

Investment banking in global financial network

A study of M&A and IPO activities

Kurtulus Gemici (kgemici@nus.edu.sg)

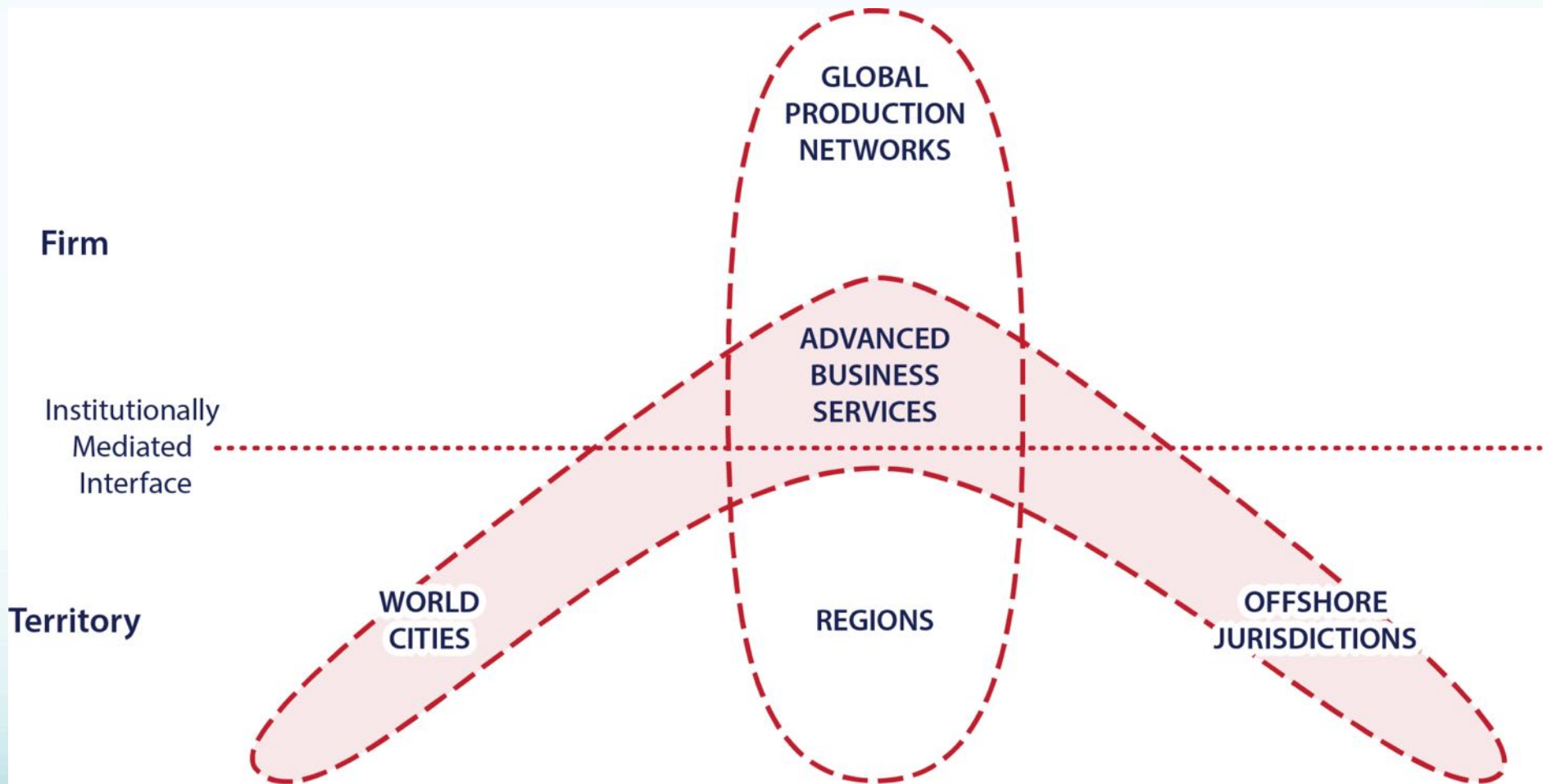
Karen P.Y. Lai (karenlai@nus.edu.sg)



