

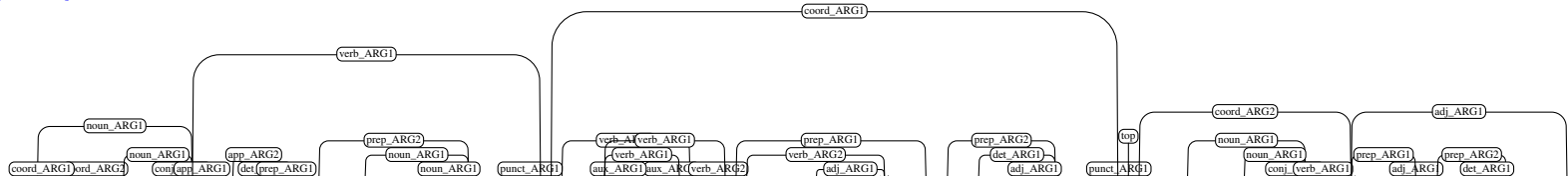
Document 0449

[20449001]



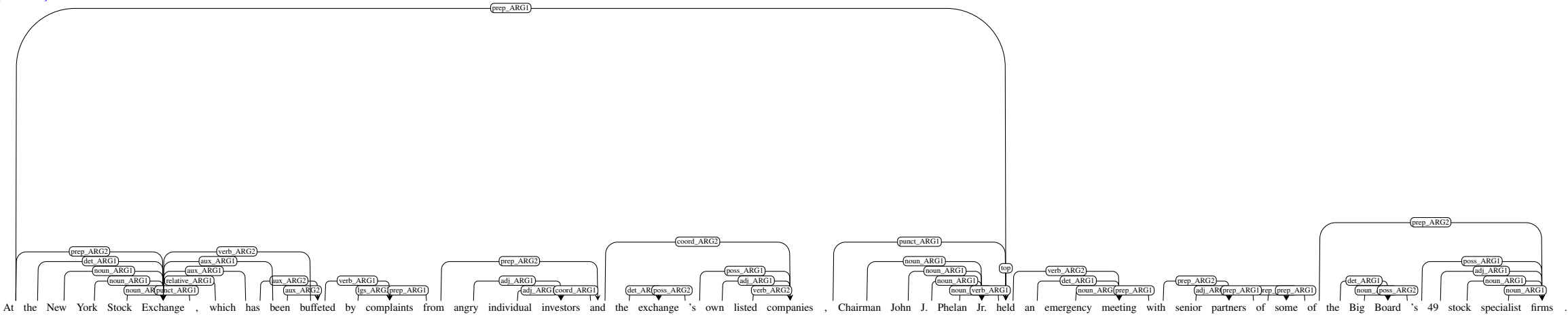
Wall Street continued to buckle under the public outcry against computer-driven program trading .

[20449002]



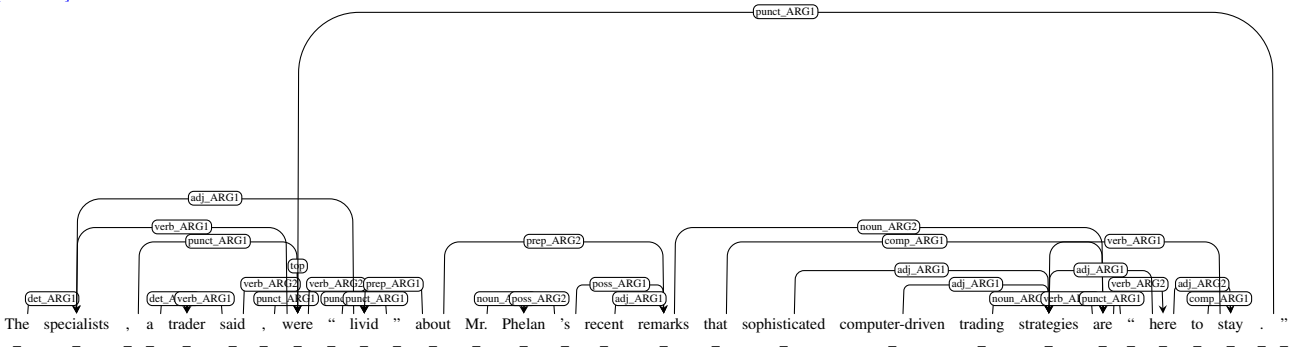
Kidder , Peabody & Co. , a unit of General Electric Co. , announced it would stop doing stock-index arbitrage for its own account , and Merrill Lynch & Co. pulled out of the practice altogether .

