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BODY:

Amid a power struggle at the nation's oldest securities market, Leopold Korins resigned yesterday as chief executive of the Philadelphia Stock Exchange, seven months after winning a mandate to rejuvenate it.

Korins, who said last August that he hoped to keep the job well into the next decade, would not discuss the reasons for his resignation at an emergency board meeting.

Veteran traders and others at the exchange yesterday blamed Korins' resignation on an internal conflict that has pitted some of its best-known member firms against newly appointed directors allied to the board's politically prominent Washington law firm, Fulbright & Jaworski.

Korins' interim replacement, former exchange chairman John F. Wallace, declined to comment.

The departure came a week after the exchange received merger-discussion proposals from the American Stock Exchange and the Chicago Board of Options Exchange, either of which would likely cost the city hundreds of jobs and reduce the prime Market Street office space occupied by the exchange and its member firms.

Such proposals are routine, according to exchange officials in Philadelphia. "We are not for sale," said Paul Adair, interim marketing chief of the Philadelphia exchange since Friday's resignation of his predecessor, Joseph Rizzello, who has taken a job as head of discount brokerage at the Vanguard Group.

Last summer, under pressure from Securities and Exchange Commission chairman Arthur Levitt, the Philadelphia exchange approved a reorganization plan that expanded the number of outside directors. The move was designed to reduce the danger of undisclosed conflicts of interest at the exchange after a series of embarrassing incidents cited in a lengthy SEC report last year.

But in the aftermath of those changes, veteran traders have complained that their independence has been repeatedly challenged by a behind-the-scenes alliance of former and current SEC officials who want to concentrate the industry in New York.

Several, including former Philadelphia exchange officers, complained that Korins' departure had deepened a climate of fear that made it impossible for critics to speak publicly.

Levitt has said he wants to keep Philadelphia and the nation's three other regional exchanges in business. SEC officials yesterday dismissed any suggestion they have been directing Fulbright & Jaworski lawyers.

Korins' tenure was marked by friction between some "inside" directors, including veteran traders who supported him, and some members of the exchange's expanded delegation of "outside" directors.

The outside group includes investors, professors and ex-SEC officials who were nominated, along with Korins, by a committee that included Fulbright partner Irving M. Pollack, a former SEC commissioner and SEC enforcement chief.

Korins' supporters say the reforms have not ended conflicts of interest. Last week, one of the new outside directors, former SEC Commissioner Richard C. Breeden, was himself found to have failed to disclose his "ongoing business relationship" with the exchange's auditors, Coopers & Lybrand, according to Coopers & Lybrand spokesman David Nestor.

Breeden, a former Coopers & Lybrand partner, "agreed to terminate that relationship" when Coopers learned about it last week, Nestor said. He would not say how Coopers & Lybrand had found out about Breeden's conflict. Breeden did not return calls seeking comment.

During the past year, Pollack and other Fulbright & Jaworski attorneys advised the Philadelphia exchange board as it coped with Levitt's criticism.

Other Fulbright attorneys advising the exchange have included former SEC corporate finance director Alan Levenson and veteran securities attorney Peter V.B. Unger, whose wife is SEC Commissioner Susan Unger.

The firm's Washington exposure made Fulbright an effective adviser during the exchange's troubles with the SEC, according to the firm's supporters at the exchange.

Sources at the exchange said yesterday that Fulbright enjoys continued support from a number of exchange members, including Korins' replacement, Wallace, who heads his own trading firm. Wallace would not comment.

But other members feared the Washington lawyers were meddling in former exchange chairman Nick Giordano's restructuring of the exchange board last summer, before Korins replaced him.

Last summer, 171 exchange members from such nationally known firms as Dean Witter, Raymond James, Penn Options, BHC Securities, LaSalle Trading, ABN/AMRO, Pershing Trading and Everen Capital signed a petition requesting Fulbright to document and justify its reported $2 million in yearly billings, and to disclose its own potential "conflict of interest" in advising the board while it assisted in rewriting the exchange by-laws.

The petition was sent to Levitt, who did not respond, according to Richard Lindsey, SEC director of market regulation. Lindsey characterized the petition as part of an internal dispute in which the SEC would not normally intervene.

Last fall, Korins joined a technical majority of the board's inside directors in voting to remove Fulbright and replace it with in-house counsel. The firm was reinstated in December after Korins' vote was disqualified under a disputed by-law provision.

Compounding questions about the exchange's immediate future are the merger proposals.

"There has been dialogue with the Philadelphia Stock Exchange to explore the possibility of an affiliation between the two institutions," said Amex spokesman Dan Noonan.

A Chicago Board spokesman would not comment on that body's latest overtures. Philadelphia exchange members rejected a proposed merger with Chicago in 1993.

Adair, the Philadelphia exchange's interim marketing chief, said two committees started by Korins would report their recommendations on the exchange's future next month, as scheduled.