Global Production Networks Centre
Faculty of Arts & Social Sciences

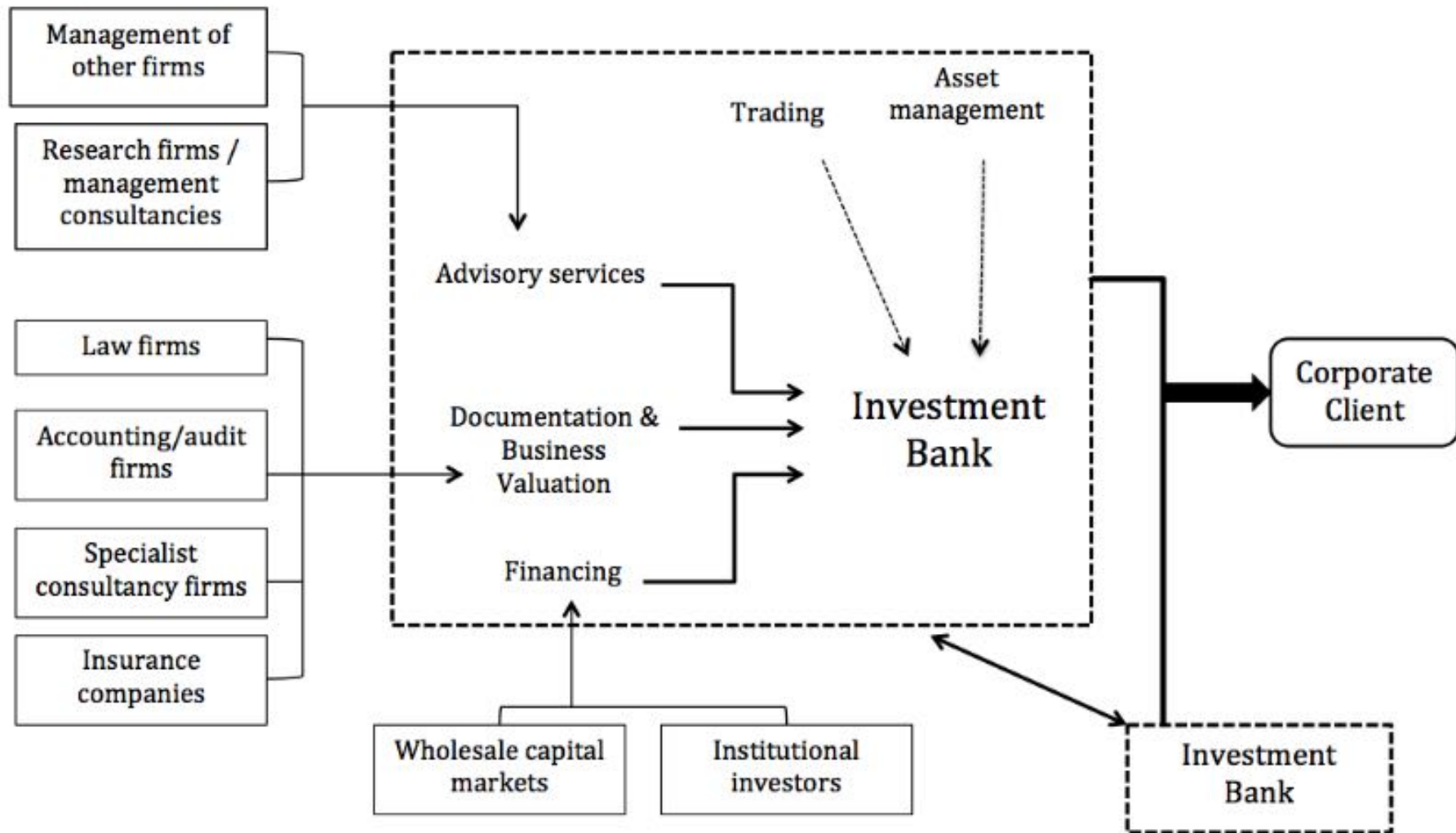
Introduction

- Investigate geographies and organisational networks of investment banks globally and in Asia
- Finance as important driver of global production structures and strategies
 - Financial narratives, logics and instruments that shape the depth and extent of firms' global activities
 - Greater demand for advisory, brokerage and trading services from investment banks and FABS
- Increasing importance of investment banking activities in Asia?
- Developmental outcomes for industrial development, IFC growth, and world city networks?



