

Keefe Bruyette Chief Steps Down as Firm Posts Loss

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Brendan McDermid/Reuters John G. Duffy, the retiring chief executive of Keefe Bruyette & Woods.

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John G. Duffy, the chairman and chief executive of [Keefe Bruyette & Woods](#), stepped down on Thursday for health reasons, as the boutique investment bank reported a \$15 million loss for its third quarter.

K.B.W., which focuses mostly on advising financial institutions, also said it planned to lay off 80 full-time employees, or more than 13 percent of its work force.

Mr. Duffy was recently diagnosed with prostate cancer, according to the firm's quarterly filing and a person briefed on the situation but not authorized to speak on the record. Mr. Duffy feels that the prospects of successful treatment are good, but the health concerns forced him to move up his plans to retire by roughly a year, the person said.

- **K.B.W. press release**

Mr. Duffy will be immediately succeeded by Thomas B. Michaud as chief executive and Andrew M. Senchak as chairman. He will stay on as vice chairman and plans to continue working at K.B.W. in its investment banking department.

Mr. Duffy's decision to step down comes at a difficult time for K.B.W. The firm, like other financial institutions, has been struggling of late in the wake of the sovereign debt crisis in Europe and fresh concerns at home about an economic slowdown.

KBW had a weak performance in its principal trading unit, which trades using the bank's own capital, amid wildly swinging markets. The unit swung to \$19.9 million in negative revenue for the quarter, from roughly \$16.7 million in revenue in the period a year earlier.

Revenue from investment banking also fell 16 percent to \$32.1 million, as lower fees from advising on stock offerings more than offset gains in mergers advisory.

“Our third-quarter results were disappointing and were directly impacted by the significant decline in bank and financial stocks during the period,” Mr. Michaud said in a statement.

Mr. Duffy, 62, oversaw K.B.W. through the darkest period in its history – the aftermath of the terrorist attacks of Sept. 11, 2001. K.B.W., whose offices were on the 88th and 89th floor of the World Trade Center’s south tower, lost 67 employees that day, including Joseph J. Berry, the firm’s co-chief executive, and Mr. Duffy’s son Christopher.

“The grief I felt is just impossible to put in words,” Mr. Duffy wrote in “[Triumph Over Tragedy: September 11 and the Rebirth of a Business](#),” his 2002 book on the attacks.

In the years after the attacks, K.B.W. hired new staffers, moved its offices uptown and began the work of rebuilding its status on Wall Street.

That effort culminated in 2006, when the firm began trading as a public company. The firm was briefly stung again in 2008, when it lost \$30 million in its principal transactions unit because it was unable to sell a pool of structured debt products known as PreTSLs. That unit bounced back after the losses, but has come to weigh on the firm’s earnings again.

In recent months, the firm has been dealing with the fallout from publicity involving Mr. Duffy’s private life. Mr. Duffy and his ex-wife have been embroiled in bitter divorce negotiations, which in mid-August were made public in a front-page article in The New York Post.

The article also “irked” number of members of the firm’s board, according to the person briefed on the matter. Mr. Duffy and his ex-wife came to a settlement agreement in September, and this person said it did not factor into Mr. Duffy’s decision to step down.

Gustavo G. Dolfino, president of Wall Street recruitment firm WhiteRock Group, said while almost every Wall Street firm is laying people off, he has seen an “inordinate” number of résumés from K.B.W.

K.B.W. cited the difficult market environment as the impetus for its layoff plans, especially as mergers and stock offerings advisory assignments dried up.

“The current environment in financial services is one of the most difficult we have faced since becoming a public company,” Mr. Senchak said in a statement.

Michael J. de la Merced contributed reporting.