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Citi Breakup: Who Loses, Who Wins

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Citigroup's retreat from the financial supermarket model championed by past and present chief executives spells bad news for employees in consumer finance and proprietary trading. But it could be good news for workout and distressed-assets professionals.

Financial advisers within both Citi's Smith Barney brokerage unit and Morgan Stanley are expected to prosper under the joint venture announced Tuesday. "That's a hot business. Particularly the private banking elements of that," observes Jay Gaines, head of a financial-services executive search firm that bears his name. "The career implications for the people in those businesses are fine."

The picture is less cheery for people in either proprietary trading, consumer-finance units Primerica Financial Services and CitiFinancial, private-label credit-card businesses, and any other activities that Citi might seek to sell off.

Any Upside?

"I wish I could see some upside from this. I just don't," says Ken Murray, president of search firm Mercury Partners, referring to developments beyond the brokerage venture.

In the first place, today's climate makes it especially tough to find buyers willing to pay an acceptable price for businesses Citi no longer wants. Turning them into more attractive acquisition candidates will require streamlining and a workout-like strategy. And if ultimately sold to a firm active in the same space, there would be duplication of functions, a prime trigger for still more layoffs.

On the other hand, Gaines sees the moves to rationalize and divest bad assets as adding demand - both inside and outside the bank - for people who specialize in managing distressed businesses. Rather than "the normal day-to-day running of the businesses," operations slated for disposal call for managers who can handle a workout situation, he explains. "The net effects of Citi's moves are going to be more jobs are lost than found. But there's going to be a demand for people who know what to do with these (distressed) businesses."

Meanwhile, financial advisers may view the wealth management joint venture with Morgan Stanley as a positive development.

The combination creates the largest pure investment firm around and a "true brokerage culture, not a bank culture first and brokerage second," says Darin Manis, chief executive of RJ&Makay, a Colorado Springs search firm.

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