Imagine walking into your bank, and there, flickering across the wall, are the stock quotations of the moment.

Confusing a bank with a stock broker? Perhaps, but then the two are getting more and more alike every day. If you want to read up-to-the-minute stock quotes in Lafayette, you still have to go to one of the brokerage houses.

But you can buy and sell stocks through American Bank. By May 1, you will also be able to trade on the market through Southwest National Bank. Others may follow.

American Bank has forged an arrangement with Fidelity Brokerage Services, Inc., a discount broker based in Dallas, making the bank Fidelity’s local representative. Southwest National is currently negotiating a similar agreement with Brenner Steed, a discount broker in Memphis.

To use the brokerage service, a customer must have an account at the bank from which to finance his transactions. Then he applies for the service, gains approval from the brokerage house, and is given a toll-free number over which to make his trades. Money to pay for stock buys is automatically drafted from the bank account; income from sales is automatically deposited.

At American, which began offering the service Feb. 14, approval can be secured on the same day for simple buying and selling. Approval for trading options and for margin accounts takes longer.

These brokerage services are standard discount services, that is, no frills. The customer saves typically 40 to 70 percent of the commission he would normally pay a stock broker, but he does not get the benefit of a broker’s advice or research. Thus the service is aimed at the investor who feels confident relying on his own research, his own stock judgement.

Discount brokers are nothing new; their services have been made available to Lafayette investors through toll-free telephone numbers for some time. But this is the first time banks have gotten into the act.

Deregulation of the industry opened the door, and at least some banks have found the new option attractive. It is not that discount brokerage services are likely to become big money-makers in themselves for the banks. But the service could act as a hook to draw more money, new accounts into a bank.

“We’ve looked at it and feel it’s just another service we can sell stocks.”
offer our customers, one that complements the money market fund account," says Elizabeth Van Fossen, who will head up Southwest National’s brokerage service.

American Bank’s research identified a market for the service in Lafayette, and then decided it could attract new accounts as well as project an aggressive, progressive image.

“We found a large segment of investors who are active in the market, but who operate without a broker’s advice,” says Stuart Clark, vice president of American Bank. “We see the brokerage service as a lead in to get other accounts,” he adds.

So far, the returns on American’s two-month old experiment have been good. The bank has been opening an average of seven new accounts a day, according to Clark, and about half of those have been opened by customers new to American. In the first two weeks the new service handled 20 trades.

The bank has been surprised by the initial success of the program. “We thought it would get off to a slower start,” he says.

From the bank’s point of view, one of the most appealing things about a brokerage service is that it does not cost much to offer. American and Southwest have both chosen not to have their own agents, equipped with computer terminals and ready to make trades there in the bank itself.

“For our size bank and our size town, that would be a little too much to invest,” says Clark.

Without the cost of the employees to act as agents and the cost of the terminals, American counts the time of employees like Tia Carpenter, who heads up the service, and its marketing effort as the only expenses in entering the brokerage business.

If it’s legal and cheap and might bring in new accounts, why isn’t every bank in town offering discount brokerage service?

“I think, eventually, everyone will be offering it,” says Van Fossen. “But right now it’s not a necessity, the way the money market fund accounts were.”

The money market accounts, the “Super Now” accounts, the brokerage services—all give the banks some muscle to fight back against the brokerage houses. The banks are still smarting over the loss of funds to the brokers’ money market accounts over the last several years; they want that money back, and now their hands are untied.

Brokers downplay the move of banks into stock trading as merely a
new version of the familiar discount services. They counter, as they have in the past, that investors need professional, informed advice.

“We have found that our business is a people business, people want to talk to people about their trades,” says Richard Baron, of Shearson American Express’ Lafayette office. “I’ve never thought of (the discount brokers) as a threat.”

But what the banks’ new brokerage services suggest, more than an episode in “Money Wars,” is just how close bankers and brokers have become. We seem only a few steps, a few regulatory barriers away from a real melting of distinctions. How long until a major bank merges with a major brokerage house? Or one evolves into the other?

In the meantime, hold onto your purses, because new places to put your money are cropping up every day.

—ROGERS OLVERSON