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Title: **Cantor Fitz/MDC And Reuters Locked In Contract Dispute**

Feature: **FEATURE**

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Cantor Fitzgerald L.P. and its Market Data Corp. information arm are embroiled in a contract dispute initiated by Reuters. The dispute involves a contract for Cantor's non-U.S. Treasury data signed almost three years ago. The market data vendor has claimed to have determined that Cantor/MDC isn't supplying all of the data that Reuters has paid for.

Reuters' claims and Cantor/MDC's counterclaims haven't made it into the courts, however. Instead, the matter is being turned over to arbitrators. A check of federal and state court filings in New York uncovered no filings involving the dispute. The 10-year contract is said by sources to be worth in the area of \$10 million to \$12 million a year.

Cantor and MDC signed an exclusive agreement with Reuters in January 1993 (*IMD*, Feb. 1, 1993). The deal was meant to lay the groundwork for a broader long-term relationship among the three. At the time, sources said Reuters would begin by developing services using Cantor's sovereign debt data -- but could later expand the deal to include the IDB's foreign exchange data.

It's not clear what the dispute means for the future of the relationship between Reuters and Cantor/MDC. Presumably, the arbitrator will support either Reuters' or Cantor/MDC's interpretation of the contract, or some hybrid of both, and the companies will have to live with that and each other for the duration of the contract. However, one source says that at least one official involved in the matter expects that the relationship will end within a year. Officials from both companies did not return calls for comment.

One thing is clear, however, according to a second source: "A relationship both parties considered important has fallen apart." Reuters saw the relationship as a way to build a long-term relationship with one of the key players in the U.S. domestic fixed-income market, the source says. And both Reuters and Cantor/MDC had high hopes for the international government bond market, the source says. Cantor saw the deal as a way of forming an alliance with the world's most powerful market data vendor, the source says. Now, however, the relationship is not "recoverable," the source says.

The dispute may also have an impact on MDC's plan to go public -- a deal that would primarily benefit MDC shareholders Bernie Cantor, chairman of the board of Cantor, and Howard Lutnick, Cantor's president. MDC "wanted to cement a good relationship with Reuters as part of this going public because the only real money that MDC gets in right now comes from Telerate," says the second source. "You can't go public and tell investment bankers and prospective shareholders that you want them to buy stock in the company just because they've got a contract with Telerate," that source says. If the company were to attempt to go public at this stage, it would likely include information about the argument with Reuters in the IPO documents, which would frighten off potential shareholders, the source says.

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The dispute involves Cantor/MDC's failure to supply data to Reuters which the vendor was expecting to receive. "In certain cases it was because Cantor wasn't doing any business" in some markets "and in other cases it was found that Cantor was doing business and still hadn't produced the data," the second source says. "[Reuters officials] apparently went around various parts of the world to find out what sort of business Cantor was doing. They found out Cantor was engaged in business in markets and then checked to see if they were getting any prices and, lo and behold, Cantor wasn't giving them prices," the source says.

The first source says that Reuters has stopped paying Cantor/MDC. The second source says that Reuters has threatened to do so in the past, pending the outcome of the arbitration. "If the hearings go in favor of Reuters then Cantor Fitzgerald has been in default of the contractual agreement. At that point, Reuters could say either 'We don't owe you money' or 'let's renegotiate the contract,'" that source says. "If it goes in favor of Cantor, the status quo will remain -- Reuters will continue to pay and the contract stands," the source says.

The contract between Reuters and Cantor/MDC calls for the use of binding arbitration in the event of a dispute, and the matter is being handed over to arbitrators, sources say. Asked to comment on the situation between the companies, Salem Katsh, an attorney with Weil Gotshal & Manges, which represents Reuters, declines to confirm or deny any information. "The contract between Reuters and Cantor provides that neither party will disclose the existence, content or outcome of any arbitration," he says.

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