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Marex signals further expansion

by Philhip Stafford

Marex Spectron, the broker backed by former Lehman Brothers executives, is planning further expansion after hiring John Wall, the former UBS investment banker, as its new chief executive. Mr Wall had been at UBS for more than 25 years and was most recently global co-head of investment banking until his retirement last year. He will replace Roger Nagioff, who will become a non-executive director at Marex.

He signalled the London-based group would continue to hire traders and look at buying smaller rivals as the industry struggles with weak trading volumes on global markets and tighter capital requirements demanded by incoming new derivatives regulations.

“Our objective is to grow our Americas business, which is at midterm maturity, and Asia, which is at a much more nascent stage,” said Mr Wall, who also wants to make Marex a full-service broker. “We see a fantastic opportunity as a significant proportion of our competition, especially banks, is going through a difficult period,” he added.

Low interest rates and muted appetite for risk has put pressure on the profitability of trading. At the same time, IT costs have been rising as brokers connect to an increasing number of trading venues around the world. Unlike rivals, Marex has outsourced much of its IT costs.

Marex has been aggressively hiring staff in the two years since it was bought by JRJ Group, a private equity firm founded by Jeremy Isaacs, former head of Lehman’s European operations. In that period, staff numbers have risen from around 170 to more than 600 as Marex purchased smaller brokers, such as Spectron for \$154.7m, and assets from Schneider Trading Associates and the global markets division of Eden Financial.

Consequently, revenues rose 22 per cent to \$369.4m in the year to December 31 while pre-tax profit fell 12 per cent to \$31.4m. However, it has built market share in metals trading, crude oil, fuel oil and exchange-traded derivatives. Its push comes as electronic trading and the use of algorithms in commodities is increasing, having been focused initially on equities and financial derivatives. “John is one of the industry’s strongest leaders, with experience across all asset classes,” said Mr Isaacs.

Marex is one of 12 ring dealers on the London Metal Exchange – the last remaining open outcry exchange in Europe – as well as having a significant presence in agricultural and energy broking. It is also one of the largest traders on Eurex, the German derivatives exchange, and acts as a broker to energy and commodity producers and traders like BP, Shell and Glencore.

Marex was formed in 2006 from the European operations of bankrupt US futures broker Refco.