

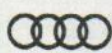
**Y**ou scratch my back and I'll scratch yours is not a phrase you'll find in most financial textbooks. But it's the basis of a guiding principle at the heart of the way the securities industry does business.

Better known by the grander name of reciprocity, it runs through a multi-million pound industry which includes equity and gilts market makers, broker dealers, merchant bankers and institutional investors, marketing ordinary shares, government stocks, fixed income bonds, swaps, options, currencies and investments.

#### **Intricate**

Barclays maintains a number of close contacts within the securities industry which form an intricate web of relationships. The industry has four main components:

- It is an important customer to which we provide funding and sell services.
- It is a vital counterparty, providing the other end of market transactions.
- It is a direct competitor to various parts of the Group. It can, for example, compete with BZW in market-making, with BZWIML for assets under management and Barclays PLC for the provision of certain banking facilities.
- It provides services to the Group, such as new issue underwriting facilities.



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## **BARCLAYS features**

**One good turn still deserves another in the multi-million pound securities industry. It takes experts to know whose backs to scratch, and when**

# **The team that's at the centre of things**

A major portion of these relationships is handled by a team currently working out of 168 Fenchurch Street but soon to move to the newly-rebuilt 54 Lombard Street. The 18-strong Securities Industry team (SIT) is part of Financial Institutions Group.

The team acts as middle-man between companies operating in the financial market-place and

Group departments with services and products to sell. It manages the bank's relationship with individual firms and is their first port of call for information.

It has as its primary responsibilities:

- To act as the Group's central relationship management team to the securities industry.
- To manage the Group's exposure to the securities industry.
- To market the group's product base to the securities industry.
- To act as central point for co-ordination and preparation of credit applications for industry clients.
- To act as a centre of expertise for the industry sector.
- To contribute to the development and implementation of industry policy.

"We have focused our efforts on the top end of the market and in particular on those institutions we believe are most likely to maintain a strong position over the long term," says Adrian Laycock, Financial Institutions director, who leads the team.

Currently, the client base is made up of 30 top UK/European houses such as SG Warburg, Smith New Court, Schroders and NM Rothschild. SIT also manages relationships with the European operations of 12 US houses including Merrill Lynch, Goldman Sachs and Salomon Brothers, four Japanese houses including Nomura, and 25 UK-based institutional investors such as Postel Investment Management and Kleinwort Benson Investment Management.

#### **Sophisticated**

The team places a heavy emphasis on maintaining regular contact with clients, including quarterly meetings with most to review their trading performance and assess new needs. In the majority of cases, the relationship is complex and is conducted at various levels.

"Our clients are very sophisticated," says Adrian, "and we are in touch with them from chairman to day-to-day operational contacts."

Funding is an important area of the team's activity and SIT acts as the Group's central point for the co-ordination and preparation of credit applications for industry clients.

Andrea Salmon, deputy Financial Institutions director, makes the point that the driving factor for securities houses is the need for liquidity - cash.

"Because of this," she says, "they are always looking for short-term loans to facilitate their business. They deal in high volumes, high levels of activity and need lots



of cash to finance that activity. We are not keen on simply lending large sums of money on a stand-alone basis, particularly in the large corporate sector where the margins we can charge are sometimes not that high. We improve our returns by providing short-term settlement finance to, say, a market-maker, in return for which we obtain the securities clearing business that underlies it."

### Competitive

Enter the back-scratching, or reciprocity, principle – a major area of activity for SIT.

"Reciprocity is important because it enables us to obtain new business for the Group," says Andrea.

But it doesn't imply automatic business.

"It's highly competitive," she says. "Reciprocity is fine but you have to be one of the best."

Adrian Laycock explains: "We



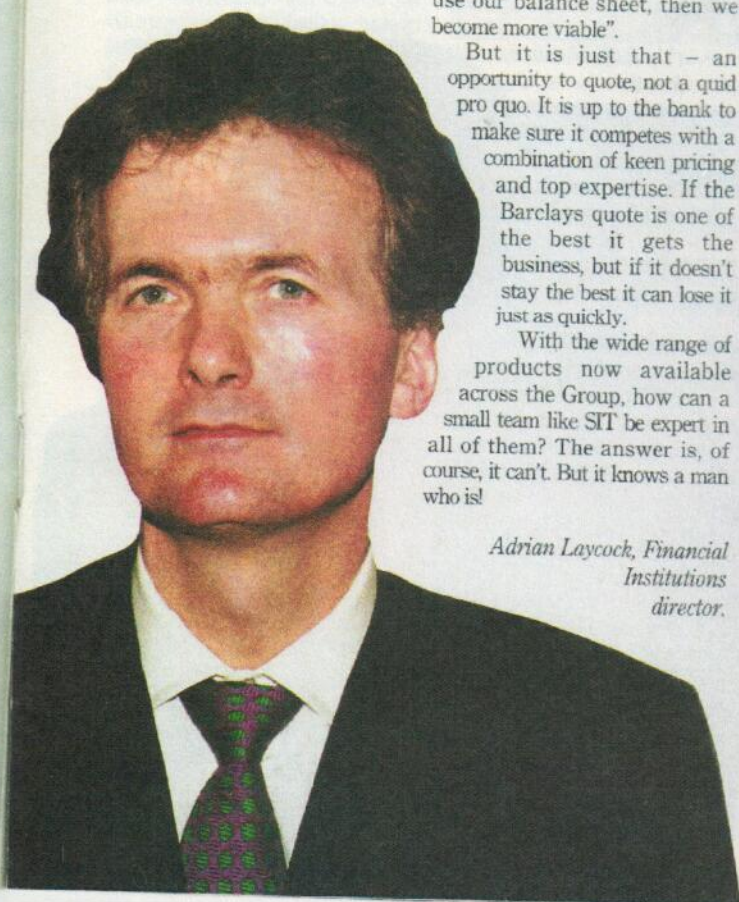
The UK/Europe team (from left): Cliff Searle, Linda Crisp, Alan Buckland, Leanne Cole and (seated) Michael Skinner.

