

**Interviewee: Oscar Lewisohn**

**Date: 14<sup>th</sup> December 2018**

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

[00'00 Introduction and biography; banking – R Henriques Jr., Copenhagen, SG Warburg & Co. Limited, London (1962-95)]

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

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

**Q1: Thank you and what did your parents do?**

A: My father was a director and manager of a business in Copenhagen that processed raw materials for the manufacture of high-quality duvets and eiderdown and feathers. My mother looked after her four children of whom I am the youngest.

**Q1: And where you were educated?**

A: I was educated in Copenhagen and I left school, Sortedam Gymnasium in 1954. It was an excellent institution from which many other young Danes graduated. I then spent three years as a management trainee with Hans F. Caroe Ltd, a general trading business dealing in grain, retail and wholesale food products. In the evenings, I attended a business academy, specialising in commercial German and English, accountancy and Danish commercial law. Consecutive annual summer holidays were spent studying German in Eutin (Schleswig-Holstein, Germany); French in Tours (France) and Spanish in Santander (Spain).

**Q1: And then from there into banking...**

A: After that period, I was offered a traineeship at R Henriques Jr., Copenhagen, at that time, the only ranking investment bank in Denmark that was an adviser to the Kingdom of Denmark on its international debt issues, together with Danske Bank, Copenhagen Handelsbanken and Privatbanken. I was there for about three months as a young trainee and gained a sense of what international banking was about. Many years later, working and living in Copenhagen with my wife Louisa, a daughter

of Henry Grunfeld, I had the opportunity to join Warburgs at the invitation of Siegmund Warburg whom I had met. When coming across young people he thought had something to offer, Siegmund Warburg would give them the chance to work for a year or so in the bank. My invitation was to do just that, and I started in December 1962. Having moved to London, I did not originally expect to stay more than a year or so, but decided when offered the opportunity, to carry on. In fact, I ended my direct career with the SG Warburg Group in 1995, just before the firm was combined with Swiss Bank Corporation. By that time, I had moved over to Mercury Asset Management (the 80% controlled subsidiary of the SG Warburg Group PLC), having overseen the transfer of our Swiss banking business from the SG Warburg Banking Group to Mercury Asset Management. My entire career, as you can see, was therefore within the Warburg Group and its principal subsidiary. I think it might be helpful if I talk to you briefly about my recollections of the firm.

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

I think it is very important to bear in mind that the genesis of SG Warburg & Co was the arrival in London in 1934 of Siegmund Warburg as a refugee from the Nazis, and more or less at the same time, Henry Grunfeld, also a German refugee. They had both had successful careers in Germany at the time, but for the reasons we are aware of, had to leave Germany. Siegmund Warburg had already a well-established group of friends and supporters in the UK. He had worked for a while at N. M. Rothschild & Co. Henry Grunfeld had few contacts in the UK because his family business had been in the German steel industry. But they got together and created a company named the New Trading Company. The New Trading Company was established with the same purpose as well-known companies, Berliner Handels Gesellschaft in Berlin, and Hollandse Handels-Maatschappij in Amsterdam which basically were trading companies and credit-providers to traders. The New Trading Company, as the name suggests, was established to provide such facilities to British exporters, British importers and assist in general financial intermediation. Business developed year by year, quietly, with a very strong board of British friends of the Warburg family and others. During the first decade and up to 1948, the New Trading Company had succeeded, not in making dramatic amounts of money, but in

establishing itself as a well-managed, intelligently organised, small banking firm. They were not there to shoot out any lights, but to undertake sensible business transactions with reliable counterparties. And I would say, gradually the firm gained a certain reputation for imagination, hard work, and integrity. These were the fundamental values in which the founding partners strongly believed and there was absolutely no room for pomposity. The seniors being of Continental European background, they enjoyed communications with English, German and French speaking business contacts.

By the end of 1948, the directors of New Trading Company realised that the firm could now benefit by changing its name to SG Warburg & Co because the business had developed a growing international reputation and Siegmund Warburg, as a personality, was well known on the Continent and in the United States. He had undoubtedly played an extremely important role in expanding the business. It is known that Siegmund Warburg only reluctantly agreed to the change of the company name to SG Warburg & Co. He was never himself a major shareholder in the business having an important but not controlling stake. In fact, Siegmund Warburg was not in banking to make a lot of money for himself. He was interested in doing business of exceptional quality that he felt would make an important contribution to the United Kingdom and international development. And so, in 1948, the name was changed to SG Warburg & Co. and continued for many years in the same conservative fashion and developed a powerful corporate finance and banking presence in the London market, avoiding excessive risks. Siegmund Warburg and Henry Grunfeld having experienced the great inflation in Germany were particularly concerned about the twin challenges of illiquidity and credit risk in a banking business.

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

*[07'27 Ethos of SG Warburg & Co]*

A: Siegmund Warburg and Henry Grunfeld did not allow those of us who worked in the banking department and our treasury money market division, to make any unmatched loans. If a loan was granted for three months, it had to be funded to the same date by deposits. And if we had lent for a year, it had to be matched by co-

terminous deposits. There was a strict control over liquidity and mismatching was minimal. The same applied to currency exposures. At that time the Bank of England administered the Exchange Control Act of 1948 which required banks to be completely balanced day by day in their currency assets and liabilities, except for currency countervalue of few hundred thousand pounds as a net open trading position.

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

A: No speculative activities were allowed. SG Warburg & Co.'s banking business was not based on speculation. We had a service business in all these areas which offered services to clients in providing corporate finance advice, acceptance credit facilities and currency funding. The overriding aim being to develop a sound and reliable long-term relationship with clients. If you read about Siegmund Warburg's life, you will note that he was particularly interested in understanding psychology and took great trouble to analyse the firm's clients and their motives. He saw himself partly as a doctor providing advice to a patient. His imagination, intelligence, and experience made him a trusted advisor and clients valued this approach.

