

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: Potter

Title: Mr

Interviewee's forenames: David

Sex: M

Occupation: Banker

Date of birth: 1944

Father's occupation: Teacher; Housemaster, Bryanston School
Mother's occupation: Housewife

Date(s) of recording: 19.11.19

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Name of interviewer: John Thirlwell, Gerald Ashley

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Moved to White Weld as a CD trader; Saudi Arabia; IOS flotation; London of centre of finance	#00:02:54#
Headhunted in 1981 by Samuel Montagu; Stefan Gadd	#00:07:16#
Big Bang; US banks; Credit Suisse owned a third of White Weld; Merrill Lynch attempted to buy White Weld; John Craven; Rainer Gut; eurobond market; commissions for origination and execution	#00:08:16#
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Interviewee: David Potter

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

Interview Date: 19 November 2019

[0'00" Introduction and biographical background]

Q: Interview with David Potter. Interviewers Gerald Ashley and John Thirlwell. The date, 19th of November 2019. David, here we are.

A: Hi there.

Q: First question –

A: Yeah.

Q: At what year – sorry, which year were you born?

A: 1944.

Q: And your parents, what did they do?

A: They were both schoolteachers. My dad was a housemaster at Bryanston, so I was – lived at Bryanston all my life really.

Q: And so, obviously your school was Bryanston and then after that?

A: Well, I was – I've been a governor for twenty-five years, I'm now chairman of the Foundation, I'm a Fellow of the school. I've been there since I was four years old, in a nutshell.

Q: [Laughs] And after Bryanston?

A: After Bryanston I went to University College, Oxford to read PPEⁱ, and then I took the first job I was offered in the City; really as an act of rebellion against my father who thought I should be a schoolmaster, and I thought people in the City seemed to do okay.

[01'20" Started working with National Discount; the beginning of CD and euro markets]

So, I worked for the National Discount Company on a salary of £600 a year. My first wife at the same time as me, joined the Foreign Office on £800 a year.

Q2: Which year was that? '65?

A: That would have been – we were twenty-one, that would have been '65.

Q2: Yes.

A: Yeah, '65. So, I spent three years at the National Discount – four years at the National Discount Company during which the eurodollar CDⁱⁱ market was created and the Sterling CD market was created, and a guy called Donald Shaw and I made a proposal to the board that we should go into these new markets 'cos the discount market was a pretty boring place, you know, turn up at nine-thirty and finished at half past three. And so, anyway, Enoch Powellⁱⁱⁱ who was a director, took us both out to lunch and said, "I want to understand what you're try – what is this euromarket and what's this all about?" and we told him, and he thought it was a good idea. So, he backed us interestingly, he gave – the board were very dubious 'cos, you know, something was changing, and nothing ever changed in the City in those days. So, anyway, so that's – we set up this department and Donald and I on the first day we had – we were doing sterling CDs and dollar CDs, and we thought actually it would probably be

sensible if one of us did sterling and the other did dollars. So, we thought yeah, so how do we decide? So, we tossed a coin. I got dollars, he got sterling, so the rest is history. I mean, completely true that Enoch Powell and the toss of a coin definitely were a big factor in where I ended up.

[02'54" Moved to White Weld as a CD trader; Saudi Arabia; IOS flotation; London of centre of finance]

'Cos after a year or so of doing that, the number one CD trader was White Weld and they were looking for a new dealer, and I saw an advertisement, didn't name them, said "leading CD" and there weren't many. And I rang the head-hunter and I said, "Look, if that's White Weld, I'm interested," and they said, "Well, we can't tell you." I said, "Well, fine, but I'm just telling you, if it's White Weld, that's the only place I'd go. I can't go to the other dealers 'cos they're discount houses anyway." So, cutting a long story short, Stani Isokovich 0:03:26] hired me in 1969 to be a CD trader, and that – and then, you know, 'cos in those – within a year or two, you know, CDs, eurobonds, everything was – the whole **[Euro mine 0:03:40]** was growing like mad. And of course, in those days we did a bit of everything, you know, we – I ran off – I did a lot of work in Sweden getting eurobond mandates, you know, I went to the Middle East to try and flog eurobonds and CDs to newly rich Arabs. I made the first trip to Saudi Arabia to see the monetary agency in 1971, two years before the oil price increase. Nobody knew where Saudi Arabia was in those days, and –

Q2: Was that a very profitable market 'cos there were few players at the start?

A: Very few players –

Q2: So, quite nice margins and –

A: We – there was one bank, it was the Swiss Bank Corporation, was on the list of – SAMA^{iv} had a list of ten banks that had been told to them by Morgan – I think it was J P Morgan, Barings and Fleming^v, I think, who were – advised them at a senior level, there are ten banks in the world that are safe to put your money in. And one of them – Swiss Bank Corporation didn't know. We sold hundreds – no, but millions and millions of CDs to SAMA of Swiss Bank Corporation, and they had no idea who our client was, 'cos that –

Q2: [Laughs] Sitting nicely in the middle.

A: We were just sitting in the middle taking the commissions in. Around that time, a little bit before that, IOS^{vi} floated and, you know, that was a euro flotation and they were – you know, and we made a market in them. And I'll never forget, once – I had two telex machines side by side like that and the Amsterdam Bank on the one hand was trying to sell 10,000 shares, and the Rotterdamsche Bank, the other side of the canal in Amsterdam, were buying. And I crossed 10,000 shares with a half dollar share margin, between two banks across – which always to me epitomised, you know, London being the centre of finance.

Q2: Yeah, and makes the broader point that all this capital found its way through London, didn't it?

A: Yeah.

Q2: To recycle it.

