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FEARING WOMEN

AFTER THE SCANDALS OF THE 1990S, DIDN'T INVESTMENT BANKS PUT SEXIST EMPLOYMENT PRACTICES BEHIND THEM? EVIDENTLY NOT. BY ANITA RAGHAVAN



GETTY IMAGES, DIGITALLY ENHANCED BY SLIM FILMS

NADINE MENTOR, 29, HAD JUST LANDED IN NEW YORK—and found out, she says, that she'd bagged one of the biggest gets of her career at Citigroup: a role for the bank leading a bond offering, valued at as much as \$400 million, for the U.S. Virgin Islands. The deal was worth potentially more than \$500,000 in fees. A day later, on Nov. 21, 2008, as she headed to a business meeting, she got an anxious call from her boss. Sensing something was up, Mentor said, "Just tell me, just tell me." Her boss gave her the bad news. Mentor, who had been lured to Citi from UBS in 2005, was included in a round of downsizing.

When her boss was laid off last summer, Amy Bartoletti, 38, says she was asked to run a Citi group that securitizes home loans through state authorities. But one of her peers in New York complained, she says, and the bank wound up making him a cohead of the group, asking both to take the Series 53 licensing test, required of managers in the municipal securities business. Bartoletti took the exam and passed in October. On Nov. 21 she was axed, told later by the bank that she was too expensive. Bartoletti contends that she and her male counterpart made the same base salary, \$175,000, and that she is more qualified than he. As of late February her cohead, who now runs the group, still doesn't have his Series 53 certification. "It's the old boys' network," says Bartoletti. "It's very hard to imagine that that is what is happening in this day and age."

Mentor and Bartoletti are among five former managers and rising young stars who were cast out that day. They say that in all, 24 professionals in the public finance department lost their jobs, in roughly equal numbers of men and women. Yet the women claim they were victimized by more than economic necessity. Since the cuts, some Citi groups, like the one handling state mortgage programs, no longer have women professionals. Their lawyer, Douglas H. Wigdor, points out that just before the firings, men dominated the senior ranks in the department. He says that men had 76% of overall professional employment and two-thirds of the vice presidencies but 90% of the scarcer slots for directors and managing directors. An internal Citigroup document, dated July 20, 2006, confirms a stark disparity (see chart, p. 78). "We cannot confirm the authenticity of this document," says a Citi spokeswoman. The high proportion of men in public finance, coupled with the large numbers of women laid off, are a "clear indication that gender was a reason for selecting the people who were let go," says Wigdor. He recently filed charges with the U.S. Equal Employment Opportunity Commission—



a first step before seeking a class action—alleging they were terminated because they were women. He calls it a case of “recessionary discrimination.”

For its part, Citi says its November layoffs were “done fairly and lawfully and [were] based on legitimate business reasons unrelated to gender.” Without specifying, the bank says that “many of the factual allegations from these former employees are either inaccurate or incomplete.” Citi further notes that it and its municipal securities division are “disciplined, focused, consistent and vigilant in regard to our diversity-related efforts.”

Still, similar claims by women who insist they were unfairly fired have been piling up recently at Merrill Lynch, Bank of America and Bank of Tokyo, as well as at Citigroup. If the claims have any merit, the mostly male club that gave rise to explosive sex discrimination lawsuits a dozen years ago against Citigroup’s Smith Barney brokerage unit is back at work. This time the offenses are not the boorish behavior and outright harassment that gave rise to a total \$400 million in industry settlements but something more subtle: making women bear a disproportionate share of the layoffs. In the worst financial crash since the Depression, financial services and insurance firms have cut 260,000 jobs. Seventy-two percent of the missing workers laid off have been women, even though they constituted 64% of employment before the crash began. As one plaintiff, Wan Li, bluntly puts it in a separate suit against Citigroup, which has been settled: Women “are unfairly selected for layoff over male employees with lesser merit or qualifications because of their gender.” Says the bank: “Citi has a long-standing commitment to equal employment practices and to provide a professional and respectful workplace free of unlawful discrimination.”

