
It's four o'clock. Do you know where your capital is invested?

In a global financial market, money makes the world go around, but trust is an element in the transaction. Technology, communications, and transnational relationships are combining to form an increasingly globalized financial marketplace. As the pace quickens, the nature of the players and the safety net supporting the system becomes critical.

Who will be the lender of last resort in the event of a major default, for example? How will transactions be monitored and controlled? Which institutions will survive the inevitable capital crunch in this new global market?

Such were the questions asked by 38 delegates from the Financial Women's Association of New York when they met in February 1987 with 26 leaders of the London financial community to explore changing events.

The 600 members of the Financial Women's Association represent every segment of the financial community and have in common business and career interests and the goal of promoting the well-being and continued growth of women in the financial community. The London Symposium is the fourth trip the FWA has made in its international series of meetings with business and government leaders.

There are rare moments when events combine fortuitously to create the kindling spark which fires up a new generation of ideas and career decisions. The FWA London Symposium was one such moment. To our speakers who generously shared their vision and concerns, and to the London community who graciously received us, we dedicate these pages.

Commercial Banks Play Central Role

The "young turks" in the capital markets arena have much to learn from the "grey haired" commercial bankers, said Sir Jeffrey Benson, Deputy Chairman of National Westminster Bank. Continued on page 6

"We need a major hiccup to realize that there are inherent dangers in the system." Sir Jeffrey Benson, Deputy Chairman, National Westminster Bank Plc.

"The increasing fragility of the international payments system is a deep worry." Sir Martin W. Jacob, Chairman, Barclays de Zoete Wedd Ltd.

"Big Bang" Brings New Flexibility to Global Marketplace

The momentous changes in the London financial community have provided a new flexibility, according to Sir Martin Jacob, Chairman of Barclays de Zoete Wedd and Deputy Chairman of Barclays Bank Plc.

The new environment is characterized by a highly liquid market free of Glass Steagall restrictions and Article 65 limitations. Early statistics indicate that market users are responding favorably, and turnover is increasing rapidly, while commissions are decreasing substantially.

Although better equipped to compete with New York, Tokyo, and Frankfurt, London presents a few Continued on page 7
FWA Meets The Lord Mayor of London

The door bell rings once - it signals a guest. It rings twice - the Lord Mayor and Mrs. Mayoress have arrived home to the Mansion House. As the doorman announces their arrival, the FWA delegates move to the other side of the foyer quickly as if reacting to the impending parting of the Red Sea.

Sir David Rowe-Ham and his wife climb the mansion stairs to the upper floors to prepare for the formal reception with the FWA. The Lady Mayoress is followed by an attendant, who holds her coat and bouquet of flowers received at an earlier event.

The FWA delegation is guided through the Mansion House - learning choice historical tidbits about the home in which the Lords Mayor of London have lived for centuries. The group glimpses the ornate chandeliers, marvels at magnificent oriental rugs, the Banquet Hall— and the very spot where bombs hit during World War II. Especially dazzling is the Gold/Silver Room - gathering place for the Lord Mayor's centuries-old "household goods." Of course, no pictures, please.

The tour ends in the Grand Reception Room - where personally selected paintings of the British aristocracy and landscape grace the walls. There is a buzz in the room — and then the Right Honorable Lord Mayor of London enters. Sir David Rowe-Ham and his wife formally greet and speak with each member of the delegation, inquiring about our business interests and our enjoyment of London. The couple is genuinely interested in our answers to their questions. The formal hand-shaking is followed by tea and petite-fours.

While the Lord Mayor's position is primarily ceremonial, it has extraordinary social prestige. One must be elected to this position - but, when elected, a Lord Mayor foots the bill for most of the Mansion expenses. Yes — there has been one female Lord Mayor.

We leave the Mansion House with a warm feeling that we had experienced a bit of the Glory of Old London.

Catherine H. Behrend, Director, Mayor's Office of Business Development, New York City

Globalization is Both Good and Bad for Investors

There will be a decrease in the overall price of securities and an increase in volume and investor product options; but in general, quality of service overall will not be enhanced. That's the prediction of London financial market leaders who addressed the effect of globalization on investors.

