steele at Anne.Steele@wsj.com