A: Recycle, absolutely, absolutely. So, you know, that period, that early White Weld – well, really throughout the '70s was all about these – hugely growing market, obviously the bond

market was the sort of real driving thing, CDs were a bit more sort of pedestrian. We got a banking licence, we got into foreign exchange, we got a money management business, we used to manage some – what were they called – offshore insurance companies in Bermuda. It was rather nice 'cos every three months you'd get a little trip out to Bermuda.

Q2: The reinsurers.

A: Reinsurers, that's right. That's right. And, you know, we did our first corporate finance deal. We sold an American company to Sandvik in Sweden. It was all – you know, and we all did everything. You see, when you look – when I look at – somebody says to me today, "Yeah, I'm head of buy-side Iberia CDs for JP Morgan," I think, how utterly boring.

Q2: Yeah, so it's a very broad canvas.

A: Absolutely, it was totally broad canvas. I mean, you know – and there was no – I mean, the work needed regulations, I mean, we didn't have trading limits. I mean, you know, as far as I recall, you know, we bought and sold –

Q2: And that may have been before Herstatt^{vii}.

A: Herstatt was in the mid '70s, wasn't it?

Q2: '73?

A: '73/'74 or something. The first crash I saw was the Australian mining boom in '69/'70^{viii}. That was – so I've seen quite a few crashes, but that was the first one which was an equity crash quite a long way from London. But, I mean, you know, that was just like every other – you know, over-expectation of Poseidon, you know, went for whatever it was, threepence to a hundred pounds, back down again, back down again.

[07'16" Headhunted in 1981 by Samuel Montagu; Stefan Gadd]

So, that was the '70s really, it was all about that, and then I got – in '81 as you correctly recall, I got headhunted to go to Samuel Montagu by Stefan Gadd, the Swedish guy who'd founded Scandinavian Bank – or would have been first Chief Executive –, and he'd just been hired to try and sort of re-energise Samuel Montagu, which was the only accepting house that belonged to a clearing bank. In those days, Midland weren't even allowed to have a director on the board. I mean, it was very – they were separate, but they'd hired Gadd to try and goose it up a bit. And he thought, well, the best way of putting ourselves on the map is to have a eurobond business 'cos that's the sort of growing thing, so –

Q: Before we pick up sort of '81 and then a bit later, so you were a CSFB –

A: Until '80.

[08'16" Big Bang; US banks; Credit Suisse owned a third of White Weld; Merrill Lynch attempted to buy White Weld; John Craven; Rainer Gut; eurobond market; commissions for origination and execution]

Q: I'm thinking about – 'cos our project is really from '79.

A: '79, yeah.

Q: What are your reflections of – right at the beginning of the run up to the Big Bang?

A: I mean, actually as we're talking and you're talking about that, I'm sort of slightly surprised mentally that it was such a long time before Big Bang happened. I mean, I remember the City

– you know, things were sort of – there were rustlings around and – foreign banks and all the investment banks had finally arrived in London. I forget when – Goldman^{ix} was about the last one to come, I think they came in the late '70s. Morgan Stanley moved from Paris to London, you know, the Salomon Brothers opened in the early '70s, you know, it's hard to imagine that London didn't have any American investment banks.

Q2: It didn't –

A: You know, until the late '60s, early '70s.

Q: Yeah, correct.

A: And of course, there were all the other state banks coming in, of course, because of the state banking rules, you know, there were more – if you remember, there were more American banks – by 1979/80 there were more American banks in London than there were in New York.

Q2: Yes, yes.

A: Because all the regional Illinois and California, they were all in London. I mean, scratching my brain, I can't remember – in the late '70s, I mean, we'd – we were very much more focussed on – we did the deal with First Boston in '78 where we cut our ties with White Weld in New York and so, sort of '78/'79/'80 was sort of bedding down quite a complicated relationship with First Boston.

Q2: Did that make you a much bigger shop in London as you were –

A: Not particularly, no, it didn't make a lot of difference in London. It was basically – it was I suppose, part of the global – wanting to be – White Weld in New York had been going downhill and, you know, we were worried about it. We were going uphill and, you know, we had the Credit Suisse behind us, and we owned a third of White Weld, and they owned a third of us. And I can't remember what the actual spur for it was, but in a nutshell – oh, it was the arrival of Merrill Lynch, that's right, Merrill Lynch wanted to buy White Weld and we didn't want to be – have Merrill Lynch as a one-third owner, so we refused and went to do the deal with First Boston, and that was in '78. So, I think – I mean, my principal memories of those two or three years were more of edgier meetings with First Boston, and Craven walked out, you know, didn't like the deal. There was quite a lot of internal frictions going on. We'd had a rather strong position because I forget when Chiasso^x was, Chiasso was a bit before then, mid '70s?

Q2: Yes.

A: Can't remember exactly which date and – well, of course Credit Suisse was suddenly the pariah, you know, there was a huge –

Q2: There was a big scandal . . .

A: Big scandal, so – and Rainer Gut^{xi} took the top job at Credit Suisse and was trying to restore their reputation, and our success in Eurobonds, top of the league tables and all that, really helped the Credit Suisse and – so, we had a lot of freedom, quite a lot of power, sort of emotional power, if not financial muscle. So, I think the issues that were concerning us were much more sort of – was more this three tripartite relationship. There's an article that Institutional Investor published around that time I would think, called the *The Three Faces of*

Credit Suisse First Boston. Looked at from the Swiss point of view, the American point of view, and our London point of view, and they're all quite different.

Q2: But it was a successful operation, wasn't it?

A: Yeah.

Q2: Whereas one thinks of similar ideas and think of Warburg, Paribas [inaudible 0:12:28] And that never really took off, did it.

