



# NEWS RELEASE

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Comptroller of the Currency  
Administrator of National Banks

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## **OCC Issues Order Requiring Security Trust Co. to Begin Orderly Dissolution; Order Follows Earlier Action to Ensure Funds Available to Protect Bank's Clients**

WASHINGTON -- The Office of the Comptroller of the Currency announced today that it has issued an order requiring Security Trust Company, Phoenix, Ariz., to begin a process that will result in the orderly dissolution of the bank by March 31, 2004.

The OCC's order requires the bank to take steps to ensure that the trust accounts and investment plans it administers experience the minimum possible disruption. Today's order follows an OCC enforcement action on October 29 that froze the assets of the bank's controlling shareholder and placed restrictions on the assets of the bank. Those assets will be used to protect the interests of the bank's client investment funds and trust account holders.

The issues involving Security Trust came to light in September, when New York Attorney General Eliot Spitzer announced that his office had uncovered a late-day trading scheme in which the bank had aided Canary Capital Partners LLC and Canary Investment Management LLC.

The New York Attorney General's announcement of civil charges against Canary triggered investigations by the other agencies and the action announced today by the OCC is the result of a coordinated investigation by the OCC, the New York Attorney General, the Securities and Exchange Commission and the Department of Labor.

"This action is an impressive example of cooperation between state and federal government agencies," said Comptroller of the Currency John D. Hawke, Jr. "Everyone involved displayed a high degree of professionalism and dedication, and acted in the best interests of the American people."

On October 29, the OCC issued a Cease and Desist order directing Security Trust to cease a number of illegal and abusive practices, and ordered its controlling shareholder, Capital Management Investors Holdings, Inc. (CMIH), Chicago, Illinois, to make an immediate capital infusion into the bank and to pledge all of its financial resources to the bank as needed. The funds from the bank and CMIH will be used to ensure that the bank can unwind its affairs without undue disruption to its clients.

The October 29 enforcement action required Security Trust to cease and desist from assisting or participating in a number of activities involving late trading or market-

timing. The prohibited activities include:

- Market-timing or timing in connection with trades of mutual fund shares;
- Piggy-backing or other activity designed to facilitate market-timing; and
- Late trading in connection with trades of mutual fund shares.

The enforcement action also barred the bank from engaging in business activities with any entities affiliated with the Canary hedge funds or with Samaritan Asset Management.

In addition, CMIH was required to enter into a separate Capital Assurances and Liquidity Maintenance Agreement with the bank. Under that agreement, CMIH is required to:

- Maintain the bank's Tier 1 capital at \$3 million;
- Ensure that funds are available to meet the daily liquidity needs of the bank; and
- Provide a general pledge of its assets to the bank to ensure the terms of the CALMA are met.

Under the October 29 order, CMIH reimbursed Security Trust for all dividends it received from the bank after May, 2000. Security Trust is prohibited under the order from paying any dividends or making any other capital distributions, and from payment of any bonuses, commissions, severance benefits, golden parachutes, and excessive compensation without prior review and approval by the OCC.

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The OCC charters, regulates and examines approximately 2,100 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 55 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.

Related Links: [Consent Order 136](#), [Consent Order 137](#), [Consent Order 138](#)