Department of Justice

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JUDGE APPROVES $27.8 MILLION JUSTICE DEPARTMENT ANTITRUST SETTLEMENT WITH SALOMON BROTHERS, LARGEST CIVIL ANTITRUST PENALTY

WASHINGTON, D.C. -- The Department of Justice announced that Salomon Brothers Inc. will pay the United States $27.8 million under a court order approved today to settle charges it violated antitrust laws by coordinating the auction of U.S. Treasury notes.

The settlement, approved by Judge Robert P. Patterson of U.S. District Court in Manhattan, resolves a civil antitrust suit the Department brought against Salomon in May 1992 alleging that Salomon and certain unnamed co-conspirators violated antitrust laws by entering into an agreement to coordinate trading in the May 1993 two-year notes auctioned by the treasury in May 1991.

Pursuant to a final judgment entered by the court today, Salomon will pay the U.S. $27.5 million, plus accrued interest, or a total of approximately $27.8 million.

Charles A. James, Acting Assistant Attorney General in charge of the Antitrust Division, said, "The $27.8 million asset forfeiture is the largest civil penalty ever received by the Antitrust Division. This penalty, which represents a very positive resolution of this portion of the case, will encourage future compliance with the antitrust laws."

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In its complaint, the Department said that because of the conspiracy persons who sold the notes short were denied the benefits of free and open competition in the secondary (cash) and financing markets and that price and interest rate competition for notes was unreasonably restrained.

Specifically, the complaint alleged that during June and part of July 1991, Salomon and its co-conspirators "coordinated their efforts to limit the supply of May [1993] two-year notes available in the secondary and financing markets, thereby ensuring that persons who had sold the issue short in the when-issued market could obtain May [1993] two-year notes only by purchasing them at artificially high and non-competitive prices in the secondary market or by borrowing them in exchange for cash on which they received artificially low and non-competitive special rates in financing transactions in the financing market."

The action against Salomon Brothers was brought pursuant to the Antitrust Division's asset forfeiture authority under Section 6 of the Sherman Act. In agreeing to settle the action, Salomon did not admit it had violated the law.

The $27.8 million asset forfeiture is part of a $290 million settlement between Salomon and the Department of Justice and the Securities and Exchange Commission announced May 20, 1992.

The case against Salomon followed a year-long investigation of the "short squeeze" in the May 1993 two-year notes that

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occurred during the summer of 1991. The Antitrust Division's investigation of this "squeeze," as well as other conduct in the markets for United States Treasury securities, is continuing.

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