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CDO Recruiting Halts, Job Cuts Feared

The crisis in the CDO market has switched off what was once a job-creating machine.

Recruiting executives who specialize in the sector are expecting layoffs at some CDO-sponsoring firms due to the lack of issuing opportunities on the near-term horizon.

The talk of job cuts is in stark contrast to the past few years, when the CDO market had been in constant need of professionals to help handle rapidly increasing issuance volume. CDO issuance soared to \$481 billion last year from \$253 billion in 2005 and \$127 billion in 2004, according to **Asset-Backed Alert's** ABS Database. In fact, CDO-issuing shops had become highly sought-after employment opportunities for investment professionals, who found

Due to the annual break in our summer production schedule, the next issue of **Asset-Backed Alert** will be dated Sept. 7.

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them as enticing as hedge funds.

But all that changed in recent months as concerns over the quality of subprime-mortgage securities became widespread. CDO firms that invested in bonds backed by those subprime loans, no longer able to issue their own securities, stopped recruiting. In the past month or so, talk of job cuts began circulating.

“Short term we are going to shed some people. Some people are going to lose their jobs,” said **Gustavo Dolfino** of **WhiteRock Group**, a New York recruiting firm that serves the financial-services industry. Some are predicting staff cuts as high as 30% at CDO shops operating in the U.S. Dolfino said the market for CDO professionals remains stable in Europe and Asia, where there has been less fallout from high rates of subprime-mortgage defaults in the States.

The only professionals who are still consistently sought by CDO issuers are salespeople specializing in finding buyers for the troubled assets in CDO collateral pools or the warehoused assets that were slated for issues that are stalled or cancelled.

Dolfino said CDO issuers are also hiring some due-diligence staffers, as well as others who are capable of interacting with rating agencies, attorneys and credit committees. ❖