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

A: I think he was seen in this way, but in fact, I don't think he went out of his way to do anything other than what he had traditionally done in Germany. He had grown up with a disciplined Prussian way of thinking: consistent, thoughtful work, getting to the office at eight o'clock each morning, immediately opening the post, having read the daily papers. There was an inbuilt discipline in how he and his immediate founding colleagues acted. It was not that they came into London to be particularly challenging to anybody, but that was just the way they worked, and it was very effective. But their approach was obviously quite different from the traditional way of merchant banking in London where many senior partners arrived at their office much later and had longer lunches. That never happened at Warburgs. We had two lunch sessions in Gresham Street, 12.30pm and 1.30pm, and obviously the 12.30pm had to end by 1.25pm. Although this first session was deemed less important, in fact

they were equally important. As the firm grew, there were more people we wanted to engage with over lunch, hence the two seatings. Of course, there was no wine served at any Warburg lunch, you were lucky to be offered a glass of sherry on arrival in the dining room, followed by a glass of beer with the meal. Lunch at 30 Gresham Street reflected the firm's style and ethos of non-ostentatious, simple elegance.

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

A: A different style, more serious perhaps but not humourless.

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

A: Yes, exactly

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

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

A: Yes, now I think I should mention the very significant development which came in the building of the Eurobond market.

**Q1: Yes, please do.**

A: The development of the Eurobond market has been covered extensively and of course it is well known that the firm of SG Warburg was the first to manage a US Dollar bond issue in that market in early July 1963, the US Dollar 15 million 5.5% guaranteed bonds due 1972/78, issued by Autostrade, indirectly guaranteed by Italy. This novel capital market funding business provided Warburgs with a remarkable new activity and, I would say, it became one of the major drivers of its substantial expansion. The ability of SG Warburg & Co. to offer US dollar financing to so many clients in the UK and internationally through long-term fixed interest bond issues gave us a competitive position that was most difficult for other firms to rival.

**Q1: How did that start? How did that happen?**

*[12'08 Regulation Q, Interest Equalization Tax; Eurodollars; Warburgs as lead manager of international securities]*

A: It happened for two principal reasons. 1. Because the Federal Reserves had rules (Regulation Q) that prohibited interest being paid by US banks on short-term

balances. 2. In order to improve the US balance of payments President John Kennedy introduced the Interest Equalization Tax on 18 July 1963, requiring US investors acquiring international bond issues to pay a special tax of 2.75% on securities with a life of 3.5 years and a larger tax on longer maturities. These US regulations made investment in Eurodollar bonds offering gross interest without withholding tax more attractive to international investors.

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

A: Exactly and so we identified this pool of money held by European banks, some of which were held in dollar deposits in our own banking department. In fact, we had substantial dollar deposits at SG Warburg & Co. so we knew that there were potential investors who could be tempted to place some of their funds in longer-term investments instead. The Autostrade issue, first issue, was \$15 million with a final 15-year maturity. Warburgs was lead manager and invited co-managers and underwriters. There were several leading international banks invited as co-managers. In the early days, we did a lot of business with the two big German groups, Deutsche Bank and Commerzbank, in Paris with Banque de Paris et des Pays-Bas and in Switzerland, UBS, Swiss Bank Corporation and Crédit Suisse. We were dealing with all these banks, but for many, years, Warburgs retained the lead-manager position or was in one of the leading roles. Now inside the bank we also developed our trading activity in Eurobonds as market makers. That business was modest in scale, but we were active as market makers and thereby helped to support the issuing business. We now get to the developments in 1983 which led to the so-called Big Bang on 22 October 1986 when the original London Stock Exchange rules were discontinued. It led to the abolition of fixed commission charges and the abolition of the split between stock jobbers and stock brokers making screen-based electronic trading possible. Outside capital could also now be introduced into the stock exchange business.

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

A: That's right, this is when the Stock Exchange firms were given notice by the Office of Fair Trading to terminate what was deemed restrictive trade practices.

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

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

A: These developments came about at a time where the business of SG Warburg in the international market had grown significantly. And we were well aware of the potential of participating in that business.

**Q2: Yes.**

A: One of our directors, Andrew Smithers, an economist, had been asked by the firm to travel around the globe and report on what was happening in financial spheres in other parts of the world, in Japan and the United States. He came back with a number of ideas, including one that had a particular impact at SG Warburg & Co. It was noted that Kuhn Loeb, an historically eminent international investment bank in the United States, based in New York, had more or less gone out of business around that time. Siegmund Warburg had been a partner in Kuhn Loeb and had transferred his personal investments to SG Warburg & Co. Kuhn Loeb's business had virtually stopped and they had been one of the most active issuing houses in managing US debt issues for numerous American companies. But they never got into the trading and distribution business of fixed-interest securities on a large, meaningful scale.

**Q2: Just a primary issuer . . .**

A: Yes, Kuhn Loeb had been a leading primary manager of bond issues. They had been distributing bonds through Salomon Brothers and a large number of other investment firms in New York and elsewhere. But gradually these investment firms asked themselves why cede such large commissions to the lead manager, Kuhn Loeb, when all they did was to manage the paperwork whereas they did all the hard work of distributing the securities. That was a significant warning to a company like Warburgs, which at that time was also primarily a lead manager and did not have significant depth in distribution. So, when the preparation leading to Big Bang came along in 1983/84, and partly influenced by Andrew Smithers's research, we decided to review the opportunities ahead. We ascertained that the key to the new securities market was the market-making conducted by the jobbers. As it was critical to strengthen our position in the jobbing market, we started discussions with Akroyd & Smithers, the largest publicly quoted and leading firm. They were of course aware of these imminent changes and had their own ideas.

