

Wurtz Ouster CEO Steel's First Volley?

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Thomas J. Wurtz's resignation as Wachovia Corp.'s chief financial officer last week raised several questions and confirmed a suspicion.

This much is clear: Newly minted chief executive Robert K. Steel, appointed July 10 after his predecessor's ouster, is intent on making significant executive changes to address the Charlotte company's risk management and profit issues.

Less clear, of course, is who might be next to exit the executive suite.

However, analysts say that Mr. Steel may look to replace anyone involved in Wachovia's risk management controls. This could include executives such as Donald Truslow, Wachovia's chief risk officer, and Stephen E. Cummings, the managing director of corporate and investment banking, analysts said.

Others question where Mr. Steel will go looking for fresh blood in this environment, given that the pool of available and qualified executives is rapidly dwindling. Meanwhile, Wachovia has yet to discuss the status of a risk management review it announced before the June 1 ouster of CEO G. Kennedy Thompson.

"Wachovia has to bring new faces to the table who can say they're responsible for fixing the problems instead of being responsible for causing them," Gerard Cassidy, an analyst at Royal Bank of Canada's RBC Capital Markets, said on Friday.

Kevin Fitzsimmons, an analyst at Sandler O'Neill & Partners LP, agreed. "If you're someone who needs to overhaul the company, you can get more objective opinions from people who are on the outside." Investors want senior managers "to be about swift, decisive, bold action," he said on Friday. This could encourage Mr. Steel, a former under secretary of the Treasury and Goldman Sachs Group Inc. executive, to look beyond Wachovia.

A spokeswoman for the \$812 billion-asset company declined to comment Friday on Mr. Wurtz's plan to resign as soon as a successor is found or on whether any other executives may leave. Mr. Wurtz, 46, had been CFO for two years. His resignation came two weeks after Mr. Steel joined Wachovia and two days after the company reported an \$8.7 billion second-quarter loss.

Wachovia's purchase in 2006 of the Oakland, Calif., thrift Golden West Financial Corp., a specialist in option adjustable-rate mortgages, and its excessive exposure to structured products, such as collateralized debt obligations and leveraged loans, have made it a lightning rod for criticism on Wall Street.

"We view their risk management as weak," Gary Townsend, the chief executive at Hill-Townsend Capital LLC, said in an interview. He added that Mr. Steel "also has great resources in the investment banking community. I don't know who it might be, but I would say Goldman Sachs is a likely source" of talent.

Meanwhile, analysts suggested that David Carroll, Wachovia's head of capital management, who many saw as a possible successor to Mr. Thompson, could also leave. Mr. Carroll, who recently completed a five-week review of Wachovia's operations, may feel the odds of promotion have diminished with Mr.

Steel at the helm. "If you are the new CEO, do you distance yourself from him or try and bring him closer into your inner circle?" asked one analyst, who requested anonymity.

Replacing Mr. Wurtz will be a top priority because chief financial officer is such a high-profile post. Mr. Fitzsimmons said that Mr. Steel, given his own lack of experience, should hire a CFO with expertise in commercial and retail banking. "Sometimes who you trust outweighs having retail banking experience," he said. "But it is in his interest to get this done quickly."

A few obvious names are circulating. Christopher Marshall, a former Bank of America Corp. executive who resigned as the CFO at Cincinnati's Fifth Third Bancorp in May to return to Charlotte, could be on Wachovia's short list; a source close to him said he could be interested. Another executive mentioned is William Demchak, a vice chairman and the head of corporate and institutional banking at PNC Financial Services Group Inc. in Pittsburgh, who

gained risk management expertise while at JPMorgan Chase & Co.

Mr. Marshall, who is an adviser to a private-equity firm, would not comment on the CFO post. A PNC spokesman also declined to comment.

Rod Taylor, the senior partner of the Atlanta executive search and consulting firm Taylor & Co., said it is likely Mr. Steel has a sizable pool of candidates from his time in both the public and private sectors. "You turn to the people you already know and trust," he said in an interview. What will determine hiring decisions more than anything is continuing analysis, Mr. Taylor said. This could include further scrutiny of the balance sheet, being done by Goldman Sachs, and areas such as risk management. Wachovia said on May 12 that it would hire an outside consultant to review internal controls. The company has given few details since, acknowledging in early June that it was still interviewing firms. The spokeswoman would not say where things stood on Friday.