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Report: BofA Will Cut 4,000 Jobs, Mostly NYC

By Paul Bubny

NEW YORK CITY-Citing unnamed sources, a *Financial Times story* says that Bank of America is about to start a round of layoffs in its capital markets operations, mostly based here. The article appears three weeks after Charlotte, NC-based BofA closed on its **acquisition of Merrill Lynch**, and one week after the banking giant posted its first quarterly loss in nearly two decades.

According to the *Financial Times,*, most of the layoffs would occur among BofA legacy employees. The capital markets headcount of the combined banks is expected to be reduced by 30% to 40%, meaning the number of job cuts could reach 4,000. Banc of America Securities employs between 4,000 and 5,000, and a comparable number work in Merrill's capital markets divisions, the *Financial Times* reported.

Asked to comment on the *Financial Times* story, a New York-based BofA spokeswoman tells GlobeSt.com, "We are not providing any further comment beyond what we announced on Dec. 11." At that time, BofA announced that it expects to eliminate 30,000 to 35,000 positions over the next three years, "reflecting the merger with Merrill Lynch and the weak economic environment, which is affecting the level of business activity." The spokeswoman says the layoffs are coming from both companies and affect all lines of business and staff units, but adds that "we are not breaking out details about specific reductions in communities or business lines."

According to published reports, a Friedman, Billings Ramsey Group analyst says BofA needs more than $80 billion in new common equity capital to support the assets on its balance sheet. The bank's Q4 financials, released last week, showed a full-year profit of $4.01 billion for 2008, down from nearly $15 billion in 2007. BofA posted a Q4 loss of approximately $1.8 billion.

A BofA release states that Q4 results were driven by "escalating credit costs, including additions to reserves and significant write-downs and trading losses in the capital markets businesses. These actions reflect the deepening economic recession and extremely challenging financial environment," which intensified in the last three months of '08.

The Q4 results did not include figures from Merrill Lynch, since the acquisition did not close until the first of the year. Merrill posted a loss of approximately $15.3 billion during the quarter.

Last week also saw the US Treasury, FDIC and Federal Reserve enter into an agreement to buy $20 billion of preferred BofA stock. The federal government will also provide protection against further losses on $118 billion in selected capital markets exposure, primarily from the former Merrill portfolio.

This arrangement was announced as Citi reached definitive agreements for an **even larger federal bailout** under TARP, following losses for five consecutive quarters. Totaling $301 billion, these agreements coincided with Citi's announcement that it would divide into two operating units. One of those units will manage Citi businesses that may be consolidated or sold.