

Worshipful Company of International Bankers Oral History Collection

Interview Summary Sheet

Title Page

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Collection title: Old City, New City (1979-86)

Interviewee's surname: Lewisohn

Title: Mr

Interviewee's forenames: Oscar

Sex: M

Occupation: Investment banker; Director, S.G. Warburg & Co. **Date of birth:** 1938

Father's occupation: Director and manager of a business which made duvets **Mother's occupation:** Housewife

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Interviewee: Oscar Lewisohn

Date: 14th December 2018

Interviewers: John Thirlwell (Q1) and Gerald Ashley (Q2)

[00'00 Introduction and biography; banking – R Henriques, Warburg (1962-95)]

Q1: Interview with Oscar Lewisohn, interviewees John Thirlwell and Gerald Ashley, 14th December 2018. Oscar, the first question on what year were you born?

A: Well I'll give you not only the year but the date, 6th May in the year 1938 in Copenhagen, Denmark.

Q1: Thank you and what did your parents do?

A: My father was a director and manager of a business in Copenhagen that made duvets, eiderdown duvets and high quality duvets. My mother looked after her four children of which I am the youngest.

Q1: And where you were educated?

A: I was educated in Copenhagen and I left school from the--, it was an excellent school known as Salterdam Gymnasium where many other young Danes graduated from. I then spent three years in a firm in the provinces which was a wholesale business and a distribution business as a volunteer and a trainee. And I then went to evening school, commercial courses studying commercial German, commercial English, accountancy and Danish commercial law. And that was my early formation.

Q1: And then from there into banking...

A: After that period I was given an opportunity to work for a while at R Henriques, at that time the only ranking investment bank in Denmark, that was an adviser to the Kingdom of Denmark on the international debt. Together with Danske Bank, Handelsbank and the other large commercial banks, and I was there for about three months as a young graduate, and had at that time the first opportunity to sense what international banking was about. Then many years later I had the opportunity to join Warburgs at the invitation of Siegmund Warburg who I had met. And he, at that time and for many years thereafter, had an inclination to when he met young people that he thought had something to offer, he would give them the opportunity to come to London, to work for a year or so and my invitation was to do just that. And I came and did not anticipate staying more than a year or so, I decided then I was given the opportunity year by year to carry on. And in fact, I ended my direct career with the SG Warburg Group I guess in '95, just before the firm was combined with Swiss Bank Corporation. By that time I had moved over to America in asset management because I had been involved in transferring our Swiss banking business from the SG Warburg Banking Group to Mercury at that time. But in my entire career, as you can see, at that time was with

the Warburg Group and I think it might be helpful if I talk to you briefly about my recollections of the firm.

[03'30 The beginning of SG Warburg & Co; Siegmund Warburg, Henry Grunfeld and the New Trading Company]

I think it's very important to bear in the mind the genesis of SG Warburg & Co which was the arrival in 1934 of Siegmund Warburg as a refugee from the Nazis. And more or less at the same time, Henry Grunfeld, also a German refugee. They had both had very successful careers in Germany at the time but for the reasons we are aware of, had to get out. Siegmund Warburg had already a very well established group of friends and supporters in the UK. He had worked for a while at Rothschilds. Henry Grunfeld had very few contacts in the UK because his family business had been in the German steel industry. But they got together and they created a company which was called the New Trading Company. The New Trading Company was a business built on the same theory as a very well-known German company called Berliner Handelgesellschaft and in Holland something called a Handel-Maatschappij which basically were trading companies and bankers. And the New Trading Company, as the name suggests, was intending to provide credit to British exporters, British importers and also assist in general financial intermediation. All that developed year by year, quietly, with a very strong board of British friends of the Warburg family and others. And over the first--, I guess up to 1948 had succeeded, not in making dramatic amounts of money, but in establishing itself as a well managed, intelligently organised, small business. They were not there to shoot out any lights, they were there to do sensible good business. And I would say, from that beginning already derived a certain reputation for imagination, hard work, honesty, integrity . . . right? These were the fundamental values that they very strongly believed in and absolutely no pomposity, no pomposity.

