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STATE OF CONNECTICUT

ATTORNEY GENERAL GEORGE JEPSEN



February 24, 2016

## AG Jepsen Announces Multistate Settlements with Natixis and Societe Generale over Anticompetitive Municipal Bond Derivatives Scheme

*Biggest share of combined \$56M in settlements will provide restitution to government entities and nonprofit organizations*

Several Connecticut municipalities and nonprofit organizations are expected to benefit from multimillion-dollar settlements with Natixis Funding Corp. and Societe Generale, S.A. that resolve allegations that the companies engaged in fraudulent and anticompetitive conduct in municipal bond derivative transactions with governments and organizations around the country, Attorney General George Jepsen announced today.

Natixis and Societe Generale will pay \$29,950,000 and \$26,750,000 respectively as part of a coordinated multistate and private class settlement, of which \$53,865,000 will be paid into a settlement fund of which a significant portion of the monies will be used to provide restitution to municipalities, counties, government agencies, school districts and nonprofits that entered into municipal bond derivatives contracts with the companies. The settlements are the sixth and seventh settlements resulting from a multistate investigation led by the attorneys general of Connecticut and New York.

“This settlement is another example of our working group’s determination to address anticompetitive conduct in the municipal bond derivatives marketplace and, wherever possible, to compensate those who were injured by this misconduct,” said Attorney General Jepsen. “I appreciate the ongoing partnership with my fellow attorneys general as well as class counsel, which has led to today’s settlements and the restitution they will offer.”

The Attorney General acknowledged Natixis and Societe Generale for cooperating with the states’ investigation into the municipal bond derivatives industry and for providing restitution to those harmed by the unfair practices.

While exact amounts and disbursements have yet to be calculated, the Connecticut Clean Water Fund, the City of Stamford, the City of West Haven, the Connecticut Health Education Facilities Authority and the Connecticut Higher Education Supplemental Loan Authority are among the Connecticut entities expected to be eligible to receive restitution through today’s settlements. Information about the claims process for those eligible to participate in these settlements will be made available later this year.

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 states alleged that, rather than establishing honest and fair contract terms for municipal derivative sales, certain Natixis and Societe Generale employees submitted noncompetitive courtesy bids and fraudulent certificates of compliance to government agencies. The misconduct led local and state governments and nonprofits to enter into municipal derivatives contracts on less advantageous terms than they would have otherwise.

The investigation previously led to settlements with Bank of America, UBS AG, JP Morgan Chase, Wachovia Bank N.A and GE Funding

Capital Market Services, Inc. that total approximately \$350 million, the vast majority of which has been distributed as restitution. Today's settlement pushes the total restitution to over \$400 million.

Joining Connecticut and New York in today's settlements are attorneys general from Colorado, Florida, Idaho, Illinois, Iowa, Kansas, Maryland, Michigan, Missouri, Montana, Nevada, New Jersey, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Wisconsin and the District of Columbia and the Pennsylvania Office of the Attorney General.

Assistant Attorney General Michael Cole, chief of the Antitrust and Government Program Fraud Department, assisted the Attorney General with this matter.

Please click here to view the settlement documents [with Natixis](#) and [with Societe Generale](#).

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