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Nomura consents to NYSE fine over reverse repo trades

TRADING innovative emerging market products can be an expensive business, as Nomura Securities International has recently discovered to its cost.

The New York-based securities house – a subsidiary of Japanese financial giant Nomura Securities Company – has agreed to pay a \$1 million fine and submit to other disciplinary action after a dispute with the New York Stock Exchange (NYSE) over Mexican government bond reverse repo trades.

Nomura hasn't admitted or denied guilt over the NYSE allegations, which follow a three-year investigation by the exchange into the company's accounts and regulatory reports.

The deals at the centre of the

dispute took place between 1990 and 1992. They involved over \$200 million worth of short-term Mexican government bonds. No losses were suffered by Nomura or any of its customers as a result of the alleged violations.

Nevertheless, the exchange's enforcement division is dissatisfied with Nomura's accounts and has imposed a \$1 million fine.

The regulators also insist that Nomura appoints an independent director to chair its audit committee and be a member of its compliance committee.

Moreover, Nomura will have to retain an outside consultant to review and strengthen its compliance efforts regarding reporting.

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Merrill Lynch sets up global risk service

MERRILL Lynch is preparing to launch a "global advisory group" to advise pension funds, insurers and other institutional managers on risk management, asset allocation and regulatory issues.

The bank's decision to set up a

risk management consultancy division follows a similar initiative announced by JP Morgan last month (RMO, December 4).

Officials at Merrill did not return calls seeking comment on the new initiative by RMO's press time. However, a bank spokesperson says members of the group are currently meeting to hammer out the fine points of the as-yet-unnamed division's mission and structure.

According to the spokesperson,

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