Erm, I think--, I think I'm right by the mid '50s I think or thereabouts, I think I'm right, the directors of New Trading Company found that the firm could now benefit by changing the name to SG Warburg & Co because Siegmund Warburg was, as a personality, was very well known internationally and had undoubtedly played an extremely important role in keeping the business growing as it had done up to that point. And I would say somewhat reluctantly, he agreed to that development. He was not himself a very large shareholder in business at that time, he had a modest but important stake and he was actually never in banking to make a lot of money. He was there to do business of very high quality that he felt, you know, made an important contribution to the United Kingdom at that time. And so the name was changed to SG Warburg & Co and continued, and for many, many years of course in the same, I would say conservative controlled fashion, very much controlling risks. Both Siegmund Warburg and Henry Grunfeld had experienced the great inflation in Germany, they were very cautious about illiquidity.

Q2: Their memory from the past of Germany . . .

[07'27 Ethos of SG Warburg & Co]

A: Yeah, and they did not allow those of us who worked in the banking department and our treasury money market, to make any unmatched loans. In other words, if we gave a loan for three months it had to be matched to the date by deposits. And if we had lent for a year, it had to be matched. There was a very strict control over illiquidity and any mismatching was only very, very limited. The same on currency exposures, although it was at that time the Bank of England's exchange control required banks to be completely balanced day by day in their currency, as is in liabilities, except for maybe a million pound possibility just to have a trading position.

Q2: So there's no speculative position . . .

A: There were no speculations, absolutely did not occur. We did not have a speculation business, we had a service business in all these areas which was really to offer services to clients and to develop generally a sound relationship with the clients. I think if you read about Siegmund Warburg's life because he was very interested in psychology and he took great trouble to understand his clients, understand his people. He saw himself partly really as a doctor with a patient trying to do--, "How can I help you, what can I do?" And because of his imagination and his intelligence, he was trusted and people appreciated this approach.

Q2: It's fair to say then, in that period, he was seen as a formidable competitor to maybe the traditional merchant banks who had a, dare I say it, cosy sort of cartel . . .

A: I think he was seen like that. In fact, I don't think he went out of his way to do anything other than he had traditionally done in Germany, right? In other words he had grown up, as Siegmund felt, in you might say, a Prussian way of thinking. Hard work, right, you get to the office at eight o'clock in the morning, you read your letters, you read your mail. There was an inbuilt discipline in how they had acted. It was not that they came into London to be particularly unfriendly to anybody, but that was just the way they worked and it was very effective. And it was obviously very different from the traditional way of merchant banking in London, where many of the partners perhaps came in a bit later and longer lunches. That never happened at Warburgs, we had, . . . we had two luncheons in Gresham Street, 12.30pm and 1.30pm, and obviously at the 12.30pm had to end by 1.30pm so that was deemed to be less important. But in fact it was not at all the case, they were equally important, the reason we had two sessions because as the firm grew there were more people we wanted to engage in over lunch. But of course, there was no wine served at any Warburg lunch, you were lucky to get a glass of beer and you might have been offered a glass of sherry, but that was it.

Q1: Yes, very British.

A: That was his style.

Q2: So that was quite a modern style really wasn't it? It must have seemed modern to the . . .

A: It was, yeah it was...

Q2: More professional style is what I would say actually.

A: Yeah, exactly, exactly.

Q1: Very different from the UK banks and...

[11'00 Warburgs and the development of the eurobond market; Austrade]

A: Now I think I should then mention to you the very significant development which came in the development of eurobond market.

Q1: Yes please do.

A: Which has been written about and of course it is known that the firm of SG Warburg, who was the first firm to manage a bond in that market, the bond issued by Autostrade, I think it was 1963. And that of course gave Warburgs a remarkable new activity and, I would say, became perhaps one of the major reasons for its very substantial expansion. Because as a service to offer to all our clients in the UK and internationally, the capacity to lead bonds which was mainly in dollars but also later in deutschemarks and later on swiss francs. It gave us a position that was very, very difficult for other firms immediately to rival. We had...

Q1: How did that start? How did that happen? That very first...

[12'08 Regulation Qⁱ; Eurodollars; Warburgs as lead manager of international securities]

A: It happened because the American authorities had introduced some new taxation rules that made it much less attractive for American firms or American investors to invest in international securities. And there was a huge pool of American dollars outside the US...

Q1: Regulation Q.

A: Yes, Regulation Q, exactly.

Q2: A little trapped dollars in a sense . . .

