

Prime Brokerage Survey





Back to basics

New rules and regulations are forcing hedge funds and prime brokers to re-evaluate who they work with and why.

2014 was a solid year for hedge funds continuing the steady recovery from the financial crisis. In the past that would have been enough to encourage continued growth by prime brokers to support new and existing funds. But these are not ordinary times. The regulatory juggernaut kicked off by the crisis is beginning to be made flesh, with short term consequences almost wholly negative for hedge funds and prime brokers alike. While the detailed rules have yet to be finalised in many key areas, the basic shape is now clear. As a result the world's largest banks are beginning to adjust their activities to take account of capital ratios, leverage ratios and net stable funding requirements. Typically this process starts at the very top, and works its way through to different business units, including prime

brokerage, deciding at each stage how much capital to allocate and how each unit needs to manage total leverage, deposit and funding requirements. Individual business units then have to decide how the overall approach impacts on specific client business relationships and in some cases hard choices have already had to be made.

Regular evaluation of client relationships should be part of any business, and among many prime brokers the process is well established. In normal circumstances decisions to reduce commitments to individual clients are a confidential matter that is managed in such a way as to attract little or no publicity. Decisions are 'mutually agreed', adjustments to prices and availability are accommodated by iterative adjustment and an evolutionary process

is completed with clients' of the hedge funds concerned most likely unaware and certainly unaffected. However, it is clear that in the current climate, some providers at least have found it hard to maintain a cool exterior. The last twelve months have seen a growing number of rumours and stories of major prime brokers asking large numbers of clients to leave at relatively short notice. Similarly pricing and availability of credit, the willingness to accept deposits and sudden imposition of drastic increases in minimum revenue/fee levels are talked about by competitors and clients alike. The facts of individual stories may be subject to interpretation and distortion by competitors. However, the number and consistency of information, as well as a body of anecdotal evidence, point clearly to the notion that something out of the ordinary is taking place. A reassessment of relationships within individual prime brokers and a reshuffling of clients among them are underway. Whether what has happened to date represents the bulk of any adjustment that is needed or is merely the precursor of more drastic changes still to come remains to be seen. In any event from a client perspective there is no room for complacency, however big the firm.

Old approach, new organisation

The changes taking place within the industry as a whole are causing different banks to adopt different and increasingly differentiated strategies, in some cases driven by and in others in response to, organisational structures. This starts at the very beginning of the process, with the regulations themselves. Many of the major prime brokers are part of organisations that have formidable power to lobby for the best outcomes for themselves and their clients. However, this power is being used in different ways depending on the priorities of the overall organisation. In some cases this will work to the possible benefit of prime broker business. In

other circumstances the approach will largely ignore effects on that business to gain better benefit elsewhere within the organisation. The level of investment in dealing with the regulators is therefore now an interesting indirect measure of business commitment by prime brokers.

The second indicator of commitment, which can also only be assessed indirectly by clients, is how much capital is devoted to prime brokerage. It is here that actions speak louder than words. Clearly capital is scarcer for everyone, return thresholds need to be increased across all businesses to deliver acceptable results overall. Many hedge funds believe that it is part of their prime brokers' role to find solutions to these issues that allow them to continue to execute investment strategies that will deliver returns to their clients. Leading prime brokers also recognise their role as problem solvers. However, for some prime brokers the overall relationship value may not support a people intensive search for compromise solutions, and in some cases with some strategies solutions that are commercially viable to both parties may in fact simply not exist. Hence the apparently drastic steps now being undertaken by some prime brokers towards some clients.

Of course not all prime brokers are affected in the same way by the new rules, whether in breadth or scale. Opportunities clearly exist for mini-primes and introducing firms to assist some clients as well as allowing larger banks with fewer balance sheet constraints and smaller firms to become more active and effective in the market. As Noel Kimmel, global head of Prime Services at Cantor Fitzgerald notes "While we are subject to new regulations, as a partnership, we are not affected to the same degree as some of the larger banks and can be more accommodating." Even among the larger firms some are driven by deposits and others by liabilities. Where deposits are the driver firms are looking at how best

to put excess deposits 'to work' in order to generate maximum returns. For these institutions hedge fund clients offering a stable secured loan demand may continue to offer an attractive outlet. That is not the same for all.

Brokers act, clients react

At the same time that prime brokers are looking hard at exactly how much and what type of business best suits their institution, hedge funds are also reassessing their requirements. In the immediate aftermath of the financial crisis the notion of a single prime broker relationship became unacceptable to many funds and indeed their clients. This led to a relative proliferation of relationships. Initially this appeared to benefit everyone, as prime brokers expanded their client lists and hedge funds reduced their dependency on single sources of service and finance. However diversifying relationships has some significant downside for all parties as well. Parallel operational due-diligence and compliance efforts have become increasingly expensive for hedge funds. Workflows become more complex and collateral optimisation may be prejudiced unless new technology or many people can be brought to bear. Some hedge fund administrators have proved more effective than others at handling multiple prime broker relationships established by their clients. From the prime broker perspective some of these new relationships may still be small, even when the client is large overall. Opportunities for growth may not have turned out to be as interesting as was anticipated; and there are simply more relationships to manage, and more problems to solve, without a suitable level of revenue to support everything.

As a result a consistent theme across the industry is the re-emergence of the importance of relationships, from both sides of the table. Hedge funds need to know and be confident that their prime broker will be there as and when

they need them, not just in good times. Likewise prime brokers need confidence that they can enjoy a sufficient 'share of wallet' to support the commitment of increasingly expensive talent and capital to get things done.

One way to increase wallet share is to offer more services and do so in a way that is properly integrated whether in terms of business organisation or accounting or both. This is reflected in the number of organisational changes being made within many prime brokers. One of the key challenges for many of the largest prime brokers is how best to bring the full capabilities of the firm to bear on the relationship with a particular hedge fund when it may run counter to a range of internal profit and organisational constraints. Even less complex companies sometimes find it hard to position their own organisations in ways that optimise the client experience on the one hand and properly reflect the totality of a client relationship on the other. Yet this is exactly what the new rules effectively require, whether viewed from a risk management, capital commitment or profit perspective.

Some banks have chosen effectively to establish a new organisation rather than alter reporting lines or accounting practices. One exponent of this is Société Générale, who after acquiring Newedge created a business that incorporates all elements of their product offerings to hedge funds within a single new structure. As James Shekerdeman, Managing Director and Global Head of Prime Brokerage Sales commented recently, "we felt that in the market environment that exists, to serve our hedge fund clients in the manner they expect, we have to be able to coordinate all parts of the bank and have organised to do this." Others including BNP Paribas and BNY Mellon have also sought to create broader groupings around custody and clearing services, which are an important aspect of effective service for

hedge fund clients and prime brokerage business. As various people have noted these broader organisations facilitate and encourage much more strategic discussions with more senior individuals within client organisations around issues that are as important to them as they are to the banks themselves.

All of this change is bringing with it a new way of looking at prime brokers in terms not simply of size, whether measured by balances or profits, but by what they aspire to deliver. With ‘full-service’ now implying more than ever before, the ability of firms to offer a genuinely global full-service capability is very limited, especially across multiple asset classes. Increasingly industry participants as well as commentators expect that there are likely to be regional and country full-service providers but also smaller more specialised prime brokers and service providers. The latter will focus on specific client types based on size, investment strategy, product need or asset class requirements. The challenge is not only how to stay focused on a particular specialty, but also how to attract business. This is where mini-primes, client aggregators and introducers are already seeing a growing role. For them it is not just about a willingness to deal with smaller clients, it is also about creating the supplier relationships necessary for those clients to be satisfied with services received.

It is not just the sell-side of the market that is changing emphasis. If growing the number of prime brokers brings diseconomies for scale for the buy-side what are they doing about it? The answer to this question provides a clear line between two distinct groups. It is important to note that few hedge funds are doing nothing. Even if every prime broker has not yet contacted every client, there exists a groundswell of knowledge that things are changing. However there is still a distinction to be drawn between hedge funds adopting a relatively passive approach compared to

a smaller number who have decided to take proactive steps.

The first group believe that their prime brokers will in due course explain both the final details of the problem and their proposed solution. Conscious of the issues involved, these funds are maintaining relationships in the hope and expectation that at least one provider (probably the one they already do most business with) will come up with a workable solution.

Adjusting to the new norm

If that then involves a move back towards a more concentrated prime broker relationship, they will probably create a client narrative that explains that reality and adjust accordingly. For many the adjustment should be fairly straightforward, being operationally simpler than the multi-prime model they have been operating with recently. It may be more expensive and offer fewer opportunities for playing one prime broker off against another, so will create greater dependency. However, taken as a whole their expectation is that the result will be manageable.

That relative happy state of affairs is dependent on the notion that at least one broker will want to provide services and that one broker is enough to support the business of the particular hedge fund. For some mid-sized and most large hedge funds the second assumption is a cause for some concern. For them, having multiple prime broker relationships was not simply about risk concentration. It was also very much about capacity. For these firms there is an increasingly urgent need to assess themselves as clients and each of their prime brokers as service providers. As Ben Challice, managing director of Nomura in London notes, “larger clients are becoming more forensic in looking at the costs of business, including all costs associated with prime broking relationships.” Challice sees this as a consequence of different brokers themselves providing

clients with “meaningfully differentiated prices” for particular services or assurances of credit availability. At the same time the more professional clients are looking harder at their own activities to better understand whether or not they are likely to be attractive to prime brokers generally, and if relevant, to specific counterparties. So clients have to have a better understanding of the business models that their prime brokers may be subjected to.

In some cases it may suit both clients and prime brokers to effectively use a firm that can attract and service a number of smaller funds and concentrate their business from a single source to one or a small number of prime brokers. For such boutique prime brokers willing to help smaller funds, the reshuffling among the major players presents new opportunities for growth. As Colin Bridges at Global Prime Partners notes, “we can offer benefits both sides. For the smaller clients who might not get attention from larger global players, we can deliver a cost effective quality service. For some of the larger brokers we help them by delivering to them a critical mass of business through a single relationship, with Global Prime.” For some prime brokers such indirect access is not what they are looking for. These firms want to make direct choices about which clients to take on. However that ‘segregation and selection’ option is not available to all and can be expensive to maintain. In an era of reduced revenue, discussions around these kinds of approaches are becoming more common.

Whatever the particular catalyst for change, there is no doubt that prime brokerage is evolving. As it becomes less homogenous and more clearly differentiated, all market participants will want an independent source of information about what is happening and why. *Global Custodian* through its surveys and editorial will continue to play its role in that communication and information flow process. ■

SURVEY OVERVIEW

New priorities same standards

Clients are adjusting their priorities to their new reality as prime brokers seek to exploit new opportunities while maintaining service standards.

Consideration of the overall Survey results should take account of the fact that scores shown, both for 2015 and 2014 are normalised. In 2014 normalised scores were used to assess the candidates for consideration in the Roll of Honour. However, that process did not show the scores themselves. This year rather than draw a Roll of Honour in different service categories we are simply reporting the scores obtained. In this section the scores relate to the overall survey results. In the provider profiles the normalised scores are shown for each individual provider. The view of the magazine is that greater transparency will help readers better understand the results. The normalised scores significantly reduce the effect of anomalous responses and add to the weight given to the more important broader based respondents' views. They also take account of the different general scoring patterns shown across different client groups.

Table 1 shows the normalised score for each of five categories of clients based on geographic location; five categories of clients based on size; and four based on the principal type of prime brokerage services used by clients. It is clear that Europe ex-UK clients accounted for a relatively small proportion of responses by weight (6.7%) but also scored at levels well below the overall score (5.53 compared with

5.81). As a result a provider with an above average proportion of responses from clients in this category would receive a normalisation adjustment that would add to the base score. The effect of size of clients is less pronounced as is the type of service used. It is worth noting that the weight of Small clients is less than 12% of the total even though responses from this type of client account for a much higher proportion of total responses (over 20%). In the case of most providers the normalised score is not very much different from the raw score. However, by making the adjustment the magazine is seeking to reduce criticism that some providers do well because they receive responses from 'easier to please' clients. While the process we are following is now doubt not perfect we consider it does allow us to present a more accurate reflection of provider performance.

Table 2 touches on the relative importance of different investment strategies of respondents. Again different strategies require different services and products and perhaps a different emphasis. As far as the most common strategies are concerned the position is little changed compared with 2014. Equity long/short is the most common of some 20 different strategies identified within the survey and accounts for roughly one-fifth of all responses. This is down from 2014 but still nearly twice as high as Fixed income, the second most popular strategy. In the 2015 survey arbitrage strategies feature across a higher proportion of responses and both convertible and volatility arbitrage make it into the top ten mentioned by respondents. These strategies may be marginally more complex from a servicing perspective but the impact on overall scores is not considered material.

The Survey also looks at the nature of prime broker usage. Based on the weight of responses, firm answering for a single

Table 1

By geography	Responses % by weight	Normalised average score
Asia	15.5	5.72
Europe ex-UK	6.7	5.53
North America	60.6	5.91
Rest of the world	1.7	5.84
UK	15.5	5.63

By size	Responses % by weight	Normalised average score
Very large	27.0	5.75
– of which leading	(13.7)	5.75
Large	31.2	5.81
Medium	30.1	5.85
Small	11.6	5.78

By type of service	Responses % by weight	Normalised average score
Equity prime brokerage	68.9	5.85
Fixed income prime brokerage	28.8	5.84
FX prime brokerage	27.9	5.82
Options prime brokerage	37.9	5.89

Table 2: Top ten investment strategies

	2015 %	2014 %
Equity Long/Short	19.4	22.0
Fixed Income	10.8	11.4
Event Driven	9.3	9.7
Emerging Markets	6.9	7.1
Market Neutral	6.6	5.9
Macro	6.4	6.3
Distressed	5.7	5.2
Quantitative Long Short	4.8	4.2
Convertible Arbitrage	4.6	N/A
Volatility Arbitrage	4.1	N/A
Other	21.4	20.2

Table 3: Number of prime brokers

	2015 %	Normalised average score	2014 %
1	20.2	6.15	34.9
2	25.8	5.86	28.5
3	18.0	5.93	15.0
4 or more	35.9	5.63	21.6

prime broker accounted for 2-0.2% of the total, well down on 2014. The responses from clients completing the survey for two brokers, was around one-quarter of the total weight, slightly lower than in 2014. Meanwhile the weight of responses from clients responding for three or more prime brokers was markedly higher. Table 3 shows the scores from each of these groups, with those using multiple brokers noticeably less generous with their scoring. This factor alone, namely the fact that fewer responses came from single broker clients, would normally imply a decline the average scores recorded in the survey. In fact scores were the same or only very marginally lower, suggesting that in fact performance has probably improved in the last twelve months. It is also interesting to note that 80% of respondents expect the number of prime brokers they use to be stable in 2016. However, among the 20% that do expect the number to change, some 77% expect to add to their prime broker list while only 23% expect the number to decrease. The process of rationalisation of prime brokers noted in the Market Review is not borne out by the responses provided to the survey itself.

