Kidder Firing May Indicate Further Woes

WSJ

4/22/94 By MICHAEL SICONOLFI A3
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—The bond-trading woes at Kidder, Peabody Group Inc. appear to be deepening.

The **General Electric** Co. unit late last week fired a trader for hiding as much as $10 million in losses on a bond-derivatives transaction, according to Kidder executives. The trader, Neil L. Margolin, was fired for "improperly valuing inventory positions" on interest-rate swaps known as index-amortizing notes, Kidder said.

The dismissal of Mr. Margolin comes less than a week after Kidder fired Joseph Jett, the company's former government-bond chief, for creating "phantom trades and profits" in the government-strips market, inflating Kidder's income by $350 million over more than a year in an alleged bid by Mr. Jett to boost his performance-based bonus.

Kidder said the firing of Mr. Margolin, 29 years old, is unrelated to the allegations involving Mr. Jett. And the firm said that "it appears that no other personnel was aware of or involved in" the bond-derivatives mispricing. No customer or counterparty lost any money on the derivatives deal, Kidder said. Mr. Margolin declined to comment.

But the dismissals raise questions about Kidder's supervision of relatively green traders who have been given broad leeway to play with the firm's money, Wall Street executives said.

Both Mr. Jett and Mr. Margolin had little or no trading experience on Wall Street before joining Kidder, according to personnel records. And both traders were unemployed at the time Kidder hired them, the records indicate.

Mr. Jett had scant trading credentials at CS First Boston Inc. and Morgan Stanley Group Inc. before joining Kidder, the records show. He was promoted to government-trading chief less than two years after he started at Kidder – though he hadn't had any prior Wall Street positions

Please Turn to Page A5, Column 3

6