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Firm Settles FINRA Charges for Placing "Throw-Away" Bids.

A firm settled FINRA charges for placing bids that were well under market value in response to bid-wanted auctions or requests for quotes ("RFQs") in municipal securities. As a result of this action, the firm was found to have failed to exercise its best judgment in determining the fair market value ("FMV") of the securities.

In a Letter of Acceptance, Waiver and Consent, FINRA found that after the firm responded to the RFQs and the below-FMV bids had been accepted, the firm then re-offered the bonds at significantly higher prices "consistent with independent market activity" (i.e., the re-offer price aligned with previously reported trades in the bonds). FINRA stated there was no market news to justify the spread between the firm's bid to the issuer and its re-offer prices. The firm was found in violation of MSRB Rules G-13 ("Quotations Relating to Municipal Securities") and G-17 ("Conduct of Municipal Securities and Municipal Advisory Activities").

Additionally, FINRA found the firm had no written supervisory procedures ("WSPs") that referenced MSRB Rule G-13, nor did the WSPs identify who was responsible for reviewing quotations in municipal securities. As a result, the firm was found in violation of MSRB Rule G-27 ("Supervision").

To settle the charges, the firm agreed to (i) a censure; (ii) a $80,000 fine ($40,000 for violations of MSRB Rules G-13 and G-17, and $40,000 for violations of MSRB Rule G-27); and (iii) an undertaking to revise its WSPs to remedy the relevant deficiencies.

Cadwalader Wickersham & Taft LLP

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