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Jefferies keeps its head while others all about lose theirs

By Brooke Masters

US-based Jefferies Group – a fully fledged investment bank in miniature – has been expanding its UK and European presence over the past two years with an eye towards cornering the market for global investment banking services aimed at the mid-cap market.

Jefferies International, the non-US arm, now has 350 people in the UK, double the total two years ago, and another 140 people worldwide. With headquarters in the City and offices in Europe, Japan and the Middle East, it has been moving into areas left vacant by troubled larger competitors.

This month, 25 former members of Bear Stearns equity sales, sales-trading, trading,

and research team started work at the group, and they are already having an impact. Last Thursday, Jefferies was the top broker in HBOS shares, at a time when that bank was experiencing extremely high volume.

“This creates a huge opportunity for us, because corporations will always need people to do mergers and acquisitions and raise capital for them,” says David Weaver, president of Jefferies International.

The expansion is part of a worldwide effort focused on growth companies with a market capitalisation under \$1bn. Jefferies International recently named new heads of European technology and telecoms banking and the US arm added

four senior people to its emerging markets sales and trading team.

The upheaval among the largest investment banks “is going to make it easier to compete at the upper end but we’re not going to reposition ourselves”, says Mr Weaver. “This is a great time to accelerate your business plan.”

Overall, Jefferies Group has survived the credit crunch relatively well – its share price is down about 12 per cent since August 2007 and it reported a loss of \$4.4m for the second quarter after redundancy expenses of \$13m.

Nonetheless, it remains heavily exposed to the US, with 80 per cent of its staff there, and five of the nine analysts who cover it rate it a “sell”.

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