

SEC Completes Muni-Underwriter Enforcement Sweep

72 Firms Charged Since June 2015

FOR IMMEDIATE RELEASE **2016-18**

Washington D.C., Feb. 2, 2016 — The Securities and Exchange Commission today announced enforcement actions against 14 municipal underwriting firms for violations in municipal bond offerings. The actions conclude charges against underwriters under the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative. In all, 72 underwriters have been charged under the voluntary self-reporting program targeting material misstatements and omissions in municipal bond offering documents.

The MCDC Initiative, announced in March 2014, offered favorable settlement terms to municipal bond underwriters and issuers that self-reported violations. The first enforcement actions against underwriters under the initiative were brought in June 2015 against 36 municipal underwriting firms. An additional 22 underwriting firms were charged in September 2015. All of the firms settled the actions and paid civil penalties up to a maximum of \$500,000.

The initiative is continuing with respect to issuers who may have provided investors with inaccurate information about their compliance with continuing disclosure obligations. The SEC's 2012 Municipal Market Report identified issuers' failure to comply with their continuing disclosure obligations as a major challenge for investors seeking important information about their municipal bond holdings.

"The settlements obtained under the MCDC initiative have brought much-needed attention to disclosure obligations in municipal bond offerings," said Andrew J. Ceresney, Director of the SEC's Enforcement Division. "As part of the settlements, 72 underwriting firms – comprising approximately 96% of the market share for municipal underwritings – have agreed to improve their due diligence procedures and we expect that investors will benefit from those improvements."

In today's actions, the SEC found that between 2011 and 2014, the 14 underwriting firms sold municipal bonds using offering documents that contained materially false statements or omissions about the bond issuers' compliance with continuing disclosure obligations. The SEC also found that the underwriting firms failed to conduct adequate due diligence to identify the misstatements and omissions before offering and selling the bonds to their customers.

The 14 firms, which did not admit or deny the findings, agreed to cease and desist from such violations in the future. Under the terms of the MCDC Initiative, they will pay civil penalties based on the number and size of the fraudulent offerings identified, up to a cap based on the size of the firm. In addition, each firm agreed to retain an independent consultant to review its policies and procedures on due diligence for municipal securities underwriting.

The MCDC Initiative is being coordinated by Kevin Guerrero of the Enforcement Division's Municipal Securities and Public Pensions Unit. The cases announced today were investigated by members of the unit, including Michael Adler, Robert Barry, Joseph Chimienti, Kevin Currid, Peter Diskin, Robbie Mayer, Heidi Mitza, William Salzman, Ivonia K. Slade, Jonathan Wilcox, Monique C. Winkler, and Deputy Unit Chief Mark R. Zehner, with assistance from Ellen Moynihan of the Boston Regional Office.

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The SEC's orders and penalty amounts are:

- Barclays Capital Inc. – \$500,000
- Boenning & Scattergood Inc. – \$250,000
- D.A. Davidson & Co. – \$500,000
- First Midstate Inc. – \$100,000
- Hilltop Securities Inc. – \$360,000
- Janney Montgomery Scott LLC – \$500,000
- Jefferies LLC – \$500,000
- KeyBanc Capital Markets Inc. – \$440,000
- Mitsubishi UFJ Securities (USA) Inc. – \$20,000
- Municipal Capital Markets Group Inc. – \$60,000
- Roosevelt & Cross Inc. – \$250,000
- TD Securities (USA) LLC – \$500,000
- United Bankers' Bank – \$160,000
- Wells Fargo Bank N.A. Municipal Products Group – \$440,000

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Related Materials

- MCDC Initiative