

# Bond Case Briefs

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## BofA, Citi, JPMorgan See Texas Muni Business Halt After Gun Law.

- **JPMorgan, Citi pull back amid uncertainty cast by law**
- **Law blocks banks that 'discriminate' against gun industry**

Wall Street's three biggest municipal-bond underwriters have seen business grind to a halt in Texas after the state enacted a law that blocks governments from working with banks that have curtailed ties to the gun industry.

Since the Republican-backed law took effect on Sept. 1, neither Bank of America Corp., Citigroup Inc. or JPMorgan Chase & Co. has managed a single municipal-bond sale in the state, according to data compiled by Bloomberg. It was the first time that's happened since at least late 2014.

JPMorgan said Thursday that it has decided that it can no longer bid for most municipal-debt business in Texas due to the law. On Friday, rival Citigroup said it has temporarily stopped underwriting deals there while it evaluates the law, though it expects to be able to resume work eventually.

Spokespeople for Bank of America declined to comment.

The Texas law marked the latest clash between Republican lawmakers and corporations that have been drawn into America's fraught cultural wars, such as the efforts to enact more restrictive voting laws in the wake of Donald Trump's defeat last year. Lawmakers in the gun-friendly state enacted the restriction to punish banks that curbed ties to firearm and ammunition makers in the wake of mass shootings like the one at a Parkland, Florida, high school in 2018 that left 17 dead.

The legislation, Senate Bill 19, requires that governments receive a written verification from companies that they do not have a practice, policy, guidance or directive that "discriminates against a firearm entity or firearm trade association." They also have to verify that they will not do so during the term of the contract.

In 2018, Bank of America said it would stop making new loans to companies that make military-style rifles for civilian use. That same year, Citigroup said it would prohibit retailers that are customers of the bank from offering bump stocks or selling guns to people who haven't passed a background check or are younger than 21. JPMorgan Chief Executive Officer Jamie Dimon told a Congressional committee this year that his bank won't finance gun companies that make military-style weapons for consumers.

The Texas municipal-bond market isn't a major profit center for the Wall Street goliaths, so the law doesn't threaten a major hit to their bottom lines. But it does lock them out of a big corner of the state and local underwriting business because Texas's swift growth has made it one of the biggest issuers of such securities.

The ambiguity around the law was what led JPMorgan to decide it can't bid on most business with

public entities in Texas, according to a company spokesperson.

“While our business practices should permit us to certify, the legal risk associated with this ambiguous law prevents us from bidding on most business right now with Texas public entities,” Patricia Wexler, a spokesperson for the bank, said in an emailed statement.

On Friday, Citigroup said in a statement that it believes it can comply with the law but has temporarily pulled back.

“While we are dedicated to staying involved in the Texas market and serving our public sector clients, we have elected not to engage in primary market underwriting temporarily as we work through the certification process,” the bank said in a statement to Bloomberg News.

The legislation has also sown some consternation among local officials concerned that limiting the number of banks at work could affect their ability to raise money or leave them paying higher costs.

Denise Tacke, the finance director for the city of Plano, Texas, said it’s unclear how big of an impediment the legislation will be until the city sells bonds again and sees how many underwriters participate and whether it has an impact on how the bonds price. She said it’s still unclear which financial institutions the city is barred from working with.

“We were concerned about the bill and we did let our legislators know that it might negatively impact us,” she said in an email.

## **Bloomberg Markets**

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