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Interview Summary Sheet — Title Page

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Interviewee's surname: Buik | **Title:** Mr

Interviewee's forenames: David | **Sex:** M

Occupation: Money broker | **Date of birth:** 1944

Father's occupation: Managing Director, Canadian Pacific Steamships | **Mother's occupation:** Housewife

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Interviewee: David Buik

Date: 14 August 2018

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

[0'00 Introduction and biographical background]

Q2: Interview with David Buik. David?

A: John.

Q2: In what year were you born?

A: I think there's only one person older than me and that's God. 1944.

Q2: And your parents, what did they do?

A: They were Canadian and my father was managing director of Canadian Pacific Steamships and he came over here in 1949. And he worked with the Ministry of War Transport with a guy called Sir Guy Ropner of Ropner Shipping doing conveys, which was probably the most depressing job that ever anybody had in the war time. And I ended up in a prep school in Yorkshire where I had absolutely no empathy with at all, called Aysgarth which was the most wonderful establishment. And ended up having five years at Harrow School where I wasted my impecunious parents' money by not attaining any academic qualifications whatsoever of any note, something I'm not very proud of.

[1'00 The money market in the 1970's; the eurodollar market]

Q1: Er, one thing as a point of order at the start, we haven't said the date. Today is Tuesday 14 August 2018, and my name is Gerald Ashley and David, welcome today. We're going to concentrate over a large part of your career, but maybe in that sort of pivotal area of the late '70s in the early 1980s. You're obviously an important figure in the money markets in the 1970s. Could you just give us an idea of the landscape, the clients, the instruments; what you were actually up to?

A: Initially in the late '60s and the early '70s, erm, it was very domestic and basically there was the interbank market which was an unsecured market, which was sanctioned by the Bank of England, which basically dealt with the short term liquidity of banks. And added to that was short term finance which was provided for the local authorities, of which there were something over 400. And they all had their own books in which they borrowed money through brokers mainly, if they didn't issue bonds you know, or had bonds issued to them. And the biggest thrust that the markets had on an international basis was in the '70s, was the introduction in London of the eurodollar market, which was incredibly significant. And by 1979, by the time that Margaret Thatcher became Prime Minister[i], there were over 300 trading banks in London, of which 26 were Japanese banks, which paid 40 percent of the brokerage paid by all the banks in total. They had a phenomenal influence on the market place because of their aggression.

Q1: And this was essentially a pool of trapped dollars if you like, that London was sort of intermediating between all the various banks.

A: Absolutely. Yep, until such places like Bahrain and other things became as other tax havens, you know, for the eurodollar market.

Q1: And it was, in your experience, in your areas, primarily cash or were there other negotiable instruments?

A: Almost certainly, 100 percent cash, very little--, the only other thing that I think influenced towards the end of that year, was of course some of the technicalities from the eurodollar market out of New York which was, as you will recall, the old Thursday/Friday which you paid a huge premium for. And it was when the time, when the measurement of money supply, Henry Kaufman[ii] of Salomon Brothers who we reckoned--, I have to be very careful as I don't want any lawyers coming after me. He probably had his position well and truly down before that figure came out. He was a phenomenal influence on the market.

Q1: And he wasn't surprised by his own prognostication.

A: I don't think it even brought a Gioconda smile[iii].

Q1: [Laughs] And parallel to that, of course, would have been the Eurobond market and one thing for Sir Siegmund Warburg and the growth of that market. And of course, this must have been another driver for the international banks coming into London.

[4'00 Abolition of Exchange Control and its effect; money supply; deregulation]

A: Without a doubt, but I think going on from that because it was 1980 when, I don't know who--, whether it was Walters[iv] or one of Margaret Thatcher's inspired economists, decided, look, if you really want to make London the financial centre of the world, you have to abolish exchange controls. Now, you're not old enough Gerald but I am, but fifty quid was all you could take out of the country.

Q1: I do remember having to go to the bank and getting it stamped in the back of your passport.

