

Bond Case Briefs

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SEC Files Muni Bond Action Centered on Flippers.

Municipal bonds are an important area in which few cases are typically filed. Frequently, when a case is filed it focuses on the financial information included in an offering which is at times not updated as required. Another key area, however, involves “flippers,” that is, those who improperly obtain bonds in an offering not for an investment but to sell to others. Offering procedures for municipal bonds typically prioritize investors over flippers. Yet there are increasing numbers of cases where the offering procedures are thwarted. This week the Commission brought another case based on flippers.

In the Matter of Kenneth G. Bredrich, Adm. Proc. File No. 3-20569 (September 17, 2021) is an action which named as a respondent the registered representative. He was employed at Major Broker. The internal procedures of Major Broker required that municipal bond sales be prioritized to allocate bonds per a standard methodology that prioritized customers and dealers over flipper absent different instructions from issuers. Over a four-year period beginning in 2014, however, the firm in a number of instances failed to follow the procedures. Indeed, at times Major Broker used the flippers to circumvent issuer priorities. As a result, the Order alleges violations of Exchange Act Section 15B(c)(1). To resolve the proceedings, Respondent consented to the entry of a cease-and-desist order based on the Section cited in the Order and to a censure. In addition, Respondent shall not act in the securities business or negotiate the purchase and sale of municipal bonds for a period of six months. He will also pay a penalty of \$30,000. *See also In the Matter of Jaime I. Durando*, Adm. Proc. File No. 93044 (September 17, 2021)(Respondent is also employed by Major Broker and engaged in essentially the same conduct as above; resolved with a cease-and-order based on the same Section and the payment of a \$25,000 civil penalty).

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SEC Actions