

GLOBAL MONEY MANAGEMENT

GLOBAL CUSTODY

BARING SET TO OUTSOURCE CUSTODY WORTH £11 BILLION.

Baring Brothers & Co. in London, which handles custody for **Baring Asset Management's** (BAM) pension fund clients, is set to outsource to a single provider its entire custody portfolio worth roughly £11 billion, said **Kevin Lee**, operations director at BAM's institutional group. He added that **Simon Thomas** at **Thomas Murray**, the London-based custody consultancy, will conduct the search, noting that BAM's clients have been notified of the impending change by letters sent on 26 July. Thomas confirmed the firm's involvement in the search and selection process. Thomas Murray will be providing BAM and its clients with independent specialist advice and knowledge of custody suppliers and best market practice.

Lee continued that it is the advent of **CREST**, the paperless transaction system scheduled for introduction in late 1996 (GMM, 21/3/94), and the associated expenditure on technology which have precipitated the move to outsource U.K. custody rather than client pressure. He stressed that while the Baring crisis is not the catalyst for change as BAM had already separated the custody and fund management operations in 1989, it highlighted areas of concern, such as cash management. He pointed out that Baring and, to his knowledge, all the other U.K. merchant banks, have since outsourced cash to third-party banks. In response to industry pressure for the separation of custody from fund management, Lee predicts that the U.K. will follow the U.S., where **ERISA** schemes employ external global custodians.

As *Global Money Management* went to press, requests for proposals (RFPs) were being sent out to six, possibly seven, providers which Baring has already identified, Lee revealed. He declined to name the custodians which will receive RFPs, but observed that Baring will invite at least three from the U.K. and three from the U.S. to tender. According to industry officials, **Barclays Global Securities Services** (BGSS), **Midland Securities Services**, **State Street Bank & Trust Co.** and **The Royal Bank of Scotland**, all with London operations, were expected to receive RFPs. Officials at the named firms declined to comment. At the time of the Baring's collapse, BAM, the **Investment Management Regulatory Organisation** and **Ernst & Young**, Baring's administrator, were believed to be holding talks with BGSS in order to allow BAM to resume trading on behalf of clients which used Baring as their custodian (GMM, 6/3).

The new custodian will be appointed in October and roughly £5.5 billion in U.K. assets are expected to be transferred by the end of the year, observed Lee. The remaining international assets will be with the new provider by July 1996. He stressed that the change does not apply to Baring's offshore custody operations in Guernsey and Dublin, which will continue to provide custody for offshore funds.

—N.M.N.

