

The Scrip Issue

THE INFORMATION BROKER

Nowadays you can join a special interest group for just about anything - and, the more obscure it is, the more likely it is to get government funding. But the Emerging Markets Forum is mainstream, independent and rather good value.

Everyone knows that the cushiest custody job you can have is to be a network manager. Network managers jet around the world, stay in flash hotels and get wine and dined at the finest restaurants. Occasionally they have to go somewhere unpleasant, but every trip counts towards their air miles and they always have an assistant just in case they decide they don't want to visit a new market where the natives are restless.

Network managers are under threat, however. They have always tended to have a rather inflated belief in their own influence, and they like to stress their impartiality and independence from the issue of business reciprocity which continues to dominate correspondent banking relationships. But their value may be diminished as information providers muscle in on their patch, providing data for a fraction of the price that it costs to keep a network management team housed, fed and watered.

The first crack in the edifice appeared when Thomas Murray, the specialist securities consultancy, published its guide to settlement in world markets. Perhaps surprisingly, many of the major custodians cooperated in this venture, giving market information freely which they might once have considered to be of some value. But what is added value today becomes a commodity by tomorrow, and there is a declining appetite for the reams of paper which custodians disgorge on the subject. Fund managers never read their country profiles in any case, blithely piling into a market without much consideration of whether they'll ever see their money again or get paid any dividends. For them, that is the back office's problem.

The back office, however, has a lot of other problems. Custodians are good at publishing clearing and settlement data, but they are less proficient at sorting out inherent inefficiencies in local practices. Bored finance ministers and

stock exchange officials receive dozens of network managers every year and listen distractedly while their market's shortcomings are explained to them, but nothing much ever happens. The best a global custodian can hope for is usually a special deal with a local agent bank which will minimise the pain caused to overseas investors - and, when the market doesn't have many credible agents, those deals are often worthless.

