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Philadelphia Hands Bond Deal to Banks It Says Have Fleeced the City.

- **Barclays, Wells Fargo among those Philadelphia sued in Feb.**
- **City alleges industry-wide conspiracy to push up yields**

Philadelphia alleges that Barclays Plc is one of seven banks that fleeced taxpayers by conspiring to inflate the yields on floating-rate municipal bonds. But the city hired the company to work on a new bond deal, anyway.

The London-based bank will serve as senior manager on Philadelphia's upcoming $190 million bond offering — a job that requires the bank to gauge demand and price the securities accordingly. Giving the bank that role seems at odds with Philadelphia's assertions in a lawsuit it filed against Barclays and six competitors, alleging that they worked together to set the yields on floating-rate bonds artificially high to make it easier to sell them, potentially costing governments billions of dollars.

Also named in the suit was Wells Fargo & Co., which will be a co-manager on Philadelphia's upcoming bond sale, according to the city.

Barclays spokesman Andrew Smith and AnnMarie McDonald, a spokeswoman for Wells Fargo, declined to comment. Mike Dunn, a spokesman for the city, said in February that it didn't plan to cut business ties with the banks it's suing. A selection committee felt the companies provided "thoughtful credit and marketing ideas" for the general-obligation bond sale, Dunn said in an email Friday.

The lawsuit centers around so-called remarketing agents that set the interest-rates and line up buyers for variable-rate bonds, which investors have the option to sell back to those banks frequently. If the banks can't find buyers, they hold the securities in their own inventory, giving them an incentive to raise the rates if they don't want their money tied up. Both Barclays and Wells Fargo worked as remarketing agents for Philadelphia.

The city's lawsuit follows others filed in state court by a financial adviser whose analysis of publicly available data led him to believe that the rates were being manipulated. Banks have disputed that assertion.

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