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# Help Wanted: Wall Street Stockbrokers, No Joking

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With investment bankers desperate for deals and traders disgraced by losses, everyday stockbrokers suddenly are back in vogue on Wall Street.

While Morgan Stanley and [Citigroup Inc.](#) are still negotiating how a joint venture of their brokerage operations will be structured, a public announcement of the deal could come as early as Tuesday, according to people familiar with the discussions.

Citigroup's board Monday morning blessed the deal in principle, the people said. It wasn't clear if Morgan Stanley's board has formally endorsed the transaction, which would merge its brokerage force with Smith Barney to create the largest brokerage force in the world, but executives at the New York bank have signaled to Citigroup that their directors are on board, one person said.

Citigroup said in a statement on Tuesday that it is in talks with Morgan Stanley but that "[n]o definitive agreement had been reached, and no assurance can be given that any such agreement will be reached."

While some key details still need to be hammered out, the likely deal shows how much brokers who work with retail investors in branch offices are emerging as one of Wall Street's biggest hopes for recovery. Brokers are particularly valuable because so many other businesses that churned out huge trading and investing profits remain staggered by the credit crisis and recession.

At Morgan Stanley, for example, the unit that includes stockbrokers has consistently churned out net revenue of \$1.4 billion to \$2.4 billion in each of the past eight quarters. Revenue in the part of Morgan Stanley that includes the company's proprietary trading desks has swung wildly, at times inflicting sharp pain on the company's bottom line.

Another sign of the resilience that brokerage operations offer as Wall Street firms try to rebound from 2008's disasters is in compensation. Broker pay fell 20% to 25% last year, estimates Wall Street pay consultant Alan Johnson. "But that beats being down 50%," like many Wall Street traders and bankers, assuming they

haven't been laid off from their firms.

Of course, brokers don't have an easy job at the moment. Their clients are on pins and needles about whether to keep money in the stock market. And most investors' portfolios have lost value, which increases the chance they will pull money out of the market altogether. As a result, brokers are generating fewer commissions and fees for their firms and themselves.

The retail brokerage business is likely to remain tough this year, with Brad Hintz, a Sanford C. Bernstein & Co. analyst, predicting "a severe downturn." It will take three years to merge the two firms' brokerage operations, he predicted in a research note Monday.

Citigroup fell 17%, or \$1.15, to \$5.60 in 4 p.m. on the New York Stock Exchange. People familiar with the matter have said Citigroup is likely to announce next week an operating loss of at least \$10 billion. Morgan Stanley fell 1.4%, or 27 cents, to \$18.79, also on the Big Board. Analysts generally said the joint venture could help Morgan Stanley reduce its dependence on riskier businesses like trading, though boosting profit margins likely will depend on how well the joint venture cuts costs and integrates offices and computer systems.

Even though money is scarce on Wall Street, firms are digging deep to take care of high-producing brokers. As part of [Merrill Lynch & Co.](#)'s takeover by [Bank of America Corp.](#), completed Jan. 1, top brokers who stick around will get up to a year's worth of commission income, according to people familiar with the matter. The retention bonuses are structured as a loan and deferred cash paid over three years.

Details about retention bonuses for the nearly 8,500 brokers in Morgan Stanley's wealth-management division and the approximately 14,000 in Citigroup's Smith Barney unit haven't been announced.

In recent months, Citigroup has been struggling to hang on to financial advisers, many of whom have considered leaving the New York company because of its financial misery and other frustrations.

Richard Zinman, Smith Barney's top-grossing broker, threatened to defect last summer. In response, Citigroup offered to promote him to a management position that would boost his pay, according to people familiar with the matter. When that didn't work, Chief Executive Vikram Pandit offered to move one of his personal financial accounts from Morgan Stanley, the CEO's former employer, to Mr. Zinman's supervision at Smith Barney. Mr. Zinman jumped to [Credit Suisse Group AG](#) anyway. Citigroup and Credit Suisse representatives declined to comment on the broker.

At one point last year, Smith Barney's attrition rate hit 25% on an annualized basis, roughly double its normal rate, according to people familiar with the matter. One reason for the departures: Many brokers' own financial portfolios were battered, according to Smith Barney officials. That made them more eager to pursue richer deals dangled by rivals.

Last month, Citigroup doled out roughly \$500 million in "Partners Awards" to many brokers whose personal finances were getting squeezed, people familiar with the situation said.

If the joint venture with Morgan Stanley goes through, high-performing Smith Barney brokers who didn't receive the awards will be eligible to collect similarly sized retention bonuses, according to people briefed on the plans.

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