

Bond Case Briefs

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Goldman, Citi, BofA, Others to Face Muni Bond Price-Fixing Suit.

- **Accuses banks of illegal coordination about price, inventory**
- **Adequately alleges collusion through ‘thinly coded questions’**

Bank of America, Citigroup, JPMorgan, Goldman Sachs, and other top banks must face claims that they conspired to fix the price of “variable rate demand obligations,” a type of municipal infrastructure bond that can be redeemed at short-term interest rates that are reset weekly, a federal judge in Manhattan ruled Monday.

“Prior to resetting the VRDO interest rates, the banks routinely” shared “their base rates, inventory levels, and planned rate changes,” using “thinly coded questions” to coordinate and “ensure that none of them broke ranks,” Judge Jesse M. Furman wrote.

Those exchanges reflect “the kinds of forward-looking, price-bearing communications that can support an inference that there was a conspiracy to fix prices,” the judge said.

In addition to BofA, Citi, JPMorgan, and Goldman, the proposed class action targets affiliates of Barclays, Morgan Stanley, the Royal Bank of Canada, and Wells Fargo. It’s consolidated in the U.S. District Court for the Southern District of New York, where it’s being led by the city governments of Philadelphia and Baltimore.

The lawsuit accuses the banks of colluding with one another in an effort to get higher rates for the VRDO bonds than they pledged to in their “remarketing” agreements with the cities that issued them.

The contracts required the banks to set the lowest interest rate that the market would bear. Their scheme was aimed at letting them fix higher rates without being replaced by the issuing cities, which would have found cheaper remarketers in the absence of collusion, the suit says.

The illegal coordination allegedly came to light after the Securities and Exchange Commission and the Justice Department launched investigations in 2015 and 2016, respectively, based on a whistleblower complaint.

The case is [*City of Philadelphia v. Bank of Am. Corp.*](#), S.D.N.Y., No. 19-cv-2667, 11/2/20.

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