[20449003]



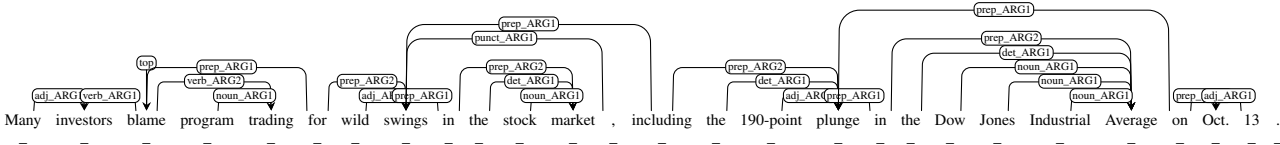
At the New York Stock Exchange , which has been buffeted by complaints from angry individual investors and the exchange 's own listed companies , Chairman John J. Phelan Jr. held an emergency meeting with senior partners of some of the Big Board 's 49 stock specialist firms .

[20449004]



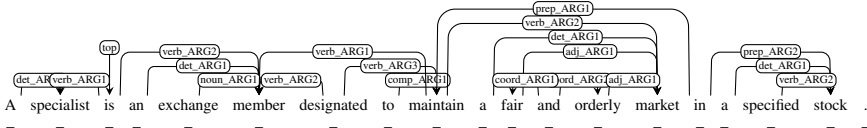
The specialists , a trader said , were " livid " about Mr. Phelan 's recent remarks that sophisticated computer-driven trading strategies are " here to stay . "

[20449005]



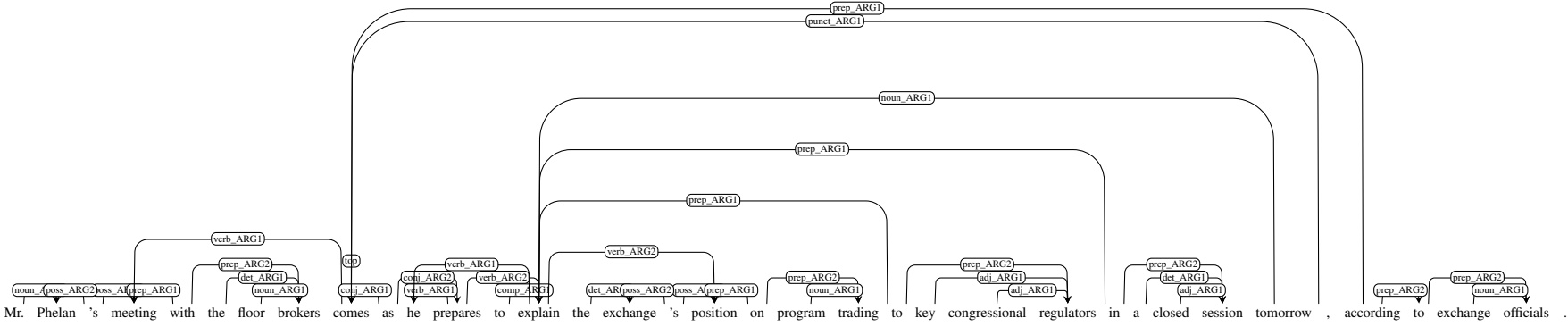
Many investors blame program trading for wild swings in the stock market , including the 190-point plunge in the Dow Jones Industrial Average on Oct. 13 .

