

MONACO AS AN OPERATIONAL BASE

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AT the end of 1981, when Pierre Moussa, after months of resisting the nationalization of Paribas, felt obliged to quit the presidency, a great number of people believed that it was the sad end of a brilliant career: *Ecole Normale Supérieure, Inspection des Finances*, ten years servicing the emerging African continent, and 13 years as the chairman of Paribas.

However, at 60, Pierre Moussa has rebounded and founded one of Europe's most respected new financial groups, Pallas, in just a few years starting from zero. And it links insurers and bankers in a unique way. "Fund raising is a very surprising exercise which teaches you a lot about human nature. Anyone who has not organised fund raising to set up a company, cannot imagine what kind of hardship this task involves", says Moussa.

In April 1984, he gathered the \$100 million that he judged necessary to found his group, thanks to international acquaintances throughout the five continents and did so around an embryonic business project: he wanted to create a group involved in banking and diversified investments. The idea was to gather banking and investing activity under the same authority within the Pallas sphere.

Contrary to the Paribas structure, which is very much attached to a national territory, Moussa wanted to build up something more solid by founding an international entity in its own right: its shareholders come from around the world and Pallas' guiding principle is to invest anywhere on earth. The relations between Pallas and its shareholders are based on the principle of a club.

Although it is a company, Pallas is also an association to a certain extent. Some of its investments were negotiated, initially, in cooperation with one or other shareholder. Groups unknown to each other have met through Pallas and have developed insurance and other business between themselves.

Among these shareholders, the group can count many insurance companies such as

Nippon Life and American Life as well as the French giants: UAP, AGF, AXA and GAN — companies which put their trust in the experience of Moussa, and, as partners, share in the profits the group achieves. Seven years later, the group is led by two companies: Pallas Holdings which gathers all the banking and financial activities and Pallas Invest which combines investment activity. Both are based in Luxemburg.

Nowadays, this group employs 1700 people in 16 countries around the world

and has aggregate net assets of some \$600 million; it currently manages \$6000 million and it has been profitable each year since it began. Aware of the role that the Principality of Monaco should play in the European financial world of the future, Moussa wanted to be established in this area. Independently, this had been my own view since the late sixties when I helped Paribas set up in Monte Carlo.

In 1988, through a chance meeting at Nice airport, Moussa and myself came together to found Pallas Monaco, which was achieved the following year. For two years, now, this has been one of the best performing subsidiaries of the group. With a team of professionals, this company specialises in the activity of asset management for individuals or institutional customers and has established its place among the 40 banks in this particular field.

The operation in Monte Carlo now offers the whole range of investments of high quality to its clients in conjunction with the other subsidiaries of the group. These include Cresdale in London, specialising in warrants and convertible bonds, as well as *Financiere Tradition* based in Lausanne; active in 14 lands, this is one of the world's biggest brokers in interbank, treasury and short-term financial instruments. Another offshoot is *Nouailhetas-Richard*, a Parisian broker.

Even though the *Rendez-vous de Septembre* takes place in Monte Carlo every year, the big insurance companies have not yet used the principality for investment purposes. Up to now, there has been no lack of investment

opportunities in property. There are also opportunities for investing in banking and financial activities, and, eventually, the utilisation of the network for asset management.

The big institutions like insurance companies and pension funds have always tended to show traditional responses and have taken the direction of such big financial centres as Paris, London, Frankfurt and Luxemburg. They are not yet aware that this Mediterranean resort, where their directors stay a week per year, conceals a very dynamic, efficient and well-equipped banking and financial system to ensure asset management with an international view.

One should also remember that all transactions arranged from Monaco on international stock exchanges (except France) are exempt from stamp duty, which is not inconsiderable in terms of yields for actuaries. Telecommunications are excellent from Monaco which is well linked by rail and air with France and other countries; this includes frequent flights by helicopter to and from Nice airport. Accommodation in Monaco is also top class.

Finally, to demonstrate to insurance companies' investment analysts that one can take a global view here on the Côte d'Azur just as easily as in some metropolitan skyscraper in the financial district, here is a forecast for the coming decade. America will go through a long and deep recession due to the persistent effects

of its external debt, the lenders' reluctance, due to a tottering banking system, and faced with the impossibility of tax incentives, the economic machinery will not be revived. The anticipated Middle East projects will not be sufficient. In addition, the property market is still depressed.

For the first time, Europe (led by Germany which would have digested its reunification within two or three years) will be the locomotive of industrialized countries. It will offer the best investments as well as well-controlled currency fluctuations.

Only at the end of the decade, faced with stiff competition from Europe, will America be forced to take drastic measures to curb the pain that it did not know or want to contain beforehand. Japan and South-East Asia will remain competitive areas but with lower growth rates than in past years, and capitalisation ratios should be revised downward.

For Monaco itself my forecast is optimistic. ■

Joseph Benkemoun is the managing director of Pallas Monaco which he set up in 1989. Brought up in Algeria, he joined Grenier & Chappat in Paris in 1959. He was then successively with Leguay and stockbrokers, CIAL and the Stern & Cie bank, always doing portfolio management. He became head of private banking for Paribas in Monte Carlo from 1969 to 1983, when he pioneered a similar local operation for Chase Manhattan. He later worked as a private consultant in Monaco.

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