Robert Brooke, Vice Chairman of Mercury International Group, sees the shortage of skills as the most limiting factor in today's market. "We must not confuse bull markets with brains," he said.

Jean J. Rousseau, Deputy Chairman and Chief Operating Officer for Merrill Lynch's European operations, predicted a global market characterized by three Cs, concentration, competition, and compensation.

According to Rousseau, concentration of the 100 firms presently participating would result in no more than 20 global full-service participants in 10 years. Among the survivors: several U.S., Japanese, and European mega-
firms, and possibly an Australian or Canadian firm as well. All would be innovators capable of taking advantage of opportunities akin to an investment-banking, rather than a commercial-banking, style of doing business.

Rousseau also sees competitive bidding occurring at a more rapid rate in the U.K. than in the U.S. And, compensation will be substantial for firms developing new ideas, products or services.

**Impact on the U.S.**

A global market also means that U.K.-based firms will broaden their market coverage by acquiring U.S. and foreign-based firms. As an example of such opportunities, Michael George Newmarch, Chief Executive of Prudential Portfolio Managers, cited his firm's recent acquisition of Jackson National Life in Michigan.

Investment in the U.S. will continue to attract international firms, says Newmarch, because the U.S. presents a diversification opportunity unparalleled in growth potential, in a huge market with a stable government and with low cost due to the low dollar valuation. The U.K., Japan, Canada, Germany, and Holland will be the largest investors in the U.S. Direct foreign investment in 1987 alone is expected to total $230 billion (excluding stocks and bonds). The U.K. will contribute $10 billion and Japan $50 billion.

Foreign investment in the U.S. would have a positive effect on the budget deficit and interest rates and bring an ultimate boost to production and employment. However, such investment in the long term could have major implications for the U.S. trade deficit and possibly trigger some form of restrictive legislation.

American banks and other U.S.-based financial institutions have been aggressive in entering the U.K. market. Glen Moreno, Group Executive of Citicorp Investment Bank of Europe, the Middle East and Africa, said that Citi has focused acquisitions primarily on the stockbroking business and has established a strategy for a global equities business.

**Lloyd’s Traditions Prevail Despite New Look**

Steeped in tradition, Lloyd's has redefined its image with its new headquarters — the first major building in the U.K. to be constructed around a central atrium with a series of glass-walled galleries leading up to a 200-foot-high glass barrel vault.

London's newest landmark opened in May 1986, creating an even greater furor than Pompidou Center, in Paris, also designed by Richard Rogers and Partners. Yet the modern Lloyd's fulfills the prime requirement — a single underwriting room — that has been a feature in each of the institution's eight homes since its origins in a 17th-Century coffee-house.

Despite its space-age look and technology, Lloyd's remains a remarkable survivor of a very old way of doing business. Nowhere else in the world is insurance still transacted by individuals who accept personal and unlimited liability.

Underwriting membership, or Continued on page 4
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becoming a “Name,” is open to men and women of any nationality provided they meet the stringent financial requirements of the Council at Lloyd’s. Today, nearly 30,000 members are grouped into about 370 syndicates, varying from the relatively small to one with over 5,000 Names.

Providing a major market for marine, non-marine, aviation, and reinsurance, Lloyd’s underwriters are renowned throughout the world for their willingness to insure unusual risks. Annual premiums run from $9 to $10 billion, roughly 50 percent from insuring U.S. risks.

Lloyd’s has had its share of ups and downs. The need to tighten controls became especially apparent with the failure of some syndicates and with the dramatic increase in the number of Names. When there were only a few hundred members, the institution operated essentially like a club, with a management committee answerable directly to members.

Today, Lloyd’s is governed by a 28-member council, responsible for overall management, including rule making and market discipline. As part of a self-regulatory framework, the council has disciplinary committees and an appeal tribunal. Should the Labor Party come into power, its proposed reforms include a provision for Lloyd’s to be brought under control of the newly formed Securities Investment Board (SIB).

