

FINANCIAL TIMES

A route through the quagmire

The RFP is being criticised by all parties - custodians, clients and consultants

To near custodians tell it, there are few more tasteless tasks in life than responding to the dreaded Request For Proposal, the formal tendering process adopted by buyers of global securities services.

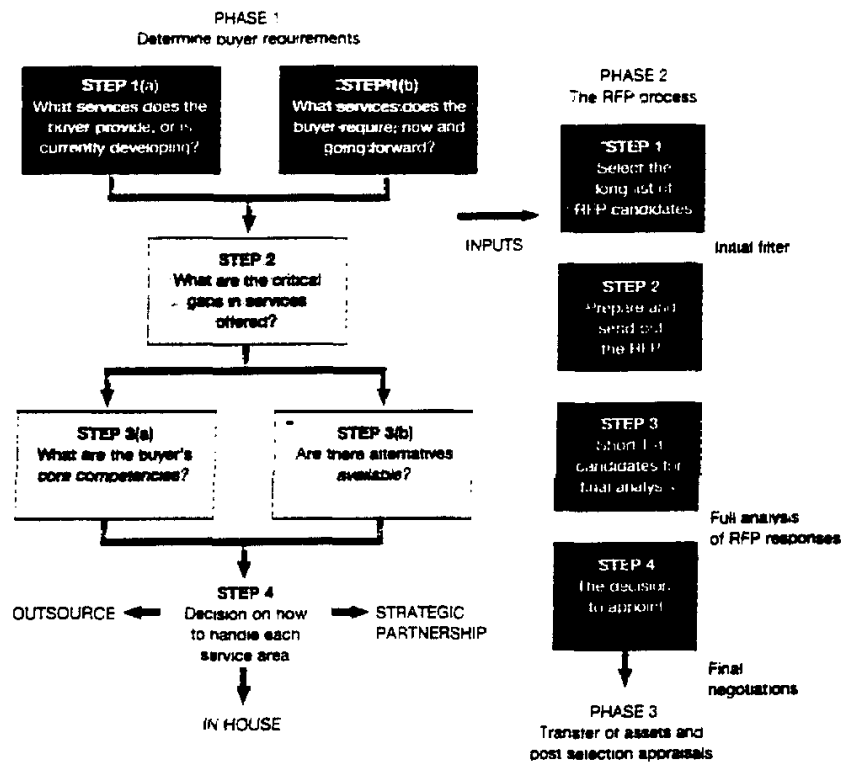
The RFP has become the standard sifting device for the custodial industry: the mechanism used to separate the wheat from the chaff and to compile a realistic short list of prospective suppliers.

But the RFP is under fire from all parties - custodians, clients and consultants. Custodians argue it is typically too long, pointing out that some run to over 200 pages. Clients, meanwhile, say that questions are not answered in sufficient detail and that in any event, there is no contractual obligation for the custodian to deliver the service described in the RFP. Consultants argue that too often, neither clients nor custodians understand the exact purpose of an RFP and, even when they do, are vague about their own objectives.

"RFPs vary greatly," says the head of European custody at one leading US bank. "Some are really sloppy and you wonder if they are there to justify paying a fee to the consultant."

With such damning descriptions, one may wonder that RFPs are sent, responded to and analysed at all. And yet they are, and in increasing numbers as client sophistication grows.

The RFP process



Source: Thomas Murray Ltd

Reasons for changing suppliers			
	UK %	US %	Europe* %
Dissatisfaction with previous custodian	54	54	25
Consolidation of custodian relationships	31	21	33
Custodian pulled out of sector	3	25	0
New asset allocation structure	3	0	17
Fee rates too high	9	0	25

* Excluding the UK

Source: Thomas Murray research