[20449006]



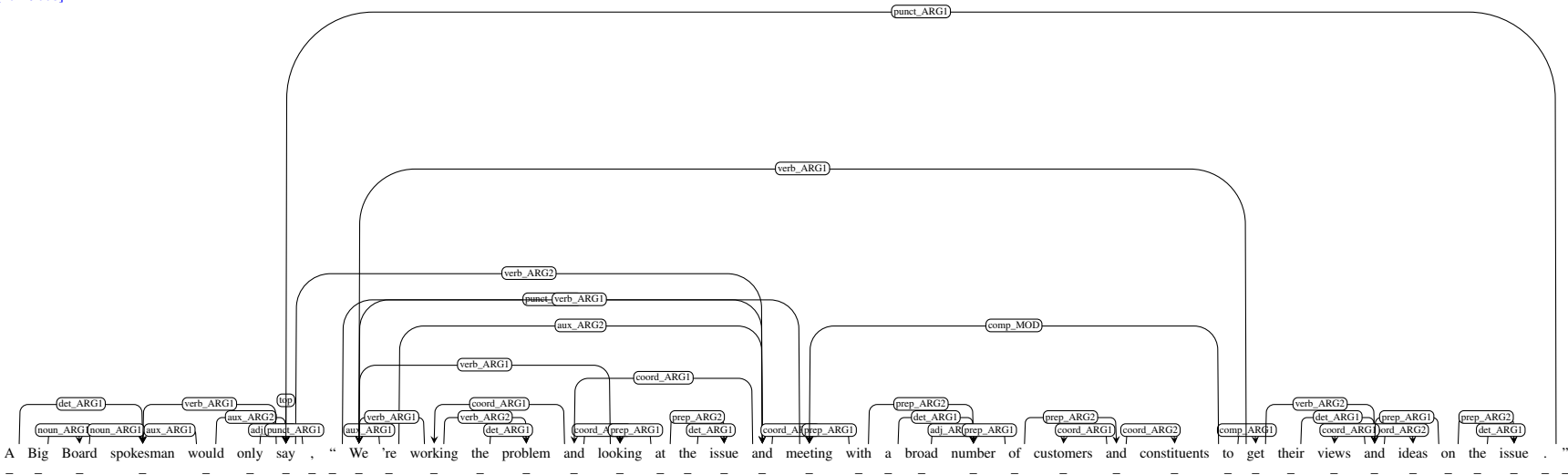
A specialist is an exchange member designated to maintain a fair and orderly market in a specified stock .

[20449007]



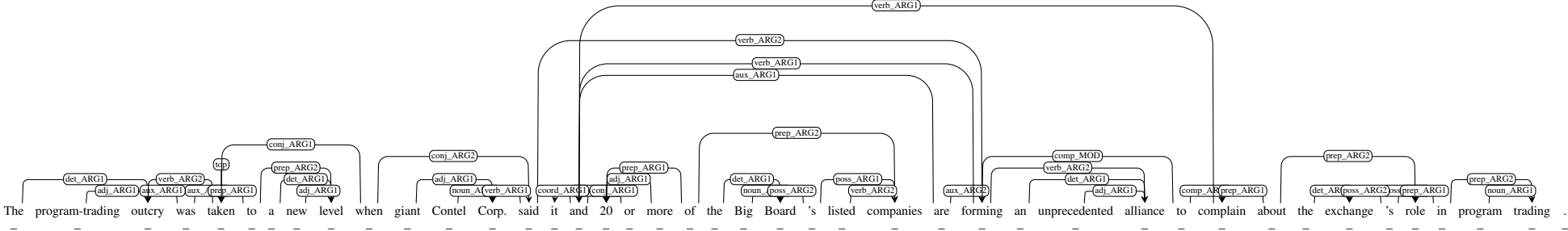
Mr. Phelan 's meeting with the floor brokers comes as he prepares to explain the exchange 's position on program trading to key congressional regulators in a closed session tomorrow , according to exchange officials .

[20449008]



A Big Board spokesman would only say , " We 're working the problem and looking at the issue and meeting with a broad number of customers and constituents to get their views and ideas on the issue . "

[20449009]



The program-trading outcry was taken to a new level when giant Contel Corp. said it and 20 or more of the Big Board 's listed companies are forming an unprecedented alliance to complain about the exchange 's role in program trading .