A: Yeah, and it was very bad. Once that was all over, erm, it was of course a time when the market was hugely abused, because the measurement of money supply in this country was hopeless because it didn't include mortgages. And it didn't include the fact that NatWest London, erm, could borrow from Barclays London and lend it to Midland Bank Paris for a four percent turn overnight. And of course which absolutely played havoc with the money supply figures. And as much as, we as brokers, intentionally we went through the whole lot, you know, whether it was, erm, Geoffrey Howe[v], we spoke to. We spoke to, er, Nigel Lawson[vi] and various other people and they just weren't interested. Robin Butler[vii] of the Treasury...

Q1: Did they say, oh this is kind of the Old Lady[viii], this is the Bank of England's bailiwick, we'll let them deal with it?

A: Yep, let them deal with it. It was in point of fact irrelevant. What was wonderful, Gerald, was that it made everybody sit up and say, hey, London is open for business. And where people like Goldman Sachs and Morgan Stanley had sort of peripheral interest in London, they really sat up and took notice in a very big way.

Q1: Yeah, there were lot of names that were barely in London that would arrive like Salomon Brothers, Lehman Brothers...

A: Salomon Brothers, but they were--, Lehman, you know, Salomons of course, we know went into Citibank after Big Bang[ix]. But at the time they were movers and shakers, as you know, in the futures LIFFE[x] opened up in 1982. Salomons was probably bigger than the rest of the banks put together.

[6'00 Discount market; Tanshi companies]

Q1: So the kind of theme here is obviously deregulation and opening out, and there are going to be winners and losers. And one of the ones that strikes me as one of the more obvious losers was the discount market. Here was a market that had been around from what, early Victorian days if not earlier, discounting bills of exchange which was pretty much got rid of overnight when the Bank of England said, "We don't actually need those intermediaries between us and the money market."

A: Yes but there again, the Bank of England would have attached credence and importance still as that system being the brokers to the market place. They were...

Q1: So it was stability or a stabiliser?

A: And also to be able to take a deposit on the market place and the way it felt. The amount of money I think involved latterly at the end was insignificant. And the only really aggressive one was Gerrard National, as we know and, er, apart from that probably Union Discount and the others were--, played a role in the market place but they were not big, what I call, movers and shakers, and by 1986 they were pretty irrelevant.

Q1: Yes, they looked quite quickly anachronistic actually, I think, probably--, certainly my perspective.

A: Ironically though, when I went to Tokyo to work in 1996, the system of running it from the Tanshi[xi] companies which was the same as the discount market, was still being used.

Q1: Very interesting. Now you're part of the market the...

A: The Black Market.

[7'20 Regulation of money brokers]

Q1: Well, the money brokers, you weren't remotely regulated nor did the Bank of England kind of keep an eye on you?

A: No, we were regulated but not in a very aggressive manner but there was a thing called the FECDBA, the Foreign Exchange and Currency Deposit Brokers Association. And each one of the 13 companies, I think that were at that time, had a representative and we met at the Bank of England. Rodney Galpin[xii] ran it initially and then it was followed by John Beverly, during my time there. And there was a meeting every month where people managed to, how can I put this, you know, explain what they felt was wrong with the market and try and put things right. Of course, what the Bank was more interested in anything else, was obviously the introduction of Big Bang. And a lot of people actually forget what that was about, and that was to do away with a standard brokerage system. So there must be no...

Q1: And really equity fixed brokerage was initially wasn't it?

A: Yeah, yeah.

Q1: And it spun out of always the sort of result of the competition enquiry by the new Thatcher government[xiii].

A: That's right, so it was very important that, you know, people didn't collude.

[8'30 LIFFE and the futures market]

Q1: Now creeping up on the side, if you like, coming up on the rails in your favourite sport racing or one of your favourite sports, is the emergence of the LIFFE market and the financial futures market in London. When did that first come across your radar and you realised it was going to be quite important?

A: I had a conversation in, I think it was 1981, with Michael Spencer who was the very celebrated chief executive of ICAP and easily the most influential person in the London money markets over the last 30 years, without a doubt. I don't care what everybody else says, that's a fact. And he had a conversation with me, erm, when he was at Rudolf Wolff, and he came to me in Michael's typical charming and arrogant manner, said, "I will make you a fortune at Exco," and I said, "Tell me more." And he said, "We don't use the future market properly for money brokers, and we don't use them in conjunction with interest rate swaps and FRAs[xiv]. And we don't actually have a real plan to use the gilt market in its fullest extent. I will do that for you." So I got terribly excited by this and thought it was a wonderful idea, and I genuinely did. And I went off to see firstly John Gunn and...

