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Is this merger a bad one for Hoosier investors?

Enron. WorldCom. Tyco Industries. Long Term Capital Management.

Despite these stock market specters who broke the rules and shook investor confidence, millions of Hoosiers still own stock. But a move by the two biggest names in trading stocks to combine their regulatory arms has alarmed local securities attorney Mark Maddox.

Mark Maddox

"A cardinal rule of economics is that nothing good comes out of a monopoly," said Maddox, who was the state securities commissioner from 1989 to 1991. "I don't see anything good at all in this for investors."

Last week the New York Stock Exchange and the NASD, which used to be called the National Association of Securities Dealers, announced something securities dealers have lobbied long and hard to get. By mid-2007 the two groups will merge their independent regulatory functions into a single department.

The federal Securities and Exchange Commission still will have authority over the so-called self-regulating organizations. That's why Michael Bosway, president and CEO of local full-service brokerage City Securities Corp., doesn't worry about investor confidence despite the consolidation.

Michael Bosway

"We still have the Big Brother SEC looking over our shoulders," said Bosway, who this year chaired the NASD's district committee based in Chicago. "Our clients are just as well-protected as they always have been."

Bosway's committee talked a lot about consolidation over the summer and finally concurred there is too much overlap in the NYSE and NASD audits. The merger will save money and time for brokerage firms, he said.

It's enough money that each of NASD's 5,050 member brokerage firms will get a one-time payment of $35,000. The NASD calls the $177 million an advance on anticipated savings; Maddox calls it "payola."

"Why not do something for investors, too?" he said. "Why not reduce filing fees or the cost of filing an arbitration?"

Indiana will take a wait-and-see approach, said O. Wayne Davis, the state securities commissioner. He'll meet with fellow state regulators in April to discuss the regulatory merger set to take place by June 30.

Davis, a former arbitrator, is most worried about losing one of just two venues for arbitration. Most investors sign waivers when they open trading accounts to take complaints to arbitration, not the courts. Davis thinks a bottleneck of cases could occur if one of the venues disappears. It's the one area of the combo that "seems tilted against the investor," he said.

That said, the changes could mean more business for Maddox. "In an environment of less regulation, (investors) are going to need us more," he said.

Well then, maybe he should stop complaining about the changes.