Kidder so far this year has executed a monthly average of 37.8 million shares in index-arbitrage trading , and is second only to Morgan Stanley in overall program trading , which includes index arbitrage .

Most of Kidder 's program trading is for its own account , according to the New York Stock Exchange .

Kidder denied that GE 's chairman and chief executive , John F. Welch , had anything to do with Kidder 's decision .

But at least one chief executive said he called Mr. Welch to complain about Kidder 's aggressive use of program trading , and other market sources said they understood that Mr. Welch received many phone calls complaining about Kidder 's reliance on index arbitrage as a major business .

Kidder has generally been sensitive to suggestions that GE makes decisions for its Kidder unit .

" Our decision had nothing to do with any pressure Mr. Welch received , " Mr. Carpenter said .

" This was a Kidder Peabody stand-alone decision . "

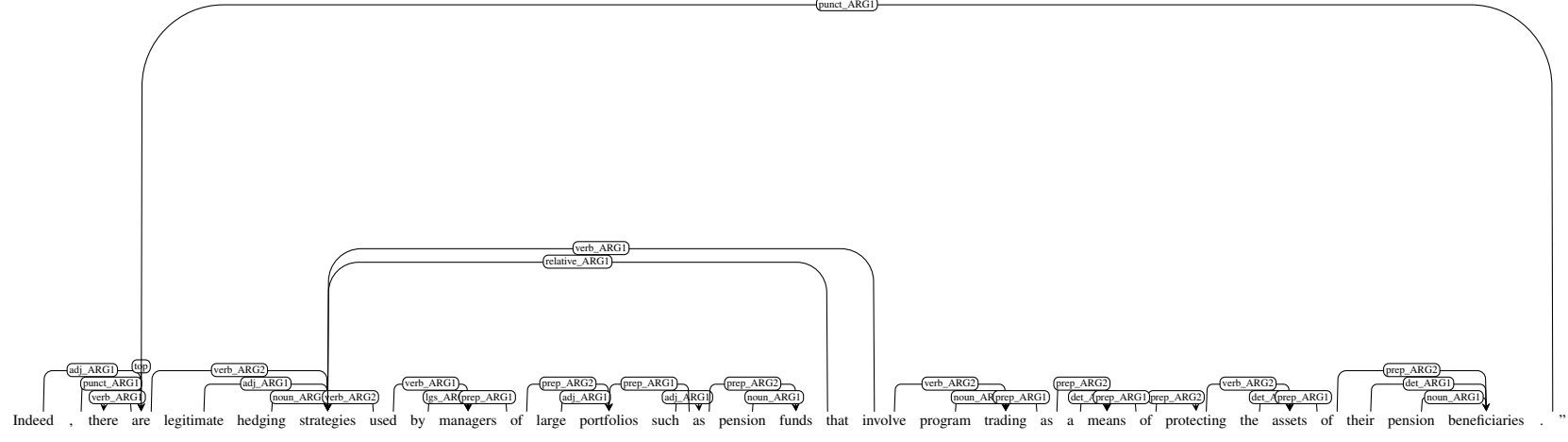
A spokeswoman for GE in Fairfield , Conn. , said , " Absolutely no one spoke to Jack Welch on this subject " and added , " Anyone who claims they talked to Jack Welch is n't telling the truth . "

Supporters of index arbitrage have n't been publicly sticking up for the trading strategy , as some did during the post-crash outcry of 1987 .