The lawsuits offer only a fractional picture. “There are plenty of women who don’t sue for fear of being a pariah in the industry,” says Dina Bakst, a lawyer who once worked defending employers in discrimination suits and has since switched sides and now is co-president of A Better Balance, a New York City legal advocacy group that nationally promotes women’s rights in the workplace.

Nonsense, say plenty of employment specialists. How do we know, they ask, whether the women who were fired were as talented as the men who survived or replaced them? Another argument against the plaintiff’s claims: Perhaps some new moms and older women have simply lost their mojo. Yet another response is that the subject of gender is irrelevant. “It is really a misguided notion to focus on whether women are victims in recessions,” says Alison Fraser, director of economic policy studies at the Heritage Foundation in Washington, D.C. “What is important here is all Americans are suffering, and they are suffering at every level.”

That’s incontrovertible. But so is the fact that women in finance and insurance have borne a disproportionate share of the suffering. In the two years since December 2006, when employment in the sector hit a peak for the past decade, female employment has fallen 4.7% to 3.8 million, while male employment has dropped 3.2% to 2.1 million, according to the government’s Current Employment Statistics survey.

On the whole, a recession hits men harder

“There are plenty of women who don’t sue for fear of being a pariah in the industry.”



“The old boys’ network”: Chia Siu, Brittany Sharpton, Lisa Conley, Amy Bartoletti and Nadine Mentor have filed actions against Citigroup, alleging discrimination.

than women. That's because men tend to take more demand-sensitive jobs like construction and manufacturing, and women work more in service-sector jobs like health care and education that are less cyclical. That's why, in the past 20 years, women have increased their share of total jobs from 46.6% to 49.3%. But the financial sector has its own rhythm.

For years, as the economy boomed, the financial industry was a place of seemingly limitless opportunity for women. It offered high-paying jobs and untold possibilities for advancement. Before the financial crisis hit, Zoe Cruz at Morgan Stanley, Sallie Krawcheck at Citigroup and Erin Callan at now bankrupt Lehman Brothers made it to the executive suite. Now all three have been dislodged from their lofty perches (see box, p. 78), a story women say is being replicated at all levels in investment banking.

"I think women are just getting creamed" in the downturn, says Linda D. Friedman, the Chicago attorney who brought the case involving the infamous "Boom-Boom Room" against Smith Barney

in the mid-1990s, throwing a spotlight on the frat-house-style antics that male brokers used to harass their female colleagues in the basement of Smith Barney's Garden City, N.Y. office. "There are just so few women," says Friedman, "you lose one, you lose 100%."

Indeed, none of the leading Wall Street banks—Goldman Sachs, the combined Bank of America and Merrill Lynch, JPMorgan Chase, Citigroup, UBS, Credit Suisse and Morgan Stanley—has a single woman in any of the top three jobs. Asked to provide a current breakdown of the number of female officers (managing directors, directors and vice presidents), only Goldman responded: As of today, its ranks of female vice presidents, which includes its executive directors, stand at 29.4% of the 9,244 total, up from 27.9% of 7,667 three years earlier; over the same period women increased from 15.5% of 1,236 managing directors to 16.6% of 1,796.

Part of the problem has to do with the fact that trading desks reward sharp elbows more than they value brains or managerial skills. Meanwhile, in the hushed corridors of investment banking, women are so thinly represented in the most senior positions that as securities firms shed workers, they are becoming an endangered species. The latest casualty: Ellyn McColgan, who was hired with great fanfare a year or so ago from Fidelity Investments to be the president and chief operating officer of Morgan Stanley's Global Wealth Management Group. In late January she was out of a job, the big loser in the joint venture with Citigroup's Smith Barney brokerage unit. (A male executive from Citigroup will run the combined unit with Morgan Stanley's James Gorman.) With McColgan out and Cruz and Krawcheck long gone, there are no women at the highest levels at Morgan Stanley and Citigroup. "Women are vulnerable in this kind of reduction in force" because they don't have the political clout at the highest levels, attorney Friedman argues.

