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Bold JPMorgan shake-up blows Winters away

Bill Winters will remember his latest birthday for a long time.

It was while preparing to celebrate his 48th year this past weekend that Mr Winters, the co-head of JPMorgan Chase's investment banking unit, heard he had been ousted from the company he had worked for most of his professional life.

Mr Winters could not be reached but people close to the situation said the news, which was part of a wider shake-up of JPMorgan's senior management, was not delivered by Jamie Dimon, the company's all-powerful chief executive.

"Bill did not see it coming at all. It was a complete bolt from the blue," a person close to Mr Winters said.

Mr Dimon's surprise decision to oust Mr Winters and elevate Jes Staley, a 30-year employee of JPMorgan, to the role of the investment banking chief and de facto heir apparent is a bold one. It also involved moving Steve Black from co-head of investment banking to executive chairman of that unit.

In one sudden move, Mr Dimon had reshuffled the only management team among the six biggest US banks not to suffer a quarterly loss during the crisis and broken up the "Bill and Steve" axis that had transformed JPMorgan's investment bank into a significant Wall Street force.

Mr Winters began his career with the old JPMorgan in 1983, before it was bought by Chase Manhattan, and became known for building the bank's pioneering European credit derivatives business in the late 1990s.

His experience as a risk manager helped the bank avoid many of the derivatives pitfalls that other banks stumbled into during the financial crisis.

Mr Dimon said he wanted to remove uncertainty over the group's top hierarchy at a time when the business was doing well, as well as finding a successor for Mr Black, who has signalled his intention to scale down his workload.

"When you know you are going to make a decision that is good for the company, you should make it," Mr Dimon told the Financial Times. "And it's best to do it from a position of strength."

Mr Black, a long-time associate of Mr Dimon from his Citigroup days, and Mr Winters ran a tight partnership of the investment bank after they were named co-chief executives of the unit in March 2004. The two were instrumental in persuading Mr Dimon of the merits of acquiring Bear

Stearns, the failed investment bank, in March 2008.

Mr Black, who is based in New York, and Mr Winters, who is based in London, often described their relationship as a "marriage" noting that they had confrontations but were always able to patch things up. People close to the situation said the two had a row over a trading position in mid-June but stressed it had nothing to do with Mr Winters' departure.

Partly thanks to the Bear takeover, JPMorgan's investment bank now sits at the top of industry league tables for global equity capital markets, debt and syndicated loan deals as the bank has exploited its position of strength to build existing client relationships and win new business.

In global equity markets, it has worked on 14.6 per cent of deals in the year to date, up from a little more than 10 per cent at the same time last year, according to data from Thomson Reuters.

Mr Dimon's lieutenants explained that the timing of Mr Staley's appointment was driven by the fact that the company is about to start its 2010 planning process. The fourth quarter is also a period of low staff turnover for the investment bank, as most employees await to receive their bonuses – a factor that will give Mr Staley time to assess the unit's talent and senior management without worrying about defections.

"It was my decision but the board has consistently asked us to put people in positions of responsibility so that they can gain experience to run the whole company," Mr Dimon said.

Mr Staley's ascension is not in itself a complete surprise – JPMorgan insiders had identified him as the most likely heir to Mr Dimon in the near term – but it leaves some questions over long-term succession.

At 52, Mr Staley is a year younger than Mr Dimon, who on Tuesday said he hoped to remain at the helm for "five years or more".

If that is the case, Mr Staley could turn out to be a transitional chief executive until the next generation of leaders is groomed to succeed him.

Insiders point to a band of 40 to 45-year-old senior employees as the next batch of leaders.

They include Charles Scharf, head of the retail bank, Michael Cavanagh, chief financial officer, Mary Callahan Erdoes, who replaced Mr Staley as head of asset management, and Matt Zames, a high-flying investment banker.

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