

## **ABN AMRO and Mellon do deal**

By Fennell Betson

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The link up of ABN AMRO and Mellon to form a joint venture to provide global custody services initially in Europe and later worldwide has been hailed as unique and not just by the two banks. The venture will operate as ABN AMRO Mellon Global Custody Services, through which clients will be serviced.

Custody consultant Simon Murray of London-based Thomas Murray says: This is unique because it covers a number of markets, usually joint ventures are just for one particular market." He welcomes the venture: "This is a very positive move in Europe to meet the needs of global investors."

ABN sees the advantages in no un-certain terms. Marinus Maaskant, who is managing director of the venture, adds: "We want to deliver custody services to clients at a level comparable to other services we deliver. The Mellon organisation has developed a high product suite and we thought it better to combine the activities of the two operations."

On the wider picture, Dan Wywoda, head of Mellon's London office, says: "This is part of our strategy we have been trying to execute over the past few years. The best way for us to penetrate markets and to deliver services to our clients who are looking for global services is to form alliances."

He describes the joint venture as "a brand name", since there is no formal legal structure other than the agreement between the two banks. But it is being set up with a corporate feel. "It has an executive committee and will have its own staff and be headquartered in Amsterdam."

Maaskant says the reason for not having a legal entity is that this would have to be a bank, which would take a long time to get the necessary clearances from regulatory authorities. He sees no difficulties with this approach. "The example for us was our joint venture with Rothschild and we have adopted that model for this activity as well. We are convinced that we can be successful in this venture too."

Mellon, he points out, has been running joint ventures elsewhere, notably in Canada with CIBC, Scandinavia, Spain and Portugal. The scope of the agreement excludes these countries and Mellon's home base.

"Europe is the key focus," says Wywoda, "The core system will be Mellon, but the relationship management is likely to be ABN AMRO [people]. The product specialists, such as accountants, performance measurement and so on, will probably be a blend of both organisations, with people working from both Breda and Amsterdam."

As Maaskant puts it, "the window to the client will always be the joint venture". Existing clients of the bank will be serviced through the venture, which gives them access to the technology. Some clients will be outside the agreement, such as Rothschild from ABN AMRO's viewpoint and the Prudential in the UK from Mellon's. Mellon will be putting some clients in, but it is hard to get a handle as to what of its \$2trn of custody and other assets worldwide will go through the venture. ABN AMRO is talking about something over \$200bn of its \$550bn under custody being through the arrangement.

Murray points out the big advantages to Mellon: "It gives them coverage across Europe. Banks like Mellon without a presence on the ground found it increasingly difficult to win that business."

European banks like ABN AMRO have found their markets under attack. Maaskant says: "We have seen a stronger penetration of Europe by the US global custodians. But most European pension funds, insurance companies would prefer to work with a European organisation."

According to one Dutch observer, ABN AMRO was not prepared to commit the investment to keep up with the competitors. "They had to find a solution if they wanted to stay in the market. This venture they saw as the optimal solution."

The immediate impact is likely to be in the Netherlands with an increase in competition in the market, something that State Street's new Dutch branch will intensify.

In Murray's view: "The Dutch have never had a great choice of custody and this may help." "ABN AMRO was lagging behind in its technological support and services," comments a Dutch competitor, who speculates that the new venture may well be focusing more on its internal organisation rather than the marketplace.

There are those who feel this move might be ABN AMRO's graceful way of exiting the global custody business. The bank sees it as its way of staying in. Fennell Betson"