Bond Case Briefs

Municipal Finance Law Since 1971

Well, You're Going to Hear About Muni Bond Lawsuits: Joe Mysak

- **Price-fixing, collusion at the center of series of complaints**
- **Minnesota adviser, financial fraud powerhouse seek billions**

There was a scene in the “The Sopranos,’’ in which mob boss Tony dreams of talking to a fish. “I don’t want to hear it,’’ he tells the fish. “Well, you’re gonna hear it,’’ the fish replies.

That’s where we are right now with a series of lawsuits filed against a bunch of banks that served as remarketing agents for variable-rate demand obligations. Nobody wants to talk about it. Nobody wants to comment. Nobody really wants to hear about it. But you’re gonna hear about it.

There’s so much about this story that is without precedent. First there was the series of lawsuits filed by a whistle-blower on behalf of California, Illinois, Massachusetts and New York, alleging damages and penalties of at least $3.6 billion.

These lawsuits allege that the banks didn’t price and remarket VRDOs individually, as they promised, but used something called “robo-resetting,’’ basically pricing them as if they were all alike in big buckets. The lawsuits also allege that Wall Street institutions conspired to keep the prices high enough that investors would never put them back, thus saving banks the trouble of having to find new buyers.

Then there was a big antitrust lawsuit filed in the Southern District of New York by Philadelphia, represented by famed financial fraud powerhouse Quinn Emanuel Urquhart & Sullivan. This referenced the whistle-blower as well as its own analysis, alleging that seven banks named in the complaint colluded to inflate prices on VRDOs. The lawsuit also specifically mentioned that the SEC and the Department of Justice were looking into the whistle-blower’s allegations, seeking unspecified damages and penalties in the “billions’’ of dollars.

And then the whistle-blower, a Minnesota adviser named Johan Rosenberg, revealed himself because of a Massachusetts ruling requiring that only individuals, not corporate entities, could file False Claims Act lawsuits in the state. This was the last piece of the puzzle.

Where to begin? First, you don’t get a lot of whistle-blowers making allegations in the municipal bond market, then letting everyone know who they are. Second, you don’t get a lot of law firms of the caliber of Quinn Emanuel standing as plaintiff’s counsel in the municipal market. Finally, of course, there’s the “billions” — probably the least interesting part about all of this, although it’s what will get headlines.

We’re still only at the very beginning of a process that will presumably take years, marking another gruesome episode in public finance. And yes, I know: You don’t want to hear it.

Bloomberg Business

By Joe Mysak

March 19, 2019, 7:03 AM PDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com