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California Replaces Wells Fargo as Underwriter in Two Bond Sales.

SAN FRANCISCO — The California State Treasurer's Office said it replaced Wells Fargo & Co as the lead underwriter on two bond sales that had originally been scheduled for Tuesday, a day before the state announced sweeping sanctions against the company.

Management of the two sales, totaling nearly \$730 million, was replaced by Jefferies LLC in one sale and by Loop Capital Markets LLC and Raymond James & Associates, Inc in the other.

On Wednesday, State Treasurer John Chiang announced the suspension of Wells Fargo as a managing underwriter on state negotiated bond sales for the next 12 months. California is the nation's largest issuer of municipal debt.

Wells Fargo agreed on Sept. 8 to pay \$190 million to settle a case by California prosecutors and federal regulators over what were potentially more than 2 million unauthorized credit card and deposit accounts opened by branch employees scrambling to meet sales quotas. The bank said it fired 5,300 employees over the issue.

Tuesday's postponed bond sale had consisted of \$200 million of general obligation index floating rate bonds. The state replaced Wells Fargo with Jefferies LLC as the senior manager, and the sale is now scheduled for Thursday.

The second sale was nearly \$528 million of lease revenue refunding bonds from the State Public Works Board, issued to refund certain outstanding debts. Loop Capital and Raymond James will now manage the sale, which is scheduled to take place on Oct. 5.

Chiang, who oversees nearly \$2 trillion of California's annual banking transactions and manages a \$75 billion investment pool, called for the state on Wednesday to suspend Wells Fargo's "most highly profitable business relationships with the state of California."

Over the past 21 months, Wells Fargo had served as senior manager in three California deals, resulting in \$1.7 million of profits, according to the Treasurer's Office.

By REUTERS

SEPT. 28, 2016, 7:21 P.M. E.D.T.

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