

# GLOBAL MONEY MANAGEMENT

## DEMANDING DETAIL IS KEY TO THOMAS MURRAY'S DOMINANCE.



Ross Whitehill,  
partner at  
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Thomas Murray, the London-based custody consultancy set up by Simon Thomas and Simon Murray in 1994, has risen to a dominant position in the market. To date, it has been involved in custody searches totalling US\$550 billion. Ross Whitehill joined last year as partner with the brief to prospect for new business in Continental Europe (GMM, 5/2/96). Here he outlines the key issues and addresses the industry contention that Thomas Murray has become too powerful a force in custody.

*What are the key issues for you and your clients?*

What we want to know and are asking on behalf of clients are: how strongly are the banks committed to custody and what value do they place on their individual clients? Are they important or are they viewed as a relatively insignificant part of the business? Clients want to know what will happen if their custodian decides to sell up. They are concerned whether they will be able to secure existing terms with their new custodian, especially where they have been getting preferential treatment from the incumbent. Will there be a deterioration in the service they receive?

*Do you anticipate further consolidation in 1997?*

There seems to be no letting up in consolidation, only recently we saw Montreal Trust's custody business acquired by Royal Bank of Canada. Without speculating on names there are one or two possible targets. I would be reasonably surprised if one of the major players was taken over by another. Competition and low fees are squeezing the market.

*Does consolidation mean less choice for customers?*

Consolidation obviously means less choice in terms of providers but for some investors it may improve their overall position in terms of service, fees and risk. If an institution was using a not-so-strong provider and a bigger or stronger organisation took on the [other provider's] business, it would end up better off without having to go through the whole request for proposal (RFP) process. So, it is not always a bad thing. However, it cuts both ways—[the custody business of] J.P. Morgan, an AAA-rated bank went to Bank of New York which was A-rated. Some investors just will not deal with an A-rated organisation so they had to look elsewhere.

*Are the institutions making greater demands on their custodians? Does this make your job easier or harder?*

The institutions are better informed. They must be whiter

than white so they try to minimise their own risk. They have a far better understanding of the custody process in the wake of Maxwell and Baring (GMM, 6/3/95), which made the whole market wake up. Another factor is that custodians are more aggressively pitching their products in the selection process.

We have set out to minimise investors' risk and Thomas Murray has been pre-eminent in identifying risks and assigning responsibility. If you drive at 100 miles an hour, you take more risk than when you drive more slowly.

*The desire for more information leads to more detailed RFPs. Thomas Murray's RFPs are said to be the most complex, involving several hundred questions. Is such a laborious process justified?*

The questions we ask reflect the investor's needs. Banks can grumble and say 400 or more questions is ridiculous. Yes, it is burdensome, but investors are entitled to ask those questions. Otherwise they leave themselves open to clever sales people, who will tailor their answers.

In the search, it is quite hard to make an objective comparison between banks. Bank A may provide custody in 75 markets, while Bank B may offer it in 65 but for lower fees and with better services. It is very difficult to establish a logical method of determining a level playing field. We have highly structured questions and typically they are closed, requiring 'yes' or 'no' answers.

*Thomas Murray is said to be driving the market at the moment through its dominant position. Is this good or bad for the industry?*

We are offering a specialist service, which has proved popular and successful. Some custodians might prefer not to get our RFPs. We typically allow 21 days to respond. Those organisations, which might have to work pretty hard to make cogent responses in that time, typically will not get picked. We know that others are quite pleased when we get involved and we have even been recommended to investors in some cases by custodians. The client will make a decision because we drive the process to a conclusion and we will look to complete in three to six months. Otherwise, they might take 18 months to select.

*Is the comparative analysis you offer custodians essential to remain competitive?*

I was a custodian once and as a sales person it would have been immensely helpful to me. The analysis, based on banks' responses [to the RFPs], is a service we offer which shows what the other banks have told us and how you stand up relative to your competitors. Without identifying specific providers, the analysis provides information on fees, products and the level of risk the custodian is prepared to assume. It allows banks to tailor their products.

