



## Reuters Subsidiary Instinet Enters Agreement to Acquire Lynch, Jones & Ryan

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### **Instinet to Improve Pension Fund Performance through Commission Recapture**

**London** - Reuters electronic broking subsidiary, Instinet, has entered into an agreement to purchase Lynch Jones & Ryan (LJR), the world's leading provider of commission recapture programmes for pension plan sponsors. The assets (unaudited) of Lynch, Jones and Ryan were approximately US\$19 million as of 30 September 1999. The costs of the acquisition are not material to Reuters.

According to the terms of the agreement, Instinet Corporation will acquire the stock of Lynch, Jones & Ryan, Inc; Patriot Financial Planning, Inc.; and 9.9% of LJR's NYSE floor broker unit (which will be established as a separate entity upon closing). Lynch, Jones and Ryan will become a wholly owned subsidiary of Instinet Corporation upon closing of the transaction. Lynch, Jones & Ryan's executive team will continue to run the company's daily operations. The agreement is subject to appropriate regulatory approvals.

"Over the course of the last year, Instinet has made strategic investments designed to improve investor performance and to make capital raising more efficient," said Douglas Atkin, CEO of Instinet Corporation. "Plan sponsors now directly control an estimated 20%-25% of total pension commissions. LJR has a substantial presence in the plan sponsor community through its commission recapture and directed brokerage offerings. By acquiring LJR, Instinet will enhance its current global institutional business and expand its services to this important market segment. In addition, the acquisition provides a new sales channel for Instinet and Reuters," he said.

"Our plan is to keep Lynch, Jones & Ryan a unique and separate division of Instinet catering to the plan sponsor community worldwide," Atkin added. "With Instinet's experience and ability to improve pension fund performance combined with this extension of services to a new community of clients, Instinet will thereby create an even more powerful means to benefit both issuers and investors."

Howard Schwartz, CEO of Lynch, Jones & Ryan, said: "We are pleased that we will become a part of Instinet, the leader in global electronic brokerage. Like Instinet, Lynch Jones and Ryan is dedicated to returning value to investors. Our similarities of purpose are very complementary and will make a significant contribution to all investors around the world."

### **Note to Editors**

"Plan sponsor" is a generic term describing fiduciaries that are responsible for managing retirement and other assets totaling over US\$8 trillion in the US. These assets are divided among public, corporate and union pension funds, trust and insurance funds, and endowments and foundations.

Plan sponsors entrust some or all of their assets to money managers for professional investment management. In 1998, money managers spent an estimated US\$7 billion on brokerage services for plan sponsors.

Commission recapture is a process where a pension plan sponsor directs its money managers to execute a portion of the plan's investment transactions with a specified broker. The commission recapture broker in turn agrees to rebate a percentage of the commission back to the plan. Institutional trading is typically bundled - commissions pay both for execution and non-transactional services like research. Commission recapture is a means for plan sponsor clients to unbundle and pay only for the execution component of the trade. Commission recapture is discount brokerage for plan sponsors.

Directed brokerage programmes allow plan sponsors to instruct their investment managers to execute a portion of their trades through a specialised broker or brokers to pay for services that exclusively benefit the pension funds and their participants.

Pension funds in the international arena will have access to a means of maximising the value of the funds for which they are responsible on behalf of pension stakeholders.

Lynch, Jones & Ryan's international pension fund client base will have the opportunity to access Instinet's electronic trading capability where appropriate.

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### **About Instinet Corporation**

Instinet Corporation, the world's largest agency brokerage firm, trades in over 40 global markets daily and is a member of 18 exchanges in North America, Europe, and Asia. The firm is committed to bringing efficiencies to capital raising worldwide by using technology in securities trading and research to bring issuers and investors closer together.

Instinet is the worldwide industry leader in applying advanced technology to agency trading in equities. As a pure agency broker, Instinet seeks only to increase its clients' investment performance by providing them instant access to global liquidity, enhanced efficiency, and greater opportunities to reduce transaction costs. Instinet US institutional clients save about US\$1 billion annually in transaction costs for individual investors.

The Elkins/McSherry ranking of global brokers and investment managers according to execution savings ranked Instinet as the number one US OTC broker and number six global broker.

Instinet also offers a variety of advanced electronic research services to clients, including research and analytics, trading-cost analysis, and soft dollar commissions.

Recent initiatives by Instinet include its announced planned expansion into the fixed income market. Instinet Fixed Income will offer the global capital markets a unique brokerage product that serves as the electronic link between professional market participants. Instinet will be the first electronic brokerage solution for the fixed income market. The firm also announced investment and joint venture plans with W.R. Hambrecht + Co., the founders of Hambrecht's IPO system.

The firm was founded in 1969 and was acquired by Reuters Group PLC in 1987.

### **About Lynch, Jones & Ryan**

Lynch, Jones & Ryan, a New York firm, specialises in institutional trading and research. In 1997 and 1998, the firm traded well over one billion shares in each year. LJR is the originator and the industry's largest provider of commission recapture, with hundreds of pension fund clients worldwide. The firm has offices in Atlanta, Cleveland, Chicago, Dallas, San Francisco and London.

LJR also operates two well-respected research divisions. LJR Redbook publishes fundamental research on retail and related sectors and its LJR Redbook Retail Sales Average is recognised as a leading indicator of economic activity. LJR Great Lakes Review is an institutional research reporting on investment opportunities in medium-sized midwestern companies.

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