A: And I think the reason probably – I think there was a real – from the very top there was a real intention to make it work despite ripples. I mean, Gut got a complaint once that I'd been into the Reserve Bank in Australia pitching for something, and the next day somebody from Credit Suisse had been in pitching Swiss franc bonds and what the fuck was going on in this group? Sorry about that. And Rainer Gut simply said, you know, "I'm absolutely delighted that within my empire, you know, two people are pitching you for your business. I hope you gave business to both of them." You know, many flowers can bloom in the forest and – but there was always a creative – those sort of creative tensions, because we had – the transatlantic deal was, if I remember right, one-third for origination, two-thirds for execution. So, whoever originated a deal got a third of the commission, and whoever executed it, if it was different, got two-thirds. So, if we originated and executed a eurobond in London then we got the whole lot, but if somebody in New York got a mandate from El Paso Natural Gas to do something, then they'd get a third and we'd get two-thirds.

Q2: Right.

A: But there was always a state of creative tension and that got exacerbated in around '78/'79 when Hans Rudloff^{xii} joined.

Q2: Right.

A: Because he was both controversial before he joined, and his style was quite confrontational and, you know, a number of us weren't terribly happy with that. So, I was quite sort of ready to move on, the atmosphere wasn't getting – Craven^{xiii} had left, Steve Lynch, Michael von Clemm^{xiv} had left to go to Merrill, you know, things weren't – wheels were coming off a bit, and there was tension.

Q2: And so, you then moved –

A: And so, I don't remember much about the origin of Big Bang really until I got to Montagu where – you know, then it was sort of beginning to build up. And then I could see – I was in the – you know, with the eurobond market, single capacity as it were.

Q2: Yes.

Q: Yes.

A: Looking at – and I suppose that's why Stef had asked me to get involved, you know, as we were trying to figure out our strategy, 'cos we were kind of used to the Eurobond side –

Q2: 'Cos it wasn't a brokered market in that sense, was it?

A: No, it wasn't a brokered market at all really, there were no brokers, it was all –

Q2: It was on a direct basis with . . .

A: Direct basis, you know – and, you know, we'd started – at White Weld, we'd started the

market making with Walter Koller and Ossie Grübel^{xv} – I mean, when I joined White Weld, going back – I mean, to think there was Ossie Grübel who was guttural, barely spoke English, but very germanically, as the deutschmark bond trader. If somebody had said he would run two Swiss banks, I'd have bet my life against it [all laugh]. I mean, he's still around, he'd be an interesting guy to get to. Did you ever speak to Oswald?

Q: No, not at all, no.

A: He ended up running Credit Suisse and running Swiss Bank Corporation, two of them.

Q2: They have a history of sometimes having trading types run banks.

A: Yeah.

Q2: Usually. Marcel Ospel^{xvi}, UBS.

A: Yeah, yeah, well, I mean, we always used to – we were always thrilled when we saw traders go to the top, like Dennis Weatherstone^{xvii} and Bob Garrity, you know, ex-traders. 'Cos ex-traders do have a feel of the market – I'm not sure what the great traders were - but we always thought we did make better chief executives.

Q: So, your –

A: So –

Q: I was going to say –

A: Sorry, I'm jiggering around a bit.

Q: No, no, not at all. The recollections of the run up to Big Bang, you started really –

A: Really –

[16'31" Left to go to Samuel Montagu 1981; Aetna; Crocker Bank and Midland]

Q: Once you got to Montagu –

A: Yeah.

Q: Then –

A: Yeah, 'cos by then it was – my recollection is, it was sort of on the agenda, certainly by sort of '82/'83 I think it was well on the agenda, at least it was on our agenda. And at the same time of course, our relationship with Midland was on the agenda and Aetna came and bought a stake in Montagu –

Q2: Oh, gosh.

A: In – would have been about '83ish, and that was kind of linked to – that all linked into the sort of – some of the Big Bang, you know, universal bank type concepts, you know, when Midland, Aetna, Montagu and – quite interesting actually 'cos I realised – when I got to Guinness Mahon, I realised really almost all my career had had sort of, you know, slightly complicated, dual – do lots of shareholders transatlantic, David and Goliath, all those sort of –

Q: Yes.

A: And, I mean, the Aetna deal was a disaster, you know, that never worked, rather like Crocker. And, you know, I've seen very few major bank deals, whether they're full acquisitions or joint ventures or partnerships, that actually work. Whether they're David and Goliath deals, or partnerships of equals, or acquisitions, I mean, very hard to make these things work.

Q: Yes, I mean, Midland [nose blowing noise] – in fact, the clearers really were trying to just be

- international at the time or, you know –
- A: Which actually, Midland didn't need to do. Midland –
- Q: No.
- A: Was the world's biggest correspondent bank –
- Q: Mmm, correct.
- A: I think they still today run a big correspondent banking course. It's a fabulous - what I used to call, you know, window-cleaning business, dull, boring, absolutely essential, and Midland had a – almost – not a monopoly, but they had a huge position. They were massively global, at least in the people who trained there. You know, Midland had a – you know, they didn't actually need to have – this idea that you had to have – you know, Crocker^{xviii} - you had a huge bank in America, but it was fashionable at the time. You know, NatWest had done it, everybody was doing it.
- Q: Well, yes, they did North America, NBNA^{xix}, wasn't it?
- A: Yeah.
- Q: And, of course, Lloyds had got BOLSA^{xx}, but then they'd –
- A: That was more South America, but anyway.
- Q: But that was also the Latin-American crisis [laughs], so they had all of that to –
- A: Yeah.
- Q2: But Crocker, a lot of it was the agricultural cycle, wasn't it. They managed to hit just the wrong point of –
- A: Well, it was – Latin America – I mean, from Midland's perspective, I mean, how the strategists got – it doubled their Latin America exposure. Midland had a pretty big Latin America exposure, Crocker did too, so it doubled the Latin America exposure. And Crocker was just a lousy bank, I mean, there was actually a great friend of mine, Stew Gager, who ran the – a thing called Bracton Corporation which was the bucket – it was the first bad bank that was ever created actually, called Bracton Corporation, where all the shit from Crocker was put into, and Stew was running it. And [laughs], one day they found this loan, agriculture and vineyard, you know, ten hectares of vineyard as you do, and they'd lent X million dollars against it. They actually looked at the map, it was actually in the sea. It was actually underwater from the minute the loan started, total fraud [all laugh], I mean, a real underwater loan. Extraordinary.
- Q2: That's a great story.
- A: He's an interesting – 'cos he – Gager came from Chase which had big connections – big connections with Midland and Chase, a lot of top Midland people came from Chase during the '80s in the run up to Big Bang, and he was one of them, but to do Bracton. But there were quite a lot of Chase people – Hervé de Carmoy^{xxi} . . .
- Q: Oh, yes.
- A: He was ex-Chase, Jeff Cunningham who ran Orion, he was a main board director from Midland. There were a lot of links to Chase.
- Q: I didn't know that.

