News Release
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Multistate Working Group Reaches Settlement with JP Morgan Chase over Anti-competitive Municipal Bond Derivatives Conduct

SAN FRANCISCO --- Attorney General Kamala D. Harris today announced a national settlement with JP Morgan Chase & Co. (JPMC) as part of an ongoing nationwide investigation over allegations of anti-competitive and fraudulent conduct in the municipal bond derivatives industry.

"School districts, non-profits and municipalities in this case were all defrauded by Wall Street," Attorney General Harris said. "This settlement brings a measure of restitution, justice and closure to the victims."

The settlement was based on allegations that JPMC made secret deals with competitors in the bidding process. This illegal conduct included bid-rigging, peeking at competitors’ bids and offering non-competitive courtesy bids. These schemes enriched the financial institutions and brokers at the expense of cash strapped state agencies, cities, school districts and non-profits that could ill afford the steep financial consequences of this illegal conduct.

The settlement also provides that JPMC will pay $17 million in restitution directly to certain other government and not-for-profit entities as part of separate agreements it entered into today with the U.S. Securities and Exchange Commission and the Office of the Comptroller of the Currency.

The state and federal settlements are distinct components of a coordinated global $228 million settlement that JPMC entered into today. JPMC also reached agreement with the U.S. Department of Justice’s Antitrust Division, the Internal Revenue Service and the Federal Reserve Board.

JPMC is the third financial institution to settle with the multistate working group in the ongoing municipal bond derivatives investigation following Bank of America and UBS AG. To date, the state working group has obtained settlements worth approximately $250 million. California entities are set to receive approximately $6.7 million for restitution under the JPMC settlement.

Municipal bond derivatives are contracts that tax-exempt issuers use to reinvest proceeds of bond sales until the funds are needed, or to hedge interest-rate risk.

In April 2008, the states began investigating allegations that certain large financial institutions, brokers and swap advisors engaged in various schemes to rig bids and commit other deceptive, unfair and fraudulent conduct in the municipal bond derivatives market.

The investigation, which is still ongoing, revealed collusive and deceptive conduct involving individuals at JPMC and other financial institutions, and certain brokers with whom they had working relationships. The wrongful conduct took the form of bid-rigging, submission of non-competitive courtesy bids and submission of fraudulent certifications of compliance to government agencies, among others, in contravention of U.S. Treasury regulations.