For years Kathleen Bostjancic got rave reviews at Merrill Lynch. Her boss, chief North American economist David Rosenberg, gushed about her work. "Kathy continues to deliver top-caliber product," he wrote in a mid-2003 performance evaluation. "Her judgment is impeccable." Along with the high praise flowed more pay. In 2006 Bostjancic was earning \$650,000 in base salary and bonus, more than twice as much as she brought home three years earlier.

Around this time Bostjancic got pregnant—and her life at Merrill, she claims, started to deteriorate. During her maternity leave Rosenberg telephoned Bostjancic and told her he wanted her to take on a role as "Washington Policy Analyst" and develop her own research studies. But when she presented a business plan for the new position upon her return in the fall of 2006, Bostjancic says, the proposal was rejected.

Over the next year tensions between her and



ERIKA LARSEN / REDUX FOR FORBES

Rosenberg grew. He was uncomfortable with an agreed-upon work-at-home arrangement in the mornings to breast-feed her son, Bostjancic says. Merrill says there was no issue. But Bostjancic claims Rosenberg asked an assistant to keep a secret log, recording when she allegedly failed to say hello to a co-worker or kept her office door closed or asked not to be interrupted for 15-minute periods. Merrill denies these allegations. Had Rosenberg asked her, Bostjancic says, she would have explained that she closed her door because she was breast-pumping milk.

In September 2007 Rosenberg gave her a memo warning that the "quality of work needs to improve dramatically." (A Merrill spokeswoman declines comment on Rosenberg's behalf.) Then in April 2008 Rosenberg notified Bostjancic that she was being terminated as part of a reduction in force. Less than two months later Merrill replaced her with Drew Matus, an economist from Lehman Brothers.

So Bostjancic alleges in a discrimination suit filed last August in federal court in Manhattan. She's seeking compensation and her old job back. Merrill denies her allegations. It adds that "in regard to Ms. Bostjancic's lawsuit, we believe Mr. Rosenberg acted appropriately."

Anita Gupta, who worked in the information technologies group at Bank of America, alleges her dismissal was characterized as a "layoff," though, she claims, "there was no downsizing in BOA's workforce. No one else was laid off." Her case, in which she sought at least \$2 million in damages, offers a glimpse into the travails of working mothers on Wall Street. Gupta was fired early last year after returning from maternity leave, according to a 2008 suit against the bank and two managers, Douglas Gallagher and Peter Spencer.

"Knowing she was in labor," Gupta says in her suit, she made the trek to the office after her water broke in order to explain some code to a colleague and change her laptop battery so she could be available to the group while she was out. On returning from maternity leave, Gupta claims, she was marginalized. When she finally got a meeting with Spencer, her boss, he gave her "directions that made no sense and in fact were detrimental to projects," she claims. A Bank of America spokeswoman says the allegations against Spencer and Gallagher are without merit. Gupta did not receive an annual performance review for 2007 or a bonus. To make matters worse, she says, she was asked to help interview candidates for a job "that matched her job description," according to the suit. Bank of America, while admitting that it didn't give

Gupta a review or bonus in 2007, denies these allegations and her version of events.

During her leave, Gupta says, the bank had agreed to provide a private room on the 43rd floor upon her return where she could breast-feed her newborn, brought to work by a nanny. When she came back to work in December 2007, Gupta claims, Spencer told her that he wanted her to share the lactation room with a Muslim employee who wanted to use it as a prayer room. That, together with her removal from work she was doing before maternity leave, led her to believe that "management ... had no real or good faith intention of allowing her to return to work after her leave." Bank of America denies any campaign aimed at preventing Gupta from returning to work as a new mother. It says gender is not a factor in layoff decisions and that it doesn't tolerate discrimination. The bank says it settled the case for an undisclosed sum late last year in order to avoid further legal costs.

Well before Wan Li, a Citigroup banker, was laid off she was channeled into a less desirable and lucrative position over her own objections, she alleged in a lawsuit seeking class status. Filed in federal court in Manhattan in September and seeking unspecified damages, the suit claims that among Citi's discriminatory practices is a trend of "selecting women over men for layoff."

Gender warriors: Alice Hughes, a Dallas financial adviser at Morgan Stanley; her lawyer, Chicago's Linda Friedman.



