



## BOOK REVIEW

Global Securities Services : The Institutional Investors' Guide

*Simon Thomas and Simon Murray*

*IFR Publishing GB£395/US\$595*

The stream of books about custody shows no sign of abating..... One is the fruit of deep immersion in the custody industry, and a profound knowledge of its problems and of its practitioners. It is a rare example of a marketing tool which is also a substantial piece of work.

The need for a guide which explains custody services to institutional investors is not in doubt. The rising importance of corporate governance, the growing use of quantitative fund management techniques and the explosion of cross-border investment has made even substantial funds like the Prudential recognise the virtues of out-sourcing back-office services. Buyers of custody and their advisers need a disciplined and analytical approach to make informed purchases. This is especially true at a time of unprecedented upheaval and consolidation within the custody industry itself. The time the Prudential has taken to reach a decision suggests due diligence in this field demands an unusually high degree of managerial perseverance and willingness to master detail.

Simon Thomas and Simon Murray, the authors of *The Institutional Investors' Guide*, are two of the most respected and experienced of the consultants which now swarm around the one banking market to have enjoyed a boom in the last five years. The preface explains that they have between them managed RFPs for funds with assets of over \$200 billion, and the heart of the book is a guide to the RFP process. Its ambitious scope - the book covers asset management, forex and other banking services, and cash management as well as pure custody services - testifies to the ever-widening compass of the modern RFP. No wonder *Global Securities Services* is replacing *Global Custody* as the most popular business suffix.

The authors are arguably foolish to share their accumulated wisdom with their competitors in such an open and even-handed way. But judging by a roll-call of sponsors which includes State Street, Citibank, Midland, and Euroclear, custodians will welcome any publication which injects a greater degree of rigour and objectivity into the RFP process. Custodians worried about the desirability of their product will read Chapter 4 with particular interest. Entitled "Buyer Requirements," the authors say it is based on over 500 interviews with institutional buyers - including banks, pension funds, insurers, mutual funds and fund managers - in North America, Europe and the Far East.

The book has a pleasing design, though its fondness for McKinsey-style pictographs will not suit all tastes. It contains plenty of statistical and anecdotal meat to support its assertions, rendered in an array of colourful tables and charts which owe more to the coffee-table than the computer-aided school of design. There is a wealth of practical frameworks, checklists and step-by-step management guides designed to lead the buyer of global securities services through the fog of claims and counter-claims thrown up by competing providers. The section custodians will least like their clients to read is Chapter 8, where four "supplier models" teach buyers how to test the market position and commitment of their suppliers.

For a sponsored textbook, the *Institutional Investors' Guide* exhibits an unexpected iconoclasm. The weaknesses of the traditional credit ratings, for example, are exposed ruthlessly. Its only serious defect is the lack of an index. But at bottom Thomas and Murray are hoping that the book will persuade institutional investors to use their services. Readers can buy "toolkits" which expand on the purchasing techniques laid down in the book, offered as DIY guides to investors wanting to initiate or review a custodial relationship in the light of best practice without going to the expense of hiring a consultant. The authors are probably right in thinking that most will find it easier to call 0171-917-2859 and ask to speak to Simon Thomas or Simon Murray. On the evidence of this book, the call will be well worthwhile.

