

Worshipful Company of International Bankers Oral History Collection

Interview Summary Sheet

Title Page

Ref. No.:

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

Interviewee's surname: Gifford

Title: Sir

Interviewee's forenames: Roger

Sex: M

Occupation: Banker

Date of birth: 1955

Father's occupation: Professor, St Andrew's University, Scotland

Mother's occupation: Schoolteacher

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Interview with: Sir Roger Gifford

Date: 26th April 2019

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

[00'00" Introduction and biography]

Q2: Interview with Roger Gifford. Interviewees, Gerald Ashley and John Thirlwell. 26th of April 2019. Roger, good morning.

A: Good morning. What a lovely day it is.

Q2: It is indeed. First question, what year were you born?

A: I was born in 1955.

Q2: And what did your father do?

A: My father was a university teacher, then a professor at St Andrew's University in Scotland. And my mother was a schoolteacher in the same town.

Q2: Very educational.

A: Very educational.

Q2: And therefore--,

A: A very student background. No business acumen whatsoever in any of the Gifford family I'm afraid to say.

Q2: But your education?

A: My education was at Sedbergh School in Yorkshire, and then followed by Trinity College, Oxford, where I read chemistry.

Q2: How did you get from chemistry to banking?

A: Well, you may or may not know that in those days, but no longer, the chemistry degree at Oxford was an MA degree, and it is now an, it's an MChem. It was an MA degree in those days, and I have to say during four years of Oxford chemistry there was not one visit by a single industrialist to Oxford University, as far as I could see. And there was certainly not one visit arranged by any of us to an industrial site. So you came out of four years thinking, well that was fun, what are we going to do now? Well, why don't we do what everyone else is doing, which is banking and insurance, and coming into the City of London. So I was a very keen musician, naturally I went for the dilettante option and came to the City of London and interviewed with Warburg's and Barclays, and Kleinwort's, and all the others.

Q2: Yes.

[01'40" Graduate trainee at SG Warburg & Co Ltd; interviewed by Siegmund Warburg]

A: And ended up at Warburg.

Q2: So the period that we're talking is '79 to '86. So in '79 where were you?

A: I was at SG Warburg. I joined Warburg in May of 1978, after a year of travelling around the world. And I was very much at Warburg in the Capital Markets, slash, International Banking Division. I think at that exact period in 1979 I'd just come off or I was in the middle of the graduate trainee programme and was spending most of my time in the International Banking Department with people like Andrew Stewart-Roberts. Andrew Stewart-Roberts, and Axel Brandt, and Peter Mann.

Q1: So would this have been syndicated lending or would it be issuance?

A: It was very much syndicated lending, and Warburg's being what they were we had a strong, strong British, but also a very strong international angle. So, Italian companies like Enelⁱⁱ were some of the people we were doing deals for. Richard Lutyens was in the department at that time, and he managed a number of the Italian relationships.

Q1: Right. And everybody always questions about Warburg's, the centre of the universe being Siegmund Warburg.

A: Yeah.

Q1: Were you interviewed by him?

A: I was--,

Q1: Any experiences you have of him?

A: I experienced him twice. I had two interviews with him. We talked about Beethoven, we talked about Strindberg, and we talked about George Steiner. We did not talk about banking. So I felt this was very much part of the interview process, was that he wanted to meet people and see what they had outside the world of banking.

Q1: A sort of hinterland in a way.

A: A kind of hinterland and see whether the people he had there were in any way, I don't know, cultured outside the areas of business, or indeed chemistry. So, happily, I was on--, when we got onto the Beethoven late string quartets I was reasonably safe.

Q1: And did you do the infamous graphology test?

A: I did indeed, and I was told that my handwriting was good by Martin Gordon, who was my principal hirer.

Q1: So you passed whatever test with loops or no loops, or underlining.

A: Well whatever it was I was told that my handwriting was good and that that was acceptable as to come into the system. So no, it was very much, erm, very much the stories of Warburg's that you hear, I think are--, there is truth in them, I mean it had its eccentricities, but it also had very good discipline, very strong discipline that at times, erm, at times a bit of a shock to a young lightheaded graduate coming down from university, not sure what on earth he was

doing in the City, particularly one with no business background. But Warburg's was quite a strict school to learn in, and reflect on what we thought was a kind of Anglo-Germanic disciplinarian attitude, but I have to say it was none the worse for that.

Q1: So actually it was extremely good sort of grounding and training?

A: I think a very good grounding and training. There could have been a bit more training, if you ask me looking back, there wasn't a lot of teaching as such, you were just expected to pick up and learn very quickly.

Q2: I think that was typical of--,

A: Yes.

Q2: I wonder whether it's still the same as well?

A: Yes, well it may well be. I mean there was a graduate training scheme, but the--, in fact the drop-out rate from that was rather high. Of the number of alumni during, or people who joined during my time and the two or three years around me, the actual survival rate was very low.

Q2: Was that people who wished to leave or--,

[04'53" Banks' graduate training schemes in the 1970's]

A: For some reason it just didn't work out. Whatever the training programme was it didn't produce people who then ended up for a long time in individual departments. There were one or two for sure, people like James Leigh-Pembertonⁱⁱⁱ, although he also moved on before very long. But most of my contemporaries found themselves moving on, they just didn't quite find their niche during those years.

Q2: I think that was typical, and it's part of the reason why I didn't join them.

A: Yes.

Q2: And went to Barclays, which did have a very--,

A: Yes.

Q2: Sort of three or four years of--,

A: It was absolutely the case. The bigger banks, the Citibank, the Chase Manhattan, the Man Hanny^{iv}, had the really good training programmes, so would then see people through and place them in a department.

Q2: That's right.

A: It was the smaller accepting houses, as we were then, where they just found it harder. I don't know if Kleinwort's, and Schroder's, and Rothschild's found it easier.

Q1: I was at Baring's and it was very informal. There was, erm, there was a link with the London Business School for afternoon lectures on, you know, things like capital asset and credit

models, and stuff like that, but it was quite short. I think it was probably four weeks of every afternoon, and then people did this grand tour of the bank.

A: Yes.

Q1: Which was about two, two and a half years.

