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## New York's Spitzer probes other broker on accounts

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NEW YORK, Dec 13 (Reuters) - New York Attorney General Eliot Spitzer's lawsuit accusing the brokerage arm of UBS AG <UBSN.VX> of fraud is just the opening salvo of his latest attack on Wall Street practices.

Less than three weeks before ending his term as attorney general, Spitzer filed a suit accusing UBS Financial of steering thousands of customers who seldom trade into flat-fee accounts. The moves defrauded clients by charging tens of millions of dollars in fees beyond what they would have paid in trade commissions under traditional accounts.

And in the weeks ahead, there will be similar suits filed against other Wall Street brokerages that offer so-called wrap accounts, which charge a fee based on customer assets, a person familiar with the investigation said.

"There will be others," the source said, involving "those brokerages that have similar exposure, the same kind of activity."

The attorney general's office declined to comment on the investigation. Spitzer will take office as New York governor on Jan. 1, and will be succeeded in his current post by Andrew Cuomo.

UBS denied the allegations and a representative said it would fight the suit in court.

Wrap accounts are increasingly popular among brokerages because they generate a steady stream of revenue. By contrast, trading commissions sink when stock markets decline.

Brokerages typically bolster wrap accounts with offers of portfolio planning and investment advice.

Yet regulators for years have questioned whether these accounts are always good for customers.

In 2003, industry regulator NASD warned all its firms that they must ensure that appropriate clients were placed into fee-based accounts. Last year NASD found that Morgan Stanley <MS.N> and Raymond James Financial <RJF.N> failed to determine whether fee-based accounts were appropriate in some cases.

Currently the U.S. Securities and Exchange Commission is probing whether clients at Merrill Lynch & Co. <MER.N>, the largest U.S. brokerage, were inappropriately placed in wrap accounts. A Merrill representative declined to comment.

Spitzer's suit, though, is the biggest case challenging how Wall Street manages these kinds of accounts. Spitzer's suit did not specify the damages it seeks.

The UBS complaint contends thousands of customers paid tens of millions of dollars more than they would have in traditional accounts. One 91-year-old woman, the suit alleged, paid \$35,000 in an account that made four trades over two years.