

**PENNSYLVANIA
OFFICE OF ATTORNEY GENERAL
ATTORNEY GENERAL KATHLEEN G. KANE**

Press Release

Office of Attorney General announces settlements totaling \$56M with financial services companies

2/24/2016

HARRISBURG — Pennsylvania Attorney General Kathleen G. Kane's office today announced multimillion dollar settlements with two financial services companies accused of fraudulent and anticompetitive conduct in the municipal bond market.

The settlements with Natixis Funding Corp. and Societe Generale were the result of a multistate investigation that involved Attorneys General for 21 states and the District of Columbia.

Natixis will pay \$29.9 million and Societe Generale will pay \$26.7 million as part of private class settlements. Pursuant to the settlements, \$53.8 million will be paid into a settlement fund in accordance with the terms of a class settlement agreement. That sum will largely be applied to restitution for municipalities, counties, government agencies, school districts and non-profits that entered into municipal derivatives contracts with Natixis or Societe Generale. The amount each entity is expected to receive is still being determined.

The settlements are the sixth and seventh settlements resulting from a coordinated multistate investigation that also included the U.S. Department of Justice and other federal regulatory agencies. At present, financial services companies identified throughout the investigation have paid roughly \$400 million to compensate victims for their losses.

The Natixis Funding Corp. and Societe Generale settlements are expected to result in several significant payments to Pennsylvania institutions.

Some institutions expected to receive payments under the Natixis settlement are the Philadelphia Authority for Industrial Development, the Allegheny County Industrial Development Authority, the Delaware Valley Regional Finance Authority, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Higher Educational Facilities Authority and the Redevelopment Authority of the City of Philadelphia.

Some Institutions expected to receive payments under the Societe Generale settlement are the Pittsburgh Water and Sewer Authority, the Emmaus General Authority, the Dauphin County General Authority, the Haverford College Project Fund and the Pennsylvania Financial Authority.

In 2008, the state Attorneys General began their investigation of the municipal bond derivatives market, where tax exempt entities such as governments and non-profit organizations issue municipal bonds and reinvest the proceeds until the funds are needed, or enter into contracts to hedge interest rate risk.

The investigation revealed anticompetitive 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 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.

Other multi-state settlements that were reached include: Bank of American (\$67 million), JPMorgan Chase (\$92 million), Wachovia (\$58.7 million), Union Bank of Switzerland (\$90.8 million) and GE Funding Capital Market Services (\$34.2 million).

Other states and territories joining Pennsylvania in the Natixis and Societe Generale settlements include: Colorado, Connecticut, the District of Columbia, Florida, Idaho, Illinois, Iowa, Kansas, Maryland, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, South Carolina, Tennessee and Wisconsin.

Joseph S. Betsko, senior deputy attorney general of the Office of Attorney General's Antitrust Section, handled this matter on behalf of the office. The Section is tasked with protecting the free enterprise system by detecting anti-competitive practices and taking legal action to stop them. The Section also is tasked with reviewing and challenging proposed mergers that may result in consumers or states agencies paying higher prices.

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