



News Service

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RPT-Spin doctors at work: Merrill ads tout research

By Brian Kelleher

NEW YORK, May 22 (Reuters) - Merrill Lynch & Co. Inc's [MER.N](#) spin doctors, in a series of newspaper advertisements on Wednesday, touted the firm's "groundbreaking" changes to make its stock research more independent.

What the Wall Street firm neglected to mention is the new initiatives are far from voluntary.

"A new standard for investment research," a new Merrill ad blared in newspapers like The Wall Street Journal and The New York Times on Wednesday. The ad details changes to Merrill's research activities, which it says mark "a new level of confidence for investors."

In fact, the changes are the result of a \$100 million settlement reached on Tuesday with New York State Attorney General Eliot Spitzer, who accused the firm of misleading investors by tailoring its research to win investment banking business. The ad makes no mention of the deal with Spitzer.

"This message is a transparent attempt at spin," said Mark DiMassimo, founder and chief executive of DiMassimo Brand Advertising. "What they've done is publish their compromise between their investment banking business and...their private investor customer."

To be sure, Merrill executives have apologized for a series of damning e-mails uncovered by Spitzer during his 10-month probe, calling them inappropriate and embarrassing.

But the firm did not admit wrongdoing as part of the settlement terms, which include separating analyst pay from investment banking. Spitzer threatened Merrill with criminal charges after he dug up e-mails in which Merrill's Internet analysts -- including former star Henry Blodget -- privately disparaged stocks they publicly touted.

The ad new campaign again pits Merrill against longtime rival Charles Schwab Corp. [SCH.N](#), which is positioning itself as a provider of unfettered stock picks.

Schwab last Thursday announced plans to start grading stocks in a system it said was free from conflict, as it doesn't have an investment banking department. A colorful two-page ad talking up its new services was only a few pages away from Merrill's spread on Wednesday.

"There's never been a better time for Charles Schwab," the ads said. "We always strive to avoid conflicts of interest in everything we do."

Schwab's campaign is not about a single competitor, and the timing and placement of the ads had nothing to do with the Merrill settlement, a spokesman for the San Francisco-based brokerage said.

A Merrill spokesman was not available for comment.

Merrill and Schwab's businesses have many fundamental differences -- such as the presence or lack of investment banking -- but at the end of the day, its brokerage operations are both chasing potential clients.

Merrill's industry-leading \$1.4 trillion in total client assets dwarfs Schwab's \$858 billion, but Schwab hopes to profit from the negative scrutiny on research that has dogged competitors like Merrill, Citigroup Inc. [C.N](#) unit Salomon Smith Barney and Morgan Stanley. [MWD.N](#)

Schwab's ads are more effective because they do a better job of addressing current and potential customers as to how their initiatives will benefit investors, DiMassimo said.

"The (Schwab) content is exceptionally down to earth and practical and reassuring in comparison to the Merrill Lynch ad," said DiMassimo, of DiMassimo Brand Advertising. "It's a real advantage for Schwab they ran in the same section on the same day."