**Q2: And one of the most major firms.**

A: Yes, Akroyd was quoted on the Stock Exchange and we had known many of their executors and partners. Akroyd & Smithers, like all serious companies at the time, were thinking, "what does this potentially mean for us?". One of the conclusions they reached was the need to strengthen their international capacity and capital base. They were strong in the UK, but they had less to offer internationally. Warburgs were the opposite, we had a great deal to offer internationally but less in the UK securities markets. So, we started discussions which led to the agreement that SG Warburg & Co. would acquire new shares in Akroyd & Smithers, equal to 29.9% of enlarged capital, the maximum holding permissible. On completion, Lord Garmoye and I, both directors of SG Warburg & Co., were appointed to the board of Akroyd & Smithers. Around the same time, we decided, we now had to add the other link, the distribution capacity, or in other words, the broking business. After careful deliberations and the support of Akroyd & Smithers it was decided to approach Rowe & Pitman, a highly successful firm of stock brokers whose senior partner was Peter Wilmot-Sitwell. And so, Rowe & Pitman became another leading partner in the Warburg Securities Group. When these plans were far advanced, I recall we were given an invitation by the Bank of England to come and talk to them about their friends Mullens, the Government brokers.

**Q1: Oh yes, we were going to ask that.**

A: Mullens was of course an important firm in the City as the respected Government Broker which ideally should have a new home and be part of the emerging new market structure of Big Bang. It was decided that while the business of Mullens was not particularly relevant to the international business we were doing, it was obviously a most prestigious firm and would complement the UK fixed-interest activities. So, it was decided to invite Mullens to join the group which was accepted on terms negotiated by their chairman, Nigel Althaus.

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

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



A: Yes, we were undoubtedly the first mover before anyone else had decided what to do. We had a plan, analytically-based, thoughtfully executed, to position Warburgs in advance of 27 October 1986, the date colloquially known as Big Bang. On that day, Warburg Securities consisted of SG Warburg, Akroyd, Rowe & Pittman and Mullens Securities, undertaking business in issuing, distribution, trading and research in equities, fixed interests, futures & options trading and Stockbroking Corporate Finance.

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

A: Yes, of course. I would say a few days after the announcement of Akroyd & Smithers, everybody else started to think, now what do we do? And then followed in swift order a number of other transactions, but we were the first to have taken a great deal more trouble, in getting the human relationships sorted out, to get the people on board, fundamentally to buy into this new idea of an international investment banking group led by Warburgs. It was called Warburg Securities or SG Warburg, Akroyd, Rowe & Pittman and Mullens, we tried to keep all the names initially but eventually it became known as Warburg Securities.

A most important part of the group was the incredibly strong and highly respected investment banking corporate finance business; the most prestigious part. It was built on the initial success of the British Aluminium transaction and others that followed. When I think back on those many years, so much of the business carried out by SG Warburg & Co, was with companies which approached us because they wanted advice. Out of the 20 transactions, I would say at least 15 were unsolicited.

**Q2: Really?**

A: Yes, we did a certain amount of marketing, on the back of the reputation for success, other firms did not do Eurobond business and capital market raising. We acted for ICI which became a particularly important client. There was constant activity encouraged by the Treasury. All the nationalised industries arranged bond issues led by Warburgs at the time. In the corporate finance, mergers and acquisitions business with a long, long list of contested bids, very often but not always, the Warburg-led team managed to achieve what they were intending to achieve.

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

A: It had. Yes, it was a dramatic change because it undermined the old boys' network mentality. It proved that it was not enough just to be nice and kind and think you had a "chasse gardée" based on loyalty and social contacts. In reality this did no longer exist. I think Warburgs understood mandates provided they were legal, correct and right, they were tenaciously efficient in doing what was possible.

[23'35 New financial instruments, including swaps]

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

A: Yes, that I would say a bit later, but you are quite right, we were much involved in the creation of swaps that backed up the issuing business. And we may have had a client who actually wanted to have sterling but there was an opportunity to raise fully in dollars or in deutschemarks and we would then create an underlining swap of currencies with strong counterparties over that whole period that gave the result of borrowing sterling.

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

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

A: We were the intermediary and of course, what we tried to do was to leave a little spread for S.G. Warburg & Co to make it all worthwhile. But it was a service business and our balance sheet was very rarely engaged. In later years, with the group's more substantial equity, more trading risks were assumed.

**Q2: Keep some . . .**

A: Yes, if we had a particular important opportunity and I said, we are 90 per cent certain that we would have the other side in three days. We would take the risk for three days and most of the time we succeeded in doing so. But it was always a very

risk-averse business in the sense that we did not speculate. It was based on a matched business.

[25'13 Risk aversion to property]

One of the elements in the history of Warburgs related to the risk aversion of the founding fathers was that we never owned property. They did not wish to own illiquid assets. Offices were leased. And because they thought property is illiquid and banks should not own illiquid assets. Now obviously with the history of inflation that we have been through in this country, in retrospect it was a mistake. It would have served the shareholders well if we had bought our building in Gresham Street, but that was part of the cautious policy of the founders.

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

A: Yes indeed, and I don't think I need to tell you much more about the Big Bang. It was a dramatic change, but of course it did bring in the enormous fire power of the American banks into the City and other international banks. There was a huge growth to the City of London on the back of the Eurobond business. You also had in that period an important new group of syndicate banks.

**Q1: Just going to mentioned that, yes.**

[26'38 *Syndicates and consortium banks*]

A: That was because, parallel to the Eurobond business, there was a growing market developing in syndicated bank credits, where Warburgs also had an important role in organising syndicates of floating rate credits. It became a dynamic part of the credit market and a number of "consortium banks" were established in London basically by grouping commercial banks from around the world to lead manage such transactions as co-managers.

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

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

A: I think you're right. There was indeed a growing competition, and the competition did squeeze many out. The mid '90s, our role in that business had more or less disappeared because it became so competitive . . .

**Q2: Very, very fine margins indeed.**

A: And so mainly the American banks were perfectly happy to commit \$50 million in one go and then sub-underwrite a syndicate at a subsequent stage. At Warburgs, I can't really recall that we ever did business that we didn't think was priced to make a reasonable return for the shareholders. We did not compete in order to preserve relationships by losing money.

**Q2: And try and buy business in that sense.**

A: No.

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

A: No, I don't think so. I think what changed was the reality that the City could benefit and had benefitted by being much more active internationally. And many of the British firms could see that they needed to be engaged internationally. Now this was of course not new for Warburgs. When I look at the group of directors of SG Warburg & Co, we had a considerable number of people who were, like me, aliens in this country (Swiss, Dutch, German, American, Danish nationals).