Q1: Yes, who was chairman of Exco?

A: Chairman of Exco, and then I went to see a couple of his adjutants I suppose . . . a gentleman called Chris Hume and he was an Australian who ran Astley & Pierce operation in Singapore extremely successfully, and Richard Lacey. And I am afraid, poor Richard who sadly died very young, dismissed it with a contempt that it didn't deserve. And I believe...

Q1: Was that a sort of not invented here in, you know, it's an American import...

A: Very much, no this is not for us and because it wasn't our idea we don't want to do it.

Q1: And there was...

A: It's a terrible thing to say but it's a fact. I couldn't believe my ears when I heard this.

Q1: Whereas somebody who, erm, like Michael Spencer's background at Rudolf Wolff, a very big commodities...

A: Drexel Burnham, then he went to Fulton's of course.

Q1: And so he had a huge experience of derivatives markets and you can just see that's a different underlying.

A: Expression goes, Gerald, he got it.

Q1: Yes, absolutely. And erm, the LIFFE market started in 1982, did you have any direct involvement or was it just in the pricing of instruments.

A: Peripheral, erm, when the company that I was working for which was known as Babcock & Brown in those days. We bought Butlers, Carr Butlers' futures, er, they didn't want it which we found astonishing and we found it an incredibly accurate barometer to the market place. Everything was driven in the late '80s by the futures.

Q1: So the sort of centre of focus was sort of moving away, so now it's a derivatives market. Although they derive of a cash market, they're sort of driving the information and the pricing. It's coming from that part.

A: And the other way around, what happens only in the futures or defined where the FTSE would open, define where the short sterling rates would open with regards to gilt market, everything else that you actually think of.

Q1: Yes, and so that actually is a sort of precursor to exactly where we are these days.

A: Yeah.

Q1: We don't wait for the Stock Exchange to open, and the delightful days you would remember in your career, of where the market would shut and then the Chancellor of the Exchequer would stand up and make his budget speech on the, what seems now the rather quaint premise, that we'd all stop trading and nothing was going on. What about the mechanics of things because, dare I say it, you may have come from a slightly steam radio start.

A: I think that's being kind.

Q1: [Laughs] And it now has transformed over a long period of time, but again in this particular era, late '70s/late '80s this is where we started to see the profusion of electronic screens, faster information.

A Exactly right.

Q1 That was your experience?

A: Very much so, I mean the stock exchange was pretty much made redundant after 1986 by I think, you know. Check with John – you know, I think by 1990 it was pretty much dead. And the futures market had driven that and the level of technology, it wasn't brilliant but it wasn't bad. We had a couple of occasions, you know, and LIFFE just folded up on a couple of days and they didn't have a duplication of the technology and it caused absolute havoc. And we were closed almost for one day, I think it was 1999 if my memory serves me [both talking at once].

Q1: Right, I have vague memories actually of the day of Big Bang, that the quotation system, SEAQ[xv], I think it was, actually froze in the first hour or so.

A: That's right.

Q1: And everyone said, "Oh here we go again, you know, dear old Britain can't keep up, can't cope," and all the rest of it, though it turned out to be pretty successful system.

A: Very.

Q1 Erm, okay, institutions.

[13'10 Major foreign firms; Japanese banks]

Names come and go as we all know over time. Some persist or they keep the same name but are very different organisations. What were the sort of standout names, you mentioned the Japanese, what were the big foreign contingent that arrived in the '70s?

A: When it came to the Eurodollar market, as I said the Japanese banks were rampant, particularly Sumitomo, Dai-ichi and Industrial Bank of Japan. They were the three big names that...

Q1: And this is predicated of huge Japanese economic growth so suddenly these guys have got real financial muscle.