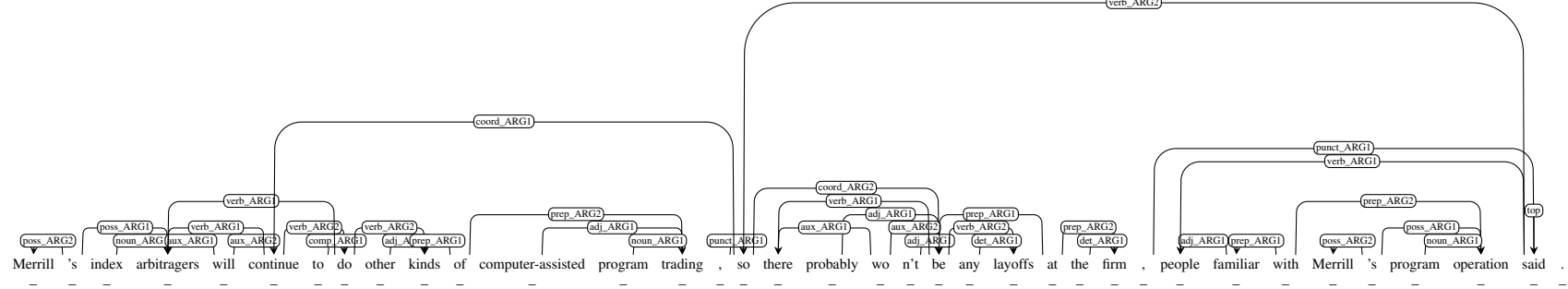
But Merrill Lynch , in its statement about pulling out of index arbitrage , suggested that the current debate has missed the mark .

Merrill said it continues to believe that " the causes of excess market volatility are far more complex than any particular computer trading strategy .

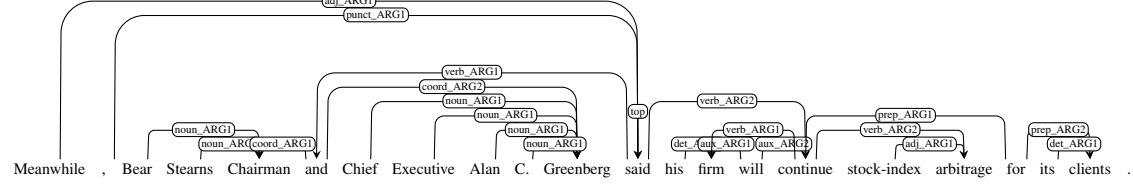
[20449037]



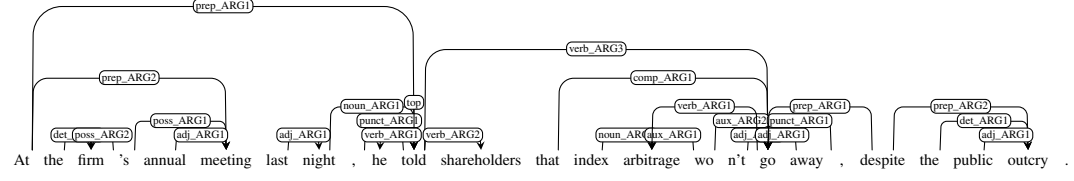
[20449038]



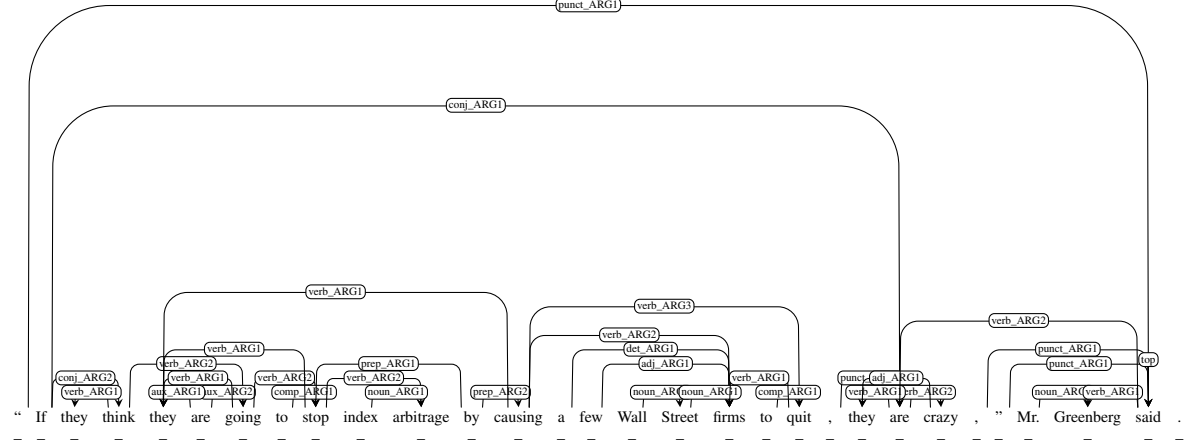
[20449039]