A: Exactly and erm, so by identifying this pool of money ... when we are seeing quite a lot of those deposits in our banking business in dollars. We had substantial dollar deposits in Warburgs, so we knew that there were potential investors around that could be tempted to buy per cent maybe instead of a two or three or four year instrument, you know, we say we'll give you 5½% for 15 years. The first issue was \$15 million and of course we had all those syndicates of banks. It was Warburgs as lead manager, then co-managers. Well there were a number of very important banks were co-managers. In the early days we did a lot of business with the two big German groups, Deutsche Bank and Commerzbank, and in Paris with Banque de Paris et Pays-Bas and UBSⁱⁱ and Swiss Bank Corporation. And we were, of course, dealing with all of them but for many, many years Warburgs retained and was in one of the leading spots as an issuing house. Now internally within the bank in addition to be the manager of issues, we also developed our trading activity in eurobonds in market makers. That business was a fairly modest in scale but we were market makers and thereby also enhancing and supported the issuing activity. Now when we got then to the, erm, development with the Big Bang that led up to that, that was, I think that was about 1982 from memory. When Mr Parkinson decided that enough was enough with his...ⁱⁱⁱ

Q2: Oh this was the competition and enquiry into the Stock Exchange, yes.

A: That's right, that's right and where they were given the notice that change had to come.

Q2: The end of fixed commission and all the rest of it.

[14'30 Warburgs and 'Big Bang'^{iv}; Akroyd & Smithers; Rowe & Pitman; Mullen & Co]

A: Now that happened to be at a time where the business of SG Warburg in this international market had grown also very significantly. And we were very aware of the potential of participating in that business. One of our directors, er, whose name you may have seen, Andrew Smithers.

Q2: Yes.

A: Was always intellectually extremely, er, creative and had been asked by the firm to do a little circle around the globe and come back with some impressions of what he saw happening in other parts of the world, in Japan and the United States. And, erm, he came back with a number of thoughts, including one I would say that particularly reckless -- had an important influence in London, which was that Kuhn Loeb, a very eminent in the United States based, a New York based investment bank, had more or less gone out of business around that time. The reason they had gone out of business was they had been one of the most active issuing houses in managing US debt issues for a whole enormous range of American companies. But they had never got into the trading and distribution business, it was -- they were managers of bond issues...

Q2: Just a primary issuer . . .

A: Just the primary issuer and they of course had been distributing through Salomon Brothers and through any other number of people of professional firms in New York and elsewhere. But little by little, understandably, Salomon Brothers and the other banks decided, well why should we pay such large commissions to Kuhn Loeb, when all they do is to manage the paperwork and we do all the hard work, right? And so in Warburgs when we saw Kuhn Loeb - - was related to Siegmund Warburg, he had been a trainee in the firm in New York -- and we had a very close cooperation with Kuhn Loeb. And that was a very significant little warning that to a company like Warburgs, which was primarily at that time also a lead manager and did not have enormous depths in distribution. So when this opportunity of Big Bang came along, and partly influenced I think by this helpful overview of Andrew Smithers, we decided well what do we now do? And we had a look around the City and what was the key in that business side and we felt that was the market-making, the jobbers. That was a critical part was to strengthen our position in the jobbing market and so around that time we started to have discussion with Akroyd & Smithers, who was of course very aware of all these things and had their own . . .

Q2: And one of the most major firms, yes.

A: It was quoted on the Stock Exchange and we, of course, had known them on and off in different-- , in the past we had known many of them or their partners. Anyway, the fact is Akroyd & Smithers of course, and like all serious companies were thinking, what does it all

mean? What does this potentially mean for us? And one of the things they could see it meant for them was to strengthen their international capacity, right? They were strong in the UK but they had very little to offer internationally. We were the other way around, we had a great deal to offer internationally but not a lot in the UK. So we started a discussion and then it was agreed that we would acquire at that time, the largest amount of shares in Akroyd that we were allowed to acquire, namely 29.9%. And that deal was done and Lord Garmoye^{vi} and I, both directors of Warburgs, were the first to join the board of Akroyd & Smithers at that time. Now almost at the same time, or very shortly thereafter, we decided, well now, we have now to add on to it the other link which is the distribution business, the broking business. And there, after some deliberation about other potential friends, we decided to discuss this matter with Rowe & Pitman, Peter Sitwell^{vii} at that time being the leading partner, who sadly died a few weeks ago earlier this year. And so Rowe & Pitman became a partner in that group and when all that had been announced, I recall we were given an invitation by the Bank of England to come and talk to them about their friends called Mullens.

