

WORLD EQUITY

Pru mandate a \$68bn comeback



The number of banks with a commitment to building and maintaining a global custody service is small, and it is falling. Deutsche Bank, Morgan Stanley, BoNY and Royal Bank of Scotland are trying to grow their businesses. But our award for global custodian goes to Mellon Trust, whose innovative joint venture with Midland Securities Services represented a high watermark in terms of co-operation between custodians. The pair then won the custody mandate for Prudential Portfolio Managers' \$68bn global asset portfolio.

That mandate, clinched by Mellon's state-of-the-art master trust software, marked a triumphant return to the top of the securities processing business for the Boston-based firm following its \$130m write-down of losses sustained in securities lending in 1994.

The Prudential mandate was also significant in highlighting the trend among institutions to out-source more of their back office

functions. "Prudential wanted to focus more exclusively on asset management," says Daniel Wywoda, Mellon's European head of global custody. "Mellon Trust is now effectively the back office for Prudential. We can even set up telephone lines and answer them in Prudential's name."

Mellon's custody software allows fund managers easy access to a vast warehouse of information. It also takes only a couple of minutes, for example, to reveal the percentage of Latin American stocks held in a portfolio trading below a certain price/earnings ratio, or to produce full listing of stakes held in companies above a \$500m market capitalisation.

Prudential's search for a global custodian was innovative in other ways. "It was the first time that a large UK-based asset manager focused on value-added services," says Wywoda. With the help of Thomas Murray, the custody consultants, the Pru demanded sophisticated investment and



Dan Wywoda

fund accounting, performance measurement, investment analytics and customised reporting.

Mellon has expertise in these services, but realised it needed a UK custodian to make its bid viable. The arrangement points the way forward for custodians. Most realised in the late 1980s that custody was becoming a global industry, and as a result started pouring millions into software which could cope with multi-currency account-

ing. But Mellon realised that existing relationships between investors and their custodians would not be eroded quickly.

"These joint ventures allow us to use the relationships which some sub-custodians have had for years," says Wywoda, who anticipates increasing competition among global custodians hoping to sign up the leading European sub-custodian players such as Paribas and Dresdner.