In terms of the scores themselves Table 4 highlight the fact that there was no meaningful statistical shift in scores between 2014 and 2015, whether considered in terms of raw scores (5.97 in both years), normalised scores (5.80 in 2015 against 5.81 in 2014). The largest gain (in Capital Introductions) and largest fall (in Financing and Margining) are both small from one year to the next. While the pattern of scoring may lack excitement it reflects the maturity of the business and relationships as well as the continued very solid performance by major providers. Given the industry background this is a commendable achievement that clients should note.

Table 4: Overall scores

	2015		2014			Difference	
	Normalised	2015	Normalised	2014	2013	2014-2015 normalised	Difference 2014-2015 raw scores
Client service	5.91	6.04	5.90	6.03	6.10	0.01	0.01
Operations	5.86	6.00	5.90	6.03	6.14	-0.04	-0.03
Financing and margining	5.74	5.91	5.84	5.98	6.07	-0.10	-0.07
Securities lending	5.89	6.06	5.84	6.00	6.15	0.05	0.06
Reporting	5.79	5.94	5.81	5.96	5.98	-0.02	-0.02
Technology	5.83	5.99	5.83	6.00	6.08	0.00	-0.01
Hedge fund consulting	5.78	6.00	5.74	5.92	6.27	0.04	0.08
Capital introductions	5.41	5.67	5.34	5.62	5.93	0.07	0.05
Value	5.88	6.02	5.88	6.02	6.12	0.00	0.00
Reputation	5.94	6.08	5.89	6.02	6.17	0.05	0.06
Total	5.80	5.97	5.81	5.97	6.08	-0.01	0.00

Table 5 highlights the priority areas for clients. These reflect the complete ordering of priorities by clients, as opposed to simply looking at the top priority mentioned by individual respondents. However they are not weighted based on the size of the respondent or any other factors. Within the survey not every response is from a pure hedge fund, some coming from managers who use a variety of strategies some of which include hedge fund activities which require prime broker services. This explains why, for example, Capital introduction is more important to hedge fund respondents as opposed to the overall group of respondents to the survey. Capital introduction remains the single most valuable service that a prime broker can offer to its hedge fund clients. That is not surprising and the fact that it has grown in importance is testimony to the on-going demand by hedge funds to grow AuM levels. However, not unexpectedly the importance of Access to financing has grown significantly. For hedge funds in 2014 its score was 8.2 and it ranked 7th in importance across the areas covered by the Survey. In 2015 the score has gone to 12.5 and it ranks 3rd. Logic suggests that this trend will probably continue into 2016 and new rules and regulations further complicate funding for brokers and clients alike. ■

Table 5: Priorities

Area of service	Hedge funds	All respondents	Hedge funds	All respondents
	2015 %	2015 %	2014 %	2014 %
Capital introduction	18.2	14.8	16.6	13.7
Access to hard to borrow securities	12.7	13.0	14.7	13.4
Access to financing	12.5	13.0	8.2	10.3
Other	10.9	10.0	10.4	11.6
Competitiveness of financing rates	10.6	9.9	8.5	8.3
Client service	8.7	10.1	13.6	14.2
Reputation of the firm	7.2	6.9	6.5	6.1
Safety of assets in custody	6.7	8.0	7.2	6.9
Counterparty credit risk	5.4	7.1	8.5	8.5
Global reach	3.9	3.5	3	3.4
Trading capabilities	3.5	3.8	2.8	3.5

CLIENT SERVICE

Questions	2015	2014
Client Service	5.91	5.90
Overall level of satisfaction with client service	5.94	5.92
Pro-activity and effectiveness of client service personnel	5.90	5.90
Knowledge and experience of client service personnel	5.93	5.96
Ease with which issues can be resolved	5.84	5.82
Stability of client service staffing	6.00	5.98
Ability to coordinate delivery of products and services	5.82	5.83

In terms of measured priorities Client Service did not feature as strongly in 2015 as in prior years. On a day-to-day basis performance remains very strong with the average score marginally better at 5.91 and this was the second best category in terms of scores. With clients more focused on reputation and commitment rather than the everyday issues, a relative decline in importance is not unexpected. This is particularly the case when the best scores were seen in stability of staffing – unfortunately if staff are unchanged and service is good, it becomes taken for granted. North American clients gave a score of better than 6.0 (very good) both for stability and the quality of personnel measured by knowledge and experience. These strengths were also apparent irrespective of client size or type of business. Clearly providers have a strong cadre of experienced professionals handling the business who are much appreciated by the clients they serve. While some of the broader upheavals in the business may impact on this positive state of affairs in the future, for now clients are genuinely pleased with the performance of firms and specific individuals many of whom were singled out for specific praise in the comments section of the survey. In addition client service was consistently seen as a key strength for many providers, above all other functional capabilities.

Client service remains a pillar on which high value prime broker services depend. Providers recognise and deliver consistently against this client demand.

OPERATIONS

Questions	2015	2014
Operations	5.86	5.90
Overall level of satisfaction with operations	5.83	5.89
Ability to take ownership of your operational requirements	5.90	5.93
Speed of resolution of breaks	5.87	5.93
Effectiveness in handling complex corporate actions	5.85	5.85
Ability to meet the operational demands of complex portfolios	5.86	5.89

Operations will never be the most glamorous of the capabilities of prime brokers, nor will it be regarded as a key priority. The simple fact is that all prime brokers who maintain a substantial presence in the business have to be operationally effective in meeting client requirements. The only areas where differentiation is possible is in handling of some of the more complex instruments or markets, and here differentiation can only be negative. Good performance

is unlikely to reap meaningful recognition from clients. The average score of 5.86 should be regarded as being in line with expectations given the overall results. In general there were very few scores from clients on any questions below 4.0. Where these did occur they no doubt reflect specific anomalous situations rather than generic weakness. It is however worth noting that the very large clients' average score for meeting global complex requirements was only 5.66 the lowest for any size category for any question in this section and European clients gave an average score of only 5.37. As such it would appear that some of the most demanding clients do see some room for improvement in some of the more difficult operations aspects. For mid-tier and smaller providers the expertise necessary to handle larger clients business is always going to be less easy to meet compared to how it can be developed and nurtured within some of the largest global prime brokers.

FINANCING AND MARGINING

Questions	2015	2014
Financing and Margining	5.74	5.84
Overall level of satisfaction with current financing & margining	5.72	5.81
Level of communication concerning impact of prospective new regulations	5.74	N/A
Satisfaction with commitment to making financing available	5.80	N/A
Availability of collateral options	5.74	5.87
Flexibility of collateral options	5.65	5.88
Efficiency and accuracy of margin management	5.83	5.92

Given the issues identified in the Market Review around the importance of financing, it is not surprising that this became more important in the survey in 2015, nor that scores were lower than a year ago. Two questions were amended this year to reflect the fact that availability was more of a focus and cost less so. Overall the communication about the impact of new regulations appeared to be quite highly regarded, though both Leading and Small client groups scored less well. In the latter case it may be that consultation was less iterative and perhaps more proscriptive. With very large clients it may be that not as many solutions were being found as clients might hope. Elsewhere the scores for the flexibility of collateral (i.e. substitution, margining and so on) saw scores dip quite significantly. This was one of the lowest scores in the entire survey. Equity long/short traders and equity funds more generally appeared to see this as an area where improvement could be made by providers. Interestingly Asian clients gave some of their lowest scores in this category and the average of 5.48 for communication, suggests that for some firms the communication effectiveness may have been better closer to home. At this stage it may be too early to determine the overall impact of changes in relationships, availability of finance and provision of alternative solutions for clients. Whether scores move up or down in 2016 will be the acid test of the effectiveness of the industry as a whole to meet the challenges of the new regulations to which it is now subject.

SECURITIES LENDING

Questions	2015	2014
Securities Lending	5.89	5.84
Overall level of satisfaction with securities lending	6.00	5.97
Use of in-house and third party information to identify trading opportunities	5.85	5.56
Protection against buy-ins/recalls of borrowed securities	6.12	6.13
Access to hard-to-borrow securities through this prime broker	5.86	5.90
Ability to offer less capital intensive alternatives to stock borrowing	5.62	5.74

Interestingly securities lending scored much better than financing. Scores were up by 0.05 points compared with 2014, with excellent scores recorded for both protection from buy-ins and the integration of external data services to assist clients in identifying trading opportunities. Helping clients make money is still the surest way to gain a positive opinion about service provision as a whole. This is also reflected in the high priority consistently attached by clients for the ability to locate hard-to-borrow securities; still the second most important aspect of service for all respondents and hedge funds. Indeed a number of respondents highlighted this as a key strength for some particular prime brokers and it is certainly an area where some providers are able to differentiate themselves, whether on a general or more specific basis.

The fact that scores for finding less capital intensive alternatives to stock borrow is not a surprise in the context of the industry background to the survey. This is an issue primarily for equity firms and this was also reflected in the lower scores offered by that group. Both very large and small clients gave slightly lower scores here as well. The ability to maintain and improve some scores in the current situation reflects well on all equity prime brokers and suggests that this remains an area where clients appreciate the work being done to assist them in executing their investment strategies.

REPORTING

Questions	2015	2014
Reporting	5.79	5.81
Overall level of satisfaction with reporting services	5.76	5.77
Reporting of where assets are being held	5.63	5.67
Ease of integrating data into your own systems	5.73	5.76
Timeliness of delivery of reports	6.01	6.02
Ability to provide consolidated reporting across asset classes and geographies	5.77	5.76

Like Operations, reporting capabilities are generally taken as a given among all the leading prime brokers. It is difficult to make a positive differentiation in terms of service and this is an area which attracts among the largest number of suggestions for improvements to service. These range from the general (e.g. more information on-line) to very specific requests for specific data elements to be included. Overall the score for timeliness of reporting at 6.01 is very strong. Those for

reporting the 'location' of assets and the ability to effectively cover multiple asset classes and geographies performed less well. In the case of the former, scores from European clients at 5.13 were somewhat disappointing even against the context of generally lower scores from that group.

Outside of capital introduction this one of the lowest scores seen from the group in the Survey. In the case of size of clients and type of services being used there were only relatively modest variations in scoring. It is also interesting to note that no element of reporting featured among the leading priorities for clients. Overall this is an area where all prime brokers perform well, where there are few opportunities to gain advantage and where ironically clients will perhaps always want something more.

TECHNOLOGY

Questions	2015	2014
Technology	5.83	5.83
Overall level of satisfaction with technology	5.74	5.73
Usefulness to your fund(s) of workflow tools	5.72	5.73
Reliability of electronic trade execution services	5.96	6.01
Ease of access to post-trade data offered by this prime broker	5.88	5.89

The provision of prime broking services is one that relies to a considerable extent on the ability to deliver solutions that are 'tailored' to the needs of specific clients, whether in operations, reporting, risk management and financing. As such it does not obviously lend itself to the kinds of economies of scale where technology can become a key component in both reducing costs and standardising services. In trading, hedge funds adapted first and most enthusiastically to the use of algorithmic tools to enhance productivity. However outside of this, while the ability to integrate technology may be important to some larger funds technology itself is not as important to these clients in this business as in many other surveys conducted by *Global Custodian*.

Technology does not feature among the top ten priorities of clients. Overall trends in scoring reflect this lack of emphasis by providers and clients alike. Scores in 2015 are virtually unchanged from a year ago, technology is rarely singled out as an area of strength or one needing improvement and attracts relatively few very high or very low scores. The fact that scores are down slightly in the area of electronic trading is consistent with the algorithmic trading survey elsewhere in the magazine, which looks into that aspect in much more detail. Overall, unlike some businesses covered by the magazine technology is not a driver of either business or customer satisfaction in prime brokerage.

However technology is important in ensuring that services can be delivered cost effectively, whether in financing, trading or operations. While clients are relatively indifferent to how services are delivered they are not completely indifferent to costs. Technology therefore should be seen for its potential to drive efficiency and service quality, but not as a direct differentiator for clients themselves.

HEDGE FUND CONSULTING

Questions	2015	2014
Hedge Fund Consulting	5.78	5.74
Overall level of satisfaction with hedge fund consulting svcs	5.86	5.85
Value of advice and assistance to start-up funds	5.95	5.94
Value of advice on business strategy	5.82	5.81
Value of advice on making your fund(s) more attractive	5.66	5.65
Ability to provide information about evolving capital rules	5.77	N/A

This category relates to the general aspects of hedge fund operations, primarily delivered at the time of start-up but also as funds evolve and requirements change. It relates somewhat to capital introduction but clients regard it as much less important insofar as its impact on their business is likely to be indirect rather than direct. None of the areas covered is regarded as a key priority by clients, and this is even more the case with larger clients. However it is this group that actually gave the highest scores, which suggests that providers actually concentrate their advice on their larger clients. Interestingly UK clients gave an average score better than 6.0 (very good) for advice and assistance to start-up funds, but only 5.36 for advice on making existing funds more attractive. Among Asian clients there was virtually no difference between the scores on the two questions. Clearly then this is an area where differentiation is possible, whether based on the specifics or the services provided, the group of clients to whom it is offered or the quality of the work being done. Converting that into competitive differentiation is difficult however given the relative lack of importance of the service compared to other elements.