Q1: Oh yes, we was going to ask that.

A: Because Mullens, of course, were a major firm in the City as such, but a respected Government broker, also ideally should have a home following this Big Bang. And erm, it was decided--, I mean that particular business was not one that it was particularly relevant to the international business we were doing, but it was obviously very prestige business and it was an important part of the City activities. So again, it was decided to invite or to agree with Mullens that they would become a part of the international group.

Q2: So this is quite a powerful combination of firms. You had picked some very distinguished and big partners.

[20'10 Pulling together the Warburg international banking group]

A: I think what--, to be fair, I think we were absolutely the first mover before anybody else had actually decided what to do. We had a plan, intellectually based, thoughtfully executed, to position Warburgs in advance of the date . . .

Q2: Because then there was quite a scramble by the firms wasn't there?

A: Of course yes, well I would I say a few days after the announcement of Akroyd & Smithers and then of course everybody else started to think, now what do we do? And then followed a swift order in a number of other transactions, but we were possibly the first to ... and I think we had taken a great deal more trouble, I have to say, I believe, in thinking it's true and getting the human relationships sorted out to get the people on board, fundamentally to buy into this new idea of an international investment banking group led by Warburgs. It was called Warburg Akroyds Smithers Mullens, we tried to keep all the names up in the lights at the beginning but what eventually became the Warburg Group.

Now what I've not talked about which of course should be mentioned, is the incredibly strong and very, very respected investment banking corporate finance business, which was also the

most prestigious part. It was built perhaps, say largely on the initial success of British Aluminium and other things that followed. And when I think back on those many years, I think so much of the business that was done by SG Warburg & Co, was business where the companies came to us because they wanted advice. I think out of the transactions done, out of 20 transactions I would say at least 15 were unsolicited.

Q2: Really?

A: Yeah, and we did a certain amount of marketing, but on the back of the reputation for success and other firms seeing what we were doing. And we did see some other firms did not do like the eurobond business, capital market raising we acted for. ICI became a very important fundamental client, where we did one of the first issues for ICI. There was a sort of tremendous activity and all the nationalised industries did bond issues led by Warburgs at the time. But the corporate analysis, mergers and acquisitions, long, long raft of contested bids, but I mean, very often but not always but very often the Warburg-led team managed to achieve what they were intending to achieve.

Q2: Because the aluminium war had completely changed the landscape in terms of contested bids and . . .

A: It had. Yes, yes I mean, it was a dramatic change because it--, I guess it undermined the old boys' network mentality, right? And it just showed that it was not enough just to be nice and kind and think you could have a *chasse gardée*^{viii}, it did not exist any longer. And I think Warburgs did absolutely nothing that was not legal or correct or right, but they were efficient in doing what was possible.

[23'35 New financial instruments, including swaps]

Q1: And you were also, erm, leaders of the new financial instruments, I mean, things like swaps and what have you.

A: Yes, that I would say a bit later, but you're absolutely right, we were very much involved in the creation of swaps that backed up the issuing business. And we may have had a client who wanted actually to have sterling but there was an opportunity to make money in dollars or in deutschemarks and we would then create an underlining swap over that whole period that gave the result in sterling.

Q2: And was that a little bit of a leap given the comments earlier about risk management and you know, very conservative views. Now, suddenly you were injecting a derivative element.

A: I don't think so because it was not nostro risk, that's the distinction. It was not our capital risk, we matched it on both sides.

Q: [Both talking at once].

A: We were the intermediary and of course, what we tried to do was to leave a little spread for S.G. Warburg & Co to make it all worthwhile, right? But it was a service business and our

balance sheet was very rarely engaged. It may, in the later years that was okay, we might have taken a bit of a risk, I mean we would...

Q2: Keep some . . .

A: Yeah, but also if we had a particular importance to them and I said, "We are 90 per cent certain that we would have the other side in three days," right? So we would say okay, we'll take the risk for three days and then well, I would say, most of the time we succeeded in doing so. But it was at all times a very risk adverse business in the sense we did not speculate, it was a mass business.

