



## NEWS RELEASE

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### **E\*TRADE SECURITIES CHARGED WITH FRAUDULENT SALES OF AUCTION RATE SECURITIES**

**Denver, Colorado** --- Colorado Securities Commissioner Fred Joseph announced today the Securities Division Staff has filed charges against New York based broker-dealer E\*Trade Securities, LLC alleging that E\*Trade Securities falsely represented auction rate securities as liquid, short-term investments to Colorado investors without discussing the risks. These representations gave investors a false sense of security that the investments would always be liquid when auction rate securities, in fact, faced significant, inherent liquidity risks. In the complaint, the Division alleges that E\*Trade Securities violated the Colorado Securities Act by making false representations to investors, failed to adequately supervise its sales force, and engaged in unfair and dishonest dealings by making unsuitable recommendations to its customers.

Auction rate securities are long-term bonds that rely on the successful operation of a periodic auction for short-term liquidity. E\*Trade brokers repeatedly and persistently misrepresented the liquidity risks in auction rate securities, comparing them to money market funds, selling auction rates securities as suitable for cash management purposes, or otherwise telling customers they would always be able to retrieve their cash. In February of 2008, the auction rate market failed, leaving many investors holding long term bonds and tying up funds they needed in the short-term.

The administrative complaint filed by the Division Staff is before an administrative law judge, and seeks revocation, suspension or the imposition of conditions upon the broker dealer license of E\*Trade in Colorado. No hearing date has yet been scheduled.

A copy of the Complaint can be found at:

<http://www.dora.state.co.us/securities/enforcement.htm#Administrative>

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