**Q1: What sort of date are we talking about?**

A: We are talking 1985. This is the SG Warburg & Co accounts. You have here Mr Stormonth Darling, who I think was a Canadian citizen with roots in Scotland. And we had Mr van der Wyck, Dutch, on the Board; Mr Nachmanoff, American; Count Salina Amorini, Italian; Diederich Framhein, German; and Maurice Dwek from Switzerland,

and other Americans. We also had a wonderful group of international advisers, Mr van der Beugel from Belgium, former Chairman of the Dutch airline, KLM; Mr Erling Kristiansen, former Danish ambassador to the UK; Mr David Li from Hong Kong, who was the head of the Bank of East Asia; and Mr Shirasu, a highly respected Japanese gentleman. So, we had a team, a well thought out group of seriously informed people as part of our advisory group, who came to London maybe once a year but in between were at all times available to give advice and to help the people who were trying to develop our international business. And this was really part of, you might say, the Siegmund Warburg tradition of having local friends. He would never go into a country and open a business that would only be called S.G. Warburg & Co. He would only proceed if he had a local partner he could trust and who he felt knew the local market well. As far as international development was concerned, we always worked in partnership with local professionals. We did not actually think that we knew everything best!

**Q2: Yes.**

A: We did not think so.

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

A: Yes.

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

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

A: That was a most important and extremely successful part of the Warburg story. In the very early days when I joined, there was an investment department housed in an adjacent building St Alban's House. And the business at that time was mainly to look after private investors, private clients and they were typically investing in UK securities and leading international companies. But on the back of that business, we became well established and successful. My colleagues then developed the investment services for pension funds. Year by year, they were successful in being appointed to manage more pension funds; that was really the source of the business. Siegmund Warburg was not at all in love with the asset management business

because he thought it was too much of a speculative element in investing in securities. He was worried about what he called in German the “börsianer” mentality, which is about short-term trading on the Stock Exchange.

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

A: Yes. So, for him, he was also worried that he might have a distinguished client in the corporate sector, say the chairman of ICI or the chairman of BP who had become a private club of the investment department. And then some weeks later Siegmund would meet this good man and he would say, “Oh your boys sold me some shares at 10½p and today they’re 9½p. And he would feel embarrassed that something like that had happened and could affect the more important corporate advisory relationship. So Siegmund Warburg at the time did suggest to Peter Stormonth Darling that this was not a business that really belonged inside the merchant banking group, which was dedicated to high quality corporate finance and other services. He thought the business should be disposed of. At the time, it was marginally profitable. It was an important business and had of course a lot of extremely talented and very able people working there. Peter Darling was given the mandate by Siegmund Warburg “to get rid of it”.

**Q1: What sort of year or what time?**

A: I would say, early 1970s. Siegmund Warburg died in '82, so it was before. Peter Darling has put on record that he was deputed to talk to Flemings to offer them the business.

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

A: They were the leaders in the investment management business. Siegmund Warburg wanted them to take it over as Flemings had an important investment trust business. but they couldn't believe that it would be available as hardly any premium, fearing that Warburg might have some financial problem with it (which was not the case).

**Q2: It was a trap of some sort.**

A: Yes, clearly, they thought something was wrong, and nothing happened. It proved wonderful that it did not happen because the young people who managed Mercury Asset Management, Carol Galley, Stephen Zimmerman and David Price, continued to

do an extraordinary job. There were many, many extremely able directors of Mercury that then, with the support of the merchant bank, often managed to expand their business both in the UK and internationally so that Mercury, little by little, became a significant part of the Warburg Group. Around the mid-1980s, it was agreed to make Mercury itself a public company so that the directors of Mercury could have shares directly in the business for which they worked. And I guess at the time of the flotation, about 20 percent of the capital somehow was offered to the public and to the insiders, to the managers. And the business continued to grow. The Warburg Group controlled it and we had directors of the SG Warburg Group on the board of Mercury; Hugh Stevenson became its chairman.

*[36'45 Warburgs and Swiss Bank Corporation]*

Thinking back on the whole history of the Warburg Group, the combination of SG Warburg & Co with Swiss Bank Corporation in the mid '90s was carried out on nominal terms as shareholders of the Warburg Group received a small premium over asset value. So, it was not something like twice book or whatever one might have hoped for. The Warburg group shareholders fortunately received also the shares in Mercury Asset Management that were held by the Group, so if you had been a shareholder in SG Warburg Group, you would receive some cash and shares in Mercury. Happily, after three or four years of further development of Mercury, Merrill Lynch came along and decided they would like to own Mercury and paid about \$3 billion for it. So that transaction combined with the earlier sale, created a reasonably attractive outcome for the long-term Warburg Group shareholders. But this was very much due to the success of Mercury, and as you can see, Siegmund's judgement on that business was not his most successful.

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

A: Yes, and to repeat, he was not really motivated by making money, he wasn't in banking mainly to make substantial amounts of money. He was interested mainly in high quality business and of course to be paid fairly for it. But it was a transactional spirit and he was concerned about over expanding. When the Group eventually grew and grew continually, people would ask, 'well, what would Siegmund have said?'

**Q1: I was just going to ask, yes.**

[38'50 Siegmund Warburg and Henry Grunfeld]

A: Well I think the judgement of those of us who worked with him would be that he was a man of realism and flexibility. And he would understand that without growing and without expanding, we would not be able to continue to serve our substantially growing client base in the UK and globally. He would have understood that. But there's no doubt that we suffered like many other banks from the occasional major macro-economic change that cause the investment spirits to sag. There was then much less volume of business and with a higher fixed cost that could be quite painful. We were very much averse to the risk of red ink.

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

A: Henry Grunfeld was a Doctor of Law in Germany at the age of 21, I think. And he had become the chief executive of the family steel distribution business when his father had become ill. He had, at a very young age, assumed great responsibilities. His age notwithstanding, he was one of the few individuals who contributed to the steering group of the German steel industry including all the major companies, such as Krupp and Thyssen. Therefore, he had an experience in trade finance, corporate finance and corporate life which was second to none and it was Henry Grunfeld's experience and attention to detail above all that transformed Siegmund Warburg's brilliant ideas into reality. Siegmund Warburg had a wonderful imagination but he was not thought of as the greatest expert on accountancy ...

