



Jim and C.J.'s Excellent Adventure

ICBA Securities reaches a milestone anniversary

By Jim Reber

It was more of a marathon than a sprint. More of a technical knockout than a one-round haymaker. More of a 10,000-meter race than a short-track speed skate.

At least that's what Jim Vining and C.J. Pickering recall about ICBA's due diligence process to select the best partner for its newly chartered fixed-income broker-dealer. The year was 1988, and by the time the IBAA Bankers Securities Corp., which became today's ICBA Securities, actually commenced business, more than a year had lapsed. This Portfolio Management column and others this year will revisit the birthing process of a firm that has succeeded fabulously for the thousands of community banks that have utilized ICBA Securities over the past quarter century.

Reach into the abyss

ICBA didn't come about the notion of operating a broker-dealer for community banks entirely on its own. In fact, an Office of the Comptroller of the Currency senior examiner, Owen Carney, made the recommendation to ICBA's Executive Committee one day in 1986. With risks posed to community banks from unscrupulous or

underqualified brokers, ICBA decided after much discussion and several years to send a request for proposal to 32 different firms.

There was a broad array of organizations in that dragnet, including some primary dealers, mutual fund managers and even insurance-related firms. Under the stewardship of then-Bank Services Committee Chairman Jack Ramey from Mount Greenwood Bank in Chicago, and with J.R. Nunn of Citizens Bank in Tucumcari, N.M. ("the Godfather of ICBA Securities," according to Vining) acting as taskmaster, the candidates were winnowed down first to 10, then to five.

Gary Teagno, who was then and is now the CEO of the ICBA Services Network, the parent company overseeing ICBA's member services programs, recalls that Vining Sparks had worked its way into the finals by virtue of its expertise in community bank investments. "Vining Sparks emerged in no small part because of Jim Vining himself," Teagno remembers. "He came off as very comfortable, very knowledgeable. And while the firm was among the smallest we were considering, it was surprising to a lot of us just how many members were already familiar with him and his company. That was as important, if not more than, finding a firm with more capital."

with community banks through its pioneering work with computer-based asset-liability modeling. Vining, the firm's founder, had honed his knowledge by his work at the Federal Reserve Bank of Atlanta and by being the portfolio manager for a regional bank in Memphis. "The fact that Vining had also served on an NASD arbitration panel impressed a lot of us," says Teagno.

After Vining Sparks was picked as the winner in November 1988, all that was left to do was to build a broker-dealer organization that didn't exist, to gain regulatory approval at numerous levels, and to do it quickly. First, to meet both Vining Sparks' and ICBA's expectations and to comply with FINRA (then NASD) regulations, it was determined that ICBA would own ICBA Securities outright and that Vining Sparks would in turn pay ICBA a portion of its profits generated from ICBA's marketing efforts.

Crucially, Vining Sparks would also provide ICBA all resources necessary to make the venture successful. This included trading, operations, research, inventory, education, marketing, sales representatives and, not insignificantly, management. C.J. Pickering was then managing the Vining Sparks asset-liability consulting function when his college buddy, Vining, made him a career-changing offer: to become the first ICBA Securities president and CEO.

Best choice

Vining Sparks, which at the time of the selection process had about 50 sales representatives in three offices, had developed a toehold

Early leadership

Pickering recalls that the Vining camp had equal parts bravado and anxiety. "I was really wired," he says. "This was an enormous opportunity

WEBINAR

ICBA Securities' webinar series "Community Bank Matters" continues on May 14. Greg Roll, senior strategist, will provide a mid-year update on portfolio opportunities. Visit www.icbasecurities.com or contact your sales rep to register.

This photo, reprinted from the March 1989 *Independent Banker*, shows key contributors discussing the formation of ICBA Securities. Included are Jim Vining (far left), Gary Teagno (second from left) and C.J. Pickering (top right).

to make a big difference to a lot of people and organizations. Vining Sparks had the skills and tools needed to do a great job for ICBA and for community banks, but we had to be able to communicate our capabilities and vision well enough to convince ICBA's board of directors. The adrenaline was pumping."

As an example of creating a broker-dealer unlike any other, Vining Sparks recommended to ICBA that its broker-dealer adopt a series of policies that specifically benefit and protect the investor. These "customer safeguards" included rigorous sale rep requirements, a maximum mark-up policy and a list of suitable securities. "The ICBA folks only knew our business from the standpoint of the customer," says Pickering. "We felt like it was in all of our best interests to police ourselves better, and they were impressed that we made the suggestion."

Negotiations finally concluded in early 1989, and ICBA announced the birth of its newest offspring on Feb. 7 that year. Throughout the summer of 1989 there were multiple meetings with ICBA committees and the ICBA Securities board of directors, chaired by Merle Graser of First National Bank of Venice, Fla. Vining Sparks executives labored to get regulatory approval from the NASD, and also the state of Tennessee, for this unique




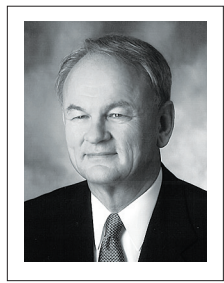
"introducing broker/clearing broker" relationship that still exists. Final approval was granted in late July.

Recipe for success

It became clear pretty quickly that there was both demand and supply for the trusted broker-dealer services ICBA Securities began providing. Within a year more than 500 ICBA members had transacted business with the start-up broker-dealer, and by 1991 ICBA Securities had begun sharing revenue with the affiliated state associations via a royalty arrangement. (Through 2013 more than \$13.5 million has been shared with state associations through that program.) Also launched in 1991 was the Graduate School of Bank Investments, which continues today as the ICBA Bond Academy.

The many successes of ICBA Securities have periodically been documented through this magazine.

Vining Sparks has attained a national status as a full-service broker-dealer with more than 180 sales representatives in 13 offices. ICBA Securities continues to add services to its menu and has maintained its customer safeguards first mandated back in the 1980s. The financial stability of ICBA has likewise been buttressed. I, for one, am grateful for the hard work and creative thinking put forth by the founding fathers of both organizations. Community banking is the better for it. 



"This was an enormous opportunity to make a big difference to a lot of people and organizations."

—C.J. PICKERING, ICBA SECURITIES' FOUNDING PRESIDENT AND CEO

Current Attractions

IBAA Bankers Securities Corp. became ICBA Securities in 1999, in keeping with ICBA's name change to Independent Community Bankers of America. Jim Vining is now chairman of Vining Sparks, and its president and CEO is Mark Medford.

For more information on ICBA Securities' clearing broker, **visit www.viningsparks.com**.