

BN 02/01 15:51 *ILLINOIS MUNI PRICE-FIXING LAWSUIT AGAINST BANKS TO GO FORWARD

JPMorgan, Citi Among Banks That Must Face Price-Fixing Suit (3) 2019-02-01 17:17:16.300 GMT By Joe Mysak and Janan Hanna

(Bloomberg) -- Eight banks including JPMorgan Chase & Co. and Citigroup Inc. must face a lawsuit in Illinois seeking \$1 billion in damages for allegedly fixing prices on variable-rate municipal bonds and charging states and local governments for services they didn't receive.

Cook County Circuit Court Judge Diane M. Shelley on Friday refused to dismiss the False Claims Act suit, brought by Edelweiss Fund LLC in 2014 and unsealed last year. "The plaintiff has stated a cause of action sufficient to go forward," Shelley said from the bench. Whether the plaintiff will prove the price-fixing scheme, Shelley said, "is another issue."

In an unusual move, Shelley said she'd give the banks an opportunity to appeal her ruling immediately instead of waiting until the conclusion of the case. In the meantime, the case will move forward, possibly adding pressure on the banks to settle, unless an appeals court disagrees with Shelley's ruling. The lawsuit claims the banks cost the state and its municipal issuers \$349 million from 2009 to 2013 and seeks triple that amount in damages and penalties. Similar lawsuits have been filed in California and Massachusetts.

The California complaint seeks a total of \$2.16 billion in damages and penalties. The Massachusetts lawsuit seeks a total of \$402 million.

The case involves variable-rate municipal securities, or VRDOs, a type of long-term bond whose rates are reset periodically when investors can sell them back. Remarketing agents, like those named in the suit, are hired to set the rates and often take bonds that have been put back into inventory for resale.

Of the eight banks named in the lawsuit, Brian Marchiony, a spokesman for JPMorgan, and Andrew X. Smith, a spokesman for Barclays, declined to comment.

Shandi Huber, a spokeswoman for Fifth Third Bancorp, said "as a matter of policy, we do not comment on matters of pending litigation." Lawyers representing Citigroup, William Blair & Co., Bank of America Corp., Morgan Stanley and Bank of Montreal also declined to comment.

For more on the lawsuit, see [here](#)

Edelweiss comprises a number of "advisers who have fiduciary responsibilities to issuers and who didn't like what they saw," spokesman Michael Lissack, who also served as an expert consulting witness, said when the lawsuit was unsealed in April.

In the early years of this century, issuers sold between \$30 billion and \$60 billion of such debt annually, often in conjunction with interest-rate swaps, according to Thomson Reuters Deals Intelligence.

In 2008, they sold more than \$115 billion to refinance both auction-rate and insured floating-rate debt, as the auction market froze and insurance companies were downgraded amid the chaos of the financial crisis.

Since then issuance has dwindled, to \$7 billion in 2017. But the total size of the outstanding VRDO market is still estimated to be \$149 billion.

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