CAPITAL INTRODUCTION

Questions	2015	2014
Capital Introduction	5.41	5.34
Overall level of satisfaction with capital introduction services	5.44	5.44
Usefulness of regular intelligence on trends in investor thought	5.50	5.49
Effectiveness in screening investors	5.51	5.35
Effectiveness in introducing your fund to actively allocating investors	5.29	5.15

One area where prime brokers can have a direct and very positive impact on the business of hedge funds is in introduction of capital to the business. This typically happens at the time the fund is starting out, but can be important as an accelerator of growth for a fund that builds its performance record. It is also used when firms want to launch new funds in areas outside their recognised expertise. Because of its direct impact on their business it is hardly a surprise that this ranks as the single most important aspect of service that prime brokers can deliver.

Because of the fact that different brokers have different capacity to deliver new funds they also have different approaches towards the subject. Some prime brokers simply do not provide the service, others provide it selectively to some

but not all clients and some offer it more broadly. Each of these approaches has potential pitfalls. Not providing a service is straightforward but is not competitive as far as some clients are concerned. Selective provision risks alienating those funds not included in the process and providing it to all may upset investors who may see funds with varying levels of relevance of performance presented to them. So it is not surprising that this aspect attracted the lowest scores in the survey in spite of an average that was 0.07 points better than 2014. Among different groups, European clients were by a wide margin the least happy, scoring less than 5.0 (good) on two of the four questions. Small clients, wherever they are based were also relatively unhappy with an average across all questions of only just above 5.0.

VALUE DELIVERED

Questions	2015	2014
Value Delivered	5.88	5.88
Overall value	5.85	5.88
Transparency of reporting of fees, charges and rebates	5.91	5.88

Of the ten categories covered the average score of 5.88 achieved in Value Delivered was actually the fourth highest. In the context of surveys run by the magazine, such a strong performance is unprecedented. Usually the scores associated with fees and costs would rank last. Scores are unchanged from a year ago, in spite of the various issues referred to in the Market Review that have contributed to potentially significant increases in different elements of cost. While value is rarely mentioned as a strength, or commented upon directly, it would appear that clients remain generally rather satisfied with performance and believe that overall the service they receive represents good value.

In part this no doubt relates to the fact that prime broker services are not about cost, as noted above in comments surrounding technology. Nor are they especially standardised. Therefore the move towards service provision being seen as a 'commodity' has simply not occurred in prime brokerage in the same way as it has in securities servicing more generally. That is a function of the heterogeneity of the clients, their relative fragmentation and the competition for their business. In such an environment clients see price as less important and hence less of a concern, resulting in generally better perceptions. The relationship between a prime broker and its clients is also much more than that of a simple service provider. While 'partner' may overstate the position in some cases it is closer to this kind of relationship and less vulnerable to price competition.

Hedge funds undoubtedly prioritise excellent service and allocation of quality, scarce resources, whether people or capital. However that is not to say that price is not a factor in decision making. As providers differentiate price and extend transparency, the trade-off between price, service and resource is likely to become more complex. This may lead to a further reappraisal of what really represents value for money.

REPUTATION

Questions	2015	2014
Reputation	5.94	5.89
Overall reputation of this prime broker	6.07	6.12
Willingness and effectiveness in lobbying on behalf of clients	5.72	5.77
Evidence of continuing commitment to prime brokerage	5.94	5.77

With the changes taking place in the industry, and the problems that continue to surface among large Wall Street firms and large global banks around regulatory breaches, reputation has become more important. In 2015 it has ended up ranking 7th among the list of attributes valued by clients, against 9th in 2014. Interestingly it is also the one that achieved the highest scores in 2015, up from 3rd best in 2014. It is interesting to note that the reason for the overall gain is in the scores seen for commitment to prime brokerage. The fact that

the business has been under pressure in many firms, and client dialogue has been perhaps more candid than in the past, has in fact strengthened the position of the industry. While some providers may be nervous about the effect of actions they have had to take, in fact the impact has probably been less harmful than they might expect. Those that got out ‘in front of the problem’ as opposed to reacting to changed circumstances have actually emerged with their reputation enhanced in spite of some inevitable disappointment among some clients. The clear message is that clients are generally aware, are understanding and react positively to a candid proactive exchange about what actions to take. The message from the survey results as a whole is that those firms who have taken a positive approach have been rewarded by achieving better scores and more importantly building loyalty among clients. Those whose approach has been more defensive, whether to the survey or to the business have not benefitted to the same extent.



Methodology

Survey respondents were asked to provide a rating for each prime broker on a numerical scale from “1” (very weak) to “7” (excellent), covering 10 separate functional service areas and 46 individual questions. In general “5” (good) is the ‘default’ low score of respondents. In total over 40 providers received responses and the top ten brokers each obtained hundreds of responses each yielding tens of thousands of data points for analysis. The evaluations from all respondents have been used to a greater or lesser extent in compiling the provider profiles and Survey Overview.

Each evaluation was weighted according to three characteristics of each respondent; the value of assets under management; the level of complexity of their business based on the different strategies used; and the number of different prime brokers being used. In this way the evaluations of the largest and broadest users of prime brokers were weighted at up to five times the weight of the smallest and least experienced respondent. At the very highest end a small number of large and sophisticated clients are designated as Leading within the Survey segmentation. These carry the greatest weight in terms of importance attached to their scores and comments.

The scores received in respect of each of the 10 functional service areas were further weighted according to the importance attached to them and the questions they incorporate, by respondents to the Survey. The aim is to ensure that in assessing service provision the greatest impact results from the scores received from the most sophisticated users in the areas they regard as most important.

Given the number of responses it is possible and indeed desirable to take account of the different scoring patterns of different demographic groups and the breakdown of responses for individual providers across those groups. So if a provider has a predominance of responses from a ‘demographically’ generous group, its scores should be adjusted to reflect this. These responses are included in the scores published in the Survey report, but their number and nature are taken into account within the normalisation algorithm applied to the raw scores to determine the normalised scores that are used throughout the Survey. This is different from prior years when the raw scores formed the published results. Finally it should be noted that as in previous years a handful of responses are offered by affiliated entities of providers. These are ignored completely and do not count towards the scores.

THE MAIN CONTENDERS

As well as providing a series of profiles of a large number of prime brokers that were active in the survey, this year we are replacing the Roll of Honour ranking by a series of assessments of how well the major players have performed. Tables 6 to 13 show the relative share of responses, based on weight received by the leading providers in different groups of clients. The Tables show the performance based on responses from clients in eight different individual countries.

In the case of the UK these match the particular region of the UK otherwise each country forms part of a larger regional group as far as profiles are concerned. So the US and Canada which combine to make up the North American region are for the purposes of these tables shown separately. Likewise countries in Europe and Asia. While responses were received from clients in more than 20 different countries, the eight shown here are the ones that attracted what we believe to be a statistically valid number of individual responses.

The Tables contain different numbers of names depending on how many providers have a reasonable critical mass of clients by number and share of responses by weight. Where a provider is listed as an outperformer that means that their overall score across all service categories was better than the overall average for that particular country. So a provider could outperform the average for US clients, with a score that was lower than the overall score in the survey, or not outperform among Swiss clients even though they were ahead of the overall survey average.

As might be expected approximately half of the named providers outperform in each category, however in some cases it is slightly more and others slightly less than 50%. While outperforming is better than not, failure to achieve the ranking should not be interpreted as implying service is not satisfactory. As the comments above suggest, given the circumstances of the industry all providers appear to be performing at very high levels. ■

Table 6: Canada

1	Scotiabank	Outperformer
2	BMO Capital Markets	Outperformer
3	TD Securities	
4	Morgan Stanley	Outperformer
5	Société Générale Prime Brokerage (formerly Newedge)	

Table 7: France

1	BNP Paribas Global Prime Services	Outperformer
2	Société Générale Prime Brokerage (formerly Newedge)	
3	Deutsche Bank	Outperformer
4	J.P. Morgan	Outperformer
5	Barclays	Outperformer

Table 8: Hong Kong

1	Morgan Stanley	Outperformer
2	Deutsche Bank	Outperformer
3	Bank of America Merrill Lynch	Outperformer
4	Goldman Sachs	Outperformer
5	UBS	
6	Nomura International Plc	Outperformer
7	Credit Suisse	
8	Citi Prime Finance	Outperformer
9	BNP Paribas Global Prime Services	
10	HSBC	

Table 9: Japan

1	Deutsche Bank	Outperformer
2	Morgan Stanley	Outperformer
3	Nomura International Plc	Outperformer
4	Bank of America Merrill Lynch	
5	Citi Prime Finance	

Table 10: Singapore

1	Morgan Stanley	Outperformer
2	Citi Prime Finance	Outperformer
3	UBS	
4	Nomura International Plc	Outperformer
5	Goldman Sachs	

Table 11: Switzerland

1	Morgan Stanley	Outperformer
2	Deutsche Bank	Outperformer
3	J.P. Morgan	
4	Société Générale Prime Brokerage (formerly Newedge)	
5	Goldman Sachs	

Table 12: UK

1	Morgan Stanley	Outperformer
2	Deutsche Bank	Outperformer
3	Goldman Sachs	Outperformer
4	Bank of America Merrill Lynch	
5	UBS	Outperformer
6	Credit Suisse	
7	BNP Paribas Global Prime Services	
8	Citi Prime Finance	
9	HSBC	
10=	J.P. Morgan	
10=	Société Générale Prime Brokerage (formerly Newedge)	Outperformer

Table 13: United States

1	BNP Paribas Global Prime Services	Outperformer
2	Morgan Stanley	Outperformer
3	Goldman Sachs	Outperformer
4	J.P. Morgan	
5	Deutsche Bank	
6	Bank of America Merrill Lynch	
7	Barclays	
8	Credit Suisse	
9	UBS	
10	Citi Prime Finance	

Being global – already difficult; getting harder

In the investment banking boom times, everyone wanted to be all things to all people. The model was naturally espoused for prime brokerage. Multi-asset class; tick. Clients in all North America, Asia and Europe; tick. New funds, established funds, large funds, small funds; tick. Realisation has gradually dawned that executing such a grand strategy is for very few prime brokers, if any at all. The investment in people and systems is enormous and one that may never see a decent return. So for many ambition has been reined in, firms are concentrating on areas of genuine strength and working with clients from whom acceptable returns can be made based on size and likely share of wallet.

Last year’s survey gave a full page profile to each of the ten largest prime brokers based on responses received. This year we have extended that privilege to a further eight firms, who though not large, are beginning to play a bigger role by virtue of the major client reshuffle now taking place. Of those eight, HSBC, Nomura and Société Générale do indeed have a global presence, but as yet insufficient responses to join the leading ten. A further five have a more focused business model, whether by geography or by size of respondents.

Among the top ten we consider there is a sufficiently broad array of business, measured by number of clients, position with leading clients and complexity of fund type or geography for them to be considered as a separate group. The purpose of the tables that follow is to give readers insight into how these providers perform in each of the ten different categories of service across 15 different sub-groups of respondents. Where services are not provided or there are insufficient responses, an “N/A” is shown. Elsewhere we have taken the normalised average score across the survey for a particular sub-group and category. We have compared the normalised score for each of the ten providers with the relevant survey average. To the extent that a provider has outperformed the survey average, this is highlighted in the table with a “★”. To the extent that they have failed to match the average the cell in the table is left blank.

The tables are an illustrative guide and as noted elsewhere failure to beat the average score does not necessarily imply poor service. Indeed the scale of business of all these providers implies that all core services are being delivered to at the very least a very solid standard. ■

Bank of America Merrill Lynch	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America										
UK										
Europe ex-UK							★			
Asia								★		★
Rest of World	★	★				★	★	★		★
Very Large								★		
Large										
Medium										
Small										
Leading								★		
Users of Equity PB										
Users of FI PB										
Users of Options PB										
More than 3 Prime Brokers										

Barclays	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America								★		
UK	★	★			★		★	★		
Europe ex-UK	★		★	★	★	★	★	★	★	★
Asia		★								
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large							★	★		
Large			★	★			★	★	★	
Medium		★		★						
Small	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Leading	★			★		★	★	★	★	★
Users of Equity PB				★			★	★		
Users of FI PB				★				★		
Users of Options PB	★	★	★	★	★	★	★	★	★	★
More than 3 Prime Brokers				★			★	★		

BNP Paribas Global Prime Services	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America	★	★	★	★	★	★	★	★	★	★
UK	★	★	★					★	★	★
Europe ex-UK	★	★	★	★	★	★		★	★	★
Asia	★	★	★	★	★		★	★	★	
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large	★	★	★	★	★	★			★	★
Large	★	★	★	★				★	★	★
Medium	★	★	★	★	★	★	★	★	★	★
Small	★	★	★	★	★	★	★	★	★	★
Leading	★	★	★	★	★		★	★	★	★
Users of Equity PB	★	★	★	★	★	★	★		★	★
Users of FI PB	★	★	★	★	★	★	★	★	★	★
Users of Options PB	★	★	★	★			★		★	★
More than 3 Prime Brokers	★	★	★	★	★	★	★	★	★	★
Citi Prime Finance	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America			★	★			★	★	★	★
UK										
Europe ex-UK						★	★	★		
Asia	★		★	★				★		★
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large			★	★	★		★	★	★	★
Large				★						
Medium				★			★	★		★
Small			★						★	
Leading	★	★	★	★	★	★	★	★	★	★
Users of Equity PB			★	★				★		
Users of FI PB			★	★	★		★	★	★	
Users of Options PB				★						
More than 3 Prime Brokers			★	★			★	★	★	★
Credit Suisse	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America										
UK			★	★	★					
Europe ex-UK	★	★	★	★	★	★	★	★	★	★
Asia										
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large	★		★	★	★	★	★		★	
Large										
Medium										
Small										
Leading	★		★	★	★				★	
Users of Equity PB				★						
Users of FI PB							★			
Users of Options PB					★					
More than 3 Prime Brokers				★	★					
Deutsche Bank	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America				★					★	
UK	★	★	★	★	★	★	★		★	★
Europe ex-UK		★	★	★	★	★	★	★	★	★
Asia	★	★	★	★	★	★	★	★	★	★
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large	★	★	★	★	★	★			★	★
Large		★	★	★	★	★			★	
Medium	★		★	★	★	★	★	★	★	★
Small	★	★	★	★	★	★		★	★	★
Leading	★		★	★	★				★	
Users of Equity PB	★	★	★	★	★	★	★	★	★	★
Users of FI PB	★		★	★					★	
Users of Options PB	★		★	★	★				★	★
More than 3 Prime Brokers	★		★	★	★				★	