**Q2: The sort of mechanics of . . .**

A: Yes, whereas Henry Grunfeld was the total commander of intricacies and important points, nothing would escape him. And of course, he also was very careful to ensure we had all the correct accountant and legal advice before we acted. There was no superficiality tolerated and as an illustration of this, you may have read Peter Darling's book "City Cinderella", he which he notes that he was called one Sunday morning by Siegmund Warburg about a note he had written. And Siegmund had



said, "Look, if you look at page three of your memorandum, on the third line there's a comma missing."

**Q: And that was Siegmund?**

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

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**Interviewee: Oscar Lewisohn Pt 2**

**Date: 7 February 2019**

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

*[00'00 Recapitulation of Big Bang and the new S.G. Warburg & Co, Akroyd & Smithers, Rowe & Pitman, Mullen & Co; integrating the Warburg ethics; the 'mail list']*

**Q2: The second interview with Oscar Lewisohn on 7<sup>th</sup> February 2019 and the interviewers Gerald Ashley and John Thirlwell. Oscar, it's very kind of you to give us some more of your time. Erm, you told us about--, we were talking about the run up to Big Bang and Warburgs--, well Ackroyd & Smithers, Rowe & Pitman, Mullens. And so that was about 1982, three?**

A: No, that was later than that, I thought Big Bang was in 1986.

**Q2: Was '86.**

A: '86, so this would have been in '85 I would say. All that of course is on the record and accessible on Google.

**Q2: Were you big enough, given the competition and the other groups that came along?**

A: I think we were big enough at that time. The standing of S.G. Warburg & Co in London was pre-eminent at that time and we had a very strong balance sheet and quite considerable reserves. So, I don't think there was any concern at all about engaging in this investment. And of course, the acquisition did not require hundreds and millions of pounds; these were not very sizeable. They were meaningful, but they were not mega deals, they were mostly settled in cash for the transactions. I

think in the case of Akroyd we subscribed to new shares in Akroyd at the time. The first acquisition of course was of 29.9 percent, which was the maximum that we were allowed to own.

**Q1: And the Stock Exchange Rules.**

A: Stock Exchange Rules, yes, but I would like to remind you that this was indeed the very first transaction leading up to the Big Bang.

**Q1: So that must have been a thought process about building those , maybe two or three years before?**

A: Indeed, well not two years, I would say a year and a half before at most. We had a great deal of serious planning about the future of the business, and I think I mentioned that we were particularly influenced by what had happened to one of the American firms with which we'd been closely cooperating, Kuhn Loeb, which had indeed gone out of business. In our view because they had failed to extend their activities into the distribution of fixed interest securities. They had an absolute wonderful business as lead managing underwriters and, for years, had a real monopoly. But gradually, as the trading community expanded, Salomon Brothers and other firms, not only distributed but underwrote significant parts of the bond issues. They raised the question, "What is Kuhn Loeb actually doing?". They receive a half percent of all these fees and all they do is to pass paper down the line to one of us. So, Salomon Brothers would go to the borrowers and say, "Look, we would like to be the lead manager of your next issue because we can do it on these and these terms." So, within a couple of years, Kuhn Loeb lost their principal revenue. There were many other difficulties, but I would say one of the elements that influenced our thinking was that to preserve our very powerful issuing business, we also needed to strengthen our market-making and distribution business. Not only in fixed interest, but also equities and that of course had been the model we were seeing in the States for quite some time.

**Q2: I was very interested in our previous interview with the values, the ethics of the Warburg firm. You then become a much wider group with different firms, how did that work?**

A: I would start by saying that on the matter of ethics and probity, I don't think that Warburg's were exceptional because I think we felt that their values were equally well established in the leadership of Akroyd and Rowe & Pitman, and Mullens. They were honourable, distinguished and excellent people. There is no doubt at all about the quality of their history, but what was different was that they had a completely different business model and way of operating. And, as you have heard about the rigorous disciplinarian approach at Warburgs, that of course did not exist to the same degree. In Warburgs, every day there was a 'mail list' prepared in the secretariat where every single incoming letter was reproduced in résumé. All internal notes were reproduced in résumé, and then circulated to all directors on the same day in the evening. So, everybody would know by reading the 'mail list' what was happening and could help either to come forward with ideas or at least participate in the development of the business. That was unheard of in the other firms.

**Q1: That was a very collegiate approach.**

A: Well the mail list was a central and completely unique feature of Warburg's.

**Q2: It must be.**

A: And it worked. And naturally you were supposed to read the 'mail list' and if you ran into Siegmund Warburg and he would ask you, do you remember what happened on that deal three or four days before, if you didn't know what was happening then all hell would break loose. It was not just a casual thing. We were in fact expected to know and you would wish, to know what was happening in these different transactions. The mail was circulated only to directors. It was a confidential document and you had to make sure that it didn't get into the wrong hands.

*[07'08 Cultural changes - salaries]*

**Q1: So, these cultural changes, did that cause a problem at the lower levels? Obviously, there's potential conflicts of interest in this very large group now. How did you find that?**

A: I think over a period of time, it became necessary and obviously inevitable that the salary structures had to be equalised. I think it did have the effect that salaries in some of the securities firms for instance, did rise beyond to have parity with some of the corporate finance executives in Warburgs who were at that time slightly more highly paid. And well, this was the consequence of the combination. It was necessary, and the right thing to do, but inevitably increased our cost base by quite some notches. On the other hand, productivity also increased and for the first several years, the combined Warburgs Securities Group, had outstanding results by being able to do things that had not previously been possible, namely, to underwrite, particularly equity capital market issues, and distribute them with considerably greater speed and with less risk than we could have done previously.

