NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

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State Securities Regulators Report Increases in Enforcement Actions, Money Ordered Returned to Investors & Years of Incarceration for Securities Law Violations

WASHINGTON – State securities regulators today reported significant increases in the number of enforcement actions, money ordered returned to investors, and years of incarceration for securities law violations during the most recent reporting period.

"These statistics reflect the ongoing vigilance of state securities regulators to protect Main Street investors from fraud," said Joseph P. Borg, Director of the Alabama Securities Commission and President of the North American Securities Administrators Association (NASAA), the oldest international organization devoted to investor protection.

NASAA reported a 23 percent increase in enforcement actions (including administrative, civil and criminal) to 3,635 during the 2004-2005 reporting period, up from 2,964 during the 2002-2003 reporting period. One-quarter (26 percent) of all enforcement actions involved the financial exploitation of seniors, Borg said, noting that 34 percent of all successfully concluded enforcement actions involved either variable or equity-index annuities. "Investment fraud targeting seniors is an ongoing concern and that's why we are pleased that federal regulators and others have joined us in our efforts to fight senior investment fraud through targeted and aggressive enforcement," Borg said.

Money ordered returned to investors (including restitution, rescission, and disgorgement) increased 38 percent to $911 million from $660 million during the same period. Years of incarceration as a result of securities law convictions rose 30 percent to a cumulative 935 years, compared to 718 years in the previous reporting period.

NASAA also reported monetary fines and penalties ordered during the 2004/2005 reporting period totaled $61 million. During the 2002/2003 reporting period, penalties and fines totaled $822 million, which included amounts ordered stemming from settlements related to several large Wall Street investigations.

"While our emphasis has always been on enforcing the securities laws and getting money back to investors, the industry-created scandals of recent years led to larger than usual totals for fines and penalties during the previous reporting period," Borg said. "We hope that the lower amount of penalties and fines in the current reporting period reflects that Wall Street now understands that business must be done for the benefit of investors, not to their detriment and that the lessons of the past will not be forgotten in the new economic climate."

The enforcement statistics represent responses from 42 of the 53 U.S. jurisdictions within NASAA's membership. NASAA's membership consists of the securities administrators in the 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico, Canada, and Mexico. The 2004-2005 reporting period includes either calendar year 2005 or the most recent fiscal year, July 1, 2004 through June 30, 2005.

For More Information:

Bob Webster
Director of Communications
NASAA
202-737-0900

Daniel G. Lord,
Education and Public Affairs Manager,
Alabama Securities Commission
Email: **dan.lord@asc.alabama.gov** Phone: 334-353-4858