Goldman Sachs	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America	★	★	★	★	★	★	★	★	★	★
UK							★	★		★
Europe ex-UK			★	★	★	★		★		★
Asia			★	★	★	★	★	★		★
Rest of World		★			★					
Very Large	★	★			★	★	★	★	★	★
Large		★	★	★	★	★	★	★		★
Medium			★		★	★	★			★
Small	★		★	★			★	★		★
Leading							★	★		★
Users of Equity PB		★	★	★	★	★	★	★		★
Users of FI PB	★	★	★	★	★	★	★	★		★
Users of Options PB			★	★	★	★	★	★		★
More than 3 Prime Brokers	★	★	★	★	★	★	★	★	★	★

J.P. Morgan	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America										
UK				★						
Europe ex-UK	★						★			
Asia						★			★	
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Large										
Medium										
Small										
Leading		★								
Users of Equity PB										
Users of FI PB										
Users of Options PB								★		
More than 3 Prime Brokers										

Morgan Stanley	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America	★	★	★	★	★	★	★	★	★	★
UK	★	★	★		★	★		★	★	★
Europe ex-UK	★	★	★	★	★	★	★	★	★	★
Asia	★	★		★	★	★	★	★	★	★
Rest of World	★	★		★	★	★		★	★	★
Very Large	★	★			★	★	★	★		★
Large	★	★	★	★	★	★	★	★	★	★
Medium	★	★	★	★	★	★	★	★	★	★
Small	★	★		★	★	★	★	★	★	★
Leading	★	★			★	★	★	★		★
Users of Equity PB	★	★	★	★	★	★	★	★	★	★
Users of FI PB	★	★	★	★	★	★	★	★	★	★
Users of Options PB	★	★	★	★	★	★	★	★	★	★
More than 3 Prime Brokers	★	★	★	★	★	★	★	★	★	★

UBS	Client Service	Operations	Financing & Margining	Securities Lending	Reporting	Technology	Hedge Fund Consulting	Capital Introductions	Value	Reputation
North America								★	★	
UK	★	★	★		★	★		★		
Europe ex-UK	★									
Asia										
Rest of World	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Very Large								★		
Large	★							★		
Medium										
Small	★			★		★	★	★		
Leading	★	★	★		★	★	★	★	★	
Users of Equity PB								★		
Users of FI PB										
Users of Options PB								★		
More than 3 Prime Brokers	★							★		

Morgan Stanley

Last year we noted that Morgan Stanley was back on top form. 2015 results suggest that while some of its rival may have had issues, it continues to go from strength to strength. Normalised scores are up in seven of ten categories and the overall average score is better than 6.0 (very good). This is set against a background of more responses and a very strong performance with the largest and most complex clients, in terms of response numbers and both market position and perception with them.

Morgan Stanley accounts for more responses by weight than any other provider. These are spread in terms of size, location and type of clients as well as between respondents evaluating a single provider and those larger firms looking at multiple prime broker relationships. The key to the success of the firm in terms of both the survey and its business is the fact that there are no real weak links. The profile of its scores matches that of the survey with for example European and Very Large clients giving lower scores than other groups. However, in almost every case the Morgan Stanley score is better than the relevant average. The same situation also applies to different categories of service with the firm scoring well across all areas. In half of the ten categories Morgan Stanley achieved a score better than 6.0 and even the lowest score (for Capital Introductions) was 5.68 that represented a small gain from 2014.

Consistent performance

All areas of service attract positive comments. These include, “excellent client service attitude and technology” and “top relationship manager / senior mgt access” from clients commenting on client service. One client commenting on technology noted that, “their online tool has been very helpful and has made our operations much easier to control”, while another made clear the support in capital introduction with a note that, “they have been extremely helpful in introducing potential clients that fit our unique profile.” Similar comments

Service area

	2015	2014	Difference (2015-14)
Client service	6.12	6.11	0.01
Operations	6.09	6.14	-0.05
Financing and margining	5.81	5.81	0.00
Securities lending	5.95	5.90	0.05
Reporting	6.00	6.04	-0.04
Technology	6.17	6.11	0.06
Hedge fund consulting	5.99	5.91	0.08
Capital introductions	5.68	5.60	0.08
Value	5.97	6.01	-0.04
Reputation	6.25	6.18	0.07

abound in reporting, operations and consulting services. The firm’s staff thrive on complexity, whether in fund structuring or corporate actions handling. Client scores were generally higher in areas where people stand out as the key differentiator in dealing effectively with more complicated issues.

Capital introduction was one area where a number of clients commented that they felt the firm could do more. A few clients feel that they are receiving less support than others, but those where the firm is helping praise it very highly as doing an excellent job. Some fixed income managers also feel they are not as valuable as equity funds as far as the firm is concerned.

The established leader

Any negative comments are really minor quibbles in what has been an excellent year for the firm. Having just about moved back into the top spot in 2014, another year of good progress means that Morgan Stanley is now firmly re-established as the firm to beat. Obviously it cannot afford to rest on its laurels, but others will now have to work even harder to catch up. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	21.7	18.2
Europe ex-UK	6.2	8.7
North America	53.5	50.0
Rest of the world	1.3	2.9
UK	17.3	20.2

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	20.4	17.0
of which leading	(9.7)	(9.2)
Large	34.6	26.7
Medium	32.5	37.6
Small	12.5	18.7

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	14.6	12.0
Weight of responses	14.0	11.9
Anomalous responses	13.6	9.0
Leading responses	10.3	12.6

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	14.1	
% of total 2 broker responses	19.0	64.4
% of total 3 broker responses	16.6	51.5
% of total 4+ broker responses	10.9	27.0

Deutsche Bank

Deutsche Bank enjoyed another excellent year in 2015. Normalised scores were better than a year ago in six of the ten categories. The firm maintained its position in terms of relative levels of responses accounting for around 10% of the total in all categories. It retained its very strong position in Asia and among the very largest firms responding to the Survey. The scope of business presents a serious challenge in terms of the complexity to be managed. Deutsche Bank continues to rise to that challenge. Overall the average score was 5.87 with two categories (Securities lending and Value) seeing an average score of better than 6.0 (very good) compared with none in 2014. As one client notes, when asked for areas need strengthening “no improvement necessary!” adding that the bank is, “a global powerhouse”. In terms of Reputation Deutsche scored especially well in Asia and the UK.

All round strength

In terms of Securities lending clients identified “outstanding colour on stock loan market dynamics” and one offered that Deutsche was “extremely strong at pro-actively calling with relevant information in a timely manner.” These comments were backed by scores that averaged 6.14 across the category with particularly good scores from European clients. The bank scored slightly less well in Financing and margining (5.90 overall essentially unchanged from 2014). One client commented that service was very good but rates relatively high. Scores were noticeably improved in Client service (up by 0.07 points). Different clients mentioned the responsive of the client service function, the overall level of satisfaction with services and one considered Deutsche, “a true and trusted partner” for their business. Small clients in particular scored well, with an average of 6.20 being among the best scores received by Deutsche within the survey. While Value did not attract many direct comments, the average level of scoring was better than 6.0 across most groups of clients. In the context

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	19.4	21.9
Europe ex-UK	7.3	5.7
North America	51.3	49.9
Rest of the world	3.2	6.9
UK	18.8	15.6

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	28.8	21.1
of which leading	(14.8)	(7.3)
Large	34.9	25.8
Medium	26.2	34.2
Small	10.0	18.9

Service area

	2015	2014	Difference (2015-14)
Client service	5.95	5.88	0.07
Operations	5.89	5.88	0.01
Financing and margining	5.90	5.91	-0.01
Securities lending	6.14	5.99	0.15
Reporting	5.89	5.87	0.02
Technology	5.89	5.88	0.01
Hedge fund consulting	5.80	5.84	-0.04
Capital introductions	5.40	5.49	-0.09
Value	6.09	5.99	0.10
Reputation	5.95	5.97	-0.02

of scores generally within the survey this is another clear indication of overall levels of satisfaction.

One area where scores were down slightly was Capital introduction. As with many other leading providers, Deutsche saw lower scores in this area than any other. However, from the nature of comments and scores from a number of clients it is clear that despite some lower scores overall Deutsche is providing a very strong service. Comments from clients included, “the Cap Intro team at DB is the best” and “we are very impressed with the team in the US & Asia. Excellent market colour regularly provided.”

Global presence

Overall this has to be seen as an excellent year for Deutsche, cementing its position as one of a very few global leaders in the business. Deutsche not only maintains a strong presence in all the major regions, it is also very strong in some of the less well known markets for prime broker services. This global presence adds to the complexity of its management challenge but also adds to the uniqueness of its offering. ■

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	9.5	10.5
Weight of responses	9.8	10.7
Anomalous responses	13.6	16.7
Leading responses	10.3	12.3

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	9.3	
% of total 2 broker responses	7.2	42.1
% of total 3 broker responses	7.8	21.9
% of total 4+ broker responses	9.5	15.4

Goldman Sachs

Goldman Sachs continues to enjoy a reputation as one of a very select group of truly global prime brokers. This is reflected in the nature of its clients, with a strong set of responses from clients in Asia and Europe as well as North America. Goldman has maintained its commitment across the full spectrum of funds, by size and asset class as well as location. This gives its business a heightened level of complexity as well as scale which, based on scores, it handles exceptionally well. The normalised average score of 5.87 was consistent with 2014 and was among the top three across all major providers. Goldman achieved an average of 6.0 in one category (Reputation), though their scores elsewhere were more consistent than almost any other provider. In five categories scores were between 5.90 and 5.97. The firm also maintained a very strong position among the very largest clients. It was named as the top prime broker by none-third of the respondents who evaluated 3 or more providers, better than any other bank.

Goldman also saw improved scores for both Financing and margining and Securities lending compared with 2014 levels. In the current climate these are both challenging areas in which the firms has sought to engage with clients proactively, as well as working hard to find acceptable solutions to difficult problems. Clearly based on scores and comments this approach has been well received by clients.

Reputation and consulting

While scores are generally strong two areas in particular offer stand out performance. The first was consulting where one client noted, "Exceptional business consulting team. Thoughtful networking events and groups." Another simply found the services "tremendously valuable" while a third considered Goldman as clearly the best in class. Second was Reputation where scores were marginally above those of 2014 and at 6.17 well ahead of the survey average. Again client comments,

Service area

	2015	2014	Difference (2015-14)
Client service	5.87	5.93	-0.06
Operations	5.90	6.00	-0.10
Financing and margining	5.81	5.78	0.03
Securities lending	5.95	5.84	0.11
Reporting	5.96	6.01	-0.05
Technology	5.97	6.03	-0.06
Hedge fund consulting	5.94	6.04	-0.10
Capital introductions	5.50	5.58	-0.08
Value	5.82	5.93	-0.11
Reputation	6.17	6.16	0.01

where made, were uniformly positive. One client cited the "exceptional level of commitment" while another noted that, "investors hold GS PB in high regard. Having GS as a PB will aid any new launch." This can allow the bank to be more particular when it comes to deciding which clients to accept from among the very many approaches it receives each year.

With a respondent base as large as Goldman's there are inevitably some clients who see room for improvement in different areas. Those funds not part of the capital introduction programme, wish it was extended to them for example. The most consistent area of comment was in technology. A number of clients feel that the web portal could use an update while others would like to see tighter integration between the prime broker and synthetic platforms. There were also some clients who have seen staff turnover impact on service levels, though others commented that service has been maintained in the face of turnover. Some greater consistency may be possible here.

Once again 2015 demonstrated that Goldman offers its clients exceptional capabilities and reinforced its position as a global leader in the business. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	14.5	12.2
Europe ex-UK	4.1	2.7
North America	62.9	69.2
Rest of the world	1.8	2.0
UK	16.6	13.9

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	21.9	19.7
of which leading	(11.9)	(8.5)
Large	40.8	30.5
Medium	31.9	40.0
Small	5.4	9.8

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	10.1	9.3
Weight of responses	10.5	9.9
Anomalous responses	6.8	6.5
Leading responses	9.8	9.7

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	4.2	
% of total 2 broker responses	13.2	50.0
% of total 3 broker responses	15.6	34.4
% of total 4+ broker responses	10.4	26.8

BNP Paribas Global Prime Services

A glance at the table on page 57 provides a clear big picture view of BNP Paribas' impressive performance in this year's Prime Brokerage survey. Scores are up against 70% of client service areas and outperformance against the relevant average is evident across all client segments. North American respondents as well as those classed as small and medium have been the most generous overall though leading clients also appear to be more impressed than other large or very large clients. UK clients by contrast are harsher in their judgments.

Responses spanned all client sizes with large and very large clients accounting for approximately 48% of responses by weight, compared with 33.5% in 2014. Geographically, North American respondents still predominate with a small increase in representation from Continental Europe and UK. The bank provides a full prime brokerage service out of New York, London and Hong Kong. Peeking under the hood, North American respondents have awarded their highest scores in the areas of client service and operations. This assessment seems to be shared by small and medium sized clients.

