

# Structure finance group sets up HQ in Dublin

**Nexgen was established in December 2000 with the aim of offering sophisticated risk management solutions. Authorised by the Central Bank in February 2002, Nexgen recently benefited from a \$94 million investment from CDC IXIS.**

Nexgen was established in December 2000 by Ravi Viswanathan and Luc Giraud with a vision of offering sophisticated risk management solutions to clients, who are not served well by large investment banks. Both Viswanathan and Giraud have a structure finance background supporting strategic equity transactions for well-known M&A houses in London and Paris and they have been key to the building of the current team of 40 in the Dublin, Paris and Singapore offices, most of whom have equity stakes in Nexgen.

The core team now includes Eric Paire, ex-CEO of AXA Re who specialises in re-insurance and alternative risk transfer activities, and Frank Monks, ex-Director of Hill Samuel and KBL Bank, who heads up Nexgen's capital market operations. 'I found it daunting at first to be surrounded by so many mathematicians. Even after my 21 years in international banking, I was surprised at how important maths is to the structuring of these solutions' adds Monks. Monks was finance director with Hill Samuel Ireland for 16 years. After its closure in 1995, he and Michael Coyne established the successful IFSC-licensed KBL Bank as a stand-alone entity and prepared the company to receive its full banking licence. Three years later as its managing director, he established Cariparo Ireland for the Italian banking group, Cardine Banca. He joined Nexgen last July.

Singapore Technologies, the investment arm of the Singaporean Government, and GK Goh, an Asian investment services group, invested \$48m and \$35m respectively into Nexgen Financial Holdings in 2001. 'This gives us access to corporate clients and high net worth entrepreneurs in Asia, which is an important source of opportunities for Nexgen. Our subsidiary in Singapore holds an investment adviser's and dealer's license from the Monetary Authority in Singapore,' says Viswanathan, who divides his time between Dublin and Singapore.

The lead regulator for Nexgen is the Central Bank of Ireland. Nexgen Capital and Nexgen Financial Solutions were granted their IIA authorisations at the end of February 2002 allowing them to provide cross-border investment services into the main European markets, in addition to Ireland. Nexgen Re received its re-insurance authorisation from the DETE in September 2001. Monks adds that 'The IIA application process was very thorough. We found the Central Bank regulators supportive and professional, despite their heavy workload.'

CDC Ixis, a triple A rated subsidiary of



(l-r): Frank Monks and Ravi Viswanathan.

EULIA - the third largest banking group in France, is investing \$94.5m in Nexgen, giving it 39 per cent control and making it the largest shareholder. Two private equity funds, Athena managed by the Italian investment bank, Mediobanca, and IRR Capital managed by Edouard Stern, will also invest another \$10m. The required regulatory approvals are currently being sought.

Anthony Orsatelli, executive board chairman of CDC IXIS Capital Markets and Mr Tay Siew Choon, managing director of Singapore Technologies will be joint chairmen.

'The Nexgen group activities are complementary with those of CDC Ixis. They will expand the range of structured products we offer and create potential synergies with our capital market, financing and asset management businesses. They also give us access to a new client base of corporations and high net worth private investors, especially in Asia', says Orsatelli.

**'It's amazing what can be offered to CFOs on a one-to-one basis. The latest solutions are not found in textbooks or in trade journals.'**

Other non-executive directors of the holding company include John Donnelly and Peter Blessing who are well known in Dublin. Also on the board are Prof Marti Subrahmanyam of New York University and Prof Annie Koh of Singapore Management University.

'Links to the academic world are important to us' says Viswanathan. 'In this business, innovations are born from combining the research facilities in universities with the problems encountered in the commercial world. We hope to sponsor pure and applied research in the mathematics school in DCU.'

Nexgen offers client-oriented solutions using the latest technologies in the capital

and insurance markets. Some address client needs in strategic equity acquisitions or disposals, using equity swaps or variable share forward structures. Others are a means of raising collateralised finance without leveraging the balance sheet. They often address market risk or credit risk migration needs or reduce the volatility in corporate earnings, where this is important for shareholder enhancement or for its credit standing. Nexgen has done about 20 such deals in 2001, most sourced in Asia with an average size of \$50m to £70m.

To build relationships with banking intermediaries, Nexgen Capital has monetised in-the-money equity options for high net worth clients of private banking partners. Some solutions are designed to transform client risks or hedge risks for them. The Alternative Risk Transfer (ART) technologies offer imaginative possibilities. The first completed deal for 2002 was such a solution, combining insurance and capital markets risks. Deal size was \$400m partly funded by a banking partner and partly by Nexgen itself.

'It's amazing what can be offered to CFOs on a one-to-one basis. The latest solutions are not found in textbooks or in trade journals. They often break new ground and naturally there tends to be an unwillingness to go public,' says Monks. 'We are not advisers. We listen to clients, propose a solution tailored to their specific problem and if accepted, execute the transaction as a counter-party to the client' says Monks. 'These deals tend to be complex with various forms of optionality and different payoff structures built into them. We are careful to ensure that the proposed solution is appropriate for the client's needs and that the client has sufficient knowledge to understand them. Normally, the client has an adviser, which is helpful.'

'The future is bright for Nexgen and its clients. We have seen volatility in the insurance, equity and commodity markets recently - a key concern for our clients and a key driver for our business,' adds Viswanathan. 'Dublin is a neutral location without a colonial past, which reduces barriers in our global business. It has a can do business culture and a well recognised international financial services infrastructure. We are delighted to be a part of it and we look forward to meeting other participants here to explore ways to do business which can be mutually beneficial'.

*Nexgen have not (yet) been listed in the Finance Dublin Yearbook - as they were authorised after December 31st they are not in the 2002 edition. They can be contacted at 01 439 4900 or fmonks@nexgenfs.com*