A: The real learning at Warburg's was on the deal. I mean they did a lot of deals, and you would be the junior typo checking or proof reading, or down the printers at two o'clock in the morning seeing a sales and underwriting agreement through. And that's where you learnt. And it was very much on the job. And you may not have known what on earth you were financing or what you were financing for, you may not have known a thing about the client, but you certainly learnt about documentation and--,

Q2: Got the commas in the right place.

A: Got the commas in the right place.

Q1: And this was the heady days of really rather nice margins wasn't it? So it would be a good one percent plus margin on lending still then?

[06'38" Move to Enskilda Securities (ES); ES's 'Big Bang'^y structure; relationship between ES and SEB and Wallenberg family]

A: There were good margins on lending, but my experience, a propos of a comment you made earlier, was that when I moved to Enskilda Securities in 1982, which was set up with all the kind of post Big Bang structure. We were a broker, we were a dealer, we were an underwriter. And in terms of equity issues particularly, it wasn't a margin deterioration. We had some very good years because we were enjoying that post Big Bang structure before Big Bang had happened.

Q1: So you had, you had all the sort of mechanics in place?

A: We had all the mechanics in place. So the Stock Exchange, the good old Stock Exchange kind of, erm, what Margaret Thatcher saw as restrictive practices around the Stock Exchange of what you were and were not allowed to do, the single capacity rule, Enskilda Securities, and a number of others like Credit Suisse, might well, I think at the time, were set up pre--, oh sorry, we were set up taking into account the liberalisation was very likely to come.

Q1: And of course the Americans had a whole history of dual capacity anyhow.

A: Yes.

Q1: So that was in their sort of DNA I suppose.

A: In their DNA.

Q1: So Enskilda Securities, erm, was that wholly owned by the Enskilda Banking Group or?

A: No. It was cunningly contrived, conceived as a joint venture between SEB, that's the Skandinaviska Enskilda Bank, and the management of the organisation. In fact, they were

bought out after a few years, only a few years later, led by Hamish Leslie-Melville, James Ramsay, Gerard de Geer and others. There were a number of Swedish and major UK figures, Lord Euston, James Euston^{vi}. And the management had a certain number of shares alongside, I can't remember whether it's 25 or 30 percent, it may have been 50 percent, alongside SEB. I was too junior to be in that category, to get in that. And they were bought out--,

Q1: So did SEB just effectively just put up the capital?

A: Yes.

Q1: And the management got on with it?

A: Yes. Exactly.

Q1: And was that quite a hands-off type relationship?

A: It was, it was relatively hands-off to begin with. I mean they were managing the international bond activities of the bank, run out of London as a new organisation. SEB had been quite active in the international bond market, particularly through a man called Rolf Hallberg, who was one of the people who set up the Eurobond market back in the '60s, was very active in his own time. And that's a whole, another history, I think you've got to go through is the birth of the Eurobond market, it would be very interesting, and he would be a noted person in that. But the--, on the whole, there was attention right from the very beginning about this new lot doing international banking out of London, and how did that fit in with existing activities of the bank. That took some years to kind of come round and come right. And it very much has done, very much did do after something like six, eight years, but it took a bit of time.

Q1: So you were quite an unusual animal as a firm at the start, a hybrid in a way.

A: We were very much one of the team movers. We all left Hambros Bank, seven people left Hambros Bank as a result of the, mostly, the Reksten crisis^{vii}, shipping crisis. And they left that saying that they didn't know what was going on and they were all fed up with it, and they wanted to do something new. They approached Marcus Wal--, or Peter Wallenberg before, erm, sorry, Marcus Wallenberg, before he died in late 1982, and he set up this further firm.

Q1: So the Wallenbergs as the key family capital in SEB or . . . ?

A: Ah, no, no, no. They do indeed, yes, I mean they are the, if you like, the controlling family, or very much dominating family.

Q1: Yes.

A: And still are.

Q2: Yes. So you were saying that people from Warburg's left. You left.

[10'15" Graduate training schemes in the 1970's]

A: Well, a number of people who had graduated, for one reason or another they went to another firm. And I did that after four and a half years, for whatever reason internally it wasn't, it didn't

feel particularly speedy at Warburg's, and this very exciting new operation was setting up in this building.

Q2: Okay.

A: But I think it's more just a reflection on the fact that the larger organisations ran better training schemes, like the big American banks, like the big UK banks. And the smaller ones just found it hard to kind of make all of that graduate training programme work.

Q2: Yes.

A: The hope was you'd learn on the job without any formal structure, any formal learning. And actually that just didn't really work. And very few, I mean I could go through the list of all the graduate trainees who joined my year and the year before, I can remember many of the names, very few of them stayed on more than a few years. It just worked out--, on the other hand, and we found it in Enskilda all the way through. We don't take on graduates, it's just too difficult, too expensive, too laborious. We'll take people in who already can swim. They hit the road running and they're already a trader, they're already a salesman, they're already a kind of an analyst.

[11'17" Working in Enskilda Securities corporate finance department]

Q2: And what were you doing at Enskilda?

A: At Enskilda when I joined I was in what they called the corporate finance department. So we were doing syndicated loans, we were doing swaps, the very early days of swaps.

Q1: Oh yes, yes.

A: There's another whole interesting history.

Q1: Yes.

A: When we can charge a quarter of a percent or even more sometimes for doing a swap, whereas now it's kind of scraps of a basis point. But swaps were very new at that time. And at Enskilda the big area of growth was primary and secondary equity basis. So we got very much into expanding the international shareholder base of Nordic corporates.

Q1: So they would get a London listing or something?

A: Nokia, Wärtsilä, Huhtamäki, Norstatter, you name it, and a major issue for Electrolux. Electrolux is one of the seminal equity issue we did in 1985, where we both underwrote and sold to investors. And in those days--,

Q2: Which was a very modern, er, idea.

A: Very modern in 1985, it just wasn't--, the Stock Exchange weren't happy, but they couldn't really do anything about it because Margaret Thatcher was already on the warpath to change the rules, fighting the establishment, which is what she did.

Q2: Yes.

Q1: And what size firm was Enskilda in its sort of first year or two?

A: I was employee number 17, and I think we were up to 50, 60 people in the first couple of years.

Q1: So it was quite like, nimble in that--,

A: Oh it was very--, we thought we were the bees knees. I can't tell you how good we thought we were in terms of, erm, in terms of ability to--,

Q1: And did you ruffle some feathers do you think?

