



# Department of Justice

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## **JUSTICE DEPARTMENT WILL NOT CHALLENGE PLAN THAT CREATES COMMITTEE TO IDENTIFY BROKER COMPENSATION PRACTICES**

WASHINGTON, D.C. -- The Department of Justice today approved a plan permitting major securities brokerage firms to participate in the preparation and publication of a report on how to reduce possible conflicts of interest between brokers and their customers that result from the various salary, commission and bonus formulas by which brokers are compensated by their brokerage firms. The Securities and Exchange Commission requested formation of the group.

The Department's Antitrust Division said the group's efforts could foster competitiveness if its information increased investor confidence in the integrity of the securities markets by reducing real or perceived conflicts of interest.

The six-member, voluntary group, called the Compensation Practices Committee, will consist of the chairmen of four companies--Merrill Lynch, Legg Mason, Berkshire Hathaway and General Electric--an academician and an investor advocate.

The committee will gather the views and suggestions of the securities industry and other interested parties, then publish a report identifying ways to reduce real or perceived conflicts of financial interest between brokers and their customers.

Committee discussions will be limited to an agenda reviewed in advance by antitrust counsel; discussion of brokers' fees or commissions will be prohibited. Implementation of any measures by a brokerage firm would be voluntary.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "Under the circumstances there is little reason to believe that the committee's proposed activity is designed to have any significant anticompetitive effect, especially in view of the non-binding effect of the committee's report, the possibility of divergent responses by members of the brokerage industry and the competitive safeguards applied to the committee's deliberations."

Under the Department's business review procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action as a violation of the antitrust law.

A file containing the business review request and the Department's response will be made available in the Legal Procedure Unit of the Antitrust Division, Room 3235, Department of

Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review request will be added to the file.

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