Department of Justice

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JUSTICE DEPARTMENT, SEC ANNOUNCE THAT STEINHARDT AND CAXTON WILL PAY $76 MILLION TO SETTLE ANTITRUST AND SECURITIES CHARGES

WASHINGTON, D.C. -- Two of the country's leading investment fund managers, Steinhardt Management Company Inc. and Caxton Corporation, have agreed to pay $76 million to settle antitrust and securities charges filed today by the Department of Justice and the Securities and Exchange Commission in U.S. District Court in New York City.

Anne K. Bingaman, Assistant Attorney General in charge of the Department's Antitrust Division, and William McLucas, Director of Enforcement at the Securities and Exchange Commission, announced the settlement today at a press conference in Washington.

Along with the settlement filed today, the Department filed a civil complaint charging that Steinhardt and Caxton conspired to limit the supply of, or to "squeeze," the Two-Year Treasury note issued in April 1991. As a result of the conspiracy, investors who wanted to purchase or borrow such securities had to pay inflated prices. The Department's proposed consent decree, if approved by the court, would settle the antitrust suit.

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"Steinhardt and Caxton joined to corner the market and to inflate the price of securities in the largest and most important securities market in the world. The health of this market is critical to the nation's economy and to financing the national debt," said Bingaman.

The Department said that Steinhardt and Caxton purchased a combined position of almost $20 billion in the April Two-Year Note, or 160 percent of the $12 billion issue. The two firms agreed to coordinate their trading of the issue in a way to withhold it from the market, forcing investors to pay inflated prices to buy or borrow the security. The conspiracy lasted for several months in the spring and summer of 1991.

"From the Commission's perspective, this case stands for the proposition that parties cannot engage in fraud and manipulation in the market for U.S. Treasury securities. This case reflects the Commission's commitment to protecting the integrity of that market," said McLucas.

Steinhardt agreed to pay $40 million to settle the charges. Of this amount, $12.5 million will be forfeited to the United States under the antitrust laws, $6.5 million will be paid to the SEC as a penalty for violating the securities laws and $21 million will be placed in a disgorgement fund to be administered by the court for the benefit of the victims of the violation.

Caxton agreed to pay $36 million. Of this amount, $12.5 million will be forfeited to the United States under the antitrust laws, $9.5 million will be paid as a penalty for violating the securities laws and $14 million will be placed in the disgorgement fund.

Caxton and Steinhardt also agreed to an injunction that will prevent them from conspiring to inflate the price of Treasury securities in the future.

The cases are the result of an unprecedented three-year effort that combined the forces of the Antitrust Division with those of the SEC Division of Enforcement. "The Division will continue to coordinate with the SEC and other agencies in its efforts to enforce the antitrust laws in financial markets," Bingaman said.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to John Greaney, Chief, Computers & Finance Section, Antitrust Division, U.S. Department of Justice, 555 4th Street, 9th Floor, Washington, D.C. 20001.

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