[12'38" Culture of the City – 'the old school tie'; Americanisation of the City - new capital, new structures]

A: Oh, I think we did. Oh, we did indeed. We were seen to be the cowboys on the block, I would say. And the Warburg's and Hambros, and Schroder's, and others who were still very much of the old mould, erm, they were being pretty sniffy about what we were doing.

Q2: And the interesting thing is that if you were from Warburg's you probably thought that the real, real establishment were the sniffy lot, [laughs].

A: Well, of course, I came, . . . I mean everyone has their own personal journey, as it were, to use a horrible phrase. I come as a Scotsman from a Northern public school, having read chemistry at Oxford. Certain things, which aren't a particularly pucker City background. And I came in, particularly as a Scot, when I think there is a difference between Scots and English here, you come into an environment, which is old school tie and stuffy, for the want of a better word. And funnily enough, Warburg's was a very good firm to join 'cause it was full of international people who may have been very posh and very clever, the Oscar Lewisohns, the Herman Van Der Wycks, the, erm, Steven Kaempfer of this world. They were very clever, but they weren't snotty, snuffy, stuffy, in an English sense.

Q2: Yes.

A: And I found that very attractive. And indeed all the way through my City career I would say that the old school tie, which was very much there at the end of the '70s, early '80s, I saw very little of it. And the City has always been enormously attractive as a place where, actually it's about what you can do and how you get on, not about the old school tie. I've come across remarkably little old school tie in my career in the City.

Q1: In fact through your years, the very period where it completely withered away.

A: It withered away and went completely, the old brokerage, the old system. I just didn't really experience that. I did at Warburg's, but not Enskilda at all.

Q2: And so that idea of relationships to transactional, which of course, would feel as being you very Americanisation, but actually was having, was happening--,

A: It was happening elsewhere too. I mean, I think a lot of--, it wasn't Americanisation in terms of structure, but a lot of the really, the really good people that I remember at places like White Weld, Credit Suisse First Boston.

Q2: Yeah.

A: John Craven^{viii}. Erm, there were some very bright people who were, frankly, British, not American. And the people like David Mun-Gavin, who were behind the Swiss Bank or as it was developing then, there were some excellent people who took advantage of the structure. So Americanisation in terms of structure, yes, but actually, even back then the Brits were very, . . . there were some very clever people doing very clever things. And David Scholey^{ix} was absolutely aware of it and one of those luminaries who, I think understood very clearly what was happening in the market, and no doubt welcomed it.

Q1: At a sort of macro level in the background, Mrs Thatcher's arrived, we've got the competition enquiry, which had already started pre- Mrs Thatcher, was unfolding in the Stock Exchange. And of course, an obvious sort of navigation point is the scrapping of Exchange Control.

A: Yes.

Q1: Now did this--, [someone coughs], did you feel the immediate sort of effects of that?

A: We did, 'cause those of us who were at the time writing pink and blue tickets--,

Q1: [Laughs].

A: Because that's how we learnt our trade, on the bond desk or on the forex desk. Or a man, John Gifford, at SG Warburg. Yes, you immediately felt the effects of that on volumes.

Q1: Because, obviously, the wider point is that it opened up a large amount of capital that was going to come into London.

A: Yes.

Q1: Which probably you could argue that the London market was under-capitalised--,

A: Yes.

Q1: For its ambitions. But equally, it brought the competition. So were you very aware suddenly of a lot of big heavy boots and the big investment banks? Or--,

A: Not in our area in the Nordic countries. I mean we had one or two--, the one or two places were very good, and Morgan Stanley was clearly one, a man called John Hepburn^x, who is still there, was very active in the 1980s. He's still there to this--, and he's a remarkable man if you ever want to do a history of Scandinavia, well banking in Scandinavia. But Morgan Stanley were there. Citibank were clearly there, and there were one or two others. But on the whole 'cause we had our niche to play with, and particularly on the equity side there were very few players.

Q1: I recall the surprise when Salomon Brothers arrived. And having arrived they weren't in the City very long before they moved to Victoria.

A: Victoria, I know.

Q1: And people thought this was like moving to the West Country.

A: I know, well it was, it was. And then they quickly moved back again didn't they?

Q1: Well in time, in time.

A: Yeah. No, I mean the markets as a whole undoubtedly benefited from this enormous influx of people looking for new ways of making business, and particularly fighting against the old structures. So on the one hand you had some very, very successful firms coming through, and I would put Enskilda, if not in the middle of that bracket then certainly as part of that success in experiencing rapid, rising rapidly, growing in numbers, growing in profitability. Equally, you had some of the old-fashioned brokers who, until they were bought out, Scrimgeour Vickers were bought out by Citibank, or whoever it was, the dear old Morgan Grenfell and, erm, who bought, erm--, Oh, it will come back to me. But they, you know, if you were on that side you saw your business going and you were desperate to get bought out by the bigger firms, otherwise where were you going to end up? And it's just a--, so they were extremely fortunate.

Q1: With the notable exception, probably, of Cazenove, who stood alone.

A: Cazenove stood alone, although even eventually they succumbed.

Q1: Yes.

A: But they did, they were, absolutely were, they stood out as the exception to the rule. But Grieveson Grant, and--,

Q1: Yes, yes.

A: Who were the big name in Scandinavia, a man called Brian Knox.

Q1: Right.

A: Whose wife Lesley Knox^{xi} is still around. She is a NED.

Q1: And when you sort of put a sort of, a portmanteau term of Scandinavia, is it really mainly Sweden?

A: Sweden and Finland. My job was Finland. My job was Finland, Norway, Denmark.

Q1: Right.

A: We had tall, beautiful, handsome, blue eyed Swedes covering Sweden, and little tubby me. I was covering Iceland, Denmark, Norway, Finland. And we had--, so that was my concentration. And we had a, you know, a very good time in those countries. Nokia was one of our big early, of course. Wärtsilä was another. Huhtamäki, Kemira, Norstatter, ISS, all this used to be brought to London during that period.

Q1: And you were offering a whole range of things, so it could equity issuance--,

A: Yes. Even then--,

Q1: And Eurobond issuers.

A: Even then we weren't as good at cross selling different product as we could have been. Whereas now the whole game is about cross selling.

Q1: Yes.