Ratings for cap intro range from low-fives to high-sixes, suggesting that the bank offers this service selectively. Indeed leading clients are particularly impressed with BNP Paribas in this area. Among this client group, the bank outperforms the market average by almost 150 basis points. UK clients are the lowest scorers in this area as they are overall. They do, however, reserve their lowest rating for technology, which is rated at the upper end of satisfactory.

Comments from UK clients do not provide much in the way of clarification. While one very large UK respondent remarks that "Reporting still needs improvement," actually praises capital introduction as one of the bank's strong points.

Client service, which is relatively highly regarded by all client segments, comes in for special mention by several respondents. Descriptions such as 'excellent', 'incredible' and 'very impressive'. One large North American firm praises the fact that

Service area

	2015	2014	Difference (2015-14)
Client service	6.40	6.31	0.09
Operations	6.34	6.33	0.01
Financing and margining	6.14	6.20	-0.06
Securities lending	6.19	5.97	0.22
Reporting	5.96	6.15	-0.19
Technology	5.99	6.09	-0.10
Hedge fund consulting	5.99	5.61	0.38
Capital introductions	5.65	5.16	0.49
Value	6.27	6.11	0.16
Reputation	6.22	6.06	0.16

there is a low staff turnover. "We have had the same people covering account," they comment. One smaller North American clients says, "BNP Paribas practices 24/7 consistently with attentiveness, patience, clear communication and tremendous knowledge of their products." A new client in the region praises the onboarding process, noting that, "The negotiations on the documents were very thoughtful."

Several Asian respondents' comment positively about client service without elaborating, though one is particularly impressed by BNP Paribas' "Willingness to be creative when faced with complex financing requirements." One or two comments from the region suggest improvements could be made in the reporting and technology platform and speed of delivery.

European respondents seem to prefer to let the numbers do the talking, though one medium client is impressed with the bank's technology and reporting capabilities. "The portal and automation are way above their peers," they suggest. Amongst North American clients seeking additional services, a broader range of trading algorithms receives a few mentions as does third party securities lending and cap intro for smaller funds. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	7.3	8.2
Europe ex-UK	5.0	3.9
North America	77.3	80.9
Rest of the world	0.3	N/A
UK	10.1	7.0

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	25.7	17.5
of which leading	(9.8)	(5.8)
Large	22.0	16.0
Medium	38.3	35.6
Small	14.1	30.9

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	11.2	8.1
Weight of responses	10.1	7.3
Anomalous responses	25.5	14.5
Leading responses	7.3	8.3

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	15.5	
% of total 2 broker responses	7.0	48.6
% of total 3 broker responses	4.9	25.0
% of total 4+ broker responses	6.9	17.0

UBS

UBS describes itself as “one of the world’s best capitalised banks as evidenced by our CDS spreads and Tier 1 Capital Ratio.” As such, it describes the impact of Basel III Regulations on its prime brokerage offering as “extremely positive.” Despite the fall in overall numbers of client relationships from 580 to 535 in the past year, UBS saw its financing balances increase by 37% from the end of 2013 to Q1 2014. Of the 535 relationships, some 43% would be classified as small (<\$100 million AuM). Between 7-8% of clients have assets under management above \$5 billion. Interim asset sizes are all well represented in the client base.

The bank provides a multi-asset class clearing and financing model across Equities, FICC, FX, ETD, OTC and Structured Products. “By providing cross-netting and cross-margining,” says UBS, “we are able to fully integrate synthetic and physical prime brokerage across products.” Customised term lock-up agreements and financing arrangements are in place for all key PB clients. UBS provides a full prime brokerage service out of several global locations: Hong Kong, Sydney, Singapore and Tokyo in Asia-Pacific; New York and San Francisco in North America; and London.

Once weightings are taken into account, North America accounts for just under half of the responses received for UBS, compared to just over 55% last year. UK and Asian responses are both up by a few percentage points. Given that North America is region awarding the highest ratings overall, this change in demographic could be expected to result in some downward pressure on UBS scores in 2015 and so it has proved. The bank’s scores are a few basis points down across all product areas bar securities lending, hedge fund consulting and capital introductions.

As one might expect, Capital Introductions is an area where the bank outperforms across several client segments. Among leading clients, this is UBS most highly rated service. Though not reflected in other regions, North American respondents also give UBS high scores in this area. UBS describes its Capital

Service area

	2015	2014	Difference (2015-14)
Client service	5.84	5.86	-0.02
Operations	5.78	5.86	-0.08
Financing and margining	5.55	5.78	-0.23
Securities lending	5.71	5.67	0.04
Reporting	5.65	5.70	-0.05
Technology	5.71	5.75	-0.04
Hedge fund consulting	5.63	5.61	0.02
Capital introductions	5.49	5.37	0.12
Value	5.71	5.74	-0.03
Reputation	5.65	5.72	-0.07

Consulting offering as providing start up and established hedge fund managers with assistance in asset raising, cost efficiency, fund terms, operational due diligence, compensation planning, institutionalisation, and regulatory considerations.

Smaller clients, meanwhile, are most impressed with the banks technology and client service. “The UBS NEO portal provides our clients with a single point of access to research, trading, securities lending, cash management and reporting,” says the bank. A few UK based clients nevertheless focus on technology and reporting as areas for improvement. “The client website is a bit clunky and the reporting suite is not the best especially around corporate actions,” says one large UK manager. “Improvements required in technology to keep up to date with competitors,” says a medium-sized peer.

Amongst North American responses, client service is most singled out for praise. One very large North American client simply describes UBS as “an all round leader.” Technology is, however, frequently mentioned as an area ripe for improvement. “Its systems are dramatically lower on the scale in comparison to its peers,” was one of the more critical comments. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	23.4	20.6
Europe ex-UK	7.7	6.6
North America	48.5	55.3
Rest of the world	1.0	2.0
UK	19.4	15.5

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	25.7	18.6
of which leading	(14.0)	(7.8)
Large	39.7	26.9
Medium	28.7	37.4
Small	6.0	17.1

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	5.6	8.1
Weight of responses	6.2	8.1
Anomalous responses	3.9	6.1
Leading responses	6.0	7.7

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	1.8	
% of total 2 broker responses	6.0	34.3
% of total 3 broker responses	8.8	30.6
% of total 4+ broker responses	6.7	19.6

Bank of America Merrill Lynch

Bank of America Merrill Lynch provides a full prime brokerage service from several global locations. Beyond the major financial centres in Europe, North American and Asia, these include Johannesburg and Sao Paulo. It seems to be in such locations that its service is most appreciated. “We have continued our focus on emerging managers by recently dedicating equities-wide resources to specifically support emerging managers, resulting in success with larger, high profile launches,” says the bank.

In terms of its hedge fund franchise, BAML continues to expand its offering to select hedge funds “with allocation of internal resources such as balance sheet assets, technology focus, innovative capital introduction, consulting solutions and finite stock lending supply.”

It is also pursuing continued alignment with the BAML equities franchise. “Prime brokerage is a key part of this and we intend to continue a multi-year investment across the division,” says BAML. “Significant efforts have been made to evolve business mix, ensuring we improve our ratio of lending balances to balance sheet usage and increased returns. This has been a major part of establishing a stable foundation for future growth with key clients. In addition, we continue to expand the amount of balance sheet dedicated to hedge funds.”

In the 2015 survey, North America accounts for just over half the BAML sample by weight though a couple of percentage points below 2014 levels. Responses from Asia comprise roughly a fifth of the total for BAML, down over three percentage points. By contrast UK clients comprise over 18% of the responder base by weight, compared to 13.6% last year.

Although UK respondents have awarded BAML higher overall scores than their North American counterparts, this has not translated into improved scores. Results are down between seven and 31 basis points across all areas. From a regional perspective, the two smallest client segments, Europe ex-UK and Rest of the World, are also the two most divergent in terms

Service area

	2015	2014	Difference (2015-14)
Client service	5.64	5.80	-0.16
Operations	5.57	5.71	-0.14
Financing and margining	5.50	5.87	-0.37
Securities lending	5.65	5.96	-0.31
Reporting	5.41	5.63	-0.22
Technology	5.67	5.74	-0.07
Hedge fund consulting	5.57	5.73	-0.16
Capital introductions	5.32	5.42	-0.10
Value	5.64	5.88	-0.24
Reputation	5.74	5.80	-0.06

of scoring. Only when it comes to hedge fund consulting do these two groups concur, both rating this service in the top 10% of BAML’s service area level scores. Elsewhere, however, the Europeans seem unimpressed, scoring five service areas – securities lending, reporting, technology, value and reputation as no more than satisfactory. Cap intro is regarded as weak area. By contrast, respondents from Rest of the World award good marks for this and very good marks (above 6) for reputation, technology and client service.

Respondents in Asia meanwhile award their highest marks for value and reputation. Positive comments from this region focus on client service, with several also mentioning margining as a strong suit for BAML. One small client from Asia complains that the bank needs to focus on improving client selection, while communication is mentioned as a shortcoming by two medium-sized clients. Very large clients who comment on the whole praise levels of customer service, though one Europe-based manager cautions that, “client consideration at senior level is needed ahead of taking decisions to make significant changes to personnel.” ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	20.4	24.0
Europe ex-UK	5.4	5.0
North America	52.5	54.1
Rest of the world	3.4	3.3
UK	18.3	13.6

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	30.6	20.6
of which leading	(18.6)	(7.8)
Large	32.1	23.1
Medium	28.8	35.9
Small	8.4	20.2

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	6.7	7.6
Weight of responses	7.3	7.8
Anomalous responses	3.6	12.8
Leading responses	9.4	10.8

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	5.3	
% of total 2 broker responses	5.8	54.8
% of total 3 broker responses	8.3	23.5
% of total 4+ broker responses	9.1	9.7

Credit Suisse

Looking at Credit Suisse's performance in this year's Prime Brokerage survey, its ideal clients would be very large, Europe-based managers. The bank outperforms in several service categories as rated by continental European and very large clients respectively. In this year's response base for Credit Suisse, very large clients accounted for a third of responses by weight, up from 27% in 2014. Those based in Europe ex-UK were responsible for 6.4% of responses by weight, up from 4.6% last year.

Nevertheless, the bank's scores are down on last year in several categories. Bucking that trend are securities lending, reporting and technology. Among leading clients, of which Credit Suisse has a fair number, securities lending and reporting are well regarded and the outperforms among this client segment in those two service areas.

By contrast, small and medium clients are the lowest scorers overall for the bank for former rating hedge fund consulting and cap intro services as merely satisfactory. In fact cap intro is generally rated at the lower end of the scale for each client segment. The same applies when clients are viewed by strategy.

Looking at a more granular level, small clients are the least impressed with cap intro services, which are accorded high priority by the responder base as a whole. In particular, this segment rates Credit Suisse's effectiveness in introducing its fund to actively allocating investors as weak, while other questions related to this service category record scores from small respondents at the lower end of satisfactory.

Views by client size

Comments from very large clients are overwhelmingly positive, bar one from a user of two prime brokers who suggests that, "the operational backbone needs to be more robust." Client service reps come in for praise, while one North American respondent is particularly effusive about one aspect of service:

Service area

	2015	2014	Difference (2015-14)
Client service	5.71	5.73	-0.02
Operations	5.66	5.68	-0.02
Financing and margining	5.64	5.65	-0.01
Securities lending	5.86	5.68	0.18
Reporting	5.77	5.64	0.13
Technology	5.65	5.62	0.03
Hedge fund consulting	5.59	5.76	-0.17
Capital introductions	5.01	5.16	-0.15
Value	5.63	5.68	-0.05
Reputation	5.67	5.79	-0.12

"Best corporate actions on the street, bar none!"

The bulk of comments come from medium and large clients. There were several requests for more to be done on cap intro and technology with some raising the bank's commitment to the business. One UK clients complains that, "we need to talk to several different people to get a solution. Technology is slow to adapt and improve. Simple reporting requests are difficult to get (reliably) live."

A North American respondent offers something of a backhanded compliment: "While this PB does a fine job, we feel they are sometimes hamstrung by their foreign bank parent which allows them less flexibility when dealing with US clients such as ourselves. We like working with this PB but feel that there is some uncertainty."

On the plus side, several respondents across the asset range highlight good client service and relationship management. "Attentive to customers' queries," notes one. Swiss cap intro and the bank's financial strength are also viewed in a positive light by one North American and one Asian client respectively. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	17.9	20.7
Europe ex-UK	6.4	4.6
North America	55.8	54.6
Rest of the world	1.0	4.0
UK	19.0	16.1

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	33.0	27.0
of which leading	(22.5)	(12.1)
Large	31.2	28.7
Medium	30.3	32.2
Small	5.5	12.1

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	5.4	5.5
Weight of responses	6.2	6.3
Anomalous responses	2.2	3.4
Leading responses	10.3	9.6

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	0.9	
% of total 2 broker responses	5.6	26.7
% of total 3 broker responses	6.8	28.6
% of total 4+ broker responses	9.2	20.6

Citi Prime Finance

Citi offers a full prime brokerage service from numerous locations. In addition to the main financial centres of Europe, North America and Asia, these include Johannesburg and Sao Paulo as well as Mexico, India, Taiwan and South Korea.

Prime Finance is a distinct product line within the Investor Services division, which, says Citi, is designed to meet the complex needs of today's investment managers, offering access to a set of flexible investment solutions in seven distinct areas: prime finance, futures, clearing, collateral management, agency securities lending, global custody and fund services.

Over the past 12 months, says Citi, the bank has continued to strengthen its global multi-asset class capabilities to provide a broad range of financing solutions, including customised collateral management capabilities. Citi has also continued to build out its global Delta One business, offering synthetic exposure in over 80 markets. At the same time, it has pursued integration of its Delta One and securities lending capabilities: "Our focus on supply funding globally via Delta One / Prime Finance sales and trading has allowed us to significantly increase securities lending availability," says the bank. Citi has also revamped its capital introduction events strategy to better accommodate the differing needs and interests of its diverse institutional investor base.