Source: Coe, Lai & Wojcik (2014)

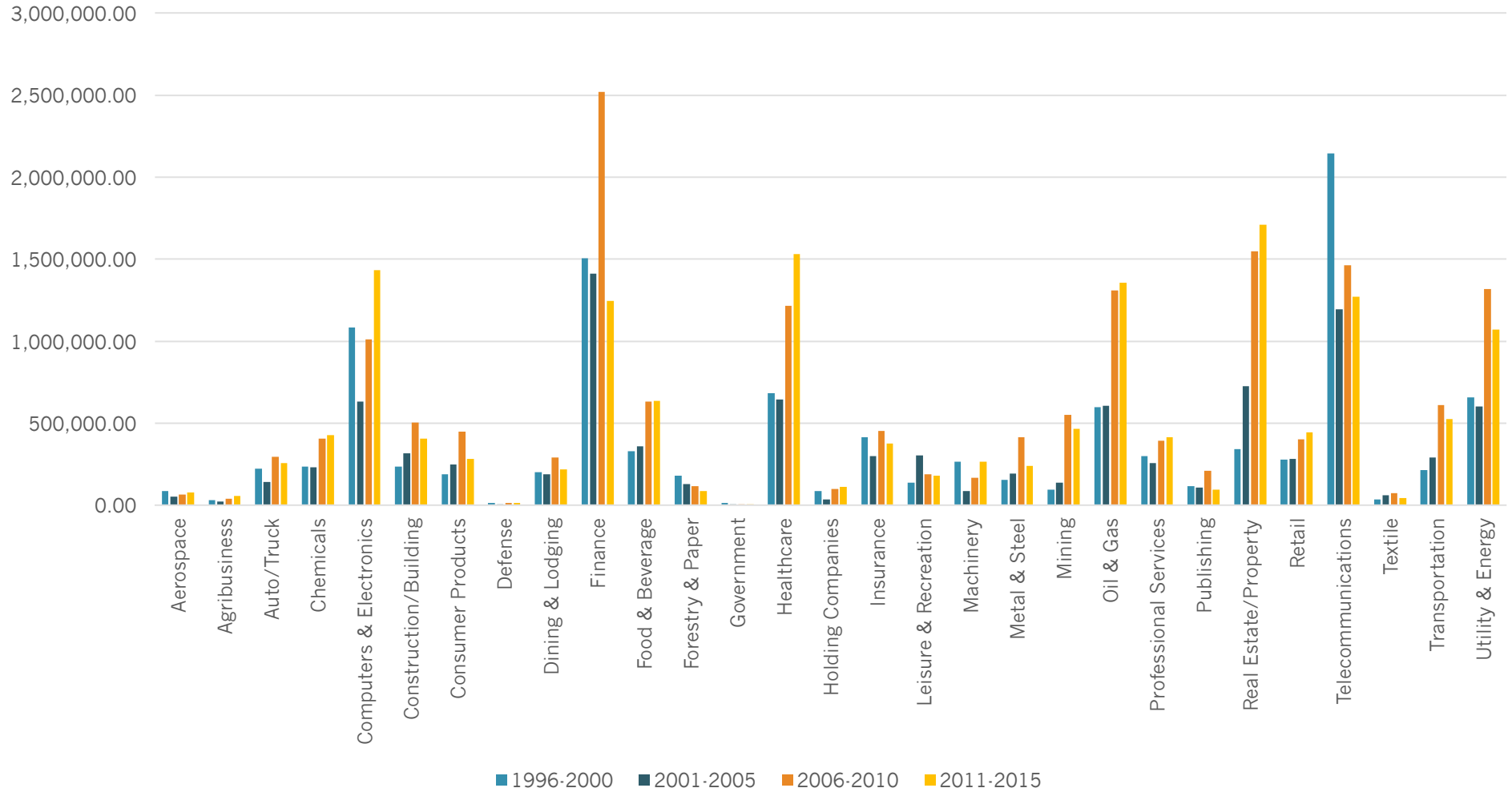
Production networks of investment banks



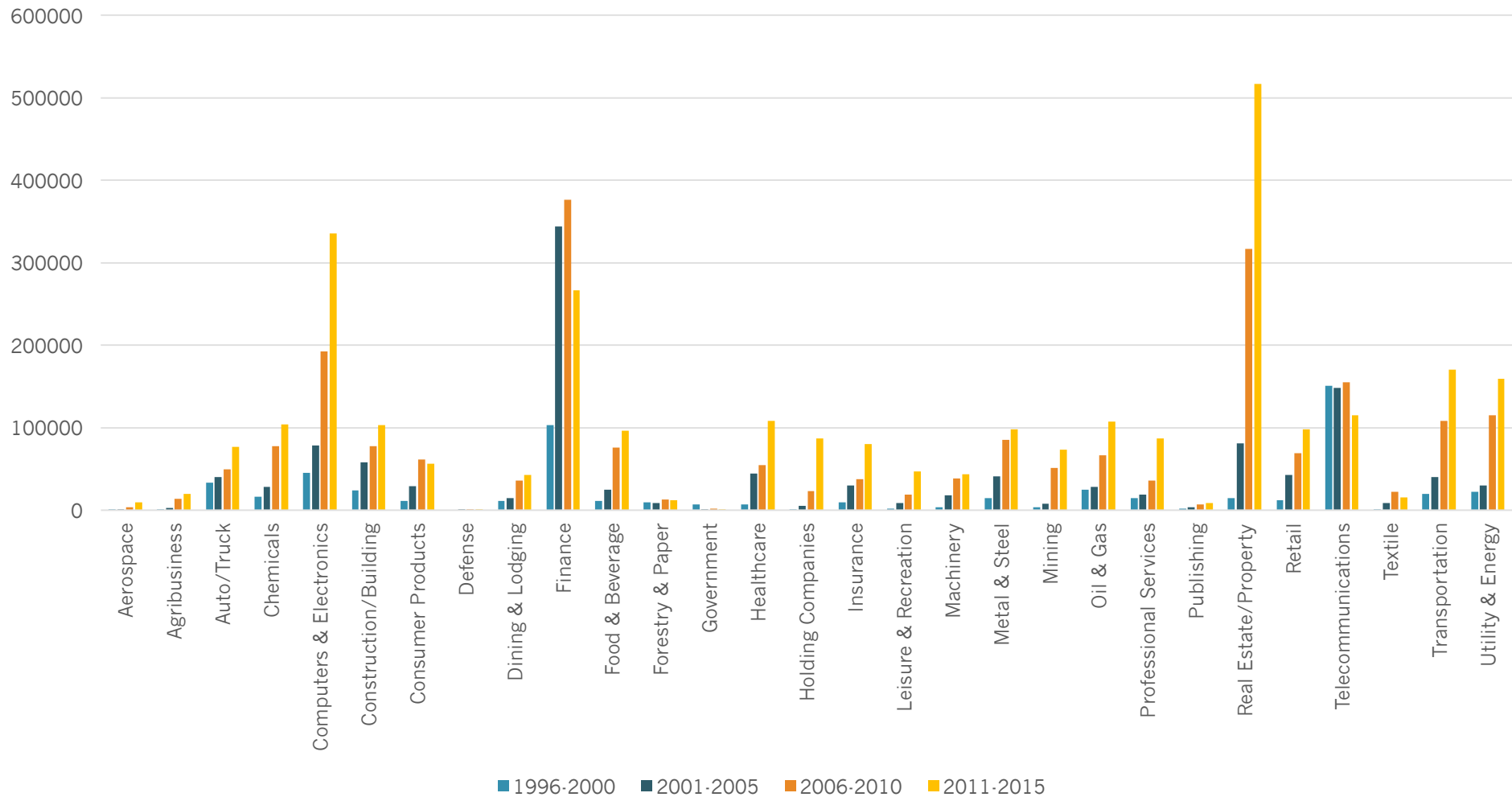
Data

- Dealogic database
 - M&A
 - Equity Capital Markets (ECM)
- List of firms:
 - M&A Top 30 Global (80.09%)
 - ECM Top 30 Global (74.20%)
 - + Top 20 Asia – to capture key actors in Asian markets
- Statistical analyses of networks between investment banks (advisors/bookrunners), other underwriters/advisors, attorneys, auditors, other ABS firms
- Basis for qualitative field work: identifying lead firms and their activities and networks in Asian financial centres.

