

Business and Commercial Litigation Newsletter

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We are pleased to present the Bernstein Shur Business and Commercial Litigation Newsletter. This month we highlight news related to securities law developments and other issues that will have an impact on business and commerce. We hope you enjoy the newsletter.

In the News:

The U.S. Securities and Exchange Commission brings civil fraud charges against former executives of Fannie Mae and Freddie Mac. The civil fraud charges, which were brought in two actions filed in the U.S. District Court in Manhattan, allege that top executives misled investors regarding the extent of the institutions' exposure to the subprime loan market. Fannie Mae and Freddie Mac have agreed to cooperate with the agency in relation to the enforcement action against their former executives and have entered into non-prosecution agreements with the SEC. [Read more about this development here.](#)

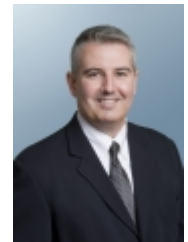
The U.S. Securities and Exchange Commission appeals an order from the U.S. District Court for the Southern District of New York that rejected a proposed consent judgment between the SEC and Citigroup. The proposed settlement would have required Citibank to pay \$285 million without any admission of liability. Rejecting the proposed settlement, the court criticized the SEC's practice of settling cases without requiring any admission of wrongdoing and rejected the proposed settlement because it was not supported by "any proven or admitted facts" that could have informed the court's judgment. The SEC's Enforcement Director, Robert Khuzami, stated that the requirements imposed by the U.S. District Court constituted legal error and announced a new and unprecedented standard. [Read more about this story here.](#)

The Financial Industry Regulatory Authority considers a proposed rule that would allow the regulatory body to use court proceedings to seek fines from its member brokerages and brokers in disciplinary cases. The rule proposal, which would require approval from the U.S. Securities and Exchange Commission, comes in the wake of a decision by the Second Circuit Court of Appeals that held that FINRA could not enforce its fines against its members by filing civil lawsuits. In the decision by the Second Circuit, a judgment of \$1.3 million was overturned against a defunct brokerage firm and its president, stating that FINRA lacked statutory authority to seek to enforce fines against its members. [Read more about this development here.](#)



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