



December 8, 2011

MADIGAN ANNOUNCES \$58.7 MILLION SETTLEMENT WITH WACHOVIA, WELLS FARGO

Bank to Pay \$1.4 Million to Illinois Governments, Schools and Nonprofits for Illegal Bid Rigging Practices

Chicago — Attorney General Lisa Madigan today announced a \$58.75 million multistate settlement with Wells Fargo Bank N.A. for the activities of the former Wachovia Bank N.A. over a scheme to rig bids and engage in other anticompetitive practices that defrauded government entities, schools and nonprofits that purchased municipal bond derivatives from the bank.

“Wachovia illegally profited by conspiring to overcharge government agencies and nonprofits across Illinois,” said Attorney General Madigan. “This agreement will return Wachovia’s ill-gotten gains to schools, city governments and nonprofit organizations to provide and improve services in their communities.”

Madigan joined 24 other states and the District of Columbia to announce the settlement, which will result in nearly \$1.4 million in restitution for Illinois government entities, schools and nonprofits harmed by the bank’s efforts to orchestrate illegal bids for municipal derivatives. Wachovia is the fourth financial institution to settle with the multistate working group in the ongoing municipal bond derivatives investigation. Bank of America, UBS, and JPMC previously settled with the states.

Today’s agreement centered on allegations that from 1998 to 2004, Wachovia conspired with financial institutions and brokers to rig bid prices for municipal derivatives, circumventing the competitive bidding process. In some instances, Wachovia and other financial institutions communicated directly with each other, and not through brokers, to fix prices or to fix rates or key terms of these transactions. Brokers also frequently offered Wachovia and other financial entities the unfair advantage of reviewing other bids, thus rigging who would prevail in the deal.

Municipalities, schools and other organizations typically issue municipal bonds to fund capital projects. Once bonds are issued, the money is usually placed into accounts to spend as expenses for the project are incurred. Because the money from the bond does not need to be spent immediately, the municipality or other agency that issues the bonds typically seeks to invest the money and may also use strategies to manage or transfer the bond’s interest rate risk. These investment accounts and risk management products – which are collectively called “municipal bond derivatives” – are provided by large financial institutions.

Madigan said Wachovia’s practices restrained competition in the sale of these municipal derivatives in violation of Illinois’ antitrust laws. This conduct brought financial harm to government entities and nonprofits that relied on Wachovia’s services. Certain Illinois governments, schools and nonprofits that purchased municipal derivatives from Wachovia will be eligible to receive restitution as part of this settlement.

Some of the entities affected by the banks’ scheme and today’s settlement include the following:

Chicago Area

Central DuPage Health
Chicago Board of Education
Children’s Memorial Hospital
City of Chicago
Lake County Forest Preserve
Lutheran Home & Services
Midwestern University
Public Building Commission of Chicago
Village of Bedford Park

Greater Illinois

City of East Peoria
Johnsburg School District No. 12
Northern Illinois University
Springfield School District
State of Illinois Development Finance Authority
State of Illinois Education Facilities
Village of Cary

Illinois joins Alabama, California, Colorado, Connecticut, District of Columbia, Florida, Idaho, Iowa, Kansas, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Texas, Tennessee and Wisconsin in the settlement.

The states' investigation into financial institutions involved in this scheme remains ongoing in conjunction with a federal investigation by the U.S. Department of Justice, Securities and Exchange Commission and the Internal Revenue Service.

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

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