*[08'35 Warburgs as 'first mover' at Big Bang]*

**Q1: And you were well placed from this sort of first mover point, that you were already set up sort of ready to go.**

A: That's right, on these first days when the new rules came in, there was no doubt we were ready and went off. And I would say quite a lot of the other transactions by City firms were undertaken in reaction to our deal. If you sat in Barclays de Zoete or Paine Webber, they all asked themselves 'what is happening here with the Akroyd Smithers and Warburgs; what do we do?' They needed to do something and that was followed-up within the next year, year and a half, by a stream of acquisitions of mergers of brokers or jobbing firms which basically had the purpose of more or less replicating what had been pioneered in the Warburgs Securities Group. We set the pattern.

*[09'46 Competitors - Barclays de Zoete Wedd; US investment banks – Morgan Stanley, Goldman Sachs]*

**Q2: Probably the most notable competitor of that would have been what became BZW, Barclays de Zoete Wedd?**

A: Yes absolutely. They were respected and important competitors, but the other important competitors were the American firms. Like Morgan Stanley and Goldman Sachs and the other international firms. But I certainly believe that Warburgs became the front runner among the British institutions.

*[10'20 Cost base increased in the 1990's; Warburgs talks to Swiss Bank Corporation]*

**Q1: And of course, parallel to that, as you say, cost basis had gone up and initially you were well placed to reap the rewards. But in time of course competition started to drive margins down?**

A: Well, there were a couple of things that happened. I don't know how many years later, but I guess in the early '90s, we continued to grow and expand, and important businesses were established in other parts of the world, in the United States, in Tokyo, in Australia and various partnerships. There is no doubt that overall cost base increased and then came one year, where turnover declined dramatically. And of course, if you sit as a service provider with a big cost base that is painful, and so I don't think that the Warburg Group ever lost money, but we had a year where earnings certainly declined. And at the same time, we felt that although we had a very substantial capital base, about £900 million or thereabouts, it would be helpful to have a stronger partner. And having had the abortive efforts to combine with Morgan Stanley of which you will be aware, we ended up in the end talking to Swiss Bank Corporation which had been a close partner of Warburgs in numerous transactions over the years. We knew the Swiss Bank Corporation particularly well among the Swiss banks.

**Q1: So, this was a way I suppose of getting much more access to capital effectively?**

A: Yes, of course, the image of broadening the capital base was significant. Swiss Bank Corporation had much greater capital than Warburgs.

**Q1: Which has brought us to this current era in a way. A lot of the merchant banks either kind of withered on the vine or ended up in larger institutions.**

*[12'30 Warburg & Co Chairman's Committee mid-1980's]*

A: Yes, the Chairman's Committee. There is a photo of the committee below which comes from a book about the City, published in the mid '80s.



#### S.G. WARBURG & CO.

The story of Sir Siegmund Warburg and his legendary merchant bank S.G. Warburg, is the great postwar City success story. Mr. Warburg, a refugee from Nazi Germany, not only started his bank with little money and even smaller backing from a community which generally resented outsiders, but became one of the best-respected members of the City élite and the very select Accepting Houses Committee.

Today, S.G. Warburg & Co., with close associates in Paris, New York, Frankfurt, Zurich and Hong Kong, is one of the premier merchant-banking houses in the city. Here Sir Siegmund, third from the right and now in semi-retirement, faces Henry Grunfeld, one of his earliest partners. They are joined by Geoffrey Seligman and Peter Stormonth Darling (Managing Director) on his left, the Joint Chairmen of the bank, Lord Roll and David Scholey at the head of the table, and Managing Directors Oscar Lewisohn and Herman van der Wyck opposite.

© 1980

**Q1: Actually, when researching and looking at various books about him, you remind me now, there are the same sort of half of dozen photos that seem to come up.**

A: Yes.

**Q2: Were there things that Warburgs did not do? In other words . . .**

*[14'00 Countries with which Warburgs would not deal, including dictatorships]*

A: What Warburgs would not do was business in countries which were not established as proper democracies. So, we did not have corporate finance or issuing business in South Africa, Russia or Latin America. There was a principle that we only dealt with countries which were part of the Western world of established democracies. That was a very important principle. Later we became active as advisors to governments of emerging countries.

**Q1: And as well as the moral issue, I suppose there's the issue of proper rule of law and proper**

A: Right, but I would say the guideline was mostly the moral issue because we did not like dictators, and we did not deal with dictatorships. There is a greater risk in dealing with dictatorships because they are renowned for corruption. I remember hearing from competitors who were more adventurous, and struggling with the question of the 3Ws, who to give, what to give and when to give.

**Q1: Right.**

A: And we didn't practise that but, for some, that was the art of manoeuvring in those parts of the world.

**Q1: Yes, some dark waters.**

A: The 3Ws, yes.

*[15'55 Privatisations – UK and international]*

**Q2: Completely different topic, were you very much involved in the privatisations at the beginning?**

A: Yes.

**Q2: I mean, I know everybody was involved, but were you leading...?**

A: Yes, we were. I think Warburg had a particularly important role in the privatisation but that was not a part of the business I had personally. When you see David Scholey, he can be much more articulate on these issues, but there is no doubt that Warburgs were leaders in privatisation. We had for years been close to most of the nationalised industries and arranged Eurodollar bonds for almost all of them. The UK Treasury at that time quite liked the idea of arranging loans for the nationalised industries to raise funds to supplement their own funding. So yes, we knew almost all the nationalised institutions when the privatisation started.

**Q1: One thing [inaudible 0:16:49] house, like Kleinwort Benson and probably Morgan Grenfell, would you say that you were well up with those sort of--, those names as well?**

A: Yes, absolutely. Well, I would suggest to you without doubt that the Warburg's business was substantially greater in corporate finance of both firms, but they were of course both eminent and important competitors.

**Q1: And that was something of a boom period in corporate finance?**

A: Yes, absolutely, very important.

**Q1: Once Mrs Thatcher had opened up the ideas of privatisation...**

A: Of course, this gave a significant boost and for the whole securities industry. It gave them a great deal of new material to trade in. It was significant.