A: Absolutely, and we can raise tons and tons of deposit here and ship them back, you know, through the United States back into Japan, and that's where these banks grew like crazy. But that was very much, erm, a money market operation. I think you've got to broaden your horizons for things to consider, I mean for me what I found interesting, I had the most enjoyable hour speaking to a gentleman called Tonamura-san from Nomura. And I asked him initially why he wasn't getting further involved in the gilt markets, and he looked at me very quizzically, and said, "There are too many players. We in Japan like to be a big player." And he said, "You have 26 market makers in the gilt market in London."

Q1: Which did seem crazy?

A: When there were five in New York, the market was ten times as big.

Q1: Exactly.

A: I don't know if it was ten times as big, but it was a lot big anyway.

[14'37 Big Bang]

Q1: And as a little bit of history, these were the old jobbing firms that had sat on the Stock Exchange and then were brought up by various banks, merchant banks, whatever and a few amalgamations.

A: But what has been very interesting for me, is that every single UK bank that attempted to get into Big Bang in the fullest way, only Barclays was successful and only a little bit successful.

Q1: Which was the...

A: Because they actually...

Q1: The emergence of BZW.[xvi]

A: Yep, BZW and it took time for that to come to fruition. But if you think of all the others, I mean even Warburg struggled and in the end went into Swiss Bank which made UBS[xvii] with Phillips & Drew, if you recall.

Q1: Absolutely.

A: Lloyds[xviii] made a pig's ear of it, erm, Deutsche Bank started off okay with Morgan Grenfell but they went in with Banker's Trust in the end. Everybody struggled because there were too many players, and the likes of the JP Morgans who didn't have any association particularly with anyone, they were fine. Citigroup had of course Salomon Brothers, but added a lot of bits of pieces like Paine Webber and Chase added . . .

Q1: They became quite a conglomerate didn't they?

A: Yes they did, and then Chase, I think if my memory serves me right, added on people like Vickers de Costa and people don't...

Q1: Yeah, so old names like L Messel and Shearson and these sort of people . . .

A: Well they went into Lehman of course.

Q1: They then became part of Lehmans. Now it's quite interesting, here we are in London and we talk about obviously the UK market and we recently we were talking about Japan in the United States and American banks.

[16'10 European banks]

But we haven't really talked a great deal about European institutions. You mentioned Deutsche, who were the sort of big boys from Europe in London?

A: Well in those days there was, erm, Deutsche Bank was easily the biggest and the most respected. And then Dresdner Bank which of course bought Kleinwort Benson, which you will recall. And then Commerzbank and Westdeutsche Landesbank were the real four main players. But as you know, the German system is very different from over here is that you probably...

Q1: With the state guarantee and all the rest of it.

A: Exactly, you've got the Landesbanks and the local banking business where people, you know, survive in whatever their little town is, by having their bank you know, by having sufficient deposits and sufficient money to lend out to people. It's an astonishing system, I don't know how it really works but it does work and it's incredibly successful. So to gauge the German banking system, which always makes me slightly nervous, I'm sure--, we haven't had a débacle yet, apart from the fact that Commerz has proved to be, you know, quite a--, how can I put it, er, difficult operation to run, putting it diplomatically. And Deutsche Bank, there isn't a person in the land that (a) doesn't respect the bank but (b) at overtrade in derivatives, the size of their book, eye watering.

Q1: Which had been a--, had that not been a criticism, maybe slightly out of our period, more to the end of the 1980's of the French banks, the French were very big in derivatives I think, in the initial opening up of the markets.

A: Of Credit . . . CNCA[xix] and Société Générale and you know, more Paribas than BNP[xx], I think, before the merger. Yeah, they were pretty big in what they did but all, if I may so say as far as I can gather, paled into insignificance in comparison to Deutsche Bank, if you take all the derivatives right across the spectrum.

[17'55 Salaries]

Q1: Now we're talking about banking and finance and it's always kind of interesting to talking about money because money kind of changes. Can I ask you an indiscreet question?

A: Yep.

Q1: What was your starting salary?

A: My starting salary at Philip Hill, Higginson & Erlangers on 19 September 1962 was £500 per year.

Q1: Which was not a bad salary?

A: It was above the average, the average at that time for a bank clerk was about £350. I was well paid.

Q1: Yes.

A: My net take home pay, if I remember, was £39 19s and 6d.

Q1: In good old money, almost £40--, call it £40 a week. And the reason for asking that question is because obviously the numbers have changed a great deal over time.

