A.G. Schneiderman Announces Settlements With Natixis And Societe Generale Totalling Over $56 Million For Defrauding Governments And Nonprofits Across The Country

New York And Connecticut Led Investigation That Uncovered Nationwide Abuses In Municipal Bond Derivatives Market; Latest Settlements Bring Total Paid By Banks To Over $400 Million; Public Sector And Not-For-Profit Victims to Benefit

Schneiderman: Schemes Against The Public Sector And Nonprofits Hurt The People They Serve

NEW YORK–Attorney General Eric T. Schneiderman today announced multimillion dollar settlements with Natixis Funding Corp. and Societe Generale for fraudulent and anticompetitive conduct in municipal bond derivative transactions with state and local government entities and nonprofits across the country. Natixis and Societe Generale will pay $29,950,000 and $26,750,000 respectively as part of a coordinated 22-state and private class settlement. Pursuant to the settlements, $53,865,000 will be paid into a Settlement Fund and largely applied to restitution for municipalities, counties, government agencies, school districts and nonprofits that the states allege were harmed when they entered into municipal derivatives contracts with Natixis or Societe Generale.

"Schemes that defraud the public sector and nonprofits harm the people those entities serve,"**Attorney General Schneiderman** said. "We will not tolerate this type of misconduct at any level, especially as we work to restore public faith in our economic institutions. I will continue to use the full force of my office to hold those at fault responsible and ensure that those participating in the marketplace do so honestly and fairly."

In 2008, the Attorney Generals of New York and Connecticut, together with more than 20 other states, and in parallel with the U.S. Department of Justice and federal regulatory agencies, began their investigation of the municipal bond derivatives market. In these markets, tax exempt entities such as municipalities, school districts, and nonprofit organizations issue municipal bonds and reinvest the proceeds until the funds are needed or enter into contracts to hedge interest rate risk.

These investigations 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 noncompetitive courtesy bids and fraudulent certificates of arms-length bidding to government agencies. The misconduct led local and state governments, as well as nonprofits, to enter into municipal derivatives contracts on less advantageous terms than they would have otherwise.

Previous settlements were reached with Bank of America, JP Morgan Chase, UBS, GE Funding Capital Market Services and Wachovia (Wells Fargo) between December 2010 and December 2011, totaling approximately $350 million. Today's settlement brings the total amount recouped to over $400 million.

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

Information concerning the claims process for entities affected by these settlements will be made available later this year by counsel in *In re Municipal Derivatives Antitrust Litigation,* MDL no. 1950.

Deputy Antitrust Bureau Chief Elinor R. Hoffmann handled the investigation and settlements. Eric J. Stock is the Antitrust Bureau Chief and Karla G. Sanchez is the Executive Deputy Attorney General for Economic Justice.

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