Q2: In the City of course, we've got – the LIFFE^{xxii} market has started.

A: Yes.

[20'50" Alphabet soup of derivative products; need by Japanese banks for perpetual CDs, FRNs; selling derivatives to Abu Dhabi Investment Authority, Icelandic banks, Republic Bank of New York]

Q2: And so, the derivatives market is –

A: Yeah.

Q2: And suddenly we've got FRAs^{xxiii}, interest rate swaps, swap-driven issuance of bonds and all the rest of it.

A: Yeah.

Q2: So, that was – you must have been pretty much in the right spot for that.

A: Yeah, we were, yeah. I mean, there are lots of people who claim they did the first interest rate swap I'm sure, but we were certainly one of the earlier ones with a shipyard in Singapore I think it was, and then we – and, you know, it was – you know, the whole sort of ethos in a way was of doing new things, we were always inventing new kinds of issues. You know, I mean, telescope floating rate notes, and extendable retractables, and –

Q2: Puts and calls on -

A: Yeah, and then of course we had – I forget which year it was, it was brilliant, when the Japanese banks suddenly were short of assets, we did all those perpetual CDs, perpetual floating rate notes, perpetual –

Q: [Laughs] Yes.

A: I mean, there's billions of them sitting in Japan on the –

Q: [Laughs].

A: I mean, we did about a million – billion and a quarter for Midland Bank and we did two issues, one half a billion, one three-quarters. Stuffed the whole lot in Japanese banks, and that was just little Samuel Montagu doing that, you know; it was a fabulous business, in terms of profits.

Q2: We spoke with one of the leading money brokers at the time, David Buik^{xxiv} –

A: Oh, right, yeah.

Q2: And he recounted from his memory that at this time the Japanese, and I think I've got this right, the Japanese banks were something like forty percent of money broking commission in London –

A: Yeah.

Q2: Because they were so asset hungry and they ended up trying to recycle all this money.

A: Yeah.

Q2: And sometimes it gets forgotten just quite how big the Japanese were in London, they were huge.

A: Absolutely, just like as – you know, in the early noughties, you know, the German regional banks, same thing. Desperate for assets and Goldman and [inaudible 0:22:44] was filling them in with all these junk derivatives. You know, nothing changes, it's just different – you

know, we sorted out in the mid – must have been the mid '70s, the Abu Dhabi Investment Authority after the sort of five or six years post the oil price increase, and they'd just been doing deals on the back of an envelope, and they always had a Bank of England adviser there. What was he called, Ben somebody, Ben – Ben, Ben, Ben, don't know if he's still alive. But anyway, he called us in and said, "Would you look at this portfolio stuff they've got," and I mean, there was the most extraordinary garbage in there, alongside some absolutely terrific assets and – you know, which we sorted out. But, you know, I mean, I remember they had a big holding in some Icelandic bank I think it was, and nobody knew where Iceland was in those days, you know, and I remember selling it to Republic Bank in New York, but again we made a, you know, very decent profit out of this. It's one reason you remember it. But, I mean, it was all done on the telephone. I mean, it's extraordinary with no – there weren't sort of limits, you know, they trusted – "Hello, it's David Potter from Credit Suisse First Boston," and they trusted you.

[24'00" Trust in the market, margins and bonuses in the 1970's; recruiting in Oxford]

And they could trust us 'cos – you know, you talk about Barings, I forget which the issue was, was it a spectacle company that Barings did an IPO of and it went wrong, and they just bought all the shares back?

Q2: It was a newspaper company.

A: It was something –

Q2: It was just before my time, 'cos it was –

A: The late '70s?

Q2: Yes, it was South Eastern Regional Newspapers or something.

A: Yeah, I forget what – yeah.

Q2: And they decided to buy it, they thought – they bought it all back again which is extraordinary, quite extraordinary.

A: Yeah. But that's the sort of thing people did when their word was their bond.

Q2: Now, another theme that's running here –

A: Yeah.

Q2: Is massive increase in staff, massive increase in costs of staff, and much more competition.

A: Well, certainly – well, massive increase in the number of staff costs, but that didn't really matter because the revenues were very good. Even though, you know, things were being squeezed, I mean, you know, in the early days of the Eurobond market, two and a half percent was the total commissions, you know, all these things got squeezed down eventually to bought deals and things like that, but – so, I think there was enough money. Of course, people were much less greedy. I mean, we were, you know, reasonably well-paid, but – and, you know, I think – I mean, I can't remember exactly, but bonuses might have been twenty percent, you know, of your salary. I mean, very nice, but it wasn't – you know, we didn't get rich during that period at all.

Q2: No.

