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New Hampshire Securities Regulators Join SEC and New York Attorney General’s Office in $225 million settlement with Massachusetts Financial Services


State and federal regulators charge that MFS allowed market timing by certain investors in some of its funds while providing false and misleading statements in their prospectuses, indicating that such rapid trading was not allowed. Regulators contend that investors were harmed by MFS’s misleading statements by being denied profits made available to market timers, by increased fees and transaction costs, and by potential lost opportunity due to the need to maintain cash reserves necessary to facilitate these short term trades.

Mark Connolly, New Hampshire Securities Bureau Director, said his office became involved in the investigation several months ago after receiving MFS files from his counterpart at the Secretary of State’s Office in Massachusetts. “After our initial examination of the files, evidence surfaced that prompted us to conduct an expanded and thorough investigation,” Said Connolly.
In its settlement with the three regulators, MFS agrees to pay a total of $225 million in penalties and disgorgement which will be returned to fund holders through a plan approved by the Securities and Exchange Commission. In addition, MFS’s chief executive, John Ballen, will receive a nine-month suspension from the securities industry. President and Chief Investment Officer Kevin Park will receive a six-month suspension.

In its settlement with the New York Attorney General’s Office, MFS will also cut its fees by $125 million over five years.

In its settlement, the state of New Hampshire asks for an additional $1 million for investor education. The state’s agreement stipulates that $750,000 will go directly to the Investor Protection Trust, a national organization formed to assist all states in their investor education efforts. The remaining $250,000 will go into New Hampshire’s Investor Education Fund. In addition, MFS will be required to promptly issue a prospectus supplement that discloses the nature of the complaints brought against the company by the various regulatory agencies, and the amount of penalties, fines and disgorgement MFS has agreed to pay, as well as any remedial actions and governance reforms they have agreed to undertake.

Connolly said he was pleased regulators were able to cooperate in such a coordinated effort. “In my opinion, regulators need to work together and take action to demonstrate to long term investors that unethical and illegal selling practices will not be tolerated,” said Connolly, “It’s my firm belief that coordinated enforcement is effective enforcement.” Connolly added, “I also think the conclusion of these proceedings indicates that MFS wishes to move forward in a positive fashion.”