

# THE WONDER YEARS

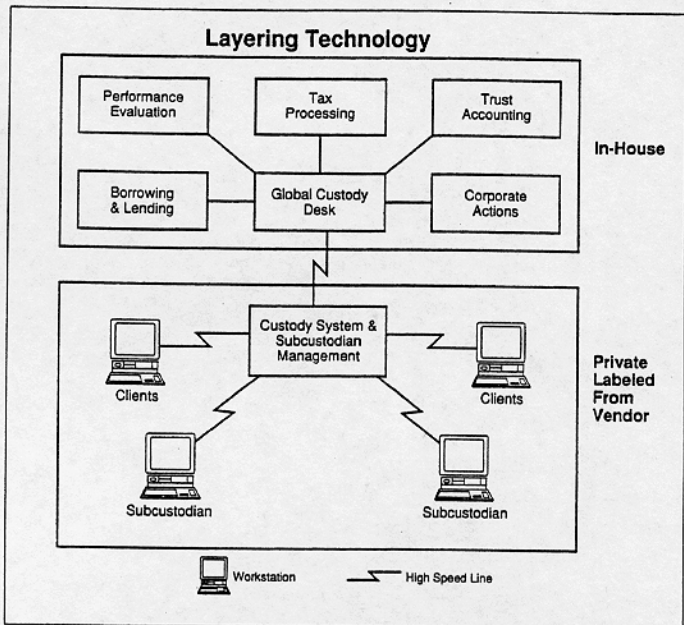
NEW COMMUNICATIONS TECHNOLOGY IS SET TO ALTER THE WAY INTERNATIONAL INVESTORS DO BUSINESS.



Goldman's Mann: international must catch up with domestic

NEW YORK—Two major technological breakthroughs—mini-supercomputers and high-speed networks—are forever altering today's data and communications landscapes. Together, they will revolutionize global custody services and cut costs to a fraction of what they are today. In fact, the price war has already begun; IBM has led the way, slashing the price of their mini-supercomputers by 60%. Expense aside, these new technologies will soon make available the myriad of services that global custody customers desire but that no one is currently offering.

Securities trading necessitates a marriage of communications and data handling. Data handling is primarily a matter of collecting, saving, retrieving, and disseminating information swiftly, safely, and efficiently. Communications cannot drive the business by itself. Messages to and from the broker, instructions to foreign exchange banks, custodians, and subcustodians are important; but a rationale, a ritual as to how things must be done—in



what order, and by whom—is vital as well. Intelligent instructions are at least as important as electronic speed.

This coordination is particularly important in regard to global custody. Global custodians must orchestrate communications between many banks—collecting, saving, interpreting, and distributing the information they provide to a vast number of clients. These operations are complex and demanding—the sort of "orchestrated" parallel ritual that may best make use of high-speed networks and powerful desktop machines.

The back office expert may be modeled electronically. In fact, Salomon Brothers seems to have accomplished just that. "Salomon's new DOGS systems faces the user every morning with a screen that alerts him to possible delivery problems and prioritizes the tasks to be completed," says Robin Lauezzari, vice president of interna-

tional operations at Salomon. "Say that Salomon has sold \$500,000 of Japanese equities to institutional investor X that in turn Salomon had bought from institutional investor Y for delivery in Tokyo. Delivery of the yen equity from Y to Salomon is expected two days before the settlement date of the trade with X. Such short positions are highlighted first thing in the morning, and the user will be offered a menu of actions. The screen also shows the probability that firm Y will not deliver the yen equity on time. This probability is evaluated from experience. If the probability exceeds a certain value, the system will automatically flash a red light at the user and prompt him to in-

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