

THE EURO-BANK

By the same author

**THE MANAGEMENT FUNCTION IN INTERNATIONAL
BANKING**

THE EURO-BANK

Its Origins, Management and Outlook

Steven I. Davis

Second Edition

M
MACMILLAN

To my mother and father for setting the example

© Steven I. Davis 1976, 1980

Softcover reprint of the hardcover 2nd edition 1980 978-0-333-30003-9

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, 33-4 Alfred Place, London WC1E 7DP.

Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

First edition 1976

Second edition 1980

Reprinted 1990

Published by
MACMILLAN ACADEMIC AND PROFESSIONAL LTD
London and Basingstoke
Companies and representatives
throughout the world

British Library Cataloguing in Publication Data

Davis, Steven I.

The Euro-bank — 2nd ed.

1. Banks and banking, International

I. Title

332.1'5 HG3881

ISBN 978-1-349-05663-7 ISBN 978-1-349-05661-3 (eBook)
DOI 10.1007/978-1-349-05661-3

Contents

<i>Preface</i>	vii
<i>Introduction and Overview</i>	1
1 Some Earlier Patterns in International Banking	7
2 The Evolution and Description of the Euro-Bank	26
3 Asset Management	48
4 Liability Management and Capital Adequacy	72
5 Fee-Earning and Other Activities	89
6 Financial Performance	98
7 Issues Arising from Euro-Bank Experience	118
8 The Outlook for Euro-Banks	136
<i>Notes</i>	150
<i>Index</i>	153

Preface

Whereas I described my personal reactions on writing the first edition of this book four years ago as alternating between panic at stating the obvious and exhilaration at rediscovering the wheel, preparing the second edition provides another double-edged insight into both the performance of the Euro-banks and the validity of my own observations in mid-1975.

Whilst their market environment has shifted drastically from a relatively attractive risk/reward relationship for lending in the aftermath of the 1974 crisis of confidence to a highly competitive borrowers' market characterised by significant structural overcapacity, the Euro-banks as a market phenomenon have not only survived but also, in most cases, prospered to the extent that their profitability is generally competitive with that of their domestic parents. On the other hand, the intensity of competition and the increasing overlap of activities with parent organisations pose basic challenges which have resulted in the restructuring of a large number of Euro-banks.

In writing the second edition I have retained the basic structure of the first while updating all the statistical material and the interviews of senior Euro-bank executives, as well as taking advantage of new statistical series which have been made available since 1975. I have also made an effort to broaden the base of Euro-banks analysed from the exclusively London-based sample of four years ago by including a brief analysis of banks based in Hong Kong, Singapore and Luxembourg. A particular effort has been made throughout to analyse the changes which have taken place since 1975 and to present in the outlook section a more comprehensive and less tentative forecast than was possible in the first edition when the Euro-bank movement was largely in its adolescent stage of development.

I would like first to express once again my appreciation to T. M. Farmiloe of Macmillan Press and the banking colleagues, professors and friends who were instrumental in the conception and preparation of the first edition of this book. I am indebted to not only the senior executives of the 40 London-based banks but also the Asian bankers

whose comments in extensive confidential interviews provided the basis for the bulk of Chapters 3, 4 and 5. Finally, a special word of thanks to Sally Watts whose outstanding secretarial skills were complemented by her research talent in updating the statistical tables.

London, October 1979

STEVEN I. DAVIS