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John Jay Hoffman
Acting Attorney General

AG's Executive Leadership Team

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For Immediate Release:

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Acting Attorney General Hoffman Announces Multi-State Settlements with Natixis, Societe Generale over Alleged Municipal Bond Derivatives Scheme

[View Natixis Funding Settlement](#) | [View Societe Generale Settlement](#)

TRENTON – Acting Attorney General John J. Hoffman today announced multi-million dollar settlements with Natixis Funding Corp. and Societe Generale that resolve allegations of fraudulent and anti-competitive conduct in municipal bond derivative transactions with government agencies and non-profits in New Jersey and across the nation.

Natixis will pay \$29.9 million and Societe Generale will pay \$26.7 million under the settlements, which involve New Jersey, lead states Connecticut and New York, 19 other states and a private litigation class.

In accordance with the settlement terms, approximately \$53.8 million will be paid into a global Settlement Fund, the bulk of which will be used to provide restitution for municipalities, counties, government agencies, school districts and non-profits that entered into municipal derivatives contracts with Natixis or Societe Generale.

The Natixis and Societe Generale settlements are the sixth and seventh municipal-bond-derivative settlements to which New Jersey has been a party. The settlements flow from a multi-state investigation of fraud-related conduct in the bond derivative industry that was carried out partially in parallel with the U.S. Department of Justice and other federal agencies.

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, as well as certain brokers and swap advisors – were engaged in various schemes to rig bids and commit other deceptive, unfair and fraudulent conduct in the municipal bond derivatives market.

The states' investigation revealed anti-competitive and fraudulent conduct involving individuals at a number of large financial institutions – among them Natixis and Societe Generale – and certain brokers with whom they had worked.

Rather than establishing honest and fair contract terms for the municipal derivative sales, certain Natixis and Societe Generale employees and their counterparts at other

institutions rigged bids, submitted non-competitive courtesy bids and fraudulent certificates of arms-length bidding to government agencies.

The objective was to enrich the financial institution and/or the broker at the expense of the issuer – and ultimately taxpayers – thereby depriving the issuer of a competitive, transparent marketplace. Such misconduct led local and state governments, as well as non-profits, to enter into municipal derivatives contracts on less advantageous terms than they would have otherwise.

Information regarding the claims process for government entities and non-profits impacted by the Natixis and Societe General settlements will be made available later this year by counsel in In re Municipal Derivatives Antitrust Litigation, MDL no. 1950.

In addition to New Jersey and the two lead states of New York and Connecticut, the following states are party to the settlements: Colorado, District of Columbia, Florida, Idaho, Illinois, Iowa, Kansas, Maryland, Michigan, Missouri, Montana, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee and Wisconsin.

Deputy Attorney General Toral Joshi, Deputy Attorney General Isabella Stempler and Assistant Attorney General Brian F. McDonough handled the Natixis and Societe General matters on behalf of the State.

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