



## **NBFIs: A Role in Shipping's Development**

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As markets grow and opportunities multiply, the complexity and co-ordination of the services required also increases opening the way for so called “niche” institutions. Ted Petropoulos discusses here the role in shipping on non-banking financial institutions (NBFIs), one of the “niche” group.

Non –banking financial institutions (NBFIs) are a type of financial institution that is a characteristic of more advanced markets. They are a “niche” institution that contributes towards the smooth running of the system and increase its overall efficiency at a time of strong markets when the opportunities and products available become larger as do the number and variety of market participants. These institutions have made their presence felt in the London and New York shipping markets and are in the process of establishing themselves in Piraeus also.

In particular, NBFIs are characterized by their ability to bring together within their “co-ordination umbrella” a number of until now separate functions performed by themselves or other

institutions under their supervision. In providing these functions, NBFIs use their knowledge of the shipping and banking markets and products, on an international basis, and access to or relationships with, Banks shipping groups and other supporting firms, institutions or participants.

The main services they tend to provide are:

- *Corporate and financial planning*
- *Investment, financial and planning advice, studies and presentations.*
- *Arrangement, negotiation and implementation of: a) Bank finance, b) mezzanine finance, and c) equity finance or support.*
- *Setting up and monitoring shipping investment funds.*
- *Foreign exchange hedging advice, structuring and monitoring.*
- *Assisting clients in major projects and/or diversification in other areas i.e. tourism and property.*

Although NBFIs advise and provide management consultancy services, they are not merely management consultants, since they do have access to finance and equity, the ability to assist on a broader front, as well as, provide a vital co-ordination function. What these institutions may lack in capital and overall organization size, they more than make up in responsiveness, specialist experience, market and trend awareness, adaptability and a clear incentive to succeed based on the success of their clients and their recommendation to others. Similarly, NBFIs are not brokers since their management, access to or own capital and long term corporate approach clearly differentiates them from simple brokers.

NBFIs work closely with Banks and other institutions for their clients' benefit and often provide a vital communication bridge in good and bad times for the industry. NBFIs are usually staffed by shipping bankers with intimate knowledge of the shipping industry and the ability to identify and tackle early on the risks associated with an investment and/or finance. Their involvement often results in achieving closer relationships with a client's existing Banks, as well as, developing new relationships where required. Their overall understanding of Banks, their systems, products and expectations, applied to the benefit of their clients, together with their continuous support role and high standards of professionalism and integrity, are a source of comfort to both Banks and clients alike.

Often NBFIs are involved with a client from the formation of a plan or strategy working right through to its successful implementation. As such, they provide not only continuous and consistent assistance acting in a sense as "partners", but also release a great deal of time to the client's management, in not having to approach numerous

parties or having to maintain the range of contacts developed by NBFIs.

NBFIs maintain the highest level of confidentiality of client affairs and provide what is known internationally as “best advice”. In other words, they are expected to provide impartial advice, bearing in mind the commercial aims of their clients, as well as, their resources and available finance.

Consistent with their continuous “in-house” corporate role, NBFIs tend to be paid on a retainer basis with additional success fees, based on the successful conclusion of particular assignments.

Ultimately, the NBFIs success is directly linked to the success of their clients, their standing in the shipping and financial community and the quality and beneficial results of the provision of their services. Often, their involvement makes the difference between deals concluded and deals aborted. This is profoundly important in an industry where speed of co-ordinating all aspects of an investment are paramount to its materialization.

NBFIs normally also provide a range of non-shipping related services to clients as firms or often as individuals with specific requirements. A NBFIs range of services is comprehensive and can cater to the varying requirements of shipping groups from the small owner/operator to the large sophisticated client with specialized requirements.

In summary, NBFIs aim to provide to their clients a professional, well-integrated range of services that match their client’s specific requirements, as well as, market circumstances. They seek to act as a business partner but in a manner that is totally confidential and supportive to the client. Because they provide a quality service, NBFIs are selective as to their clientele and seek to develop long term relationships based on mutual trust and a series of successful assignments. In addition, NBFIs often come across situations, which are of particular interest to their selected clients who are offered those on a priority basis.

I envisage that the number of NBFIs operating in the Greek market will increase substantially in the near future and they will become a vital part of the continuous and successful development of the international shipping industry.

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