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1 of 10
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2 of 10
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MARCH 9, 2009, 4:31 P.M. ET

Smith Barney Lost Over 500 Brokers In Recent Weeks -Sources

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GUIDE TO THE END OF WALL STREET AS WE KNOW IT

By Brett Philbin and Annie Gasparro
OF DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--Citigroup Inc.'s (C) Smith Barney unit lost more than 500 financial advisers over the first seven weeks of 2009, many of which were lower-producing brokers, according to recruiters.

Many of these departures included advisers that didn't receive a retention package from Smith Barney and Morgan Stanley (MS), and who generated less than \$500,000 in fees and commissions over the past year. In January, the two firms agreed to form a joint venture to be called Morgan Stanley Smith Barney, which will have over 20,000 brokers.

Many brokerage firms are losing advisers looking to recover lost wealth from plunging company stock prices, and recruiters say Smith Barney's attrition rate is higher than the normal historic average for the firm. Many of the brokers who left Smith Barney had already planned to leave the firm prior to the announcement of the tie-up with Morgan Stanley. Concerns over Citigroup's falling stock price, the potential for more government intervention, and further uncertainty surrounding the company fueled these departures.

"Most of the people who will leave have already left. I don't think we will continue to see as many people leaving," said Bill Willis, a recruiter with Willis Consulting. Smith Barney is a client of Willis Consulting.

Firms such as UBS Wealth Management US, a unit of UBS AG (UBS), were the beneficiaries of Smith Barney's recent losses.

UBS poached a large number of Smith Barney brokers early this year with a signing bonus that some advisers felt was just too good to pass up. In some cases, brokers were offered about 250% of their production.

Darin Manis, chief executive of RJ & Makay, said regional brokerages such as Raymond James Financial Inc. (RJF) and Oppenheimer Holdings Inc. (OPY) also have attracted advisers from Smith Barney and larger competitors.

InvestmentNews earlier Monday reported Smith Barney's high attrition rate.

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