

# Pensions & Investment Age

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## Trading network hopes to cut fail rate

By Marlene Givant

**NEW YORK** — Aiming to reduce what is estimated to be a 40% fail rate on international trades, FTTEL Ltd., Jersey, England, is offering a system called Equinet to facilitate the reporting, comparing and status of international securities trades.

Fails occur primarily because of miscommunication between brokers, their clients and custodial banks, according to FTTEL.

Equinet links brokers and their institutional clients with their custodial banks through mainframe computers. Because of the computerization, FTTEL says Equinet's fail rate is 0.01%.

Shearson Lehman Brothers Inc., New York, is testing Equinet for program trading. For two weeks beginning in April, it input 1,200 simulated trades. A custodial bank, First National Bank of Chicago in London, affirmed them and then sent the information to various banks around the world. Shearson Lehman has worked its way up to 200 simulated trades a day from 30, according to Charles Fisher, vice president of the equity arbitrage group at Shearson.

Mr. Fisher has asked for some modifications, including receiving reports normally sent only to custodians on fails corrected in a given day.

Slow transmission experienced at one point also has been corrected.

"Now they (FTTEL) are running dual PCs. One for transmitting and one for inputting."

Now Shearson plans to use Equinet for a whole network of simulated trades. "I hope to have it untouched by human hands."

Because Shearson's mainframe would generate a floppy disk with all the trade information for Equinet, which would in turn send the information to clients and brokers.

"It saves hours, days, weeks of work use of a keypunch operator," who otherwise would input the trades manually, he said.

"A lot of our clients use FTTEL for index programs. If clients use it, we have no choice but to use it," Mr. Fisher said.

Wells Fargo Investment Advisors, San Francisco, has used Equinet since January because it is the only system that links brokers, investment managers and global custodians, said Susan To-

manek, senior vice president.

A passive manager, Wells Fargo trades only about once a month for one or two days. "We trade an index," Ms. Tomanek said. "Our volume runs in peaks and valleys."

Custodians are used to more linear volume. (Equinet) helps custodians in terms of processing.

"It has cut down on fails to the extent that a global custodian can take our affirmed executions and send Telexes to sub-agents around the globe."

Wells Fargo is requesting more transaction details, such as currency conversion rates used in trades.

It manages \$700 million in Morgan Stanley Capital International Europe Australia Far East index funds.

Other Equinet clients include

Salomon Brothers Inc. and Brown Brothers Harriman & Co., both in New York, Bear, Stearns & Co., New York, and First Chicago Investment Advisors, Chicago, are testing the product.

Investors using Equinet may confirm or disagree with trade details through a standardized communications link to all brokers in the system. Equinet provides automated computer screen-based international affirmation and confirmation of trades to all parties.

It maintains transaction records after trades are settled, providing for immediate access to these trades for up to three months and permanent storage in the firm's mainframe in London.

The communications link costs about \$30 per trade, depending

on the country. A charge including all communications costs is made only when the system is used, which may be around the clock. There is no minimum or flat-rate charge.

Investors can produce statistics on trades outstanding or settled, listed by country, broker or security.

Equinet monitors transactions from the initial agreement of a trade through its settlement and continuously updates as the status changes.

Users are connected to FTTEL's mainframes via IBM PCs.

FTTEL soon will release two new products: XNET, for non-bank foreign exchange market, and EQUILOAN, an interdealer loan system for borrowing and lending multiple currencies and foreign securities. ■