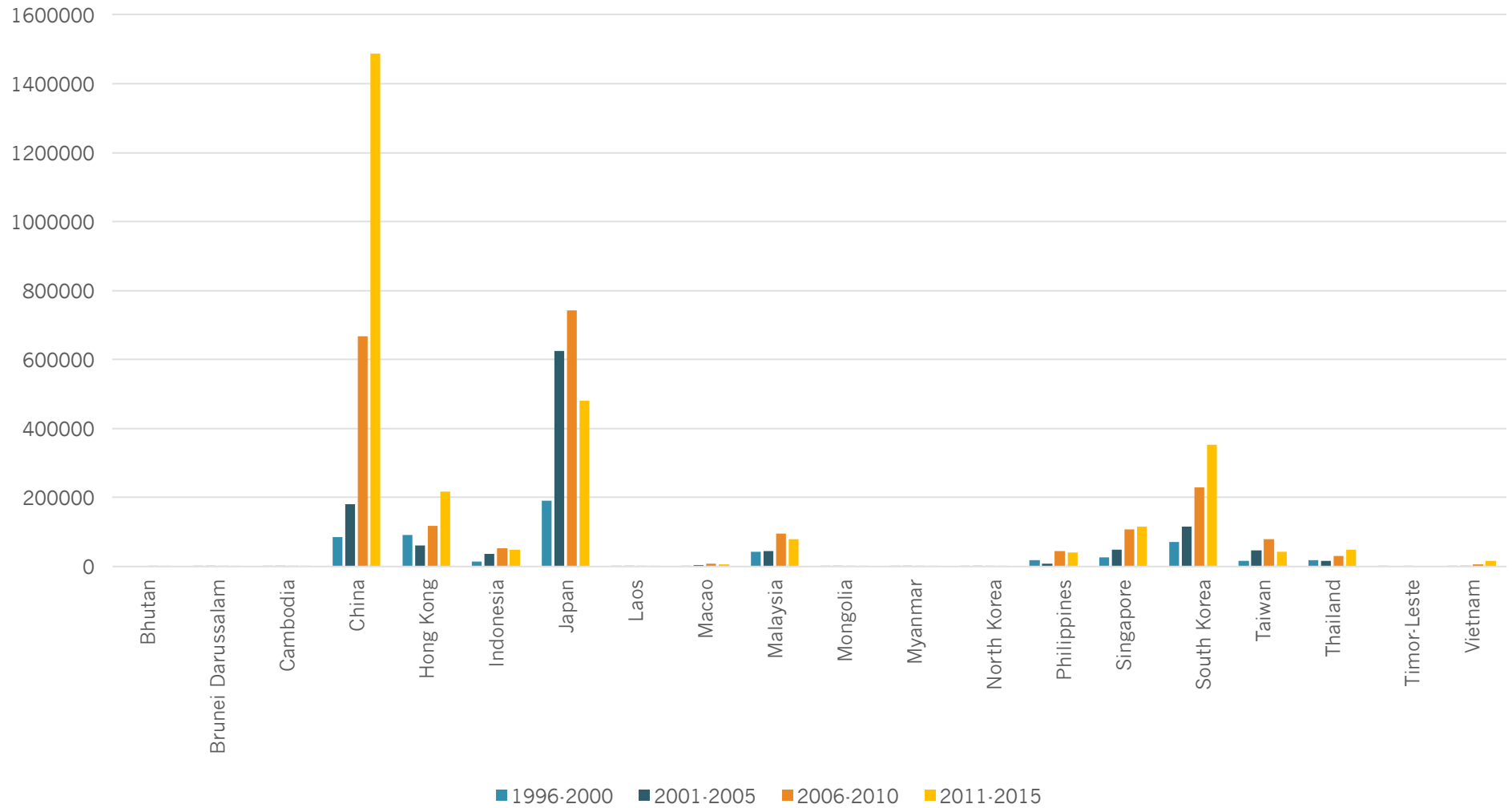
M&A- Global Deal Value (1996-2015)



M&A- Asian Deal Value (1996-2015)



