

# SECURITIES

## Industry Daily

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## Wall Street Unlikely To Drop Inactivity Fees

By John A. Byrne

**N**EW YORK — Despite recent controversy over the growing practice of charging fees for inactive accounts, Wall Street is unlikely to change its approach, according to an informal survey of executives, analysts and consultants.

The Securities Industry Association recently circulated a report among its members finding that the median custody fee for inactive accounts doubled since 1988 to \$50 a year in 1992 and 1993. Brokerage firms generally maintain that the fee is necessary to cover the cost of maintaining records, mailing statements and other custodial services.

The fees have generated a chorus of recent criticism — and a settlement that could amount to several million dollars in a class-action suit brought by some investors against Dean Witter, Discover & Co. But analysts said a decrease in trading volume and a continuing focus on costs means that firms are unlikely to reverse their inactivity fees any time soon.

"The trend is toward charging more fees," said James Hanbury, a brokerage industry analyst with Wertheim Schroder in New York who covers financial services firms. Hanbury noted that banks have been charging service and inactivity fees for years.

Adds Perrin Long, director of research at First of Michigan Corp. and a veteran securities brokerage analyst: "Every business is adding on fees and the brokerage industry is no different. There are expenses involved for mailing and custodial services."

The SIA study found that most firms use 12 months of inactivity as the standard measure before applying a fee, but definitions and

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## Thomson: Ready for Compromise On Affirm/Confirm Changes?

By Gerald Wisz

**N**EW YORK — Signaling a possible surrender in its bid for designation as a post-trade confirmation/affirmation system by securities regulators, Thomson Financial Services is stepping up negotiations to allow its OASYS Global product to link directly to the Depository Trust Co.'s Institutional Delivery (ID) system.

ID system is the only system recognized under New York Stock Exchange Rule 387 as valid for brokers and institutional investors to reach agreement on terms of their trade prior to settlement for purposes of delivery-or receipt-versus-payment. That is because the rule says messages must be sent electronically over the system of a recognized national depository in order for trade partners to benefit from DVP/RVP.

Thomson has been lobbying hard to have Rule 387 amended to allow its products similar status, and

hoped to have it accomplished before the settlement period shortens to three days after trade date next June. The Thomson products — OASYS and the ALERT database of standing message instructions — are used by brokers and institutions in lieu of faxes and telephones to ensure that trades have been executed according to plan. But the parties currently have to separately use ID to accomplish the ultimate settlement at DTC.

### Exchange Meetings

Thomson has been meeting with exchange officials and holding seminars to encourage institutional investors to support its efforts. But recent moves by Thomson to reach an accommodation with DTC itself rather than with the exchanges (the American Stock Exchange, the National Association of Securities Dealers and the Municipal Securities Rulemaking Board have rules similar to the NYSE requirement) signals that it is losing momentum in its efforts to change the rules.

Thomson officials met last month with the clearance and settlement steering committee of the Securities Industry Association to discuss alternatives. "At this time, there appears to be no change [coming] in regard to Rule 387," said Michael Reddy, the adviser to the influential committee.

Reddy said brokers rely on the safety and soundness of the bank- and broker-owned DTC when it comes to settling trades. As a not-for-profit industry agency, DTC also keeps records of the industry's compliance with Rule 387 through the ID system.

Other securities industry officials said they support the status quo for efficiency reasons, as well. If Rule

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## Turf Fight Over Arbitration Grows

**N**EW YORK (AP-DJ) — The turf fight between lawyers and nonlawyers over who should be allowed to represent investors in securities arbitrations is getting nastier.

A prominent group of plaintiffs' attorneys has entered the debate, launching an attack that draws attention to some nonlawyers' past disciplinary problems. The tactic goes to the heart of concerns about the growing number of nonlawyer representatives — that some are unqualified or unscrupulous.

But it also marks a departure in the discussion: Although the give-and-take has been heated at times already, some

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## Bank Regulator Reveals Outline of Derivatives Thrust

**L**ONDON (AP-DJ) — The debate on regulation and supervision of derivatives in the U.S. has begun to focus on four key areas, according to Douglas Harris, senior deputy comptroller for capital markets at the U.S. Office of the Comptroller of the Currency (OCC).

Speaking at a derivatives conference here on Wednesday, Harris outlined the focus of coordinated efforts to lay ground rules for the supervision of derivatives trading in the U.S.

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# Lawyers in Turf Fight Over Securities Arbitration

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nonlawyers said they see a move toward personal attacks.

A group that offers policy recommendations to the securities industry — the Securities Industry Conference on Arbitration, commonly called SICA — has been evaluating for a year a proposal to ban nonattorneys from arbitration.

## A Fall Resolution

Although some had expected a vote by this month at the latest, members of the group now say they don't expect the issue to be resolved until SICA's next meeting, planned for October.

SICA doesn't have authority to make rules but its suggestions are often followed by the nation's stock markets, which operate most securities arbitration proceedings.

The debate is important to many individual investors because, for most, arbitration is the only forum available to settle disputes with their

brokers. A 1987 Supreme Court ruling blocks them from the court system.

The roughly 250-member Public Investors Arbitration Bar Association had been silent in the discussion to eliminate the nonlawyers until recently, said Richard Ryder, editor of Securities Arbitration Commentator, a Maplewood, N.J., newsletter.

The lawyer group was reluctant to take a stand, fearful that any activism would be construed as an effort to protect its share of the arbitration representation market rather than the interests of individual investors, some observers said.

## PIABA in Spotlight

But the Public Investors Arbitration Bar Association, known as PIABA, took the spotlight when SICA held its second of two hearings on a ban. After a session in San Francisco in May, SICA heard opinions in Fort Lauderdale, Fla., last month.

