

The Scrip Issue

MARKET MEMORANDUM

Many custodians have got wise to the fact that the provision and quality of information is one of their key differentiating factors in the battle to win new mandates and retain existing ones. One area on which they have concentrated much effort has been overseas markets. Three years ago you would have struggled to find meaningful data on markets and their settlement practices, but today every major custodian produces reams of documentation - and a few, notably The Royal Bank of Scotland, have converted that information into electronic format.

But, even in this process, the custodians are finding that they are being challenged by specialist information providers. A weighty tome has just been delivered to my desk by Thomas Murray Ltd., the leading consultancy group specialising in the global securities and investment market. Their 1996 Worldwide Securities Market Report pulls together information on 71 developed and emerging markets, collating key facts on clearing and settlement procedures and focusing on the performance of central agencies and securities depositories. Compiled with the help of over 100 banks, exchanges, depositories, central banks and other organisations, the book will act as a useful *aide-memoire* for all cross-border investors.

One of the most interesting parts of the book is the Execu-

tive Summary which pulls together some fascinating facts on the scope of services offered in local markets and the extent to which these markets comply with G30 recommendations. 57 per cent of countries surveyed still fail to comply with over six of these recommendations, while 11 per cent don't comply with any. Some of the more successful markets may come as a bit of a surprise: both the Czech and Slovak Republics comply with seven, along with Brazil and Korea; China (Shenzhen), Israel, Portugal and Turkey comply with six.

But depositories - which are only operational in 43 markets - still have a long way to go in other areas, according to the report. 14 per cent are not guaranteed, and only 49 per cent have Rule 17f-5 exemption for equities. Only 34 per cent are members and users of SWIFT, and only half of the depositories offer segregated account facilities.

Registration remains another major weakness in many markets. Registration is only automatic/same day in 8 per cent of the 71 markets, whilst 6 per cent of them take over eight weeks. The average registration time for equities is between two to eight weeks, and it may come as something of a shock to learn that 50 per cent of North American equities trades take between four to eight weeks to be re-registered, on a par with Africa.

The book is a mine of useful and usable information and could well become the definitive text on overseas markets, filling a gap and obviating the need to maintain the bulky files now produced individually by the custodians. Those familiar with the ISSA handbooks will see similarities, however, and Thomas Murray will need to add further markets and value-added data to ensure that the guide remains essential reading. One immediate thought is that it should rank markets according to operational risk, an issue that ISSA shied away from in the face of strong political pressure. It would also be helpful if it were produced in CD-ROM and/or diskette format. At ninety five quid the book is good value and should find its way onto the shelves of many institutional investors.

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