Van Hollen Announces $92 Million Settlement With JP Morgan Chase Over Anticompetitive Municipal Bond Derivatives Scheme

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MADISON - Attorney General Van Hollen announced a $92 million settlement with JP Morgan Chase & Co. ("JPMC") as part of an ongoing nationwide investigation by state Attorneys General of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

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. In addition, JPMC 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.

“I am pleased that JPMC will pay restitution to not-for profit, local and state government issuers who entered into these contracts,” Van Hollen said. “I look forward to working with JPMC as they cooperate with our investigation going forward.”

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, state Attorneys General began jointly 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, has 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 included 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.

Assistant Attorney General Gwendolyn Cooley represents the State of Wisconsin in this matter.