

1-8-09, Bachus Statement on Municipal Bond Market Report

January 8, 2009

Congressman Spencer Bachus (AL), Ranking Member of the House Financial Services Committee, made the following statement in response to a New York Times article detailing the ongoing investigations into wrongdoing in the municipal bond market.

Ranking Member Bachus said, "For 12 years I have been calling for greater disclosure and transparency in the municipal bond market. In 1997, Jefferson County Commissioner Bettye Fine Collins wrote to then SEC Chairman Arthur Levitt expressing her concern about a "pay to play" scheme involving local sewer and water bonds. No action was taken by the SEC.

"In January 2007 I presented a volume of material to SEC Chairman Chris Cox related to the municipal bond indebtedness in Jefferson County. In response to my concerns, the SEC released a White Paper on municipal securities reform. At my request the Financial Services Committee held hearings last year and I will continue to pursue reforms during this Congress.

"When you have a county or city that is basically unsophisticated dealing with Wall Street professionals it's very similar to a person walking into a casino where the house always wins. Simply, the county and the Wall Street firms gambled with ratepayers money. While interest rates were low in the beginning, things ultimately blew up when the auction rate securities market collapsed.

"Revelations that are coming to light now indicate there may have been anti-trust collusion among investment advisors to inflate fees above the already outrageous amounts charged. The point of my letters to the SEC was that these fees were unfair and unwarranted. It now appears they may have been corrupt also which makes the damage to Jefferson County's citizens even more troubling.

"The innocent victims in this are the ratepayers and the citizens. In the case of Jefferson County I have asked the SEC to consider disgorgement as part of any penalties assessed to the Wall Street firms involved. Excess profits should be returned directly to taxpayers who are struggling with much higher utility bills and deserve relief.

"Jefferson County is yet another disturbing case in which the SEC failed to follow up on credible concerns about financial malfeasance. This is further proof that our 1930's era regulatory system is in dire need of being modernized for our 21st century financial markets."

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