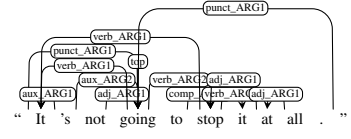
[20449040]



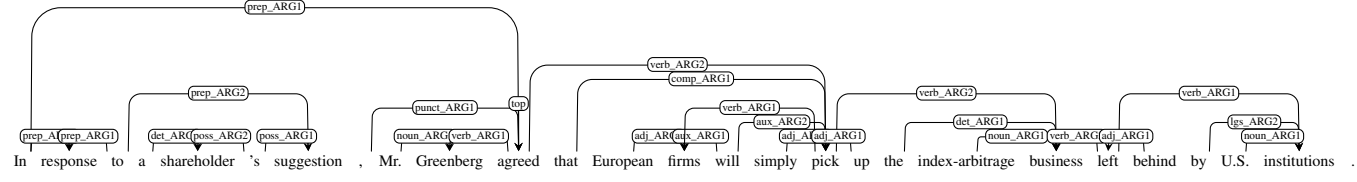
[20449041]



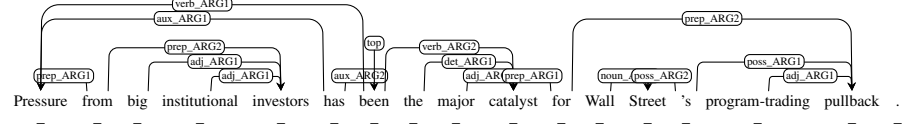
[20449042]



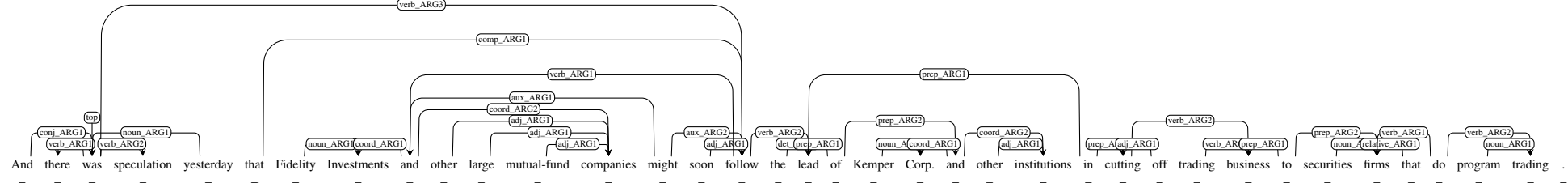
[20449044]



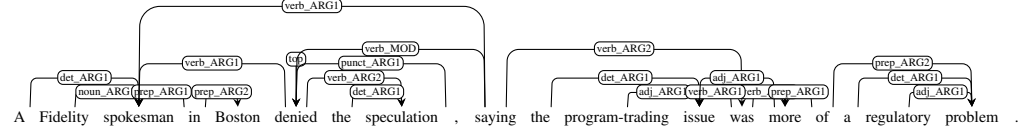
[20449045]