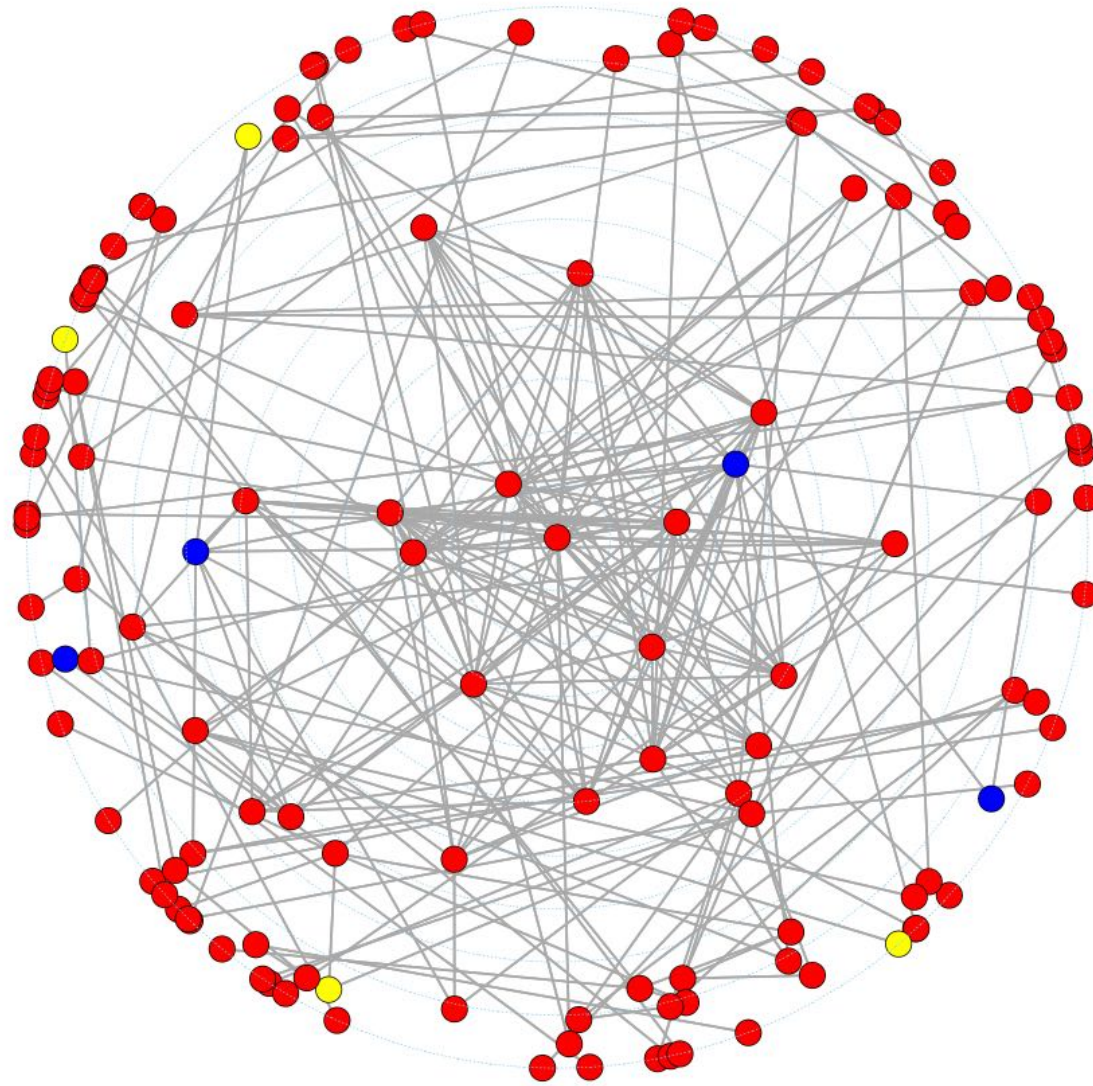
M&A Deal Value By Nationality (1996-2015)