While Citi slightly underperforms against the global market average, its scores vary significantly by client segment. Happiest by far are Citi's leading clients, who comprise almost 19% of the bank's respondent sample by weight. Among this client category, Citi outperforms overall by over 40 basis points. From this client group, highest marks go to value, securities lending, and hedge fund consulting respectively.

Citi's lowest scores are from clients situated outside Europe, North America and Asia. Cap intro services are regarded as very weak by these clients. While cap intro is a low scoring service area across the global database – not surprising given

Service area

	2015	2014	Difference (2015-14)
Client service	5.72	5.80	-0.08
Operations	5.63	5.84	-0.21
Financing and margining	5.79	5.93	-0.14
Securities lending	5.91	6.05	-0.14
Reporting	5.72	5.79	-0.07
Technology	5.71	5.89	-0.18
Hedge fund consulting	5.80	5.74	0.06
Capital introductions	5.46	5.35	0.11
Value	5.85	5.85	0.00
Reputation	5.92	5.86	0.06

the priority attached to it – leading clients rate Citi highly in this area. It also outperforms relative to the average in cap intro among those respondents based in North America, Continental Europe and Asia as well as managers using three or more prime brokers. This suggests that where grounds for comparison exist, Citi comes out reasonably well.

Amongst very large clients, who account for 37.5% of responses by weight, comments are generally positive. "Very diligent and responsive," says one very large Asia-based client. A North American peer describes Citi's service as "very high touch."

At the other end of the spectrum, while one small Asia-based client compliments the bank's execution platform, it also feels Citi needs to "improve the cross product margins of different asset classes." One very specific complaint concerns the cost to trade in Chinese markets. "Trading China Connect Stocks is very expensive when compared to local Chinese brokerage firms," says one small Asia-based client. Nevertheless, several clients across different regions and asset sizes declare themselves very satisfied with "no areas for improvement." ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	23.6	30.9
Europe ex-UK	8.2	5.3
North America	49.0	48.3
Rest of the world	3.5	1.5
UK	15.7	14.0

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	37.5	22.3
of which leading	(18.7)	(7.3)
Large	24.6	18.7
Medium	30.4	35.8
Small	7.5	23.2

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	4.8	6.5
Weight of responses	5.3	6.6
Anomalous responses	1.5	6.1
Leading responses	6.8	8.3

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	4.9	
% of total 2 broker responses	6.2	33.3
% of total 3 broker responses	4.6	42.1
% of total 4+ broker responses	5.9	10.0

J.P. Morgan

J.P. Morgan has recently undergone some personnel changes among the senior ranks of its prime brokerage business, mainly involving internal reassignments. Based on the results of this year's *Global Custodian* Prime Brokerage Survey, the new head of the business will have his work (for it is a he) cut out for him.

The survey results do, however, point to distinct areas of strength and weakness. Least impressed among the regional client segments submitting responses for J.P. Morgan are those in Asia and the Rest of the World, whose overall ratings for the bank are no more than Satisfactory. Luckily for J.P. Morgan, however, these comprise only 2.4% of the bank's responses by weight.

In terms of client size, the least impressed appear to be clients with less than \$100 million AuM. As a group, they seem barely satisfied, ranking only two service areas – operations and hedge fund consulting – above five, the threshold for Good.

Although the bank fails to meet the market average for any of the client segments by geography, size or strategy, there are outposts of outperformance. Among UK clients, the bank scores well for securities lending. This is particularly so for being able to use in-house and third party information to identify trading opportunities for client funds and for its ability to offer less capital intensive alternatives to stock borrowing.

J.P. Morgan's operations are also well regarded by leading clients, who account for just over 18% by weight of responses for the bank. This is most notable for its effectiveness in handling complex corporate actions information and its flexibility on response deadlines.

Interestingly, although J.P. Morgan's results from Europe-based (ex UK) responses are somewhat lacklustre, this segment is responsible for the bank's highest service area score, looking particularly favourably on its hedge fund consulting services.

When it comes to client comments, there is some good news to be gleaned from those respondents who have multiple prime broker relationships. Client services, relationship

Service area

	2015	2014	Difference (2015-14)
Client service	5.56	5.43	0.13
Operations	5.62	5.44	0.18
Financing and margining	5.49	5.57	-0.08
Securities lending	5.68	5.67	0.01
Reporting	5.42	5.53	-0.11
Technology	5.35	5.44	-0.09
Hedge fund consulting	5.48	5.38	0.10
Capital introductions	5.21	4.98	0.23
Value	5.63	5.49	0.14
Reputation	5.50	5.61	-0.11

management and responsiveness are highlighted as strengths by several such clients. STP and OMS capabilities also come in for praise. The same clients do have a number of criticisms, however. IT across business divisions needs to improve, says one UK client with contemporaneous experience of three other primes. They specifically seek "the ability to view client business across all business divisions and locations." The provider's technology also attracts a few grumbles with one respondent describing it as "a bit clunky at times."

Securities lending capability attracts praise from various quarters, one medium-sized North American respondent describing it as "fantastic." Interestingly, one large US manager suggests the bank should be offering "a better service to the smaller firms."

It is possible that a lack of direct involvement in the survey process has left J.P. Morgan vulnerable to the views of clients who may see them as somewhat disengaged, but there remains evidence of sparks of excellence that could be nurtured to return the bank to its traditionally higher relative position within the survey. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	1.6	4.6
Europe ex-UK	8.3	3.5
North America	77.6	78.8
Rest of the world	0.8	2.5
UK	11.6	10.6

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	29.5	26.3
of which leading	(18.2)	(9.1)
Large	44.6	34.3
Medium	20.3	29.8
Small	5.6	9.6

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	5.8	6.3
Weight of responses	6.6	7.2
Anomalous responses	3.6	2.7
Leading responses	9.0	9.6

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	0.2	
% of total 2 broker responses	6.6	34.3
% of total 3 broker responses	5.9	16.7
% of total 4+ broker responses	9.8	13.4

Barclays

Over the past year Barclays has been reported as reducing its headcount in investment banking and its Prime Services business has not been spared. It is, however, also reported to be hiring at a more junior level. This could be termed the Arsenal strategy. There have also been shifts in responsibility within the bank that suggest it still remains committed to the business as a whole.

Its results in this year's survey suggest that Barclays is choosing to focus primarily on its large and very large clients. These two groups combined account for 78.6% of Barclays survey responses by weight, compared with 58.6% by weight in 2014.

The bank has long prided itself on its cap intro capabilities and this is the service area in which it outperforms the average for most client segments. Barclays Capital Introductions team is putting particular focus on opportunities and challenges specific to Equity HF managers, drawing on diverse areas of expertise within the bank (including, securities lending, derivatives trading, HF marketing and HF investing) to provide multiple perspectives.

Scores for cap intro are highest among large clients and those based in Continental Europe, whose scores for securities lending, hedge fund consulting, and reputation are also among the top 10% of the bank's results analysed by service area and client segment, broken out by size and geography. By contrast, smaller clients and those based in Asia rate cap intro services as Satisfactory at best. In fact, cap intro is rated by small clients as the weakest service on offer from the bank.

Leading clients, who comprise 23% of Barclays respondents by weight, rate Barclays higher than the market average in cap intro even though the results set a relatively low bar for the global average for this demanding client group. Securities lending, hedge fund consulting and value are all rated Very Good (>6) by leading clients.

Taken as a whole, securities lending yields the bank's highest

Service area

	2015	2014	Difference (2015-14)
Client service	5.73	5.90	-0.17
Operations	5.67	5.88	-0.21
Financing and margining	5.62	6.01	-0.39
Securities lending	5.92	6.02	-0.10
Reporting	5.62	5.72	-0.10
Technology	5.58	5.74	-0.16
Hedge fund consulting	5.95	5.77	0.18
Capital introductions	5.82	5.69	0.13
Value	5.82	6.01	-0.19
Reputation	5.70	5.80	-0.10

rating. Particularly appreciated by leading clients and the North American sample that makes up three-quarters of responses by weight is the protection afforded by the Barclays against buy-ins/recalls of borrowed securities.

Fewer clients than might be expected have fleshed out their ratings with additional comments. Among the very large clients who comment, most point only to positive attributes of the bank's service, notably in the areas of futures clearing, consulting and cap intro.

One very large non-US client with several prime brokerage relationships does, however, suggest that "Communication could be better." This sentiment is echoed by a few North American clients in the medium to large categories. "Needs to improve response time to client and needs to improve reporting," says one.

Reporting is in fact the area that is viewed as having the most room for improvement. "There have been certain inconsistencies with cash balance, margin, and sec lending reports," one client grumbles, though adding a general endorsement of the bank's overall competence. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	9.2	20.5
Europe ex-UK	8.1	6.8
North America	74.4	54.6
Rest of the world	0.7	2.3
UK	7.6	15.8

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	40.0	28.6
of which leading	(23.4)	(10.4)
Large	38.6	30.0
Medium	17.3	31.4
Small	4.1	10.0

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	4.1	7.0
Weight of responses	4.9	7.9
Anomalous responses	6.1	9.9
Leading responses	8.6	4.3

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	1.5	
% of total 2 broker responses	3.8	25.0
% of total 3 broker responses	4.1	17.6
% of total 4+ broker responses	5.1	8.6

Nomura International Plc

Nomura's business has a heavy Asian focus as might be expected. A high proportion of its respondents are based in Japan and other markets in the region. For many clients its background is a key strength to its service offering. However the firm also has significant business in North America, the UK and Europe and while its number of Very Large clients is not as big as smaller funds, it is penetrating further into this demanding group. Overall the survey saw Nomura perform much more strongly than in 2014 with scores up by 0.20 points overall with significantly more, and more broadly based clients compared with a year ago.

The area where scores were highest was in Client service. The average of 5.98 is very sound and client comments are positive. One noted that, "overall, the level of client service has been excellent in all aspects." Another considered Nomura to offer, "excellent service and strong product knowledge." Scores were especially strong among North American as well as Asian clients, though the small number of Europe ex-UK clients were less satisfied in this area. The position on Hedge fund consulting and Capital introduction reflected the survey as a whole, with Nomura recording lower scores. However capital introduction in Asia was very highly thought of by a number of clients. One Asian client indicated that Nomura, "constantly introduce potential investors for our fund." A second considered that Nomura has, "a strong team in Japan and HK for Japan / Asia Equity strategies" and a third recognised Nomura as having, "best Cap Intro team for Asian funds." However the picture is mixed in this area with disappointment expressed by funds in Europe and the UK around this aspect of service. Certainly clients would welcome the Asian capability being made more broadly available and accessing more global pools of capital.

What next

Among areas where clients see room for improvement are technology and reporting. One client thought that Nomura

Service area

	2015	2014	Difference (2015-14)
Client service	5.98	5.78	0.20
Operations	5.72	5.60	0.12
Financing and margining	5.59	5.44	0.15
Securities lending	5.82	5.47	0.35
Reporting	5.60	5.50	0.10
Technology	5.70	5.55	0.15
Hedge fund consulting	5.38	4.96	0.42
Capital introductions	5.00	4.84	0.16
Value	5.80	5.57	0.23
Reputation	5.66	5.46	0.20

needed to invest in, "IT infrastructure and technology for straight-through-processing" while another considered the 'risk system is to be too manual.' The average score of 5.70 in this area was behind the Survey average and while scores improved compared with 2014 the gain was less than that achieved overall by the firm. The biggest gain by contrast was seen in Securities lending, up by 0.35 points to 5.85 with Large UK and North America clients offering very strong scores with an average of better than 6.0 (very good).

Promise for the future

Nomura continues to see business growth, client numbers are up by 10% and this is reflected in responses. While capabilities are not yet viewed across the board as highly as the firm might wish, there is definite progress overall and a number of areas where performance is up with the very best. If the firm maintains the level of improvement seen between 2014 and 2015 then it will be able to translate its strengths into further expansion of business and become an even more important factor in the industry. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	54.7	31.6
Europe ex-UK	6.6	7.9
North America	19.8	44.7
Rest of the world	N/A	2.6
UK	19.0	13.2

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	8.1	10.5
of which leading	(3.1)	(2.6)
Large	18.6	13.2
Medium	40.3	42.1
Small	32.9	34.2

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	2.9	N/A
Weight of responses	2.3	N/A
Anomalous responses	3.6	N/A
Leading responses	0.4	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	5.3	
% of total 2 broker responses	2.1	45.5
% of total 3 broker responses	2.4	30.0
% of total 4+ broker responses	1.5	10.0

Société Générale Prime Brokerage (Formerly Newedge)

Société Générale Prime Brokerage (formerly Newedge) has recently restructured its organisation to position itself to deliver a full service global prime brokerage capability from multiple global locations. This represents the embodiment of a major commitment to the business by the bank as a whole following the acquisition of the 50% of Newedge that it previously did not own. The rebranding is also a reflection of the overall importance of the initiative to the bank as a whole. At a time of some turmoil within the industry this approach is likely to be well received. The effect is already apparent in an improvement in scores for Reputation (up by 0.91 points on 2014). Because of its leading position in the derivatives clearing space a number of respondents use SocGen purely for that activity. This can have a negative effect on some of the scores seen in other areas of service. In addition the benefits of the new organisation are only now being felt by clients day-to-day, and the year under review represents something of a transition. As a result scores are perhaps somewhat more mixed than SocGen will be targeting in future years. However, scores, and as important client comments, already reflect a number of pockets of unique excellence.