MISTY KEASLER FOR FORBES (BELOW); BOB STEFKO FOR FORBES



"I think women are just getting creamed. You lose one, you lose 100%."

Hired in July 2001 as an assistant vice president in the Structured Trade Finance Group, Li did well in her early years, drawing reviews where she "consistently" exceeded expectations, she says in her suit. In late 2003, however, she alleges she began to hit the "proverbial glass ceiling" when she was pushed into a job with no prospect of advancement while pregnant and set to go on maternity leave. Over her opposition, Li was transferred to a support position in a newly formed Global Structured Portfolio Management Group, according to the suit. She claims she was told the move was "better" for her and would be "more manageable" for a "new mother."

Despite being told the transfer to a support role would be temporary, Li claims, her mistreatment grew worse. Returning from maternity leave in April 2004, she discovered her 2003 bonus of \$75,000 was far lower than those going to her male peers and even lower than payouts given to male associates two years her junior in job rank, according to the suit.

To avoid compromising her future earnings power, Li says, she tried to transfer back to a revenue-generating

role at Citigroup. But her request was denied, she claims, and she was moved to another support role in a different group. "Dis-mayed and dejected," Li took her concerns to several managing directors, she says in the suit. One of them advised Li to leave Citigroup altogether if she found the company's actions unacceptable, she claims.

In late June 2007, just as Li's second maternity leave was ending and she was preparing to return to work, she received a telephone call from two female officials at the bank. Her position had been eliminated in a "restructuring." Of the 40 to 50 professionals in the Asset Finance Group worldwide, Li was the only professional let go, the suit says. Citigroup declined to comment on the specific allegations of the suit.

Paula Best believes her layoff in July 2007 was payback for her decision to file a discrimination complaint against Bank of Tokyo-Mitsubishi UFJ, according to a class action she filed in October seeking unspecified damages. A 13-year veteran of Bank of Tokyo, she was terminated when the bank's securities lending business was bought by Mitsubishi UFJ Trust & Banking.

Best, an African-American, says that in 2003 her job portfolio was vastly increased when she was given oversight of international lending in addition to her existing domestic lending duties. Still, she says in the suit filed in federal court in Manhattan, she wasn't promoted to the position of vice president and was the only employee reporting directly to the department manager of securities lending who wasn't a vice president.

Answering her claim, Bank of Tokyo says Best was assigned to back-office work after another employee left. She was not given a lofty title because the bank "did not have a business need for a vice president" handling "back-office responsibilities supervising a small clerical staff."

When Best received a rating of "Achieves +" again in her performance review in May 2005, her boss told her she would be promoted to vice president. But the bump-up never materialized, and Best complained to the personnel department that she was denied the title because of her gender and race. Bank of Tokyo denies her claim, saying her boss never told her she would be made a vice president. Passed over again in 2006 and 2007 even as white male colleagues in similar roles were promoted, Best complained to the bank and contacted the EEOC. The bank's personnel department, she claims, didn't investigate her complaint but referred her to an employee assistance program for psychological counseling. The bank says that her complaint was "promptly, thoroughly and appropriately investigated" and that the counseling program was mentioned to her after she had written that she was "holding back the urge to scream from the frustration lying dormant in me."

Best says she was one of 5 employees in her department to be laid off, while 11 others were spared. Bank of Tokyo denies her allegations, pointing out that the job of Best's own supervisor was also eliminated because Mitsubishi "already had an employee performing his position."

Eleni Demetriou, a former vice president in Merrill's private client group, is convinced she was terminated because of a different sort of stink she raised. In 2005, she says in a complaint filed in New York State Supreme Court last July, she claims she witnessed two members of her group engage in activities that were of a sexual

nature. The two “flirted” consistently with each other” and were seen wiping lipstick off their mouths and faces, Demetriou alleges. The woman, she claims, consistently dressed in a manner that “reveal[ed] that she was not wearing a bra” and presented herself with “her blouse buttoned in a fashion which appeared as though it had been unbuttoned and rebuttoned unevenly.” (Merrill denies awareness of any inappropriate relationship.) Demetriou took her beef to William Kubeck, the manager of the group, and who, she says, was “close personal friends” with one of the two; he “completely ignored” her complaints, says her suit. Merrill and Kubeck deny the allegations except to concede that Kubeck did socialize on occasion with one of the two outside work.