[18'38 Profitability and commissions]

But one of the themes that I think we find here is to do with profitability of a lot of these markets, in that margins went down a great deal. So, erm, what would have been your view about the profitability of the money markets for the players? Did it become less profitable or...?

A: The amounts went up, Gerald, didn't they?

Q1: They basically wrote bigger tickets.

A: We had, erm, if my memory serves me right, slightly over 300 players at the end of the '70s. And if you told me that there were 80 in London now, I might challenge you. And what has grown out of all proportion, is the size--, the sizes.

Q1: The ticket size has gone through the roof.

A: Humungous, so if you are turning over substantial sums of money, without having any due care and attention to credit, which clearly in the '90s and early 2000's which brought about the financial crisis, people weren't. It was a very soft regulatory climate. Er, you know, it was gung-ho, fixed bayonets and over the top wasn't it?

Q1: And also, if I pull that back to an earlier period, the sort of creditworthiness or credit within the interbank market was very much on a sort of--, I mean, fairly amateurish basis wasn't it? Maybe a...

[20'00 Interbank market from the 1960's]

A: Well this is the most interesting thing and also the thing that makes me probably cross more than anything else I think. First and foremost, the interbank market in say 1966, go for that, was--, the Japanese banks were paid between something like a half and one percent premium to the general market.

Q1: Really?

A: And people like Ralli Brothers and Singer & Friedlander and Keyser Ullman would probably pay a quarter premium. And the merchant banks who were all absolutely tip top blue blooded names as you know having been an employee of one of them, with the old acceptance stamped across the bill, they would possibly a 16th premium. And the only prime names were really like--, Barclays wasn't even a player market in those days, they didn't come into the market properly. Barclays DC&O[xxi] was in the market, but Barclays Bank...

Q1: Did they recycle all their stuff internally, they didn't feel the need for the interbank market at all.

A: Yes. NatWest initially started off, as John will tell you, with County Bank as their players and District Bank and people. NatWest itself trading as a name, probably didn't come in I don't think probably until 1982 or something like that.

Q1: And you had certain banks who were natural givers of money, so the merchant banks, where they could, would have tried to be lenders because of their in-house asset management businesses.

A: In the case there but there are two exceptions to the rule of that, who were easily the most sophisticated for a while, were of course Samuel Montagu and Schroders who had big books...

Q1: Well Montagus a part of Midland of course.

A: It wasn't then though.

Q1: Not at that stage, oh I see, okay.

A: And it was very much a big name, I mean, Midland Bank hadn't started. Do you remember there was Midland Bank Finance Corporation to start with? That was their name. Well, I'm sorry I'm throwing names at you before your time. But that was the money market, you know that was the money market name that Midland Bank traded in to start with.

Q1: Right, erm, who were on the ragged edge that if you got the name it was difficult to find counterparty for. So we would--, before recording we threw around some secondary banking names...

A: [Both talking at once] I mean, because well they weren't full rank mean, you know, if you found money from Dalton Barton and Dawnay Day and people like that, it would mean the cry around the dealing room would be, "At what level do you give me and we will discuss it later the rate." Because they weren't really part of what I call the interbank market, they were very, as it so said, to be very peripheral. The day to day people that were tricky to find money for, in my time, were Ralli Brothers, which became Slater & Walker...

Q1: Which had been a very old trading name from India.

A: Yeah, Rea Brothers, not because it was...

Q1: Just tiny.

A: Just tiny. Keyser Ullman would be a tricky one to find money for, erm, and they would be probably those people that were persistently looking for money. Now the net lenders that you always knew at the time which were people like Barings. Ottoman Bank, was funnily enough quite a big player in the market, and he was always in that market. He was a wonderful, very dry old stick they called Gordon Stride who was actually one of the British Bank of the Middle East, two classic characters. Jim Cassidy and Arnold Crowe and they were unbelievably, courtesy personified, like Crowe would go, I would say, "I am so sorry to trouble you, but could you dump a couple of million in the market for one year for me, and tell me what you've done."

Q1: It's nice to be in that situation. Erm...

A: And of course they were never abused because they were so charming.

Q1: And the Bank of England kept a close or a not very close eye on this market would you say?