Clearing expertise

Of the strengths highlighted by respondents, around one-third relate to derivatives clearing expertise and related services. Operations scores reflect this to some extent and the average of 5.75 is up by 0.63 points compared with 2014 levels. As one client puts it, "SocGen has unrivalled understanding of the CTA/Managed Futures space. Deep commitment to investors and managers alike. Original thought and knowledge. Another notes, "clearing, market access, managed accounts on-boarding and customer support are key strengths." In terms of client service scores are good and very much improved on 2014. However, while scores from clients in North America and among smaller firms are above 6.0 (very good) that is not the case for the Very Large and Leading clients, where the overall

Service area

	2015	2014	Difference (2015-14)
Client service	5.85	5.14	0.71
Operations	5.75	5.12	0.63
Financing and margining	5.50	5.33	0.17
Securities lending	4.98	4.63	0.35
Reporting	5.67	5.21	0.46
Technology	5.61	5.22	0.39
Hedge fund consulting	5.23	4.63	0.60
Capital introductions	4.98	3.55	1.43
Value	5.81	5.17	0.64
Reputation	5.86	4.95	0.91

average is around 5.50. So while one client notes that SocGen delivers "excellent client service – best in the industry" another criticises the bank for being, "slow in responding, even when being reminded several times." It should be emphasised that the overall balance of comments is very positive and it is clear that clients very much see things moving in the right direction.

Consistency is the key

Consistency is also an issue in Capital introduction. Some clients highlight this as a specific strength of the SocGen offering, but at the same time others regard it as a key area needing improvement. What is clear is that the commitment being made has been noticed, scores are moving in a strongly positive direction and the bank is well positioned to grow its business moving forward. SocGen was in a period of transition during the period of the survey. Finding and getting clients to recognise consistency within the broader approach will no doubt take time. Some elements are already recognised and others should be over the next year, meaning that 2016 should be promising for the new organisation. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	13.2	N/A
Europe ex-UK	26.5	N/A
North America	29.2	N/A
Rest of the world	4.9	N/A
UK	26.2	N/A

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	22.8	N/A
of which leading	(9.5)	(N/A)
Large	17.8	N/A
Medium	44.3	N/A
Small	15.1	N/A

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	3.1	N/A
Weight of responses	2.9	N/A
Anomalous responses	2.2	N/A
Leading responses	2.1	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	6.2	
% of total 2 broker responses	3.0	31.3
% of total 3 broker responses	2.2	33.3
% of total 4+ broker responses	2.1	28.6

HSBC

HSBC has always developed its prime broker business in a focused way with continuing emphasis on equity long/short business and building relationships with larger funds. As a result more than 50% of its clients have AuM of more than \$1 billion. The proportion of HSBC responses falling into the Very Large category reflects this mix and is high compared to others. The normalised scores are as a result relatively better than the raw scores would be.

HSBC has also made a specialty out of serving funds investing in frontier and emerging markets, which involve some complex issues around operations, lending, valuation and asset safety. The bank earns praise from clients for its services with one commenting that a strength of HSBC is the fact that, “HSBC can be very creative in offering access to China.” Another praises the bank for its ability to source hard-to-borrow securities, and securities lending is the functional category where HSBC saw its best scores (5.85).

The bank also draws positive comments about its Client service. One client commented on the general “excellence of client service” while another noted that even though the individual they worked with had changed the service quality had been maintained. A client in the Middle East summed up the position as follows, “proactive, knowledgeable, experienced and a pleasure to deal with.” While scores are marginally lower it is clear that given the nature of the business of many clients they consider the experience that HSBC can bring to bear to be a unique strength that is highly valued.

Global technology challenge

HSBC does not offer a capital introduction. A number of clients commented that this was an area where they wanted change to that policy, which explains the scores provided. HSBC also does not have a team providing consulting services. Based on some client comments however, the relationship

Service area

	2015	2014	Difference (2015-14)
Client service	5.85	5.91	-0.06
Operations	5.77	5.83	-0.06
Financing and margining	5.68	5.80	-0.12
Securities lending	5.85	5.94	-0.09
Reporting	5.63	5.58	0.05
Technology	5.49	5.59	-0.10
Hedge fund consulting	5.18	5.59	-0.41
Capital introductions	3.48	4.82	-1.34
Value	5.88	5.74	0.14
Reputation	5.67	5.60	0.07

management team is very helpful to clients from time to time in that area.

The one area of potential concern is technology. More clients mentioned this as an area in need of improvement than any other. The on-line system supporting prime brokerage was seen by one client as “slow and dated” while another prefers to get data through an ftp link rather than using the web portal. Others mention a desire to broaden asset class coverage. Many clients using HSBC also use other prime brokers and this gives them more opportunity to compare and contrast different technology offerings. While not necessarily a threat to the business it is certainly an irritation to a number of clients.

Overall however this is another solid year of development for the bank which, by playing to its organisational strengths has positioned itself to grow further.

The bank has a number of unique strengths, not least its leadership position in Asia and its broad based network of agent banks. Making these work even more effectively for clients will offer HSBC the scope for further business expansion in 2016. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	27.7	30.6
Europe ex-UK	4.1	3.2
North America	26.2	21.0
Rest of the world	8.2	8.1
UK	33.7	37.1

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	47.9	32.2
of which leading	(26.2)	(14.5)
Large	27.7	25.9
Medium	15.4	25.8
Small	9.0	16.1

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	2.1	N/A
Weight of responses	2.3	N/A
Anomalous responses	0.7	N/A
Leading responses	3.9	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	3.8	
% of total 2 broker responses	1.3	42.9
% of total 3 broker responses	2.0	25.0
% of total 4+ broker responses	2.5	11.8

Pershing Prime Services (BNY Mellon)

As part of BNY Mellon, Pershing seeks to bring together the best parts of being a local service provider to a North America group of hedge fund clients, with the resources of one of the world's very largest custody banks. The survey in 2015 saw the firm increase the number of responses while at the same time showing a very significant improvement in normalised scores received. The smallest gain in scores was 0.22 points (for Financing) while the largest improvement in technology was 0.69 points.

The overall best score achieved by Pershing was in one of its priority focus areas, Client service. Here the average was 6.20 up 0.36 points compared to 2014. Clients in all size categories gave the firm an average of at least 6.0 (very good). Client comments included, "Pershing has a great team – always willing to assist and help our firm" as well as "we are very satisfied with the overall level of service Pershing gives to us." Other respondents noted "client service and responsiveness" as a specific strength and customer service and communication were by far the most commonly noted strengths offered by Pershing to its clients. As might be expected given the ownership of the firm, Pershing also scored well in operations with one client commenting that, "Pershing's operational team are excellent." Another noted a particular strength in clearing trades.

Beyond core processing

A second area of focus for the combined group is Securities lending. BNY Mellon has a very large pool of lendable securities and also seeks to offer a range of financing and margining products and services that incorporate BNY Mellon. This aspect was another area (among seven of ten categories overall) where the average score was better than 6.0. In Securities lending one respondent noted that, "the new locate tool is very useful" and a second simply felt that Pershing is "a leader in securities lending!" However the service is not

Service area

	2015	2014	Difference (2015-14)
Client service	6.23	5.87	0.36
Operations	6.20	5.82	0.38
Financing and margining	6.02	5.80	0.22
Securities lending	5.74	5.46	0.28
Reporting	5.97	5.64	0.33
Technology	6.11	5.42	0.69
Hedge fund consulting	6.00	5.73	0.27
Capital introductions	5.36	4.65	0.71
Value	6.11	5.67	0.44
Reputation	6.22	5.58	0.64

without a few minor complaints from some clients. One wants to see the same kind of stock loan snapshots they receive from other prime brokers, while a second feels the service in respect of hard-to-borrow securities could be better. These factors may explain the fact that scores in this area were among the weakest, though still a very creditable 5.74.

The strength of the group

Clearly the strength and commitment of BNY Mellon to the business helped in allowing scores for Reputation to move up by 0.64 points to 6.22, with all types and sizes of clients very positive in terms of scores. The firm is very tightly focused in terms of its business and this clearly helps it to achieve the service and product objectives that its clients demand.

Marrying the particular skills and strengths of BNY Mellon to effectively help meet the needs of the Pershing client base is the most complex of organisational challenges. The rewards for success, within both businesses would be significant, but the hurdles to be overcome should not be underestimated. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	98.2	96.1
Rest of the world	N/A	3.9
UK	1.8	N/A

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	46.5	27.5
of which leading	(6.4)	(2.0)
Large	19.9	27.5
Medium	21.1	33.3
Small	12.5	11.7

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	2.5	N/A
Weight of responses	2.4	N/A
Anomalous responses	4.1	N/A
Leading responses	1.3	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	4.2	
% of total 2 broker responses	2.1	36.4
% of total 3 broker responses	1.5	33.3
% of total 4+ broker responses	1.3	0.0

Scotiabank

Scotiabank is unique among Canadian banks in having a genuinely global capability following the integration of the Daiwa business in London and a broad based group of clients looked at by both type and kinds of services being used. It is obviously still small compared to the major Wall Street firms, but is expanding strongly with a variety of different clients. While Canadian clients dominate responses, those from other markets are increasing and 2015 also saw growth in the proportion of responses coming from Very Large and Leading clients. Against the background of some change, the performance in terms of scores should be viewed positively. Big gains were seen in a number of areas and the overall score of 5.93 ranks highly in the overall survey.

Canadian excellence in client service

As with many providers, Scotiabank saw its best scores in Client service with an average of 6.28 maintaining the very strong level seen in 2014. Client comments, though not numerous were generally very positive. “Very good client service team; knowledgeable and helpful staff” from one Canadian client and “excellent client coverage. Great access to heads of business and related desks” were typical comments, while one client noted as a specific strength, the fact that Scotiabank “delivers quality and professionalism and exceeds all expectations.” Scotiabank also scored well in Financing and margining, as well as Securities lending, particularly with its mid-sized clients. One client was favourably impressed by, “financing in all major currencies and providing access to hard to borrow securities at best levels.”

Scores in Technology were better by 0.51 points. However, the effects of being in the middle of the roll-out at the time of the survey are clear from both scores and comments. The new system appears to be getting positive reviews with one respondent citing, “the move to new technology platform has greatly increased ease of use and capabilities” and second

Service area

	2015	2014	Difference (2015-14)
Client service	6.28	6.25	0.03
Operations	6.05	6.15	-0.10
Financing and margining	6.18	5.98	0.20
Securities lending	5.91	5.28	0.63
Reporting	5.83	5.41	0.42
Technology	5.98	5.47	0.51
Hedge fund consulting	5.90	5.06	0.84
Capital introductions	4.92	3.86	1.06
Value	6.00	5.90	0.10
Reputation	6.09	5.77	0.32

adding, “new system is better but would like to be able to see or chase settlement issues.”

Meanwhile some respondents are hoping that things will get better. Comments included, “still on old platform will be migrating to new platform in next couple of months” and “reporting capabilities are a weakness. Hopefully new portal will be a resolution to current limited functions.” Capital introduction is a service that Scotiabank makes available selectively. The overall scores disguise the fact that those receiving the service regard it very highly while those that do not naturally would prefer for it to be extended to include them.

A Canadian one-off

Scotiabank is obviously progressing steadily in building a business that is unique among Canadian banks. While the work is not yet complete, impressive strides have been made over the last year. A number of Canadian banks have sought to play a more global role in prime brokerage. Scotiabank looks like it might be the first one to really succeed. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	87.8	92.2
Rest of the world	N/A	2.0
UK	12.2	5.8

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	28.0	9.8
of which leading	(9.1)	(2.0)
Large	17.1	13.7
Medium	43.9	35.3
Small	11.0	41.2

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	1.5	N/A
Weight of responses	1.4	N/A
Anomalous responses	0.2	N/A
Leading responses	0.9	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	2.4	
% of total 2 broker responses	1.3	14.3
% of total 3 broker responses	1.2	0.0
% of total 4+ broker responses	1.9	15.4

Cantor Fitzgerald & Co.

Although Cantor Fitzgerald did not attract a sufficient diversity and number of responses to receive a granular outperformance table alongside the top 10, its results for its selected North American client base are certainly impressive.

Mirror image

Cantor Fitzgerald describes its Prime Services as offering clients “a high touch, multi-asset prime brokerage platform, specialising in global execution, financing, clearing/custody, portfolio reporting, and capital introduction. It claims to be one of the few providers to incorporate DMA [direct market access] alternatives, sales trading, and securities lending within the Prime division, alleviating client concerns about credit for business executed outside the Prime division.

The firm counts 125 hedge fund manager relationships, an increase of 10 over 2014, covering 190 separate funds. The business is located in New York. Some 68% of these managers would count as small with less than \$100 million AuM. However, this is also a client segment that feels increasingly neglected in terms of capital introductions to judge by the global survey results. In this particular area, Cantor outperforms by a significant margin. Its effectiveness in screening investors to identify those appropriate to the client’s investment strategy, size and goals is seen as particularly strong. Small clients also award high marks for client service and operations, which feature in the top 10% of Cantor’s scores by client segment.

The firm’s cap intro services are provided in a bespoke fashion on a selective basis, seeking to create customised programs for each participating hedge fund manager with an emphasis on investor feedback upon completion of each introduction. Users of FX PB amongst Cantor’s client base are the most generous scorers in this service area as well as overall. Although forming only a fifth of the responder base by weight for Cantor, large and very large clients are the least impressed overall, though in its comments, one large client

Service area

	2015	2014	Difference (2015-14)
Client service	6.40	6.38	0.02
Operations	6.52	6.42	0.10
Financing and margining	6.07	6.00	0.07
Securities lending	6.12	6.06	0.06
Reporting	6.26	6.15	0.11
Technology	6.13	6.18	-0.05
Hedge fund consulting	6.16	6.04	0.12
Capital introductions	5.74	5.36	0.38
Value	6.15	6.15	0.00
Reputation	6.25	6.12	0.13

points to cap intro as a strength.

In terms of additional colour from clients, positive comments outnumber criticisms by some way. Client service comes in for frequent praise. “Client Service is top notch. I’m thrilled with all aspects of Cantor,” says one respondent. “They are responsive to change. I have had a great experience, so don’t think improvement is required anywhere,” notes another.

