Press Release

SEC Charges Four Underwriters in First Actions Enforcing Municipal Bond Disclosure Law

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Washington D.C., Sept. 13, 2022 — The Securities and Exchange Commission today filed a litigated action against Oppenheimer & Co. Inc. and separately announced settlements with BNY Mellon Capital Markets LLC, TD Securities (USA) LLC, and Jefferies LLC, charging each of the four firms with failing to comply with municipal bond offering disclosure requirements. These are the first SEC actions addressing underwriters who fail to meet the legal requirements that would exempt them from obtaining disclosures for investors in certain offerings of municipal bonds.

According to the SEC's complaint and the settled orders, during different periods since 2017, the four firms sold new issue municipal bonds without obtaining required disclosures for investors. Each of the firms purported to rely on an exemption to the typical disclosure requirements called the limited offering exemption, but they did not take the steps necessary to satisfy the exemption's criteria.

"I applaud the excellent work of the Division's Public Finance Abuse Unit in bringing these first-ever actions in the $4 trillion municipal bond space," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "We encourage underwriters to examine their practices and to self-report any failures to us before we identify them ourselves."

"Disclosure helps protect investors from fraud," said LeeAnn G. Gaunt, Chief of the SEC Enforcement Division's Public Finance Abuse Unit. "Underwriters must take seriously their responsibility to ensure municipal bond investors get the information they are entitled to."

The SEC's orders find that BNY, TD, and Jefferies each violated Rule 15c2-12 under the Securities Exchange Act of 1934, which establishes disclosures that must be provided to investors, as well as Municipal Securities Rulemaking Board (MSRB) Rule G-27 and Section 15B(c)(1) of the Exchange Act. Without admitting or denying the SEC's findings, these three firms agreed to settle the charges, cease and desist from future violations of those provisions, be censured, and pay the following monetary relief:

- BNY: $656,833.56 in disgorgement plus prejudgment interest and a $300,000 penalty;
- TD: $52,955.92 in disgorgement plus prejudgment interest and a $100,000 penalty; and
- Jefferies: $43,215.22 in disgorgement plus prejudgment interest and a $100,000 penalty

The SEC's complaint against Oppenheimer, filed in federal district court in Manhattan, charges the same violations as above in connection with at least 354 offerings. The complaint also alleges that Oppenheimer made deceptive statements to issuers in violation of MSRB Rule G-17, which prohibits deceptive, dishonest, or unfair practices. The complaint seeks permanent injunctions, disgorgement plus prejudgment interest, and a civil money penalty.

As a result of its findings in these investigations, the SEC staff has begun investigations of other firms' reliance on the limited offering exemption. Firms that believe their practices do not comply with the securities laws are encouraged to contact the SEC at LimitedOfferingExemption@sec.gov.

The SEC's investigations were conducted by Laura Cunningham, Sue Curtin, Warren Greth, Brian Knight, Steve Varholik, Cori Shepherd Whitten, and Jonathan Wilcox of the Public Finance Abuse Unit, with assistance from Samir Badalov, and supervised by Kevin B. Currid, Jason H. Lee, Ivonia Slade, and Rebecca Olsen. The SEC's litigation against Oppenheimer will be led by Devon Staren. The SEC appreciates the assistance of the Municipal Securities Rulemaking Board.

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Related Materials

- SEC Order - TD Securities
- SEC Order - BNY Mellon
- SEC Order - Jefferies
- SEC Complaint - Oppenheimer