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Press Release

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State finalizes settlement over deceptive securities sales

(Anchorage, Alaska) – The state Division of Banking and Securities this week finalized a settlement requiring Citigroup Global Markets Inc. to repurchase auction-rate securities (ARS) it sold deceptively to Alaska clients.

The announcement today is the final step in Alaska's auction rate securities case against Citigroup Global Markets, which was tentatively settled in February 2009, after it was discovered that the firm's securities dealers had misled investors about the safety of the ARS market.

"By holding Citigroup Global Markets Inc accountable, the Division of Banking and Securities has upheld its mission to protect Alaska residents from unethical investment activities that may cause financial harm," said Emil Notti, who oversees the Division of Banking and Securities as commissioner of the Department of Commerce, Community and Economic Development. "This action sends a strong message that this kind of behavior will not be tolerated."

Although marketed and sold to investors as safe, liquid, and cash-like investments, auction rate securities are actually long-term investments subject to a complex auction process that failed in early 2008, leading to illiquidity and lower interest rates for investors. In addition to repurchasing the securities from clients who bought them, Citigroup Global Markets also has to pay a \$150,507.38 fine to the state. The fine amount represents Alaska's pro-rata share of a \$50 million settlement negotiated by a multi-state task force of state regulators formed by the North American Securities Administrators Association.

"From the day these auctions first failed, the Division of Banking and Securities has been seeking much needed relief and liquidity for investors stuck with auction rate securities," Division Director Lorie Hovanec said. "I am pleased that Citigroup Global Markets Inc.



has agreed to do what's right by repurchasing clients' positions, and I expect other firms that sold these securities in Alaska to do the same."

The investigation into Citigroup Global Markets Inc's role in the marketing of auction rate securities is part of a larger state-led effort to address problems in connection with ARS investments. Early in 2008, state offices began receiving complaints from investors throughout the country. As a result, in April 2008, 12 states formed a task force to investigate whether the nation's prominent Wall Street firms had systematically misled investors when placing them in auction rate securities.

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