A: So, I think the growth in staff, yes, I don't think that reduced the quality much, because we just

hired more and more bright graduates. I mean, during the '70s we hired some fabulous people. We basically – Philip Sears and I just went to our old colleges at Oxford and the Oxford Appointments Board and said, you know, “Anybody want to be – ” and we’d collect the CVs, we’d take ten out to dinner at the Elizabeth^{xxv}, ‘cos we could never afford to do that when we were undergraduates. We’d take them out to dinner, and one year I made a classic mistake ‘cos I handed the wine list to a young – bright, young kid who we liked the look of called Brian Keelan^{xxvi}, and handed him the wine list, said, “Would you like to choose the wine?” He ordered a magnum of pre-War first growth claret [all laugh]. I mean, even von Clemm blanched when I got back and said, “Look, we’ve got a slight problem with the bill here.” But, you know, that was our technique, you know, we used to do this old Foreign Office technique of not give them knives and forks and things like that, to see how they reacted. I mean, it was childish really [laughs], but that really [laughs] –

Q: I did Chase at The Elizabeth [laughs].

A: But, you know, Keelan was a fantastic star.

Q: He knew his wine.

A: He knew his wine; he certainly knew his wine. But, so yeah, and sort of costs, people – but I think the quality of people was still fine. I don’t remember us worrying too much about costs, I mean, we had to get new offices ‘cos we were all expanding.

[27’02” Becomes head of Midland Corporate Bank; relation with Kit McMahon; buying the pictures; culture clash between investment bank and clearing bank; BZW and Barclays; left because of cultural and organisational clashes between Midland and Samuel Montagu; McMahon puts DP on board of Thomas Cook]

Q2: That was the other point, ‘cos you would have moved out of Old Broad Street to the new building down by the Thames in that era?

A: We moved – that move happened – actually, that move happened at the end of ‘85/early ‘86. I was actually involved as a member of the management committee in Montagu in buying the building, but actually it was just at the time when Kit^{xxvii} hauled me out to go and run the corporate bank at Midland, so I never actually worked in that building. I was on their executive committee and – but I never actually worked in that building. So, I worked in – out of – well, a couple of Midland Bank buildings. And I learnt something really interesting, we were moved to The Captain’s House on Lower Thames Street, I think it was called The Captain’s House, anyway it was a new build, and I was – my building, you know, the whole building was Midland Corporate Bank with some floors that were let out to something else, but we had the top floors. And it was fascinating. The head of premises – all the establishment at Midland, premises, personnel, all these people, suddenly my staff – I was – I had got my own building, that was a real big thing.

Q2: [Laughs].

A: And this guy came to me - I didn’t even know he existed - he was the premises decorating director or something, and he said, “Your picture budget is £20,000.” What? What? [All laugh]. Unbelievable. He said, “Yeah, well, you’ve got to have decent pictures in the

boardroom.” So, I went to the Royal Academy Summer Exhibition and bought two or three pictures, you know, I felt like a – yeah. And you see how people get this sort of – you know, I mean –

Q2: Yes.

A: £20,000, like most people would say that’s peanuts, but I mean, even in those days it was a lot of money.

Q2: It was a good enough sum to buy some -

A: Yeah, and I bought – absolutely. Chadwick^{xxviii}, Howard Hodgkin^{xxix} and things –

Q: Oh, right, yeah.

A: We bought some terrific – actually God knows what’s happened to them now. They’ll be sitting in HSBC - yeah.

Q2: They’re good quality assets, so probably in Canary Wharf.

A: Yeah, somewhere in Canary Wharf.

Q2: Yeah.

A: But it was just an interesting – ‘cos I’d never worked in a great big thing like Midland before.

Q2: No.

A: And you could see – coming back to Big Bang, you could see how somebody somewhere decided, we need to buy a stockbroker and going down – you know, that it only just by chance – you know, they discovered they were chasing – Montagu were chasing one and Midland was chasing one.

Q2: Was the cultural fit quite good or was it – did some of the sort of, dare one say old-fashioned bankers, not appreciate all this?

A: It was quite interesting actually because, you know, obviously when I was plonked in there, you know, a thousand people, shit, what’s this, he’s a merchant banker, sort of southern, public-school, Oxonian, everything that they’d be taught and crikey, you know, I’ve got all these northerners, you know, left school at either sixteen or eighteen, you know, not very many graduates, all of those sort of things. You know, it was the most fantastic group of people. And once you released that energy, I suddenly discovered these guys knew the FTSE companies so much better than all the merchant banks did. I mean, we just went in to try and flog a eurobond or an acquisition. These guys talked to them every day about their trade finance, and bills of exchange, and overdrafts, and foreign exchange. You know, the first day practically, I was having lunch with Alan Clements, finance director of ICI, and I get the briefing the night before, twelve pages of Midland’s relationship with ICI going back to the –

Q2: Which were huge.

A: Yeah. Going back to the Mond Corporation^{xxx} –

Q2: Oh, yes.

A: Yeah, and all of this was there, twelve pages of it, and what we did, and I sat down at lunchtime – I mean, I had – I couldn’t believe that there were so many things we could talk about, you know, doing stuff and, you know, they were trying to do something in Australia and blah, blah, blah, blah. And at the end of the lunch – I came away thinking, wow, that was a

good lunch – at the end of the lunch, I get back to my office and the guy who was in charge of the ICI account came to me and he said, “David, didn’t anybody tell you,” he said, “we don’t talk business at lunch at Midland.” And I said, “Well, we do now,” I said, “Seriously? But what’s the point of the briefing?” You know, what’s the point of having this – all this – and that was the attitude. It was extraordinary. But once you released these guys – and what Kit wanted – ‘cos I’d said to him, “Kit why are you putting me in charge – I’ve never – I’m not a lending banker, I’ve never made a loan in my life, you know, it’s not what I do,” he said, “Look, don’t worry David, we haven’t got any money to lend, what I want is you to get all our clients to do commercial paper, eurobonds, you know, use all these other great new techniques of financing and we’ll – ” and it was a brilliant idea ‘cos we did a huge amount of business that would never have been done before ‘cos the bridge between Montagu and Midland didn’t exist, and most of the clearing banks tried to build that bridge by sending people from NatWest to County Bank which didn’t work –

Q2: Well, yeah.

