

Remembering Jimmy

THE LEAD | June 23, 2015

It's said that a great tree cannot truly be measured until it falls. The untimely passing last week of Jimmy Lee, JP Morgan Chase's vice-chairman, at the age of 62, left many in the banking world reflecting on the legacy of a man who transformed buyout finance.

While tributes have noted Jimmy's extensive contributions to investment banking and, at the latter stage of his career, internet IPOs, his real innovation was in loan syndications.

Jimmy wasn't the first to syndicate loans. But he changed it from a clubby, bank-only game to one dominated by funds, unleashing enormous liquidity on behalf of his private equity clients. He knew exactly how much paper could be sold, and to whom. This distribution engine put Chemical Bank on top of the league tables year after year.

As a vice president on his Global Syndicated Finance team responsible for middle market syndications in the mid-1990s, I had limited direct contact with Jimmy. But those occasions were memorable. Once we had a chance to supplant a competitor's bond deal for a client with a loan if we could issue a highly confident letter that night.

The deal team was ushered into Jimmy's office. The managing director quickly outlined the situation. Jimmy listened, and nodded, giving us his piercing, blue-eyed look. "Don't screw it up," he said, though not in those precise words. We didn't.

His most transformative invention was market flex. During the Russian debt crisis volatility left banks exposed to extreme swings in loan pricing. Why not mirror bond practice and allow loan underwriters to adjust pricing, or even structure, to the market?

Not everyone was convinced, even among Jimmy's bankers. One asked at a meeting, "If you can change the deal, what's the client paying for?" And how would the competition react? If they stuck to their guns, our dominant market share could be eroded quickly.

But Jimmy knew banks would see flex as a major benefit as well. When we launched the first flex loan, the team waited anxiously. The next day a major competitor came out with a new LBO. The docs contained flex language. Loan syndication was changed forever.

Jimmy even contributed, albeit indirectly, to this newsletter's success. Monday mornings his team met to review the pipeline. His unrelenting focus was lead deals: "Are we the lead? Are we on the left?" Answers to the negative were not well tolerated.

After one particularly grueling session, his assistant came up to us. "I've got a perfect name for your newsletter," she said. (Back then we published a monthly note to our middle market bankers.) "On The Left!" she announced, with a grin. And so it became.

With asset managers rapidly replacing big banks as credit providers, the passing of James Bainbridge Lee, Jr. may mark the end of an era. It's difficult to imagine one banker again dominating M&A, equity, and debt issuance. But his contribution to capital formation – the institutionalization of the loan market – will endure. More than anyone, he shrunk the space between loan buyers and sellers, paving the way for countless private companies to grow and hundreds of funds to achieve consistent yields over time.

For all this, Jimmy, we thank you.