[25'13 Risk aversion to property]

One of the elements in the history of Warburgs because of the risk aversion of the founding fathers was we never owned property. They did not want to own any property. All the businesses lived in leased business, leased offices. And because they thought property is illiquid and banks should not own illiquid assets, right? Now obviously with the history of inflation that we had been through in this country, that in retrospect was a bit of a mistake. It would have served the shareholders if we had bought our building in Gresham Street, but that was part of the . . . [both talking at once].

Q2: So there were these core principles that were really held through . . .

A: Yes, absolutely, absolutely, yes absolutely. So that is the--, I don't think I need to tell you much more about the Big Bang. It was a dramatic change, but of course it did bring in the enormous, I would say fire power, on the American banks into the City and also the other international banks. There was an enormous growth in the City of London on the back of the eurobond business, right? You also had that period where you may remember there was a created, a whole lot of syndicate banks...

Q1: Just going to mentioned that, yes.

[26'38 Syndicates and consortium banks]

A: That was because, er, parallel to the eurobond business, there was a huge market developing in syndicated bank credits, where Warburgs also had a very important role in organising syndicates of floating rate credits. But it became a very important part of the market and a number of syndicates of consortium banks were established basically by commercial banks from around the world in London to manage such transactions, or co-manage such transactions.

Q2: Now one theme I just think--, I came into the City in '77, one theme I remember is the continuing pressure on margins. So the late '70s acceptance credits or indeed syndicated loans were typically one percent, if not more. Nobody had heard of the basis point really. Do you have any reflections on the fact one had to write more and more business to make it work?

[27'33 Competition; US banks; cultural change in the City; internationalisation of the City; international nature of the Warburg board; 'local friends']

A: I think you're right that there was of course a growing competition, and the competition did squeeze them out . . . and so it . . . and I think, as I recall, at the end of--, once we went into the mid '90s, I think our role in that business had more or less disappeared because it became so competitive . . .

Q2: Very, very fine margins indeed.

A: And so also, mainly the American banks, I think, were perfectly happy to write maybe cheques for \$50 million in one go and then underwrite at a subsequent stage although there was much more competition. At Warburgs, I can't really recall that we ever did business that we didn't think was a price to make with a reasonable return for the shareholders. We did not compete in order to . . .

Q2: And try and buy business in that sense.

A: No, no.

Q1: You talked about what I might call the sort of cosy club of, you know, British merchant banks. If we go back to '79 abolition of exchange control, the Americans coming into the City. The culture change from '79 to the run up to Big Bang, did it really--, did things change, in other words, it became transactional rather than the sort of personal business or...?

A: No, I don't think so, I don't think so. I think what changed, I think, was the, er, the reality that the City could benefit and had benefitted by being much more internationally active. And many of the British firms could see that they need to be engaged internationally. Now this was of course not new for Warburgs. When I look at the group of directors of SG Warburg & Co, we had an extraordinary high degree of people who were, like me, if you like, aliens in this country. You had my...

Q1: What sort of date are we talking about?

A: We are talking here, this account is from 1985. This is the accounts. You have here Mr Stormonth Darling, who I think at the time was a Canadian and British and Scottish. And we had Mr van der Wyck - Dutch, on the Board; we had Mr Nachmanoff - American, Salina Amorini - Italian, Herr Framhein - German, any number of Americans. We had a wonderful group of international advisers, Mr van der Beugel from Belgium, former Chairman of the Dutch airline. We had Mr Kristiansen, former Danish ambassador to the UK and I'm missing--, here we had Mr David Li from Hong Kong, who was the head of the Bank of East Asia. Mr Shirasu, a wonderful Japanese adviser. So we had a team, you know, well thought out group of seriously informed people as part of our advisory group, who came to London maybe once a year but in between were at all times available to give advice and to help the people who were trying to develop business. And this was really part of the, you might say, the Siegmund Warburg tradition of having friends. I mean, he would never go into a country and open a

business that would only be called S.G. Warburg & Co. He would only go in if he had a local partner he could trust and who he felt knew the local market well and that is exactly what we did. As far as international development, we always did things in partnership with local people. We did not actually think that we knew everything.

Q2: Yes.

A: We did not think so.

Q2: And a lot of firms come unstuck when they go overseas don't they, and think this.

A: Yes, yes, yes.

[31'53 Mercury Asset Management, including possible sale]

Q2: One side of the business we haven't talked about yet, is the growth of Mercury Asset Management. And what are your observations on how that...?

