On Wall Street, a Rise in Dismissals Over Ethics
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29 March 2005
The New York Times

TWO SENIOR investment bankers at Bank of America were summoned to a meeting this month where their boss, visibly uncomfortable and flanked by bank lawyers, read them a statement. They were both dismissed and asked to leave the building immediately. The decision was final.

Stunned, the bankers asked if they had broken any regulations. No, they were told. Nor had they traded on any inside information. Within the hour, they had turned in their BlackBerrys and laptops and were on their way home to the suburbs.

In the ruthlessly competitive world of investment banking, these two men had been doing what presumably was their job. Acting on a tip from a rival banker, they had called a company preparing to merge with another and asked to get in on the deal. In a different era, such an action might well have been seen as an example of what hungry bankers do to secure an edge with a client and maybe even a better bonus—not an inappropriate use of confidential information and cause for termination.

But with regulatory scrutiny heightened after the collapse of Enron and other companies, corporations and their boards are adopting zero-tolerance policies. Increasingly, they are holding their employees to lofty standards of business and personal behavior. The result is a wave of abrupt firings as corporations move to stop perceived breaches of ethics by their employees that could result in law enforcement action or public relations disasters.

"We are in a regulatory frenzy," said Ira Lee Sorkin, a senior white-collar crime lawyer at Carter Ledyard & Milburn in Manhattan. "Corporations are acting out of fear and they don't want to take a chance that employees did something wrong under their watch, so they are basically cleaning house. Someone has to say enough."

The seemingly frantic reach for the moral high ground is driven as much by self-interest as any attempt at righteousness, now that boards and chief executives have seen how public scandals can torpedo stock prices, alienate customers and end careers.

The reasons for the dismissals vary widely, ranging from actions that are potentially illegal to conduct that is unseemly. Last week, for example, Thomas M. Coughlin, a former vice chairman and director, was forced to resign from Wal-Mart Stores over questions relating to his knowledge of corporate gift card and expense account abuses. Wal-Mart also referred the case to the Justice Department. Earlier this month, insurance giant American International Group fired two senior executives for refusing to cooperate with a regulatory investigation.

At Boeing, Harry C. Stonecipher, the chief executive, was abruptly pushed out this month by his board for having a consensual affair with an executive, behavior that in a more permissive time might even have been winked at.

"There is a new kind of Puritanism," said Marjorie Kelly, editor of *Business Ethics* magazine, replacing what Ms. Kelly said was an era of "arrogance and ignorance, an attitude that boys will be boys."

There are exceptions, of course. After paying a $300 million fine to settle charges by the Securities and Exchange Commission that it overstated advertising revenue, Time Warner elected last week not to dismiss the executives, including the chief financial officer, who approved the fraudulent accounting. The three officials settled separate charges of securities law violations without admitting or denying guilt.

But the reaction has been most severe on Wall Street, where investment banks, mutual funds and insurers have felt the sting of legal prosecution for ethical lapses most acutely.

Bank of America, which has paid nearly $1 billion in fines over the last year, in many ways exemplifies this trend. Earlier this year, the bank acted in a similarly extreme fashion when it fired a highly regarded bond analyst, Andrew Susser, for his stab at humor in compiling a research report on the casino and lodging industry. On its cover, which carried the title "Checking In," Mr. Susser's face was superimposed over the body of a woman in a cocktail party dress and heels, as he was carried over the threshold by another man. There is no evidence that any client complained. Instead, the bank concluded on its own that the image was inappropriate.

It is not only Bank of America that is cracking down.

Citigroup, which has been plagued by a series of ethical lapses by its employees and has suffered a decline in stock price as a result, recently fired three senior executives after the breakdown within the firm's private banking unit in Japan. Japanese regulators forced Citigroup to close its private bank, based in Tokyo, because of numerous violations, stemming from a lack of internal controls, including potential money laundering in one account. One of the fired executives, Thomas W. Jones, has filed a lawsuit against a consultant who wrote an internal report on the matter. Mr. Jones said he was not at fault.

Next month, Citigroup will start an online ethics training program that will be mandatory for all of its 300,000 employees.

At Goldman Sachs, Henry M. Paulson Jr., the chief executive, will moderate 20 forums this year on various business judgment and ethical issues with all the bank's managing directors. Among the guest speakers invited by Mr. Paulson is Eliot Spitzer, the New York State attorney general, who talked to Goldman bankers last month about various ethical pitfalls.

