

# **Bond Case Briefs**

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## **JPMorgan Removed from Louisiana Muni Deal After Gun Scrutiny.**

- **State bond panel votes to replace bank on \$700 million issue**
- **Commission names Wells Fargo as senior manager on bond offer**

JPMorgan Chase & Co. was removed on Thursday from a \$700 million Louisiana municipal-bond deal after the bank's stance on guns drew criticism from state Republican officials.

After a fiery meeting, the state bond commission voted to have Wells Fargo & Co. replace JPMorgan, the largest U.S. bank, as senior manager on the deal.

The decision came after state Treasurer John Schroder, a Republican, said his team was scrutinizing JPMorgan's gun policies following Chief Executive Officer Jamie Dimon's comments to a Congressional committee earlier this year that his firm won't finance companies that make military-style weapons for consumers.

"I'm not selling our Second Amendment rights to corporate America," Schroder, the panel's chair, said at the meeting in Baton Rouge.

In 2019, Louisiana began asking banks whether they have policies that infringe on citizens' rights to bear arms as part of the firms' application to underwrite bond deals. At the time, JPMorgan said it didn't.

But in advance of this bond sale, Schroder said his office asked banks in the underwriting pool whether they finance the manufacture of certain weapons for civilian use.

JPMorgan didn't submit an answer to that query, and that lack of response led to their disqualification from underwriting the sale, Schroder said. A JPMorgan spokesperson didn't have an immediate comment after the vote Thursday. Allison Chin-Leong, a spokesperson for Wells Fargo, declined to comment.

Originally, JPMorgan was chosen to underwrite the bonds after offering a lower fee than other banks, but now Wells Fargo will match that fee, Lela Folse, director of the bond commission, said during the meeting Thursday.

Matthew Block, executive counsel for Governor John Bel Edwards, a Democrat, questioned the process around disqualifying the bank.

"This is a road, and it leads us to someplace that none of us know where we're going," he said during the meeting, noting the state has already stopped hiring Bank of America Corp. and Citigroup Inc. to underwrite bond sales over gun issues. Block said other banks would offer less competitive borrowing terms as a result.

**'Telling the World'**

“We are telling the world — not just Louisiana, not just New York — the world, that three of the biggest banks to loan us money at a good rate of interest, we don’t want to do business with them,” he said.

In addition to Wells Fargo’s involvement in the sale of the gas and fuel-tax bonds, Morgan Stanley, UBS Group AG, Loop Capital Markets and Blaylock Van are co-managers. Proceeds will go to refinancing existing debt.

JPMorgan is also facing a hit to its public-finance business in neighboring Texas because of a GOP law that seeks to punish Wall Street banks for wading into social issues. In September, a law went into effect there that bars state and local governments from hiring banks that moved to curtail ties to the firearms industry in the wake of mass shootings.

Bank of America, Citigroup and Goldman Sachs Group Inc. also saw their muni business halted in Texas because of the law.

Louisiana lawmakers passed similar legislation this year that would have barred the state and local governments from engaging in public contracts with firms that have “discriminatory practices” with firearm associations, retailers and manufacturers. But Governor John Bel Edwards, a Democrat, vetoed the bill, saying it would cost taxpayers money.

Schroder said he was considering the intent of the legislature when it came to the decision to remove JPMorgan.

Louisiana is a much smaller market for muni deals than Texas. The state sold about \$881 million of bonds last year, while Texas issuers including local governments and state agencies sold about \$58 billion, data compiled by Bloomberg show.

The Texas law covers a wide swath of municipal borrowers. Still, Citigroup has moved to restart its underwriting there, raising questions about the measure’s effectiveness. On Wednesday, the bank won a Texas bond deal sold through an auction, its first deal since the state legislation went into effect Sept. 1.

## **Bloomberg Markets**

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