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Europe bars Wall Street banks from government bond sales

- Leading US banks blamed for triggering financial crisis
- Policymakers propose a rival European monetary fund

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European policymakers have slammed Wall Street banks for putting profits before financial stability. Photograph: Mark Lennihan/AP

European countries are blocking Wall Street banks from lucrative deals to sell government debt worth hundreds of billions of euros in retaliation for their role in the [credit crunch](#).

For the first time in five years, no big US investment bank appears among the top nine sovereign bond bookrunners in Europe, according to Dealogic data compiled for the Guardian. Only [Morgan Stanley](#) ranks at number 10.

[Goldman Sachs](#) doesn't make the table. Goldman made it to number five last year and in 2006, and number eight in 2007, the data shows. [JP Morgan](#) was in the top ten last year and in 2007 and 2006 but doesn't appear this year.

"Governments do not have the confidence that the excessive risk-taking culture of the big Wall Street banks has changed and they still cannot be trusted to put the stability of the financial system before profit," said Arlene McCarthy, vice chair of the European parliament's economic and monetary affairs committee. "It is no surprise therefore that governments are reluctant to do business with banks that have failed to learn the lesson of the crisis. The banks need to acknowledge the mistakes that were made and behave in an ethical way to regain the trust and confidence of governments."

European sovereign bond league tables are now dominated by European banks such as Barclays Capital, [Deutsche Bank](#), and Société Générale, the Dealogic table shows. Their business model is usually seen as more relationship-based, while US investment banks have traditionally been focused on immediate deal-making.

Being left out of government bond sales means missing out on one of the top fee-earning opportunities this year, given the relative drought in mergers and acquisitions and stock market flotations. Western European governments need to raise an estimated half a trillion dollars this year to refinance debts and pay for bank bailouts and rising unemployment.

Banks typically take a percentage of the total deal value for underwriting a bond issue, which could run into tens of millions given the ballooning sovereign debt sales this year.

On a 1% fee, Barclays Capital would have pocketed \$92m (£61m) from the \$9.2bn European bonds it helped sell this year.

Barclays may have profited as a domestic anchor of UK debt sales, as a certain level of "nationalism" has surfaced according to Philip Augar, author of *Chasing Alpha* and other books about investment banking. "People have done as much as possible to take care of their own financial institutions," Augar said.

The National Bank of [Greece](#) featured in the top 10 for the first time in at least five years, according to Dealogic. [Greece left Goldman](#) and Morgan Stanley out of its most recent bond sale, and also dropped [hedge funds](#) from its list.

Petros Christodoulou, the head of Greece's debt management office, told the Guardian the bond issue had been directed to more "long-term" investors as they were seeking market stability. Greece has had tense relationships with Goldman recently after it emerged that the US bank had helped hide the real level of the country's public debt with derivatives contracts. The country also denied reports about the bank selling a stake of its debt to the Chinese government fund.

Investment banks insist their business areas are separated by confidentiality walls, but countries have been furious about some of their trades appearing to conflict – either on their own books, or on behalf of clients.

Goldman Sachs said its overall position in the European sovereign bond market had improved this quarter once US dollar denominated deals were included. It said its own data showed it ranked fourth in European sovereign bond sales this year.

Greece, Spain, Germany and France are also pushing for changes in the credit default swap market, where investors can bet against the possible default of a country, ultimately bringing more instability.

Britain, Spain, Ireland and Belgium have not used Wall Street firms in the largest 10 deals of the year, according to Dealogic.

Britain used Barclays, Deutsche, RBS and Royal Bank of Canada in its \$7bn issue last month, the data shows. Spain has also used Santander, as well as Barclays, Citi and SocGen in recent issues.

Goldman Sachs, JP Morgan and Morgan Stanley have exploded in wealth and power over the past decade. In their glass towers in Canary Wharf, or in Goldman Sachs' European headquarters on Fleet Street, reception rooms regularly welcome prime ministers, world business leaders and multibillion-pound investors.

"The power of big investment banks was a factor in the banking crisis, and it's up to regulators and customers to stand up to them, and not picking them is one of the ways," Augar said.

But the power accumulated is too large to wane, the author said. "I doubt this will last," he said. "The US investment banks will be back in Europe before too long because they are very powerful and they have a very big footprint in Europe."

The EU is also trying to curb US financial power by creating its own monetary fund – a replica of the Washington-based IMF. The need of a European fund has emerged during the Greek crisis, as European politicians have insisted financial troubles should be resolved at home.

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