A: Well that was a very important and extremely successful part of the Warburg story. In the very early days when I joined there was an investment department which sat in a different building called St Albans House. And the business at that time was mainly to look after private investors, private clients and they were typically investing, I would say, in UK securities and some international securities. But on the back of that business, we became very well established and very successful, and they also developed the services to invest on behalf of pension funds. And in subsequent years they became extremely successful in becoming appointed to manage pension funds; that was really the source of the business. Siegmund Warburg was not at all in love with the investment banking business because he thought it was too much of a speculative element in investing in securities. He was worried about what he in German called the börsianer mentality, which is about short-term trading and being . . .

Q2: All that we see a lot of these days.

A: Yes, yes. So for him, he was also worried that he might have a very important distinguished client in the corporate sector, say chairman of ICI or chairman of BP or whoever, who would then meet his colleagues in the investment bank or, sorry, in the investment department, and become a client. And then the next day Siegmund would meet this good man and he would say, "Oh your boys sold me some shares at 10½p and today they're 9½p. And he would feel very embarrassed, you know, that something like that could have happened. So Siegmund Warburg, I would say, at a time did actually suggest to Peter Stormonth Darling that this was not a business that really belonged inside the merchant banking group, which was dedicated to high quality corporate finance and other services. He thought this business should be disposed of. At that time it was profitable, but not terribly profitable. It was an important business and had of course a lot of extremely talented and very, very able people working there. Peter Darling was given the mandate to Siegmund Warburg to get rid of it, find a home, and he...

Q1: What sort of year or what time?

A: I think we are--, we are in the, I would say, late '70s I think, yeah. I'm trying to remember notes. Siegmund Warburg died in '82, so it was before, just before. I remember I think Peter Darling has put on record he was deputed to talk to Flemings, right?

Q2: Right, which was very much an investment house.

A: They were very large in that part and I think the idea was that they could have it for nothing. We would just like them to take it over, and they just couldn't believe that. They thought it was--, there must be something . . .

Q2: It was a trap of some sort.

A: . . . clearly something wrong - - and nothing happened. Now fortunately it was a wonderful outcome that it did not happen because the young people who managed Mercury Asset Management, Carol Galley and Stephen Zimmerman, they did an extraordinary job and David Price. There were many, many extremely able directors of Mercury that then, with the support of the merchant bank, I have to say very often, managed to expand their business both in the UK and internationally so that, erm, Mercury, little by little, became a significant part of the Warburg Group. And, at a certain point, I forget now that would have been probably in the mid '80s, it was agreed to make Mercury itself a public company so that the directors of Mercury could have shares directly in the business for which they worked. And they, I guess at the time of the flotation, about 20 percent of the capital somehow was offered to the public and to the insiders, to the managers. And then of course the business continued to grow. The Warburg Group controlled it and we had directors of the Group on the board of Mercury; Hugh Stevenson became chairman of it.^{ix}

[36'45 Warburgs and Swiss Bank Corporation]

And if we think back on the whole history of the Warburg Group, the combination of SG Warburg & Co with Swiss Bank Corporation in the mid '90s^x was done on pretty nominal terms as shareholders of the Warburg Group received, I would say a small premium over asset value, right? So it was not--, but it was not something twice book or whatever one might have thought. The Warburg shareholders then received also the shares in Mercury Asset Management that were held by the Group, so the--, if you had been a shareholder in SG Warburg Group you would receive some cash and you would receive shares in Mercury. Happily, after three or four years of further development of Mercury, and Merrill Lynch came along and decided they would like to own Mercury and paid about \$3 billion for it.^{xi} So that combined with the earlier sale, we actually made a reasonably attractive outcome for the Warburg Group shareholders. But it was very much due to the success of Mercury, and as you can see, Siegmund's judgement on that was not correct. If you look at it purely in terms of investment returns . . .

Q2: In many ways he had a very narrow focus really on sort of his very high level of banking.

A: Yeah, and also to repeat, he was not really motivated by making money, that was not he's--, he wasn't in there mainly to make substantial amounts of money. He was there mainly to do

high quality business and of course to be paid for it. But it was a transactional spirit and he was very much of the view not to over expand, right? Now when the Group eventually grew and grew and grew and grew, because people would ask, 'well, what have Siegmund had said?'

Q1: I was just going to ask, yes.

