

Bankers Trust Pays \$67 Million to Settle Derivatives Dispute With Chemical Firm

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NEW YORK—Bankers Trust New York Corp. said it settled a derivatives-related dispute with a chemical company for \$67 million, the largest sum the bank has paid so far to a disgruntled derivatives client.

Bankers Trust has been fighting accusations for over a year that it has used misleading sales tactics to sell risky derivatives contracts to a number of corporate clients. Bankers Trust and some analysts said the settlement, involving Air Products & Chemicals Inc. of Allentown, Pa., is a significant step toward resolving all outstanding claims against the bank.

Bankers Trust has yet to reach an accord in its highly publicized legal battle with Procter & Gamble Co. The Cincinnati consumer-products company alleges that Bankers Trust misled P&G about derivatives contracts, and any settlement in that case could run into the hundreds of millions of dollars.

Bankers Trust said yesterday's settlement with Air Products was already reflected in its fourth-quarter earnings, which it reported last week. Bankers Trust took a \$30 million charge against its loan-loss reserve in the fourth quarter, all of which the bank said was accounted for by the Air Products settlement. The bank also took a \$51 million revenue offset in the fourth quarter for leveraged derivatives settlements, although that offset reflects claims by more than one client.

In trading yesterday on the New York Stock Exchange, Bankers Trust shares fell 50 cents to \$62.125.

Air Products reported \$107 million in losses in fiscal 1994 associated with five leveraged interest-rate swap contracts it entered into with Bankers Trust in 1993. The settlement includes the termination of two previously closed contracts with Bankers Trust. Other terms of the settlement weren't disclosed.

Air Products said the settlement will result in an after-tax gain of \$40 million, which will be reflected in its fiscal second quarter ending March 31.

Derivatives are contracts whose value is linked to some underlying asset, such as bonds, securities or commodities. This is the third time in little more than a year that Bankers Trust has paid a multimillion dollar sum to settle a derivatives dispute. In late 1994, it paid \$14 million and \$12 million respectively to settle such charges with Gibson Greetings Inc. and Federal Paper Board Co. Last year, Bankers Trust also settled a derivatives dispute with Swiss pharmaceutical giant Sandoz AG, although the size of the settlement wasn't disclosed.

"This has to be taking a toll at Bankers Trust, not just in terms of expense but in terms of management attention," said Salomon Brothers Inc. analyst Diane Glossman.

Bankers Trust also said yesterday that Paul Legvold was appointed as a managing director of its global investment-management business, with responsibility for client relationships. Mr. Legvold, 45 years old, previously was a managing director with PaineWebber Group Inc.'s Mitchell Hutchins Asset Management unit.