

# MASTER CUSTODIANS FOCUS ON EFFICIENCY



**This article is an introduction to the service of master custody and, specifically, what a master custodian can do to give investors a broader perspective on their wealth.**

Master custody has traditionally been of secondary concern to most high net worth investors, behind investment management and trust and estate planning issues. However, for investors or families with complex, multigenerational information needs, master custodians play an increasingly integral role, providing extensive portfolio information and a wide array of value-added services, from the management of short-term cash to performance measurement and analytics.

In the past, master custodians were primarily concerned with receiving and safekeeping physical stock certificates. Today, due to changes in technology and the manner in which transactions are processed, the role of the master custodian has evolved to information aggregation and management.

## **ATTENTION TO DETAIL**

The primary value-added service a master custodian provides is the collection and consolidation of the enormous amount of detail generated by a diverse investment process, and the presentation of that information in a format that can be easily accessed and efficiently used by investors. It may help to think of a master custodian as the conductor of a

symphony orchestra. The conductor brings together the disparate sounds from each instrument to create a coordinated and melodic composition.

Like a conductor, the master custodian must keep track of a number of variables, such as multi-manager portfolios, individual and consolidated reporting needs, trust structures and reports on corporate actions and distributions. In much the same way as the symphony conductor unites many instruments, a master custodian, as the central recipient of all investment information, can provide comprehensive reports which in turn can enable investors and their advisors to maximize asset allocation and tax-effectiveness to meet financial goals.

Acting on behalf of a client, the custodian interacts with multiple financial intermediaries, investment advisors, securities depositories, brokers and other agents on all matters relating to the client's investments, from the clearing and settlement of security investments, to any portfolio changes, to the collection of all income generated by the portfolio, as well as other ancillary activity.

## **Securities Settlement and Reporting**

Securities settlement is the act of completing a transaction for equities, bonds and other investment instruments. For instance, if you purchase 100 shares of IBM, the master custodian verifies delivery and that the amount for which the transaction was executed is the amount paid.





Master custodians also handle ancillary services, including collection of dividends and interest and distribution to clients and/or their advisors of proxy and corporate action materials, simplifying information flow to investors.

In addition, having a master custodian settle securities can provide tax advantages. Your investment position in a company may have multiple tax lots because shares were purchased at different times. When you want to sell a portion of that position, a master custodian can establish rules that minimize the impact of capital gains.

### **Short-Term Cash Management**

If idle cash positions arise while managers consider new investments, a master custodian can sweep the cash into a tax-appropriate vehicle until the managers' investment programs are ready to be implemented.

### **Access to Other Financial Services**

Master custodians also provide a central point of contact for services such as private banking, loan capabilities, foreign exchange and bill paying, as well as discount brokerage services.

### **Performance Measurement and Analysis**

Perhaps the greatest value-added service provided by a master custodian is extensive performance measurement and analytic reporting. High net worth investors and families, particularly those with substantial portfolios, often employ several investment managers, each of which fills a particular investment niche. For example, one manager might be responsible for fixed income, another for small cap equity, and another for a portfolio's large cap allocation.

The firm acting as master custodian seeks to provide custody for all the family's assets. Having this comprehensive information allows the custodian to view and run analytic reports on the entire portfolio to determine its efficiency and risk characteristics. The custodian is thus able to produce statements showing the family and its advisors how each of the managers is performing.

### **ADVANTAGES OF PERSPECTIVE**

This big-picture view also allows the firm to provide estate planning services and wealth transmission ideas, as well as tax and other services, taking the entire portfolio into account. Whether working with individual accounts or multiple members of a family who require different reporting criteria, the custodian's ability to look at the situation from a broad perspective offers significant benefits.

In turn, the custodian's information can be made available to the various investment managers as well as the client's other advisors such as accountants and attorneys. The master custodian's role is really that of a facilitator for investors and managers alike.

In complex financial situations involving substantial holdings and divergent income needs, a master custodian provides a single point of contact for a client to access all these capabilities. By having a detailed understanding and providing a top-down view of all their client's assets, a custodian also minimizes the amount of time investors have to spend interacting with all their advisors and managers individually.

---

*For more information, please contact  
Theodore P. Klingos, CCM, Senior Vice President,  
(212) 632-3063, [tkling@ftci.com](mailto:tkling@ftci.com).*

*This article includes views expressed by representatives of Fiduciary Trust Company International and is intended to provide general information only on the financial topics it addresses. It is not intended to provide specific advice or market predictions. You should consult your personal advisor(s) regarding your specific circumstances in determining whether the contents of, or opinions expressed in, this article are appropriate for you or relevant to any investment decisions you make.*

---



[www.ftci.com](http://www.ftci.com)

**Fiduciary Trust Company International**

600 Fifth Avenue  
New York, New York 10020  
tel (877) 384-1111

**Fiduciary Investment Management  
International, Inc.**

1133 Connecticut Avenue, N.W.  
Suite 330  
Washington, D.C. 20036  
tel (888) 621-3464

**Fiduciary Trust International of the South**

200 South Biscayne Boulevard  
Suite 3050  
Miami, Florida 33131  
tel (800) 618-1260

**Fiduciary Trust International of the South**

500 East Broward Boulevard  
Fort Lauderdale, Florida 33394  
tel (954) 527-7307

**Fiduciary Trust International of California**

444 South Flower Street, 32nd Floor  
Los Angeles, California 90071  
tel (800) 421-9683

**Fiduciary Trust International of California**

One Franklin Parkway  
Building 910, First Floor  
San Mateo, California 94403  
tel (877) 284-2697

**Fiduciary Trust International of Delaware**

1220 North Market Street  
Wilmington, Delaware 19801  
tel (302) 429-0910