A: On the whole. But what nobody did was what Kit did, was take somebody from, you know, the merchant bank and put them in charge. I mean, it was an incredibly bold thing for Kit to do, and, I mean, [inaudible 0:32:18] –

Q: What about BZW^{xxx} and Barclays?

A: Well, BZW Barclays had a whole – a completely different philosophy.

Q: Yeah.

A: Because their philosophy was that BZW was independent of Barclays and therefore, in corporate finance terms, if BZW wanted to, you know, act for somebody against a Barclays client, banking client, they were totally free to do so. We, Midland, established the principle that no, you know, we took a holistic approach. If it was a Midland Bank relationship, then Montagu couldn’t mount a bid against them. I mean, an agreed bid would be different, but a hostile bid. And policing that wasn’t easy actually, and in fact coincidentally, that was what caused me to leave Midland because – I forget the first one, I forget the first example, but something – Montagu did mount a bid for RHM, Ranks Hovis McDougall, yeah, it was RHM was it? Anyway, and I said to Kit, “Look, we can’t do – ” We’d gone round every company and say, “we take a holistic view, we don’t do that, BZW do,” and it was winning us business and clients, “and now this has happened.” And so, they sort of tightened up how to control that - which wasn’t easy ‘cos of – there weren’t really Chinese walls particularly then, but it was – you know, the merchant bank sort of felt it had to keep stuff to itself. And so, when it happened the second time, I said, “Kit look, I can’t go on,” because it was one of the retailers, food retail I think it was, that Montagu had made a bid for and, you know, they were a really important Midland client. And I said, “Look Kit, we can’t, we’ve had all these people into lunches and meetings and told them we don’t do that, and this is the second time it’s happened. I can’t – I’m afraid I can’t accept that; I shall have to resign.” And Kit was – he said, “Look, I understand, but you know, it’s – ” and I said, “No, it’s a matter of integrity. I mean, you know, I’m not prepared to go round to these FTSE companies and say this is what

we do, and then we do something different.” And so, that’s why I resigned in 1989, and that – funnily enough, when – the meeting with Kit, I was sitting in his office, he said, “Look, I’m really – you know, I’m terribly distressed about this,” I said, “Well, I’m sorry Kit but, you know, you won’t change my mind, this has happened, you can’t put the genie back in the bottle, it’s a matter of integrity.” So, he picks up the phone to Sir John Cuckney, who was the chairman of Thomas Cook, and said, “John, I’m putting David Potter on the board from tomorrow ‘cos I want to show – he’s leaving Midland, and I want to show that we’ve parted as good friends.” And so, I went on the board of Thomas Cook the next day. Amazing.

Q: Well.

A: That’s a whole different story, so –

Q2: We won’t go all the way through Thomas Cook [laughs].

A: That’ll be another –

Q: That’s another chapter.

A: I’ve blogged on that quite a bit recently [blows nose].

Q2: We sometimes ask interviewees sort of observations of now compared to then.

A: Yeah.

[35’42” Views of City today: regulation; specialisation; clearing banks and challenger banks; London centre for asset management; Fundsmith; relationships – clients become counterparties]

Q2: What are your sort of views about the City where we are now, London, and all the rest of it?

A: Well, I suppose my first – I’m jolly glad I don’t work in it as an executive. I think it must be absolutely dire. I mean, for one reason, which I hinted at earlier, that it’s got so sort of compartmentalised in terms of specialities, pretty boring. And, you know, the march of regulation is – I mean, it’s bad enough in an investment company like this, you know, we had a board meeting this morning, you know, I mean, you know, half the meeting is all about the regulation, compliance, and not about, you know, the strategic direction of the company. So, I think it’s a ghastly place to work. I’m amazed that people can still earn quite as much money ‘cos they – absolutely plain – from a shareholder perspective, you know, no clearing bank share has produced any return to investors for years. And, you know, it’s going to get eaten by technology, I think. I mean, I think the big commercial banks are still completely asleep on what’s happening with platforms and artificial intelligence. I mean, the – you know, I mean, fintech’s a bit of a lazy word, but there’s people there chipping away all the way round the edges, and sooner or later, Monzo or one of these, you know, new banks, challenger banks, will make the breakthrough. They’re struggling, they’re finding it difficult, because it is a minefield of regulation, which was not designed to prevent competition. I mean – but regulation is what’s killing Starling and all these challenger banks. You know, Metro, I mean, it’s just really difficult to wade through that.

Q2: Difficult to get a critical mass to get through the cost.

A: Yes, that’s right, yeah, and coupled of course with – you know, you’ve lost the entire endowment effect of higher interest rates on the business so, you know, current accounts, you know, which is what financed commercial banks historically, when interest rates were five

to twelve percent, you know, there's a huge margin in that, you know, that's completely gone, so –

Q: One of our interviewees sort of said that he felt that London will still be a major centre, but for wealth management, asset management, rather than what you might call the banking side.