A: If you do a bond issue then you want to make sure that you get the global custody business with their asset management side. Whereas--,

Q1: That's interesting, given that you were a--,

A: In those days we'd just--,

Q2: Sorry. You were a relatively small firm?

A: Yes.

Q1: And yet--,

A: Well, you see, we were relatively small in London doing our thing, and then the rest of the bank we slightly sniffed at, and looked down because they were, you know, they were commercial bankers.

Q2: Did you have a banking licence or were you just a security--,

A: We were a licensed deposit taker.

Q2: Ah, right.

[19'32" Changes of business practice; conflicts of interest]

A: But, I think that brings on to one of the biggest and most interesting facets of the '80s and '90s, which is the rise of conflict of interest in business. And when we put these things, these animals together we did not initially realise what a problem we were giving ourselves in terms of conflict of interest between the representer and the seller of the stock. And I think the growth of compliance, first in the equity division, and then in banking, has been one of the extraordinary growth industries of the last 20, 30 years. And then that all became because of the--, and I think it was an unforeseen consequence of Maggie Thatcher's Big Bang, was that such conflicts of interest were effectively created within the same firm going forward. And that, that needed compliance departments and, you know, and personal dealing rules, and all this stuff that we've been signing now for 25 years, but we did not back then.

Q2: No.

A: We never had so many rules.

Q1: And if we think of this period from '79 to '86, if one had retired in '78, '79, would it be fair to say by 1986 one would, couldn't say not entirely recognise the firm, but there would have been, [someone coughs], it was an enormous change over that period.

A: It was a huge change in terms of business practice.

Q1: Right.

A: And what was considered absolutely, erm, well remember, remember the early days of, erm, . . . I mean Guinness^{xiii} wasn't about insider dealing, Guinness was about share support.

Q1: Right.

A: In 1980, '81. And it was about improper share support, despite a law firm's opinion at the time that it was perfectly okay to do.

Q1: So there had been some legal cover?

A: There had been absolute legal cover. Ernest Saunders, and he did not do--, they did not take that operation without the legal opinion. And that in a way points to the conflicts of the time as they arose. Now that was slightly earlier that was 1980, so, you know, it was a different matter of insider dealing or the kind of Chinese Wall conflict, which became very clear later on.

[21'26" Regulation by the Bank of England]

Q1: The thing here as, I suppose, is always the case, the markets lead and then all the other sort of ancillary stuff, whether it's compliance or regulation sort of rushes to try and catch up.

Q2: Yes. Yes, exactly.

Q1: And the early days, again we have this sort of alphabet soup of different regulators. Did you bump into the regulators very much at that stage?

A: We did indeed. Well mostly Bank of England, and of course we were--, I handled the Enskilda's application to be a licensed deposit taker, so I had a lot to do with the Bank of England through that process.

Q1: Was that very formal or informal in those days?

A: It was, well it was both and-- It was certainly--,

Q2: Who was running the department?

A: Oh, erm, it was directed by a very fine lady whose name I can't remember. It will come back to me. But what was very good then was the quality of the conversation. When we spoke about what we Enskilda were going to do, they absolutely understood what we were trying to do and pointed out the potential difficulties; for instance, in booking a trade in one physical location, but booking the back office in another, which is what we've done from the very start. We had segregated and made ourselves as efficient as possible. So the Bank of England were tremendous at having a conversation, which understood the nature of banking. Whereas today, I'm not sure with the volume of business that they have going through the FCA or the

PRA, particularly the FCA, I'm not sure that they have the ability to have the level of people who understand what you're doing in the same way.

Q1: So, (a), they understood it, and it wasn't particularly formulaic, it was--,

A: It was, you know, oh yes, we understand what you have said, you've written some of this down, and therefore, yes we accept it.

Q2: And it was a dialogue?

[23'07" Authorised banks and licensed deposit takers; funding and growth of Enskilda Securities]

Q1: We should remind people who listen to this at some stage that we had a two tier system of authorised banks and licenced deposit takers.

Q2: We did indeed, yeah.

Q1: And some of the people who were licensed deposit takers railed against this because they felt that the Bank was creating a sort of lower division, and this was costing them in terms of, erm, paying for money in the interbank market.

Q2: Yes, absolutely.

Q1: As a sort of, dare one say, a second division name. Was that a big issue for you or was it mainly--,

A: Not for us at Enskilda, as I recall. I mean we participated in quite a lot of syndicated loans. We did quite a lot of--, we didn't do a lot of lending per se, but even then what we tried to do was to book the syndicated loan in Sweden and keep the fees for ourselves. You know, perfectly normal investment bank practice, nothing wrong with that. And, of course, it was a dialogue about how the fees, the upfront fees on a deal are--,

Q1: So the funding came from the Swedish company?

A: The funding came from the Swedish side, yes. So it wasn't a problem for us.

Q1: So you weren't a particularly active deposit taker in the London market?

A: We were not. We had that licence in order to help us to do all the things we needed to do, but it wasn't, er, it wasn't a fundamentally, fundamental part of the business. Running a balance sheet was never, has never been part of the business here in London actually. It still isn't today, we book everything in Sweden, one name trading, one name lending.

Q1: And over this period, [both talking at once], of starting, did it grow very rapidly? You said it was sort of 50, 60 people, did it stay that sort of size?

A: It grew, [clears throat], it grew to several hundred as we built up a bond team, then we built up an equities team, a full analyst team. So we could do the analysis on stocks in the middle '80s, and therefore sell to the clients directly. That was, in a way, the key was the research. The research, which then backed up the sales side to investors. And the big Electrolux issue of 1985 was remarkable because we both underwrote the whole deal and then sold it. So that

was when . . . one of the first deals in the whole market, which did not separate out the functions of underwriting and selling to investors.

Q1: It didn't particularly have any internal placing power though, was it all going out to other firms?

A: No, no, no, it was all--, we placed it all ourselves. We wrote our research and then sold directly to Morgan Grenfell Asset Management or whoever it was.

Q1: Oh, I see.

A: No, we were directly selling to the in--, therefore cutting out the brokers.

Q1: Yes.

A: Which of course, was the whole point of Big Bang. So we were doing that from '85, actually from '84, but sometime before . . .

Q1: And you alluded to the fact that the Stock Exchange was a bit iffy about some of this, but essentially you were disintermediating that part of the market.