The securities arbitration business is growing rapidly in that state, where a high concentration of retiree results in a large number of complaints against brokers.

## Regulation or Ban

"The position was basically that there needs to be either some form of regulation or there needs to be a ban," said Boyd Page, an Atlanta attorney at Page and Bacek who is president of the PIABA.

But Robert Pearce, a lawyer at Lerner and Pearce of Fort Lauderdale, who represented the attorneys' group before SICA, did more than just present PIABA's point of view. He also investigated his nonattorney rivals who were scheduled to testify.

Pearce found that two of the six — both of whom had been brokers previously — had run-ins with regulators or arbitrators of the National Association of Securities Dealers. A third, who had been an attorney previously, was suspended by the Florida bar last November and re-

signed from the bar last month.

The PIABA representative also presented examples of what he views as misleading or inappropriate advertisements that have been placed by nonlawyers.

"My point at the SICA meeting was that everyone is qualified by the securities industry or the Florida bar before they can practice.... The candidates are screened and investigated," said Pearce. "If the nonattorneys are going to represent customers in arbitration, they should be subject to the same degree of scrutiny," he said.

## Lawsuit Threatened

But that hasn't soothed those who were the targets of Pearce's remarks. One, Lawrence Schechterman, the former lawyer who now heads Securities Arbitration Recovery in Boca Raton, Fla., has threatened Pearce with a lawsuit. "Whatever Mr. Pearce said is a red herring. It has nothing to do with the issue whatsoever," he said. "I don't believe you can find one person who will say I lack competency in securities law, in arbitration matters," he said. ■

### NOTICE OF PARTIAL REDEMPTION TO THE HOLDERS OF

#### Industrial Pollution Control Financing Authority of Salem County, New Jersey Pollution Control Revenue Bonds - Series A (B.F. Goodrich Company Project) CUSIP Number 794103 AAS

NOTICE IS HEREBY GIVEN, pursuant to the Sinking Fund provisions of Section 3.01 of the Indenture of Trust dated as of August 1, 1975 between Industrial Pollution Control Financing Authority of Salem County and United Counties Trust Company, as Trustee, (the "Trustee"), that there have been selected by lot and will be redeemed on August 1, 1994 at the principal amount thereof and accrued interest thereon to the date fixed for redemption, out of monies deposited with the Trustee, \$50,000 principal amount of Industrial Pollution Control Financing Authority of Salem County Pollution Control Revenue Bonds, Series A 8 1/4% due August 1, 2000. The numbers of the Bonds selected for redemption are as follows:

Coupon Bonds of \$5,000 Denominations called for redemption in whole  
11 22 69 103 111 122 140 155 164 168

On August 1, 1994 the Bonds designated above will become due and payable at the following offices:

Registered Bonds  
United Counties Trust Company  
30 Maple Street  
Summit, New Jersey 07901

Bearer Bonds  
The Chase Manhattan Bank  
Municipal Bond Redemption  
4 Chase MetroTech Center  
Brooklyn, NY 11245

at the redemption price of the principal amount thereof, plus the interest accrued thereon to the date fixed for redemption, and said Bonds so to be redeemed should be presented on or after said date at said office for such payment. Coupon Bonds surrendered for redemption should have attached all coupons appurtenant thereto maturing after August 1, 1994. The coupons for interest payable on August 1, 1994 should be detached and presented in the usual manner to the Trustee.

On or after August 1, 1994 interest shall cease to accrue on the Bonds herein designated for redemption.

INDUSTRIAL POLLUTION CONTROL FINANCING AUTHORITY OF SALEM COUNTY  
By: United Counties Trust Company, Trustee



Dated: July 7, 1994

Withholding of 31% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

The Trustee shall not be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice or on any Bond. It is included solely for convenience of the Holders.

### NOTICE OF PARTIAL REDEMPTION TO THE HOLDERS OF

#### Industrial Pollution Control Financing Authority of Salem County, New Jersey Pollution Control Revenue Bonds - Series B (B.F. Goodrich Company Project) CUSIP Number 794103 AAS

NOTICE IS HEREBY GIVEN, pursuant to the Sinking Fund provisions of Section 3.01 of the Indenture of Trust dated as of August 1, 1975 between Industrial Pollution Control Financing Authority of Salem County and United Counties Trust Company, as Trustee, (the "Trustee"), that there have been selected by lot and will be redeemed on August 1, 1994 at the principal amount thereof and accrued interest thereon to the date fixed for redemption, out of monies deposited with the Trustee, \$10,000 principal amount of Industrial Pollution Control Financing Authority of Salem County Pollution Control Revenue Bonds, Series B 8 1/4% due August 1, 2000. The numbers of the Bonds selected for redemption are as follows:

Coupon Bonds of \$5,000 Denominations called for redemption in whole  
23 36

On August 1, 1994 the Bonds designated above will become due and payable at the following offices:

Registered Bonds  
United Counties Trust Company  
30 Maple Street  
Summit, New Jersey 07901

Bearer Bonds  
The Chase Manhattan Bank  
Municipal Bond Redemption  
4 Chase MetroTech Center  
Brooklyn, NY 11245

at the redemption price of the principal amount thereof, plus the interest accrued thereon to the date fixed for redemption, and said Bonds so to be redeemed should be presented on or after said date at said office for such payment. Coupon Bonds surrendered for redemption should have attached all coupons appurtenant thereto maturing after August 1, 1994. The coupons for interest payable on August 1, 1994 should be detached and presented in the usual manner to the Trustee.

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