

# The Scrip Issue

## A BETTER MOUSETRAP

*Eighteen months ago it was small beer - now Thomas Murray is a powerhouse in the business. What happened?*

**S**ometimes this market can seem very jaded. Old lags have been there, done that, seen it all, and they pass on their cynicism to younger blood. There are few zealots left in the business: everybody is so worried about hanging on to their jobs that they'd prefer to keep quiet than rattle any cages.

But a trip to 211 Piccadilly will give heart to those who still yearn for missionary zeal. In this anonymous building is the headquarters of Thomas Murray Ltd., the specialist consultancy practice established in September 1994 by the two Simons. In little more than the blinking of an eye, these two have built a business that now dominates the global securities services market in the UK. Having conducted custodian reviews for portfolios worth USD270,000 million in its first year, Thomas Murray is on a roll, and there is plenty more in the pipeline. Is this a flash in the pan, or has it become part of the fabric?

There's nothing particularly radical about their idea. Both Thomas and Murray had been doing similar work at DIBC, and custody consulting has been big business in the US for many years. But the reputation of the industry had become tainted: there are dark stories of back-handers and financial incentives for some consultants who seemed to favour certain custodians in the selection process, and RFPs were growing

bigger without necessarily being more incisive. Consultants with little industry expertise were providing poor advice to their clients. In one celebrated example, a notable US firm helped to move a major public fund from its existing custodian, only to advise that the fund should move back again in the space of eighteen months.

In the UK, the consulting business has been a strange coalition of one-man bands, investment advisers, actuaries and audit firms with spare capacity. Not surprisingly, institutions were wary of buying from this market. The arrival of Thomas Murray changed all that. Timing is everything: just as the firm got started, the long awaited industry consolidation got going and many institutions started to worry about CREST. SIB was making the first noises about custodian regulation, and the collapse of Barings focused attention on the back office. Whether through serendipity or foresight, Thomas Murray couldn't have hoped for a better environment in which to peddle its wares.

Although custodian selection attracts the most attention, the core business of Thomas Murray is really based on research. The partners realised that there was an unfulfilled requirement for unbiased quantitative and qualitative data on securities services and they moved quickly to fill the gap. Derek Duggan was drafted in from Euromoney to get the pub-

lishing operation up and running, with two major books - the Institutional Investors' Guide to Global Securities Services and the Worldwide Securities Market Report - hitting the streets by the end of 1995. These tomes serve two purposes: not only do they bring in valuable revenue, but they also act as powerful marketing tools, advertising the firm's expertise. The former book could be sub-titled 'Everything you need to know about custody but were afraid to ask', whilst the latter provides a comprehensive guide to clearing and settlement practices in 71 markets.

With their credibility firmly established, Thomas and Murray found that they were able to market their services to both buyers and sellers. 'We can and do operate on both sides of the fence,' says Thomas. 'In view of the RFP work we do, it would clearly be inappropriate to advise individual major custodians, but we do offer research based consultancy to them as a group.' This research - which concentrates on buyer requirements and client satisfaction indices - is the third plank of the strategy. The fourth is the substantial proprietary database on supplier profiles and best practice: the firm has its finger on the pulse of the market and can offer an independent analysis of vendor offerings and comparative strengths.

Simon Murray has no doubt as to why the firm's database is so

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powerful: 'The success of our research lies in its precision,' he says. 'We don't ask questions that invite waffle.' That, perhaps, is the main reason for using Thomas Murray. They have refined the RFP process so that almost every question is a closed-end one, allowing for no evasion and marketing puff. 'Our RFPs are a big incentive to custodians to improve their product offerings,' Thomas says. 'If they have weaknesses, we will discover them during the process.' But that is only half the battle. According to Murray, the real challenge is to make the custodians deliver what they promise during the sales process. 'You must get the custodians' representations embedded in the service standards,' he says. As many investors have discovered to their cost, custodians often fail to translate commitments made in their RFP responses into tangible and binding service level agreements. Thomas Murray claims to have nailed that process down.

As you might expect, custodians have mixed feelings about all this. 'They are intimidated by the closed-end questions, but generally welcome the efficiency and transparency of the process,' says Murray. But the most valuable perspective comes from Ross Whitehill, newest recruit to the firm and an ex-business and sales manager from Morgan Stanley, Standard Chartered and Chase. 'I wouldn't be here if I didn't have the greatest respect for what they've achieved,' he says. 'Amongst the people I've talked to, there is unanimous support for what they're doing.' Whitehill, widely regarded as one of the most successful salesmen in Eu-

rope, will bring a new dimension to the firm. The plan is that he will identify new opportunities on the continent, especially in the area of private label custody, where local banks outsource their global custody business to a third party while retaining the contractual relationship with their clients.

The drive into Europe will not necessarily herald a push for global domination, however. 'What

based.'

Whilst clear that there is a lot of money to be made from all this activity, one gets the feeling that Thomas Murray is also driven by an altruistic desire to improve the securities services business. 'I am disappointed by the lack of progress in the custody business over the years,' Whitehill says. 'Many improvements only occur when the custodians are forced to make them.' The partners refute the suggestion that some custodians must stand out as being better than others, claiming that there is no discernible trend. 'There is undoubtedly a concentration of business amongst a handful of custodians,' Murray says, 'but there is still no automatic choice within discrete industry sectors.' In support of this, Thomas Murray may shortly be recommending different suppliers for three current mandates under review.

The firm has built a better mousetrap, and people are beating a path to its door. 'We've never had to burn shoe leather to win business,' claims Thomas, and that will come as no surprise to those who have waited vainly for sensible, informed advice on securities services. In a sense, Whitehill's arrival validates everything they've been doing: he could have had his pick of sales jobs but obviously believes that there is a long term future for Thomas Murray and its objectives. The heat that the firm is applying under the seats of custodians may be polite, but it is consistent and remorseless. Those who choose to ignore it will ultimately find themselves hard-boiled and inedible. ■

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we're really doing,' says Thomas, 'is building a framework for people to help themselves. We can export our expertise to local consultants and service providers.' The firm has developed a toolkit, designed as a self-help document, which is a step-by-step management guide for buyers addressing their securities services needs, complete with analytical models and detailed blueprints for RFPs. What the firm can do is to use its knowledge of global buying patterns and service offerings to tailor the toolkit for individual markets. 'Our improving links with global buyers,' says Murray, will ultimately increase our influence on suppliers, wherever they're

