

NEW YORK POST

BONUS POOL IS BACK

By MARK DeCAMBRE

January 13, 2009 --

Morgan Stanley and Citigroup are looking at setting aside between \$2 billion and \$3 billion to keep top brokers at the wealth-management shop the two banking giants are close to combining, The Post has learned.

The whopping payout would be distributed over time as retention bonuses for top-tier brokers that Morgan Stanley and Citi hope to keep as they look to merge their brokerage operations into a 22,000-strong behemoth.

Morgan Stanley is expected to shell out as much as \$3 billion to buy a 51 percent stake in the combination, which would be run as a joint venture led by Morgan Stanley Co-President James Gorman as chairman. The merged entity would comprise Citi's crown jewel Smith Barney and Morgan Stanley's former Dean Witter wealth-management franchise.

The planned retention bonuses would be paid out over a nine-year period. The bulk of the loot would go to brokers at Smith Barney, whose roughly 19,000-person army is expected to account for the lion's share of the combined entity, said a person familiar with the situation.

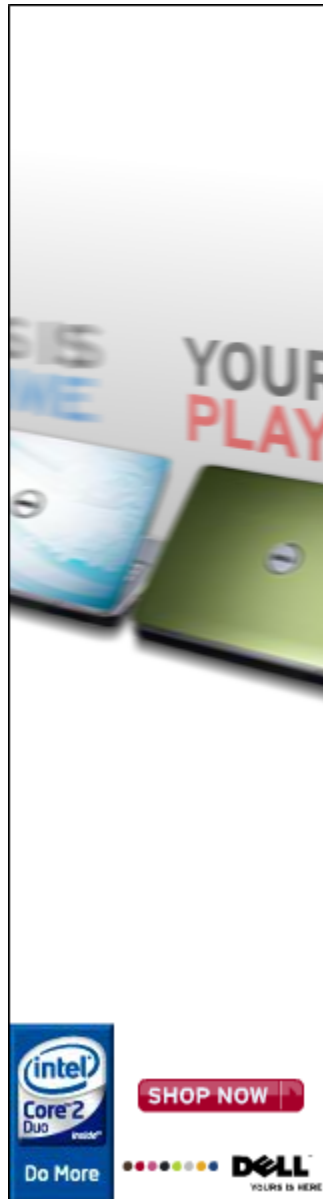
Sources warned that exact details of the joint venture are still being hammered out and remain very much in flux.

Still, sources told The Post that already the two banks have identified nearly 2,100 Smith Barney and more than 900 Morgan Stanley top-tier brokers, with the top producers within that category contributing \$1 million and \$2 million each to the combined firm's bottom line.

Details on specific packages for specific brokers also are still being hashed out.

Citi and Morgan Stanley officials declined to comment.

Retention bonuses are meant to prevent top brokers with large books of client business from bolting to rivals.



However, Wall Street's collapse has made it tougher for heavy-hitting brokers to jump ship. Indeed, after Bank of America acquired Merrill Lynch, the combined entity retained 99 percent of the top producers who generate the bulk of the brokerage arm's revenue.

Morgan and Citi's combination is estimated to generate more than \$14 billion in annual revenue.

Since Citi accepted a \$45 billion lifeline from Uncle Sam as it reeled from big mortgage losses, the pressure on CEO Vikram Pandit to downsize the bank has been intense.

A brokerage merger would allow Pandit to raise cash while retaining ownership of plum assets - at least for a short while longer.

Meanwhile, Morgan Stanley, which has faced similar headwinds, would benefit by giving CEO John Mack an opportunity to cut cuts and the chance of increasing its stake in the venture in the future.

Citi shares yesterday tanked 17 percent to close at \$5.60, while Morgan Stanley shares slipped slightly more than 1 percent to \$18.79.

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