



Massachusetts hits Citi with \$30 million misconduct fine

CITIGROUP, FINES, REAL ESTATE INVESTMENTS, WALL STREET, FINANCE, MARKETS, US: NEWS, APPLE INC, CITIGROUP INC, BUSINESS NEWS

CNBC.com | Thursday, 3 Oct 2013 | 9:21 AM ET

Massachusetts has imposed a \$30 million fine on [Citigroup's](#) research unit, the state announced on Thursday, as it accused a bank analyst of supplying confidential non-public information to big hedge funds and institutional investors.

In a statement, Secretary of the Commonwealth William Galvin said one of the companies affected was Hon Hai, a major supplier of [Apple](#) iPhones. According to the state, the research analyst—named Kevin Chang—funneled information to SAC Capital, T.Rowe Price, Citadel, and GLG Partners, among others.

The complaint said that last December, Chang was "pressured by large hedge fund and institutional clients for his research on Hon Hai." As a result, Chang sent information to "at least three units of SAC", as well as other firms. Chang then published a research note on Dec. 14, containing "virtually identical numbers" that he had already given to the big firms a day before, the complaint said.

The fine comes at a critical time for Cohen's \$14 billion hedge fund, which faces criminal insider trading charges. The Stamford, Conn.-based firm has said it has done nothing wrong.

Galvin's office said three Citigroup clients traded in Apple stock between the time it received Chang's information and the day his report was official published.

"Due to Kevin Chang's release of his research views prior to publication, he had to publish his research report early, but not before his revised Apple iPhone production estimates were communicated to the four clients," Galvin said in a statement.

The Hon Hai research report contained significant cuts in Apple iPhone production numbers and would have a detrimental impact on Apple, the regulator said.

A Citi spokeswoman said the bank takes "regulatory compliance requirements very seriously and train all of our employees about these obligations. We are also constantly working to improve, manage and monitor the compliance and controls process."

—By *CNBC*. Reuters contributed to this report

© 2013 CNBC.com

URL: <http://www.cnbc.com/101075961>