ADMININSTRATIVE PROCEEDING
File No. 3-17720

SEC Finalizes Settlement with State Street For Misleading Clients About Prices for Foreign Currency Exchange Trades

December 12, 2016 – The Securities and Exchange Commission today announced a final settlement with State Street Bank and Trust Company as part of an overall agreement announced on July 26, 2016 with other federal regulators. As previously announced, State Street has agreed to pay a total of $382.4 million to the SEC, the Department of Justice, and the Department of Labor for misleading mutual funds and other custody clients by applying hidden markups to foreign currency exchange trades.

According to the SEC's order instituting a settled administrative proceeding against State Street, as part of its custody bank line of business, State Street safeguards clients' financial assets and offers such services as indirect foreign currency exchange trading (Indirect FX) for clients to buy and sell foreign currencies as needed to settle their transactions involving foreign securities. State Street realized substantial revenues by misleading custody clients about Indirect FX, telling some clients that it guaranteed the most competitive rates available on their foreign currency exchange trades, provided "best execution," or charged "market rates" on the transactions. State Street instead set prices largely driven by predetermined, uniform markups and made no effort to obtain the best possible prices for these clients.

The SEC's order, in which State Street admitted certain facts, finds that State Street willfully violated Section 34(b) of the Investment Company Act of 1940 and caused violations of Section 31(a) of the Investment Company Act and Rule 31a-1(b) by providing its registered investment company custody clients with trade confirmations and monthly transaction reports that were materially misleading in light of the representations it made about how it priced foreign currency exchange transactions. The SEC's order requires State Street to pay $75 million in disgorgement plus $17.4 million in interest to harmed clients as well as a $75 million penalty.

In addition to the disgorgement and penalty in the SEC order, State Street agreed to pay a $155 million penalty to the Department of Justice and at least $60 million in settlement of claims brought by the Department of Labor.

The SEC's investigation was conducted by Sue Curtin, Cynthia Storer Baran, Andrew Palid, Deena Bernstein and Celia Moore of the Boston Regional Office, and Stuart Jackson of the Division of Economic and Risk Analysis. The SEC appreciates the assistance of the U.S. Attorney's Office for the District of Massachusetts and the Department of Labor.

See also: Order

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