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BANKING  FINANCE

Raymond James Approaches \$1B in Arkansas Client Assets

By Robert Bell

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RAYMOND JAMES & ASSOCIATES of St. Petersburg, Fla., is a fairly recent arrival in Arkansas, but it is making up for lost time.

The full-service investment firm opened a branch in Rogers in 2006, in Fort Smith in 2007 and in Little Rock in 2008 — right about the time of the near-collapse of the financial system.

In four years, the firm has added 37 employees at its three Arkansas branches and racked up just less than \$1 billion in client assets in the state.

Of course, a global recession is the last thing anyone in the financial industry — or any other for that matter — would ever want to happen. But one outcome of both the meltdown and the lead-up to it was that financial advisers with some big firms such as Merrill Lynch, Morgan Stanley and UBS became increasingly dissatisfied with the conditions at their employers, said Scott Shepherd, senior vice president of investments and branch manager in Rogers.

That created opportunities for Raymond James & Associates to hire experienced FAs from other firms.

When Shepherd left his role as a producing manager for Morgan Stanley in late 2005, he considered several other firms, but chose Raymond James because he was impressed with the company's retail-focused approach.

"I would say the capitulation from the competitors, the problems that they had over the next three to four years, we had FAs coming to us, and inquiring as to opening up branches and to joining [Raymond James]," he said. "It was just a natural expansion based on the demise of our competition."

At its Little Rock office, Raymond James employs about 10 financial advisers, while the Rogers branch has eight advisers and the Fort Smith office has seven. Many of these FAs worked for years at other investment firms such as A.G. Edwards, Smith Barney, Morgan Stanley, UBS and Merrill Lynch.

Shepherd said Raymond James was considering adding more advisers at its Arkansas offices in the near future.

The strategy of hiring experienced advisers from bigger firms is "not unique to Arkansas," said Dennis Zank, president of Raymond James. "That's historically how we've grown. We identify people that we share similar values and work ethics with."

John Barnes is a senior vice president of investments and branch manager with Raymond James' Little Rock office. He started at Merrill Lynch in 1982 and was an adviser for 21 years with Smith Barney, which merged with Morgan Stanley in early 2009. He left that firm in July 2009.

"I was looking at finishing my career there and retiring. But when my clients started calling me in late 2008, [they] were concerned about the safety of their assets at a company whose parent company was in the press every day. Was Citi going broke? They want-



Scott Shepherd, left, Rogers office manager for Raymond James & Associates; Dennis Zank, president; and Little Rock office manager John Barnes said the investment firm is focused primarily on the private client business.

ed to know if their money was safe," Barnes said.

Some of Barnes' clients also had concerns about banks receiving federal "bailouts" under the Troubled Asset Relief Program of 2008, he said.

"There were questions from our clients about these companies taking government funds. And you can argue the morality of it, but it was a problem with some of them and it became untenable for me," Barnes said.

Raymond James applied for TARP money in late 2008, but the company ultimately decided not to take any.

Barnes said many of his clients were also concerned about derivatives and other complex financial instruments that wreaked havoc at the big firms.

"A lot of our clients are people who want to buy products that are going to be around. They're going to hold them," he said. "We're looking for things out there that suit our clients' needs, and what I call a basic vanilla product. I don't need any pistachio. Give me basic vanilla."

Raymond James has dealt in mortgage-backed securities, but the firm

has not created or packaged any of them, Zank said.

The majority of the products RJA advisers deal with have "a long, proven history of being traded in the market. As a very conservative organization, we very seldom will be the first one out," Shepherd said.

Customer Focus

Barnes and Shepherd said they felt the focus at some of the big banks had gotten away from the private client business during the last few years, becoming a smaller piece of the picture.

But that business represents about 75 percent of revenue for the parent company, Raymond James Financial Inc., Zank said. Net revenue for the parent company was \$2.81 billion in 2008 and \$2.55 billion in 2009, according to the company's financial records.

"I know that every dollar that we actually create or every dollar we manage is exceptionally important to Raymond James," Shepherd said. "We're 75 percent of the revenue. If

you want to use the old adage that the squeaky wheel gets the grease, well, when we squeak out there in the field when we know we need things, management listens, because we're incredibly important."

Financial Reform

If Congress passes an overhaul of the nation's financial system, it will likely include increased capital reserve requirements. This would probably affect Raymond James "very little," Zank said, "because our bank is already very well capitalized."

"Our broker-dealers have plenty of capital, and we're not a big proprietary trading firm. So I don't see it as much of an issue, other than additional reports that have to be filed."

The creation of an exchange for derivatives is also a possible outcome.

"If you create what is almost a derivative exchange, where you have a lot of shining light on what these things really trade for day in and day out, it will help the situation dramatically," Zank said.

The economic turmoil in the last few years has affected the public perception of investment banks, Zank said.

"We continue to do everything we can to geographically and psychologically, or however you want to describe it, separate," he said. "We want to do everything we can to keep as much distance as possible."

While some big banks have had a good deal of CEO turnover, only two people have had that position at Raymond James since the company was founded in 1962, Barnes said.

That changed a bit May 1. CEO Thomas James stepped down from that role, but is still the company's chairman. Paul Reilly is now CEO of the firm. Reilly has served on the board at Raymond James since 2005 and has been president of Raymond James Financial since March 2009. ■

Raymond James & Associates Financial Advisers

LITTLE ROCK

- Donald McDonald, 20 years at A.G. Edwards
- Mike Sheehan, 20 years at A.G. Edwards
- Tony Neel, 20 years at A.G. Edwards
- Matt Jeter, 10 years at Smith Barney, prior to that Morgan Stanley and Stephens Inc.
- Clay Gilliland, seven years at Smith Barney, started at Merrill Lynch in 1985
- Rob Bass, 23 years at Morgan Stanley and predecessor firm Dean Witter
- Sonia Graham, 19 years at Morgan Stanley and predecessor firm Dean Witter
- Lori Brown, eight years at Morgan Stanley
- Tammy East, 11 years at Smith Barney
- John E. Barnes, 21 years at Smith Barney, started at Merrill Lynch in 1982

FORT SMITH

- Terry Gallamore, 15 years at Edward Jones
- Rick England, 24 years at A.G. Edwards
- Erin Cook, five years at A.G. Edwards
- Jim Harris, 14 years with A.G. Edwards
- Jeff Smith, four years at A.G. Edwards
- Janice Grubb, 21 years at A.G. Edwards
- Pettus Kincannon, 30 years at A.G. Edwards

ROGERS

- Ken Kearney, 19 years at Merrill Lynch and Morgan Stanley
- Gary Kearney, 12 years at Merrill Lynch and Morgan Stanley
- Randy Koontz, 18 years at A.G. Edwards and Morgan Stanley
- Aaron Jurgensmeyer, seven years at Merrill Lynch and Bank of America
- Jim McWhorter, 19 years at A.G. Edwards and Morgan Stanley
- Scott Shepherd, 13 years at Merrill Lynch and Morgan Stanley
- Linda Cummings, 15 years at Merrill Lynch and Morgan Stanley