Press Releases
Office of the New York State Attorney General Andrew M. Cuomo

Department of Law
120 Broadway
New York, NY 10271

Department of Law
The State Capitol
Albany, NY 12224

For More Information:
518-473-5525

For Immediate Release
July 20, 2005

CIBC SETTLES MARKET TIMING INVESTIGATION

Agrees to Pay $125 million in Restitution and Penalties

Attorney General Spitzer today announced an agreement to resolve an investigation concerning the role of one of Canada's largest banks in financing and brokering mutual fund market timing transactions.

Under the agreement, Canadian Imperial Bank of Commerce (CIBC) will pay $100 million in restitution to injured investors and $25 million in civil penalties. CIBC has also adopted a series of reforms.

The settlement was reached in conjunction with the Securities and Exchange Commission which announced a parallel settlement today.

"CIBC provided significant cooperation to authorities and embraced reform," Spitzer said. "This agreement compensates the investors who were harmed and allows the company to move forward."

According to the complaint filed today in connection with the settlement, CIBC, based in Toronto, provided brokerage services and more than $1.3 billion in financing to numerous hedge funds engaged in "market timing" strategies. The complaint alleges that CIBC engaged in various subterfuges and false pretenses – known euphemistically as "flying under the radar" – to fraudulently disguise or conceal market timing transactions.

For instance, CIBC's brokerage unit approved the issuance of approximately 50 registered representative numbers to a single CIBC broker, many or all of which were used to hide the broker's involvement in timing transactions. CIBC also loaned more than $1 billion to known mutual fund timers, channeled this money into hundreds of accounts it controlled and then rotated trading activity among these accounts in order to escape detection by mutual fund families.

CIBC also intentionally aided its clients' illegal "late trading" to enable them to capitalize on information released after the 4 p.m. close of the financial markets when ordinary investors could not trade on such information.

CIBC is cooperating with the Attorney General's office in ongoing investigations of the conduct of former CIBC employees and various entities with which CIBC did business.

In addition to acknowledging CIBC's cooperation with his office to resolve the matter, Spitzer thanked the SEC's Northeast Regional Office for its assistance.

CIBC is the 13th firm to settle improper mutual fund trading charges during the last two years. To date, the investigation has returned $3.2 billion to investors.

The 18-month investigation culminating in today's settlement was handled by Assistant Attorneys General Charles Caliendo of the Investment Protection Bureau and Ricardo Velez of the Criminal Prosecutions Bureau, with assistance provided by Economist Hampton Finer of the Attorney General's Public Advocacy Division.

- Assurance of Discontinuance
- Complaint