

September 9, 2009

STREET SHAKEUP: Top producers are leaving wirehouses in droves to join independent and regional firms.

By Steven Marlin, Reporter

Independent broker-dealers and regional firms are building their ranks with the refugees from wirehouses that have been forced to trim staff or slash bonuses, as Wall Street transforms amid unprecedented change.

“Wirehouse brokers are more restless than any time in the last 30 years,” says Mark Goldwasser, chief executive officer of National Holdings, an independent brokerage with 700 active brokers.

Wirehouses are withholding retention bonuses, prompting brokers to seek new employers. “Brokers with less than \$40 million in assets and \$400,000 in commissions are not being paid retention bonuses,” Goldwasser says. “Those not getting paid bonuses are beginning to move.”

The movement is part of a larger shift in the balance of power on Wall Street as bulge bracket firms convert into bank holding companies and acquire large brokerage businesses; Citigroup, for example, sold its Smith Barney brokerage unit to Morgan Stanley.

“It’s a seismic shift,” said Goldwasser. “The Street as we know it has changed.”

Independent brokers are building out their fee-based advisory services. LPL Financial, the nation’s largest independent broker-dealer, has integrated the advisers from several of its broker-dealer affiliates.

“What I am finding in this market is the demand for good revenue generators,” says Mary Sieck, president of the financial services group at Management Advisors International. “Smaller IBDs are getting people away from wirehouses by offering more independence and more control of their own business.”

“With regard to hiring, we have noticed an increasing number of smaller brokerage firms, trading companies and hedge firms,” says **Dennis Nason**, CEO of **Nason & Nason**. “There is a tendency toward moving to companies that are not in the direct sight of the regulators and legislators in view of the very uneven, unpredictable and uninformed attempts to control compensation.”

In banking, positions and skills that attract the most interest are those that bring in business, exercise controls, recover losses and improve asset quality and manage liquidity. “All banks are

anxious to find loans and deposits in a highly competitive market place,” Nason says. “Hunters who can bring in good business are being sought and hired.”

Banks are very liquid and with lending being a slow process, they need experts to manage the treasury positions, such as asset-liability management, Nason says. Banks are also bringing in experts to restructure and recover loans.

Government oversight, especially with the Patriot Act, has increased the need for compliance people and auditors; it's has been the fastest growing part of the financial sector and the greatest drag on earnings.

Firms are outsourcing many of their compliance functions “but I am hearing though that firms will start to add contractors and permanent positions to the compliance and legal staff,” says Sieck.

Sieck has conducted recent searches for chief compliance officers, chief operations officers, general counsel, chief financial officers, attorneys, and senior level executives in the securities, broker-dealer, investment adviser, insurance and mutual fund industries.

Edward L. Jones is planning to increase its ranks of financial advisers by nine percent, and is recruiting people with sales backgrounds both within the financial industry and without. “Our long term objective is to grow our number of advisers to serve more individual investors,” says Price Woodward, principal of financial advisory recruiting and hiring at Edward L. Jones.

“Our model is very different from that of the wirehouses,” Woodward says. “Merrill Lynch, UBS, Morgan Stanley, and Smith Barney buy brokers from other firms and recruit producers; 85 percent of our recruits are not currently retail financial advisers.”

Turmoil has led to a record year of recruiting for Edward L. Jones.

“The occupation that seems to have the most success is any type of sales, such as mortgage brokerage, real estate; any kind of sales where part of income has come from variable compensation,” says Woodward. “We're looking for people who have the ability to grow relationships and ask for the order.”

The company pays new recruits a salary while they study for their Series 7 and insurance, state, and RIA Series 65 exams.

“Once they pass those, we have them on a two-month branch training program, where they receive on the job training,” Woodward says.