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 Mortgage 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 share and market positioning. Since the inception of our business in the US, we’ve maintained top tier positioning in Pass-throughs¹ and Agency CMOs². In Agency GMLB², 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 considering to find ways to be more efficient and competitive in our client service. 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 will 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?

We are now 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.

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 funds, corporates and other asset managers). For corporates, we are looking to optimize and offer full spectrum of equity capital structure solutions through 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 “life cycle” 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 (US Listed Options) improved from #11-12 in 2012 to #1 in 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 and 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.

Are Nomura’s management and sales executives aligned?

James Chenard
Head of Global Capital Markets
Americas; Co-Chair of Global Markets Sales Executive Committee

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 also 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.