STREETWISE: NATIONAL BANK, SCOTIA CAPITAL

Bank dealers shuffle ranks

ANDREW WILLIS
AWILLIS@GLOBEANDMAIL.COM
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There's new leadership in place at two investment dealers this morning, as **National Bank Financial** and **Scotia Capital** prepare for life after the bear.

In moves meant to win more business from clients and improve profits, National Bank Financial has put all its capital markets activities under one leader, co-CEO Ricardo Pascoe. Luc Paiement continues to share that CEO title, but will focus entirely on wealth management as head of the bank's money management units and stockbrokers.

The new order at National Bank Financial sees Cam di Prata run investment banking and Gerry Throop add the research team and electronic trading initiatives to his existing duties as head of equity sales and trading. Long-time head of research Pierre Fournier will move to an elder statesman role with the investment dealer and its clients.

The overarching strategy here is to better integrate all the services the investment bank and its parent offer to clients of all stripes - National Bank CEO Louis Vachon is pushing this concept under the banner of "One Client, One Bank."

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In practical terms, it means Mr. di Prata's corporate financiers pitch mid-cap corporate clients on a seamless array of equity, debt and derivative ideas. And Mr. Throop's team talks to investors with a full suite of services in their back pockets.

At Scotia Capital, Calgary-based Adam Waterous becomes global head of investment banking at the firm, while Toronto-based Phillip Smith is deputy head of the group. This job wraps up traditional deal-making roles in mergers and acquisitions and corporate finance.

Mr. Waterous is a force of nature. He and his energy banking team have transformed an Alberta-focused franchise into a dealer with North and South American clout since their employee-owned boutique was acquired by Bank of Nova Scotia three years ago. Now he's being asked to offer the same leadership on a larger scale.

Pat Burke is joining Scotia Capital as head of institutional equities, coming over from Merrill Lynch Canada, where he was head of sales. Mr. Burke was also on the sales desk at BMO Nesbitt Burns. With his arrival, former head of equities James McLeod, who also used to run research at RBC Dominion Securities, opted to leave Scotia Capital.

In most any ranking of prowess on the Street, Scotia Capital and National Bank Financial rank in the middle of an intensely competitive pack. Right now, there's a great deal of hand-wringing over the state of the markets. The storm will pass. These two dealers are getting ready for the next bull market.

BCE BUYOUT IN DOUBT?

Investors see Wall Street's woes putting the **BCE** buyout in doubt, as shares in the telecom company have been selling off steadily since the week began on fears the $35-billion takeover may not play out as expected.

With credit markets in turmoil, AIG on the edge and Lehman Brothers filing for bankruptcy, BCE shares touched $35.50 early yesterday, or more than 17 per cent below the $42.75-a-share that a consortium led by the Ontario Teachers Pension Plan is scheduled to pay for BCE by Dec. 11.

BCE rallied later in the session on news that the AIG story may have a happy ending, but still closed at $37.18 on the TSX. This is the largest spread seen since July, when the four banks lending on the BCE takeover won more time to finance the buyout. For the last two months, stock change hands around $40.

There have been no material developments on the BCE front in recent days. Marketing of buyout debt is expected to begin in mid-October and there was work being done on the financing this week, though Wall Street's finest were more focused on their own careers than a takeover that won't close for three months.

What's changing is attitudes toward risk - investors want to be well compensated for owning the downside that comes if a takeover doesn't close. If the BCE deal were to fall apart, shares would plunge to about $30.

Then there are the hedge funds: Many are continuing to sell positions in order to meet redemption and margin calls. BCE and Fording Canadian Coal Trust rank as two of the more liquid holdings at any hedge fund playing takeovers, which translates into selling pressure on these two stocks.

But if AIG can work out a survival plan, pundits start calling a bottom to this market and the hedge funds start buying rather than selling, then attitudes toward BCE will shift, and the stock will edge closer to that $42.75 takeover price.

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