

GROUNDHOG'S DAY FOR THE WATCHDOG

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The ABC Network has a new show coming out this winter entitled Daybreak. The promo for the show from ABC's website states...

"Detective Brett Hopper's life takes an unexplained detour when he's charged with killing a district attorney, discovers his loved ones are in danger and that he's being framed -- and forced to relive the same day over and over until he can right what went wrong."

Correct me if I am wrong here, but shouldn't Bill Murray and Puxatawney Phil be receiving royalties for this show? Who at the network comes up with these ideas?

STUPID EXECUTIVE ONE: "Eureka! We take the Bachelor and instead do it with cross dressers; we can get Billy Jean King to host and get Boy George to do the music."

STUPID EXECUTIVE TWO: "Nah...Let's take the film Groundhog's Day remove all humor and cross it with a Steven Seagal movie."

One of my favorite columnists and authors, despite being a huge Red Sox fan, Bill Simmons lends a little perspective to the rip-off...

"Here's the problem, ABC: You can't rip off a popular idea THAT BADLY without acknowledging that same idea in some way. We're fine with black "Groundhog Day" crossed with "24" -- just admit what you're doing from the get-go. If there's one thing that everyone universally hates, it's somebody ripping somebody else off and not admitting that they're ripping somebody else off. That's a recipe for disaster."

I submit to ABC that they cross Groundhog Day with an investment fraud theme. They could even state at the beginning of the show that it is based on a true story, because this past month I swear I was stuck in some sort of *Groundhog Space Time Continuum*. Scams that we had covered here in the newsletter and on the radio show were reoccurring, often with the same culprits. It's no *Cop Rock* but I think this show could work.

Scene I: The Evil Empire Strikes Again.

I am sitting in my office around 4:30 AM working on my computer with my son Nicholas on my lap. Instead of being jolted awake by Sonny and Cher singing "*I Got You Babe*," I get the news that the evil empire has struck again. South Korean prosecutors raided the Seoul office of Citigroup's securities unit as a part investigation over allegations that it aided a private equity fund Lone Star in manipulating stock prices. The Watchdog/Groundhog Day has begun.

We reported that...

Citigroup was thrown out of Japan, barred from dealing with Japanese investors. The Financial Services Agency revoked their license to serve brokerage customers. In the statement, Japan criticized Citigroup/Smith Barney for not having properly functioning internal controls, also stating that it had uncovered a long list of "serious violations of laws and regulations" and "extremely inappropriate transactions." Over three years Citigroup/Smith Barney misled clients about the risk involved in some products, tied loans to the purchase of specific investments, allowed transactions that looked like money laundering and extended loans that were used to manipulate publicly traded stock. The Japanese Financial Services review demonstrated a culture within

Citigroup/Smith Barney's offices that were more than tolerant of lax and potentially criminal practices as long as sales targets were met, states Andrew Morse of the *Wall Street Journal*. FSA officials stated that Citigroup/Smith Barney salespeople took advantage of Japanese customers, giving the unrealistic projections for returns on investments and selling them complicated derivative products they did not understand.

They manipulated the Eurobond market in a scam that they named Dr. Evil. According to Sylvia Ascarelli of the *Wall Street Journal*, a senior Citigroup/Smith Barney executive in London, told traders on his European government-bond desk that they were not making enough money for the firm and ordered them to immediately come up with new trading strategies. Two weeks later, six bond traders pushed the button on a huge bond trading strategy dubbed "**Dr. Evil.**" The trades wrecked havoc in the European government bond markets and netted Citigroup/Smith Barney a cool quick 15 million euros. European regulators are currently investigating the matter for criminal violations. According to Professor Michael Levi, a specialist in economic crime at Cardiff University School of Social Sciences in Wales, "*It seemed like a plain example of the market being rigged. This seems like playing with a stacked deck of cards.*"

In 2001 Argentina defaulted on its bonds due to a massive evasion of taxes. In 2002, the Investigative Commission on Capital Flight set up by Argentina's House of Deputies estimated that the amount of Argentine assets held abroad had reached an astounding \$127 billion, a figure that approached the country's total recorded foreign debt. In a story that was overlooked in the United States, TV journalist Maximiliano Montenegro caught a Citibank official in Argentina's capital, Buenos Aires, offering to help a 'businessman' cheat on taxes. Montenegro had sent in an actor to see what would happen if he told a Citibanker that he was an entrepreneur whose wife had just sold a company and didn't want to report all the profits. The Citibanker, Mr Mariano, was captured on video enthusiastically talking about how he could help the couple evade taxes.

Last but not least is Italy, where Citigroup is accused of playing a crucial part in the multibillion-euro fraud that pushed Parmalat into insolvency. The company filed for bankruptcy after collapsing under 14 billion euros in debt. Citigroup engaged in a series of transactions with Parmalat or its subsidiaries whose only economic purpose was to enrich Citigroup, at the ultimate expense of Parmalat," alleged the lawsuit. "Citigroup's transactions with Parmalat were knowingly designed to assist Parmalat in a broad, continuing series of fraudulent transactions."

SCENE II: Taking Candy Away from Babies, Again.

This past month the NASD has found that both Chase Investment Services and MetLife Securities failed to supervise the sale of 529 College Savings Plans. The NASD stated that both firms respectively sold the plan without providing specific criteria or guidance to clients. Translation: They sold the college savings plans with the highest possible commission, looking out for themselves, instead of their clients. Much like Phil Connors (Bill Murray) stepping into that deep cold puddle of water everyday. We also reported back in October of 2005 that the brokerage firm for aging hippies (Ameriprise) was doing the same thing. In March of 2004 we also reported on the Columbia Young Investor Fund whose target market was young investors engaged in market timing, thus fleecing the children who were invested in the fund. This was coupled with a performance record that lagged 80% of its peers.

SCENE III: Ned Ryerson Returns.

The NASD announced this past month that it has fined CCO Investment Services, a wholly owned subsidiary of Citizens Bank, for failing to establish, maintain and enforce a reasonably designed supervisory system and written procedures relating to a series of issues, including customer suitability, telemarketing compliance, commission records, etc. regarding the sales of

annuities. This was an incredible example of the Watchdog/Groundhog effect because we reported back in March of 2005 this very same story with none other than Citizens Bank.

The scam perpetrated by Citizens Bank was as dubious as they come. Tellers at the bank earned compensation on a point system by referring depositors, particularly senior citizens who had maturing certificates of deposit, to their shark stockbrokers. For many senior citizens, their weekly trip to the bank is a social event; they build up trust in certain tellers who can take advantage of them, as in this case. Let's also not forget the blood-sucking brokers working in the corner office looking to score another fat payday. One of the brokers at the South Yarmouth branch office had more than half of his variable annuity sales directed at senior citizens. Disgusting is one word that comes to mind.

In a similar case Bank of America was fined because they sold variable annuities to people with Alzheimer's disease and others who were unable to understand the investment risks.

Scene IV: How does it end?

In the movie *Groundhog's Day* Phil Connors is not released from his day of torment, until he finally realizes that the day isn't torment at all, but a series of opportunities to make life better for everyone around him, including himself. It's a pretty deep movie if you think about it. Anyway my situation is not so deep, if you want to put an end to the Watchdog/Groundhog day stop being a victim. Stop falling prey to mind-altering, crook empowering greed. It's real simple. If some jerk is guaranteeing double digit returns for your money he or she is a liar. For every crook and scam that we expose there is another one that takes its place. Get-rich-quick con artists are the world's second oldest profession. Put an end to the cycle by ignoring them and giving them the respect they deserve...none.