



## ATTORNEY GENERAL GEORGE JEPSEN

### CONNECTICUT LEADS STATES TO \$90.8 MILLION SETTLEMENT WITH UBS AG OVER ANTICOMPETITIVE MUNICIPAL BOND DERIVATIVES SCHEME

*For immediate release*

WEDNESDAY MAY 4, 2011

HARTFORD – Attorney General George Jepsen announced a \$90.8 million settlement with multinational Swiss bank, UBS AG, as part of an ongoing nationwide investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

Connecticut and New York led the investigation by 24 states and the District of Columbia. As part of the settlement, UBS has agreed to pay \$63.3 million in restitution to state agencies, municipalities, school districts and not-for-profit entities nationwide that entered into municipal derivative contracts with UBS, or used UBS as its broker for such transactions, between 2001 and 2004. In addition, UBS agreed to pay a \$2.5 million civil penalty and \$5 million in fees and costs of the investigation to the settling states.

Connecticut entities expected to receive restitution under the settlement include: the State of Connecticut, the cities of Bridgeport and Stamford, Connecticut Housing Finance Authority, St. Raphael's Hospital and the South Central Connecticut Regional Water Authority.

The state settlement also provides that UBS will pay \$20 million in restitution directly to certain other government and not-for-profit entities as part of a separate agreement it entered into today with the U.S. Securities and Exchange Commission.

The state and SEC settlements are among several separate, but coordinated settlements that UBS entered into today. UBS also reached agreement with the U.S. Department of Justice's Antitrust Division and the Internal Revenue Service. UBS is the second financial institution to settle with a multistate working group in the ongoing municipal bond derivatives investigation. The first was Bank of America.

"This settlement continues our state task force's effort to prosecute anticompetitive conduct in the marketplace for municipal bond derivatives. Government and not-for-profit entities entrusted UBS with taxpayer money which UBS steered into rigged or tainted municipal derivatives contracts. The settlement will compensate government and not-for-profit entities for the losses arising from the wrongful conduct," Jepsen said.

Jepsen commended UBS "for doing the right thing by cooperating with our investigation and providing meaningful restitution to those harmed. UBS's agreement to continue cooperation -- an essential component of this settlement -- will provide the task force with further evidence against UBS's co-conspirators."

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 UBS 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.

Regardless of the means used to carry out the schemes, 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.

Jepsen credited Assistant Attorney General Christopher Haddad and Paralegal Lori Measer, who worked under the direction of Assistant Attorney General Michael E. Cole, Chief of the Antitrust Department, for their work on this case.

View the entire [Agreement with UBS](#) – (PDF-2MB)

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