A: We were disintermediating the brokers.

Q1: Right.

A: The Cazenove Group, in fact we worked with Cazenove very closely, but, [clears throat], Grieveson Grant, Scrimgeour Vickers, the, not that many in Scandinavia, but those who were, were disintermediating.

Q1: Just the--,

A: We didn't need them, we did it ourselves.

Q1: Yes.

A: And they could, [laughs], of course they were intelligent people, they knew exactly what we were doing, there wasn't much they could do about it. And then through Maggie's battle with the Stock Exchange, eventually it came round to that way of working anyway.

[26'10" LIFFE^{xiii}; futures trading at Enskilda Securities]

Q1: Another factor that grew up during this period, of course, is the start of the international futures market.

Q2: Yes.

Q1: Or LIFFE.

A: Yes.

Q1: And you as a firm, were you in at the start of that?

A: We've been very, -- we've always been very active in futures, and we were in--, we were in, er, how much were we in back in the middle '80s? I would have to look at--, drag my memory out and find--,

Q1: But you mentioned the swaps trading and all the rest of it.

A: Yes.

Q1: Obviously, there was quite a lot of hedging of swaps and FRAs^{xiv} through the futures market.

A: Yes.

Q1: So--,

A: Yes.

Q2: Yes, 'cause LIFFE was late '82.

Q1: Right. I always think it's earlier than that.

Q2: No.

A: But you know, even back in '82, '83, '84, we differentiated between currency swaps and interest rate swaps. And that the market was different between the two, and putting it together, there was no market as such, it was very much a deal by deal kind of arrangement.

Q1: Right. [Telephone ringing].

A: So futures as such really grew up, erm--, apologies for that on the microphone. We've just lost one of our two interviewers as he rushed out to take an urgent phone call. Anyway, let's carry on.

Q1: Yes, no, and so, a lot is going on in quite a small firm really, across a whole range of things.

[27'24" LIBOR rigging scandal^{xv}]

A: A lot, but again, I think the beginning, erm, you know, things which weren't a problem before-- I mean look at the whole rigging of LIBOR.

Q1: Yes.

A: Rigging LIBOR wasn't a problem when you didn't have different people arguing for different sides of the rigging, as it were.

Q1: You could have argued that there was a certain amount of creativity in who you selected as your reference men.

A: But you were talking such small--, and there was no fundamental--, somebody with billions of pounds worth or billions of dollars wanting to see the market go one way or another, you didn't have that so it wasn't a conflict. So there was very little rig--, very little effectively oversight of how LIBOR was controlled rather than set.

Q1: It was much more formalised and organised to a focal point, and then everybody started using it.

A: Absolutely. And it was a very effective way of setting interest rates for a very long period. Until, [laughs], and that's why I said about the rise of the need for compliance departments, which has been an absolute feature of all our lives, particularly in the last ten years.

Q1: It's an element of human nature isn't it, for people to game the system.

A: Yeah.

Q1: And so when you have something like a LIBOR fixing, you know, it's very tempting I'm sure.

A: I'm sure it meant--,

Q2: It wasn't until there was nil liquidity.

Q1: Yeah.

Q2: There wasn't a market.

A: Yes that's right. Well there wasn't the need for it.

Q1: Yes.

A: There wasn't the need even to think about it.

[28'48" Technology in the 1980's and its problems]

Q1: Parallel to all of this as well, Roger, technology, was it fairly steam driven when you started at Warburg's or was it?

A: Well we thought we were very clever with our HP-12Cs. And I have an HP-12C on my actual mobile phone. So, you know, little bond calculators that we used, which it's extraordinary that I can now get the whole programme on here, use it as my HP-12C. And we thought we were pretty nifty--

Q1: And that was quite a-- that was, again for a historic point of view, that was quite a neat sort of high end pocket calculator.

A: Yes.

Q1: A bit more than that really.

A: Well we could work out your bond prices on it.

Q1: Yes.

A: And then of course, we had our AIBD^{xvi} bond calculators.

Q1: Absolutely.

A: But we didn't--, computers didn't really get going did they. Wang, we had a Wang system in. It was there in the '80s, but didn't really get going until--,

Q1: What about the information systems? Did you have a solitary Reuter's screen or had you already started to--,

A: We had quite a few Reuter's screens. We had Telex, of course.

Q1: Oh, of course.

A: And then fax, which was dreadful because it kept on fading and you had to, we had security concerns around fading faxes. But we had, we certainly had, erm, we had Reuter's terminals, we had . . . when did Bloomberg come in? It must have been later.

Q1: But there was--, so we've got a, again there's a big technological growth going on in --,

A: Particularly in the '80s, yes, yes.

Q1: And so, in a way there may be an advantage for new firms with a greenfield site getting all the best kit and equipment and stuff in, do you think?

A: Yes. I'm not sure, I think we weren't as sophisticated as that. And on the equities side I would say it's always been slightly less, a bit more kind of, erm, a bit more avant-garde than the bond side, where the bond you would calculate things down to the last basis point. Then by the great crash, erm, Black Monday^{xvii} was computer driven, it was the very first computer--,

Q1: Programmed trading.

A: Programmed trading.

Q1: In '87, yes.

A: And that's '87, so I mean that's quite a long time, that like 20 years ago now, computers--,

Q2: More than 30.

A: Computer trading actually was responsible for a fairly major disaster. I mean, well major disaster. So I mean that's, that was technology unbound. And yes, we were living through that in that world.

[30'57" Client relationships; Scandinavian banks' cultures and markets]

Q1: What about the clients? Do you feel the clients were getting, dare one say, better educated because of a large number of now innovative firms and the relationship point was breaking down, and people now didn't see a one to one relationship with their main merchant bank or their main broker.

A: In the same way.

Q1: And so, now the clients are in many ways, erm, much sharper and much more market savvy. Would that be true to say?

A: Erm, I mean I think the relationship with your banker, particularly your commercial banker, but also with your broker and your investment banker, I think that lasted quite a long time. But the individual firms, of course, did change, and the individual firms had to get pretty savvy. And by 1990 most, all the big firms, I think had bought up or been bought up and formed the kind of the unitary structure, which was typical of the post Big Bang.

Q1: And as I say, I'm thinking from the client point of view, so the typical FTSE 100 company and their treasury and their finance department, did you sense that they were sort of, erm, more aggressive in their terms in the market place?

