July 7, 2011

Attorney General Kelly announces $92 million multi-state settlement with JP Morgan Chase over bid-rigging scheme

HARRISBURG ? Attorney General Linda Kelly today announced that Pennsylvania has joined a $92 million multi-state settlement with JP Morgan Chase & Co. (JPMC?) related to an ongoing national investigation into alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

Kelly said that as part of the 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. In addition, JPMC agreed to pay a $3.5 million civil penalty and $6 million in fees and costs of the investigation.

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 that 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.

Kelly explained that the ongoing national investigation has focused on the marketing and sale of municipal derivative investments which are often used by government agencies and non-profit organizations to reinvest the proceeds of tax-exempt bond offerings until those funds are needed. Numerous financial institutions and brokers have been accused of scheming to rig bids, sharing information or otherwise manipulating the bidding process causing state, local and non-profit entities to enter into contracts that cost more or earned less than they should have received in a competitive marketplace.

Today?s agreement with JPMC is the third settlement involving a major financial institution as part of this ongoing multi-state investigation. In May 2011 a $90.8 million agreement was reached with Union Bank of Switzerland (UBS) and in December 2010 a $67 million settlement was reached with Bank of America.

Kelly noted that all of the Pennsylvania entities that are eligible to participate in this settlement will be contacted with instruction about how to file a claim.

The Pennsylvania portion of the case was handled by Chief Deputy Attorney General James A. Donahue III and Deputy Attorney General Joseph S. Betsko, of the Attorney General's Antitrust Section.

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