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Changes ahead for corporate brokers in UK

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Corporate broking – the idiosyncratic UK practice of providing London-listed companies with advice about the market activity of their shareholders – is poised for a further bout of consolidation that could leave its larger players even more entrenched than previously.

The prediction from senior bankers in the area comes amid some major changes. Last week, Nick Bowers, an experienced practitioner, left Deutsche Bank, where he had been co-head of corporate broking, to become co-head of UK investment banking at Nomura alongside Adrian Fisk.
At the start of this year Deutsche also lost its chairman of corporate broking, James Agnew. The latter left to join KPMG's investor relations practice Makinson Cowell.

Charles Wilkinson, co-head alongside Bowers, will become sole head of the division, which recently displaced JP Morgan Cazenove as joint broker, alongside UBS, to British American Tobacco.
Bowers had spent five and a half years at the firm, previously having been at Credit Suisse for 10 years, alongside James Leigh-Pemberton, who left at the end of 2013 to become chairman of government agency UK Financial Investments.

Since the departure of these senior names, Credit Suisse has reduced its corporate broking activity. The practice relies heavily on senior relationships, meaning clients can change their brokers when a senior figure departs.

Another firm that has lost personnel from this area in recent years is Goldman Sachs. Phil Shelley left for Barclays, where he has become vice-chairman of investment banking. Shelley used to work at UBS alongside Tim Waddell, who last year moved to Bank of America Merrill Lynch.

In recent years, Barclays has made a concerted effort to become a retained broker by companies in the FTSE 100 and FTSE 250, with some success. However, the major players – JP Morgan, UBS and BofA Merrill – have also adjusted how they build their businesses.

"Before you might have pitched for any brokership that came up, but now we are far more selective, working out where we might be best placed to help a client in the future," said a senior broker.
Some firms, such as Goldman Sachs, while claiming to offer broking, were in effect really looking for transactional mandates. Technological and regulatory initiatives are also changing the way corporate brokers traditionally operate.

Some major investors have criticised brokers for disseminating their feedback, after a meeting with company management, to their trading desks as well as their corporate clients. Some, such as BlackRock and Allianz, have now adopted a policy of not giving brokers feedback at all.

To get around this some investor relations firms, such as Ingage, are offering corporate access services that allow investors to set up meetings electronically, bypassing brokers. Schroders recently signed up to the system.

"It is increasingly clear that financial institutions need to find a new way to arrange access with corporates and Ingage provides that with a transparent, unconflicted and efficient solution," said Angus Bogle, co-head of equities management at Schroders.

If widely adopted, this could reduce the effectiveness of the broking relationship, if major shareholders do not participate in talks with brokers. At the same time the business has come under scrutiny from the Financial Conduct Authority as part of the wholesale competition review.