JPMorgan Commodity Chief Blythe Masters to Exit

(Reuters, April, 2014) - Blythe Masters, one of Wall Street's most powerful women, is leaving JPMorgan Chase & Co. (JPM) after a 27-year career that began with an internship in London and concludes with the sale of the multibillion-dollar commodities business she built.

Masters, who turned 45 in March, will leave the bank in a few months after assisting with the sale of its physical energy and metals business to Swiss merchant Mercuria.

She will take time off and "consider future opportunities," according to a memo bank executives sent to employees on Wednesday.

A Cambridge graduate and avid equestrian, Masters was part of a team that pioneered structured finance instruments in the early 1990s. After a decade in trading and corporate roles, she took over the fledging commodities business in 2007.

She embarked on a series of acquisitions built Wall Street's biggest commodities desk with revenue exceeding $2 billion in 2012.

Her career hit a few road bumps in recent years. Some criticized her role in developing credit products that fueled the U.S. housing bubble that burst in the financial crisis of 2008. Last year, she got caught up in a regulatory inquiry that ultimately cost the bank more than $400 million.

Her exit comes at a time when commodities earnings have been shrinking across the financial sector.

Colleagues called her smart and competitive, respected by senior executives and valued by CEO Jamie Dimon. But she could be a divisive figure, demanding and combative at times, according to interviews with people who have worked for her.

One colleague called Masters "brilliant" and "inventive", but said a corporate management role was not an ideal fit for her. Many expect her to enter a less-regulated area such as private equity or hedge fund management.

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Her ex-boss Michael Cavanagh, formerly co-head of JPMorgan's corporate and investment bank, left at the end of March to become co-president and co-chief operating officer at private equity firm Carlyle Group.

DERIVATIVES PIONEER

Masters started at JPMorgan as an intern in London, then entered Cambridge University to study economics. She joined the commodities desk in 1991 after graduating, and later moved to the derivatives desk, where she was considered a wunderkind.

In 2006, after several years as chief financial officer of the investment bank, Masters became interim head of the commodities desk.

The bank had been a sizeable player in commodities in the 1990s, with a global oil trading division led at the time by Masters' then-husband, Danny Masters. But it had not delved as deeply into the sector as investment banks Goldman Sachs (GS) and Morgan Stanley (MS), and had scaled back after facing regulatory scrutiny in metals markets.

That changed in March 2008, when the acquisition of Bear Stearns gave the bank a large physical power and gas business. "The idea that commodities as an asset class is finished is just fundamentally flawed," Masters said in a 2008 interview with Reuters.

With Masters at the helm, JPMorgan bought parts of UBS's (UBSN.VX) commodity business after the Swiss bank decided to get out of the sector. The 2010 purchase of physically focused RBS Sempra was the jewel in JPMorgan's commodities crown.

By August 2010, Masters was telling employees that Goldman and Morgan Stanley should be "scared" of JPMorgan's newly-expanded commodity operation, Bloomberg reported at the time.

SECTOR TURNS

More recently, regulatory problems began to pile up. In 2013, the bank paid $410 million to the Federal Energy Regulatory Commission to settle allegations of power market manipulation in California. While Masters was not cited for wrongdoing, her name appeared in the regulator's order a number of times. A confidential 70-page regulatory document cited her supposed "knowledge and approval of schemes" carried out by a group of energy traders in Houston, and claimed that Masters had "falsely" denied under oath her awareness of the problems, the New York Times reported in May 2013. The bank neither admitted nor denied any violations in the case.

In July 2013, the bank's ownership of its Henry Bath metals warehousing unit came

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under scrutiny at a Senate Banking Committee hearing.

Regulators have been turning a sharper eye on all of Wall Street's involvement in the raw materials supply chain, with the Federal Reserve questioning whether commercial banks like JPMorgan should be allowed to trade physical commodities.

Commodities trading, once a blockbuster business, has been shrinking. Total commodity trading revenues on Wall Street have fallen by about two-thirds in the last five years, with the top 10 banks notching just $4.5 billion last year, according to a report by Coalition, a UK financial analytics firm.

That is down from more than $14 billion at its peak in 2008, when bumper returns at sector stalwarts Goldman and Morgan Stanley encouraged other banks to expand into energy and metals trading.

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