[38'50 Siegmund Warburg and Henry Grunfeld]

A: Well I think those of us who worked with him we would say that he was a man of, er, reality and flexibility. And he would also understand that without growing and without expanding, we would not be able to continue to serve our substantially growing client base, and that he would have understood. But there's no doubt that we suffered like many other banks at a time from the occasional major macro-economic change that cause the, if you like, the investment spirits to sag. And there was much less volume of business and when you sit on -- with a higher fixed cost as we did, that could be quite painful. We were very much adverse to the idea of red ink.

Q2: Yes. We haven't really talked or touched upon the role of Henry Grunfeld who, as you said, came really from an industrial background didn't he, rather than from a financial background. Was his influence quite different?

A: Henry Grunfeld, erm, was a doctor of law in Germany at the age of 21, I think, right? And he had become the chief executive of the family business when his father had become ill. So he had, at a very young age, enormous responsibilities. And he was one of the few people who were part of the, as we call it, steering group of the German steel industry including all the big companies. So he had an insight in trade finance, corporate finance and corporate life, I would say, second to none and it was Henry Grunfeld's experience I would say above all that transformed Siegmund Warburg's brilliant ideas into reality. Siegmund Warburg had a wonderful imagination but he was not thought of as the greatest expert on accountancy or on the nitty and gritty.

Q2: The sort of mechanics of . . .

A: Yeah, whereas Henry Grunfeld was the total commander of minutiae important points, I mean nothing would escape him. And of course he also was very, very careful to make sure we had all the correct accountant advice, legal advice before we did anything at all, right? There was no superficiality, that is the point; there was no superficiality tolerated and the same ... you may have read Peter Darling's book^{xii}, he was called one Sunday morning by Siegmund Warburg about a note he had written. And Siegmund had said, "Look, if you look at page three of your memorandum, on the third line there's a comma missing."

Q: And that was Siegmund?

A: That was Siegmund, yes, yes. You see, and there was a discipline in that firm which was respected and it was important.

[INTERRUPTION]

[END OF RECORDING: 0:42:02]

ⁱ From the US Banking Act 1933 s11 until 2011, Regulation Q imposed various restrictions on the payment of interest on deposit accounts. From 1933 until 1986 it also imposed maximum rates of interest on various other types of bank deposits, such as savings accounts.

ⁱⁱ Union Bank of Switzerland.

ⁱⁱⁱ Cecil Parkinson, Secretary of State for Trade and Industry (June – October 1983) announced on 27 July 1983 that an agreement had been reached with the London Stock Exchange (LSE) and the long-running litigation between the Government and the LSE was at an end, including the end of fixed commissions, a major part of 'Big Bang', which took place on 27 October 1986.

^{iv} The Big Bang was the result of an agreement in 1983 by the Thatcher government and the London Stock Exchange to settle a wide-ranging antitrust case that had been initiated during the previous government by the Office of Fair Trading against the London Stock Exchange under the Restrictive Trade Practices Act 1956. These restrictive practices included the London Stock Exchange's rules establishing fixed minimum commissions, the "single capacity" rule (which enforced a separation between brokers acting as agents for their clients on commission and jobbers who made the markets and theoretically provided liquidity by holding lines of stocks and shares on their books), the requirement that both brokers and jobbers should be independent and not part of any wider financial group, and the Stock Exchange's exclusion of all foreigners from Stock Exchange membership. The day the London Stock Exchange's Rules changed on 27 October 1986 was dubbed 'Big Bang'.

^v The acquisition was announced on 20 December 1983.

^{vi} Simon Dallas Cairns, 6th Earl Cairns, CVO, CBE, styled Viscount Garmoyne between 1946 and 1989, was Managing Director of S. G. Warburg & Co (1979–85), of Mercury Securities plc (1981-84), Vice-Chairman of Mercury Securities plc (1984-86) and a Director of S. G. Warburg & Co (1985-95). He succeeded his father in the earldom on 21 March 1989

^{vii} Peter Wilmot-Sitwell

^{viii} 'private hunting ground'

^{ix} Hugh Stevenson joined SG Warburg & Co in 1970. He was on the board of Warburg from 1987 to 1995 and became chairman of Mercury Asset Management (1992-98).

^x SBC purchased SG Warburg in 1995.

^{xi} 1997.

^{xii} Peter Stormonth Darling, *The Life & Times of Mercury Asset Management*, Texere, 2000