A: They probably were. Er, again, working with Scandinavian companies we'd always felt there was a lot of competition, although sufficient competition, and there was never an easy ride. So I don't think we ever felt that we were, you know, there were no, . . . there were very few cosy relationships there for us that we could just rely upon.

Q1: Right.

A: In fact, the way that the Wallenberg family of companies works they are very close, but there was also, always this, I think a slight Swedish, erm, inferiority complex that if it's called Morgan Stanley it must be better than something which starts Skandinaviska Enskilda, [laughs]. Which was very annoying indeed. We didn't agree. But there was, I think, a pretty healthy balance on the whole between thinking you've got to use the local bank company and using somebody else.

Q1: In retrospect, did you say that Enskilda would have been a very attractive firm for one of the big banks to have tried to buy?

A: Yes, absolutely. And if it hadn't been 100 percent owned by SEB from 1986/87 when the original team basically was bought out and moved on, erm, I think it was a very attractive. Again, we were very niche, we were very much just the Nordic area. There was plenty to do there and that was our area. We weren't expanding into--, we did actually expand a little bit into some, the French and German stock, but not to a high degree.

Q1: So anybody who wanted to build, you know, you had a big American wanted to build up a Scandinavian presence that would have been a one stop shop, but just wasn't available to do.

A: It just wasn't available to do. There were others that were bought by people. There was, erm, ABN Amro famously bought Alfred Berg in the early '90s. And I think Carnegie was bought up by one of the others. And I think there were, there may have been several deals, some of the Norwegian brokers, I think were bought out. But they didn't, you know, it's a very, it's a very specific market and I don't think they found it a very easy ride. Certainly ABN Amro didn't find it an easy ride with Alfred Berg.

Q2: And of course, one of the problems of the mergers was the different cultures, whereas of course, you were, you know, you were a Scandinavian bank right the way through.

A: We understood Scandinavia right from the very beginning. We understood the way the Finns and Danes, and Norwegians were different and how they worked. And we were operating on each of those individual exchanges as well.

Q2: Do tell.

A: So, oh, they were very different. Oh yes, they were thoroughly, thoroughly different, awful. Five of them if you include Iceland, Iceland is tremendously independent. So I mean they all

have their own characteristics. And also the markets are quite different. I mean we aren't a bond culture in this country, we don't go out and buy bonds for fun. Denmark and Sweden, they'll go out and buy municipal bonds as part of the kind of, you know, pop into a bank and buy a City of Stockholm bond. They do that. I mean we don't, we have fixed rate deposits, we tell our IFA^{xviii}, oh just leave it in cash or put it in the building society or, yeah, maybe if you're big enough you'd have some in gilts^{xix}, but most of us don't necessarily have big gilt portfolios 'cause we're, you know, we might tell the broker to put some in fixed income. You know if a fixed income broker they'll say, oh that's fine, you did ask, and just let it happen. Whereas--,

Q1: I'm just thinking also, there's a currency element here. You've got, obviously, not all the countries have joined the euro, but obviously--,

A: On the contrary, I mean they--,

Q2: Only Finland.

A: Only Finland. Sweden's completely--, Denmark's tied^{xx}.

Q1: Yes, and yes, the Danes have got quite a tight [both talking at once]--,

A: Danes are very closely pegged, and Norway is independent too.

Q1: And were there--, I mean I, again from vague memory as an observer not taking part in that market place, but there were blow-ups in some of the cross-currency moves in Scandinavia from time to time.

A: There probably were.

Q1: Yes, I think there was a lot of speculative trade, particularly between Norway and Sweden because, obviously, Norway was becoming this big sort of wealth management outfit--,

A: Yes, effectively.

Q2: Effectively.

A: And therefore there are no bond market.

Q1: Yes.

A: It was all about stocks. It's all about equity. Shipping stocks, oil stocks, whatever in Norway. So again, a very different market from Sweden, which was a balance between the two. Denmark, primarily debt.

Q1: Yeah, they hardly needed to raise capital.

[36'08" Big Bang and Enskilda Securities]

A: They didn't. I mean, I think the history of Scandinavian banking is another fascinating history, but if we're talking at the moment about 1987, 1986, and the rise and then fall, if you like, of the firms like Warburg's.

Q1: So in a way your firm is quite unusual because when we've spoken to others about Warburg's, they made the point that they were very early to put the pieces of the jigsaw together, so they were in place--,

A: Which they did, they bought, well they bought Mullen's, and they bought, erm, Akroyd & Smithers, Rowe & Pitman, yes.

Q1: And you think, obviously, when things at BZW^{xxi} went, er, Wedd Durlacher and, erm--,

A: Yeah.

Q1: Er, de Zoete and Bevan.

A: Yeah.

Q1: And BZW. But those were things that were welded together, and I think there was a cultural point. Rather unusually, Enskilda was sort of started with that sort of premise.

A: We did.

Q1: Were there anybody else quite like that?

A: Well, there were one or two others, and you would again, you'd have to check their history, but I'm pretty sure that Credit Suisse, White Weld, and Swiss Bank also opened in London in the early '80s. They were all, effectively, I think with a very similar structure.

Q1: Right.

[37'15" Scandinavian companies as family businesses]

A: But there weren't any who were perhaps quite as assertive as Enskilda because we had this Nordic niche, which--, and Nordic companies at that time were largely undiscovered. You know, there were a few stocks, which were understood, but the voting structures around them with A and B shares, and sometimes very limited voting control over kind of [both talking at once]--,

Q1: A lot of family businesses.

A: Absolutely. So it was complex. And for people to understand that and get into it you really had to know what you were doing. So we had a niche to play with, we had a very new market, which was extremely exciting to explore because they were very good companies, they were fantastic, a growth of post war Swedish companies to play with. And we had a kind of an organisation in London through Enskilda, and then in Stockholm, which was a sister organisation, to take advantage of it. So we had a lot of fun. We really had a lot of fun, [laughter]. And I don't mean just raucous cowboy banking, I mean it was very exciting 'cause we were discovering gems of industries, and gems of companies, and bringing them to the market.

Q1: And it was, for good or ill, a huge opening out, for some would argue a golden age, others may say less so. But the market place from 1979, say '89, and certainly '99 was completely transformed.

