DEPARTMENT OF CONSUMER & BUSINESS SERVICES

NEWS RELEASE

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Oregon to share in settlement of Wall Street brokerage case

SALEM — In an enforcement-action settlement announced today by national and state securities regulators, ten Wall Street brokerages will pay $1.4 billion – a portion of which will be sent to Oregon's Department of Consumer and Business Services, earmarked for the state's troubled General Fund.

Floyd Lanter, administrator of the Division of Finance and Corporate Securities, said that the settlement is expected to bring around $4.3 million to Oregon's General Fund.

"This is a significant settlement," said Lanter, "with some of the largest penalties ever levied by regulators, and an example of state and federal regulatory agencies working together to the benefit of all investors. One of the goals of this enforcement action is to ensure that the financial industry cleanly separates investment banking from research to ensure that investors get objective investment advice and that research analysts are insulated from investment banking pressure."

Securities regulators alleged undue influence by investment banking interests on securities research at the firms. During a probe that began 18 months ago, investigators uncovered various violations of federal and state securities rules and regulations as well as e-mails in which the firms' financial analysts slammed the stocks they were promoting to the public.

Under the enforcement agreement, which was drafted in December, the brokerage firms will neither admit nor deny allegations. Citigroup's brokerage business, Salomon Smith Barney, will pay the largest fine, $300 million. Credit Suisse First Boston will pay $150 million under the terms of the settlement. The following will pay $50 million each: Bear Stearns; J.P. Morgan Chase; Morgan Stanley; Goldman Sachs; Lehman Brothers; Deutsche Bank; and UBS Paine Webber. Fines were based on the degree and nature of violations reflected in the evidence collected during the investigation.

Merrill Lynch agreed to a $100 million fine last May, along with the separation of its analysts from investment banking. Oregon collected two checks last November in that settlement agreement, one for $150,000, which was dedicated to the Investor Information Program, and another for just under $420,000, which went into the state's General Fund.

The North American Securities Administrators Association (NASAA), the Securities and Exchange Commission (SEC), New York's attorney general, and the New York Stock Exchange (NYSE) joined state regulators from 10 states (Alaska, Arizona, California, Illinois, Massachusetts, New Jersey, New York, Texas, Utah and Washington) in the investigation and enforcement action.

Under the terms of the settlement, the brokerages will also pay $450 million over five years for stock research beyond that provided by their own analysts and $80 million for a nationwide investor-education program.

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