

International Capital Market Association

Speeches

Euromarket Principles

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I. Preamble

Mr Chairman, when I had the honour of chairing the AIBD following the late and much lamented Rolf Hallberg, it was already clear that the AIBD was going to be more than a trade organisation – it was going to be an educational facility. Indeed, in my case, it did provide me with an education in chairmanship. More than that, I would say it provided me with a baptism of fire, and the perpetrator of that baptism of fire during my chairmanship of the AIBD was Stanley Ross, that well known weapon of mass destruction. He was probably the greatest secondary-market operator of his time, with the notable exception of our own Walter Kohler.

II. Professional Background

I had the disadvantage of being the chairman of the AIBD during the famous ‘grey market controversy’. Stanley was obviously convinced that I was a plant from the primary market, because Stanley felt that he should be free to deal in anything on a ‘when, as and if issued’ basis. For him, heaven was to be able to ring up a counterparty and say, ‘I understand that some day this week somebody is bringing out an issue for some borrower. I tell you what, I will make you 98 to a half in size’. Of course, I was stuck with somehow having to defend the status quo – a hopeless task. As Stanley has already pointed out, he was right and I was wrong.

Nevertheless, it was a great education for me and it served me very well in the future when I became a sort of professional non-executive director and chaired various boards etc. At one point I actually held the record for the shortest annual general meeting for a quoted company in the UK – two minutes and 35 seconds. All of this was because Stanley would say, ‘Point of order, Mr Chairman’, and each time he outplayed me. Nevertheless, I went on to be part of the alphabet soup of the regulatory environment that was brought in by the first Investment Services Act.

III. Contribution of Euromarket

I am also going to try to keep this as short as possible. The other thing I can say is that in this room are all the veterans of the Euromarket, and it has been well said that if all the fathers of the Euromarket were buried in one large pit, a lot of contemporary operators would be greatly relieved. However, many of us are still here. If all of you here would look at your subsequent careers in associated fields – whether in finance or other areas – I think you would all find that the principles, the drive, the dedication, the imagination that you have brought to your subsequent careers all had their origin in your experience of the early days of the Euromarkets.

If the Euromarkets have done anything – and Gene Rotberg and others have spoken eloquently of its contribution to economic development – they have sponsored and nurtured a whole generation of

entrepreneurs, managers, bankers. In every conceivable field that you have been operating in, I suspect that the disciplines and the principles that you learnt in the early days of the Eurobond market have been a driving force.

IV. Outlook

What of the future? I am very pessimistic. I think I am being followed by somebody who is a great optimist and will give you a much rosier look at the future than I can, but I do think that we unfortunately live with a political class that has some difficulty learning the lessons of history. All of you here know that the Euromarket was driven to London by capital controls imposed in the United States. The secondary market was driven from Switzerland to London by a transaction tax, known as a stamp tax at the time, in Switzerland. What are we talking about these days? Transaction taxes. We have already seen little hints of capital controls, so the environment is not favourable. On the contrary, it is extremely unfavourable. No doubt there will be a similar gathering 50 years from now. I am not absolutely certain it will be in this time zone. It may actually be in the Pacific region.

V. Closing remarks

Nevertheless, I am delighted to have been invited to speak at this occasion and I congratulate everybody here for surviving the Euromarket. There was a moment when it was not very easy to survive. Mr Chairman, thank you for asking me to speak.