A: Not really, erm, they were much more as we thought in terms of the Eurodollar market. The Bank was quite a big lender of dollars into the Eurodollar market. We never saw the Bank of England in the money markets at all. We used to see them obviously as you know, in the foreign exchange market. And the foreign exchange market was the thing that I always--, amaze me was at the time, was they allowed banks to borrow points which you will recall.

Q1: Yes, that's...

A: That is something like today a no-go area at all.

Q1: Now I think that would certainly be the wrong side of regulators.

A: And some very big banks got involved in it and I mean I can remember once when I was at brokerage who will remain nameless when they were offside for one big figure of Swiss francs. And we had the most...

Q1: This is for non-experts, this is the practice of banks essentially agreeing to do off market trades to move money around, P&L around between different institutions. And it happened in many cases for quite legitimate reasons because of mismatches and misunderstandings. But it was also one of the money markets black arts as to where P&L might go over.

A: Yes I suppose it was really, but what was interesting was that the Bank knew about it, it wasn't as if, you know, anybody transgressed behind the scenes. And if they did, obviously they got their knuckles rapped. But you know, at the time when I first was involved in the market, was James Keogh who was Head of the Discount Office and then Rodney Galpin. And you know, he had an assistant called Tony Colby who was a very bright individual. And they knew exactly how many beans made four and there was no question of pulling the wool over their eyes.

[25'42 The 'corset'[xxii]]

Q1: Yes, erm, a couple of sort of echoes from the past that I recall and I wonder if they sort of crossed your path at all, maybe not directly the first one. But the corset which was this instrument that, erm, government brought in in the late '70s to restrict the amount of deposit taking that banks could make, or take deposits rather which would obviously have a restriction on their lending ability. Did you bump up against at all?

A: We heard it mentioned in despatches but we never felt that it was particularly effective because it seemed to be that the banks always found a way to increase their balance sheet size doing something completely different, rather than through deposits. And John is nodding that he doesn't agree, is that right?

Q2: Well I was there, erm, and I think it was quite a restriction on the balance sheet. I really do.

A: I find it rather interesting that we didn't--, we never seem to feel it.

Q2: Oh it was almost draconian.

Q1: It would be a second order issue for you guys because you would only see those money floats after...

A: Because I wondered whether--, I don't know why it was that--, that was the way it was. Maybe at the time of the corset, that there were more and more banks coming into London and opening up and therefore we had more counterparties. And therefore possibly more business...

Q1: Again, as a little bit of background, this is of course during a period of quite dramatic rates of inflation and a feeling that the government had to somehow get price--, rather new formal price controls but some control over the inflationary and price structure of the country, where double digit inflation was really quite common place and all the problems that flowed from it. A second one that I remember, and I don't know why this is an echo in my mind and maybe you can shed light on this one or not, was the bill mountain. There was a lot of dark talk again in the late '70s that there was this mythical mountain of bills of exchange that was overhanging in the market. And for the life of me, although I was involved in discounting bills, I have no idea what it was. Did you come across it at all?

A: We didn’t really come across it because the only area that money brokers felt that they could bring anything to the party in the bill market was obviously been six month bills where we had a big role to play. Because we always looked at the yield at them which people sort of forgot and very often it was in excess of what the interbank market you could get money out of...

Q1: You could get a good quality piece of paper.

A: Yeah but the actual machinations of the bill mountain didn’t really cross my radar.

Q1: It’s lost in the midst of time maybe.

[28’42 LIBOR (London Interbank Offered Rate)]

A: I think the thing that I, if I could just transgress for a minute, which I think is the thing that’s really made me hopping mad really since the ‘80s is LIBOR.

Q1: Right.

A: Because I feel that LIBOR--, how the authorities ever allowed a trade association to be responsible for hundreds of millions of dollars of loans. And pricing them by taking a straw poll by half a dozen banks from different, you know, walks of life and say, “I'm at three quarters, I'm at...”

Q1: I take your point and we know all that flowed from it. It may be interesting to look at the context of what was there before, which was a very ad hoc system of reference banks and how to put it delicately, people chose their reference banks very carefully in the syndicate to make certain that the outcomes swayed one way or the other, or shaded one way or the other over the period of the lending facility.

