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TALLAHASSEE
32399-0330

FOR IMMEDIATE RELEASE
Oct. 27, 1988

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LEWIS FORMS FLORIDA ENFORCEMENT GROUP TO PROTECT INVESTORS

TALLAHASSEE -- In response to a growing number of problems and abuses nationwide in the penny-stock industry, Comptroller Gerald Lewis and the Securities and Exchange Commission have formed a Florida enforcement group to address the problem in this state. In addition to the Comptroller's office and the SEC, the group includes the Federal Bureau of Investigation, the National Association of Securities Dealers, and the U.S. Attorney's Office for the Southern District of Florida.

"Penny-stock dealers represent only 3 percent of all the securities dealers in Florida," said Lewis. "But they make up nearly 25 percent of all the complaints filed with our office." According to Lewis, of the 3,024 registered securities dealers in Florida, about 90 specialize in penny stocks.

The group, which already has held several meetings, is coordinating examinations and enforcement actions involving Florida penny-stock firms, the securities they market and the individuals who seek registration and control of these offices. It also plans to increase public

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awareness of the problems typically associated with penny-stock firms. Lewis said his office took action against 254 Florida securities firms and individuals in the past year and 141 (56 percent) of the actions involved penny stocks.

“Florida has been a leader in the securities industry for several years and we have some of the toughest anti-fraud laws in the nation,” said Lewis. “Because Florida attracts so many securities brokers and dealers, it’s vital that we stay on the cutting edge of new developments in the industry. This enforcement group will try to find solutions to many of the problems in the penny-stock industry BEFORE they do substantial harm to the citizens of Florida.”

SEC Chairman David Ruder highlighted Florida’s efforts at an annual state/federal securities conference in Denver, Col. last week. “We will be taking the steps within our power to combat penny-stock fraud,” said Ruder. “And we will be urging other law enforcement authorities to do the same. We have already begun an active program, particularly in Denver and Miami.”

At a Thursday news conference in Tallahassee, Lewis praised Ruder’s efforts to call nationwide attention to the problem and noted the cooperation Florida is receiving from the SEC. “We’re making every effort to keep penny-stock fraud in check in Florida,” said Lewis. “We hope to stay in the forefront nationally by addressing problems that occur in the securities industry before they result in widespread investor losses. Hopefully, this enforcement group will serve as a model for other states.”