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Musical Chairs at Deposit Desks Called Risky Game

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Several big banks are making changes in the ranks of their top deposit-gathering executives, but it's unclear whether the shifts will heighten risk or yield rewards in the tenuous funding game.

TD Bank and Huntington Bancshares Inc. have hired high-level deposit executives in the last two months, and recruiters said that at least four other banking companies are in the market to fill key posts.

Some laud the moves as efforts to infuse new blood and fresh perspective into what traditionally has been a commodity business. Others express concern that such shifts could hinder banks' ability to compete for billions of deposit dollars that may be in play from the ongoing industry shakeout and, inevitably, a flight of funds from balance sheets back to the stock market.

Robert Voth, a partner in the financial services practice at the executive search firm CTPartners, said, "Banks have a once-in-a-generation opportunity for deposit gathering, but there is a massive lack of talent leading" that business. Among the 20 biggest banks, the top deposit executive, on average, has been at their current bank about three years, he said. "It is pretty amazing."

Aaron Fine, a partner in the retail and business banking practice at Oliver Wyman Group, a New York management consulting unit of Marsh & McLennan Cos., said current deposit executives are going to have their hands full. "Over the next six to 18 months there will be unprecedented challenges understanding deposit flows and finding ways to get them or risk losing them," he said.

Opportunities could abound, some say, as a result of the maturation of deposits that National City Corp., Wachovia Corp., and Washington Mutual Inc. brought in last year with high rates to improve liquidity. Each sold to stronger competitors that are unlikely to keep high rates that often topped 4%, observers said. Average rates for one-year certificates of deposit from mid-January to late May were below 1.7%, according to Market Rates Insight.

Theo Moumtzidis, a managing vice president at First Manhattan Consulting Group, said he believes that more than $40 billion in deposits could run off from those acquisitions. "Even more money could be in play," he said. "There is a lot of mobility to deposits right now."

Fine said he also expects some deposits to slowly move away from deposit products to wealth managers as the economy and stock market recovers. Noting the 52 bank and thrift failures through July 6, Fine said there will continue to be a "flight to quality as people have concerns about the possibility of more institutions failing."
Earlier this year, Kelly King, the chief executive of BB&T Corp. in Winston-Salem, N.C., characterized the fluidity of deposits snagged from buying failed institutions this way: "as sticky as clean water."

That brings leadership into question as several banks usher in new deposit personnel. TD Bank, a unit of Toronto-Dominion Bank, last month hired former Wamu executive Nandita Bakhshi as manager of deposit and payment product management. Huntington in May brought on David Schamer, formerly at Nat City, to serve as deposit product pricing and fee director.

On the upside, the executives have long-standing ties to retail banking, and connections to big banks that had large deposit bases before the housing collapse and subsequent financial crisis. But there are also risks to having executives with short tenures at their current employers, observers said.

"What is the strategy to bringing in and keeping funds?" Voth asked. "The bigger question is how do you implement that strategy when the deposit organizations are quickly turning over?"

P. Andrew Will, the executive vice president of product management at KeyCorp, has enjoyed one of the longer tenures in his post as he closes in on his fifth anniversary at the Cleveland company. Will said he is convinced that having a lengthier tenure at Key after coming over from Wells Fargo & Co. in 2004 has given him an advantage over new additions at competitors.

Will said the deposit business usually runs on a five- to seven-year cycle, and that new executives often need six months to learn the bank, territory and customer base.

With longevity, he said, "you learn what works and what doesn't," particularly determining if a customer is a candidate for more services or is simply chasing high rates. "You also learn the personalities and behavior of your competitors and the importance of market share," he added.

To be sure, not everyone prefers maintaining the status quo. Some experts argue that bringing in new executives will boost the promotion of new products and delivery channels.

Rod Taylor, the senior partner in the Atlanta executive search firm Taylor & Co., said deposit gathering "is driven to a far greater degree by the rapid sophistication of technology," creating a need for new blood. "This is a younger person's game," he said. "The dark side of the digital divide begins at 50, and younger executives can think much more creatively about analytics, marketing and the customer relationship."

One way or another, it will take some time to fully measure the results, observers agreed. Though each bank reports its deposit levels quarterly, the next deep dive into the numbers comes in the fall when the Federal Deposit Insurance Corp. releases data as of June 30. Regardless, observers will be scrutinizing the numbers, bringing more attention to those running the deposit operations.

"This is an exciting time for a lot of deposit executives, because they are again in the spotlight," Fine said.