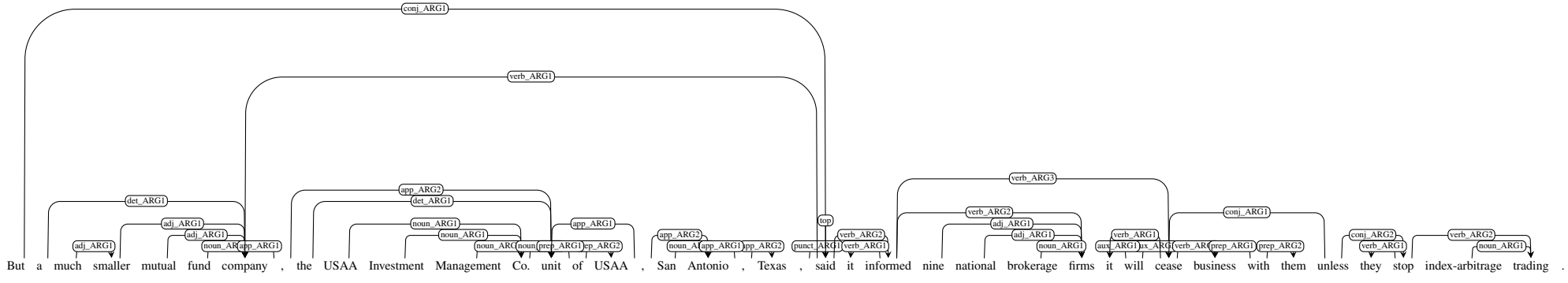
[20449046]



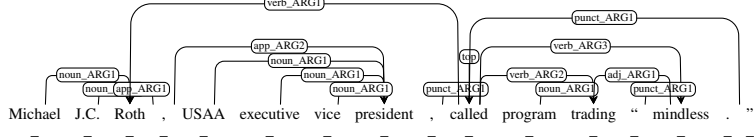
[20449047]



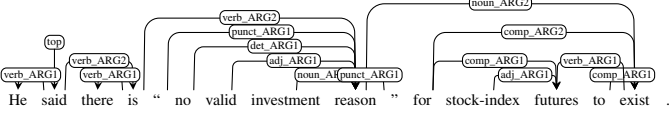
[20449048]



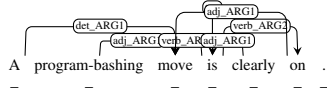
[20449050]



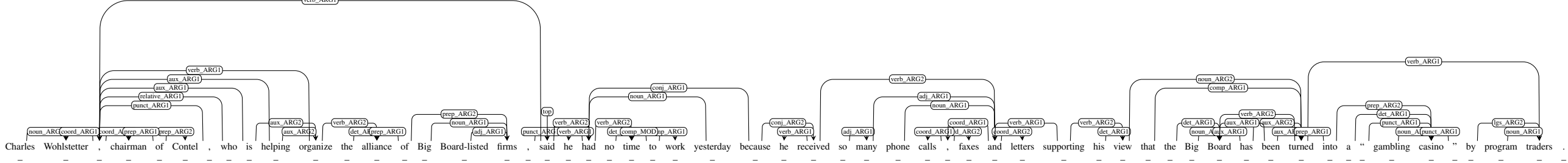
[20449051]



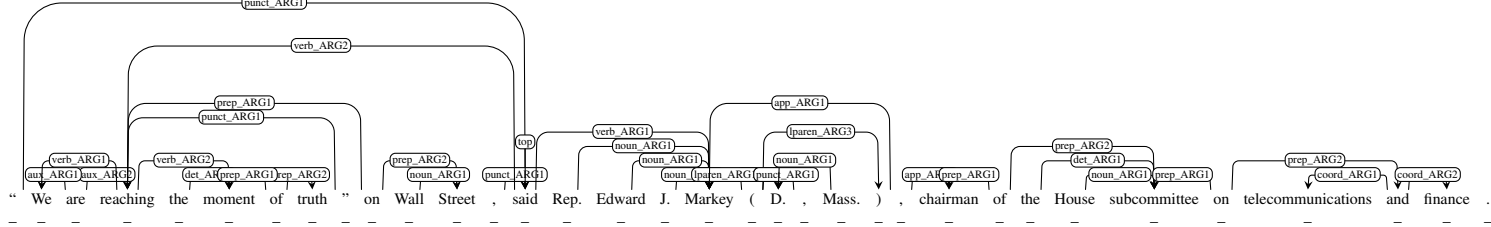
[20449052]



[20449053]



[20449054]



[20449056]