Given the scandals of recent years—Wall Street banks writing research reports biased in favor of corporate clients or doling out hot initial public offerings to win business, for example—it is not at all surprising that banks have been more rigorous in monitoring the behavior of their employees. But the two Bank of America employees, Eric Corrigan and Thomas Chen, say that Wall Street's new broad brush has tarred them unfairly.

"We are scapegoats," said Mr. Chen, 37. "We agree that there should be zero tolerance when rules are broken, but we didn't break any rules. This was a summary execution. We just need to re-establish our reputation because without that you can't be an investment banker."

In a statement, a Bank of America spokesman said: "The environment in the financial sector continues to evolve and in any environment we expect our associates to maintain the highest possible ethical standards in everything that they do."

For Mr. Corrigan, Mr. Chen and Thomas W. Heath, the J.P. Morgan banker who provided the information to Mr. Corrigan, the fall from grace has been precipitous. Mr. Corrigan and Mr. Chen were successful and respected bankers who had received generous bonuses for their work last year.

Mr. Heath had just finished working on one of the biggest bank deals of his career, and had accepted an offer to take his flourishing practice to Bank of America.

J.P. Morgan has since fired him, and Bank of America has rescinded its job offer. Now all three are accused of inappropriately using confidential information—a charge that, in many ways, brands them with Wall Street's version of the scarlet letter.

Indeed, the story paints a vivid picture of how these changing times have made the exchange of information and market rumor—long the lifeblood of deal making on Wall Street—an exercise fraught with risk.

Mr. Corrigan and Mr. Heath first met last month to discuss how they might work together once Mr. Heath joined Bank of America, potentially as Mr. Corrigan's boss. No specific deals were discussed until a few days later, when Mr. Heath called Mr. Corrigan at the request of Bank of America executives. At the time, Mr. Heath and J.P. Morgan were advising Hibernia, a Louisiana-based bank, in its merger talks with Capital One, the credit card issuer.

During that conversation, according to Mr. Corrigan, Mr. Heath voluntarily disclosed J.P. Morgan's role in the deal.

Mr. Corrigan said he was surprised that Mr. Heath would be so forthcoming. But he added that he and Mr. Chen had already heard rumors of the deal, which was formally announced on March 7, so he asked Mr. Chen to call an executive at Capital One. Mr. Corrigan also said that he told his boss about the exchange.

Such an approach is standard investment banking behavior, said Mr. Chen and Mr. Corrigan, and neither felt he had crossed any line. Indeed, since Capital One was already a deal participant, both men argued, Mr. Chen did not break the circle of trust.

"I didn't even call my wife," Mr. Chen said. "I had a relationship with the guy at Capital One, so I put a call in to him."

While Mr. Heath acknowledges that he erred in disclosing the information, he said he did so in response to a query from Mr. Corrigan and under the condition that the information not be used.

"I had been asked by Bank of America to call Eric to discuss mutual accounts and smooth feelings as I would be assuming his group head position," Mr. Heath said. "During the course of our conversation Eric said he was curious as to what I was working on. I told him that the information was bound in the strictest confidentiality, to which he agreed."

Mr. Corrigan denies that he made such a query or that Mr. Heath asked that the information remain confidential.

No matter the details, "The pendulum has swung too far," said Herbert A. Lurie, a former top investment banker at Merrill Lynch, where Mr. Chen once worked. "Tom Heath clearly did something wrong. He was working on a deal and he told competitive parties about it. But Tom Chen just called a party to the deal. In a normal world, Tom would have been given a hard time for not making the call."

For Bank of America, operating in today's brave new regulatory world, such subtleties are immaterial. In the bank's view, Mr. Corrigan and Mr. Chen exercised bad judgment in contacting the client after Mr. Heath's phone call — especially since Mr. Heath claimed the information was given in confidence — and that was reason enough to fire them.

Both Mr. Chen and Mr. Corrigan have hired lawyers and said that they were considering their legal options. Mr. Heath declined to comment on his future plans.

While Mr. Corrigan and Mr. Chen both realize that they may never work on Wall Street again, they said they were determined to at least make it clear that they were men to be trusted.

"I just need to restore my integrity," Mr. Corrigan said. "I want to be able to look into my kids' eyes and tell them I didn't do anything wrong."