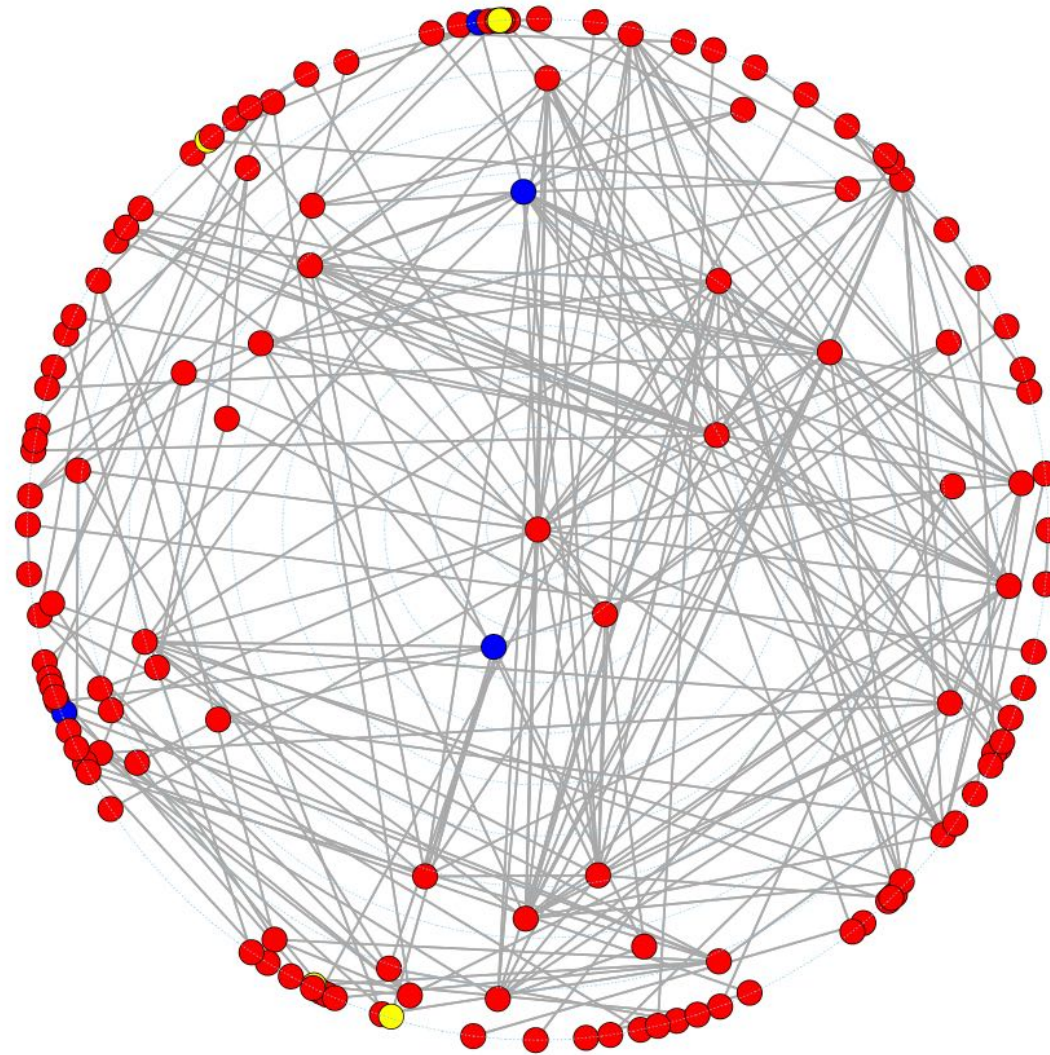
Network analysis

- Analyse inter-firm networks of investment banks in M&A and IPO sectors
- Underwriter networks (Pharmaceutical, YTD2016):
 - Centrality measures: advantages enjoyed by underwriter because of its central position in the network:
 - E.g. Degree, betweenness, closeness
 - Other measures: cohesion, reciprocity, diversity measures
- Graphs drawn in a ring-lattice format for visualising networks
- Sectoral and geographical analyses

