

Market News

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A monthly review of IR developments for our clients and friends. . .

Visit our redesigned website!

In early December, we introduced a completely redesigned website. We've made it cleaner and easier to navigate, and have added some important new features that better explain how CTC can help meet your investor relations goals. We hope you take the opportunity to explore www.irbyctc.com, including our new *Market News* archives and our new blog.

Investors want new accounting standards to address investment decision not international rules

Three-quarters of the 650 analysts, portfolio managers, accountants and auditors from around the world surveyed by the CFA Institute want regulators to make accounting standards more relevant to investment decisions, rather than focusing on a hasty merge of U.S. and international standards. Survey participants pointed out that the economic crisis has complicated the convergence of the two accounting standards because our FASB standards incorporate fair value accounting, or valuing assets at market prices, while the IASB advocates valuing loan-like instruments at cost and everything else at fair value. A majority want rules developed "in a synchronized fashion" to create a single accounting procedure focused on understanding the investment. The SEC has postponed commenting about the timeline for convergence of accounting standards, saying only that it would consider further action in early 2010.

SEC told to step up pace of adopting internal reforms

The SEC has been busy this year, but a watchdog group says that's no excuse for failing to implement more than half of the reforms recommended by its Office of Inspector General (OIG) in December 2007. The private non-profit Project On Government Oversight (POGO), said in a letter to SEC Chair Schapiro that the agency has been dragging its feet. POGO's FOI Act request shows that hundreds of OIG recommendations are in limbo, and that the SEC has taken no action at all on 27 of 52 of the OIG's recommendations.

Spotlight Falls on SAC Capital

Federal prosecutors have recently been making arrests in an insider trading investigation that is now being linked to SAC Capital, the hedge fund owned by one of the world's top money managers, Steve Cohen. No current workers are accused of any crimes, but former SAC analyst Richard Choo-Beng Lee has pled guilty to insider trading, triggering suspicions about the firm. Some former SAC employees say the rumors are unfair, and that the firm has a strong culture of compliance. But SAC's incredibly strong gains, which have averaged 30 percent annually since 1992, have led many to question its practices. Employees say that it attracts top talent, who get broad authority and are paid based on their own results. Lee's plea requires him to disclose any of his violations while at SAC.

SEC puts accountants on notice

At an American Institute of Certified Public Accounts meeting earlier this month, Jason Flemmons, associate chief accountant in the SEC's Division of Enforcement, warned that even the lowliest bean-counters are subject to the SEC's scrutiny. "From the accounting clerk of a public company to the CFO...each and every one of you play a crucial role in maintaining a capital market system of the highest caliber and integrity," Flemmons said. The largest category of enforcement action in 2009—23 percent—was financial-statement and accounting fraud, forcing the SEC to hone in more on the people behind public company misdeeds in 2010, according to Flemmons. But while the commission last year more than doubled the number of formal investigations of individuals it opened, it has fallen behind in the number of cases settled, from 673 in 2008 to 626 in 2009. But the SEC promises to catch up in 2010. Protect yourself, he warned, because there will be another uptick in enforcement action this year. He urged that if there is any indication of a problem, do not just pass it off to someone else; follow through on claims made in public forums; research rumors of wrongdoing and avoid auditor complacency.

Madoff victims still fail to grasp reality

The Bernie Madoff saga seems Orwellian enough to us, what with the rampant self-delusion on both sides that was essential to its endurance. But even with Madoff in jail and his accomplices describing their fraud in detail, it appears some of the victims haven't yet come to grips with reality, and ironically seek to punish themselves even further. The Securities Investor Protection Corporation (SIPC) has advised the United States Bankruptcy Court that some of Madoff's victims who are suing the trustee in the case over his proposed formula for allocating remaining assets would actually be worse off if they won. Those victims want the remnants of the Madoff fund assets allocated based on the appreciated asset values in the wholly fictitious statements he issued, not on the net sums they actually had invested. SIPC says that not only are the plaintiffs asking the trustee to rely on fictional reports; they also would get less money back if the court accepted their approach, instead of the trustee's plan.

Hedge fund loses transparency case

Ever wondered what's inside those password-protected hedge-fund websites? One Massachusetts hedge fund manager that offered a peek to the general public had his First Amendment argument for doing so slapped down in court recently. Phil Goldstein, who runs the hedge fund firm Bulldog Investors, had battled his home-state securities regulators over his insistence that the Bill of Rights protects his right to describe and discuss his funds with the public, despite state and federal rules that limit such communications only to wealthy, appropriately sophisticated investors. Goldstein claimed that his fund information, with disclaimers, does not propose a transaction, and is therefore not commercial speech. Goldstein is a longtime opponent of the SEC's efforts to require hedge fund registration. He said he would appeal the latest ruling.

It's only up from here

In nearly 200 years of recorded U.S. stock-market history, no calendar decade has seen such a dismal performance as in the one we just finished. According to Charles Jones, finance professor at North Carolina State University, since 1999 the Standard & Poor's 500 Stock Index lost, on an inflation adjusted basis, 3.3 percent a year, compared to a 1.8 percent gain during the 1930s.



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