A: Well, I mean, of course there has been a huge growth in wealth management and, you know, we're sitting in – you know, Fundsmith is the biggest fund in the country, twenty billion pounds nearly. So, it is a huge – and most of the – a huge amount of investors – you know, there's a huge retail chunk of that so, you know, wealth management is obviously growing, that's partly because wealth has grown, you know, in the last fifteen years. I mean, there's been massive growth of wealth, not by creating businesses, but just by influx of time with zero interest rates and printing money. So, there is a lot of wealth to be managed but, you know, the question really, I suppose is, things like intermediating, arranging deals, financing and so on, you know, will that eventually get disintermediated by technology? You know, it's hard to see that happening completely but, you know, I don't see any reason why, you know, I say right, I manufacture motor cars, I need a half a billion pound equity raised, put up a website with the details and, you know, the stock exchange controls and so on and so forth, and invite subscriptions. I mean, perfectly feasible that that could happen, no different to Amazon flogging me a book or, you know –

[0:40:00]

I mean, it may be a bit more high value but, you know, this notion that people won't do high value deals online is plainly disappearing. I mean, look at trading platforms, so – and I think the other big question is whether wealth management is really – how threatened it is by low interest rates and low returns because you can't – when, you know, the risk free return is approaching zero, how can you charge one percent to manage somebody's money? You know, so there's some real big – I think, big questions about this. I don't think I would see – I think wealth management is more open now – you know, Switzerland used to control it because of secrecy and tax avoidance and things. Since that's now out of the window in most places, I would think that, you know, London –

Q: Come to London.

A: Come to London [laughs], I mean – so – but I think the – you know, the things that have always been advantages to the City, you know, location –

Q: Yeah.

A: I mean, still the fact is you can talk to Tokyo and San Francisco during the business day, you know, things like that, the time zone location will remain very, very strong. I think – you know, see what happens with the general election and Brexit, but just assume we move into a slightly different environment where there will be, for competitive reasons, less regulation. Well, there should be some sort of lifting of taxation regulation; you could actually see business flowing back into London because, you know, who wants to live in Frankfurt? The

answer is nobody. You know, you only have to read – what's his – the strip cartoon in *The Telegraph* –

Q2: Alex^{xxxii}.

A: Alex, you know, and the lengths to which people will go not to work in Frankfurt [laughs].

Q2: Also, there's maybe a factor that sometimes is downplayed is the use of English law –

A: Absolutely

Q2: And language, I think that is –

Q: Law is huge.

Q2: An absolutely critical element in all of this, isn't it?

A: Absolutely, English law, English language.

Q2: And you think back through your career, as you were saying, dealing multi-national deals, a large proportion of them would have been under English law I would imagine.

A: Yeah.

Q2: All the early eurobond stuff.

A: Absolutely everything was and, you know, we – I'm just trying to think, I mean, you know, we did have one or two foreign language speakers. We had – nobody spoke any Scandinavian languages, you know, we got a lot of mandates up in Scandinavia, in Asia, Japan. We did actually have a Japa – I had Michael Dobbs-Dickinson who spoke Japanese. He was around during that sort of mid '70s to mid '80s period and he did speak Japanese which was a big advantage. Big advantage to us. I think – I don't know, it's ... I kind of don't care so much about – you know, I feel and – I look at it and I think the City deserves – you know - overpay is what really –

Q2: Yes.

A: You know, the – these unjustified amounts that people earn really annoy me, because I think in my time, you know, talking of, you know, what's different, you know, when our word really was our bond, and we really didn't think we were there to make money for ourselves, it never was what crossed our mind. You know, we were there to, you know, help borrowers, lenders, you know, people wanting to buy companies, you know, we were – merchant banking, investment banking was a helpful business, that was the way that we thought about it, and they don't think about it like that.

Q2: Clients have sort of turned into counterparties.

A: Yes, exactly, exactly, so –

Q: Which is your point about Midland the corporate banking –

A: Yeah.

Q: I mean –

A: I mean, I had a guy – I introduced with Kit's help, we introduced a very – about '86, a very modest bonus scheme, designed – it was called Two Mountains To Climb. So, I had a little pot of money that I could give to my guys in London, or to the guys in Australia or New York, to help try and cement the relationship with the company globally, so everybody would do the best for ICI, or the best for BP, or whatever it was. And so, I introduced this scheme out of

some general meeting with all the senior guys and explained it, and it was very modest. And I get back to my office and Alan Hurst, who was the head of West End Corporate Branch came into my office, he said, “Young man,” he said, “I’m bloody glad I’m retiring.” I said, “Why Alan? That’s not a very nice thing to say,” he said, “Well, you don’t bloody well have to bribe me to do my job.” That was the attitude.

Q2: Yes.

A: I mean, you know, how easy it was to run a bank when people had that attitude.

Q2: Yes.

A: You know.

Q2: I got paid.

A: I got paid and that’s my job.

Q: Yeah. Anything else you’d like to say whilst we’re here?

A: Well, we could go on forever.

Q2: I think it’s –

Q: No, I think that’s been absolutely fascinating.

A: But I hope that was interesting.

Q: Thank you very much David.

Q2: Thank you.

A: The other thing I thought – I mean, I just – I tried to see if Terry^{xxxiii} was free, ‘cos I thought if you had a couple of minutes with him it would have been quite interesting, ‘cos he –

[END OF RECORDING – 00:45:27]

ⁱ Philosophy, Politics and Economic

ⁱⁱ Certificate of Deposit

ⁱⁱⁱ Enoch Powell MBE (1912–98) was a Conservative Member of Parliament (1950–1974), then Ulster Unionist Party (UUP) MP (1974–1987), and was Minister of Health (1960–1963).

^{iv} Saudi Arabian Monetary Authority

^v Robert Fleming & Co was an asset manager and merchant bank founded in 1873. It was sold to Chase Manhattan Bank for over \$7 billion in 2000.

