

Management Interview

Richard Volpe

Global Head of Rates,
Head of Liquid Products, Americas**How has the Americas Rates platform evolved over the past few years?**

Americas Liquid Products, which includes US Rates and Agency Mortgages, is a key component of our Wholesale business offering. Over the years, both the Rates and Agency Mortgages businesses have established strong franchises with solid market share and competitive positioning in the Americas. In Rates, we have built a market-leading franchise across products including US Treasuries, Agencies, and Interest Rate Derivatives. In our client franchise, we have continued to expand and diversify our customer base, and have built deep relationships with real money clients, global macro hedge funds, asset managers, central banks, domestic and global banks, and insurance clients. Our US Agency Mortgages business continues to be a market leader across all our focus products. This is an area in which we have experienced and talented trading, sales, and research teams, which is borne out in our client

*1 Passthrough is a pool of multiple loans of the same type, such as mortgage bonds that is generally guaranteed by a government agency, such as Fannie Mae and Freddie Mac
*2 Bond issued by rearranging cash flows using passthrough securities as collateral *3 CommercialMortgage-Backed Securities

Michael Caperonis

Co-Head of Global Equities; Head of
Equity Trading and Corporate Credit
Trading, Americas**Can you talk about the areas you cover?**

I joined in January 2016 after being at US banks for over 15 years. My background was in convertible bonds, which was more credit focused, but I ended up managing all of Americas Equities Trading. I came here to run both Equities and Credit trading. In Credit, we've pivoted to Structured Credit since then.

share and market positioning. Since the inception of our business in the US, we've maintained top tier positioning in Passthroughs^{*1} and Agency CMOs^{*2}. In Agency CMBS^{*3}, we have built a market-leading franchise and strong driver of revenues. This sector was identified as a new focus area in 2011 and is a good example of the success our management team has had in developing new business opportunities, diversifying our revenue base, and delivering for clients.

What are the competitive advantages in your businesses?

Our most significant competitive advantage is our talent. As the old saying goes, "in our business, the real assets ride the elevators". We have an experienced and cohesive management team across our US Liquids businesses, many of whom came together at the inception of the US build-out in 2009/10 and have grown together with the US business.

How do you plan to stay competitive as the Fixed Income market shrinks and consolidates fee pools?

We are not as active in some of those areas, such as corporate bond issuances and subsequent derivative hedging around those issuances. Therefore we expect the impact on our business is likely to be limited compared to peers. We are also continuing to find ways to be more efficient and competitive in electronic trading. Through our Wholesale Digital Office, we are investing in Artificial Intelligence (AI). Globally, we'll start to leverage AI into our Euro Government Bonds trading efforts, followed by US Treasuries, and then to Japan Government Bond and Mortgages. Technology is always developing, so we need it to maintain and grow our US treasuries business. We'll need leverage technology across our platform and products to keep pace with our peers.

How does Nomura differentiate itself when attracting and acquiring talent?

We have a very talented team and strong platform. There has been a lot of turnover on the street, but key people here have stayed for a long time, which is a key strength. I believe Nomura has a very entrepreneurial and meritocratic culture. In a smaller, growing firm, the results feel more consequential.

How do you think Nomura can further grow the business in the Americas?

Our focus is on growing the business by offering clients high quality services and ideas from a consistent and talented team. We understand that our platform can't be competitive in every offering and product compared to larger banks, so we have to remain client-centric and focused on areas of strength. We have businesses that generate very solid returns and have an established track record of delivering for clients. We look forward to continuing to build on our recent momentum.

Since 2009, Nomura Group has been rebuilding its business in the Americas, which account for more than half of the global fee pool, as a strategic region. As Nomura Group's customer base has expanded, the recognition of Nomura Group has also increased. In this article, we introduce the growth trajectory and differentiators of the businesses of Global Markets in the Americas.

Samir Patel

Head of Equity Sales and Structuring,
Americas; Co-Chair of Global Markets
Sales Executive Committee**How has the Americas Equities platform evolved over the past few years?**

In the U.S., Equities revenues (excl. Instinet) grew for seven consecutive years prior to FY18/19. The Equities franchise has shown the ability to generate strong profitability in a consistent manner. In FY18/19, our revenues declined slightly due to an absence of major episodes of volatility in FY17/18, but the fundamental business is stronger than ever. In Equity Products in Americas, we have 4 core businesses; i.e. Flow Derivatives, Structured Derivatives, Convertibles and Prime Finance. 3-4 years ago, Structured Derivatives drove majority of the results for the platform, but today, it is much more diversified and balanced. We have continued to grow and diversify our client franchise. In the past, our client base was primarily hedge funds, but now features a diverse mix of private equity firms, asset managers, and corporate clients.

James Chenard

Head of Equity Capital Markets and
Solutions, Americas**What areas do you cover?**

Our business covers broad set of products and solutions for both corporates and equity investors of all types (including HNW/family offices, hedge funds, private equity firms, corporates and other asset managers). For corporates, we assist them in optimizing their equity capital structure through solutions including a) private equity financings (for both private growth companies and established public companies), b) IPOs and follow-on equity raises, c) convertible and other equity-linked financings, and d) dilution management and share repurchase solutions. For investors, we support the full "lifecycle" of a public equity investment, including a) equity stakebuilding transactions, b) hedging and monetization transactions, and c) structured equity disposition transactions.

What are some areas where Nomura holds a competitive advantage?

We have strong market share and product strength across Flow Derivatives, Convertibles, and Equity Financing. For example, our market share ranking in Flow Derivatives (U.S. Listed Options) improved from #11-12 in 2012 to #1 since 2017. It is an impressive result for Nomura, especially given that we have limited ECM, Prime Brokerage, and research offerings in Americas compared to our peers. Our leading position is a result of quality ideas provided by our strong and consistent team.

What areas represent challenges or opportunities for platform?

Our competitors have strong businesses in Prime Finance, Delta One, Structured Notes, and Corporate Derivatives. Nomura is not a deposit taking institution and does not have widely available funding sources like deposits. We are also not active in lending to corporate clients. So we remain a smaller player in these competitive areas. These previously mentioned businesses tend to earn stable revenues compared with other equity related businesses, and can therefore provide a cushion against volatility trading revenues. However, these stable businesses are very competitive, expensive and require infrastructure. Since we don't have scale in these areas, our cushion comes from Structured Solutions and Financing. We have client driven and high value-add businesses such as Equity Structured Financing, which complements secondary trading. As a result, we focus on our execution capability and generating high ROE.

What are areas of focus?

For private equity capital raises and IPOs, we focus on growth companies in a variety of sectors. For convertible issuances, the companies we work with are mostly in emerging, pre-revenue or pre-profit technology or healthcare sectors. Since these companies focus on optimizing cash burn and cannot support material traditional debt loads, engagement with these companies requires limited balance sheet commitment. Additionally, we have earned a reputation for delivering strong ideas with competitive pricing and risk appetite, so we are often invited to provide hedging services associated with convertible issuance even if we don't have a direct underwriting role in the convertible itself.

What do your clients value when working with Nomura?

We focus on providing customized solutions that play to our areas of strength and communicate candidly with our clients around businesses where we are less competitive or have a limited presence. Our clients greatly appreciate that we do not hold ourselves out as a platform that is "good enough" at everything, but instead one that is focused on being the best in the areas where we choose to compete. Our clients also deeply value the infrastructure we have built to maintain client confidentiality on extremely sensitive transactions.