**Q1: And developing the expertise, maybe, to use that in foreign markets as well --, other countries had sort of followed the same lead after a number of years.**

A: Yes, that of course was one of the concepts of Warburgs having an important presence in the States, on the continent and in Japan. It was a seamless integration of the business. In the fixed interest business, we had of course trading books in London, in New York and in the Far East which moved from one centre to the other through the different time zones. Always with tight limits as to what they could do in terms of nostro positions.



*[18'23 Challenges of a global securities firm; Warburg discipline]*

**Q1: This scale of business must have been quite a huge senior management challenge now because it's come from quite small beginnings, being extremely successful, now you're literally a global firm, did that cause problems do you feel?**

A: One element it requires is, of course, greater integration, but the principles that governed the whole business were the same. The scale was bigger, but the principles were observed. And there were very clear limits to what could be done by these departments and they were not ignored. If there were problems, all hell would break loose as a matter of fact. I would say, it was an established and disciplined approach and over the whole period I think as Siegmund would say Warburgs had relatively few serious accidents. Inevitably if you have a very substantial business you occasionally may find that something has not gone the way you had hoped. But overall, we had a great deal of respect for the laws of gravity and did not stray.

**Q1: [Laughs].**

A: We did not believe we could walk on water and we believed that liquidity management was vital. We did not believe in speculation for the sake of speculating, so it was a very carefully constructed service business.

*[19'51 Securities industry: Siegmund Warburg's scepticism of the 'börsianer' mentality]*

**Q1: And maybe, dare one say, the less fashionable view was that, erm, old fashioned bankers treated the securities industry with a degree of caution, didn't they?**

A: Of course.

**Q1: There was a feel that securities houses were not necessarily stable and were not well capitalised.**

A: No, you are right. And I think it was known that Siegmund Warburg himself did not have the greatest admiration for the stock exchange community because he felt that they were too short-term minded and engaged in too much speculation. He would sometimes use the expression, he didn't like the 'börsianer' mentality. 'Börsianer' were the people who work on the Stock Exchange. He was more, long-term and strategic in his thinking. He had similar feelings about Warburg's asset management business. For quite some time he was sceptical about the quality of that business

because he was concerned that colleagues of his might give poor advice to their clients, among them, industrial leaders such as the chairman of BP or maybe a friend who worked for shell. So, he was concerned about the compatibility of these two different activities within the bank, corporate finance and private client asset management.

*[21'48 Mercury Asset Management, including pension fund business]*

But of course, in the end, as we know, the business of Warburg Asset Management and Mercury Asset Management became incredibly successful on the back of the efforts of those who ran the business.

**Q1: Carol Galley and David Price.**

A: Carol Galley, David Price and Steven Zimmerman, particularly David Price, in the early years developed the pension fund business, where we had a most important expansion and became established as leading managers of UK pension funds, which previously had been managed in-house by the Treasurer of the company, guided by brokers. It was a much more disciplined and long-term plan approach which established the pension fund management industry.

*[The 'Crash' of 1987; BP part-privatisation]*

**Q1: Just outside of our preferred sort of time slot, because we're sort of '79-'86 I guess, because the crash of '87, and was there a great exposure there or was that one that you rode quite easily?**

A: No, we rode that I think mostly quite well. Overall, I think the greatest headache I recall was the BP launch.

**Q1: The flotation?**

A: Yes, BP, where Warburgs had been the lead manager underwriter and, you may recall that this took place just about the time when this crisis happened.

**Q1: You were left with the stock I guess?**

A: We were left with quite a lot of stock and I we suffered a loss, I can't remember exactly, it was I think £15 million or £20 million which we lost on that, which was

unpleasant. But it was not as unpleasant as it was for Wood Gundy in Canada, which had an even larger exposure at the time, and had to close.

**Q1: Yes.**

A: Because they had suffered an enormous loss.

**Q1: It pretty much finished them off, yes.**

A: Yes, so that was one example. I think the Chancellor of the Exchequer was none other than Mr Lawson. And although Mr Lawson knew that there was a force majeure clause that could be invoked at his discretion, he formed the view that although there had been enormous disturbance in the financial markets, it would look as if the Conservative government was giving a gift to the City if he invoked it. Those boys should simply take it on the chin.

**Q1: So, the underwriters would have to swallow it.**

A: Yes, but it was his decision. He refused to allow them to execute the force majeure [0:24:43]. To my mind that was completely wrong. I cannot recall a more powerful disruption of the markets which would have normally justified that, he was a politician and didn't like the idea that the Conservative party should be accused of having supported their friends in the City. On the contrary, it was extremely helpful that he could say, "Look, we have stuck it to them". We are friends of the people. We are friends of the many as Mrs May puts it more clearly, not of the few!

**Q1: And it's worth recalling that the scale of that crash, there was a 25 percent fall in the market**

A: Yes, it was a very dramatic, truly significant. But, of course, as time goes on, things recover.

**Q2: I have no questions ...**

*[25'48 Regulatory compliance; supervision by the Bank of England]*

**Q1: Take one last area I thought we might quickly touch on, which really comes again into cost and attitudes to business, was the growth of the compliance side of the business, which suddenly [both talking at once] unfolded.**

A: Yes, you are right, that indeed became an important and major part of the new group. We were very lucky to secure the help of John Mayo, former senior partner of Linklaters, who had been one of our previous advisors to the Warburg Group. John Mayo became the senior director overseeing the institutional compliance of the whole group. But it was done with meticulous care and thanks to the amount of resources devoted to compliance, Warburgs maintained its good reputation.

**Q1: It's become a barrier to entry for some of the players.**

A: Yes, of course, and you are right, this was a major change during that period. We all knew how to behave, and I think most of the rules that came in, was to most of us second nature. We didn't really think that they told us anything that we didn't normally observe or felt appropriate as proper standards of behaviour. But of course, it was codified and now it was a matter of the letter of the law, so we had to have an institutional approach. New legal agreements that every client had to sign regulated how the business was to be conducted in future.

**Q2: And was the Bank of England much more of a supervisor than they had been in the past? Or had you been so close to them that actually...?**

A: No, I think the Bank of England played a very important ongoing role. At Warburgs up to Big Bang, we had for years a single supervisor, Mr James Keogh, I think it was his name.