Kubeck, she alleges, then retaliated, becoming “hostile” toward her. (Merrill and Kubeck deny that claim.) When she returned from maternity leave, Demetriou says in her suit, Kubeck blocked her bid to be promoted to director by not presenting her name for nomination—and chastised her when she was late to work because she had to care for her sick child. The comments were discriminatory because men who were late to work or simply disappeared from work were not rebuked, she alleges. Merrill and Kubeck deny all claims but concede that Kubeck did not nominate Demetriou for a promotion.

On Apr. 30, 2008 Demetriou was laid off. “No other individuals from the Desk were terminated as part of this layoff,” she claims. Merrill disagrees. It says the firm also laid off two other employees who were part of the group managed by Kubeck. “The

DETHRONED

Missing in action: Since the departure of these women, no female executives occupy corner offices at the leading banks. What kind of future do women have on Wall Street?



ZOE CRUZ
Pushed out in November 2007 as co-president of Morgan Stanley. Hasn't yet landed a job at a leading financial services company.



ERIN CALLAN
Demoted in June 2008 as CFO at now bankrupt Lehman Brothers. Recently took leave of absence as head of Credit Suisse's hedge fund group.



SALLIE KRAWCHECK
Resigned in September 2008 as chief executive of Citigroup's Global Wealth Management unit. Now sits on the board of Dell.

With layoffs, “you have taken out a whole generation of future female managing directors.”

firm's decision on who to lay off or retain was based on a determination of who the strongest workers were, regardless of gender,” says a Merrill spokesman. Demetriou is seeking \$45 million in compensatory and punitive damages.

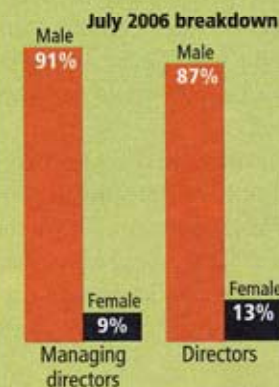
At Citigroup's public finance department some of the women let go were up-and-comers, like Brittany Sharpton, 23, and Chia Siu, 25, analysts in, respectively, the infrastructure and the housing groups. “There was a lot of brainstorming [last summer] of what should we do to keep [Chia],” recalls Bartoletti, her former boss. Siu was promised a promotion effective January 2009. “I thought as soon as they promoted me, they'd want me to stay a year,” says Siu. Instead, “I was betrayed, I was deceived.” She took and passed her Series 63 exam, a license required for soliciting orders of securities. Her male counterpart—who kept his job—didn't have his Series 63 certification as of the Nov. 21 layoffs (he has since obtained it). With the layoffs, “you have taken out a whole generation of future female managing directors,” says Lisa Conley, 42, the

sole female director in the health care group, who was also let go in November. When Citi terminated Mentor and Bartoletti, they lost two members of the municipal securities division's “Coach for Success” program, a mentoring system for future leaders of the bank.

Plenty of aggrieved women are afraid of making a stir. In the summer of 2007 female employees were given the choice of cashing in on or opting out of a \$46 million class-action settlement with Morgan Stanley to resolve charges of gender discrimination in its retail brokerage division. Alice Hughes, a Morgan Stanley financial adviser in Dallas, talked with several women who declined to participate—and not because they planned to pursue separate claims. “It was just sheer fear,” she says, that even if they kept their jobs they might be excluded from benefits like getting a chunk of business when another broker left the firm. “They're right,” says Hughes. Moreover, she claims, if they make trouble, “they will be blacklisted from working at any major firm.”

OUTMANNED

Men dominated the top echelons of Citigroup's municipal securities group.



Source: Alleged internal Citigroup document.

FROM LEFT: BEN BAKER / REDUX; EVAN KAFKA; BRIAN SMALE