

Bond Case Briefs

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Bloomberg to Pay \$5 Million for Misleading Disclosures About Its Valuation Methodologies for Fixed Income Securities.

Washington D.C., Jan. 23, 2023 — The Securities and Exchange Commission today announced settled charges against Bloomberg Finance L.P. (Bloomberg) for misleading disclosures relating to its paid subscription service, BVAL, which provides daily price valuations for fixed-income securities to financial services entities.

The SEC's order finds that from at least 2016 through October 2022, Bloomberg failed to disclose to its BVAL customers that the valuations for certain fixed-income securities could be based on a single data input, such as a broker quote, which did not adhere to methodologies it had previously disclosed. The order finds that Bloomberg was aware that its customers, including mutual funds, may utilize BVAL prices to determine fund asset valuations, including for valuing fund investments in government, supranational, agency, and corporate bonds, municipal bonds and securitized products, and that BVAL prices, therefore, can have an impact on the price at which securities are offered or traded.

"Bloomberg has assumed a critical role as a pricing service to participants in the fixed-income markets and it is incumbent on Bloomberg, as well as on other pricing services, to provide accurate information to their customers about their valuation processes," said Osman Nawaz, Chief of the Division of Enforcement's Complex Financial Instruments Unit. "This matter underscores that we will hold service providers, such as Bloomberg, accountable for misrepresentations that impact investors."

The SEC's order finds that Bloomberg violated section 17(a)(2) of the Securities Act. Without admitting or denying the findings, Bloomberg agreed to cease and desist from future violations and to pay a \$5 million penalty. The SEC's order notes that Bloomberg voluntarily engaged in remedial efforts to make improvements to its BVAL line of business.

The SEC's investigation was conducted by Gregory Smolar of the Complex Financial Instruments Unit and Emily Rothblatt of the Chicago Regional Office under the supervision of Natalie Brunson, Ana Petrovic, and Osman Nawaz of the Complex Financial Instruments Unit, with assistance from trial counsel Robert Gordon and Howard Kaplan of the Enforcement Division's office of Investigative and Market Analytics.