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UBS to Pay \$10 Million to Resolve SEC Charges Related to Protecting Small Investors.

Cities and school districts issuing municipal debt for building projects can choose to give first priority to mom-and-pop investors

UBS Financial Services will pay more than \$10 million to resolve charges that the firm broke rules aimed at giving mom-and-pop investors priority access in buying fresh municipal bonds, the Securities and Exchange Commission said Monday.

Cities and school districts issuing municipal debt for building projects can choose to give first priority to small investors. Governments sometimes want to help local residents, and retail-held bonds tend to change hands less frequently, often keeping prices stable. The Municipal Securities Rulemaking Board mandates that brokers the governments hire to sell the bonds follow issuers' wishes regarding priority.

The SEC found that between 2012 and 2016, when UBS distributed newly issued bonds for such brokers and was required to follow the priority rules, it instead placed bonds intended for non-professional investors with other firms, often referred to as flippers, who quickly resold the bonds for a profit.

Investigators also found that UBS got improper access to other newly issued bonds by buying them through flippers, which gave UBS a better spot in line for those bonds than the broker would have had if it had bought them directly. Nearly \$7 million of UBS's fine was aimed at forcing the firm to give up "ill-gotten gains," the SEC said.

"Retail order periods are intended to prioritize retail investors' access to municipal bonds and we will continue to pursue violations that undermine this priority," said LeeAnn Gaunt, chief of the Public Finance Abuse Unit for the SEC Division of Enforcement.

UBS said it had adopted "enhanced systems and procedures" since the four-year period in question. It didn't admit to or deny the findings.

"After fully cooperating with the SEC, UBS is pleased to have resolved this matter," the firm said.

A Wall Street Journal investigation last year found that the brokers cities and school districts hire to sell bonds routinely award them to flippers—and then sometimes buy back the bonds themselves. About \$60 billion in newly issued municipal bonds sold between 2013 and 2017 were sold to customers who turned around and sold them to dealers within a single day, usually for a profit, the Journal found.

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