^{vi} Investors Overseas Service Ltd, founded in 1955 by Bernie Cornfeld. In the following decade, the company raised \$2.5 billion, due in part to its “Fund of Funds,” which meant investment in shares of other IOS offerings. The offering was very popular in the bull market times, but then the market dropped and the guaranteed dividends had to be paid straight out of the capital—in effect, making it a pyramid scheme. IOS was forced into an Initial Public Offering to meet its costs. (Wikipediaedia)

^{vii} Herstatt Bank went bankrupt on 26 June 1974 in a famous incident illustrating settlement risk in international finance. It led to the creation of the Basel Committee on Banking Supervision The failure of Herstatt Bank was a key factor that led to the worldwide implementation of real-time gross settlement (RTGS) systems, which ensure that payments between one bank and another are executed in real-time and are considered final.

^{viii} The Poseidon bubble was a stock market bubble in which the price of Australian mining shares soared in late 1969, then crashed in early 1970 along with the price of nickel which went from 1 September 1969 at £4000, to £7000 in November 1969 and down to £2000 by January 1970.

^{ix} Goldman Sachs

^x In 1977 Credit Suisse was rocked by the Chiasso affair, a major scandal involving fraudulent banking and foreign exchange trading at the bank's Chiasso branch.

^{xi} Rainer Gut (1932 -) became Speaker of the Executive Board of Credit Suisse in 1977. He became Chairman of Credit Suisse (1983 – 2000), then Honorary Chairman (2000 -).

^{xii} Hans-Joerg Rudloff started his career in Credit Suisse, then Kidder Peabody and was re-hired in CSFB in 1980, based on his success at Kidder Peabody. He quickly helped to make CSFB the leading issuing house in the euromarkets. [Euromoney 11 April 2019]

^{xiii} Sir John Craven (1940 -) joined SG Warburg & Co Ltd in 1967, becoming 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. He was chairman of Morgan Grenfell Group plc from 1989, a post he retained when the group was renamed as Deutsche Morgan Grenfell Group plc in 1996.

^{xiv} Michael von Clemm (1935-97) was hired by Stanislas Yassukovich to join White Weld in 1971, first as a temporary consultant. When Credit Suisse took a 40% stake in White Weld, he became a senior Director of the combined bank. However, Merrill Lynch made a play for White Weld in 1978 and Credit Suisse needed a new partner. The existing Chairman Sir John Craven wanted Dillon (later Warburg Dillon Read). Von Clemm went behind his back and did a direct deal with First Boston. This prompted Craven's resignation. Von Clemm replaced Craven as Chairman of the newly formed Credit Suisse First Boston, and then additionally Chief Executive in 1979. He stepped away from his Chief Executive role in 1983 but remained Chairman until resigning in January 1986.

^{xv} Oswald Grübel started with White Weld and eventually became CEO of Credit Suisse (2004-07). He then became CEO of UBS (2009-11).

^{xvixvi} Marcel Ospel (1950 -) was Chairman of UBS AG (2001-08).

^{xvii} Sir Dennis Weatherstone (1930-2008) was Chairman (1980-94) and CEO (1990-94) of JP Morgan & Co. He was knighted in 1990.

^{xviii} Crocker National Bank were bought by Midland Bank. After a series of financial losses, it was sold to Wells Fargo Bank.

^{xix} National Bank of National America. Bought by National Westminster Bank in 1978 and sold to Fleet Financial Group in 1996.

^{xx} Bank of London & South America was the name given in 1925 which merged two banks which were acquired by Lloyds Bank in 1918 and 1923.

^{xxi} Hervé de Carmoy joined Chase Manhattan Bank in 1963, where he was Chief Executive for western Europe. In 1978, he joined Midland Bank plc, and in 1984 was appointed Chief Executive, Director and member of the Executive Committee of the Midland Plc Group, London. From 1988 to 1991, he was Deputy Director of Société Générale of Belgium.

^{xxii} London International Futures and Options Exchange

^{xxiii} Forward Rate Agreements

^{xxiv} David Buik (1944 -), money broker. Interviewed on 14 August 1918.

^{xxv} Restaurant Elizabeth, St Aldate's, Oxford was the top restaurant in Oxford from the late 1950's until the late 1980's when it was sold.

^{xxvi} Brian Keelan (1955-2005) was 'one of the innovative bankers of his generation in the City of London. His use of derivative instruments for corporate finance operations was a major breakthrough which not only dramatically raised the profile of his then employers, Swiss Bank Corporation (SBC), but profoundly changed the technical environment for mergers and acquisitions in London and

beyond.’ (Daily Telegraph obituary 13/8/05) He joined Credit Suisse Weld White, moved to Hill Samuel in 1980, Merrill Lynch in 1983 in New York and finally joined SBC in 1987 in London.

^{xxvii} Sir Christopher ‘Kit’ McMahon, was Executive Director and Deputy Governor of the Bank of England (1980-85). He became Chairman and Chief Executive of Midland Bank (1986-91).

^{xxviii} Lynn Chadwick, CBE RA (1914-2003) was an English sculptor and artist.

^{xxix} Sir (Gordon) Howard (Eliott) Hodgkin, CH CBE (6 August 1932 – 9 March 2017) was a British painter and printmaker.

^{xxx} Brunner-Mond Chemical Company and Mond Nickel Company, with other companies, formed ICI in 1926.

^{xxxi} Barclays de Zoete Wedd formed in 1985 as a response to Big Bang. It was a merger of Barclays Merchant Bank, de Zoete & Bevan (stockbrokers) and Wedd Durlacher (jobbers).

^{xxxii} A comic strip, of which Alex is the main character, based in the City, started in 1987 and moved to *The Daily Telegraph* in 1992.

^{xxxiii} Terry Smith (1953 -) is founder and chief executive of Fundsmith (see page 13). He was chief executive of Tullett Prebon and Collins Stewart.