NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY MCMASTER
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McMaster Announces Largest Securities Fine In State History

State Budget To Receive $4 Million Plus Windfall

Columbia, S.C. – Attorney General Henry McMaster announced today that the State has reached a $4.7 million dollar settlement with nine (9) of the nation's largest investment-banking firms, finalizing South Carolina's part in a national "global" settlement related to conflicts of interest between research and investment banking activities at the firms.

South Carolina's settlement and associated fines is $4,791,515, the state's largest, said McMaster. An additional $340,043 will be paid into the state Investor Protection Trust to fund investor education and protection programs.

"South Carolinians must be able to invest their money without fear of being misled or deceived by investment professionals," said McMaster, who serves as the state's securities commissioner.

The firms involved and the monetary sanctions are as follows: Citigroup Global Markets Inc. ($1,854,780); Credit Suisse First Boston LLC ($927,390); Bear Stearns & Co. Inc. ($309,130); Goldman, Sachs & Co. ($309,130); J.P. Morgan Securities Inc. ($309,130); Morgan Stanley & Co. Incorporated ($309,130); UBS Financial Services Inc. and UBS Securities LLC ($309,130); Lehman Brothers Inc. ($309,130); and Piper Jaffray & Co. ($154,565).

These firms have agreed to cease certain conduct and to adopt certain procedures separating research and investment banking lines within each firm. They will pay an aggregate total of $4,791,515 in administrative fines to the Attorney General's office, which will statutorily retain $231,515 for securities enforcement efforts, and send $4,560,000 to the General Fund.

The investigation revealed that part of an analyst's responsibilities were to bring investment banking clients to the various firms. This resulted in instances of the analysts making buyer recommendations on a company from which the investment-banking component of the firm was earning large fees for handling their offerings.

For example, an analyst would provide a recommendation of "buy" or "hold" on a company's securities while internal memos indicated the same company was actually a "dog" or "loser." Thus, the public was given recommendations on the securities of companies that the analysts knew were, at best, of poor quality. The size of the fines in the settlement was related to the degree of "bad acting" exhibited by each firm.

The "global" or comprehensive settlement brings to conclusion an investigation first initiated against Merrill Lynch in 2002 by New York Attorney General Eliot Spitzer, fifty state securities regulators, the Securities and Exchange Commission (SEC), the North American Securities Administrators Association (NASAA), the National Association of Securities Dealers (NASD) and the New York Stock Exchange (NYSE).

The investigation represented an unprecedented partnership between state, federal and securities regulators. In 2002, Merrill Lynch settled with South Carolina and paid a fine of $668,376, which was the largest single investment fine levied by the state until now.

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