**Q1: Oh yes.**

**Q2: Oh yes, that's a name [both talking at once]. He was in the Discount Office.**

A: Yes, the tradition at SG Warburg, as prior to Big Bang, was that we would sit down with Mr Keogh and we would tell him everything we were doing. We would tell him exactly what our book was like, long/short liquidity structures, foreign exchange exposure. I mean, everything would be right out there, open for him to consider.

**Q1: A confessional more or less?**

A: Yes, and if he had any questions, we would answer them. We obviously recognised that he had an important duty to supervise the banks and there was no question that we would attempt to hide something from him. We would tell him just what we are doing, and we would ask his advice. Do you think we can do this or do that? And if

we needed a consent to do something, we would of course apply to the Bank of England for permission to do whatever we might want to do.

**Q2: That would have been in the mid-'70s because of course Gordon Richardson got rid of Mr Keogh after the secondary banking crisis . . .**

*[29'00 Premium dollars, property dollars, Exchange Control]*

A: I joined the firm in '62 when the Exchange Control Act 1947 was still in force. And at that time dealing in investments premium currency, were important parts of the Warburg Treasury business and international property currency.

**Q1: The premium dollar market?**

A: The premium dollar and the property dollar. We were quite an important market maker in such transactions. Both for corporate clients and other members of market. This business was already part of the Treasury and money market Division that we developed which became substantially profitable over the years.

**Q2: Yes, because I was then going back to -- so Keogh went and the Discount Office--, well then, I think Rodney Galpin was sort of starting a proper supervisory department for the Bank at that time.**

A: Yes.

**Q1: This was the professionalisation of things . . . [both talking at once].**

A: Yes, so I hope that you found that helpful.

*[30'19 The future of the City of London in 2019]*

**Q1: I was going to ask you one last question, if you will. Erm, in fact I think we touched on it when we weren't recording last time, is, how do you see the future of London and the City in general as we sit here now in 2019?**

A: Well let me suggest you the following, I hope that whatever happens with the Brexit discussion, that it will somehow or other land us on our feet. That there will be an ongoing constructive relationship with the EU. But I think that it will, one way or another, lead to a more challenging period for one reason, which is that I think the City of London and financial services, have benefited significantly by the UK being part of the European Union. Insofar as a lot of activity coming from the Far East or

from other parts of the world that wanted to do business with the continental EU, they were saying well let's get to London because there they have the expertise and they have the time zone, they speak English and from London we can do what we think we need to do in Germany or Holland or Belgium, or now with the new emerging European countries. So, we've had an adventitious benefit, disproportionate to everybody else because of the history of this City and its services. It seems to me likely to follow when we are no longer in that position, we will no longer have the same volume of business coming in because these people will now have to have their own relationships on the continent, in Germany, in Paris, wherever they think that they need to be. So, I think there is a potential reduction in this benefit, and I don't think it's particularly well understood how important that has been. A lot of it has been taken for granted, Britain historically, and London particularly, has been the most respected as an international financial centre. But I think that this is going to be a challenge to a lot of firms and you've already seen of course a lot of them preparing for by moving assets to Ireland or to France or wherever, and it is inevitable.

**Q1: There's a danger of complacency possibly?**

A: Yes, I'm afraid so. I don't personally think that the business plans of many firms now in the City, which were drawn up two or three years ago, will be able to meet their targets. Because I believe they will lose relative volume and a lot of things will not come their way as it used to. At the same time, I think it is reasonable to remind you that in these financial services everybody is cooking with water! We cannot say or pretend that only London knows how to do an international bond issue or can launch a new equity issue or can organise a syndicate credit. Everything can now be easily replicated by other centres.

**Q1: Coming back [both talking at once].**

A: The competition is extremely significant.

**Q1: So, your point earlier about how one can lose reputation, in a way London at a more macro level has exactly the same issue. I mean, built over significant over time.**

A: Yes, I will give you one little anecdotal example. I had a good friend coming to see me here a couple of weeks ago who has built up a substantial asset management business in London. In this firm they employ quite a lot of continental specialists, senior people from Germany, France, Holland. And one of these senior people had come to see him and said that he had decided to move back to his native country in June; he gave him three months' notice to prepare for that. So, my friend had said, "Really, I 'm so upset. How can you come to that conclusion, why do you want to leave? You are one of our most senior people, member of our bonus pool and you've done wonderful work here for 15 years." He then answered, "Well, I'll tell you, I don't feel welcome here anymore. That's all, I have nothing else to say, but that my wife and I don't feel welcome. I'm leaving."

**Q1: That's rather shocking.**

A: It is. This is not something you will hear when you talk to your friends, but this is a feeling that many people coming here from the continent have. Things have changed. London used to be a most important welcoming international place, but with this Brexit momentum of anti-immigration, strong anti-immigration, it weighs on people. And of course, you can't blame a lot of good English people who are saying, "Look, maybe there has been too much of it." You can't say it is surprising since we've seen these developments in many communities. I would add that when this referendum came about and so much was said about immigration from the EU, the people who voted for the anti-EU cause were also thinking, "Why are all these people here from Jamaica and from India and Pakistan? That's also immigration." They did not make a distinction about which kind of immigration. They just formed a view that there are too many immigrants. If you lived in some lovely village in Kent and you used to have only traditional English families living there, now so many different people have come and speaking languages they don't understand. Naturally, I can see why people find it difficult. In the UK, we champion being a multicultural society, and this is political spirit, but in reality, these sentiments are not always very strong. It reminds me of the situation in Ireland and Northern Ireland which is now such a focal point.

**Q2: Yes, I mean going back to the immigration of course, a lot of the constituencies that voted remain actually did have lots of immigration. And quite a lot of the leavers had actually got no-, had no immigration.**

A: Yes.

**Q1: Extraordinary.**

**Q2: It was very strange. Anyway, we must wrap up, thank you so much.**

A: I would be grateful if you would allow me to listen to the recording.

**Q1: Of course.**

A: We've been somewhat expansive here today.

**Q1: Yes.**

[END OF RECORDING: 0:37:55]