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JPMorgan is stepping up its fight to hold onto private bankers with an unusual move — going after a firm an ex-employee founded

Hayley Cuccinello Aug 24, 2021, 10:36 AM



The JPMorgan Chase & Co. world headquarters on April 17, 2019, in New York City. Johannes Eisele/AFP via Getty Images

JPMorgan has lost private bankers to an advisory firm in Chicago.

It says Cresset, cofounded by a former JPMorgan banker, made an

"impermissible raid" of its staff.

The suit is an unusual step for the bank in targeting a competing firm rather than the former hires.

For more than a year, JPMorgan's private bank has been a revolving door, losing multiple teams managing upwards of hundreds of millions each in assets to wirehouses such as UBS and Morgan Stanley, as well as to independent advisory shops.

One way it's looking to hold on to those assets is by taking Cresset, a registered investment advisory firm in Chicago, to court over an alleged raid and recruitment of at least 10 private bankers.

This past May, JPMorgan said in a petition that Cresset was refusing to comply with a subpoena for documents and information for arbitration against Doug Regan, Cresset's cochairman and founding partner. JPMorgan started arbitration proceedings in January 2019.

JPMorgan said that Regan had "improperly solicited and hired" from the private bank. He led the private bank's Midwest region until his departure in 2017 to found Cresset, and most of the JPMorgan recruits had previously worked for or reported to Regan, the suit alleged. JPMorgan said the "impermissible raid" led to the "loss of tens of millions of dollars in client assets and substantial revenue well in excess of \$75,000."

Representatives for JPMorgan and Cresset declined to comment. The petition was first reported on by the industry trade AdvisorHub. Regan did not respond to Insider's requests for comment, but he told AdvisorHub that the claims were "without merit."

JPMorgan has been litigious in the past, issuing temporary restraining orders and injunctions to former advisors and bankers. In mid-August, the bank asked for a restraining order and injunctive relief against a former private client advisor in Louisville, Kentucky,

who had joined Commonwealth Capital Management. JPMorgan also recently sued two former private bankers in Texas, now at UBS, who have agreed to a nonsolicitation agreement until the case ends, reports said.

But this suit is unusual for targeting a hiring executive at a competing firm, said lawyer Thomas Lewis, who is not involved in the case.

"Most of the actions JPMorgan files has to do with departing bankers and stopping the solicitation of clients by those departing bankers," said Lewis, who has represented former bankers and advisors from JPMorgan. "This case is different because it's actually to stop Cresset and a senior executive from hiring more people from JPMorgan."

The primary goal of the suit is to send a "shot across the bow" to Cresset and current JPMorgan employees, said Lewis, who works for the firm Stevens & Lee.

"Effectively, what JPMorgan is saying to Cresset is, 'You are taking too many people from us, and we're not going to let this continue,'" he said.

Cresset last hired a JPMorgan private-bank team in June from Denver. These types of suits typically have a chilling effect on a firm's hiring, Lewis said, and usually result in a settlement, which could require Cresset to agree to not hire from JPMorgan for a period of time.

Cresset filed a motion to dismiss the suit in early August. It said the federal court did not have subject-matter jurisdiction over the case. It also said Regan had already produced all relevant documents to JPMorgan more than two years ago.

Private bankers used to be undesirable hires because of their nonsolicitation agreements. But some firms are willing to take on the risk of litigation because the competition for wealth talent is so fierce.

"Private bankers work with a very small number of ultrawealthy individuals, which is the exact type of business that every firm is looking for," said the executive recruiter Louis Diamond, who has previously recruited for both JPMorgan and Cresset.

David Frame, JPMorgan's private-bank CEO, previously told Insider that the departures among his ranks were in line with normal levels of attrition, though he declined to specify how many advisors usually depart annually.

"This industry will always have attrition, and it'll always have people moving," Frame said.

Do you work at JPMorgan's private bank or have recently left? Contact this reporter via email at hcuccinello@insider.com, encrypted messaging app Signal (1 917 740 5340), or direct message on Twitter [@HCuccinello](https://twitter.com/HCuccinello).

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