

Bond Case Briefs

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RBC Resolves U.S. SEC Charges Over Bond Abuses, is Fined.

Sept 17 (Reuters) - A Royal Bank of Canada (RY.TO) unit was censured and will pay more than \$863,000 to resolve U.S. regulatory charges it broke rules meant to give retail and institutional investors priority in buying new municipal bonds.

In a civil settlement announced on Friday, the U.S. Securities and Exchange Commission said RBC Capital Markets LLC improperly allocated bonds to investors known as “flippers” who quickly resold their bonds to other broker-dealers at a profit.

Municipal bonds are typically issued by states, cities and school districts to fund operations and projects, and contain tax advantages over corporate and U.S. government bonds.

The SEC said RBC knew or should have known that giving priority to flippers violated its rules on bond offerings it underwrote.

It said RBC also improperly bought new bonds it had not underwritten from flippers, rather than wait in line to buy those bonds from the underwriters.

The alleged violations occurred from 2014 to 2017.

RBC’s payout includes a \$150,000 civil fine, plus disgorgement and interest.

Two RBC officials, head of municipal syndication Jaime Durando and former head of municipal sales Kenneth Friedrich, were also censured by the SEC and fined a combined \$55,000. Friedrich left the bank in 2016.

None of the defendants admitted or denied wrongdoing. RBC closed the flippers’ accounts and improved surveillance to help avert a recurrence.

RBC declined to comment. Lawyers for the other defendants did not immediately respond to requests for comment.

The SEC has reached several settlements over flipping abuses in municipal bonds, including a \$10 million accord with Switzerland’s UBS AG (UBSG.S) in July 2020.

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