Myra Leigh Tobin, Managing Director, Marsh & McLennan

"Lender of Last Resort" Concerns Both Financiers and Regulators in London

In London, a major concern of creating a world financial market is the effects of securitization. The process of allowing borrowers to bypass banks and raise funds directly in the securities markets has rung the death knell of traditional international banking and heralded the birth of globalized investment banks. But according to Sir Jeffrey Benson, Chairman of National Westminster, securitization leads people to ignore some fundamental risks: “I doubt that any securitized asset carries little risk just because it is tradable.”

“The biggest technical problem will be capital. The biggest practical problem, the retail markets.”
Sir Kenneth Berrill, Chairman, SIB

increasingly difficult to limit defaults and to monitor counterparty risk. Foreign disturbances are more likely to spill into domestic markets before the latter can react. A lender default or a breakdown of the settlement system could create havoc within the whole financial system. “We would welcome a worldwide common system of interest and payment,” according to R.D.C. Brooke, Vice Chairman, Mercury International Group.

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"If we do not have fairly permanent financial advisers in this transactional world, who will look after the company’s debt and equity issues?"
A.W. Clements, Financial Director, ICI Plc.

Further, there is grave concern about who will be the lender of last resort. The global system has no safety net. The supervisory infrastructure is not integrated globally or even industry-wide. “Only small parts are reasonably regulated,” says Sir Kenneth Berrill, Chairman, The Securities and Investments Board. “We are creating a whole system from scratch.”

The interconnection of bank and non-bank counterparties makes it

"Some brokers are beginning for the first time to run risk. We’ve been doing it for our clients for 30 years.”
Michael George Newmarch, Chief Executive, Prudential Portfolio Managers

“The litigious climate in the United States has caused Lloyd’s underwriters to shy away from the U.S. liability market.”
John Griffith, Director, C.T. Bowring & Co.; with Myra Tobin, Anthony Cassidy
Accountant Sees Independence and Quality as Key Issues


“The City of London is going through a period of dramatic change [which] some people find uncomfortable. There is a view that the City is an ultra-conservative place — and should be — and should therefore be resistant to change. I don’t believe that. The City is a prudent place, but the fact that it is still in the forefront of world financial markets is a tribute to its ability...to initiate and respond to change...

“Up to the present time, the accountancy profession, partly because of the restrictions which the Companies Act rightly places upon it, has stood aloof from these changes. That is no bad thing because to a very large extent, the credibility of our profession depends on our independence. However, we cannot and we should not try to insulate ourselves from the market place, and it is right therefore that the profession is considering its own position...

“Publicly, great concentration has been placed on matters of audit independence, which are addressed by the suggestion of the rotation of audits and restriction on the range of services...Regulation of the profession is an area in which change is desirable, but not because of independence. The major matter of public concern is audit quality...

“I do think that there is a respectable argument to be put forward that firms of chartered accountants should not have a greater liability under the law than directors of companies...

“All we want is a recognition that we should not be asked to run greater risks than businessmen who operate in the company market. We are not complacent. We welcome many of the changes which have taken place in our profession, particularly the ability to compete for business in a less restricted fashion. I am not sure, however, that the changes which have come fairly quickly over recent years are appreciated by all practicing accountants, and I am sure that some firms will find the change to the new environment costly and painful. We in Touche Ross intend to restrict the cost and pain by addressing the issues sensibly...”
A Brit’s-Eye View of Two Worlds

It is seven years since I left London, and though I have visited Europe regularly since then, the FWA trip was my first professional opportunity to meet a broad cross-section of London’s financial community.

My initial impression was that both the pace of business and the weather are a great deal brisker than I expected. Much of the complacency that characterized British industry over the past few decades is noticeably absent in the financial community. The City of London is clearly making a concerted bid to remain a pre-eminent international financial center.

The presentations were concise and informative, delivered at a good clip. I had forgotten how fast and densely the English speak. Although the underlying tone was optimistic, it remains out of character for the British to be positive in the way Americans are.

Competitive fallout

The truly competitive environment created by Big Bang was a necessary and somewhat overdue development. Most agree that after the initial fierce competition, there will be considerable fall-out, especially once the bull market is over. Certain British firms are well-positioned to take advantage of the opportunities presented by the globalization of international finance. However, as some speakers pointed out, foreign owner-

The role of women

I would like to be involved in the excitement of the effects of Big Bang, but still feel that women have better opportunities in the U.S. than Europe. This impression was borne out by the comments made by the recruitment consultants and others; the glass ceiling is much lower in Europe.

