

Enforcement

THE BOND BUYER

Thursday, June 18, 2015 | as of 1:07 PM

ET

36 Underwriters to Pay \$9.3M to Settle Under SEC MCDC Program

by [Kyle Glazier](#)

JUN 18, 2015 12:48pm ET

WASHINGTON -- The Securities and Exchange Commission today announced enforcement actions against 36 municipal underwriting firms Thursday for violations in muni bond offerings, fining them a total of about \$9.3 million in settlements under the Municipalities Continuing Disclosure Cooperation initiative.

The initiative, announced last March, encouraged issuers and dealers to voluntarily report to the SEC any time in the last five years in which they sold or underwrote bonds with offering documents that did not identify recent failures to comply with issuers' continuing disclosure agreements as required by the SEC's rule 15c2-12. The MCDC reporting period expired on Sept. 10 last year for underwriters and on Dec. 1 for issuers.

"The MCDC initiative has already resulted in significant improvements to the municipal securities market, including heightened awareness of issuers' disclosure obligations and enhanced disclosure policies and procedures," said SEC chair Mary Jo White. "This ongoing enforcement initiative will continue to bring lasting changes to the municipal securities markets for the benefit of investors."

The 36 firms, which did not admit or deny the findings, agreed to cease and desist from future violations of the securities laws. 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. The maximum penalty imposed is \$500,000, and the smallest one announced was \$40,000. In addition, each firm agreed to retain an independent consultant to review its policies and procedures on due diligence for municipal securities underwriting.

The SEC had previously charged one issuer under the MCDC when the SEC found last July that the Kings Canyon Joint Unified School District in California wrongly told investors in the official statement for bonds sold in November 2010 that it had complied with its prior continuing disclosure obligations. The district, however, was already under investigation when it chose to take advantage of the standardized settlement terms of the SEC.

Market participants expect that the SEC will release future "waves" of settlement agreements with issuers and then with individuals whom the commission decides to charge separately.

Full story to follow...

Underwriters Fined Under MCDC Settlements include:

- The Baker Group, LP – \$250,000
- B.C. Ziegler and Company – \$250,000
- Benchmark Securities, LLC – \$100,000
- Bernardi Securities, Inc. – \$100,000
- BMO Capital Markets GKST Inc. – \$250,000
- BNY Mellon Capital Markets, LLC – \$120,000
- BOSC, Inc. – \$250,000
- Central States Capital Markets, LLC – \$60,000
- Citigroup Global Markets Inc. – \$500,000
- City Securities Corporation – \$250,000
- Davenport & Company LLC – \$80,000
- Dougherty & Co. LLC – \$250,000
- First National Capital Markets, Inc. – \$100,000
- George K. Baum & Company – \$250,000
- Goldman, Sachs & Co. – \$500,000
- Hutchinson, Shockey, Erley & Co. – \$220,000
- J.P. Morgan Securities LLC – \$500,000
- L.J. Hart and Company – \$100,000
- Loop Capital Markets, LLC – \$60,000
- Martin Nelson & Co., Inc. – \$100,000
- Merchant Capital, L.L.C. – \$100,000
- Merrill Lynch, Pierce, Fenner & Smith Incorporated – \$500,000
- Morgan Stanley & Co. LLC – \$500,000
- The Northern Trust Company – \$60,000

- Oppenheimer & Co. Inc. – \$400,000
- Piper Jaffray & Co. – \$500,000
- Raymond James & Associates, Inc. – \$500,000
- RBC Capital Markets, LLC – \$500,000
- Robert W. Baird & Co. Incorporated – \$500,000
- Siebert Brandford Shank & Co., LLC – \$240,000
- Smith Hayes Financial Services Corporation – \$40,000
- Stephens Inc. – \$400,000
- Sterne, Agee & Leach, Inc. – \$80,000
- Stifel, Nicolaus & Company, Inc. – \$500,000
- Wells Nelson & Associates, LLC – \$100,000
- William Blair & Co., L.L.C. – \$80,000



© 2015 [SourceMedia](#). All rights reserved.