A: But ’86 when Big Bang was, you know, set sail and the loan market became absolutely rampant, it struck me as completely ridiculous.

Q1: Well of course also, all of this was absolutely necessary as a reference point for this very derivatives market that had been put in place. So we had--, and you’re right I suppose thinking back, it was rather odd that that had not been pulled in by the...

A: Even the BBA, to my certain knowledge from conversations I had, you know, 10-12 years ago, erm, were amazed that it had been allowed to be the status quo for so many years. Never challenged, er, by you know, whoever it might have been the regulatory authority but that, you know, that is just too much of a responsibility for, you know, to be run on an ad hoc basis.

[30’15 Commercial paper market; repo market]

Q1: Yes, I mean I take that. Another market that crosses my mind, which I don’t think we discussed and I just wonder if it--, when it really got going and if it was really that big, was the short term commercial paper market. Because obviously we imported from the United States this idea of short term commercial paper, erm, did that cross your bows very much?

A: Not very much, no, erm, certainly I know that it was quite a decent market on the short term market makers, people like Barclays and NatWest, er, you know, got seriously involved in them and were actually very good at it. But there again, the other ad hoc thing which has come in in the last 10 or 15 years which should have been in years before, which had been very popular in the States, was the repo market which might well have got around the problems you had dealing with the corset. Had there been the opportunity of "John, take this stuff off my book you know, for a week so I can my balance sheet size down", or whatever else it is. Then the need for the corset or something like that, it may--, I'm not saying it wouldn't, may have been alleviated.

Q1: Well I suppose of course the corset was essentially a government policy instrument because they were trying to control the activities of the financial sector.

A: Yeah there again, whether it's the Fed or the Bank of England or the ECB[xxiii], they've got no problem with the repo market as I understand it.

Q1: Okay, maybe another sort of final section now unless John has anything you want to jump in on. If you were to look back over this period, or indeed over your whole career, what has been the one biggest single change?

[32'00 The effect of the abolition of Exchange Control and opening up of the City of London]

A: The biggest change for me is not been regulatory which I think people if you spoke to in the last five years would be their biggest change. For me, it's not even a point of discussion, it was the abolition of exchange control in 1980. It's the biggest bang, crash, wallop, we're open for business.

Q1: Because suddenly the London market is exposed to all the joys and horrors of international business and competition.

A: Yep, yep but everybody came here, Swedes, German, French, Japanese, Americans.

Q1: I don't...

Q2: I was just going to say, and Regulation Q[xxiv] and the Americans arriving but you're saying exchange control?

A: If you ask me for a one off thing, the abolition of exchange control without a doubt.

Q1: And if you could change one thing in the market place, David, what would you change?

[32'55 Changes from Big Bang: remuneration; change from relationship to transactional culture]

A: Erm, I think I would liked to have changed, er, or I would liked to have seen people at the top of banks, er, have a more acceptable way of remunerating themselves. I think they have abused their privilege. I'm not saying that because I was out of that time factor because serious money didn't get paid to traders and brokers until Big Bang, not really serious money. And I think that the trouble is with the banking sector now is, it doesn't have a friend in the world and it doesn't deserve one because a lot of people, er from 2008/9 lost their jobs. A lot of people became even richer, a lot of people became more arrogant with it. And okay, I think the authorities have done an awful lot to say, you know, you get paid in shares now and if it's not profit we want our money back and the cash element is much smaller. Nonetheless, I think the rewards for the individual are disproportionally high.

Q1: And it's the old thing of, erm, you take the upside but not the downside so there's no partnership element, which is yeah, absolutely.

A: That's my point.

Q1: And I think the, erm, maybe just one last little theme that comes into my mind, is this goes back a long period of time, you could say there's been maybe a regrettable move from relationship banking and finance to transactional banking and finance. So in the old days that if you were my client, you were my client for a very long time. We may not do much for a period of time, go through thick and thin. From that type--, and in return you would loyally use me as your financier or bank or whatever, erm, to a world--, and this maybe to do with this whole 1980's thing of transactions.

A: It is.

Q1: Suddenly it was all about write the ticket, do the deal.

