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**ATTORNEY GENERAL MADIGAN, 19 OTHER STATES ANNOUNCE \$67 MILLION SETTLEMENT WITH BANK OF AMERICA**

***Illinois Municipalities, Agencies to Receive Over \$2 Million in Restitution From Bank's Scheme***

Chicago — Attorney General Lisa Madigan today joined 19 other states to announce a \$67 million settlement with Bank of America for its involvement in a nationwide scheme to rig bids and engage in other anticompetitive practices that defrauded state agencies, municipalities, school districts and nonprofits in purchasing municipal bond derivatives from the bank.

Madigan said more than \$2 million in restitution will be awarded from the settlement to Illinois municipalities, local government agencies and nonprofits harmed by these Bank of America practices.

This multi-state settlement is part of a larger \$137 million settlement with Bank of America by the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Internal Revenue Service and the Federal Reserve that resulted from a broad and ongoing criminal and civil investigation by those agencies and the U.S. Department of Justice along with the states' probe into the bank.

The investigation found Bank of America, other major financial institutions and certain brokers conspired to prevent competitive bidding in the selling of so-called municipal derivative investments to municipalities, local and state government agencies and charitable organizations that issued municipal bonds to fund projects.

"This scheme by Bank of America and its conspirators is another example of Wall Street greed enriching big banks and brokers on the backs of taxpayers," said Attorney General Madigan. "Bank of America's conduct defrauded municipalities, schools and nonprofits across this state of funds they could have used to improve services in their communities."

Municipalities, schools and other organizations typically issue municipal bonds to fund projects, including financing infrastructure repairs or building schools. Once bonds are issued, the money is typically placed into accounts to spend as the local entity incurs expenses for the project. Because the money from the bonds does not need to be spent immediately, the municipality or other agency that issued the bonds typically seeks out ways to invest the money and may also use strategies to manage or transfer the interest rate risk they take on in issuing bonds. These investment accounts and risk management products – which are collectively called "municipal bond derivatives" – are provided by large financial institutions, such as Bank of America. Banks and other financial institutions compete for this business.

The investigation into Bank of America, other financial institutions and certain brokers found that from 1998 through 2003, Bank of America conspired with financial institutions and brokers to orchestrate bids for those transactions, circumventing the competitive bidding process. In some instances, Bank of America and other financial institutions communicated directly with one another, and not through brokers, to fix prices for bids, or to fix the rates or key terms of these transactions. Brokers also frequently offered Bank of America and other financial entities the opportunity to review the other bids so that Bank of America or the other financial institutions could be sure to submit the winning bid.

These practices by Bank of America illegally and unreasonably restrained competition in the marketing, sale and placement of these municipal derivatives, in violation of Illinois' antitrust laws. Because of this conduct by Bank of America, the municipalities, local and state agencies and nonprofits that relied on Bank of America's services did not receive the best deal that they could have obtained.

Bank of America is the only entity in this scheme that voluntarily reported its wrongdoing to the U.S. DOJ, and its disclosure launched the department's criminal investigation in 2004. Under the DOJ's Corporate Leniency Program, Bank of America was

granted conditional leniency based on its acknowledgement of wrongdoing, significant cooperation and its issuing restitution. To date, the DOJ has brought criminal actions against seven individuals and one company and has obtained guilty pleas against eight others involved in these schemes.

In the spring of 2008, Attorney General Madigan and the 19 other states began their own investigation and coordinated with the parallel probe by the DOJ and SEC. The investigation by Madigan and the other states remains ongoing into other financial institutions involved in this scheme to potentially recover additional restitution for communities around the country.

Some of the Illinois municipalities and nonprofits that will be eligible to receive restitution as part of this settlement include: Alton Illinois Community Unit School District, Antioch Community High School District 117, Village of Bedford Park, Chicago Board of Education, Chicago Park District, City of Chicago, City of Evanston, East St. Louis Public Library, Forest Preserve District of DuPage County, Illinois Development Finance Authority, Illinois Rural Bond Bank, Lake Zurich Community Unity School District 95, Oak Park School District 97, Public Building Commission of Chicago, Sangamon County, State of Illinois and the Village of Bolingbrook.

Other states joining Illinois in the Bank of America settlement include Alabama, California, Connecticut, Florida, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina and Texas.

Bureau Chief Robert W. Pratt and Assistant Attorney General Jamie Manning are handling this case for Madigan's Antitrust Bureau.

-30-

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