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Morgan Stanley, Citi Form JV

By Ryan Clark

NEW YORK CITY-Citigroup, the multinational banking giant, is selling a 51% share of Smith Barney to Morgan Stanley, creating a joint venture to be called Morgan Stanley Smith Barney. The sale is part of a broader effort to reduce the size of the multifaceted Citi, which is expecting to post \$10 billion in losses for the fourth quarter.

The plan for Citigroup to whittle down parts of its company has begun with this deal, struck last night with Morgan Stanley. Reportedly, the banking conglomerate will receive \$2.7 billion in return for the deal in which Morgan Stanley's Global Wealth Management Group will combine with Citi's Smith Barney, Quilter in the UK and Smith Barney Australia.

Citi's CEO Vikram Pandit, in a statement, says that the joint venture "substantially reduces [Citi's] expenses and enables [the company] to retain a significant stake" in their wealth management firm, which will "generate equity capital that [Citi] can deploy to other core businesses."

According to a Citi release, the JV will achieve cost savings by consolidating key functions including technology, operations, sales support, product development and marketing. There has been no indication where and when these consolidations will be made or how they might affect either of the companies. The deal looks to close by Q3 of 2009.

Citigroup has had a rough year, losing a [bid to buy Wachovia](#), then receiving a [Federal bailout](#) after a [consideration of selling](#) parts of itself, after its stock value had fallen roughly 90% over the last two years.

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