A: Absolutely.

Q1: So it was an exciting time to be in the City.

[38'30" The beginning of compliance departments]

A: It was tremendously exciting. Even with, as I say, there's the rise of the conflict of interest, the rise of the compliance department and the need for compliance. I think it's another fascinating history because, you know, okay, we had one person in compliance at Enskilda at the end of the '90s probably. One person who was overlooking personal dealing and insider trading. You know, by the end of the '90s it must have been four, five, six people. But nobody in banking. And now the big operation is all around banking and compliance in banking.

Q2: And we have the same story with Oscar Lewisohn.

A: I'm sure.

Q2: You know, they actually, yes, got one person became the new--,

A: Yes.

Q2: Compliance person. Wow.

A: Yes.

Q1: I first heard the term in Barings in 1985.

A: Yes.

Q1: And somebody had been appointed, a QC of all things.

A: Yes.

Q1: And, [laughter], nobody could understand what on earth he was going to do.

A: He was going to do. Saying, for God's sake, what a waste of money.

Q1: I think they sort of parked him in the company's secretary area.

[39'25" Internationalisation of the City; future of the City post-Brexit – wealth management, project finance]

A: But what has been fascin--, I mean the history of the City of London beyond '86, of course, we've seen this extraordinary rise of the foreign banks, and we've had a,-- I don't know what percentage of activity in London today is international, but it must be higher than any other market in the world, possibly, for its size, possibly maybe there are one or two like Luxemburg, which are tiny, much more. But it's where we are today in terms of the banks that are here and the changing nature of business, which is that banks are more and more putting assets, booking the assets where they want to see the risk placed. And I don't think we'll ever again

see the concentration of assets we had in 2008, where London was such a focal point for international assets booked here. That's already changing. It was before Brexit, and it is after. And what we're seeing, I think going forward, is the fantastic opportunity in wealth management. And we will see London, wealth management is one of the greatest success stories in London in the last ten years. We've gone from three and a half trillion pounds under management to nearly ten trillion pounds today. And that can double again as people see London as a safe place to do business, rule of law, excellent expertise in everything from accountancy and actuarial, and analysis. But they won't necessarily be booking the liabilities, the liabilities and assets, but the banking loans in one place as they did before.

Q1: So funnily enough, capital won't be quite so important, it will be more an advisory business would you say?

A: It will be, well capital will be, capital will be important, and again, investment capital will be important. So, I would hope to see it would--, and if I was in, if to the extent I have influence in the City of London Corporation. It's around persuading the build up of a cluster of businesses around project finance or around green finance, or around, erm, or around oil and gas exploration that you have all the different services you want in one place, which we already have. Take the marine sector, for instance, or take the offshore sector. A fantastic concentration of advisers and ability here, particularly lawyers, loads of international law firms based here, who then use London as the kind of a base for all the expertise they need. And English language, and building up a--,

Q1: So you build all these critical masses that way.

A: Absolutely.

Q1: And then they sort of become self-fulfilling because it attracts more business and more--,

A: Absolutely. So we see more and more money being managed out of London. People call it the Singapore of, of the, you know, Singapore by any other name, but actually it's much, much, much more than that.

Q1: Yes.

A: 'Cause we're talking about deal doing, and we're talking about--, Luxembourg's a great place to list your bond, but nobody, [laughs], nobody, erm, you might list your bond there, but the deals are always conducted and arranged, and financed somewhere else. And we want London to be the place where they arrange--, wherever they're booked, wherever you're booking your assets, it might in Sweden, it might be in Switzerland.

Q1: And this is--, This is the sort of, almost the value chain argument isn't it, of moving from manufacturing services and then high end services.

A: Yes. Yes.

Q1: Because you constantly want to replicate that. Oh sorry, you want to do things that others can't easily replicate.

- A: That's absolutely right.
- Q1: So you can't have somebody like Dubai suddenly say, oh well, we're going to be a big international centre--,
- A: Yeah.
- Q1: Overnight.
- A: Yeah.
- Q1: It just doesn't work like that.
- A: Yeah. Yeah.
- Q1: You've nicely brought us on to this thought of after the period we're talking about we always ask our interviewees about thoughts of the future or where we are, or any kind of personal comments you feel about the financial industry. Do you have any--,
- A: Well I feel very, I feel very positive for the City because, I think it's a clever place. And as long as we remain attractive to people to come and work here. I'm not worried about Brexit at all. I think we've already decided Brexit is, whether it's happening or not we don't really--, it doesn't really, you know, we've all made the arrangements that we need to make. And we as a small European, relatively medium sized European institution we've already applied for third country branch status. It's all in place, it's all done, we know exactly what we can and can't do going forwards, it doesn't make a big disruption. So it's, in a sense, I think the City is clever enough and will be resourceful enough to find new ways to--
- Q1: It can just sort of change shape quite, in an agile way.
- A: And I don't even think it matters terribly if we lose a few bankers to other sites like Paris and Frankfurt. Let them go, and they can take the assets with them so that when the next financial crisis comes we can share some of the problem around. It would be very, very rude. Whereas asset management, wealth management, private wealth management, is absolutely core.
- Q1: Do you think, maybe in the world of 24 hour technology and moving risk round the globe and everything that one of the big gainers from any, let's say, relative decline in London against other centres might be New York? Is New York really the big competition?
- A: I think New York is, is often said to be the kind of the just ready to take a lot of what London does. And I have to say, I think that's more credible than saying it's going to Paris or Frankfurt. If there's international money as opposed to European business, international money to be placed I would look very hard at Singapore and Hong Kong, and New York. I would also look at Tokyo because, I think, Tokyo is much under-played as an international capital man--, market, as an international capital wealth management centre. But New York is a very attractive place. Barring the strictness of the regulator and the kind of ferocity of the fine setters, it's an attractive place to do business. And I was there two weeks ago and, I think

it's, you know, there's every reason to think that New York can take advantage. On the other hand, I'd argue very strongly for London. I don't think we'd ever see one financial, global financial centre, we're going to see lots of money moves between them doing different things in different places. And I think London is one of those that--,

Q1: But you would identify wealth management as the new skill centre?

