Reprinted from THE TIMES Wednesday August 31 2016

New breed of banker uses old school skills

Future of the City

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Younger rainmakers are braving the weather by defecting from giants of Wall Street to create small finance boutiques

Ask the City grandee Sir Simon Robertson if old school merchant bankers like him are a dying breed and he chuckles. Quite the reverse: relationship bankers are alive and kicking and winning many of the biggest deals.

Sir Simon reckons that the City depends entirely on banker-client relationships, but they must be good ones. "The future of the City will depend on the quality of the bankers working in it and their ability to maintain strong relationships with their corporate clients," he says.

There will always be a need for independent advice, he adds. "It can be difficult for the big banks to be independent." The Old Etonian, 75, should know. He is the most distinguished adviser of his generation, having been at Kleinwort Benson and Goldman Sachs, where he worked on mega-deals such as the merger between Glaxo and SmithKline.

Then, a decade ago, the former Rolls-Royce chairman and HSBC deputy chairman was the first dealmaker for years to set up his own one-man corporate finance boutique and he continues to advise a number of big-name clients. That is what you call relationships.

Where Sir Simon forged ahead, others have followed. Far from being a dying breed, there is a younger generation of star rainmakers defecting from the big Wall Street giants to create their own boutiques, either because they want to flee the bureaucracy or escape the inherent conflicts of interest — or have more fun.

Dealmakers at Robey Warshaw, Zaoui & Co and Ondra are the latest exiles from banks such as Goldman Sachs and Morgan Stanley to set up for themselves. And they are doing well. Clients want their discreet and trusted advice, usually alongside the Wall Street boys as well.

Sir Simon Robey, Simon Warshaw and Philip Apostolides, who set up only two years ago after a brief spell with Sir Simon Robertson, have had the most extraordinary run. They advised Astra- Zeneca on rejecting the Pfizer takeover approach; the London Stock Exchange on its merger with Deutsche Börse; the tie-up between BG Group and Shell; and now they are advising SoftBank on its bid for Arm Holdings, without a big US house alongside them.

Since going solo three years ago, the Zaoui brothers, Michael and Yoel — known as the Messi and Ronaldo of banking—have also done spectacularly well, their staff of ninehaving advised on \$150 billion of deals. And Benoît d'Angelin and Michael Tory, both former bankers at Lehman Brothers, are going great guns at Ondra.

These star bankers may be old school but they are also disruptive in the modern sense, upsetting the status quo of the big banks. Last year a record numberof advisory boutiques operated in London, 114 of them, the highest since they were first counted in 2000. Of all the M&A deals carried out in Europe so far this year, boutiques have captured nearly half, or \$1.7 billion, of the deal fees. Other relative newcomers doing well include Greenhill & Co, Moelis & Company and Evercore, and even the middle houses — Lazard and Rothschild — are understood to be feeling the squeeze.

Being disruptive and upsetting the apple cart is London's great attraction. "It is what makes London tick," Andrew Hilton, director of the Centre for the Study of Financial Innovation, says. "The City is leading the way in every sense, from new M&A boutiques to financial technology. There is a real bifurcation going on: more bespoke services on the one hand but also the commoditisation of many products. It's unlikely that Brexit will change that— in fact, it may make the City more global still.

"Fintech is strong in the City, probably the strongest centre in the world with someof the brightest tech brains and a relaxed regulatory approach. The FCA [Financial Conduct Authority] has taken an open approach to new trading systems and products, through its Regulatory Sandbox, and it should be praised for this."

REBECCA REID/EYEVINE

Yoel Zaoui, far left, and his brother Michael, who run Zaoui & Co, are known as the Messi and Ronaldo of banking

Fund management, fundraising and equity research are sectors facing the greatest shake-up. There are more than 50 new trading platforms ranging from crowdfunding sites such as Seedrs and Funding Circle to new online wealth management firms such as Nutmeg.

Nick Hungerford's Nutmeg is one of UK fintech's most disruptive darlings, the first of the online "robo-adviser" services to have taken on the old world wealth managers. Clients can invest online through the robo-advisers — automated, algorithm-based portfolio management advice — rather than through human planners. It is a cheaper service and there are lower minimum amounts to invest compared with the big wealth managers.

Another new wealth manager is Saranac Partners, which is run by Tom Kalaris, formerly of Barclays. Saranac plans to mix up private banking with new technology while the more traditional Kleinwort Benson is also looking at the Nutmeg model.

The first big shake-up in fund management was the departure of Neil Woodford, the star stockpicker, together with Craig Newman, to set up Woodford Investment Management. Mr Newman says that the door is wide open for nimble new boutiques, but he warns that the infrastructure is complex and that there are no short cuts. Woodford, which has £15 billion in assets under management, is upsetting its peers by providing clients with a full breakdown of fees and costs.

Youngsters are breaking away, too. Tom Hinton and Rupert Froud, who worked in equity capital markets with one of the US giants, recently joined the Cambridge-based Syndicate Room crowdfunding platform.

Charles Breese is a serial investor whose business, Larpent Newton, helps to develop unquoted and AIM-listed growth companies. He predicts that the City is reverting to a pre-Big Bang structure, whereby many smaller specialist firms will work together to raise funds. "One of the key features of the pre-Big Bang City firms was low fixed overheads, so they were resilient in tough times and made good money in the good times," he says. "Relationships and new technology will ensure that the City survives and indeed thrives."