

# BANKS TO PAY \$56 MILLION FOR SCHEME THAT COST LOCAL GOVERNMENTS, HOSPITALS, AG COOPER SAYS

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## ***Settlement includes money back for Mecklenburg and Wake counties, NC Housing Finance, NC State Education Assistance Authority***

**Raleigh:** Financial services companies Natixis Funding Corp. and Societe Generale will pay more than \$56 million to North Carolina and 21 other states for a bid rigging scheme that defrauded local governments, hospitals and housing agencies, Attorney General Roy Cooper said today.

“Taxpayer-funded schools, hospitals, and local governments paid the price when big banks rigged the system and hurt their ability to grow savings,” Cooper said. “We took action to win money back for North Carolinians who suffered from these bad business practices.”

### **Settlements worth \$56 million nationally**

Under two multistate settlements, [Natixis](#) will pay \$29,950,000 and [Societe Generale](#) will pay \$26,750,000 to government agencies and non-profits that entered into municipal derivative contracts with Natixis and Societe Generale between January 1, 1992 and August 18, 2011. The settlements resolve allegations that Natixis and Societe Generale defrauded cities, counties, schools, colleges and hospitals that purchased municipal bond derivatives, a type of investment offered by both banks.

Organizations that were injured by the scheme are eligible to get money back, including the North Carolina Housing Finance Agency, North Carolina Medical Care Commission, Mecklenburg County, Raleigh Housing Authority, Housing Authority of the County of Wake, and the North Carolina State Education Assistance Authority.

The agreements are part of joint state-federal settlements worth more than \$56 million that Natixis and Societe Generale are entering into with the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Internal Revenue Service.

### **About municipal bond derivatives**

Governments and non-profits use municipal bond derivatives to reinvest the proceeds from tax-exempt bond offerings until the funds are needed or to protect their investments from fluctuating interest rates.

### **Investigation uncovers fraud by seven banks, recovers nearly \$400 million**

In April 2008, Cooper and other state attorneys general began investigating allegations that some banks, insurance companies, brokers and swap advisors had engaged in deceptive and fraudulent conduct in the municipal bond derivatives market. The ongoing investigation has so far revealed that Natixis, Societe Generale, Wachovia, GE, JP Morgan Chase, UBS, Bank of America, and certain brokers tampered with the

investment process by rigging bids and submitting non-competitive courtesy bids. As a result, governments and non-profits got artificially low rates of return on these investments or paid higher rates than they should have.

Natixis and Societe Generale are the sixth and seventh financial institutions to settle in the ongoing investigation, which started in April 2008 and has resulted in recoveries worth almost \$400 million to date.

**Cooper's office has returned more than \$6.1 million to North Carolina communities under these settlements:**

- [Wachovia](#), now known as Wells Fargo, agreed to pay \$2 million to North Carolina cities, counties, hospitals, colleges, school districts, and other non-profit organizations as part of a \$58 million multistate settlement in December 2011.
- [GE Funding Capital Market Services](#) agreed to pay approximately \$365,000 to North Carolina governments and non-profits as part of a \$34.25 million multistate settlement in December 2011.
- [JP Morgan Chase](#) agreed to pay \$126,326 to Charlotte, Wake County and North Carolina State University as part of a \$92 million multistate settlement in July 2011.
- [UBS](#) agreed to pay \$252,995 to entities in North Carolina as part of a \$90.8 million multistate settlement in May 2011.
- [Bank of America](#) agreed to pay \$3.4 million to North Carolina local governments, schools and non-profits as part of a \$67 million multistate settlement in December 2010.

"Bidding for investments like municipal bonds can't work without honest competition and a level playing field," Cooper said. "We'll continue this investigation to make sure that others who broke the law are held accountable."

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