

# PROFESSIONAL Pensions

## Sound facts will keep overseas funds safer

BY ALISON STEED

TRUSTEES should demand improved information on local market conditions from their custodians to ensure overseas investments are safe, according to Simon Thomas, director of Thomas Murray.

Most pension fund trustees leave the safety of overseas investment assets solely to their custodian but, in many cases, the custodians' contracts do not provide adequate protection for pension assets.

This is often due to the commercial position of the custodian being advantageously reflected in the contract, combined with pension funds' lack of sufficient detailed

### EXCLUSIVE

knowledge to argue otherwise.

Central Securities Depositories has been set up in many countries in an attempt to help safeguard assets, but only 58 per cent of these have a compulsory-use aspect, and they are not all safe.

Thomas said: "The difficulty is that some Central Securities Depositories are backed by governments, while others are backed by private shareholders. A number have no guarantor at all. Some are run for commercial gain. Their structure and their functions vary enormously."

Membership standards vary hugely. Securities and cash



**Thomas: "closer attention"**

invested in local markets carry significantly different degrees of risk exposure, depending on the characteristics of local market CSDs and the related payment arrangements.

Thomas added that paying closer attention to local market conditions was essential to improving the asset safety of overseas investments.