A: In my opinion, you know, it's only a personal opinion, is that I believe what happened in 2008 which caused the authorities to ask banks to virtually multiply their capital by ten to do the same amount of business. Erm, meant that, erm, you know, costs were--, could spiral and the advent of technology has made the banking sector, er, non-customer sensitive. And I think it's a disgrace and I think it's truly frightful, I mean, I couldn't--, I'm the perfect client for bank. I have no overdraft, I've got a few quid there and I pay my bills at the end of the month and they haven't spoken to me for ten years. And what I would like to say is that if you are going to live--, if you live in Steeple Bumpstead and you want a £150,000 mortgage, I don't see how you can either take that for either buying a house or for building widgets in Wisbech without seeing the whites of each other's eyes. I find it absolutely astonishing.

Q1: It's far too anonymous.

A: It's hopeless, you are going to have another problem, somewhere down the next 25 years because you know, doing everything by numbers and saying, well you know, thanks very much Mr Smith but I'm afraid Thetford is not allowed to make that decision, it's going up to Norwich, is just--, I could use an old anglo-saxon terminology but I won't.

Q1: I think we get your drift. Erm, David Buik, thank you very much indeed, it's been most interesting.

A: Gerald, great pleasure. John, great pleasure.

Q2: Thank you.

END OF RECORDING: 0:36:34

[i] Margaret Thatcher became Prime Minister on 4 May 1979.
[ii] Henry Kaufman was an economist at the Federal Reserve Bank of New York. After the Federal Reserve, he spent 26 years with Salomon Brothers, where he was Managing Director, Member of the Executive Committee, and in charge of the Firm's four research departments. He was also a Vice Chairman of the parent company, Salomon Inc. He also served as a director of Lehman Brothers Holdings Inc. and as chairman of the Lehman board's finance and risk committee.
[iii] *Mona Lisa* by Leonardo da Vinci. The sitter is believed to be Lisa del Giocondo.
[iv] Sir Alan Walters was Chief Economic Adviser to Prime Minister Margaret Thatcher from 1981 to 1983 and (after his return from the United States) again for five months in 1989.
[v] Sir Geoffrey Howe (later Baron Howe of Aberavon) was Chancellor of the Exchequer from 1979 to 1983.
[vi] Nigel Lawson (later Baron Lawson of Blaby) was Chancellor of the Exchequer from June 1983 until his resignation in October 1989.
[vii] Robin Butler (later Baron Butler of Brockwell) was Secretary of the Cabinet and Head of the Home Civil Service from 1988 to 1998.

[viii] The nickname of the Bank of England, following a cartoon by James Gillray, 'The Old Lady of Threadneedle Street in danger' (1797). The cartoon shows the Prime Minister of the day, William Pitt the Younger. He appears to be wooing an old lady, who represents the Bank of England. But his true intention is to get his hands on the Bank of England's gold reserves.

[ix] 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'.

[x] The London International Financial Futures Exchange started on 30 September 1982 to take advantage of the removal of exchange controls in the UK in 1979.
[xi] Tanshi companies are a type of brokerage firm in Japan which deals primarily or exclusively in short term money market investments.
[xii] Rodney Galpin took over the Discount Office from James Keogh in 1974 and then became head of the supervision department. Later knighted, he became Chairman of Standard Chartered Bank.
[xiii] See endnote ix.
[xiv] Forward Rate Agreements.
[xv] Stock Exchange Automated Quotation system.
[xvi] Barclays de Zoete Wedd.
[xvii] Union Bank of Switzerland.
[xviii] Lloyds Bank.
[xix] Caisse Nationale de Crédit Agricole.
[xx] Banque Nationale de Paris.
[xxi] Barclays Dominion, Colonies and Overseas Bank (Barclays DCO) changed its name to Barclays Bank International in 1971 and then merged with Barclays Bank Limited to form Barclays Bank PLC in 1985.
[xxii] The 'corset' (the supplementary special deposits scheme) was introduced in 1973. It restricted the interest-bearing eligible liabilities of banks. It was suspended in February 1975, reintroduced in November 1976, suspended in August 1977, reintroduced in June 1978 and abolished in June 1980.
[xxiii] European Central Bank.
[xxiv] 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.