

# **Bond Case Briefs**

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## **William Blair Exits Muni Bond Business.**

One of Chicago's biggest financial firms is getting out of the municipal bond business, an industry where the city once was a national leader.

William Blair said in a statement that as a result of exiting the business, it is cutting 40 employees, or about 3 percent of its workforce.

The firm's leadership decided the business "did not align with its core businesses and did not adequately complement the firm's existing platform of products and services," the statement said, noting that muni bond sales and trading accounted for less than 3 percent of revenue last year.

Chicago once was crowded with muni bond players, including Nuveen, First Chicago and Harris Bank, but the industry is increasingly dominated by a handful of major Wall Street banks that compete fiercely, especially when bond issuances flag, as they have this year. Today, William Blair is one of the smaller competitors, even among remaining Chicago-area firms, though it had been trying to expand nationally in recent years.

"The intensity of the competition in the public finance business has narrowed the profit margins in the industry and made it more difficult for smaller investment banks to produce the level of margins that they can get in other lines of banking," said Richard Ciccarone, CEO of muni bond research firm Merrit Research Services in Chicago.

William Blair had been in the muni bond business for more than 50 years and as recently as last year was announcing additions, hiring muni bond bankers in Ohio, for instance, as it sought to build up its national presence. The privately held, employee-owned company had 11 offices across the country serving its muni bond business, including one opened in Los Angeles in 2014.

### **TOUGH MOVE**

Moving into other, larger markets outside the Midwest was probably difficult because William Blair would have faced more competition from big national firms and other regional players, said Michael Belsky, executive director of the Center for Municipal Finance at the University of Chicago's Harris School of Public Policy.

"Profit margins on municipals have continued to decline, and the business may not be as strong relative to other sectors where (William Blair) is active, such as wealth management and corporate finance," Belsky said.

Bank of Montreal, parent of Harris Bank, also dropped out of the muni bond market last year with a sale of its Chicago-based business to Piper Jaffray.

William Blair's share of the muni bond market had declined so far this year to about a third of 1 percent, from about two-thirds of 1 percent last year, ranking it sixth among regional players and dropping it below Mesirow Financial, which has about half a percent, according to a Bloomberg ranking, based on fees for long-term muni bonds.

## BIG PLAYERS REMAIN

The biggest player in the region is Robert W. Baird, with a 2.5 percent share, followed by Loop Capital Markets, and a rising Ziegler in third place, according to rankings. Bank of America Merrill Lynch is the biggest nationwide this year, as it was last year, with 15 percent share.

In the statement, William Blair CEO John Ettelson said the firm will remain in the related fixed-income sales, trading and underwriting business.

William Blair, which has nearly \$1 billion in annual revenue, has grown in recent years in its merger and acquisition advisory and investment management businesses. As of the end of March, the firm oversaw assets of about \$84 billion for institutional, high-net-worth and mutual fund clients.

William Blair's decision to leave the muni bond market was reported yesterday by Bond Buyer.

## CRAIN'S CHICAGO BUSINESS

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