Rotberg leaves Merrill Lynch

Eugene Rotberg, who joined Merrill Lynch with a fanfare three years ago, has resigned from the company effective July 31. Rotberg has filled high-profile roles during the last two decades, serving as chief counsel for the Securities and Exchange Commission and treasurer of the World Bank for 19 years before taking on his senior position.at Merrill. Rotberg's role at Merrill was ostensibly to build up a risk management system for the company worldwide, but with his reputation, relationship building with sovereign and supranational clients were also on his personal agenda.

William A. Schreyer, chairman and chief executive officer, and Daniel P. Tully, president and chief operating officer, said of the news, "Gene Rotberg has served Merrill Lynch with distinction, integrity and loyalty. He is one of those rare individuals whose interests encompass the private, public and academic sectors, and we not only wish him every success in his future endeavours, but look forward to working with him on appropriate opportunities."

Rotberg was taken on at the same time as Don Roth, a former Merrill man. Roth was appointed in Rotberg's place as World Bank treasurer. This swap caused a few murmurings in the international financial community at the time, but has worked out successfully. During his time at the World Bank, Rotberg was responsible for debt-raising of around US$10bn a year and managing the Bank's sizeable cash balances.

Merrill Lynch said at the end of last week that there had been no policy dispute and that Rotberg had decided to pursue other interests having completed his assignment of setting up the new risk assessment system. The firm added that Rotberg merely wished to devote more time to teaching, matters of international public policy and the identification of investment opportunities in developing countries.

As part of its agreement with Rotberg, Merrill said it would have first option on any of the investment opportunities that Rotberg uncovered. A Merrill Lynch spokesman said that one of the main areas of focus for Rotberg would be Eastern Europe. Rotberg was travelling late last week and was unavailable for comment.

BoJ reorganisation

The *Bank of Japan* is restructuring its existing organisation , cutting the number of offices, departments and institutes at the Tokyo headquarters from 18 to 16. According to an official release, the change is intended to strengthen its function as a central bank "amid dramatic changes in the financial and economic environment at home and abroad, and to better execute the responsibility of maintaining price stability and a safe and sound financial system as well as conducting the bank's business more efficiently and smoothly." The reorganisation will be effective from Monday May 28.

To strengthen monetary operations and better to monitor the activities of financial institutions at home and abroad,a new "Credit and Market Management Department" (basically the current Market Operations Department) will be established.

behaved that way: "I would never say, 'Because you didn't give me a good rate last week, I'm not going to deal with you anymore.' That would be unthinkable.")

Tactics

Rotberg is not averse to playing his European managers off against his American ones — calling Deutsche Bank, say, after getting a bid from the U.S. group, and asking Deutsche what the issue could be done for in the Euromarket. This practice, he says, has been facilitated by the advent of Securities and Exchange Commission Rule 415 in the U.S. "What 415 has done," he says, "is give us the capacity to respond very quickly in the U.S. and immediately have a similar competitive bid in Europe. But we've never taken improper advantage of it. If one of our U.S. managers comes in with a bid that's simply meant to meet the European bid, he'll be turned down. The proof of that is that we haven't done a U.S. bond issue in a year."

Despite the trust he puts in his bankers, Rotberg shows no hesitancy in rejecting the conventional wisdom and going his own way. When the World Bank made its debut in the international floating-rate-note market earlier this year, for instance, Rotberg spurned proposals for a LIBOR-based floater; what he wanted was an FRN issue with a spread over U.S. Treasury bills. The fact that no one had ever done such an issue before didn't faze him in the least.

"We decided we didn't want to use as a benchmark the rate that commercial banks charge each other," he explains. "First, because we're better than any commercial bank in the world in terms of credit. Second, because the deposit rate in the LIBOR market is a function of panic and hysteria. When the papers are filled with news about Continental Illinois, every bank in the U.S. has to pay between 50 and 100 basis points more for three-month deposits than it did a week ago." Eventually, Rotberg received a bid for a T-bill-based floater from a very untraditional World Bank manager, Bankers Trust International, and despite fears that such an issue would be of little interest to non-U.S. investors, the deal was a success.

His stance on a LIBOR floater was an apt indication that, sugarcoated banking relationships notwithstanding, Gene Rotberg can be a very stubborn, argumentative man. "Argumentation and discussion are what Gene lives on," says someone who has known him for almost twenty years. "Gene is never in doubt, but he is not someone who refuses to listen. He listens very carefully, and then," this man laughs, "he goes his own way." Within the World Bank, says David Bock, "the debates with him are very intense because *he's* very intense. We've squabbled over virtually everything at one time or another." Rarely, however, are these arguments of the screaming, shouting variety; rather, they are akin to a tussle between two French intellectuals at a Left Bank café over existentialist theory.