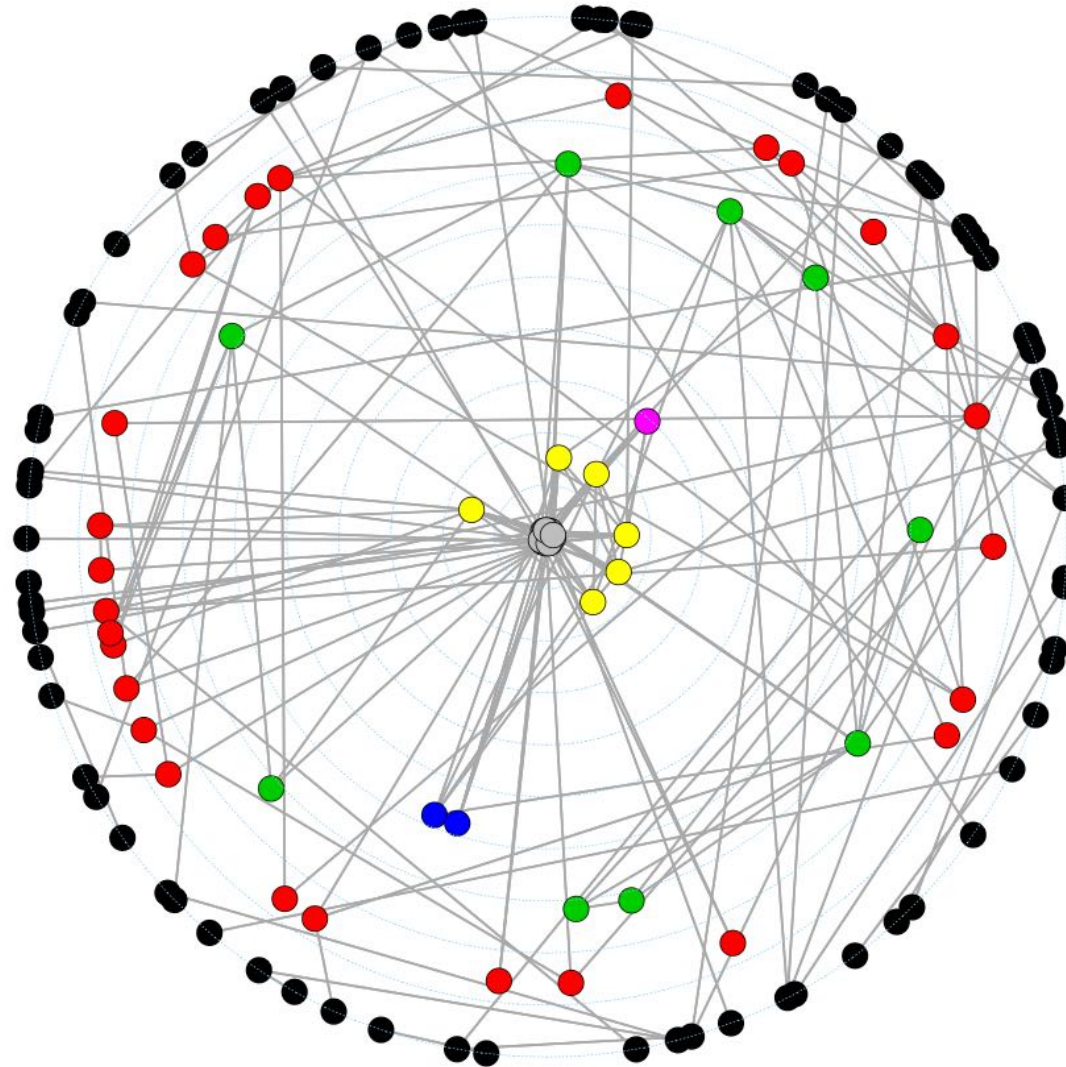
Degree



Betweenness



Cliques and cores



Interview sites

Singapore	Hong Kong	Beijing	Tokyo
Goldman Sachs	Goldman Sachs	CITIC Securities	Goldman Sachs
JPMorgan	Morgan Stanley	China International Capital Corp Ltd	Barclays
Citi	Bank of America Merrill Lynch	China Securities Co Ltd	UBS
Barclays	Barclays	Rothschild	Nomura
Credit Suisse	UBS	Moelis & Co	SG Corporate & Investment Banking
Deutsche Bank	HSBC		Wells Fargo Securities
BNP Paribas	RBC Capital Markets		Sumitomo Mitsui Financial Group
SG Corporate & Investment Banking	Jefferies LLC		Mizuho
Macquarie Group	Wells Fargo Securities		Daiwa Securities
Mizuho	Rothschild		Rothschild
Lazard	Evercore Partners Inc		Greenhill & Co
Rothschild	Moelis & Co		Guggenheim Partners LLC
Evercore Partners Inc	SG Corporate & Investment Banking		
Greenhill & Co	PJT Partners Inc		
KPMG Corporate Finance	Greenhill & Co		
Guggenheim Partners LLC	Guggenheim Partners LLC		
Credit Agricole CIB	Ernst & Young		
BMO Capital Markets	Somerley Ltd		
Scotiabank	Anglo Chinese Securities Ltd		
TD Securities Inc	BMO Capital Markets		

Interview sites

Location	Number of Banks (M&A)	Number of Banks (ECM)	Total
Singapore	17	13	20
Hong Kong	19	11	20
Beijing	4	3	5
Tokyo	12	9	12

Moving forward

- Interface of investment banks & ABS in global financial networks
 - Spatial and social concentration of FABS in the development of Asian IFCs
 - Decisions: analytical or advisory services done in-house or outsource?
 - ‘Best practice’?
 - Regulatory requirements?
 - Client request?
 - Based on existing client-relationships elsewhere?
- The making of investment banking markets in Asia: an examination of government and market actors
 - How investment banking markets have grown and become established or ‘legitimised’ in selected Asian economies
 - The ways in which government policies and strategic developmental goals affected/encouraged investment banking activities
 - Intersection of government and market-based actors (i.e. investment banks, ABS firms) in market making.