Ohio Attorney General Mike DeWine

Ohio Part of $92 Million Multistate Settlement with JP Morgan Chase Over Anticompetitive Municipal Bond Derivatives Scheme

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(Columbus, OH)—Ohio Attorney General Mike DeWine announced today that Ohio is part of a $92 million multistate settlement with JP Morgan Chase & Co. in an ongoing nationwide investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

“Our efforts in recovering funds for state agencies and others continue to bear fruit,” said Attorney General DeWine. “At a time when governments are watching every dime, it’s important to ensure that taxpayers get the maximum return on their funds.”

As part of the multistate settlement, JPMC has agreed to pay $65.5 million in restitution to affected state agencies, municipalities, school districts and not-for-profit entities nationwide that entered into municipal derivative contracts with JPMC between 2001 and 2005.

The public entities expected to be eligible for restitution in Ohio include the City of Cleveland, the Ohio Public Facilities Commission and the Columbus Regional Airport Authority.

JPMC, which cooperated with the investigation, also agreed to pay a $3.5 million civil penalty and $6 million in fees and costs of the investigation to the settling states.

The state 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, SEC and OCC 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 a 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 close to $250 million.

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, including national banks and insurance companies, and certain 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.

The objective was to enrich the financial institution and/or the broker at the expense of the issuer -- and ultimately taxpayers -- depriving the issuer of a competitive, transparent marketplace. As a result of such wrongful conduct, state, city, local, and not-for-profit entities entered into municipal derivatives contracts on less advantageous terms than they would have otherwise.

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