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(Asked once about what mistakes he had made as World Bank treasurer, Rotberg responded, "What do you mean by mistake?" Nonplussed, his interrogator suggested that one mistake would be tapping a market that wasn't very deep. Replied Rotberg, "What do you mean by deep?") Often these discussions are verbal tours de force, as Rotberg proceeds to ask himself all the questions the other side would ask, answer them and adroitly paint his adversary into an intellectual corner.

On the other hand, Rotberg is content not to win every argument. The joke among his staff, in fact, is that the definition of consensus decision making at the World Bank is "everybody yelling at Gene until he changes his mind." Says Einhorn: "Intellectually, Gene is very secure. When we were going up to New York to discuss floating-rate notes, he brought seven people with him. Most people like small, elegant meetings. But he says, 'The more intelligent people there are in a room, the better off I am.' "

What Rotberg particularly savors is a chance to practice his verbal give-and-take with a large group. "He loves being on a stage; there's no two ways about it," says a colleague. "He gets a tremendous kick out of turning on a crowd, out of reaching out to strangers." With his breezy style and his showman's bent for audience participation ("How many of you out there bought long-term bonds at 13 percent? 16 percent? 20 percent?"), Rotberg rarely disappoints a crowd — be they bankers, fellow borrowers or institutional investors. "Anyone who can keep a group of traders mesmerized for three hours is a unique individual," says one of Rotberg's American investment bankers. "And Gene has been known to do that."

Indeed, Rotberg's greatest contribution to the World Bank, when all is said and done, may be his sheer talent for salesmanship. His boss, senior vice president Moeen Qureshi, puts it this way: "Gene's greatest ability is the ability to convey to the outside world that this organization is not just a bunch of do-gooders, that this is a bunch of hardheaded people who want to make absolutely sure that every dollar they lend is usefully spent." In deal after deal, his underwriters say, it has been Rotberg's salesmanship — his talent for communicating the strength of the World Bank's balance sheet, the prudence of its lending policies, the safeguards for its bondholders — that has turned the tide. By forever harping, to anyone who will listen, on the successes of the bank's borrowing program, Rotberg is doing more than indulging in self-congratulation: he is building a foundation for the next bond issue and all the ones to follow. "Gene," says Bock, "is the best bond salesman that ever was."

Rotberg, in fact, often seems more suited to the role of Wall Street deal maker than to the position of treasurer of a huge multinational development agency. The thought wasn't lost on his old boss, Bob McNamara. "Gene," he says, "could have left anytime in the last ten years and made five times, ten times what he was making at the bank." But as much as the money tempted Rotberg, he couldn't face up to the idea of leaving the public sector. "I've always wanted to be in public service," he says. "*Always*."

Goliath-baiting

That commitment, in great measure, can be traced to the example of Rotberg's father, a Philadelphia neighborhood lawyer whose practice centered on helping ordinary people in trouble: a woman who had been left by her husband, a laborer who was having difficulties with an insurance company. "He was always David tilting at Goliaths," recalls a family friend. When the younger Rotberg finished University of Pennsylvania Law School in 1954, he dismissed the notion of private practice and instead took a job with the ultimate Goliath-baiting agency, the Securities and Exchange Commission.

His specialty was market regulation, but he soon displayed far more interest in the theoretical part of the job than in the nuts-and-bolts market-cop role. Moseley, Hallgarten, Estabrook & Weeden executive vice president Frederick Moss, who moved up through the SEC ranks with Rotberg, remembers that "he'd go over the evidence, was a good trial lawyer, spoke well, was good on his feet. But he wasn't a jugular kind of person in his enforcement work. When we worked together on an enforcement proceeding, we'd split the witnesses. But when it came time to interrogate them, Gene would always say, '*You* do it.' "

What fascinated Rotberg was the structure of the securities industry, particularly the growing institutionalization of the markets and the quasi-monopoly position of the New York Stock Exchange. In the mid-1960s he spearheaded the SEC's push to crack open the NYSE's commission rate schedule. It was Rotberg, more than anyone else, who set in motion the forces that would culminate in the complete unfixing of commissions on "Mayday," May 1, 1975, and the dawning of a new, competitive era on Wall Street. Recalls Investment Company Institute president David Silver, another of Rotberg's old SEC colleagues, "Gene was the driving intellectual force in the events that led up to Mayday."

The commission rate controversy gave