# Bond Case Briefs

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## Six Firms To Pay $103.5M in Preliminary Settlements Over Bid-Rigging.

WASHINGTON – Six broker-dealers and investment providers have agreed to pay $103.35 million in preliminary settlements of charges by issuers and state attorneys general that they engaged in bid-rigging and price fixing for municipal investment products and derivatives.

The proposed money to be paid is a result of a coordinated effort by 22 attorneys general along with the city of Baltimore and the Central Bucks School District in Pennsylvania, which are leaders of a class action suit with numerous issuers. The litigation has been ongoing since about 2008.

About $100.5 million of the preliminary settlement amounts come from the issuer class action litigation and includes all six firms. The rest comes from preliminary settlements with the attorneys general and only concerns two firms, New York-based Natixis Funding Corp. and French multinational company Societe Generale.

Of the six proposed settlements, UBS AG agreed to pay the most — $32 million in the class action litigation. Natixis and Societe Generale agreed to pay about $30 million and $26.75 million, respectively, with $28.45 million and $25.41 million of those amounts, resulting from the class action litigation.

The remaining three firms involved in only the class action litigation are Minneapolis-based Piper Jaffray & Co., which would pay $9.75 million, London-based National Westminster Bank, which would pay $3.5 million, and Kansas City, Mo-based George K. Baum & Co., which would pay $1.4 million.

The proposed class action settlements are subject to preliminary approval by Judge Victor Marrero, who sits on the U. S. District Court for the Southern District of New York in Manhattan. The documents will then be circulated among the issuers in the class action suit to gather their comments. If, after receiving comments from the class participants, Marrero gives final approval to the six settlements, it will bring an end to more than eight years of litigation that began when a large number of issuers filed actions that were then consolidated with several lead plaintiffs in the New York district court.

Lawyers for the issuers either could not be reached for comment or declined to comment.

However, New York Attorney General Eric Schneiderman, who announced the attorneys general portion of the settlement, said the attorneys general "will not tolerate this type of misconduct at any level, especially as [they] work to restore public faith in [their] economic institutions." He added that he will continue to hold responsible any firms at fault to ensure that the marketplace operates honestly and fairly.

The preliminary settlements follow others in the same class action litigation under which five firms paid a total of $125 million. JPMorgan Chase paid $44.58 million, the most of the firms in these five prior settlements. The other four firms that previously settled include Morgan Stanley, GE Funding

Capital Market Services Inc., Bank of America, and Wachovia Bank, which is now Wells Fargo & Co.

The probes of bid rigging and price fixing involving guaranteed investment contracts and other investments of muni bond proceeds began in November 2006 and involved the U.S. Department of Justice's antitrust division, the Federal Bureau of Investigation, the Internal Revenue Service's criminal division, and the Securities and Exchange Commission.

In the middle of that month, the U.S. Marshalls, helping with the investigations, raided the offices of at least two GIC brokers, CDR Financial Products, in Beverly Hills, Calif., and Investment Management Advisory Group, Inc., in Pottstown, Pa.

After that several broker-dealers and muni investment providers, as well as their employees, began receiving subpoenas requesting documents and other information.

Eventually, the attorneys general joined the probes and lawyers in private practice filed class action suits on behalf of issuers.

Municipalities, school districts, and nonprofit organizations that issue munis often reinvest their proceeds or work with firms to enter into contracts to hedge interest rate risk. The investigations uncovered anticompetitive and fraudulent conduct involving individuals at a number of large financial institutions with municipal securities business. The federal agencies found that broker-dealers and investment product providers rigged the bidding process for those products so that issuers did not necessarily get the best prices for them.

The investigations led to numerous lawsuits and enforcement actions by the issuers, attorneys general, and federal regulators against the firms and individuals. Bank of America, UBS, JPMorgan, Wachovia, and GE previously agreed to pay a total of more than $740 million as a result of Justice Department investigations, according to documents.

Additionally, at least 17 individuals associated with the broker-dealers and investment providers were either convicted or pleaded guilty as a result of the DOJ investigations, the records show.

THE BOND BUYER

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FEB 24, 2016 4:18pm ET