

THE BOND BUYER

The Daily Newspaper of Public Finance

Tuesday, June 23, 2009

N.Y. Fed Makes Jefferies Primary Dealer

BY JACK HERMAN

The Federal Reserve Bank of New York last week added **Jefferies & Co.** as a primary dealer, making it the 17th firm to hold the designation.

Jefferies, which earlier this year entered the municipal market with its purchase of Depfa First Albany Securities LLC, said the primary dealer status will help it expand on the services it offers to issuers. Some public entities and money managers for public entities have charters that say they can only transact with primary dealers.

"Typically we spend a lot of time focused on the liability or debt-issuance side for municipal issuers, but during this period with significant changes in the market, the reality is that the asset side or investment of proceeds has undergone significant changes as well," Jefferies municipal securities group president **Ken Gibbs** said. "We wanted to highlight this change in our status as being part of the growth of the full-service entity that Jefferies has become for municipal issuers."

As a primary dealer, Jefferies will serve as a counterparty for the Fed in its open market operations, participate in Treasury auctions, and provide market information to the Fed's trading desks.

Jefferies marks the first addition to the Fed's list of primary dealers since **Cantor**

Fitzgerald & Co. earned the designation in 2006. Seven firms have dropped off the primary dealer list since Cantor Fitzgerald was added, including Lehman Brothers Inc., Bear, Stearns & Co., and Merrill Lynch.

The contraction to the number of primary dealers comes as the Treasury is issuing record amounts of debt. This week the Treasury plans to auction a record \$104 billion in securities.

"It's an acknowledgement by the Fed that we are a major capital committer in the marketplace," said Jefferies co-head of rates trading and sales **Chris Bury**. "It's a natural outgrowth of our broader full-service fixed-income platform."

Jefferies has salesmen in New York, San Francisco, and Richmond, Va. dedicated to providing service to public entities. It said its designation as a primary dealer will help both existing and prospective clients.

"For clients that require a primary dealer, this opens up Jefferies as a new trading partner with them," head of public finance **Neil Flanagan** said. "For our existing clients, this has many benefits, including the ability to provide more liquidity."



"We wanted to highlight this change in our status as being part of the growth of the full-service entity that Jefferies has become."

Ken Gibbs, Jefferies & Co.

Jefferies in February announced it was acquiring Depfa First Albany Securities from **Depfa Bank Plc** to make a move into the municipal business. Depfa parent **Hypo AG** was restructuring its business after receiving support from the German government following problems caused by Depfa Bank's short-term borrowing, long-term lending strategy.

The municipal bond firm operated isolated from its parents' problems, serving as the senior manager of 62 issues with a par value of \$3.3 billion last year, according to **Thomson Reuters**. It has served as the senior manager of 21 deals with a par value of \$648.7 million so far this year.

As a financial adviser, Jefferies so far this year has worked on five deals with a par value of \$422.1 million. In 2008, the firm worked on 37 deals with a par value of \$3.3 billion. □