

P E N S I O N S M A N A G E M E N T

Custody and the new Chase

The merger of Chase Manhattan and Chemical Banking is sure to have significant implications for their global custody businesses. The overlaps between the two banks' custody operations make them particularly vulnerable to the cost-cutting which is planned to save the combined company \$1.5 billion annually after three years. Job cuts are expected in both Chase and Chemical's global custody divisions since the combined operation will not need to run two computer systems.

Chase and Chemical have two of the largest global custody operations. Chase, which came No. 1 in *Global Investor's* 1995 global cus-

tody survey, has total assets under management of \$1.8 trillion. Chemical, which ranked No. 9 in the survey, has total assets under management of \$1.2 trillion. The combined operation will have assets of around \$3 trillion under management, making it a similar size to the current market leader, Bank of New York.

The merger will continue the trend of consolidation in the global custody business. Earlier this year, the Bank of New York bought the custody operations of both Bank-America and JP Morgan, and NatWest Securities Services sold its custody business to Lloyds Bank.

But the Chase-Chemical merger is not just about size. Simon Thomas, a director at independent management consultancy Thomas Murray, believes that the combined custody businesses of Chase and Chemical will be much stronger than before.

