



# Man Behind the Scenes

For three decades, Fran Scott served a pivotal, background role for community bank portfolio managers

By Tim Cook

**E**very business has those pivotal jobs that go unnoticed by the outside world. If not for the people who quietly perform these low-key jobs extremely well, operations would go awry in a hurry, both for the business and its customers.

For the past 32 years, Fran Scott has been one of those crucial players for the hundreds of community banks across the country that have depended on ICBA Securities and its clearing broker Vining Sparks IBG. As the head trader for Vining Sparks, Scott performed an essential investment role for institutional portfolio managers nearly every workday for the past three decades. By executing his job well and continually, he has ensured, through various cycles of market ups and downs, that hundreds of community banks across the country have had fair and affordable access to the same investment markets and securities as the very largest institutions.

Earlier this year, Scott, 67, retired, stepping down from the extremely demanding position to take on other research and advisory duties. Over the years a lot was carried on his shoulders to make ICBA Securities' operations run smoothly. That's been a big task considering that Vining Sparks handles a wide range of securities transactions worth nearly \$2.5 billion in face value per month for community banks.

As Scott describes the end result of his efforts, "By being able to aggregate investment orders for community banks, we're able to get them better [securities pricing] execution."

## Maintaining inventory

Part market investment guru, part securities warehouse foreman and part in-house traffic cop, Scott bridged complementary securities functions, the wholesale buying and the retail selling of securities for ICBA Securities and its community bank customers. His role had been a delicate one—to keep both of those interdependent operations

Reading the shifts and moods of various fast-moving investment markets, Scott anticipated how continually fluctuating market demand and interest rates will affect community bank investment opportunities and the value of community bank investment portfolios. With a staff of 30 securities traders, he oversaw an inventory of about \$500 million in fixed-income securities, running



For 32 years, Fran Scott served as head trader for Vining Sparks IBG, the clearing broker for ICBA Securities.

running cohesively. Constantly adjusting to real-time fluctuations and demands in the global securities markets, Scott managed the large-lot securities inventories that Vining Sparks maintains for the securities purchases that ICBA Securities sales representatives execute for individual community banks. And that's nearly a 24-hour job.

the gamut from U.S. treasuries and mortgage-backed agencies to securitized Small Business Administration loans to corporate and municipal bonds. And of course these securities could come with a wide range of maturities as well as fixed rates, floating rates, callable or noncallable options, or high premiums and deep discounts.

The securities Scott and his trading team purchased ultimately relied upon the short- and long-term needs of community bank portfolios and investment managers across the country. Success could be determined by decisions made in seconds rather than minutes. And as every community banker portfolio manager knows, having a smart investment strategy becomes meaningless without the ability to execute the strategy.

“As head trader, you and your team have to be up on the individual dynamics of a particular security,” Scott says. “We would constantly be trying to evaluate whether or not there’s enough supply [for community banks]. I always wanted to know—what are the dynamics in the community banking community.”

Those dynamics can be influenced by what happens at the Federal Reserve, on Wall Street, in Middle Eastern oilfields or with consumers in China. So to do his job properly, Scott’s workday typically began at 3 a.m. to check out first the European and then the Asian financial markets. “I don’t usually sleep more than three, four hours a night,” he points out. “I’m always staying up on the market. As head trader, I should be as informed, if not more informed, than anybody.”

Then Scott would review about 50 information sources and data from investment experts, research firms, government agencies, and industry newsletters on broad financial and economic trends and niche products. In addition to assessing the movements in the various global stock and bond markets, he might review the latest unemployment numbers or manufacturing production reports. All of his early morning reading and research prepared him for an early briefing that “synthesized what you’ve learned that morning” presented to securities traders and sales representatives every morning over

the Vining Sparks intercom system.

Well before most portfolio managers arrive at their offices, Scott and his team of traders and ICBA Securities representatives would be ready for the day’s securities buying, selling and planning for community banks. Day after day he used his accumulated knowledge to anticipate the market to ensure that all community banks can obtain the securities they need at the right time at an affordable price.

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Throughout the day, Scott and his traders across the country would continue to monitor the movements, supply and pricing of the various securities available. They would check in constantly with traders with other securities dealers to see what inventory was available, looking for investment value for community banks. “The main thing was communicating with the salespeople, understanding the needs of the banks at all times and having a trading staff that was focused on the needs of our community bank customers,” he says.

Scott typically ate his lunch at his desk, allowing him to keep a pulse on “the flow” of the various markets. By the time Scott’s day ended about 5 or 6 p.m., he would have a keen eye to anticipate what the markets would

do overnight and the next day that might affect the inventory Vining Sparks maintains to make available for community banks.

#### **On the sales side**

In addition to following the bond market conditions to anticipate community bank demand for various securities, Scott monitored the individual securities and overall advice and strategies that 120 frontline ICBA Securities representatives are recommending to community bank portfolio investors. This role not only allowed him to help keep the right amount and mix of securities in inventory, but also to educate sales representatives which investment strategies can be executed by community banks.

As a quality-control step for community banks, Scott, based on his in-depth, moment-to-moment market knowledge, also reviewed the prices and conditions of every securities sale to ensure every security sold has proper pricing for the community bank that purchased it. “Our role is to make sure that bankers understand what products are out there with adequate liquidity so that we can execute their strategies,” he explains. “We don’t allow salespeople out there selling something that’s not suitable for a customer.”

When Scott’s career at Vining Sparks began in 1981, community bank investment portfolios represented a far lesser share of a community bank’s overall assets. Back then, bank investment portfolios were primarily used as liquidity backstops rather than profit-earning assets as they are on today’s community bank balance sheets. Bank portfolios were also managed in far less sophisticated ways than in strategies available today, he says. So in addition to being less profitable for community banks, investment portfolios also carried much more

interest rate risk than those of today.

“A lot of bankers didn’t really understand the risk they had in their bond portfolios,” Scott recalls. “And there wasn’t really, so to speak, a plan.”

His career at Vining Sparks also began just as the transformational opportunities of personal computers were introduced, long before today’s mind-bogglingly rich “big data” computing world at the tips of everyone’s fingers. He directly participated in and helped drive the transformation of community bank portfolio investing. “Obviously, the tools community banks have today to get the information they need to manage their portfolios is night and day different,” he says.

Managing through various Wall Street financial market crashes and liquidity crises dating back to 1987, Scott has performed his job with remarkable intellect, poise and commitment. His steady and purposeful dedication to the job has kept him from taking a full week’s vacation since 2007.

As his colleague Mark Evans has taken over the daily duties of his former post, Scott offers a bit of parting advice to community bank portfolio managers he has followed throughout his own career: Obtain multiple independent sources of information before making your own evaluation.

This year ICBA Securities celebrates its 25-year anniversary, conducting securities trades for approximately 1,000 community banks and thrifts that ICBA Securities serves each year. Throughout those years, Fran Scott worked steadily without much fanfare or recognition serving a pivotal role for those community banks. What he’s helped accomplish shouldn’t be overlooked behind the scenes. ■