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PERFORMANCE MEASUREMENT by Brian Bollen

Competition spotlight on service

Industry commentators consider how best to assess the opaque world of custody and what custodians offer clients

How can the performance of a global custodian be measured? With the growing dominance of the largest US players, many custodians now need to convince clients that they provide superior service to remain competitive.

Improved technology, making the basic task of clearing trades easier, and the growth of analytics, have made it easier to differentiate between custody offerings.

Several trade publications and market consultancies now run independent surveys, all of which are closely watched in the industry. The surveys are aimed at custody clients, most of whom do not want to change custodian any more often than they have to.

They include the statistically based global custody survey carried out by Global Custodian magazine, and the more "qualitative" surveys carried out by Global Investor magazine and by R&M Consultants.

A further report by International Custody and Fund Administration (ICFA) magazine is aimed at measuring the quality of client relationship management. In addition, GSCS Benchmarks supplies the cross-border

investment industry with benchmark figures measuring the efficiency of more than 50 major and emerging markets since 1992. It derives its data, as does the magazine Global Custodian, from the independent Global Securities Consulting Services.

"The benchmarks rate efficiency in terms of settlement, safekeeping and overall operational risk and are produced using a number of factors," says James Lee-Tullis, editor of GSCS Benchmarks. The core data is supplied by a roster of ten participant banks.

Looking ahead, London-based consulting firm Thomas Murray is thought to be examining the possibility of constructing a third-party custodian rating service, formalising its existing practices in custodian risk assessment and other areas.

Leading custodians dislike the lack of a truly definitive and truly global ranking system. Different surveys and researchers also view the product from different perspectives, and the needs of the one do not necessarily mirror the needs of the other. This makes it difficult, or impossible, to compare surveys.

US-based Global Custodian

publishes an annual survey on the strength of sub-custodians. Global Investor focuses solely on investment managers, and is criticised for not separating niche providers from the larger megacustodians. The R&M Survey, which focuses on pen-

to the relationship management process. It is more important, they say, for individual custodians to keep on top of their game, rather than wait for outsiders to measure their performance.

"If someone else knows what your customers want

'Many who have finished in the bottom three or four in the past are no longer in the business today'