provide large credit lines to clients at market-related prices. We don't give them cheap money. In return we expect them to provide us with opportunities to quote for fee-generating business because that's more efficient from the bank's balance sheet point of view. If we are successful in obtaining, say, custody and securities clearance business or other fee-income business from them which doesn't use our balance sheet, then we become more viable".

But it is just that – an opportunity to quote, not a quid pro quo. It is up to the bank to make sure it competes with a combination of keen pricing and top expertise. If the Barclays quote is one of the best it gets the business, but if it doesn't stay the best it can lose it just as quickly.

With the wide range of products now available across the Group, how can a small team like SIT be expert in all of them? The answer is, of course, it can't. But it knows a man who is!

Adrian Laycock, Financial Institutions director.



"We are not substitutes for the product people," he says. "Our expertise lies in knowing when to call in the experts. A client doesn't want a crowd of Barclays people descending on him at the outset. Instead he talks to us as relationship manager. We can broadly explain what the product is and, if he is interested, we can bring in the department."

### Lucrative

Although the Securities Industry team has a working knowledge of all product areas, it works principally with BGSS, with the payments and clearing services of BGP and with BZW's treasury and structured finance departments.

Their combined skills have won some lucrative deals. For instance, following an introduction from the team, Barclays Syndications and BGSS successfully bid for a large secured committed standby facility of US\$1 billion for Salomon Brothers, the American investment bank.

"It is the first of its kind in Europe," says Adrian Laycock. "There are now other companies wanting to piggyback on the strength of that deal which was well publicised in the papers. I believe that if it wasn't for the ▶

Each member of the team has a close link with one or more particular product area. They also liaise very closely with each other. That way if one of their clients wants a service with which they are not familiar, there is someone else in the team who can supply information or a contact with the product people at the right level.

"Apart from credit, we don't have products of our own," says Adrian. "Our relationship expertise is based on our knowledge of the Group and its products and of our customers needs."

So, whether it is a marketing opportunity SIT has spotted or a problem brought to them by a client, they have access to someone who can close the sale or solve the problem.



The US/Japan team (from left) Richard Edwards, Tom Black and David Breach. Seated from left are Julia Fordham and Maria Mavers.



◀ depth of our relationship with Salomon, we wouldn't have been approached in the first place and therefore wouldn't have had the opportunity to bring the product experts in."

Adds Andrea Salmon: "Other examples are the winning of the Japanese securities clearing business of Smith New Court. And we have recently helped BZW in closing a structured finance transaction with merchant bankers, NM Rothschild.

### Relationship

SIT is divided into three sub-teams – UK/Europe, US/Japan and the UK-based institutional investors team.

Apart from the business the team handles in London, it is also in touch with the securities industry in financial centres around the world. Adrian regularly visits FIG staff abroad to build up a close relationship with them.

The Securities Industry team is heavily involved in the development and implementation of the bank's industry policy. If FIG in Hong Kong is seeking advice on whether the bank is prepared to lend under certain circumstances, a policy decision will be made from London.

Dealing with centres around the world presents no problem for a London-based team, points out Adrian. "We have electronic mail and faxes, and there are overlapping time periods, so there is no great problem. But without our people on the spot, we would be blind".

Their advice can be crucial because large sums are often involved. However, the institutions on which the Securities Industry team focusses are the larger securities firms with adequate

capitalisation, strong market reputation and diversified activities and are considered likely to remain winners in the long term.

"Yes, exposures are huge," agrees Adrian Laycock. "The industry primary exposure cap stands at £6 billion. We argue that

the risk associated with them is very well managed and understood and takes place with only a few top quality names. So the quality keeps the risk under control."

In 1992 and 1993, annual income for the team reached £3.6

million and is budgeted at £4.5 million for 1994. However, it has been estimated that the global gross income earned across the Group from the securities industry in 1992 was in the region of £28 million.

"I want to let people see we have very strong relationships which could be used by other areas. We work with many parts of the Group to develop business and we want to encourage others to use our skills in selling their products and enhancing profits," says Andrea.

### Responsive

The broad range of products across the Group that SIT can offer is in contrast to the niche market activities of many of its competitors, says Adrian Laycock.

"Added to that, we are responsive, flexible and innovative," he says. "Three key factors as far as I am concerned. That is where we score over the other securities industry teams that operate in the City."

**Richard Price**



*The Institutional Investors team (from left): Paul Howden, Chris Tomes and Maria Powell.*

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enables us to obtain  
new business for  
the Group'**

*Andrea Salmon*



*Andrea Salmon,  
deputy  
Financial  
Institutions  
director.*

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