

L'AGEFI HEBDO

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THE KEY MAN, Jean-Claude Bassien,

Chairman and CEO of Crédit Agricole Cheuvreux

“Our organisation’s changes are modeled after industry practices”

Becoming one of the **five** leading global players with Citics.



It goes without saying: “Just because ‘Chairman’ was added to my title does not mean I am a newborn at Cheuvreux.” On May 12, Jean-Claude Bassien, 47, took over from François Simon as Chairman and Chief Executive Officer of the European brokerage arm of Crédit Agricole Corporate & Investment Bank (Crédit Agricole CIB). General Secretary, Deputy Managing Director and then Deputy Chief Executive Officer, he spent 15 years working alongside his predecessor. Together, they built the multi-site model for the French broker, which has risen to the number 8 ranking in Europe, with average market share of around 2.5% in volume and 6% in commission income.

Management consolidation

Cheuvreux now needs to start a new chapter. “Our clients have suffered,” recognises the new Chairman. “In 2009, their assets under management fell by 40% relative to 2007 and are still down 25% today. The market situation remains a concern.” Meanwhile, the broker’s net banking income (NBI) has contracted by around 40%. The Markets in Financial Instruments Directive (MiFID) has had at least two impacts: “A 14 basis point drop in the market average commission for single stocks brokerage and execution services (combined) to 8 bp as well as a concentration of payments. Of more than 400 brokers in Europe, the top 12 alone account for 80% of commissions.” Cheuvreux had to respond. “Over the past three years, we continued our investments in order to broaden our range of execution products and services, with an eye toward developing the active distribution of Delta One and similar products developed by Global Equity & Fund Derivatives (GED). The consolidation of the client relationship through our core business is a major opportunity.” And there is more to be done, since “management consolidation is not yet finished.”

Cheuvreux’s planned changes could be further accelerated by the “Commune” project. On 3 May, Citics Securities, a leading Chinese investment bank, and Crédit Agricole CIB entered into exclusive negotiations in order to create “a partnership for their global equity activities.” “If the transaction is successfully implemented, we will have the potential to rank among the top five global players,” says Jean-Claude Bassien. “For CA Cheuvreux, the alliance of three regional brokers, who are the leaders in their respective markets

(China, Asia Pacific – Ed. note: with CLSA – and Europe) as well as an enhanced presence in the United States represent an exceptional opportunity. This is a major project that I am actively supporting.” Crédit Agricole Securities is also involved.

Cheuvreux must rebound despite the crisis		
€ million	2009 results	Change relative to 2008
Net banking income	145.22	-11%
Overheads	129.44	-15%
Operating income	9.21	-7%
Net income	16.37	-24%

Source: company

“Commune” is aimed at creating a bank focused on equity brokerage and derivatives (research, distribution, execution), along with capital markets services (Equity Capital Markets - ECM). It could lead to the creation of an entity that includes the Equity, Brokerage & Derivatives (EBD) division: CLSA, Cheuvreux and GED along with the activities of Citics. Crédit Agricole CIB intends to retain a majority interest. But the situation in Asia is complex and prompted Jean-Claude Bassien to comment that it is “not unusual” for Jonathan Slone, the head of CLSA, to have replaced François Simon as CEO and global head of the EBD line, even as François Simon remains the Deputy CEO in charge of Europe. While he does not speak of a shift in the Group’s activities toward Asia, he does note that Asia offers “extraordinary” potential. *“It is the second-largest market in terms of market capitalisation ahead of Europe for the past three years. Yet institutional brokerage represents only a modest €1 billion, compared with €3 billion for the European market.”*

Toward sector expertise

Even if “Commune” does not pan out, Cheuvreux is on the verge of a fundamental reorganisation. *“Managerial know-how is highly solicited for the efficient management of resources and the optimisation of the client relationship,”* notes Jean-Claude Bassien. In the research area, the teams need to be organised differently in order to develop sector expertise. *“Some 10 priority sectors need to be identified. The definitive list will be established in a few weeks,”* he adds. *“We are thus rounding out our multi-site service offering, which enables outstanding securities selection performance. The goal is to use the existing material to create additional value-added.”* The entire supply chain needs to be aligned. *“Last year, we consolidated in London the execution services for large caps with the sector specialisations of our traders,”* he adds. The changes thus affect Cheuvreux’s core business, as it must *“develop more proximity and greater professionalism in global client relationship management.”* The newly appointed Deputy CEO, Thierry Ancona, formerly Head of Sales for Continental Europe, will be responsible for this task. *“As for sales, we are adding to our organisation. Jeremy Goodman, the new global head of sales, will be responsible for overseeing our four client zones: Continental Europe, United States, United Kingdom and Emerging Markets,”* says Bassien. *“Naturally we are maintaining our multi-site service for clients who recognise its value.”* Cheuvreux’s 105 analysts will therefore be divided 60/40 among local and sector teams, and two-thirds of its 90-person sales force allocated to “pan-euro” distribution services.

Cheuvreux “a global player”? *“The goal is to establish a more efficient organisation and develop our revenues per client,”* states the Chairman. *“We are taking a page from industry, which has learned to develop remarkable client relationship optimisation practices. The real challenge is to make a matrix-based system operate effectively.”* *Nobody wants to disrupt the staff, since they have already undergone considerable*

upheaval. Under Crédit Agricole CIB's "refocusing and development plan" (September 2008), the broker had to reduce its cost basis by 12% and its workforce by 10%. "Going forward, the number of employees has stabilised at 760 worldwide," states the Chairman. "CA Cheuvreux has research staff in 12 countries and three distribution offices: two in the United States and one in Japan." Moreover, criticised for its 2008 bonuses even as it was launching a jobs saving plan in March 2009, Cheuvreux established a deferred compensation plan over three years, despite the fact that "we do not expose our companies and our shareholders to significant risks," adds Jean-Claude Bassien.



"The goal is ultimately to build a single and powerful Global Equity product line"

As one of the pillars in the client-focused bank under Crédit Agricole CIB's plan, Cheuvreux also satisfies common objectives set for the in-house brokerages (excluding Newedge, which is 50%-owned along with Société Générale). Thus on July 9, a common execution platform for Cheuvreux and CLSA was launched for large-scale orders on several markets. This global portfolio trading takes the form of "a 50/50 joint venture that integrates existing teams based in Hong Kong, London and New York – where its manager Christopher Foxall is based – supported by a central back office in Singapore," notes Jean-Claude Bassien. In addition, "we are working with Amundi and the CIB." And "in a few days, we will launch a certificate produced by the GED team based on CA Cheuvreux's research ideas." However, equity brokerage may disappoint the Group with respect to another pre-defined target, namely an 80% cost-to-income ratio and 20% growth in NBI between 2008 and 2010. "In the first half, we are near breakeven," says Jean-Claude Bassien.

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