



# GLOBAL CUSTODY

Moves Out of the



**GLOBAL CUSTODY** was invented by Chase Manhattan in 1974 as a result of the introduction of the ERISA laws. Custody's scope expanded greatly through the 1980s and '90s, due to market deregulation and the subsequent increase in cross-border investment. Today, J.P. Morgan manages over \$15 trillion of assets in a controlled, highly efficient manner.

Though many would say it has long been a commoditised product, global custody is actually at the heart of a revolution in how services are being offered to clients.

Traditionalists would describe custody as a self-contained product consisting essentially of trade settlements, asset servicing and electronic links to clients and subcustodians (provided by SWIFT or proprietary systems) enabling high rates of STP—whilst acknowledging that ancillary services such as cash management, FX and reporting are part of the overall service. By this description, custody is very neat, tidy, safe and mature, but not exactly exciting—perhaps summed up by the epithet 'it's only custody'.

At J.P. Morgan, we take a different perspective – looking at global custody from the solution angle rather than simply as a commoditised product component. This is key to supporting our clients who are looking for a solution to maximise their processing efficiency within a robust, risk-controlled, automated and information-rich environment.

### **J.P. Morgan: Reinventing Global Custody**

This new approach has led to the inception and delivery of a significant change program designed to support our clients' investment strategies, enhance the client experience and maximise client efficiency whilst minimising risk.

#### **Investment strategy support**

The quest to maximise alpha continues unabated and becomes ever more complex (and challenging

under current market conditions). We understand this drive and provide support for long/short trading strategies and tax transparent pooling portfolios from within our custody platform. These are just two examples of how the core custody product is expanding to support clients' evolving strategies.

#### **Enhanced client experience**

As part of our commitment to provide a best-in-class service to our clients, we follow a continual improvement process that is validated on a regular basis by in-depth external review and benchmarking. A recent example is the deployment of an automated corporate actions event capture module that will automatically receive, process and cleanse multiple event feeds, improving the completeness, accuracy and timeliness (CAT) standards of our notification service.

