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Oregon to receive \$259,932 in Wachovia settlement

(Salem) — The state of Oregon stands to receive \$259,932, including \$31,635 for consumer education, as part of a \$25 million multistate settlement announced today between state securities regulators and Wachovia Capital Markets LLC of Charlotte, N.C., said Cory Streisinger, director of the Oregon Department of Consumer and Business Services.

The settlement results from allegations of potential conflicts of interest between Wachovia Capital Markets' research analysts and investment bankers as well as books and records violations. The announcement comes after a 28-month investigation of the firm led by state securities regulators from Nebraska, Virginia, and North Carolina, with significant assistance from Utah and Alabama, and contributions from Georgia, Maine, Connecticut, and New Jersey. The settlement is related to the April 2003 global settlement that 12 other investment banks have reached with state, federal, and industry regulators. Wachovia Capital Markets — which operates Wachovia Corp.'s institutional brokerage and capital markets businesses — did not admit nor deny any of the charges in the settlement.

Under the terms of the settlement, Wachovia Capital Markets will pay a total of \$25 million divided among the 50 states, including:

- \$20 million in penalties for failing to supervise its employees in connection with potential conflicts of interest between equity research and investment banking;
- \$1.65 million in penalties for failing to preserve required books and records;
- \$3 million to be used for investor education, as designated by the board of directors of the North American Securities Administrators Association Inc., (NASAA); and
- \$350,000 for costs associated with the investigation, which will be paid to NASAA.

Oregon's share of the penalty money totals \$259,932, with \$228,297 going to the state's General Fund and \$31,635 earmarked for consumer education.

The Department of Consumer and Business Services regulates the brokerage industry and provides consumer education through its Division of Finance and Corporate Securities. Streisinger said the investigation of Wachovia Capital Markets is part of a comprehensive, national regulatory effort to reform the relationship between investment banking and research and to appropriately manage conflicts of interest.

"Today's agreement is an example of our efforts to help maintain investor confidence by ensuring that all consumers are provided with objective research and treated with fairness and honesty," Streisinger said.

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