

Société Générale chief to step down

Nicola Clark



The former Société Générale chief executive, Daniel Bouton, center, arriving in Parliament this month. (Philippe Wojazer/Reuters)

Société Générale, the French bank that was rocked by a €4.9 billion rogue trading scandal, said late Thursday that Daniel Bouton would step aside as chief executive officer but would remain nonexecutive chairman as part of a reorganization of its senior management structure.

Bouton will be replaced by Frédéric Oudéa, the chief financial officer, who last month joined the bank's senior management team as a deputy chief executive.

Philippe Citerne, Bouton's second in command, will also step down from the bank's board when his mandate finishes at the end of May. Oudéa has proposed that Citerne stay on as a co-chief executive of the bank, alongside Didier Alix, the bank said in a statement.

The moves follow nearly three months of steady pressure from French politicians for Société Générale's senior management to take responsibility for the nearly €5 billion in losses suffered after the bank closed out €50 billion in unauthorized bets made by a junior derivatives trader, Jérôme Kerviel.

"This should have happened much sooner," said Frédéric-Karel Canoy, a lawyer representing hundreds of small shareholders in Société Générale.

"Delaying it has, rather than restore confidence, has increased the distrust" in the bank's management.

Bouton and Citerne, both 58, offered their resignations to the board in late January, shortly after the trading scandal - the biggest alleged bank trading fraud in history - was disclosed.

But Société Générale's board rejected the offers, partly out of fear that a change at the helm then might derail a €5.5 billion emergency share sale aimed at shoring up capital reserves that had been largely depleted as a result of the scandal.

The capital increase was successfully completed in February, attracting demand from investors for nearly twice the number of shares offered.

Bouton subsequently withdrew his offer to step down.

But with lingering doubts about the quality of risk-management and oversight at the bank and speculation of a possible takeover bid for the 144-year-old lender, opposition to his stewardship remained.

The French president, Nicolas Sarkozy, has been one of Bouton's most vocal critics, saying that he was baffled by the board's loyalty to its chief.

"When the president of a company experiences a disaster of this magnitude and he doesn't face any consequences, it's not normal," Sarkozy said in February.

Just last week, Bouton told a panel of French legislators that Société Générale was "doing just fine" and that despite the dent to its balance sheet, the trading scandal there had "not been the slightest loss of confidence from hundreds of financial dealers who work with us."

Société Générale said the management changes were expected to be formally approved by the board at a meeting on May 12. Citerne's seat on the board will be filled by an independent board member, which shareholders will be asked to appoint at their next general meeting on May 27.

Oudéa, 44, joined Société Générale in 1995 and became chief financial officer in 2003. He is a former Finance Ministry official and a graduate of two of the most elite universities in France, the École Polytechnique and the École Nationale d'Administration - giving him the same pedigree as most of the top business leaders in France. At least half of the 40 largest French companies are run by graduates of those schools.

Oudéa's rapid rise to the chief executive's suite also signifies a sharp turn in the fortunes of Jean-Pierre Mustier, the head of Société Générale's investment banking division, who until the trading scandal had been widely considered to be Bouton's heir apparent.

Mustier, 47, helped to create Société Générale's equity derivatives trading business in the mid-1980s, building the bank's reputation as a global leader in this area. But it was his division that employed Kerviel and his star has been waning since the trading scandal was disclosed, according to board members and other bank insiders.

On Thursday, the French online news service Mediapart reported that Société Générale was preparing to announce the departure of Mustier and around 10 other bank executives in the coming weeks in connection with the trading scandal.

Mustier, reached on his cell phone, denied the report. A spokeswoman for the bank dismissed it a "rumor based on fantasy."

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