BarCap, Deutsche shake up Swiss syndication

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The news that Barclays Capital has established a Swiss franc syndicate desk in Zurich, and that Deutsche Bank will do so in August, has shaken up recruitment in the Swiss franc market over the past months — but represents a big commitment to the market from two foreign investment banks.

Martin Meili joined Barclays Capital from RBS as head of Swiss franc syndicate last Thursday, and Dennis Vucina will join Deutsche Bank from BNP Paribas in August. JPMorgan also considered setting up a Swiss franc syndicate business in the first quarter of 2010, but decided against it.

Of the two banks setting up Zurich-based syndicates, Deutsche Bank is more experienced in the market. The German bank had a Swiss franc syndicate business in Zurich some years ago, and continues to run a Swiss franc syndicate business from Frankfurt, headed by Thomas Gessner. It will reopen a syndicate desk in Zurich this summer.

Barclays Capital had a brief, intense experience in the Swiss market during 2006. Barclays Capital has led 17 deals worth just over Sfr4.5bn for a variety of names. All of the paper went to one Swiss based institution, but this institution was not an internal fund. Since March 2006 however, the bank has only done private placements and MTNs in Swiss francs. However, Barclays Capital has set its sights high: number one non-Swiss bookrunner, number three in the market as a whole. Credit Suisse and UBS have well-established businesses with strong domestic franchises, and have been number one and number two in the market for more than 10 years.

BNP Paribas and RBS (through the acquisition of ABN Amro) are the top two non-Swiss banks in the Swiss market, and both are planning to ward off the challenge from the newcomers. BNP Paribas plans to emphasise its long term commitment to the Swiss franc market, but is not interested in maintaining league table placement at the expense of profitability. More established Swiss franc businesses have also been hiring, in part to replace the senior hires poached by Deutsche and Barclays. Patrick Raeber joined Royal Bank of Scotland from UniCredit shortly before Meili left for Barclays, and RBS is rumoured to be hiring again for another senior role.

BNP Paribas hired Slaven Maligec from UBS to replace Dennis Vucina as head of syndicate, leaving UBS to hire Andreas Tocchio from Credit Suisse to become syndicate manager. BNP Paribas will also announce hires in credit sales and trading later this month. Several senior Swiss franc syndicate bankers have expressed concerns that the pool of syndicate talent is too small, a view which was echoed by Klaus Robert Biermann, a Swiss recruiter. "Companies didn’t build up new teams," said Biermann. "There’s certainly a shortage of senior level syndicate talent, though several banks are building up from a more junior level today."

Barclays Capital said it plans to build its Swiss franc business on the back of a successful new issue business in other markets and solid secondary market offerings. "You don’t win mandates because you’re a nice person," said Meili. "You need to offer a service people can trust, with good people, and full commitment to offering secondary market support." Swiss investors welcomed the new market participant. "If Barclays can bring me a deal, why not?" said a Swiss portfolio manager. "It keeps the other market participants attentive. As long as Barclays brings the proper support to the secondary market, and quotes me good prices when I ask, I wish them luck." Syndicate bankers in established Swiss franc syndicates reserved judgment on how successful Barclays Capital would be in the market, but pointed out that it needed to make a long term commitment to have a chance of winning much business.

Jonathan Brown, head of European credit syndicate at Barclays Capital, said: "The Swiss franc market is driven by the basis swap, so it will have some ups and downs. We’ll be here more than a year or two, and we’ll be ready when the basis improves again." This commitment represents recognition from Barclays Capital that the Swiss franc market has matured in recent years. "Swiss francs became more important during the financial crisis," said Meili. "Five or six years ago, it was dominated by double or triple-A issuers. These days, there is much greater variety, and single-A or triple-Bs are offering investors interesting spreads. We’re going into a more active market, and we can offer a good service as a lead manager." He also noted that more diverse issuers were coming to the market, including EM names, and sovereigns such as Poland and the Czech Republic. "The Swiss market is far more educated today," said Meili. "It’s also more connected to the trends coming out of the euro markets." Changes in the Swiss market have been driven by structural factors, as well as the safe haven status of the currency. The SBI, the Swiss franc bond index, included only triple-A foreign bonds and double-A or above domestic bonds until January 2007. After this point, the index included all investment grade bonds from foreign and domestic issuers. The Swiss government also made changes to allow institutional investors to hold more securities from foreign issuers. Meili also pointed out that there could be opportunities in the Swiss market for more subordinated issues, provided they came from top-quality issuers.