It was good to visit home, but I’m glad to work in the U.S.!

Virginia A. Featherstone-Witty, VP, Chemical Bank

Commercial Banks

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Ster Bank. The capital markets are a complementary addition to the central role of a commercial bank, rather than an end to a commercial bank’s traditional business.

Sir Jeffrey cited five forces as primarily responsible for the latest changes in financial services:

Economics We are now experiencing the longest bull market of all time, and market makers who are willing to take short- and medium-term positions are injecting new life into the bond markets.

Innovation New financial instruments are being created to meet the needs of today’s corporate treasurers. Securitized transactions and other innovations have brought in increasing disintermediation. The impact is dramatic: The proportion of new funding derived from the capital markets (as opposed to bank loans) grew from 30% in 1980 to 50% in 1986.

Technology Transactions are now executed in a much more expeditious manner. In London, for example, the introduction of the automated dealing network has virtually emptied the exchange floor. Because technology also allows disintermediation of funds globally at the touch of a button, prudent bankers must be sure that this payment system remains reliable.

Globalization Now borrowers will do business in whichever financial center they can “get the best deal” — that is, the cheapest cost of funds. We are approaching the situation where major international securities will be traded on a 24-hour basis.

Deregulation In Britain, this began in 1971 with the abolition of exchange controls, permitting unrestricted capital movement and positioning London as a major financial center.

Sir Jeffrey noted that the artificial barriers between commercial and investment banking currently imposed in both Japan and the U.S. will be lessened, especially since they do not exist in London.

Additionally, liberalization of financial centers will lead to more competition, possibly causing market players...
Panelists Discuss Changing Euromarkets

Chris R.H. Bull, Corporate Treasurer, British Telecom, with Claire Simonelli. Financial strategies of a recently privatized company.

Robert Taylor, VP, Morgan Stanley. Lessons learned by the largest player in Euroequities.

Rosemary Carawan, Associate Director, Swiss Bank Corp. International, Ltd. Short- and mid-term notes: the next global frontier.

"The Eurodollar is the Communists' gift to capitalism."
G. Edwin Smith, III, Eurobond Syndicate Manager, Bache Securities (U.K.), with Martha Briley

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drawbacks, Sir Martin said. The U.K. economy is unable to generate sufficient capital, for example. "I see a repetition of what happened more than twenty years ago in the Eurocurrency bond market. London shall be dominated by foreign-named firms."

Further, recent liberalization of the market requires the creation of a new regulatory system. The cost will fall entirely on the market participants and will ultimately result in higher charges to clients. "You have a luckier situation in the U.S.,” Sir Martin said. "Through the prospectus-vetting requirements of the SEC and the charges levied by the SEC, the cost of regulation is more directly borne by the issuers of the securities and is less noticeable than it will be in London."

The Barclays chairman described how his institution seized the opportunity to become a universal bank, by acquiring brokerage skills with the purchase of de Zoete and Bevan, and trading skills with the purchase of Wedd Durlacher, then combining the investment banking skills contained within Barclays Merchant Bank with the capital of Barclays Bank.

The result is the new conglomerate, Barclays de Zoete Wedd, whose strategy is to conduct business in the

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entire range of securities, from shortterm notes to equities, and to develop abroad from a position of strength in the U.K.

The potential weaknesses of such a conglomerate are obvious and affect every firm in the business, Sir Martin noted. "Too much capital affects gross margins and makes it difficult for anyone to earn adequate return. Compensation levels and overheads generally are in my view higher than is healthy."

Emphasizing that worldwide there must be a consistent approach to capital adequacy standards, Sir Martin said he was very encouraged by the agreement reached by the Bank of England and the Federal Reserve. "There is a need for constant and vigilant credit-watch on counterparties, and a need to insure that we do not fall into the traps caused by insider-trading scandals," he said.

Francoise Jeanpierre, VP
Barclays Bank Plc.

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