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Cruz Is Out at Morgan Stanley

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Morgan Stanley said Thursday that Zoe Cruz, a co-president and one of the highest-ranking women on Wall Street, would leave the investment bank in the latest management shakeup since the summer's credit turmoil.

Robert Scully, who was named co-president along with Ms. Cruz last year, will remain at the firm in a new capacity. He will join a newly created Office of the Chairman, and will focus on Morgan Stanley's sovereign investors.

Ms. Cruz had been with Morgan Stanley for 25 years, and rose to her current position when Philip Purcell, then the chief executive, promoted her in a move to consolidate power. There had been expectations that John Mack, the current chief executive, would at some point place someone else in the job.

He did that today, naming Walid A. Chammah and James P. Gorman as co-presidents. Mr. Chammah, 53, was named global head of investment banking in July, while Mr. Gorman, 49, runs the global wealth management group.

Mr. Mack said in a statement that both would be able to lead Morgan Stanley during a challenging period. **Investment banks have been forced to write down some \$80 billion of losses in the past few quarters amid a growing credit crisis triggered by a spike in subprime mortgage defaults.**

"We see significant opportunities to build on the market leadership positions we have across our global franchise and to take advantage of the strong foundation we've put in place in recent years," he said in a statement. "Today's markets, however, are changing rapidly, and we're putting in place a leadership team that is ideally suited to help Morgan Stanley realize the opportunities ahead, while continuing to navigate the current challenging condition."

There were also major changes in Morgan Stanley's credit and mortgage-related businesses after the investment bank announced it would take a \$3.7 billion write-down during the fourth quarter.

Michael Petrick — who heads the company's corporate credit group — will become co-head of institutional securities sales and trading. He replaces Neal Shear, who will go back to leading Morgan Stanley's commodities business.

The investment bank also announced that Tony Tufariello, the global head of its securities products group, which suffered most of the mortgage-related write-downs,



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would retire from the company. A replacement has yet to be named.

A spokesman for Morgan Stanley declined to comment beyond the company's statement.

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- 1. November 29th, 2007 8:43 pm

• Finally there is some accountability at MS. A little less than a month ago I said in Dealbook the following, "Putting Neil Shear a commodities person in charge of fixed income trading was a mistake. He clearly didn't know what he was doing. Just because one is a great football player it doesn't mean they'll be a good baseball player. MS was caught late in the game with a me-to-syndrome and an attitude they are the biggest and baddest. Wall Street is about specialization and it's not about on-the-job trading. You can't fire the guy since he's really good at commodities, but surely MS must immediately reduce the guy's scope of influence. " Zoë Cruz for all her PR was just one of the minions along with Steve Crawford appointed by Phil Purcell to a position they couldn't get anywhere else. When Mack decided to increase the risk profile in the business MS made great money for 2-3 years. Cruz got the benefit of the added VAR and upward markets in commodities and equities. Then she got ahead of herself an appointed Shear who was clearly over his head. He knew commodities, but loss just about 1/2 of what he previously made in commodities in gambling in mortgages. Lesson 1) its all about specialization in Wall Street, it's not about being a generalist. Lesson 2) at the end of the day, the rule of the jungle prevailed, where the strongest survived. Maybe Merrill Lynch can learn a lesson or two about this. They should immediately shift the commodities guy who is running fixed income out of the position. First, he's wasting people's valuable time by trying to learn about the markets. Second, he should concentrate on commodities because it's extremely volatile and there are opportunities for those who focus. Third, he wouldn't know how to grow the business because of his background. Fourth, he's a Stan O'Neal guy that probably was a yes man that jumped when Stan said so.

— Posted by hammer

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