

# ALABAMA SECURITIES COMMISSION

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## FOR IMMEDIATE RELEASE

### **Alabama to receive \$5,000,000 in Wall Street Historic Settlement Requires Brokerage Houses to pay Fines, Fund Independent Research and Investor Education**

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CAPITAL CITY (April 28, 2003) – Under the terms of a settlement announced today between securities regulators and Wall Street firms, Alabama stands to receive over \$5,000,000 upon final acceptance of the terms of the agreement. The settlements result from allegations of conflicts of interest at brokerage houses where analysts recommended stocks due to improper influence from their investment banking colleagues.

Joseph P. Borg, Director of the Alabama Securities Commission, said, “This historic agreement represents the closing of a sad chapter in the history of our financial markets. The industry reforms agreed upon in this settlement will provide for more objective research and stronger protections for investors.

Borg, who was president of the North American Securities Administrators Association<sup>[1]</sup> (NASAA) when the states joined resources to undertake the investigation said, “It’s our hope that this settlement will change the way business is done on Wall Street and that as a result wary and mistrustful investors will return to our markets.”

Under the terms of the settlement the firms are also required to distribute \$30 million over a period of five years to the Investor Protection Trust (IPT). The money will be used to fund investor education initiatives on the state and national levels. The IPT is an established charitable organization with experience handling settlement funds and a history of investor education successes. A designated amount of this will be allotted for financial education programs in Alabama.

Current NASAA President Christine Bruenn, Securities and Exchange Commission Chairman William H. Donaldson, New York Attorney General Eliot Spitzer, NASD Chairman and CEO Robert Glauber, New York Stock Exchange Chairman and CEO Dick Grasso, and the lead state securities regulators announced the completion of the enforcement actions at a press conference at the SEC today, implementing the global settlement in principle reached and announced by regulators last December. The Alabama Securities Commission was one of the 10 lead states investigating Wall Street with federal co-regulators.

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That settlement followed joint investigations by the regulators of allegations of undue influence of investment banking interests on securities research at brokerage firms, and the enforcement actions announced today track the provisions of the December global settlement in principle.

The ten firms against which enforcement actions are being announced today are:

- Bear, Stearns & Co. Inc. (“Bear Stearns”)
- Credit Suisse First Boston, LLC (“CSFB”)
- Goldman Sachs & Co. (“Goldman”)
- Lehman Brothers, Inc. (“Lehman”)
- J.P. Morgan Securities, Inc. (“J.P. Morgan”)

- Merrill Lynch, Pierce, Fenner & Smith, Incorporated (“Merrill Lynch”)
- Morgan Stanley & Co. Incorporated (“Morgan Stanley”)
- Citigroup Global Markets Inc. f/k/a Salomon Smith Barney, Inc. (“SSB”)
- UBS Warburg LLC (“UBS”)
- U.S. Bancorp Piper Jaffray Inc. (“Piper Jaffray”)

Alabama is committed to the settlements negotiated by the lead states<sup>[2]</sup> and unanimously recommended by the NASAA Board of Directors. We look forward to reviewing the documents as they are received. We are optimistic that the review will confirm that the interests of our residents are well served by this settlement and hope to have it approved shortly.

In 2001 and early 2002, Congress and the SEC were examining the issue of analyst conflicts of interest. In April of 2002 The New York Attorney General's office announced an enforcement action against Merrill Lynch based on internal emails it uncovered that showed analysts were pressured to issue bullish stock recommendations to please investment banking clients. Soon afterwards, regulators from the states, industry self-regulatory organizations and the SEC formed a joint task force to investigate Wall Street's leading investment banks. In December regulators announced an agreement in principle with the firms. Today’s announcement marks the finalization of that agreement.

**See chart on next page: Payments in Global Settlement Relating to Firm Research and Investment Banking Conflicts of Interest**

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**Payments in Global Settlement Relating to Firm Research and Investment Banking Conflicts of Interest**

<b>Firm</b>	<b>Retrospective Relief * (\$ millions)</b>	<b>Independent Research (\$ millions)</b>	<b>Investor Education (\$ millions)</b>	<b>Total (\$ millions)</b>
Bear Stearns	50	25	5	<b>80</b>
CSFB	150	50	0	<b>200</b>
Goldman	50	50	10	<b>110</b>
J.P. Morgan	50	25	5	<b>80</b>
Lehman	50	25	5	<b>80</b>
Merrill Lynch	100**	75	25	<b>200</b>
Morgan Stanley	50	75	0	<b>125</b>
Piper Jaffray	25	7.5	0	<b>32.5</b>
SSB	300	75	25	<b>400</b>

UBS	50	25	5	<b>80</b>
<b>Total (\$ millions)</b>	<b>875</b>	<b>432.5</b>	<b>80</b>	<b>\$1,387.5</b>

\* Fines and disgorgement funds.

\*\*Payment made in prior settlement of research analyst conflicts of interest with the states securities regulators.

April 28, 2003

The Director of the Alabama Securities Commission (ASC) cautions potential investors to thoroughly check out any investment opportunity. Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, to report suspected fraud, or obtain consumer information:

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If you have questions or require more information contact:

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<sup>[1]</sup> Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. We are a voluntary association whose membership consists of 66 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, Canada, and Mexico. In the United States, NASAA is the voice of the 50 state securities agencies responsible for efficient capital formation and grass roots investor protection.

<sup>[2]</sup> AL, AZ, CA, IL, MA, NJ, NY, TX, UT, WA