Technology

Technology is largely seen as an area to keep an eye on rather than one needing immediate attention. “I suppose technology is always an area requiring attention, but it is clear they are committed already,” says one client. “We’re happy with their current technology, but they can’t fall behind...,” says another. A specific request comes from one small North American client. “We custody through Cantor directly and would like the ability to trade options as well as settle in international local markets. This is where we believe Cantor falls short,” the respondent comments, adding, however: “Other than this our experience has been very positive.” ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	N/A	N/A
Europe ex-UK	2.9	2.7
North America	97.1	97.3
Rest of the world	N/A	N/A
UK	N/A	N/A

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	11.7	N/A
of which leading	(4.4)	(N/A)
Large	9.5	8.1
Medium	21.2	13.5
Small	57.7	78.4

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	2.0	N/A
Weight of responses	1.2	N/A
Anomalous responses	4.6	N/A
Leading responses	0.4	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	4.4	
% of total 2 broker responses	1.3	42.9
% of total 3 broker responses	0.2	0.0
% of total 4+ broker responses	0.3	100.0

Fidelity Prime Services

Although the number of survey responses received for Fidelity Prime Services is relatively modest, accounting for just over 1% of the total, these are dispersed across all client segments by asset size. This year has seen a relative increase in participation by large and very large clients of Fidelity, who together account for over 62% of responses by weight.

Fidelity itself describes its overall client base as broadly spread across all asset sizes. Forty percent have assets under management of over \$1 billion, while 19% are at the smaller end of the scale with AuM of less than \$100 million. Fidelity Prime Services maintains a physical presence in Boston, New York, Dallas, and San Francisco.

Service model

Fidelity Prime Services has a service model where each account is assigned a single point of contact. The account manager serves as the primary point of contact for all matters including securities finance and margin and liaises with the various operational, reporting, and support teams.

Overall Fidelity outperforms the market average though for a client base largely restricted to North America. One non-US respondent remarks that, "They offer a PB Lite model – one market and one product set. They offer a simple service without any of the frills, but they do it well. Financing rates are competitive."

Leading clients, who account for some 8% of Fidelity's responses by weight, are the most generous in their ratings allowing Fidelity significantly to outperform in most areas for this segment. Only financing falls short of the market average for leading clients. By contrast, client service and securities lending, followed by cap intro and reputation, are amongst the highest scores awarded for any service area by any client segment.

Small clients appear to be the least impressed client group, though Fidelity still manages to match the market average for this group. Cap intro services are rated as only satisfactory by

Service area

	2015	2014	Difference (2015-14)
Client service	6.31	6.47	-0.16
Operations	6.20	6.34	-0.14
Financing and margining	5.92	6.25	-0.33
Securities lending	6.15	6.07	0.08
Reporting	6.24	6.29	-0.05
Technology	6.24	6.18	0.06
Hedge fund consulting	6.07	5.61	0.46
Capital introductions	5.68	6.03	-0.35
Value	6.37	6.34	0.03
Reputation	6.15	6.28	-0.13

this segment, which, however, only accounts for just over 8% of Fidelity responses by weight, compared with over 20% in 2014. The starkest contrast in appreciation between the two ends of the client scale by size is in perceptions of Fidelity's effectiveness in introducing client funds to actively allocating investors.

When it comes to individual comments from North American respondents, client service is the most frequently praised area, followed by low cost borrow rates. Fidelity leverages its large and diverse retail network and institutional presence with a network of over 20 million personal accounts and \$5 trillion in customer assets under administration. To complement Fidelity's internal supply, it maintains relationships with some of the largest custodial banks and bulge bracket broker/dealers, and participates in the purchase of exclusive portfolios.

One medium-sized client comments that, "When their internal borrow dries up, stock loan rates can rise very quickly." However, Fidelity has created PB Optimize, a securities lending pricing tool that displays, compares and ranks securities lending rates and performance from various prime brokers. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	95.5	98.3
Rest of the world	N/A	N/A
UK	4.5	1.7

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	17.3	15.5
of which leading	(7.9)	(6.9)
Large	45.1	31.0
Medium	29.3	32.8
Small	8.3	20.7

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	1.1	N/A
Weight of responses	1.2	N/A
Anomalous responses	0.2	N/A
Leading responses	0.9	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	0.4	
% of total 2 broker responses	1.1	0.0
% of total 3 broker responses	1.5	33.3
% of total 4+ broker responses	1.6	9.1

Concept Capital Markets, LLC

Concept Capital is an introducing prime broker. As such it provides client-facing services to hedge funds while assets are held by one of the larger banks. This model has long been used by smaller hedge funds as a way to access a prime broker who might not be able to service them on a direct basis. Operating in conjunction with a firm like Concept allows large prime brokers to have business from smaller hedge funds without having to deal with all the day-to-day client matters, such as custom reporting which might not be economic for them.

A successful model for a new era

The Concept model has benefited from a combination of organic growth, acquisition (the businesses of I.A. Englander and Lazard were acquired in 2014) and turbulence in the market for prime services to grow its business. It remains heavily focused on North American clients, and responses are dominated by small and medium sized clients. This no doubt has an effect on scores, but on a normalised basis these were exceptional in 2015, with an average higher than that recorded in 2014, despite having more respondents.

Client Service and Operations each received an average score of better than 6.50. The service philosophy is perhaps best summed up by one client comment. “High touch with personnel that 1) care about the client, 2) are not novices – they know as much/more about our business as we do.” Interestingly Concept also scored well in terms of Reputation. Not being a large Wall Street firm may well have helped it maintain the trust of its clients and sense of specific purpose in the industry. Technology was also well regarded by clients in terms of scores.

Service area

	2015	2014	Difference (2015-14)
Client service	6.50	6.28	0.22
Operations	6.54	6.34	0.20
Financing and margining	6.10	6.16	-0.06
Securities lending	5.94	5.88	0.06
Reporting	6.03	5.89	0.14
Technology	6.27	6.10	0.17
Hedge fund consulting	5.73	6.13	-0.40
Capital introductions	4.61	4.07	0.54
Value	6.17	6.34	-0.17
Reputation	6.48	6.19	0.29

More to be done?

The one area where clients did want to see more was in Capital introduction. Scores here were comfortably ahead of those seen in 2014 but still averaged well below 5.0 (good). This is something that some clients have asked for and others may have expected. That largely explains the low scores, which themselves are not necessarily a problem.

However, more than one quarter of respondents who mentioned an area they would like to see strengthened mentioned that area, more than any other aspect of service. Some clients also commented on a need for further investment in reporting to enhance timeliness of provision of data and more flexibility in terms of how it is accessed. Securities lending was the other area where the average was below 6.0 (very good) with a number of clients interested in better access to hard-to-borrow securities.

Overall Concept has had an excellent year and is well positioned to further extend its business among clients within its target group. ■

Respondent profile

By geography	Responses % by weight 2015	Responses % by weight 2014
Asia	N/A	N/A
Europe ex-UK	N/A	N/A
North America	96.2	96.1
Rest of the world	N/A	N/A
UK	3.8	3.9

By size	Responses % by weight 2015	Responses % by weight 2014
Very large	N/A	N/A
of which leading	(N/A)	(N/A)
Large	N/A	2.0
Medium	33.3	15.7
Small	66.7	82.3

Market position

Market share	Responses % by weight 2015	Responses % by weight 2014
Number of responses	1.8	N/A
Weight of responses	0.9	N/A
Anomalous responses	2.2	N/A
Leading responses	N/A	N/A

Multi-broker position	Responses % by weight 2015	% where ranked #1
% of total single broker responses	6.4	
% of total 2 broker responses	0.9	80.0
% of total 3 broker responses	0.5	0.0
% of total 4+ broker responses	0.0	0.0

Global Prime Partners Ltd

Global Prime is a boutique firm that is growing rapidly in terms of client numbers with a specific business aimed at aggregating the business of smaller hedge funds and effecting their business on a 'consolidated' basis with a small number of larger prime brokers. Recent trends in the industry have increased the attractiveness of that kind of service and Global Prime is a beneficiary.

This is the first year that Global prime has attracted enough responses to merit a direct profile in the survey. Response numbers remain modest compared to major players and are naturally concentrated in smaller clients. However there is a broad geographic mix and a high level of satisfaction throughout the client base. Scores averaged better than 6.0 (very good) in all but three categories. Only in securities lending were score lower than might be expected as the position in Capital introduction and consulting services was that they saw lower scores across the entire survey.

The business success of Global Prime is built around excellence in client service and the average normalised score of 6.59 reflects this. When asked to name specific strengths, more than 80% cite customer service; typically people, process and pro-activeness. One client commented extremely positively concluding, "Outstanding team. High level of service and

Service area			
	2015	2014	Difference (2015-14)
Client service	6.59	N/A	N/A
Operations	6.34	N/A	N/A
Financing and margining	6.18	N/A	N/A
Securities lending	5.55	N/A	N/A
Reporting	6.07	N/A	N/A
Technology	6.27	N/A	N/A
Hedge fund consulting	5.98	N/A	N/A
Capital introductions	5.60	N/A	N/A
Value	6.25	N/A	N/A
Reputation	6.52	N/A	N/A

commitment. True business partners with us in executing our strategies." The firm is also noted for the transparency of its fees and costs which is important for smaller clients. The key challenge for the firm in the future will be to maintain quality while growing the business. That in turn will depend on the quality of the relationships it can build with its providers. The progress to date is however impressive and augurs well for the future. ■

Jefferies

Jefferies attracts a relatively small number of responses, the vast majority from North America, though spread across all client categories by size. It is indeed amongst its largest respondents that Jefferies does best.

Based on responses received, Jefferies has turned in a creditable performance this year, outperforming in all service areas and improving on last year's results in all service areas bar client service.

Its largest clients appear to be the most satisfied overall, awarding particularly high marks for hedge fund consulting, securities lending and reporting. Small clients too seem particularly impressed with the firm's consulting and securities lending capability. This client segment, however, rates capital introduction services as very weak. In fact, ratings for cap intro rise to Very Good (6 or above) as client asset size increases.

Ratings for reporting exhibit a less consistent pattern. Medium and very large clients rate this service area highly, while those in the small and large categories regard Jefferies' reporting services as close to the threshold between Good and Satisfactory. The biggest gap in appreciation of reporting services is for timeliness in delivery of reports. Very large clients award Jefferies an almost perfect score for this, while small clients are only barely satisfied.

Service area			
	2015	2014	Difference (2015-14)
Client service	5.98	6.22	-0.24
Operations	6.17	6.19	-0.02
Financing and margining	6.18	6.16	0.02
Securities lending	6.66	5.52	1.14
Reporting	6.10	6.04	0.06
Technology	6.40	5.91	0.49
Hedge fund consulting	6.60	4.98	1.62
Capital introductions	5.51	4.80	0.71
Value	6.21	6.00	0.21
Reputation	5.98	5.77	0.21

A small handful of Jefferies respondents, all of medium size, chooses to embellish the scores they award with additional comment. One marks out the firm's consulting and research group for praise, while another describes the firm as "very responsive and flexible". Only one respondent identifies capital introduction services as needing improvement.

On this set of results, Jefferies has done a very good job of keeping its largest clients happy, but needs to work on making sure its smallest respondents continued to feel valued. ■

An industry still growing?



Best of the rest

Each of the providers listed on the previous pages obtained responses from a number of clients that represented at least 0.5% of the total. That was not a formal qualifying criterion, but represents a natural divide between them and the large number of other firms that remain active in the business. The biggest, in terms of response numbers, of the rest was Maxim Group, LLC. Maxim itself is a boutique investment bank, which offers a full range of prime broker services to a number of hedge fund clients. Responses to the Survey were from small, US hedge funds. Even allowing for this scores were generally very good with particular strength noted in both Client service and Technology. Perhaps understandably given the nature of its overall business the scores for Capital introduction were its weakest.

The Canadian conundrum

Three Canadian firms, TD Securities, BMO Capital Markets and RBC Capital Markets also received a reasonable level of responses as was noted in the Canada Table earlier. Responses from all three were concentrated on Canadian based hedge funds as would be anticipated. BMO achieved very strong scores for Reputation, Client service and Hedge fund consulting but performed less strongly in financing and securities lending. TD Securities responses came predominantly from larger sized funds and this may explain its relatively weak scores that failed to rise above 6.0 in nine of the ten categories.

Technology was viewed as a particular issue while Client service and consulting were comparative strengths. More than half of RBC's responses came from Very Large clients. Even so scores must be considered disappointing failing to beat 5.0 (good) the standard default score overall and in the majority of key categories, including both Reputation and Client service. In Canada CIBC also attracted a small number of responses but insufficient to make any assessment of capabilities, even in the context of the Canadian market.

Mixed performance

Other firms worth noting include ABN Amro Clearing, BTIG, Interactive Brokers, SEB and Wells Fargo Prime Services. Of these BTIG achieved the highest scores but had the fewest responses and the easiest 'demographic' among its clients. With the exception of Capital introduction scores were uniformly good with specific positives in the areas of Technology and Client service.

Wells Fargo and Interactive Brokers also scores well overall, without being outstanding in relation to others in the survey. Wells Fargo saw positive scores and comments for Operations and Client service, but performed less well in terms of financing. Interactive Brokers by contrast did well in financing and also Operations and Client service. SEB performance was acceptable but scaled few heights. Scores for Securities lending were an unusual and perhaps useful stand out, and no areas showed particular vulnerability.

Finally ABN scores were disappointing, failing to achieve an average of better than 5.0 in any category. Comments were also on balance far less positive than those generally seen in the survey.

More than forty prime brokers

In addition to the ten names mentioned above a further eleven firms received some level of response to the survey. In many cases the lack of responses may simply illustrate the fact that their business is outside the main focus of the survey. However, in the changed regulatory environment and with hedge funds cutting rather than growing prime broker relationships there must come a point where being 'beneath the radar' becomes an untenable strategy. ■