A: Not, well, again not so much new, but, I think that managing the world's wealth, managing the world's assets, erm, whether it's pension funds or whether it's, erm, or whether it's life insurance, or whether it's simple plain forward private wealth, I think there is a tremendous opportunity to grow that even further than we have. As I say, kind of three and a half to ten trillion, for me it can go from ten to 20.

Q1: It's fees.

A: It's fees, it's jobs--,

Q1: Yes.

A: It's analysts, it's, er--,

Q1: And it's high end jobs as well.

A: [Coughs]. Yeah, absolutely is.

Q2: We've done a--, We've covered the world. And I notice that you have a piece of paper with one or two thoughts--,

A: Well I had noticed--,

Q2: And I just wondered whether you--, is there anything that--,

[46'00" City of London attributes: regulation; anti-money laundering; concentration of international legal firms]

A: No, I think the--, I tried to do a bit more work on the compliance side and the risk, erm, managing risk 'cause, again our London's or every firms reaction to the issue of conflicts of interest and risk, and having the trust of your client, it's paramount. And I do think the Bank of England has led, through the FSA, through the FCA, FSA, FCA, and through the PRA^{xxii}, they've led the world in finding, finding the truth. Finding how we should be conducting our business. We can always do it better. Anti-money laundering is absolutely, KYC^{xxiii}, absolutely we need to get better at these things. London is a very attractive place for foreign money to come, we need to be hot as hot as hot on anti money laundering and that side of things. But on the other hand, we are trying very hard, we're not shirking the problem. And everybody who comes here to do business knows that. And I don't, you know, I'm not saying that any other sites are shirking the business, it's just that I think we've gone a lot further.

Q1: Do you think it's a first mover advantage sort of thing?

A: I do, 'cause I think the standards are set here. And that's why, you know, we currently have 250 foreign law firms in London. 250 foreign law firms. What are they doing? I mean they're here because of international law, because of arbitration, dispute resolution, but they're here also 'cause they know this is where the rules are being set. I mean that's an optimistic London view for you, but, erm, [laughs].

Q1: Well we like optimism.

Q2: That's a good note in which to end. Thank you very much, Roger.

A: Very interesting to try and remember back to these good old days. Particularly Warburg's actually, did we talk enough about Warburg's?

Q1: Probably.

A: [Laughs]. Some great characters. I mean maybe one shouldn't get onto stories about Warburg's, you know, people throwing telephones out the window, there's quite a lot of good stuff, [laughs].

GA: We'll come onto that another time.

[END OF RECORDING – 0:47:46]

ⁱ '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'.

ⁱⁱ The Enel Group is an Italian multinational energy company, Europe's largest integrated utility by capitalisation.

ⁱⁱⁱ Sir James Leigh-Pemberton became CEO of Credit Suisse in the UK in 2008. He was knighted in 2019.

^{iv} Manufacturers' Hanover Bank

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^{vi} James FitzRoy, Earl of Euston (1947-2009), was an executive director of Enskilda Securities (1982-87)

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- ^{vii} Hilmar August Reksten (1897-1980) was a Norwegian shipping magnate. In the autumn of 1973 he was counted among the world's richest men, possessing a fleet worth about £300m. At his death, all was lost; he left behind debts of about £100m. He was charged with tax fraud in 1979 and his bankruptcy proceedings continued until 1993.
- ^{viii} John Craven (1947-) joined SG Warburg & Co Ltd in 1967, and an executive director in 1969. He became Group Chief Executive of White Weld & Co Ltd (subsequently Credit Suisse First Boston) from 1975 to 1978 and a vice chairman of SG Warburg & Co Ltd in 1979. In 1981 he founded Phoenix Securities Ltd which was acquired by Morgan Grenfell Group plc in 1987 when he took on the role of Group Chief Executive of Morgan Grenfell Group plc.
- ^{ix} David Scholey (later knighted) (1935-), former chairman and chief executive of S. G. Warburg and was a director of the Bank of England from 1981 to 1998.
- ^x John Hepburn became Vice-Chairman of Morgan Stanley.
- ^{xi} Lesley Knox is non-executive director of Legal and General Group plc, Thomas Cook Group plc and Genus plc. She previously served on the boards of Alliance Trust plc and Grosvenor Group as Chairman; Hays plc as Senior Independent Director; Non-Executive Director at Signet Jewellers, MFI Direct Limited and Centrica plc; and Chair of the Remuneration Committee for SABMiller plc.
- ^{xii} The Guinness share-trading fraud was a major business scandal of the 1980s. It involved the manipulation of the London stock market to inflate the price of Guinness shares to thereby assist Guinness's £4 billion takeover bid for the Scottish drinks company Distillers. Four businessmen were convicted of criminal offences for taking part in the manipulation. The scandal was discovered in testimony given by the US stock trader Ivan Boesky as part of a plea bargain. Ernest Saunders, Gerald Ronson, Jack Lyons and Anthony Parnes. (Wikipedia)
- ^{xiii} The London International Financial Futures and Options Exchange opened on 30 September 1982.
- ^{xiv} Forward Rate Agreement is an interest rate derivative.
- ^{xv} The LIBOR scandal, which came to light in 2012, involved a scheme by bankers at many major financial institutions to manipulate the London Interbank Offered Rate (LIBOR) for the purposes of profit. The LIBOR, which is calculated daily, is supposed to reflect the interest rate that banks pay to borrow money from each other. It is also the basis for determining the rates charged on many other kinds of loans. (Investopedia)
- ^{xvi} Association of International Bond Dealers
- ^{xvii} Black Monday occurred on October 19, 1987, when the Dow Jones Industrial Average lost almost 22% in a single day. The event marked the beginning of a global stock market decline, and Black Monday became one of the most notorious days in financial history. By the end of the month, most of the major exchanges had dropped more than 20%.
- ^{xviii} Independent Financial Adviser.
- ^{xix} Gilts are bonds issued by the British government.
- ^{xx} The Danish krone is pegged (tied) to the euro.
- ^{xxi} Barclays' first investment banking arm was established in 1985 under the name Barclays de Zoete Wedd (BZW). It was formed through the merger of Barclays Merchant Bank with a UK stockbroker de Zoete & Bevan and one of the London jobbing firms Wedd Durlacher.
- ^{xxii} Financial Services Authority (2001-13), Financial Conduct Authority (2013 -), Prudential Regulation Authority (2013 -).
- ^{xxiii} Know Your Customer.