#### **Helping clients maximise efficiency**

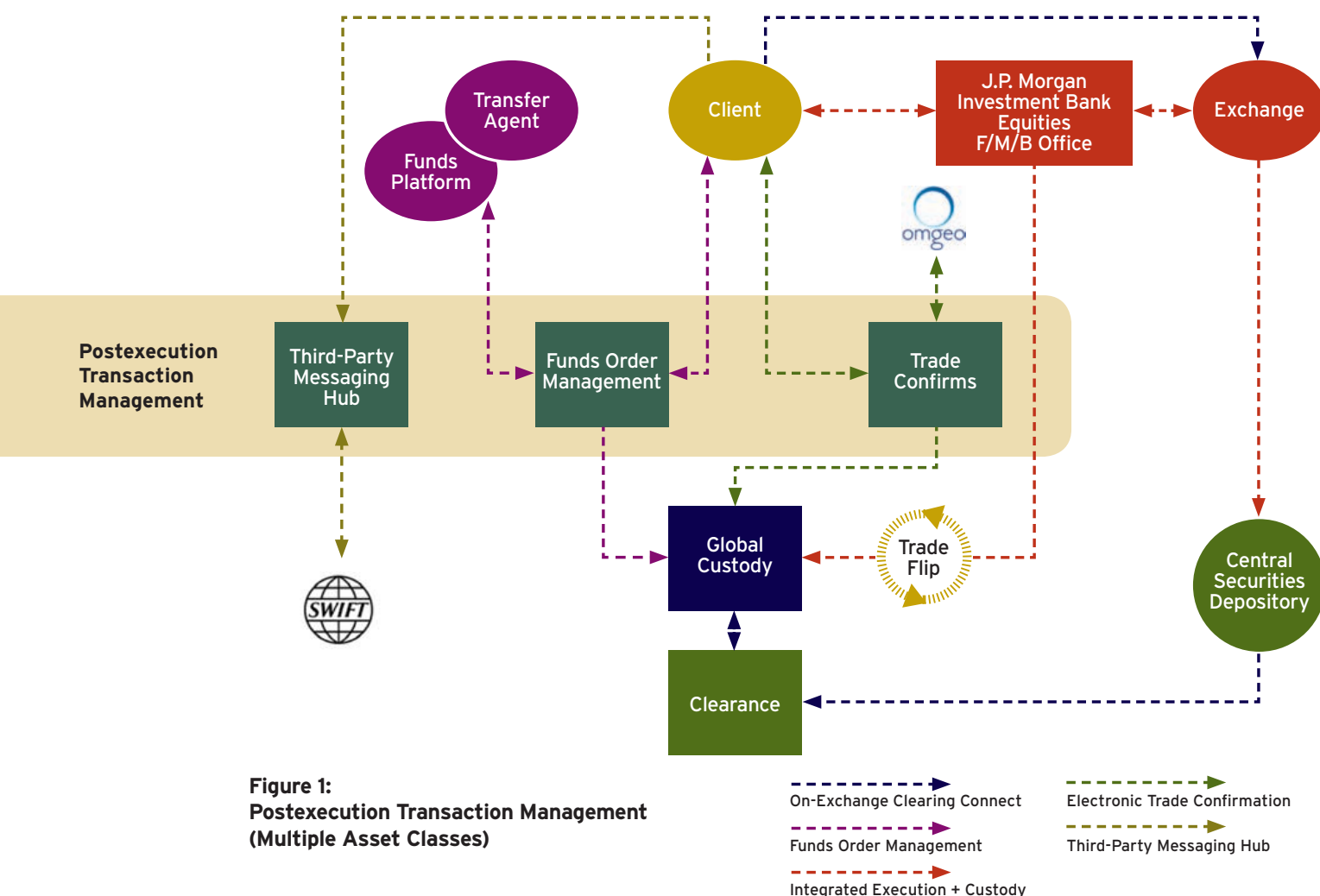
One of our key objectives is to enable clients to focus on their core competency in pre-execution and execution phases of the transaction life cycle—which includes investment strategy, portfolio modelling and management, and trade execution—whilst removing the administrative processing burden in the postexecution space.

This kind of focus enables J.P. Morgan to extend the benefits of custody further up the processing chain, to postexecution—or back (office) to front (office)—support.

Figure 1 illustrates this approach: providing a suite of services that can alleviate elements of the postexecution burden for

*We take a different perspective – looking at global custody from the solution angle rather than simply as a commoditised product component.*

# Back Office



our clients, but crucially in a manner that is compatible with their products, systems and trading philosophies. This can range from trade confirmation support through execution and settlement linkage to providing third-party messaging consolidation.

## Global Custody As a Hub, Not a Commodity

The J.P. Morgan custody product is a highly evolved and integrated suite of services that can be tailored to meet a client's specific post-trade execution requirements. To achieve this requires an agile and sophisticated custody platform that is seamlessly integrated at multiple levels within and beyond the organisation. This highly effective platform enables J.P. Morgan's clients to benefit from all the synergies of a modular set of services that is truly customisable to meet their business needs (and not vice versa).

This solution concept is extended across the J.P. Morgan Investor Services product set. As

one moves out from the epicentre of custody for equities and fixed income, the capability to support a wide variety of client types and needs via sets of products and services remains central to our ethos.

This capability involves broad asset class coverage across the alternatives sector (derivatives, futures, options, etc.) and the funds space (including mutual funds, ETFs, hedge funds and private equity funds). It also includes the ability to offer a depth of integrated product support covering middle-office outsourcing, prime brokerage, fund accounting, securities lending and treasury/liquidity products.

The pace of change is quickening, and innovation and flexibility are key. Therefore, at J.P. Morgan we don't subscribe to the view that custody is commodotised, but rather view global custody as the nexus of a rapidly evolving and adaptable platform for supporting clients' post-trade execution requirements in a multiple asset class environment.