



ATTORNEY GENERAL GEORGE JEPSEN

\$92 MILLION STATE SETTLEMENT REACHED WITH JP MORGAN CHASE OVER ANTICOMPETITIVE MUNICIPAL BOND DERIVATIVES SCHEME

For Immediate Release

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HARTFORD – Attorney General George Jepsen announced a \$92 million settlement with JP Morgan Chase & Co. (“JPMC”) as part of an ongoing nationwide investigation of alleged anticompetitive and fraudulent conduct in the municipal bond derivatives industry.

Connecticut led the multistate investigation with Illinois, New York and Texas, for the working group of 24 states and the District of Columbia. As part of the settlement, the company 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 investigation expenses to the settling states.

The state settlement also provides that JPMC will pay \$17 million in restitution to other government and not-for-profit entities through separate agreements reached today with the U.S. Securities and Exchange Commission and the Office of the Comptroller of the Currency.

The Connecticut Housing Finance Authority, Fairfield University, the towns of Fairfield, Stratford and Weston, Yale University and the South Central Connecticut Regional Water Authority are among those issuers expected to receive restitution through the settlements.

JPMC also reached agreement today with the U.S. Department of Justice’s Antitrust Division, the Internal Revenue Service and the Federal Reserve Board. Those agreements, combined with the state, SEC and OCC settlements, total \$228 million.

To date, the state working group has obtained settlements totaling nearly \$250 million. JPMC follows Bank of America and UBS AG in reaching settlement agreements with the multistate working group in the ongoing municipal bond derivatives investigation.

“This settlement evidences the continued success of our state task force’s goal to prosecute anticompetitive conduct in the municipal bond derivatives marketplace,” Jepsen said. “Issuers, such as state and municipal government entities and not-for-profit entities, entrusted taxpayer money to JPMC and the company violated that trust by steering that money into rigged or tainted municipal derivatives contracts.”

“This settlement, along with the coordinated federal settlements, will compensate government and not-for-profit entities for the losses arising from the wrongful conduct,” Jepsen said.

Jepsen noted JPMC’s “willingness to cooperate with our investigation and to rectify its wrongdoing by providing meaningful restitution to those harmed. JPMC’s agreement to continue its cooperation – a critical component of this settlement – will provide the task force with further evidence against JPMC’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 revealed collusive and deceptive conduct involving certain 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 -- by depriving the issuer of a competitive, transparent marketplace. As a result, state, city, local, and not-for-profit entities entered into municipal derivatives contracts on less advantageous terms than they would have otherwise.

Jepsen, who was appointed earlier this year as the co-chair of the Antitrust Committee for the National Association of Attorneys General, 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 [settlement agreement](#) – (PDF-2MB)

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